Alliance HealthCare Services, Inc
Form DEFM14A
July 14, 2017
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

Filed by the Registrant                Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material under §240.14a-12

**Alliance HealthCare Services, Inc.**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: common stock of the Company, par value $0.01 per share ( Common Stock )

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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**ALLIANCE HEALTHCARE SERVICES, INC.**

**18201 Von Karman Avenue, Suite 600**

**Irvine, CA 92612**

July 14, 2017

Dear Stockholders:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders of Alliance HealthCare Services, Inc., which we refer to as Alliance or the Company . The annual meeting will be held at 9:00 a.m. (Pacific time) on August 15, 2017, at the Company s corporate headquarters located at 18201 Von Karman Avenue, Suite 600, Irvine, California 92612.

At the annual meeting, you will be asked to consider and vote upon a proposal to adopt an Agreement and Plan of Merger (as it may be amended from time to time, the Merger Agreement ), dated as of April 10, 2017, by and among the Company, Tahoe Investment Group Co., Ltd., an entity organized under the laws of the People s Republic of China ( Tahoe ), THAIHOT Investment Company Limited, an exempted company incorporated under the laws of the Cayman Islands and indirect wholly owned subsidiary of Tahoe ( THAIHOT ), THAIHOT Investment Company US Limited, a Delaware corporation and indirect wholly owned subsidiary of Tahoe ( Parent ), and Alliance Healthcare Services Merger Sub Limited, a Delaware corporation and wholly owned subsidiary of Parent ( Sub and, together with Tahoe, THAIHOT and Parent, the Purchaser Parties ), pursuant to which Sub will be merged with and into the Company and each share of common stock of the Company, par value $0.01 per share (referred to as the Common Stock ), outstanding immediately prior to the effective time of the merger (other than shares beneficially owned by the Purchaser Parties or any of their affiliates (referred to collectively as the Purchaser Group ), shares owned by Alliance, and shares for which appraisal rights have been properly and validly perfected and not withdrawn or lost) will be converted into the right to receive $13.25 in cash, without interest and less any applicable withholding taxes, as more fully described in the accompanying proxy statement. The $13.25 per share being paid in the merger represents a premium of approximately 67% over Alliance s closing trading price of $7.95 per share of our Common Stock on December 9, 2016, the last trading day prior to Tahoe s initial proposal was publicly disclosed, and a premium of 38% over the $9.60 purchase price per share initially offered by Tahoe.

The proposed merger is a going private transaction under Securities and Exchange Commission rules. Following the merger, 95% of the outstanding common stock of Parent will be indirectly owned by Mr. Qisen Huang, the Executive Chairman of Alliance s board of directors, which we refer to as our Board.

To assist in evaluating the fairness of the merger to the Company and our stockholders other than the Purchaser Group and the Section 16 officers of Alliance (determined pursuant to Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended, and referred to as the Section 16 Officers ), our Board formed a special committee of independent and disinterested directors to consider and negotiate the terms and conditions of the merger and to make a recommendation to our Board.

Our Board (with Mr. Qisen Huang, Mr. Heping Feng and Dr. Tao Zhang recusing themselves), acting on the unanimous recommendation of the special committee, has approved the Merger Agreement and determined that the Merger Agreement and the transactions contemplated by it are advisable and in the best interests of and fair to the Company and its stockholders (other than the Purchaser Group and affiliates of Alliance, including its officers and directors). **Our Board unanimously (other than Mr. Huang, Mr. Feng and Dr. Zhang) recommends that the**

**stockholders of the Company vote FOR the proposal to adopt the Merger Agreement.** Mr. Huang, Mr. Feng and Dr. Zhang recused themselves from the vote of the Board because of their affiliation with Tahoe.

At the annual meeting, you will also be asked to consider and vote on a number of other proposals, which are listed in the attached Notice of Annual Meeting of Stockholders. The enclosed proxy statement describes the Merger Agreement, the merger and related agreements, and the other proposals for the annual meeting. It also

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provides specific information concerning the annual meeting. In addition, you may obtain information about us from documents filed with the Securities and Exchange Commission. We urge you to, and you should, read the entire proxy statement carefully, including the annexes, as it sets forth the details of the Merger Agreement and other important information related to the merger and the other proposals.

**Your vote is very important. The merger cannot be completed unless holders of (i) a majority of the aggregate voting power of the outstanding shares of Common Stock vote in favor of adoption of the Merger Agreement and (ii) a majority of the outstanding shares of Common Stock (not beneficially owned by the Purchaser Group or any Section 16 Officer) vote in favor of adoption of the Merger Agreement. If you fail to vote on the Merger Agreement, the effect will be the same as a vote against adoption of the Merger Agreement.**

While stockholders may exercise their right to vote their shares in person, we recognize that many stockholders may not be able to attend the annual meeting. Accordingly, we have enclosed a proxy that will enable you to vote your shares on the matters to be considered at the annual meeting even if you are unable to attend. If you desire to vote in accordance with the Board s recommendation, you need only sign, date and return the proxy in the enclosed postage-paid envelope to record your vote. Otherwise, please mark the proxy to indicate your vote; date and sign the proxy; and return it in the enclosed postage-paid envelope. You also may vote your shares by proxy using a toll-free telephone number or the Internet. We have provided instructions on the proxy card for using these convenient services.

Submitting a proxy will not prevent you from voting your shares in person if you subsequently choose to attend the annual meeting. You may also access the proxy materials on the Internet at www.alliancehealthcareservices-us.com/proxy.

Sincerely,

Percy C. Tomlinson

*Chief Executive Officer*

**Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.**

This proxy statement is dated July 14, 2017 and, together with the enclosed form of proxy, is first being mailed to stockholders on or about July 17, 2017.

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**ALLIANCE HEALTHCARE SERVICES, INC.**

**18201 Von Karman Avenue, Suite 600**

**Irvine, CA 92612**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held August 15, 2017**

Dear Stockholders:

On August 15, 2017, Alliance HealthCare Services, Inc. (the Company ) will hold its Annual Meeting of Stockholders at its corporate headquarters located at 18201 Von Karman Avenue, Suite 600, Irvine, California 92612. The meeting will begin at 9:00 a.m. Pacific time.

The purpose of the meeting is:

1. to consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of April 10, 2017 (as it may be amended from time to time, the Merger Agreement ), by and among the Company, Tahoe Investment Group Co., Ltd., an entity organized under the laws of the People s Republic of China ( Tahoe ), THAIHOT Investment Company Limited, an exempted company incorporated under the laws of the Cayman Islands, THAIHOT Investment Company US Limited, a Delaware corporation, and Alliance Healthcare Services Merger Sub Limited, a Delaware corporation;

2. to consider and vote on a non-binding advisory resolution to approve the merger-related compensation of our named executive officers;

3. to elect Neil F. Dimick, Heping Feng and Paul S. Viviano to serve as Class I directors to hold office for a three-year term expiring at the 2020 annual meeting of stockholders or until their respective successors are elected and qualified;

4. to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017;

5. to consider and vote on a non-binding advisory resolution to approve the compensation of our named executive officers;

6. to consider and vote on a non-binding advisory resolution relating to the frequency of an advisory vote to approve the compensation of our named executive officers;

7. to approve the adjournment of the annual meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the annual meeting to approve adoption of the Merger Agreement, including the majority of the minority stockholder approval (as defined below);

and to act upon any other matter properly brought before the annual meeting or any adjournments or postponements of the annual meeting.

Our board of directors (referred to as the Board ) (with Mr. Qisen Huang, Mr. Heping Feng and Dr. Tao Zhang recusing themselves), acting on the unanimous recommendation of the special committee, has approved the Merger Agreement and determined that the Merger Agreement and the transactions contemplated by it are advisable and in the best interests of and fair to the Company and its stockholders (other than the Purchaser Group (as defined below) and affiliates of Alliance, including its officers and directors). **Our Board unanimously (other than Mr. Huang, Mr. Feng and Dr. Zhang), recommends that the stockholders of the Company vote FOR the proposal to approve the adoption of the Merger Agreement**. In addition, our Board urges you to vote FOR proposals 2, 4, 5 and 7 above, FOR each of the director nominees in Proposal 3 above, and for every 3 YEARS with respect to Proposal 6 above.

Your vote is very important, regardless of the number of shares of common stock of the Company, par value $0.01 per share ( Common Stock ) you own. The merger cannot be completed unless holders of (i) a majority of the aggregate voting power of the outstanding shares of Common Stock vote in favor of adoption of the Merger Agreement and (ii) a majority of the outstanding shares of Common Stock not beneficially owned by the Purchaser Parties or any affiliate (within the meaning of Rule 12b-2 under the Exchange Act) of any of the Purchaser Parties (the Purchaser Group ) or any Section 16 officer of Alliance (determined pursuant to Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended) vote in favor of adoption of the Merger Agreement (the majority of the minority stockholder approval ). If you fail to vote on the Merger Agreement, the effect will be the same as a vote against adoption of the Merger Agreement.

The holders of record of our Common Stock at the close of business on June 30, 2017, are entitled to notice of and to vote at the annual meeting or at any adjournment of the meeting. All stockholders of record are cordially invited to attend the annual meeting in person. Even if you plan to attend the annual meeting in person, we request that you complete, sign, date and return the enclosed proxy and thus ensure that your shares will be represented at the annual meeting if you are unable to attend. You also may vote your shares by proxy using a toll-free telephone number or the Internet. We have provided instructions on the proxy card for using these convenient services.

If you sign, date and return your proxy and voting instruction card(s) without indicating how you wish to vote, your proxy will be voted in favor of Proposals 1, 2, 4, 5 and 7, in favor of each of the director nominees in Proposal 3, and in favor of 3 YEARS with respect to Proposal 6. If you fail to attend the annual meeting or submit your proxy, it will have the same effect as a vote against the adoption of the Merger Agreement. You may revoke your proxy at any time before the vote at the annual meeting by following the procedures outlined in the enclosed proxy statement. If you are a stockholder of record, attend the annual meeting and wish to vote in person, you may revoke your proxy and vote in person.

The merger is described in the accompanying proxy statement, which we urge you to read carefully. A copy of the Merger Agreement is included as Annex A to the accompanying proxy statement.

By order of the Board of Directors

ALLIANCE HEALTHCARE SERVICES, INC.

**This proxy statement, our 2016 annual report to stockholders and a form of proxy card are**

**available at www.alliancehealthcareservices-us.com/proxy**

Irvine, California

July 14, 2017

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## Summary Term Sheet Relating to the Merger

This Summary Term Sheet discusses the material information regarding the merger contained in this proxy statement, but does not contain all of the information in this proxy statement that is important to your voting decision with respect to the adoption of the Merger Agreement or the other matters being considered at the annual meeting. We encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement, as this Summary Term Sheet may not contain all of the information that may be important to you. The items in this Summary Term Sheet include page references directing you to a more complete description of that topic in this proxy statement.

Throughout this proxy statement we refer to:

- Tahoe, THAIHOT, Parent and Sub as the Purchaser Parties ;

- the Purchaser Parties and any affiliate (within the meaning of Rule 12b-2 under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act ) of any of the Purchaser Parties as the Purchaser Group or Purchaser Group Members ;

- Percy C. Tomlinson, Rhonda A. Longmore-Grund, Richard W. Johns, Richard A. Jones, Gregory E. Spurlock, Christianna S. Rosow, Laurie R. Miller and Steven M. Siwek, each of whom are the officers of Alliance determined in accordance with Section 16(a)-1(f) of the Exchange Act, as the Section 16 Officers ;

- Mr. Qisen Huang, Mr. Heping Feng and Dr. Tao Zhang or any other person nominated to our Board by Tahoe or THAIHOT (each as defined below) pursuant to the Governance Agreement (as defined in this proxy statement) as the Designated Representatives ;

- The shares of Common Stock, collectively, which are not beneficially owned by the Purchaser Group Members and the Section 16 Officers as the unaffiliated shares ;

- The holders of Common Stock other than Purchaser Group Members and the affiliates of Alliance, including its officers and directors, as unaffiliated stockholders ; and

- The Board s determination that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the merger, are advisable and in the best interests of and fair to Alliance and Alliance s stockholders (other than any Purchaser Group Members and the affiliates of Alliance, including its officers and directors), the Board s approval of the Merger Agreement and the transactions contemplated thereby, including the merger; and the recommendation that the stockholders of Alliance approve the adoption of the Merger Agreement and the merger as the Company Recommendation.

**The Parties to the Merger Agreement (Page 66)**

Alliance HealthCare Services, Inc.

18201 Von Karman Avenue, Suite 600,

Irvine, California 92612

Alliance HealthCare Services, Inc., referred to herein as Alliance , the Company , we , our or us , is a Delaware corporation. Alliance is a leading national provider of outsourced medical services, including radiology, oncology and interventional. We provide a full continuum of services from mobile to comprehensive service line management and joint venture partnerships, which can include one or more of the following depending on the customer s needs: systems, technologists to operate the systems, sales and marketing, patient scheduling and pre-authorization, billing and payer management, equipment maintenance and upgrades, overall management of services and fixed-site operations including outpatient clinics and Ambulatory Surgical Centers.

1

Additional information about Alliance is contained in its public filings, which are incorporated by reference hereto. See *Where You Can Find Additional Information* beginning on page 145.

Tahoe Investment Group Co., Ltd.

No. 43 Hudong Road

Olympic Building

Fuzhou City, Fujian Province, China 350003

Tahoe Investment Group Co., Ltd., formerly Fujian Thai Hot Investment Co. Ltd. and referred to herein as Tahoe , is an entity organized under the laws of the People s Republic of China. Tahoe was established by Mr. Qisen Huang and invests in various fields, such as finance, healthcare and real estate. As of the date of this proxy statement, Mr. Qisen Huang owns 95% of the outstanding shares of Tahoe.

THAIHOT Investment (Hong Kong) Company Limited

c/o Tahoe Investment Group Co., Ltd.

No. 43 Hudong Road

Olympic Building

Fuzhou City, Fujian Province, China 350003

THAIHOT Investment (Hong Kong) Company Limited is an entity organized under the laws of Hong Kong. THAIHOT Investment (Hong Kong) Company Limited is engaging in the business of investment holding and is a wholly owned subsidiary of Tahoe and the sole shareholder of THAIHOT. Its sole director is Mr. Qisen Huang.

THAIHOT Investment Company Limited

c/o Tahoe Investment Group Co., Ltd.

No. 43 Hudong Road

Olympic Building

Fuzhou City, Fujian Province, China 350003

THAIHOT Investment Company Limited, referred to herein as THAIHOT , is an exempted company incorporated under the laws of the Cayman Islands, an indirect wholly owned subsidiary of Tahoe and controlling stockholder of Alliance. As of the date of this proxy statement, Mr. Qisen Huang is the sole director of THAIHOT.

THAIHOT Investment Company US Limited

c/o Tahoe Investment Group Co., Ltd.

No. 43 Hudong Road

Olympic Building

Fuzhou City, Fujian Province, China 350003

THAIHOT Investment Company US Limited, referred to herein as Parent , is a newly formed Delaware corporation and indirect wholly owned subsidiary of Tahoe. As of the date of this proxy statement, Messrs. Qisen Huang and Yong Ge are the directors of Parent. Parent has not engaged in any business other than in connection with the merger and other related transactions.

Alliance Healthcare Services Merger Sub Limited

c/o Tahoe Investment Group Co., Ltd.

No. 43 Hudong Road

Olympic Building

Fuzhou City, Fujian Province, China 350003

Alliance Healthcare Services Merger Sub Limited, referred to herein as Sub , is a newly formed Delaware corporation and a wholly owned subsidiary of Parent. As of the date of this proxy statement, Messrs. Qisen Huang and Yong Ge are the directors of Sub. Sub has not engaged in any business other than in connection with the merger and other related transactions.

### The Merger Proposal

You are being asked to consider and vote upon the proposal to adopt the Merger Agreement. The Merger Agreement provides that Sub will be merged with and into the Company, and each outstanding share of Common Stock, other than shares beneficially owned by the Purchaser Group Members, Alliance, and the holders of Common Stock who have properly and validly perfected, and not effectively withdrawn or lost, their statutory appraisal rights under Delaware law (referred to as dissenting shares ), will be converted into the right to receive $13.25 in cash per share, without interest and less any required withholding taxes.

If the merger is consummated, Alliance will become a privately held company, wholly owned by Parent. Parent will be indirectly owned and controlled by Mr. Qisen Huang.

### Conditions to the Merger (Page 86)

The obligations of Alliance, on the one hand, and the Purchaser Parties, on the other hand, to consummate the merger are subject to the satisfaction (or mutual waiver by Alliance and the Purchaser Parties, if permissible under applicable law, other than the first condition below, which cannot be waived, at or before the effective time, of the following conditions:

- that holders of a majority of the outstanding shares of Common Stock (not beneficially owned by the Purchaser Group Members or Section 16 Officers) have voted in favor of adoption of the Merger Agreement (we refer to this condition as the majority of the minority stockholder approval requirement);

- that holders of a majority of the outstanding shares of Common Stock have voted in favor of adoption of the Merger Agreement (we refer to this condition as the statutory stockholder approval requirement, and, together with the majority of the minority stockholder approval requirement, as the requisite stockholder approval requirement);

- that no governmental entity of any competent jurisdiction shall have enacted, issued or entered any order or law or taken any other action which is then in effect and has the effect of enjoining, restraining or otherwise prohibiting the consummation of the merger; and

- that following the filing by the applicable Purchaser Parties of an overseas investment registration with the National Development and Reform Commission of the People s Republic of China or its competent local counterparts (collectively referred to as the NDRC ) with respect to the merger, the applicable Purchaser Parties shall have received a written acknowledgement by the NDRC that the registration has been completed.

The obligation of Alliance to effect the merger is subject to the satisfaction or waiver by Alliance, at or before the effective time, of the following conditions:

the continued accuracy of the representations and warranties of the Purchaser Parties in the Merger Agreement as of the closing date (except for certain representations and warranties which must remain accurate as of a specified date);

that each of the Purchaser Parties shall have in all material respects performed all obligations and complied with all covenants required by the Merger Agreement to be performed or complied with by it at or prior to the closing of the merger; and

that prior to the mailing of this proxy statement, Parent shall have deposited into a special purpose account in Hong Kong sufficient funds in U.S. dollars for timely payment of the aggregate merger consideration.

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The obligation of the Purchaser Parties to effect the merger is subject to the satisfaction or waiver by the Purchaser Parties, at or before the effective time, of the following conditions:

- the continued accuracy of the representations and warranties of Alliance in the Merger Agreement as of the closing date (except for certain representations and warranties which must remain accurate as of a specified date); and

- that Alliance shall have in all material respects performed all obligations and complied with all covenants required by the Merger Agreement to be performed or complied with by it at or prior to the effective time.

**When the Merger Will be Completed (Page 86)**

We anticipate completing the merger in the third quarter of 2017, subject to adoption of the Merger Agreement by Alliance s stockholders as specified in this proxy statement, and the satisfaction of the other closing conditions.

**Purposes and Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger (Page 27)**

Based in part on the unanimous recommendation of the members of a committee of independent and disinterested directors that was established by the Board (referred to as the Special Committee ), among other things, to evaluate and negotiate a potential transaction with Tahoe, the Board unanimously (with Messrs. Qisen Huang, Heping Feng and Tao Zhang recusing themselves) determined that the Merger Agreement and the transactions contemplated by it, including the merger, are advisable and in the best interests of, and fair to, Alliance and the unaffiliated stockholders. The Board unanimously (with Messrs. Qisen Huang, Heping Feng and Tao Zhang recusing themselves) recommends that the stockholders of Alliance vote FOR the proposal to adopt the Merger Agreement. For a description of the reasons considered by the Special Committee and the Board for their recommendations, see *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger* beginning on page 27. For descriptions of the fairness determinations made by the Special Committee, the Board and the Purchaser Group, see *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger* beginning on page 27 and *Special Factors Position of the Purchaser Group as to Fairness of the Merger* beginning on page 39.

The purpose of the merger for Alliance is to enable its stockholders to realize the value of their investment in Alliance through their receipt of the $13.25 in cash per share (referred to as the Merger Consideration ), representing a premium of 67% over the trading price of $7.95 per share of our Common Stock on December 9, 2016, the last trading day prior to the date Tahoe s initial proposal was publicly disclosed, and a premium of 38% over the $9.60 purchase price per share initially offered by Tahoe.

**Opinion of Financial Advisor to the Special Committee (See Page 33 and Annex B)**

In connection with the merger, the Special Committee s financial advisor, Lazard, rendered its oral opinion to the Special Committee, subsequently confirmed in writing, to the effect that, as of such date and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth in the opinion, the $13.25 per share cash Merger Consideration to be paid to the holders of Common Stock (other than shares of Common Stock held by any stockholder who properly demands appraisal rights, shares of Common Stock held by Alliance as treasury stock, or shares of Common Stock held by Purchaser Group Members (collectively, the excluded holders )) pursuant to the

Merger Agreement was fair, from a financial point of view, to such holders.

**Purchaser Group Members   Purposes and Reasons for the Merger (Page 38)**

The Purchaser Group Members believe that as a private company Alliance will have greater operating flexibility, and management will be able to more effectively concentrate on long-term growth and reduce its

focus on the quarter-to-quarter performance often emphasized by the public markets. Moreover, Alliance will not be subject to certain obligations and constraints, and related costs, associated with having publicly traded equity securities.

**Position of the Purchaser Group as to Fairness of the Merger (Page 39)**

Each of the Purchaser Group Members believes that the merger is substantively and procedurally fair to Alliance s unaffiliated stockholders. Their belief is based on the factors described in *Special Factors Position of the Purchaser Group as to Fairness of the Merger* beginning on page 39.

**Certain Effects of the Merger (Page 42)**

If the conditions to the closing of the merger are either satisfied or, to the extent permitted, waived, Sub will be merged with and into Alliance, the separate corporate existence of Sub will cease and Alliance will continue its corporate existence under Delaware law as the surviving corporation in the merger, with all of its rights, privileges, immunities, powers and franchises continuing unaffected by the merger. Upon completion of the merger, the Common Stock, other than shares beneficially owned by the Purchaser Group Members, shares owned by Alliance, or shares owned by holders of dissenting shares, will be converted into the right to receive $13.25 per share, without interest and less any required withholding taxes. Following the completion of the merger, the Common Stock will no longer be publicly traded, and stockholders (other than the stockholders of Parent through their interest in Parent) will cease to have any ownership interest in Alliance.

**Treatment of Alliance Equity Awards in the Merger (Page 76)**

*Options*

At or immediately prior to the effective time of the merger, each option to purchase shares of Common Stock outstanding under the 1999 Equity Plan for Employees and Directors of Alliance, as amended and restated on April 27, 2016, or any other stock option, stock incentive or equity compensation plan or agreement sponsored or maintained by Alliance, referred to as Alliance Equity Plans , that has an exercise price per share of Common Stock underlying such option that is less than the Merger Consideration, also referred to as an in-the-money company stock option , whether or not exercisable or vested, shall be cancelled and converted into the right to receive an amount in cash determined by multiplying (i) the excess of the Merger Consideration over the option exercise price of such in-the-money company stock option by (ii) the number of shares of Common Stock subject to such in-the-money company stock option. At or immediately prior to the effective time, each company stock option that has an option exercise price that is equal to or greater than the Merger Consideration, whether or not exercisable or vested, shall be cancelled without payment.

*Restricted Stock Units*

At or immediately prior to the effective time of the merger, each award of restricted stock units with respect to shares of Common Stock granted under the Alliance Equity Plans, referred to as a company RSU award , that is outstanding immediately prior to the effective time, after giving effect to any accelerated vesting as a result of the transactions contemplated by the Merger Agreement, shall be cancelled and converted into the right to receive a restricted cash award in an amount in cash equal to (i) the number of shares of Common Stock subject to such company RSU award immediately prior to the effective time multiplied by (ii) the Merger Consideration.

**Interests of Alliance s Directors and Executive Officers in the Merger (Page 54)**

In considering the recommendations of the Special Committee and of the Board with respect to the Merger Agreement, you should be aware that, aside from their interests as stockholders of Alliance, Alliance s directors

and executive officers have interests in the merger that may be different from, or in addition to, those of other stockholders of Alliance generally. In particular, Mr. Qisen Huang, as the controlling owner of Tahoe, will indirectly control Alliance following the merger. Interests of executive officers and directors that may be different from or in addition to the interests of Alliance s stockholders include:

- The vesting of their in-the-money company stock options will be accelerated pursuant to the terms of the Merger Agreement, and will be converted into the right to receive cash payments.

- Company RSU awards held by executive officers will be cancelled and converted into the right to receive restricted cash awards subject to the same vesting and payment conditions and schedules applicable to the company RSU awards immediately prior to the effective time.

- Company RSU awards held by non-employee directors will be accelerated pursuant to the terms of the awards and will be converted into the right to receive cash payments.

- Certain executive officers may receive benefits under severance agreements in the event of a termination of employment without cause or for good reason that could occur following the merger.

- Alliance s executive officers as of the effective time of the merger will become the initial executive officers of the surviving corporation.

- Alliance s directors and executive officers are entitled to continued indemnification and insurance coverage under the Merger Agreement, and Alliance s directors and certain executive officers are entitled to continued indemnification and insurance coverage under indemnification agreements.

- Members of the Special Committee are receiving compensation for their service on the Special Committee.

The Special Committee and the Board were aware of the different or additional interests described in this proxy statement and considered those interests along with other matters in recommending and/or approving, as applicable, the Merger Agreement and the transactions contemplated by it.

**Regulatory Matters (Page 59)**

No material federal or state regulatory approvals, filings or notices are required in connection with the merger other than the filing of an overseas investment registration with the NDRC by the applicable Purchaser Parties and the filing of a certificate of merger with the Secretary of State of the State of Delaware by the Company and Sub.

**Termination (Page 87)**

Alliance and Parent may terminate the Merger Agreement by mutual written consent at any time before the effective time, whether prior to or after receipt of the requisite stockholder approval. In addition, either Alliance or Parent (as applicable) may terminate the Merger Agreement, subject to various exceptions described under *The Merger Agreement Termination,* if:

any governmental entity having competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law or order which is then in effect or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the merger, and such order or other action is final and nonappealable, subject to certain exceptions;

the requisite stockholder approval shall not have been obtained at the annual meeting;

the merger has not been completed by December 15, 2017 (referred to as the Termination Date ), subject to the right of Alliance to extend the Termination Date for a single additional 60-day period in certain circumstances enumerated in the Merger Agreement related to restraints under the law of the People s Republic of China or failure to complete registration with the NDRC; or

prior to obtaining the requisite stockholder approval, the Board or the Independent Committee shall have made a Change in Recommendation.

Parent may terminate the Merger Agreement if there is a breach or failure of any representation, warranty, covenant or agreement of the Company, which breach or failure has given rise to or would reasonably be likely to give rise to the failure of a condition to the Purchaser Parties obligations to complete the merger, and such condition would not be capable of being satisfied prior to the Termination Date, or if capable of being satisfied, the failure of the condition is not cured within 30 business days following receipt of written notice from Parent.

Alliance may terminate the Merger Agreement if:

there is a breach or failure of any representation, warranty, covenant or agreement of the Purchaser Parties, which breach or failure has given rise to or would reasonably be likely to give rise to the failure of a condition to the Company s obligations to complete the merger, and such condition would not be capable of being satisfied prior to the Termination Date, or if capable of being satisfied, the failure of the condition is not cured within 30 business days following receipt of written notice from the Company;

all conditions to the Purchaser Parties obligations to complete the merger have been satisfied or waived (except those to be satisfied at closing), Alliance has irrevocably confirmed in writing to Parent that the closing conditions specific to Alliance have been satisfied or Alliance is willing to waive them and is prepared to close, and the Purchaser Parties fail to consummate the closing within five business days after the date that the closing should have occurred under the Merger Agreement; or

prior to the date that Alliance has notified Parent that it is prepared to mail the proxy statement (but at least 60 days after the date of the Merger Agreement), Parent shall have failed to deposit or caused to be deposited into a special purpose account sufficient funds for timely payment of the aggregate Merger Consideration.

**Expense Reimbursement Provisions (Page 88)**

Alliance is required to pay Parent an amount equal to $1,500,000 (referred to as the Alliance Expense Reimbursement ) in the event that Alliance or Parent terminates the Merger Agreement following the Board or Independent Committee s Change in Recommendation.

Parent is required to pay Alliance an amount equal to $4,500,000 (referred to as the Parent Expense Reimbursement ) under the following circumstances:

in the event that the Merger Agreement is terminated by Alliance: (i) as a result of a breach or failure of any representation, warranty or covenant of any Purchaser Party set forth in the Merger Agreement; (ii) because the Purchaser Parties fail to complete the merger within five (5) business days following the date on which the closing should have occurred; or (iii) because Parent failed to deposit into a special purpose account in Hong Kong sufficient funds in U.S. dollars for timely payment of the aggregate Merger Consideration; or

in the event that the Merger Agreement is terminated by either Alliance or Parent: (i) because the merger has not occurred by the Termination Date, at a time when the obligations of the Purchaser Parties to close have been satisfied or waived (other than those to be satisfied at closing, one or more conditions relating to a law or order of the People s Republic of China, or the condition relating to registration with the NDRC); or (ii) due to an order from a governmental entity in the People s Republic of China or any law of the People s Republic of China.

**Specific Performance (Page 89)**

Under certain circumstances, Alliance and the Purchaser Parties are entitled to specific performance of the terms of the Merger Agreement, in addition to any other remedy at law or equity.

**Financing (Page 53)**

Alliance and the Purchaser Parties estimate that the total amount of funds required to complete the merger and related transactions and pay related fees and expenses will be approximately $75 million. The Purchaser Parties intend to fund this amount from cash on hand (as further described in *Special Factors Financing* ).

**Material U.S. Federal Income Tax Consequences of the Merger (Page 56)**

If you are a U.S. holder, the receipt of cash in exchange for Common Stock pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes. You should consult your own tax advisors regarding the particular tax consequences to you of the exchange of Common Stock for cash pursuant to the merger in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws).

**The Annual Meeting (Page 70)**

The annual meeting will be held at the Company s corporate headquarters located at 18201 Von Karman Avenue, Suite 600, Irvine, California 92612, on August 15, 2017, beginning at 9:00 a.m. Pacific time.

**Record Date and Quorum (Page 70)**

The holders of record of the Common Stock as of the close of business on June 30, 2017 (the record date for determination of stockholders entitled to notice of and to vote at the annual meeting) are entitled to receive notice of and to vote at the annual meeting.

The presence at the annual meeting, in person or by proxy, of the holders of a majority of shares of Common Stock outstanding on the record date and entitled to vote will constitute a quorum, permitting the Company to conduct its business at the annual meeting.

**Required Votes (Page 71)**

For the Company to complete the merger, under Delaware law, stockholders holding at least a majority in aggregate voting power of the Common Stock outstanding at the close of business on the record date must vote FOR the adoption of the Merger Agreement. In addition, it is a condition to the consummation of the merger that stockholders holding at least a majority of shares of outstanding Common Stock at the close of business on the record date and not owned by the Purchaser Group Members or Section 16 Officers must vote FOR the adoption of the Merger Agreement.

**Litigation (Page 64)**

On May 5, 2017 and May 15, 2017, the Company received letter from two purported stockholders demanding inspection of the Company s books, records, and other documents under Section 220 of the DGCL (together, the Demands ). The Demands allege mismanagement and other wrongdoing on the part of the Board in approving the Merger, and contend that such mismanagement constitutes a breach of the Board s fiduciary duties. The Company believes that the allegations in each Demand are meritless and intends to defend vigorously against any litigation that might be filed in connection with the allegations.

**Dissenters Rights of Appraisal (Page 60 and Annex C)**

Alliance stockholders who do not vote in favor of adoption of the Merger Agreement, who properly demand appraisal of their shares of Common Stock and who otherwise comply with all the requirements of Section 262 of the General Corporation Law of the State of Delaware (the DGCL ) will be entitled to seek appraisal for, and obtain payment in cash for the judicially determined fair value of, their shares of Common Stock in lieu of receiving the Merger Consideration if the merger is completed. In addition to not voting in favor of the merger, the stockholder must deliver to Alliance a written demand for appraisal of such stockholder s shares prior to the vote on the Merger Agreement and continue to hold such shares until the consummation of the merger.

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## QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND THE MERGER

The following questions and answers address briefly some questions you may have regarding the annual meeting, the Merger Agreement and the merger. These questions and answers may not address all questions that may be important to you as a stockholder of Alliance. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement.

1. Q: **Why am I receiving these materials?**

A: On April 10, 2017, Alliance entered into the Merger Agreement pursuant to which, among other things, Sub, an indirect wholly owned subsidiary of Tahoe, will merge with and into Alliance, with Alliance continuing as the surviving corporation in the merger and a wholly owned subsidiary of Parent. The Board is furnishing this proxy statement and form of proxy card to the holders of Common Stock in connection with the solicitation of proxies in favor of the proposal to adopt the Merger Agreement and the other matters to be voted on at our 2017 Annual Meeting of Stockholders or at any adjournments or postponements of the meeting.

This proxy statement, which you should read carefully, contains important information about the merger, the Merger Agreement, the annual meeting and the other matters to be voted on at our annual meeting. The enclosed materials allow you to submit a proxy to vote your shares of Common Stock without attending the annual meeting and to ensure that your shares of Common Stock are represented and voted at the annual meeting.

2. Q: **What will I receive in the merger?**

A: If the merger is completed and you do not properly exercise your appraisal rights, you will be entitled to receive $13.25 in cash, without interest and less any required withholding taxes, for each share of Common Stock that you own. You will not be entitled to receive shares in the surviving corporation, Parent, THAIHOT or Tahoe.

3. Q: **When and where is the annual meeting?**

A: The annual meeting will be held at 9:00 a.m. (Pacific time) on August 15, 2017, at our corporate headquarters located at 18201 Von Karman Avenue, Suite 600, Irvine, California 92612.

4. Q: **Who is entitled to vote at the annual meeting?**

A: Record holders of our Common Stock as of the close of business on June 30, 2017, referred to as the record date , are entitled to vote at the annual meeting. As of the record date, 10,831,300 shares of Common Stock were outstanding. Each holder of record of Common Stock on the record date will be entitled to one vote for each share on all matters to be voted on at the annual meeting.

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5. Q: **What matters will be voted on at the annual meeting?**

A: You will be asked to consider and vote on the following proposals:

(1) to adopt the Merger Agreement;

(2) to approve, by non-binding, advisory vote, the merger-related compensation that will become payable to our named executive officers;

(3) to elect Neil F. Dimick, Heping Feng and Paul S. Viviano to serve as Class I directors;

(4) to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017;

(5) to approve, by non-binding advisory vote, the compensation of our named executive officers;

(6) to approve, by non-binding advisory vote, the frequency of an advisory vote to approve the compensation of our named executive officers;

(7) to approve the adjournment of the annual meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the annual meeting to approve adoption of the Merger Agreement, including the majority of the minority stockholder approval;

and to act upon any other matter properly brought before the annual meeting or any adjournments or postponements of it.

6. Q: **What vote of our stockholders is required to adopt the Merger Agreement?**

A: For the Company to complete the merger, under Delaware law, stockholders holding at least a majority in aggregate voting power of Common Stock outstanding at the close of business on the record date must vote FOR adoption of the Merger Agreement. In addition, it is a condition to

completion of the merger that stockholders holding at least a majority of the outstanding shares of the Common Stock at the close of business on the record date, excluding shares beneficially owned by the Purchaser Group Members or any Section 16 Officer, vote FOR adoption of the Merger Agreement.

**7. Q: What vote of our stockholders is required to approve other matters to be presented at the annual meeting?**

A: For purposes of Proposal 3 (election of directors), the election of each director nominee must be approved by a plurality of the votes cast by stockholders represented at the meeting in person or by proxy. Proposal 2 (advisory vote to approve merger-related executive compensation), Proposal 4 (ratification of auditors), Proposal 5 (advisory vote to approve executive compensation), Proposal 6 (advisory vote to approve frequency of an advisory vote to approve executive compensation), and Proposal 7 (adjournment proposal) require the affirmative vote of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote on the proposal. For purposes of Proposal 6, the choice that receives the highest number of votes cast will be considered by the Company to be the preferred advisory vote of stockholders.

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**8. Q: How does the Board recommend that I vote?**

A: Based in part on the unanimous recommendation of the Special Committee, the Board (other than Messrs. Qisen Huang, Heping Feng and Tao Zhang, who recused themselves) recommends that our stockholders vote:

FOR adoption of the Merger Agreement.

Our Board also recommends that you vote:

FOR each of the director nominees in Proposal 3;

FOR Proposals 2, 4, 5 and 7; and

For every 3 YEARS with respect to Proposal 6.

See *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger* beginning on page 27 for a discussion of the factors that the Special Committee and the Board considered in deciding to recommend and/or approve, as applicable, the Merger Agreement. See also *Special Factors Interests of Alliance s Directors and Executive Officers in the Merger* beginning on page 54.

**9. Q: What effects will the Merger have on Alliance?**

A: The Common Stock is currently registered under the Exchange Act, and is listed on the NASDAQ Global Market under the symbol AIQ. As a result of the merger, Alliance will cease to be a publicly traded company and will be wholly owned by Parent.

Following the consummation of the merger, the registration of the Common Stock and our reporting obligations with respect to the Common Stock under the Exchange Act will be terminated upon application to the SEC. In addition, upon the consummation of the merger, the Common Stock will no longer be listed on any stock exchange.

**10. Q: What will happen if the Merger is not consummated?**

A: If the merger is not consummated for any reason, Alliance s stockholders will not receive any payment for their shares of Common Stock in connection with the merger. Instead, Alliance will remain a public company and Alliance s Common Stock will continue to be listed and traded on NASDAQ. Under specified circumstances, Alliance will be required to pay Parent the Alliance Expense Reimbursement, which is an amount equal to $1,500,000, or Parent will be required to pay Alliance the Parent Expense Reimbursement, which is an amount equal to $4,500,000, if the Merger Agreement is terminated.

**11. Q: What will happen if the advisory proposals are not approved?**

A: Proposals 2, 4, 5 and 6 are advisory only and are not binding on the Company, whether or not the merger is completed. Our Board will consider the outcome of the vote on these proposals in considering what action, if any, should be taken in response to the advisory vote by stockholders. If the merger is completed, the merger-related compensation that is the subject of Proposal 2 may be paid to Alliance s named executive officers even if stockholders fail to approve this proposal.

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**12. Q: What do I need to do now?**

A: We urge you to read this proxy statement carefully, including its annexes and the documents referred to as incorporated by reference in this proxy statement, and consider how the merger affects you.

If you are a stockholder of record, you can ensure that your shares are voted at the annual meeting by submitting your proxy via:

telephone, using the toll-free number listed on your proxy and voting instruction card;

the Internet, at the address provided on your proxy and voting instruction card; or

mail, by completing, signing, dating and mailing your proxy and voting instruction card and returning it in the envelope provided.

If you hold your shares in street name through a broker, bank or other nominee, you should follow the directions provided by it regarding how to instruct it to vote your shares.

**13. Q: What will happen if I abstain from voting or fail to vote on the proposals presented at the annual meeting?**

A: If you vote ABSTAIN by proxy or in person at the annual meeting, it will have the same effect as a vote against the proposal to adopt the Merger Agreement and will have no effect on Proposal 3 (election of directors). For Proposal 2 (advisory vote on merger-related executive compensation), Proposal 4 (ratification of auditors), Proposal 5 (advisory vote on executive compensation), Proposal 6 (advisory vote on frequency of an advisory vote on executive compensation), and Proposal 7 (adjournment proposal), we will treat abstentions as shares present or represented and entitled to vote on those proposals. Accordingly, such a vote on Proposals 2, 4, 5 and 7 will have the same effect as a vote against those proposals, and will have no impact on the choice that is considered by the Company to be the preferred advisory vote of stockholders for purposes of Proposal 6.

If you fail to submit a proxy and do not attend the annual meeting, your shares of Common Stock will not be voted, and will have the same effect as voting against the proposal to adopt the Merger Agreement, but will have no effect on any of the other proposals.

**14. Q: Can I change my vote after I have delivered my proxy?**

A: Yes. If you are a stockholder of record, you can change your vote at any time before your proxy is voted at the annual meeting by properly delivering a later-dated proxy either by mail, the Internet or telephone or attending the annual meeting in person and voting (but simply attending the annual meeting will not cause your proxy to be revoked). You also may revoke your proxy by delivering a notice of revocation to the Company s corporate secretary prior to the vote at the annual meeting. If your shares of Common Stock are held in street name, you must contact your broker, dealer, commercial bank, trust company or other nominee to revoke your proxy.

**15. Q: Should I send in my stock certificates or other evidence of ownership now?**

A: No. After the merger is completed, you will be sent a letter of transmittal with detailed written instructions for exchanging your shares of Common Stock for the per share Merger Consideration. If your shares of Common Stock are held in street name by your broker, bank or other nominee, you may receive instructions from your broker, bank or other nominee as to what action, if any, you need to take to effect the surrender of your street name shares in exchange for the per share Merger Consideration. Do not send in your certificates now.

**16. Q: What happens if I sell my shares of Common Stock before completion of the merger?**

A: If you transfer your shares of Common Stock, you will have transferred your right to receive the Merger Consideration in the merger. In order to receive the Merger Consideration, you must hold your shares of Common Stock through completion of the merger.

The record date for stockholders entitled to vote at the annual meeting is earlier than the date on which the merger will be consummated. As such, if you transfer your shares of Common Stock after the record date but before the annual meeting, you will have transferred your right to receive the Merger Consideration in the merger, but retained the right to vote at the annual meeting.

**17. Q: Who can help answer my other questions?**

A: If you have more questions about the merger, or require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy and voting instruction card(s), please contact MacKenzie Partners, Inc., which is acting as the proxy solicitation agent and information agent in connection with the merger.

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

(212)929-5500 (Call Collect)

or

**Call Toll-Free (800) 322-2885**

If your broker, bank or other nominee holds your shares, you can also call your broker, bank or other nominee for additional information

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## SPECIAL FACTORS

### Background of the Merger

The Company s Board and management team regularly review the Company s long-term strategic plan, operational and financial performance, industry conditions, regulatory developments and potential opportunities with the goal of enhancing stockholder value. As part of these efforts, the Board and Company management review strategic alternatives regarding the operation of the business under its current long-term strategic plans, including potential business combinations, a sale of all or a portion of the Company, potential acquisitions, financings and other transactions with third parties. The Company did not enter into any confidentiality agreements with Tahoe or Party X, in connection with the discussions described below, and, except for the Governance Agreement described in more detail below, is not a party to any confidentiality agreement with a standstill provision which would prevent a party from making an offer to acquire the Company or the Minority Interest.

On March 29, 2016, THAIHOT, a wholly-owned indirect subsidiary of Tahoe (formerly known as Fujian Thai Hot Investment Co., Ltd.), completed its purchase of 5,537,945 shares of Common Stock from funds managed by Oaktree Capital Management, L.P. (OCM Principal Opportunities Fund IV, L.P. and Alliance-Oaktree Co-Investors, LLC) and MTS Health Investors, LLC, (MTS Health Investors II, L.P., Alliance-MTS Co-Investors I, LLC and Alliance-MTS Co-Investors II, LLC), and Larry C. Buckelew for approximately $102.5 million (the 2016 Acquisition ). As a result of the 2016 Acquisition, THAIHOT acquired approximately 51.5% of the outstanding shares of the Company. In connection with the 2016 Acquisition, Tahoe and THAIHOT entered into the Governance Agreement, pursuant to which, for a period of three (3) years from the date of the closing of the 2016 Acquisition, among other terms, conditions and limitations, (i) THAIHOT and its affiliates are prohibited from acquiring additional shares of Common Stock without the prior consent of a majority of the Board s directors who were unaffiliated with Tahoe, THAIHOT and their affiliates, and (ii) THAIHOT will have the right, for so long as it beneficially owns at least 35% of the Company s outstanding Common Stock, to nominate for election to the Board the number of directors necessary to comprise a majority of the Board (the Designated Representatives ). Pursuant to the Governance Agreement, Tahoe has chosen to nominate three (3) of the nine (9) directors as the Designated Representatives who are currently Mr. Qisen Huang, Mr. Heping Feng and Dr. Tao Zhang.

In connection with the 2016 Acquisition, the Board formed a special committee of independent and disinterested directors consisting of Neil F. Dimick, Paul S. Viviano and Edward L. Samek (the Former Independent Committee ). At that time, the Former Independent Committee formally engaged O Melveny & Myers LLP ( O Melveny ) to serve as its independent legal advisor and Richards, Layton & Finger, P.A. ( RLF ) to serve as its independent legal counsel with respect to Delaware law matters. The Former Independent Committee did not engage a financial advisor in connection with the 2016 Acquisition.

On August 15, 2016, Mr. Tomlinson met with the chief executive officer and chief financial officer of a publicly traded healthcare services company based in the United States ( Party X ) to discuss each party s business and strategic initiatives. During this conversation, the chief executive officer of Party X expressed an interest in exploring a potential acquisition of the outstanding shares of the Common Stock not held by THAIHOT (the Minority Interest ) and asked Mr. Tomlinson to coordinate a meeting between representatives of Tahoe and Party X to discuss the possibility of an acquisition by Party X of the Minority Interest. Party X did not provide a price at which it might be willing to acquire the Minority Interest.

On August 24, 2016, the Board held a telephonic meeting, at which Mr. Huang, Mr. Feng and Dr. Zhang were present, which was also attended by Messrs. Tomlinson and Johns. During the meeting, Mr. Tomlinson provided a summary of his meeting with Party X, including the request by the chief executive officer of Party X for a meeting with the

representatives of Tahoe, and the Board discussed a potential acquisition of the Minority Interest by Party X. The participants in the meeting noted that it would be very difficult to structure an acquisition by Party X of all of the outstanding Minority Interest without cooperation from Tahoe. During the discussion, the Designated Representatives informed the Board that Tahoe would be interested in meeting with Party X to discuss a potential acquisition of the Minority Interest by Party X, and the Designated Representatives

also informed the other members of the Board that if Party X were to pursue an acquisition of the Minority Interest, Tahoe may be interested in investing additional capital into the Company in connection with the acquisition. The Designated Representatives did not provide a price or any other terms regarding a potential investment in the Company or participation in an acquisition of the Minority Interest with Party X. Following further discussion at the Board meeting, the Board asked Mr. Tomlinson to prepare a potential response to Party X seeking additional information concerning a potential acquisition of the Minority Interest. Also, in advance of this Board meeting, Company management provided the Board with the August Long-Range Planning Model. See *Special Factors Projected Financial Information* beginning on page 44.

On August 29, 2016, following further communications with members of the Board after the August 24, 2016 Board meeting, Mr. Tomlinson communicated with the chief financial officer of Party X and indicated that the Board was supportive of exploring a proposal from Party X to acquire the Minority Interest and requested that Party X provide the price it would be willing to pay for the Minority Interest and other detail regarding the material terms of any acquisition of the Minority Interest. The chief financial officer of Party X informed Mr. Tomlinson that Party X remained interested in a potential acquisition of the Minority Interest and again asked Mr. Tomlinson to coordinate a meeting between representatives of Tahoe and Party X to discuss the possibility of an acquisition by Party X of the Minority Interest. Party X did not provide a price at which it might be willing to acquire the Minority Interest or any other terms of a potential acquisition.

On September 16, 2016, ahead of a regularly scheduled meeting of the Board on September 19 and 20, 2016, Mr. Tomlinson spoke with the chief financial officer of Party X by telephone in order to attempt to gauge Party X s level of interest in a potential acquisition of the Minority Interest. During their conversation, the chief financial officer of Party X informed Mr. Tomlinson that Party X remained interested in exploring the possibility of an acquisition by Party X of the Minority Interest but did not provide a price at which Party X might acquire the Minority Interest, and no other terms of a potential transaction involving Party X and the Company were discussed.

On September 19 and 20, 2016, the Board held a regularly scheduled meeting in Beijing, in the People s Republic of China (the PRC ), at which Mr. Huang, Mr. Feng and Dr. Zhang were present. Mr. Tomlinson updated the Board with respect to the discussions that had taken place between himself and the chief financial officer of Party X. Mr. Tomlinson noted that, Party X had not yet made any proposal to acquire the Minority Interest and that Party X had again requested that Company management coordinate a meeting between representatives of Tahoe and Party X to discuss the possibility of an acquisition by Party X of the Minority Interest prior to Party X submitting any proposal. The Board discussed the potential merits and risks of a potential transaction with Party X versus the Company remaining a publicly traded corporation, and, following such discussions, authorized Company management to continue discussions with Party X regarding a potential acquisition of the Minority Interest and directed the Company management to assist in setting up a meeting between Party X and Tahoe. At the Board meeting, a Designated Representative inquired if Tahoe would be permitted to explore an acquisition of the Minority Interest. The Board noted that Tahoe would need to first obtain a waiver from the unaffiliated members of the Board as provided under the Governance Agreement prior to making a proposal to acquire the Minority Interest, and that such a transaction would constitute a going-private transaction that would require careful review and consideration by the Company s independent and disinterested directors. Tahoe did not discuss a price at which it might be willing to acquire the Minority Interest, and no other terms of a potential transaction involving Tahoe and the Company were discussed at this time.

Following the September 19 and 20, 2016 Board meeting and in response to Tahoe s inquiry as to the possibility of exploring a potential going private transaction with the Company at that meeting, the members of the Former Independent Committee, after discussions with other members of the Board not affiliated with Tahoe, discussed convening the Former Independent Committee together with other independent and disinterested members of the

Board in order to review, evaluate and, if necessary, negotiate any potential transaction with Tahoe, Party X or any other potential third party purchaser of some or all of the Common Stock. The members of

the Former Independent Committee, following discussions with other members of the Board not affiliated with Tahoe, O Melveny and RLF, determined that a re-constituted special committee should consist of Neil F.

Dimick, Paul S. Viviano, Edward L. Samek (each a member of the Former Independent Committee) and Scott A. Bartos, each an independent and disinterested director of the Company (collectively, the Special Committee ). The Special Committee, in consultation with the other members of the Board, determined to begin functioning immediately, with the understanding that the members of the Special Committee would work with independent legal counsel of their choosing to propose formal resolutions to the full Board setting out the Special Committee s mandate in more detail, and that the Special Committee would be formally created if and when discussions with Party X, Tahoe or any other third party purchaser of the Company or the Minority Interest began to materialize beyond mere indications of potential interest. Following additional discussion, the members of the Special Committee determined to again engage O Melveny as its independent legal advisor and RLF as its independent legal advisor with respect to Delaware law issues.

On October 6, 2016, representatives of O Melveny, on behalf of the Special Committee, emailed to the Company s general counsel proposed resolutions and a charter for the Special Committee setting out in detail the Special Committee s mandate. Pursuant to those resolutions, the Special Committee was authorized to, among other authority, conduct the investigation, evaluation and negotiation of a potential transaction with Party X, Tahoe or any other potential purchaser of all or part of the outstanding shares of the Common Stock, evaluate, negotiate and make recommendations to the Board for or against, and to the extent delegable by the Board, approve (or not approve), the terms of any proposed definitive agreements, arrangements, waivers (including with respect to the Governance Agreement) or consents entered into or given by the Company in respect of a potential strategic transaction between Tahoe and the Company or involving a third party purchaser (or Tahoe) of all or part of the outstanding shares of the Common Stock or any other strategic alternatives thereto, or to determine, in its sole discretion, to elect not to pursue any such potential strategic transaction, and to retain its own independent legal and financial advisors at the Company s expense. In addition, the resolutions and Special Committee charter stated that the Board would not approve any transaction with Party X, Tahoe or any other potential purchaser of all or part of the outstanding shares of the Common Stock without a favorable recommendation from the Special Committee. The full Board subsequently adopted such resolutions and the Special Committee charter by written consent on December 12, 2016. Also, pursuant to the resolutions, Mr. Neil F. Dimick was appointed as the Chair of the Special Committee (the Chair ) based upon, among other things, his communication skills and familiarity with the administration of the Company, the fact that he had no connection to Tahoe, and his role as Chair of the Former Independent Committee.

On October 7, 2016, the Special Committee held an initial telephonic meeting, which was also attended by Messrs. Tomlinson and Johns from the Company and representatives of O Melveny and RLF. At this meeting, Mr. Tomlinson updated the Special Committee on the status of discussions with Party X. Mr. Tomlinson noted that Party X had not yet made any proposal to acquire the Minority Interest, but that, at the request of Party X and the Board, Mr. Tomlinson had been in contact with Party X and Tahoe to help facilitate a meeting between the two parties to discuss a potential acquisition of the Minority Interest by Party X. Mr. Tomlinson noted that the meeting between Party X and Tahoe had been tentatively scheduled for November. The Special Committee, along with representatives of O Melveny and RLF, also discussed the formation of the Special Committee and the duties and responsibilities of the Special Committee. In addition, the Special Committee, along with representatives of O Melveny and RLF, discussed the importance of engaging an independent financial advisor in the event that the Company received a proposal regarding an acquisition of the Minority Interest.

On November 7, 2016, Mr. Tomlinson, representatives from Tahoe, and representatives from Party X met to discuss the interest Party X had expressed in acquiring the Minority Interest. During the meeting, Party X expressed reduced interest in continued discussions regarding a potential acquisition of the Minority Interest due to the increase of the

Company s share price on NASDAQ since Party X first considered the acquisition of the Minority Interest, and Party X s determination to focus on other potential strategic opportunities with third parties that would involve a controlling ownership for Party X. Party X indicated it may follow up with the Company in early 2017. Following the discussion on November 7, 2016, there was no further communication

between Party X and the Company regarding a potential acquisition of the Minority Interest by Party X. Party X never submitted a proposal to acquire the Minority Interest and never discussed price or other terms with the Company or its representatives.

On November 9, 2016, the Board held a telephonic meeting, in which Mr. Huang, Mr. Feng and Dr. Zhang participated. The meeting was also attended by Messrs. Tomlinson and Johns and Ms. Longmore-Grund. Mr. Tomlinson updated the Board with respect to the meeting that had taken place on November 7, 2016, between representatives of Party X and Tahoe, which had been organized as requested by Party X. Mr. Tomlinson noted that Party X had expressed reduced interest in continued discussions regarding a potential acquisition of the Minority Interest. During the meeting, a Designated Representative mentioned that Tahoe would be interested in exploring the possibility of acquiring the Minority Interest, but did not discuss a price at which Tahoe might be willing to acquire the Minority Interest, and no other terms of a potential acquisition of the Minority Interest by Tahoe were discussed at this time.

On November 10, 2016, Mr. Feng indicated in an email to Mr. Buckelew and Mr. Tomlinson that Tahoe had reviewed materials prepared for the November 9, 2016 Board meeting, that Mr. Feng had discussed the materials with Mr. Huang, and that Tahoe was supportive of the Company s strategic plan. Further, Mr. Feng s email indicated that Tahoe would be willing to work with the Special Committee to explore the possibility of acquiring the Minority Interest.

On November 11, 2016, the Special Committee held a telephonic meeting, which was also attended by Messrs. Tomlinson and Johns and representatives of O Melveny and RLF. At this meeting, Mr. Tomlinson updated the Special Committee on the status of discussions with Party X. Mr. Tomlinson informed the Special Committee that he had not had further discussions with Party X following the meeting held between himself, Tahoe and Party X on November 7, 2016 and, it was his belief that, based on discussions with Party X during that meeting, that Party X did not intend to pursue a potential transaction with the Company as Party X was currently pursuing certain strategic initiatives that were being prioritized over its exploration of a potential transaction with the Company and a potential transaction with the Company had become less attractive for Party X due to the increase in the trading price of the Common Stock on NASDAQ since Mr. Tomlinson s August 15, 2016 meeting with the chief executive officer of Party X. Mr. Tomlinson also informed the Special Committee that, based on Mr. Feng s email on November 10, 2016, Tahoe was interested in exploring the possibility of pursuing a potential going private transaction involving the Company, but no price or other terms had been proposed or discussed. After discussion, representatives of O Melveny and RLF discussed with the Special Committee the Special Committee s fiduciary duties to the Company s stockholders should Tahoe seek consent to submit an acquisition proposal. The Special Committee, O Melveny and RLF discussed Tahoe s potential interest in a going private transaction, Delaware law considerations in any going private transactions, the Special Committee s role should negotiations ensue and the process by which the Special Committee would evaluate such a proposal, including the engagement of an independent financial advisor. Following discussion, the Special Committee instructed the members of the Company s management present on the call to refrain from discussing any potential post-transaction positions with the Company or what role members of management may play in the future. The Special Committee requested that Mr. Tomlinson confirm, if possible, whether or not Tahoe remained interested in discussing a potential acquisition of the Minority Interest.

On November 16-18, 2016, Company management, including Mr. Tomlinson, met with representatives of Tahoe in Beijing, PRC, to discuss the Company s operations and financial performance during the previous few months. On the last day of the meetings, November 18, 2016, Mr. Tomlinson met with Mr. Huang. During the meeting, Mr. Tomlinson discussed with Mr. Huang the possibility of Tahoe acquiring the Minority Interest and the potential impact on the Company s business if it were no longer a publicly traded Company. Mr. Huang noted to Mr. Tomlinson that Tahoe remained interested in exploring potential strategic alternatives involving the Company, including the

possibility of taking the Company private by acquiring all of the Minority Interest.

On November 18, 2016, Tahoe engaged Skadden, Arps, Slate, Meagher & Flom LLP ( Skadden ) to serve as its U.S. legal counsel to assist its strategic review of any potential transaction involving the Company.

On November 29, 2016, the Special Committee held a telephonic meeting, which was also attended by Messrs. Tomlinson and Johns and representatives of O Melveny and RLF. At this meeting, Mr. Tomlinson provided an update regarding his November 16-18, 2016 meetings with Tahoe in Beijing, PRC and Mr. Tomlinson informed the Special Committee that he had received an email from a representative of Tahoe explaining that the foreign exchange regulatory authorities in the PRC had recently put in place new regulations that could make the transfer of funds out of the PRC more difficult. The email went on to note that Tahoe would need to better understand these regulations before it could make a determination as to whether it would be willing to submit a proposal to the Company regarding a potential acquisition of the Minority Interest. Mr. Tomlinson also noted that other than receipt of the email from Tahoe and the conversation he had with Mr. Huang on November 18, 2016, he had not had any discussions with Tahoe regarding an acquisition of the Minority Interest since the Special Committee s last meeting on November 11, 2016. After discussion, the Special Committee discussed the advisability of selecting an independent financial advisor in advance of Tahoe s determination as to whether it would seek consent of the Special Committee to make a proposal regarding a potential acquisition of the Minority Interest so that the Special Committee would be in a position to move quickly to evaluate such a proposal in the event it was ultimately made. The Special Committee then discussed various investment banking firms that could potentially serve as the Special Committee s independent financial advisor. After discussion, the Special Committee selected three investment banking firms (one of which was Lazard) that it considered to be well qualified and which, to its knowledge, would be independent, to act as a financial advisor to the Special Committee, and determined to contact each potential independent financial advisor to inquire as to whether each such firm would be interested in submitting a proposal to advise the Special Committee in the event of receipt of a proposal from Tahoe.

During the weeks of November 28, 2016 and December 5, 2016, representatives and members of the Special Committee contacted the three potential independent financial advisors previously vetted by the Special Committee. After discussing the potential acquisition of the Minority Interest by Tahoe and the fees that the Special Committee considered reasonable and appropriate in connection with retaining a financial advisor for the Special Committee, one of the financial advisors elected not to submit a proposal. The remaining two potential independent financial advisors indicated their interest in making a proposal. The Special Committee asked each of them to disclose any conflicts of interest such financial advisor might have with respect to the potential engagement and a potential acquisition of the Minority Interest by Tahoe. Each of the remaining two independent financial advisors confirmed for the Special Committee that there were no conflicts of interest of such financial advisor with respect to the potential engagement or a potential acquisition of the Minority Interest by Tahoe.

On December 8, 2016, the Board received a written non-binding proposal from Tahoe to pursue a potential negotiated acquisition of the Minority Interest for $9.60 per share in cash (as subsequently amended, the Tahoe Proposal ). The Tahoe Proposal stated that Tahoe was submitting its proposal subject to the granting by the unaffiliated directors of the Board of a waiver of any relevant provisions of the Governance Agreement that would otherwise prohibit, prevent or hinder Tahoe from making its proposal and from making a public announcement thereof and requested that the unaffiliated directors grant such a waiver. The $9.60 proposal reflected a premium of 20.0% over the closing price of the Common Stock on December 8, 2016, the date of the Tahoe Proposal, and 30.0% over the volume weighted average closing price of the Common Stock for the 90 calendar days prior to the date of the Tahoe Proposal. The Tahoe Proposal stated, among other things, that Tahoe would not move forward with the proposal unless it was approved by a special committee of independent directors of the Company that was advised by independent legal counsel and independent financial advisors, and that the transaction would be subject to a non-waivable condition requiring approval of a majority of the unaffiliated shares. In addition, the Tahoe Proposal stated that Tahoe and its affiliates were interested only in acquiring the Minority Interest, and that they were not interested in selling their shares of Common Stock to a third party and did not expect, in their capacity as stockholders of the Company, to vote in favor of any merger or other strategic transaction involving any third party.

On December 9, 2016, the Special Committee held a telephonic meeting with O Melveny, RLF and Company management to discuss the material terms of the Tahoe Proposal and the merits and risks of providing the limited waiver of certain provisions under the Governance Agreement that had been requested by Tahoe to

permit the offer to be formally submitted to the Special Committee. After Company management left the meeting, the Special Committee considered the risks that the Tahoe Proposal would distract management from the operation of the business and that the Company may incur significant fees and expenses in evaluating the Tahoe Proposal for which it may not be reimbursed. In addition, the Special Committee considered the risk that if the Tahoe Proposal was announced, but not consummated, the Company s stock price could be negatively impacted. The Special Committee also considered the merits of granting the requested waiver, including the fact that the price of $9.60 per share represented a 20% premium to the Company s stock price on December 8, 2016, the day the Tahoe Proposal was submitted, and that Tahoe s initial offer likely represented the starting point for negotiations and that the final price per share at which the Tahoe Proposal may be approved could be meaningfully higher. The Special Committee also noted that, although upon initial review, the price of $9.60 per share seemed to undervalue the Company, it had not yet engaged a financial advisor to help it evaluate the fairness, from a financial point of view, of the Tahoe Proposal. The Special Committee also reviewed with its advisors potential responses to Tahoe and potential communications with the Company s stockholders. Ultimately, the Special Committee determined that it was consistent with its fiduciary duties to consider the Tahoe Proposal in order to evaluate whether it was in the best interests of the Company and the holders of unaffiliated shares, and resolved to grant a waiver of the Governance Agreement for the limited purpose of permitting Tahoe to submit the Tahoe Proposal to the Special Committee so that the Special Committee could further evaluate the Tahoe Proposal. Following discussion, representatives of O Melveny informed the Special Committee that Company management had been reminded that they should not discuss post-transaction employment matters and avoid discussing the terms of any potential transaction with Tahoe, without the Special Committee s prior written consent. The Special Committee also discussed whether or not it was appropriate or useful to reach out to other potential investors in connection with a potential acquisition of the Company or the Minority Interest given the statement by Tahoe in the Tahoe Proposal that Tahoe and its affiliates were interested only in acquiring the Minority Interest, and that they were not interested in selling their shares of Common Stock to a third party and did not expect, in their capacity as stockholders of the Company, to vote in favor of any merger or other strategic transaction involving any third party. After discussion, the Special Committee determined that, based on the statement from Tahoe, any potential purchaser would only be able to acquire the Minority Interest (given Tahoe s majority ownership of the Company and the fact that Tahoe had stated it was unwilling to sell its ownership interest in the Company), and then only with the cooperation of Tahoe, and therefore that any efforts to reach out to other third parties at this time to determine whether those third parties might be interested in an acquisition of the Company or the Minority Interest would be futile and not a prudent use of Company resources. In addition, the Special Committee determined to revisit its decision not to reach out to other third parties once it had engaged an independent financial advisor.

On December 12 and 13, 2016, the Board held a regularly scheduled meeting at its corporate offices in Newport Beach, California, which Mr. Huang, Mr. Feng and Dr. Zhang attended via video conference. During this meeting, Company management updated the Board on the Company s operations and strategic plans by division as well as for the Company as a whole. Also, Company management reviewed with the Board, and the Board approved, unaudited financial projections for fiscal year 2017. See *Special Factors Projected Financial Information* beginning on page 44.

On December 12, 2016, the Company, at the request of the Special Committee, issued a press release publicly announcing the receipt of the Tahoe Proposal, and filed the press release as an exhibit to its Current Report on Form 8-K. The press release also stated that the Board had authorized the Special Committee to evaluate the Tahoe Proposal and that the Special Committee had agreed to waive certain provisions of the Governance Agreement for the limited purpose of allowing Tahoe to submit its proposal to the Special Committee.

Later that same day, the Special Committee met in person at the Company s headquarters with representatives of Company management and representatives from O Melveny and RLF (who participated telephonically). The representatives of Company management in attendance left the meeting after providing the Special Committee a brief update as to stockholder reactions to the Tahoe Proposal received by the Company.

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O Melveny reviewed with the Special Committee its fiduciary duties in connection with the Tahoe Proposal. RLF reviewed with the Special Committee certain Delaware law considerations related to the Tahoe Proposal. The Special Committee considered the regulatory approvals that may be required in connection with the Tahoe Proposal and how Tahoe s method of financing may impact any regulatory approvals required to consummate the Tahoe Proposal, specifically in the PRC. Representatives from an investment bank ( Financial Advisor Y ) joined the meeting and presented their proposal to serve as independent financial advisor to the Special Committee. Following Financial Advisor Y s presentation, and after the representatives of Financial Advisor Y left the meeting, representatives from Lazard Frères & Co. LLC ( Lazard ) joined the meeting and presented their proposal to serve as independent financial advisor to the Special Committee. The Special Committee conducted interviews with each firm regarding their experience with going private transactions and transactions involving PRC based purchasers, potential conflicts of interest, their preliminary thoughts regarding the Tahoe Proposal and their proposed fee structure. After Lazard left the meeting, the Special Committee reviewed the presentations and discussed the perceived strengths and benefits of each advisor, including each advisor s reputation, proposed fee structure, potential conflicts of interest, capabilities and experience in the Company s industry, going private transactions and cross-border transactions involving the PRC.

On December 13, 2016, Tahoe and certain of its affiliates filed an amendment to their Schedule 13D to disclose the terms of the Tahoe Proposal.

On December 15, 2016, the Special Committee held a telephonic meeting, which was also attended by Messrs. Tomlinson and Johns and representatives of O Melveny and RLF. The Special Committee, together with Messrs. Tomlinson and Johns and representatives of O Melveny and RLF, discussed the Tahoe Proposal and how it may impact the Company s operations. The Special Committee discussed the status of discussions with Lazard and Financial Advisor Y and asked Messrs. Tomlinson and Johns for their opinions regarding each potential financial advisor and whether or not they were aware of any conflicts of interest with each potential financial advisor. Messrs. Tomlinson and Johns informed the Special Committee they were not aware of any conflicts. After Company management left the meeting, the Special Committee again reviewed the strengths and benefits of the two potential financial advisors but did not make a final decision at this time, as the Special Committee was still discussing and negotiating the fee structure for the financial advisors.

On December 16, 2016, the Special Committee met telephonically with representatives from O Melveny and RLF to discuss the status of discussions with Lazard and Financial Advisor Y. The Special Committee again considered the advantages and disadvantages of each financial advisor, but did not make a final decision at this time, as the Special Committee was still discussing and negotiating Lazard s proposed fee structure.

On December 20, 2016, the Special Committee met telephonically with representatives from O Melveny and RLF. Mr. Dimick updated the Special Committee regarding recent discussions he had with Lazard regarding its proposed fee structure. After considering Lazard s knowledge and expertise in mergers and acquisitions transactions, experience advising special committees in going private transactions and experience in cross-border transactions with PRC based entities and after Lazard s confirmation that there were no conflicts of interest present that would affect Lazard s ability to effectively provide advice to the Special Committee, the Special Committee determined to engage Lazard as its independent financial advisor and executed an engagement letter with Lazard on the same day.

On January 6, 2017, the Special Committee met telephonically with representatives from O Melveny, RLF and Lazard to discuss the process by which Lazard would gather information from the Company and to discuss a preliminary timeline for the Special Committee s evaluation of the Tahoe Proposal. Lazard noted for the Special Committee that, consistent with its past practice, the Company had prepared the December Long-Range Planning Model in conjunction with the annual financial and operating planning process, and that such December Long Range Planning Model had not been approved by the Board (other than with respect to the unaudited financial projections for fiscal

year 2017). See *Projected Financial Information* beginning on page 44. The Special Committee instructed Lazard to coordinate with Company management, under the Special Committee s supervision, to have the Company prepare an alternative scenario of unaudited financial projections (the Special

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Committee Forecasts ) based on the December Long- Range Planning Model with certain adjustments with respect to the Company s projected financial performance requested by the Special Committee, the most significant being the elimination of the impacts of any potential acquisitions in the December Long-Range Planning Model that were projected for fiscal years 2018 and beyond. See *Special Factors Projected Financial Information* beginning on page 44. The Special Committee, together with representatives from O Melveny, RLF and Lazard, also discussed whether or not it was appropriate or useful to reach out to other potential third party acquirers of the Company or the Minority Interest in connection with the Special Committee s evaluation of the Tahoe Proposal given the statement by Tahoe in the Tahoe Proposal that Tahoe and its affiliates were interested only in acquiring the Minority Interest, and that they were not interested in selling their shares of Common Stock to a third party and did not expect, in their capacity as stockholders of the Company, to vote in favor of any merger or other strategic transaction involving any third party. After discussion, the Special Committee determined that, based on the statement from Tahoe, any potential purchaser would only be able to acquire the Minority Interest (given Tahoe s majority ownership of the Company and the fact that Tahoe had stated it was unwilling to sell its ownership interest in the Company), and then only with the cooperation of Tahoe, and therefore that any efforts to reach out to other third parties at this time to determine whether those third parties might be interested in an acquisition of the Company or the Minority Interest would be futile and not a prudent use of Company resources.

On January 11, 2017, the Special Committee met telephonically with Messrs. Tomlinson and Johns and Ms. Longmore-Grund, O Melveny, RLF and Lazard to discuss process and next steps with respect to evaluating the Tahoe Proposal, the status of Lazard s due diligence on the Company and the status of Company management s preparation of the Special Committee Forecasts.

On January 16, 2017, the Special Committee held a telephonic meeting at which Messrs. Tomlinson and Johns and Ms. Longmore-Grund, O Melveny and RLF were in attendance. Company management discussed the status of the Special Committee Forecasts with the Special Committee, including the underlying assumptions, sensitivities and uncertainties. Representatives of Company management also updated the Special Committee on management s consideration of a potential refinancing of the Company s credit facility and noted that the Company s financial advisors had advised Company management that execution of a refinancing would be more difficult while uncertainty over the Tahoe Proposal remained.

On January 17, 2017, the Special Committee met telephonically, along with Messrs. Tomlinson and Johns and Ms. Longmore-Grund, O Melveny, RLF and Lazard, to review and discuss the status of Lazard s financial review of the Tahoe Proposal and to approve the Special Committee Forecasts for use by Lazard in connection with its valuation analysis of the Company and the Tahoe Proposal. The Special Committee Forecasts had been provided to the Special Committee in advance of the meeting. After a review of the Special Committee Forecasts by management and Lazard and discussion of the Special Committee Forecasts, the representatives of Company management left the meeting, and the Special Committee discussed the Tahoe Proposal with its advisors. Lazard discussed with the Special Committee certain assumptions and valuation methodologies of its preliminary valuation analysis of the Company and the Tahoe Proposal. The Special Committee then discussed the long-term prospects of the Company, the need for the Company to refinance its existing debt before the applicable maturities (and the estimated increase in the Company s cost of capital that would result), the likelihood of successfully implementing future potential acquisitions and cost savings initiatives. In addition, the Special Committee concluded that an acquisition of the Company or the Minority Interest by a third party was not viable due to the fact that Tahoe would be required to sell their ownership interest in the Company (which Tahoe had stated that they were unwilling to do) and a sale of the Minority Interest to a third party would only be possible with the cooperation of Tahoe. After discussion and taking into account the foregoing, the Special Committee determined that Tahoe s proposal of $9.60 per share undervalued the Company and determined to schedule a meeting with Tahoe so that the Special Committee could inform Tahoe of its decision and let Tahoe know that it would need to meaningfully increase its proposal of $9.60 per share in order for the potential transaction to

move forward.

On January 20, 2017, the Special Committee met telephonically with representatives from O Melveny, RLF and Lazard. Lazard updated the Special Committee on the status of its financial review of the Company, noting that it was waiting for additional information from Company management before it could finalize its valuation analysis of the Company and the Tahoe Proposal. After discussion, the Special Committee discussed its upcoming videoconference with Tahoe, which had been scheduled for January 22, 2017. Also on January 20, 2017, representatives of Tahoe received the Special Committee Forecasts and the December Long-Range Planning Model from the Company.

On January 22, 2017, the Special Committee and representatives from O Melveny and RLF held a videoconference with representatives from Tahoe and Skadden, Tahoe s outside legal counsel. The Special Committee informed Tahoe that Tahoe would need to meaningfully increase its proposal of $9.60 per share in order for the potential transaction to move forward. The Special Committee did not provide a counterproposal at this time in light of its ongoing financial review of the Company, but advised Tahoe that its revised proposal should be increased to the mid to high teens per share or more.

On January 26, 2017, at the direction of the Special Committee, representatives from Lazard met telephonically with representatives from Tahoe to discuss certain assumptions and valuation methodologies being used by Lazard in its preliminary valuation analysis of the Company. The purpose of this discussion was for Lazard to help Tahoe s representatives understand, from a technical perspective, the potential reasons for the valuation gap between Tahoe s internal valuation analysis of the Company and the Special Committee s insistence on a meaningful price increase.

On January 27, 2017, the Special Committee held a telephonic meeting, at which representatives from O Melveny, RLF and Lazard were in attendance. Representatives of Lazard updated the Special Committee with respect to Lazard s recent teleconference with representatives of Tahoe, noting that Tahoe stated it believed its proposal of $9.60 per share fairly valued the Company. After discussion, Lazard updated the Special Committee on the status of its ongoing financial review of the Company. The Special Committee discussed next steps with respect to the Tahoe proposal.

Later that same day, a representative from Tahoe sent an email to Mr. Dimick, addressed to the Special Committee, informing the Special Committee that Tahoe would not be able to respond to the Special Committee s request for a meaningful price increase until after the end of the Chinese New Year holiday, as it would need to conduct further financial analysis before it could do so, but that it was willing to consider improving its offer price subject to further analysis.

On February 6, 2017, representatives from O Melveny and Skadden spoke by telephone and, during their conversation, Skadden indicated that Tahoe was willing to increase its offer price, but did not provide a revised offer price at that time. O Melveny and Skadden discussed scheduling a teleconference between Tahoe and the Special Committee in order for further price discussions to take place.

On February 8, 2017, the Special Committee met telephonically, along with representatives from O Melveny, RLF and Lazard, to discuss the status of discussions with Tahoe. O Melveny updated the Special Committee regarding its February 6, 2017 discussion with Skadden and, following discussion, Lazard updated the Special Committee on the status of its financial review of the Company and discussed with the Special Committee certain assumptions and valuation methodologies of its preliminary valuation analysis. The Special Committee requested that O Melveny contact Skadden to arrange a teleconference between Tahoe and the Special Committee to discuss the Tahoe Proposal. Later that day, representatives of O Melveny and Skadden spoke by telephone and scheduled a teleconference between Tahoe and the Special Committee for February 10, 2017.

On February 10, 2017, the Special Committee met telephonically, along with Messrs. Tomlinson and Johns and Ms. Longmore-Grund, representatives from O Melveny, RLF and Lazard, to discuss aspects of the Special Committee Forecasts, Lazard s initial views regarding valuation and a negotiation strategy for the teleconference

between the Special Committee and Tahoe scheduled for later in the day. Lazard and the Special Committee discussed that Tahoe s price proposal of $9.60 per share was not likely within a price range which would fairly value the Company.

Later that same day, the Special Committee, with representatives from O Melveny and RLF, held a telephonic conference with representatives from Tahoe and Skadden to discuss the Tahoe Proposal. During this conversation, Tahoe verbally indicated that it would be willing to increase its price proposal to $11.50 per share in cash which represented a premium of approximately 44.7% to the closing price per share on December 9, 2016, the last trading day prior to the public announcement of the Tahoe Proposal. The Special Committee noted that it did not believe the revised price proposal fairly valued the Company, but that it would evaluate the revised Tahoe Proposal with its independent legal and financial advisors and provide a response at a later date. No other material terms of the Tahoe Proposal were discussed.

On February 13, 2017, Mr. Dimick, following discussions with the other members of the Special Committee and on behalf of the Special Committee, and Mr. Tomlinson together spoke with a representative of Tahoe to discuss the Tahoe Proposal. During their conversation, Mr. Dimick informed Tahoe that the Special Committee was prepared to offer a non-binding counterproposal of $14.00 per share in cash for the Minority Interest. In response, the representative of Tahoe indicated that Tahoe would be providing a revised price per share offer. No other material terms of the Tahoe Proposal were discussed.

On February 16, 2017, a representative from Tahoe contacted Mr. Dimick by telephone and, during their conversation, the representative of Tahoe informed Mr. Dimick that Tahoe would be willing to increase its offer to $12.50 per share in cash for the Minority Interest, which represented a premium of approximately 57.2% to the closing price per share on December 9, 2016, the last trading day prior to the public announcement of the Tahoe Proposal. No other material terms of the Tahoe Proposal were discussed.

On February 18, 2017, the Special Committee held a telephonic meeting at which representatives from O Melveny, RLF and Lazard were in attendance. Mr. Dimick updated the other members of the Special Committee on his recent communications with Tahoe, including with respect to Tahoe s revised verbal proposal of $12.50 per share in cash. The Special Committee considered the merits of the revised Tahoe Proposal. The Special Committee also considered the fact that the holders of unaffiliated shares would have the chance to determine whether to accept the Tahoe Proposal given that the proposed transaction would be subject to a non-waivable condition requiring the approval by holders of a majority of the unaffiliated shares. Lazard discussed with the Special Committee its preliminary valuation analysis, including the assumptions underlying the methodologies used therein and the preliminary results of such analysis in comparison to the revised Tahoe Proposal.

On February 22, 2017, the Special Committee held a telephonic meeting at which representatives from O Melveny, RLF and Lazard were in attendance. Lazard discussed with the Special Committee the results of its preliminary valuation analysis. The Special Committee discussed negotiation strategies for obtaining the highest possible price per share for the unaffiliated shares to encourage Tahoe to increase the price per share it was willing to offer for the unaffiliated shares in the Tahoe Proposal. The Special Committee also discussed the possibility of responding to Tahoe with another counterproposal. Following Lazard s departure from the meeting, the Special Committee determined that Mr. Dimick should deliver a non-binding counteroffer to Tahoe at $13.80 per share in cash.

On February 26, 2017, Messrs. Dimick and Bartos held a telephonic conference with representatives from Tahoe. During their conversation, Messrs. Dimick and Bartos, on behalf of the Special Committee, informed Tahoe of the Special Committee s counterproposal of $13.80 per share in cash. No other material terms of the Tahoe Proposal were discussed.

On March 2, 2017, Mr. Dimick received an email from a representative of Tahoe inviting Mr. Dimick, accompanied by Mr. Tomlinson, to travel to Beijing, PRC, for in-person negotiations regarding the Tahoe Proposal.

On March 3, 2017, the Special Committee met telephonically, along with representatives from O Melveny, RLF and Lazard, to discuss the status of the Tahoe Proposal. Mr. Dimick updated the other members of the Special Committee on the February 26, 2017 call and on the email he had received the previous day from a representative of Tahoe pursuant to which Tahoe had invited Mr. Dimick, accompanied by Mr. Tomlinson, to travel to Beijing, PRC, for in-person negotiations regarding the Tahoe Proposal. After Lazard s departure from the meeting, the Special Committee further discussed Tahoe s invitation to attend in-person meetings in Beijing, PRC. The Special Committee discussed whether it was appropriate to have Mr. Tomlinson accompany Mr. Dimick in light of his position as Chief Executive Officer of the Company. In consultation with O Melveny and RLF, the Special Committee determined that it would be beneficial to have Mr. Tomlinson join Mr. Dimick on his trip to Beijing, but that Mr. Tomlinson would recuse himself from any discussions or negotiations relating to the Tahoe Proposal. In addition, the Special Committee determined that Mr. Bartos should also attend the meetings to support Mr. Dimick in the negotiations.

On March 5 and 6, 2017, Messrs. Dimick and Bartos, at the direction and on behalf of the Special Committee, met with representatives from Tahoe in Beijing to negotiate the per share price and other material terms of the Tahoe Proposal. Mr. Tomlinson accompanied Messrs. Dimick and Bartos but recused himself from the negotiations.

On March 6, 2017, the Special Committee held a telephonic meeting at which Messrs. Tomlinson and Johns, O Melveny, RLF and Lazard were in attendance. Mr. Dimick updated the other members of the status of the Special Committee with respect to the ongoing in-person negotiations in Beijing. Mr. Dimick informed the other members of the Special Committee that, after discussion, Tahoe had offered a revised proposal of $13.20 per share in cash for the Minority Interest. After considering the offer, Messrs. Dimick and Bartos countered at $13.25 per share in cash, subject to approval by the other members of the Special Committee, which represented a premium of approximately 67% to the closing price of $7.95 per share on December 9, 2016, the last trading day prior to the public announcement of the Tahoe Proposal. Messrs. Dimick and Bartos explained that in arriving at the $13.25 per share in cash counteroffer, they had considered, among other factors, that (i) they believed a transaction at such a price represented the best alternative for the unaffiliated shares, including as compared to not engaging in a transaction and remaining a publicly traded company, (ii) the acquisition of the Minority Interest by Tahoe would be subject to a non-waivable condition requiring the approval by holders of a majority of the unaffiliated shares, (iii) the prolonged negotiations between Tahoe and the Special Committee had created uncertainty in the market and distracted management s attention from the operation of the business, (iv) they believed that in the event the parties agreed on price, Tahoe would work with the Special Committee to complete the definitive documentation relating to the Tahoe Proposal expeditiously, (v) as a result of the prolonged negotiations, the Company was accruing considerable fees and expenses in connection with the evaluation of the Tahoe Proposal, and (vi) Tahoe had made it clear in the course of negotiations that if an agreement could be reached it expected to be able to proceed in a manner that would avoid potential regulatory delays in the PRC. Following discussion, the Special Committee discussed, with input from the representatives from Lazard, O Melveny and RLF, Tahoe s plans for financing the Tahoe Proposal with cash on hand if it were to move forward with the Tahoe Proposal (which cash amount would be deposited in a bank account outside of the PRC in US dollars reasonably promptly following the signing of the Merger Agreement (with the exact timing of such deposit to be mutually agreed upon at a later date)).

On March 9, 2017, the Special Committee met telephonically, along with representatives from O Melveny, RLF and Lazard, to review the results of the in-person negotiations in Beijing between Messrs. Dimick and Bartos on behalf of the Special Committee and representatives from Tahoe. Mr. Dimick noted that, after extensive negotiations, Tahoe had verbally agreed to a revised price proposal of $13.25 per share in cash for the Minority Interest. At the in-person meetings, Mr. Dimick and Mr. Bartos had informed Tahoe that they were not authorized to agree to a price of $13.25 per share, but noted that they would discuss and evaluate the revised price proposal with the full Special Committee and promptly respond to Tahoe with the Special Committee s decision. The Special Committee discussed, with input from representatives of Lazard, O Melveny and RLF, Tahoe s proposed plans for financing an acquisition of the

Minority Interest and potential regulatory restrictions

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in the PRC that could impede the timely completion of a potential transaction. Lazard discussed with the Special Committee the preliminary results of its valuation analysis, which although Lazard s valuation analysis was not yet complete, indicated that Tahoe s revised price proposal of $13.25 per share was within a price range which would likely be fair, from a financial point of view, to the holders of Common Stock (other than excluded holders). Following this discussion, Messrs. Viviano, Samek and Bartos confirmed that they, like Mr. Dimick, were supportive of proceeding with the Tahoe Proposal at a price of $13.25 per share in cash. The Special Committee then instructed O Melveny to commence preparing a draft of the Merger Agreement for the Tahoe Proposal. Later that day, Mr. Dimick communicated by telephone the Special Committee s decision to proceed with further discussions regarding an acquisition of the Minority Interest by Tahoe at a price per share of $13.25 in cash to a representative of Tahoe.

On March 16, 2017, O Melveny provided an initial draft of the Merger Agreement together with a summary of the material terms included in its initial draft of the Merger Agreement to the Special Committee for its consideration.

On March 17, 2017, the Special Committee met telephonically, along with representatives from O Melveny and RLF, to review and discuss the initial draft of the Merger Agreement prepared by O Melveny and RLF. O Melveny presented the material terms of the Merger Agreement including the non-waivable condition requiring the approval by holders of a majority of the unaffiliated shares, the expense reimbursement payable by Tahoe or the Company, as applicable, if the Merger Agreement were terminated under certain circumstances, financing related provisions, the no-shop covenant and the requirement that Tahoe deliver to the paying agent the aggregate merger consideration as a prerequisite to the Company mailing the proxy statement in connection with the Tahoe Proposal. The draft Merger Agreement required Tahoe to represent and warrant that it had sufficient funds or other sources of immediately available funds in U.S. dollars to fund the aggregate Merger Consideration. The Special Committee asked questions of O Melveny throughout the presentation and suggested revisions to the Merger Agreement prior to delivery of such Agreement to Tahoe.

On March 19, 2017, O Melveny delivered by email an initial draft of the Merger Agreement to Skadden, which included the provisions and revisions based on input provided by the Special Committee.

On March 24, 2017, Skadden delivered by email a revised Merger Agreement to O Melveny. Skadden also included in its email drafts of an Equity Commitment Letter, a Guarantee and the Rollover and Support Agreement (the Support Agreement ), pursuant to which Tahoe would roll its Company Common Stock into a newly formed entity and agreed to vote the shares of Company Common Stock beneficially owned by THAIHOT in favor of the Tahoe Proposal, which the Special Committee had requested in order to increase certainty of closing assuming the majority-of-the-minority vote condition is satisfied.

On March 26, 2017, O Melveny provided a summary of the material issues raised by the revised draft of the Merger Agreement circulated by Skadden on March 24, 2017, to the Special Committee for its consideration.

On March 28, 2017, the Special Committee, with representatives from O Melveny, RLF and Lazard, met telephonically. Representatives from O Melveny reviewed with the Special Committee the material issues in the revised draft of the Merger Agreement delivered by Skadden, including (i) the lack of a creditworthy purchaser entity being a party to the Merger Agreement, Equity Commitment Letter and Guarantee, (ii) the timing of delivery to the paying agent of the aggregate merger consideration required to consummate the Merger, (iii) modifications to the closing conditions, including the addition of a condition to Parent s obligation to close that no more than 10% of the unaffiliated shares demanding appraisal rights, (iv) the termination and expense reimbursement provisions, including Tahoe s reduction of the expense reimbursement that would be payable to the Company under certain circumstances from $5 million to $2.5 million, (vi) removal of the ability of the Company to effect a Change in Recommendation in

the event of an Intervening Event, (vii) the removal of anti-sandbagging language, and (viii) modifications to, and additions of, representations and warranties of the Company.

On April 3, 2017, at the direction of the Special Committee, O Melveny delivered a revised draft of the Merger Agreement to Skadden that reflected input from the Special Committee that O Melveny received during the Special Committee meeting held on March 28, 2017. Throughout the week of April 3, 2017, O Melveny, as counsel to the Special Committee, and Skadden, as counsel to Tahoe, continued to negotiate the terms of the Merger Agreement and the Support Agreement. Included in these negotiations were negotiations regarding the terms of the no-shop provision, the ability of the Company to effect a Change in Recommendation in the event of an Intervening Event, the termination provisions, the amount of a potential expense reimbursement fee payable by Tahoe to the Company if the Merger Agreement were terminated in certain circumstances, the addition of Tahoe and THAIHOT as parties to the Merger Agreement (which obviated the need for the Equity Commitment Letter and Guarantee), the removal of the closing condition relating to appraisal rights and the requirement that Tahoe provide evidence reasonably satisfactory to the Special Committee that Tahoe had funds sufficient to pay the aggregate merger consideration outside of the PRC as a prerequisite to the Company mailing the proxy statement in connection with the Tahoe Proposal. Based on the negotiations, Skadden delivered a revised draft of the Merger Agreement to O Melveny on April 7, 2017.

On April 6 and 7, 2017, the Board held a regularly scheduled meeting at its corporate offices in Newport Beach, California, which Mr. Huang, Mr. Feng and Dr. Zhang attended in person. Mr. Dimick updated the Board on behalf of the Special Committee with respect to the status of the Merger Agreement negotiations between the Special Committee and Tahoe.

Later on April 7, 2017, the Special Committee, with representatives from O Melveny and RLF, met telephonically to discuss the remaining unresolved issues in the Merger Agreement, which were (1) the Special Committee s requirement that Tahoe deposit funds in U.S. dollars sufficient to pay the aggregate merger consideration into a bank account outside of the PRC prior to the Company mailing the proxy statement and (2) the amount of the expense reimbursement fee to be paid by Tahoe to the Company if the Merger Agreement were terminated under certain circumstances. The Special Committee instructed O Melveny to insist on the deposit of funds outside of the PRC prior to the mailing of the proxy statement and to counter Tahoe s $3 million expense reimbursement fee amount at $4.5 million.

On April 9, 2017, at the Special Committee s direction, O Melveny delivered a revised draft of the Merger Agreement to Skadden. Throughout the remainder of that day and on April 10, 2017, O Melveny and Skadden completed the negotiation of the terms of the Merger Agreement, including with respect to expense reimbursement payable by each party under certain circumstances and the requirement that Tahoe deposit funds sufficient to pay the aggregate merger consideration in a bank account outside of the PRC prior to the Company mailing the proxy statement relating to the Tahoe Proposal. The Special Committee and its legal advisors also completed the negotiation of the terms of the Support Agreement. On April 10, 2017, the Special Committee and the Board were provided copies of the final form of the Merger Agreement and the Support Agreement for their review. For a detailed summary of the Merger Agreement, please see *The Merger Agreement* on page 75 and for a detailed summary of the Support Agreement, please see *Agreements with Purchaser Group Members Involving Common Stock* on page 144.

On April 10, 2017, the Special Committee, along with its legal and financial advisors, met telephonically and discussed, among other things, the status of negotiations with Tahoe. Lazard, after confirming again for the Special Committee that it had no conflicts of interest with respect to its engagement, reviewed with the Special Committee its financial analysis of the Merger Consideration and delivered an oral opinion, confirmed by delivery of a written opinion dated April 10, 2017, to the Special Committee to the effect that, as of that date and based on and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Lazard in preparing its opinion, the Merger Consideration to be received by holders of Common Stock (other than shares of Common Stock held by any stockholder who is entitled to demand and properly demands appraisal rights, shares of Common Stock held by the Company as treasury stock, or shares of Common Stock held by

Purchaser Group Members (collectively, the excluded holders )) pursuant to the Merger Agreement was fair, from a financial point of view, to such holders. Representatives from RLF reviewed with the Special Committee their fiduciary duties in connection with the

Tahoe Proposal. Representatives from O Melveny reviewed the principal terms of the Merger Agreement and the Support Agreement with the Special Committee. The Special Committee and representatives from O Melveny also discussed that the Merger Agreement included a closing condition requiring that the Merger Agreement be approved by the holders of the majority of the unaffiliated shares. Throughout that presentation, the Special Committee and representatives from O Melveny discussed various aspects of the Tahoe Proposal and various provisions of the Merger Agreement and the Support Agreement.

Following a review of the negotiations and discussions regarding the Tahoe Proposal, the Special Committee expressed its unanimous view that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, were advisable, in the best interests of and fair to the Company and the unaffiliated stockholders and thus that it would recommend approval of the Merger Agreement and the transactions contemplated by the Merger Agreement by the Company s Board. For the basis of the Special Committee s determination in this regard, please see *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger Special Committee* on page 27.

Later on April 10, 2017, the Board met telephonically with Messrs. Tomlinson, Johns and Chaffee and Ms. Longmore-Grund and representatives of O Melveny, RLF and Latham & Watkins LLP ( Latham ), outside legal counsel to the Company, to receive and discuss the Special Committee s recommendation concerning the Tahoe Proposal. Mr. Huang, Mr. Feng and Dr. Zhang briefly attended the meeting before leaving the meeting and recusing themselves from all discussions of the Tahoe proposal to acquire the Minority Interest, the Special Committee s recommendation and the Board s deliberations with respect to the Merger Agreement and, as a result, none of Mr. Huang, Mr. Feng or Dr. Zhang was present for, or voted with respect to, the approval of the Merger Agreement or any related matters. At this meeting, representatives from RLF reviewed with the Board its fiduciary duties in connection with the Tahoe Proposal, and representatives from O Melveny and Latham reviewed with the Board the terms of the definitive Merger Agreement and the Support Agreement as well as resolutions to be considered by the Board. The Special Committee recommended to the Board that it approve the Merger Agreement, the transactions contemplated by the Merger Agreement and related matters. Following the Special Committee recommendation and the Board s own discussions and deliberations, the Board approved the Merger Agreement and determined that the Merger Agreement and the transactions contemplated by the Merger Agreement were advisable, in the best interest of and fair to the unaffiliated stockholders and resolved to recommend to the Company s stockholders that they approve the adoption of the Merger Agreement. For the basis of the Board s determination in this regard, please see *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger Recommendation of the Board* beginning on page 27. Later that day, the Merger Agreement was executed by the Company, Tahoe and the Tahoe affiliates that were parties thereto, and the Support Agreement was executed by the Company, Tahoe and the Tahoe affiliates that were parties thereto.

On April 11, 2017, prior to the open of trading on the U.S. public stock markets, the Company issued a press release announcing the execution of the Merger Agreement, and filed the press release as an exhibit to its Current Report on Form 8-K.

**Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger**

Both the Special Committee and our Board believe, based on their consideration of the factors described below, that the Merger Agreement and the transactions contemplated by it, including the merger, are substantively and procedurally fair to Alliance s unaffiliated stockholders.

*The Special Committee*

The Special Committee, with the advice and assistance of its independent legal and financial advisors, evaluated the merger, the terms and conditions of the Merger Agreement and the transactions contemplated

thereby. Over the course of approximately 7 months, the Special Committee held 25 meetings related to the merger and the other transactions contemplated thereby and led negotiations with Tahoe. At a meeting held on April 10, 2017, the Special Committee unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of, and fair to, Alliance and the unaffiliated stockholders. The Special Committee also unanimously recommended that the Board (i) approve and declare advisable the Merger Agreement and the transactions contemplated thereby, including the merger, and (ii) recommend that the stockholders of Alliance approve the adoption of the Merger Agreement and the merger.

In evaluating the merger, the Merger Agreement and the other transactions contemplated thereby, the Special Committee consulted with the Special Committee s independent legal and financial advisors, consulted with Alliance s management and considered a number of factors, including, but not limited to, the following potentially positive factors (which are not intended to be exhaustive and are not listed in any relative order of importance):

- the fact that the Merger Consideration consists solely of cash, providing Alliance s unaffiliated stockholders with certainty of value and liquidity upon consummation of the merger, particularly in light of the relatively limited trading volume of the Common Stock and the risks and uncertainties relating to Alliance s prospects and the market, economic and other risks and uncertainties inherent in owning an equity interest in a public company;

- the Special Committee s understanding, following discussions with Alliance management, of Alliance s business, assets, financial condition and results of operations, its competitive position, its strategic options and prospects and the risks involved in achieving those prospects, its historical and projected financial performance and the nature of the industry in which Alliance competes, and current industry, economic and market conditions, both on a historical basis and on a prospective basis, which, in the Special Committee s belief, made the potential transaction desirable at this time;

- the current and historical market prices for the Common Stock, including the market performance of the Common Stock relative to those of other participants in Alliance s industry and general market indices, including the fact that the Merger Consideration of $13.25 per share represents an approximate premium of:

  - 67% over the closing trading price of $7.95 per share for the Common Stock on December 9, 2016, the last trading day prior to the date Tahoe s initial proposal was publicly disclosed; and

  - 32% over the closing trading price of $10.05 per share for the Common Stock on April 10, 2017, the last trading day before public announcement of the Merger Agreement.

- the extensive negotiations with respect to the Merger Consideration which led to an increase from $9.60 per share to $13.25 per share, and the Special Committee s determination that $13.25 per share was the highest price that Tahoe would agree to pay, with the Special Committee basing its belief on a number of factors, including the duration and tenor of negotiations and the experience of the Special Committee and its advisors, and that further negotiation ran the risk that Tahoe might determine to offer an amount less than

$13.25 per share, or be unable or unwilling to enter into the Merger Agreement and the transactions contemplated thereby, including the merger, in which event the unaffiliated stockholders would lose the opportunity to accept the premium being offered;

the possibility that it could take a considerable period of time for the trading price of the Common Stock to reach and sustain at least the Merger Consideration of $13.25 per share (or that such price would never be reached), as adjusted for the time value of money;

the belief of the Special Committee that the Merger Consideration being offered by Tahoe was the most favorable price that could be obtained for the unaffiliated shares, taking into account that Alliance had not received any offer from any third party since Alliance s receipt of the proposal letter from Tahoe, which was announced via press release on December 12, 2016 and filed with the SEC on the same date;

the financial analysis reviewed by Lazard with the Special Committee as well as the oral opinion of Lazard rendered to the Special Committee on April 10, 2017 (which was confirmed by delivery of Lazard s written opinion, dated April 10, 2017, to the Special Committee), as to the fairness, from a financial point of view and as of such date, of the Merger Consideration to be received by holders of Common Stock (other than shares of Common Stock held by any stockholder who is entitled to demand and properly demands appraisal rights, shares of Common Stock held by Alliance as treasury stock, or shares of Common Stock held by Purchaser Group Members, such holders, collectively, excluded holders ), which includes all unaffiliated stockholders, as further described in the section entitled *Special Factors Opinion of Financial Advisor to the Special Committee* . The Special Committee notes that the Lazard opinion addressed fairness to the holders of Company Common Stock (other than excluded holders), and that while such holders of Common Stock may also include holders that are also affiliates of Alliance (including officers and directors) but may not be Purchaser Group Members or dissenting stockholders, the consideration to be received by such affiliates is identical in all respects to the consideration to be received by the unaffiliated stockholders. Therefore, the Special Committee believed that there was no material distinction between the fairness of the transaction to the unaffiliated stockholders and the fairness of the transaction to the holders of Company Common Stock (other than excluded holders) and, as a result, the Special Committee believed it was reasonable and appropriate to consider such fairness opinion as a material factor in its determination as to the fairness of the transaction to the unaffiliated stockholders.

the Special Committee s review of the structure of the Merger Agreement, and the financial and other terms of the Merger Agreement, including, among others, the following specific terms of the Merger Agreement:

the non-waivable requirement that the Merger Agreement be adopted by the holders of a majority of the unaffiliated shares;

the limited and customary conditions to the parties obligations to complete the merger, and the commitment by Tahoe, Parent and THAIHOT to use their reasonable best efforts to take or cause to be taken all actions to consummate and make effective the merger and the other transactions contemplated by the Merger Agreement, including all actions necessary to obtain applicable regulatory approvals;

the fact that in the event of the failure of the merger to be completed under certain circumstances, Parent will pay Alliance a $4,500,000 expense reimbursement, as described in the section entitled *The Merger Agreement Fees and Expenses Expense Reimbursement Provisions* ;

subject to compliance with the terms of the Merger Agreement and prior to the requisite stockholder approval, the ability of Alliance to participate in discussions or negotiations with, or provide non-public information to, any person in response to an unsolicited Acquisition Proposal that is or could lead to a Superior Proposal, as further described in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation* ;

the ability of the Board or the Independent Committee, subject to certain conditions, to change its recommendation that the Alliance stockholders adopt the Merger Agreement, as described in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation* ;

Alliance s ability, pursuant to the Merger Agreement, to specifically enforce Tahoe s, Parent s, THAIHOT s and Sub s obligations under the Merger Agreement, including their obligation to consummate the merger;

the customary nature of the representations, warranties and covenants of Tahoe, Parent, THAIHOT and Sub in the Merger Agreement;

the fact that Alliance will not be required to mail this proxy statement to its stockholders until the Purchaser Parties provide evidence, reasonably satisfactory to the Independent Committee, that the aggregate Merger Consideration required to be paid to Alliance s stockholders pursuant to the Merger Agreement has been deposited in a US dollar deposit account with a bank in Hong Kong; and

- the absence of a financing condition in the Merger Agreement and the likelihood that the Purchaser Parties will be able to obtain funds sufficient to fund the Merger Consideration upon the Closing;
- the fact that under the Support Agreement, Tahoe, THAIHOT and Mr. Qisen Huang have agreed to vote (or cause to be voted) all shares of Common Stock beneficially owned by them in favor of the approval and adoption of the Merger Agreement and the transactions contemplated thereby, as further described in the section entitled *Agreements with Purchaser Group Members Involving Common Stock Support Agreement* ;
- the fact that Alliance management did not negotiate or enter into any contracts (including as to post-closing employment) with Tahoe or its affiliates in connection with the execution of the Merger Agreement or during the course of the Special Committee s negotiations with Tahoe;
- the strategic review and discussion undertaken by the Special Committee with the assistance of their independent legal and financial advisors, which involved the evaluation of multiple options, including Alliance s stand-alone business plan;
- the fact that the Company will need to refinance its existing debt prior to applicable maturities and will incur significant fees and expenses associated with such refinancing and that such refinancing will result in an increase to the Company s cost of capital which could limit the Company s operational flexibility, including with respect to its ability to invest in growth opportunities in the future; and
- the availability of appraisal rights under Delaware law to Alliance stockholders who do not vote in favor of the proposal to adopt the Merger Agreement, properly demand appraisal of their shares of Common Stock and otherwise comply with all of the requirements under Section 262 of the DGCL, which provides those eligible stockholders with an opportunity to have a Delaware court determine the fair value of their shares, which may be more than, less than, or the same as the amount such stockholders would have received under the Merger Agreement.

The Special Committee also considered a number of factors that are discussed below relating to the procedural safeguards that it believes were and are present to ensure the fairness of the merger and to permit the Special Committee to represent effectively the interests of the unaffiliated stockholders. These procedural safeguards, which are not intended to be exhaustive and are not listed in any relative order of importance are discussed below:

- the Special Committee consisted and consists of solely independent directors not affiliated with Tahoe or any member of the Purchaser Group;
- in considering the merger and the other transactions contemplated by the Merger Agreement, the Special Committee acted solely to represent the interests of the unaffiliated stockholders, and the Special Committee had independent control of the extensive negotiations with Tahoe and its legal advisors on behalf of such unaffiliated stockholders;

the Special Committee was empowered to consider, attend to and take any and all actions in connection with the written proposal from Tahoe and the transactions contemplated by the Merger Agreement or any alternative to the Tahoe proposal, including any decision not to enter into any transaction at all, from the date the Special Committee was established, and no evaluation, negotiation or response regarding the transactions or any documentation in connection therewith from that date forward was considered by the Board for approval unless the Special Committee had recommended such action to the Board;

the Special Committee s independent legal and financial advisors were involved throughout the process and updated the Special Committee directly and regularly;

the recognition by the Special Committee that it had no obligation to recommend the approval of the merger proposal by the Purchaser Group or any other transaction;

the fact that Tahoe required in its December 8, 2016 offer, approval of the merger by the Special Committee before moving forward with the merger, and that, additionally, the Board resolved that it would not approve or authorize a potential transaction involving Alliance and Tahoe without the prior favorable recommendation of the Special Committee;

the fact that, as a condition to the closing of the merger, the Merger Agreement must be adopted not only by Alliance stockholders holding a majority of the outstanding Common Stock, but also by the holders of the majority of the unaffiliated shares, which allows for an informed vote by the stockholders on the merits of the merger;

the fact that Alliance may under certain circumstances terminate the Merger Agreement in order to enter into an agreement relating to a Superior Proposal, as described in the section entitled *The Merger Agreement Other Covenants and Agreements No Solicitation* ; and

the fact that the Special Committee met 25 times to evaluate the Tahoe proposal, the merger and related matters, and during these meetings, the Special Committee extensively deliberated and discussed the advantages and disadvantages of the merger.

The Special Committee also considered a variety of uncertainties, risks and potentially negative factors in its deliberations concerning the merger, including the factors discussed below, concerning the Merger Agreement and the merger (which are not intended to be exhaustive and are not listed in any relative order of importance):

the fact that the unaffiliated stockholders will have no ongoing equity participation in Alliance following the merger, and that they will cease to participate in Alliance s future earnings or growth, if any, or to benefit from increases, if any, in the value of the shares of the Common Stock, and will not participate in any potential future sale of Alliance to a third party;

the possibility that Tahoe could sell part or all of Alliance following the merger to one or more purchasers at a valuation higher than that being paid in the merger;

the fact that Tahoe, which holds approximately 51.1% of the total outstanding shares of the Common Stock, expressed an unwillingness to consider a sale of their shares to any third party or to vote in favor of any alternative sale, merger or similar transaction involving Alliance, which (i) made the Special Committee believe that it was less likely that any transaction with a third party could be completed at this time, (ii) may have discouraged, and may in the future discourage, third parties from submitting competing transaction proposals with terms and conditions, including price, that may be superior to the merger and (iii) influenced the decision of the Special Committee not to conduct an auction process or solicit interest from third parties for the acquisition of Alliance;

the risks and costs to Alliance if the merger does not close, including the diversion of management and employee attention, potential employee attrition, the potential disruptive effect on business and customer

relationships, and the negative impact of a public announcement of the merger on Alliance s sales and operating results and the ability of Alliance to attract and retain key management, marketing and technical personnel;

the fact that Alliance s directors, officers and employees have expended and will expend extensive efforts attempting to complete the transactions contemplated by the Merger Agreement and such persons have experienced and will experience distractions from their work during the pendency of such transactions;

the risk of incurring substantial expenses related to the merger, including in connection with potential litigation related to the merger;

the fact that the $18.50 per share paid by Tahoe in the 2016 Acquisition (which price reflected a control premium) exceeds the Merger Consideration offered to the unaffiliated stockholders;

the restrictions on Alliance s business prior to completion of the merger, which may delay or prevent Alliance from undertaking business opportunities that may arise or any other action it would otherwise take with respect to the operations of Alliance pending completion of the merger;

the fact that certain directors, including members of the Special Committee, and executive officers of Alliance may have interests in the merger that may be different from, or in addition to, those of Alliance s stockholders, as described in more detail under *Special Factors Interests of Alliance s Directors and Executive Officers in the Merger* ;

the fact that Alliance may be required, under certain circumstances, to pay Parent an expense reimbursement fee of $1.5 million, as described in the section entitled *The Merger Agreement Fees and Expenses Expense Reimbursement Provisions* ;

the taxability of an all cash transaction to Alliance s unaffiliated stockholders that are U.S. holders for U.S. federal income tax purposes;

the possibility that the Purchaser Group may be unable or unwilling to complete the merger; and

the risk that, while the merger is expected to be completed, there can be no assurance that all conditions to the parties obligations to complete the merger will be satisfied, and as a result, it is possible that the merger may not be completed even if approved by Alliance s stockholders.

After considering the foregoing potentially negative and potentially positive factors, the Special Committee concluded that the uncertainties, risks and potentially negative factors relevant to the merger were outweighed by the potential benefits that it expected the holders of unaffiliated shares would achieve as a result of the merger.

The foregoing discussion of information and factors considered by the Special Committee is not intended to be exhaustive and may not include all of the factors considered by the Special Committee. In view of the wide variety of factors considered by the Special Committee, the Special Committee found it impracticable to quantify or otherwise assign relative weights to the foregoing factors in reaching its conclusions. In addition, individual members of the Special Committee may have given different weights to different factors and may have viewed some factors more positively or negatively than others. The Special Committee adopted Lazard s opinion and analyses, among other factors considered, in reaching its determination as to the fairness of the transactions contemplated by the Merger Agreement, including the merger. The Special Committee recommended that the Board approve, and the Board approved, the Merger Agreement based upon the totality of the information presented to it. It should be noted that this explanation of the reasoning of the Special Committee and certain information presented in this section is forward-looking in nature and should be read in light of the factors set forth in the section entitled *Cautionary Statement Regarding Forward-Looking Statements*.

The Special Committee did not consider the liquidation value of Alliance s assets because the Special Committee considers Alliance to be a viable going concern business that will continue to operate regardless of whether the merger is consummated, where value is derived from cash flows generated from its continuing operations. In addition, the Special Committee believes that the value of Alliance s assets that might be realized in a liquidation would be significantly less than its going concern value for the reasons that (i) liquidation sales generally result in proceeds substantially less than the sales of a going concern; (ii) it is impracticable to determine a liquidation value given the significant execution risk involved in any breakup of a company; (iii) an ongoing operation has the ability to continue to earn profit, while a liquidated company does not, such that the going-concern value will be higher than the liquidation value of a company because the going concern value includes the liquidation value of a company s tangible assets as well as the value of its intangible assets, such as goodwill; and (iv) a liquidation process would involve

additional legal fees, costs of sale and other expenses that would reduce any amounts that stockholders might receive upon liquidation. Furthermore, Alliance has no intention of liquidation and the merger will not result in the liquidation of Alliance. The Special Committee believes the analyses and additional factors it reviewed provided an indication of Alliance s going concern value. The Special Committee also considered the historical market prices of the Common Stock. The Special Committee did not seek to determine a pre-merger going concern value for the Common Stock to determine the fairness of the Merger Consideration to Alliance s unaffiliated stockholders. The Special Committee believes that the trading price of the Common Stock at any given time represents the best available indicator of Alliance s going concern value at that time, so long as the trading price at that time is not impacted

by speculation regarding the likelihood of a potential transaction. The Special Committee was not aware of any firm offer made by any unaffiliated person, other than as described in this Proxy Statement or in relation to the 2016 Transaction, during the two years prior to the date of Merger Agreement for (i) the merger or consolidation of the Company with another company, or vice versa, (ii) the sale or transfer of all or any substantial part of the Company s assets, or (iii) a purchase of the Company s securities that would enable such person to exercise control of the Company. Further, the Special Committee did not consider net book value, which is an accounting concept, as a factor because it believed that net book value is not a material indicator of the value of Alliance as a going concern but rather is indicative of historical costs and because net book value does not take into account the prospects of Alliance, market conditions, trends in the industry in which Alliance operates or the business risks inherent in that industry.

*Recommendation of the Board*

The Board consists of nine directors. On April 10, 2017, based in part on the unanimous recommendation of the Special Committee, as well as on the basis of the other factors described above, the Board unanimously (with Messrs. Qisen Huang, Heping Feng and Tao Zhang recusing themselves) on behalf of Alliance:

- determined that the Merger Agreement and the merger are advisable and in the best interests of, and fair to, Alliance and the unaffiliated stockholders;

- approved the Merger Agreement and the transactions contemplated by it, including the merger; and

- resolved to recommend that Alliance s stockholders vote FOR the proposal to adopt the Merger Agreement.

**The Board (with Messrs. Qisen Huang, Heping Feng and Tao Zhang recusing themselves) unanimously recommends that you vote FOR the adoption of the Merger Agreement.**

Our Board believes, based on their considerations of the factors described above, that the Merger Agreement and the transactions contemplated by it, including the merger, are substantively and procedurally fair, to the Company s unaffiliated stockholders. In adopting the Special Committee s recommendations and concluding that the Merger Agreement and the transactions contemplated by it, including the merger, are in the best interests of the Company and the unaffiliated stockholders, our Board consulted with outside legal advisors, considered and relied upon the same factors and considerations that the Special Committee relied upon, as described above, and adopted as its own analysis the Special Committee s analyses and conclusions in their entirety. The Board is not aware of any firm offer made by any unaffiliated person, other than as described in this Proxy Statement or in relation to the 2016 Transaction, during the two years prior to the date of Merger Agreement for (i) the merger or consolidation of the Company with another company, or vice versa, (ii) the sale or transfer of all or any substantial part of the Company s assets, or (iii) a purchase of the Company s securities that would enable such person to exercise control of the Company.

**Opinion of Financial Advisor to the Special Committee**

The Special Committee retained Lazard to act as financial advisor in connection with the merger. As part of that engagement, the Special Committee requested that Lazard evaluate the fairness, from a financial point of view, to the holders of Common Stock (other than excluded holders) of the consideration to be paid to such holders in the merger. On April 10, 2017, Lazard rendered its oral opinion to the Special Committee, subsequently confirmed in writing, that, as of that date and based upon and subject to the assumptions, procedures, factors, qualifications and limitations

set forth therein, the per share Merger Consideration to be paid to holders of Common Stock (other than Excluded Holders) in the merger was fair, from a financial point of view, to such holders.

**The full text of Lazard s written opinion, dated April 10, 2017, which sets forth the assumptions made, procedures followed, factors considered, and qualifications and limitations on the review undertaken by Lazard in connection with its opinion is attached to this proxy statement as Annex B and is**

**incorporated into this proxy statement by reference. The description of Lazard s opinion set forth in this proxy statement is qualified in its entirety by reference to the full text of Lazard s written opinion attached as Annex B. We encourage you to read Lazard s opinion and this section carefully and in their entirety.**

**Lazard s opinion was directed to the Special Committee for the information and assistance of the Special Committee in connection with its evaluation of the merger and only addressed the fairness, from a financial point of view, to holders of Common Stock (other than excluded holders) of the per share Merger Consideration to be paid to such holders in the merger as of the date of Lazard s opinion. The Special Committee did not request Lazard to consider, and Lazard s opinion did not address, the relative merits of the merger as compared to any other transaction or business strategy in which Alliance might engage or the merits of the underlying decision by Alliance to engage in the merger. Lazard s opinion was not intended to and does not constitute a recommendation to any holder of Common Stock as to how such holder should vote or act with respect to the merger or any matter relating thereto. Lazard s opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Lazard as of, the date of Lazard s opinion. Lazard assumed no responsibility for updating or revising its opinion based on circumstances or events occurring after the date of Lazard s opinion. Lazard s opinion did not express any opinion as to the prices at which shares of Common Stock may trade at any time subsequent to the announcement of the merger.**

**The following is a summary of Lazard s opinion. We encourage you to read Lazard s written opinion carefully in its entirety.**

In connection with its opinion, Lazard:

- reviewed the financial terms and conditions of a draft dated April 10, 2017, of the Merger Agreement;
- reviewed certain publicly available historical business and financial information relating to Alliance;
- reviewed various financial forecasts and other data provided to Lazard by Alliance relating to the business of Alliance;
- reviewed public information with respect to certain other companies in lines of business Lazard believed to be comparable in certain respects to the business of Alliance;
- held discussions with members of senior management of Alliance with respect to the business and prospects of Alliance;
- reviewed historical stock prices and trading volumes of Common Stock; and
- conducted such other financial studies, analyses and investigations as Lazard deemed appropriate.

Lazard assumed and relied upon the accuracy and completeness of the foregoing information, without independent verification of such information. Lazard did not conduct any independent valuation or appraisal of any of the assets or liabilities (contingent or otherwise) of Alliance or any other party to the merger or concerning the solvency or fair value of Alliance or any other party to the merger, and Lazard was not furnished with any such valuation or appraisal. With respect to the financial forecasts utilized in Lazard s analyses, Lazard assumed, with the consent of the Special Committee, that they were reasonably prepared on bases reflecting the best currently available estimates and judgments as to the future financial performance of Alliance, including the estimated timing and financial impact of Alliance s anticipated refinancing of its debt facilities in 2017. Lazard assumed no responsibility for and expressed no view as to any such forecasts or the assumptions on which they are based. Lazard noted that given the limited equity research coverage of the Alliance peer set, lack of equity research coverage for Alliance, and significant historical trading discount of Alliance as compared to selected peers, and the limited number of comparable transactions within a relevant timeframe, Lazard concluded that both comparable companies and precedent transactions analyses were not useful methodologies for purposes of analyzing the valuation of Alliance, and therefore relied upon a discounted cash flow analysis in reaching its opinion.

In rendering its opinion, Lazard assumed, with the consent of the Special Committee, that the merger would be consummated on the terms described in the draft dated April 10, 2017, of the Merger Agreement, without any

waiver or modification of any material terms or conditions. Representatives of the Special Committee advised Lazard, and Lazard assumed, that the Merger Agreement, when executed, would conform to the draft reviewed by Lazard in all material respects. Lazard also assumed, with the consent of the Special Committee, that obtaining the necessary governmental, regulatory or third party approvals and consents for the merger would not have an adverse effect on Alliance or the merger. Lazard did not express any opinion as to any tax or other consequences that might result from the merger, nor does Lazard s opinion address any legal, tax, regulatory or accounting matters, as to which Lazard understood that Alliance obtained such advice as it deemed necessary from qualified professionals. Lazard expressed no view or opinion as to any terms or other aspects (other than the per share Merger Consideration to the extent expressly specified in Lazard s opinion) of the merger, including, without limitation, the form or structure of the merger or any agreements or arrangements entered into in connection with, or contemplated by, the merger. In addition, Lazard expressed no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to any officers, directors or employees of any parties to the merger, or class of such persons, relative to the per share Merger Consideration or otherwise.

***Summary of Lazard s Financial Analyses***

The following is a summary of the material financial analyses reviewed with the Special Committee in connection with Lazard s opinion, dated April 10, 2017. The summary of Lazard s analyses and reviews provided below is not a complete description of the analyses and reviews underlying Lazard s opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of analysis and review and the application of those methods to particular circumstances, and, therefore, is not readily susceptible to summary description. Considering selected portions of the analyses and reviews or the summary set forth below, without considering the analyses and reviews as a whole, could create an incomplete or misleading view of the analyses and reviews underlying Lazard s opinion.

For purposes of its analyses and reviews, Lazard considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Alliance. No company, business or transaction used in Lazard s analyses and reviews as a comparison is identical to Alliance or the merger, and an evaluation of the results of those analyses and reviews is not entirely mathematical. Rather, the analyses and reviews involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, businesses or transactions used in Lazard s analyses and reviews. The estimates contained in Lazard s analyses and reviews and the ranges of valuations resulting from any particular analysis or review are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by Lazard s analyses and reviews. In addition, analyses and reviews relating to the value of companies, businesses or securities do not purport to be appraisals or to reflect the prices at which companies, businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, Lazard s analyses and reviews are inherently subject to substantial uncertainty.

**Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before April 10, 2017, and is not necessarily indicative of current market conditions.**

***Discounted Cash Flow Analysis***

Using the projections provided by Alliance and described in more detail under *Special Factors Projected Financial Information* , Lazard performed a discounted cash flow analysis of Alliance to calculate the estimated net present value of Alliance, as of December 31, 2016, based on the sum of (1) the unlevered free cash flows that Alliance was

forecasted to generate during the fiscal years 2017 through 2021, (2) the terminal value of Alliance and (3) the estimated amounts of utilized net operating loss carry-forwards of Alliance for each of years 2017 through 2023. The terminal value for Alliance was calculated by applying perpetuity growth rates ranging from 0.75% to 1.25% to Alliance s terminal year unlevered free cash flow, as set forth in *Special Factors*

*Projected Financial Information* . The perpetuity growth rates were derived based on Lazard s professional judgment and taking into account, among other factors, projections provided by Alliance and described in more detail under *Special Factors Projected Financial Information* , Alliance s historical financial performance and trends in the industry and the general economy. The estimated amounts of net operating loss carry-forwards ( NOLs ) utilized by Alliance were calculated based on the projections provided by Alliance and described in more detail under *Special Factors Projected Financial Information* . The estimated present value of the NOLs and prepaid taxes were calculated based on the sum of the anticipated tax shield over the period of their projected usage (from 2017 to 2023) for U.S. federal, state and prepaid taxes using a weighted average applicable U.S. federal income tax rate of 35.0% and state income tax rate of 7.53%, each as estimated by Alliance management and discounted using a discount range of 9.0% to 10.0%. The unlevered free cash flows, terminal values and amount of the net operating loss carry-forwards utilized by Alliance were discounted to present value using discount rates ranging from 9.0% to 10.0%. The discount rates applicable to Alliance were based on Lazard s judgment of an estimated range of weighted average cost of capital for Alliance. Lazard then calculated an implied per share equity value as total enterprise value (based on the sum of the present value of the free cash flows to Alliance during the forecast period plus the present value of the terminal value, each discounted by the weighted average cost of capital range of 9.0% to 10.0%) less pro forma debt attributable to Alliance (calculated as the sum of debt and cash held outside joint ventures and Alliance s share of debt and cash held within joint ventures as of December 31, 2016, plus $9.7 million of after-tax cost of fees and expenses anticipated to be paid in connection with Alliance s anticipated refinancing), plus the estimated present value of NOLs and pre-paid taxes, divided by the amount of fully diluted Common Stock outstanding as of March 31, 2017, as provided by Alliance. This analysis resulted in an implied per share equity reference range for Alliance of $8.39 to $17.44 as compared to the per share Merger Consideration of $13.25.

***Other Analyses and Reviews***

The analyses and data described below were presented to the Special Committee for informational purposes only and did not provide the basis for, and were not material to, the rendering of Lazard s opinion.

*Selected Companies Analysis*

Lazard reviewed and analyzed certain financial information, valuation multiples and market trading data related to selected publicly-traded outsourced radiology providers (RadNet, Inc. and Digirad Corporation). Lazard determined, however, that, given the limited equity research coverage of the Alliance peer set, lack of equity research coverage for Alliance and significant historical trading discount of Alliance as compared to selected peers, a comparable companies analysis was not a useful methodology for purposes of analyzing the valuation of Alliance, and therefore relied upon a discounted cash flow analysis in reaching its opinion.

For informational purposes, Lazard calculated and compared the ratio of each of RadNet Inc. s and Digirad Corporation s enterprise value, calculated as the market capitalization of each company (based on its closing share price as of April 7, 2017 and most recently publicly reported fully-diluted share count), plus debt, less cash, cash equivalents and marketable securities (based on the most recent publicly available data) to its calendar year 2017 estimated earnings before interest, taxes, depreciation and amortization, excluding the minority interest and deducting stock-based compensation, referred to in this subsection as Adjusted EBITDA . The Adjusted EBITDA estimates for each of the companies used by Lazard in its analysis were based on FactSet consensus estimates and Wall Street research. This resulted in an enterprise value to 2017E Adjusted EBITDA multiple range of 6.9x 7.3x for the comparable companies. Lazard applied such range of enterprise values to Adjusted EBITDA multiples for the comparable companies to the estimated Adjusted EBITDA of Alliance for 2017, to arrive at implied equity values for Common Stock of $21.49 and $25.37.

*2016 Transaction Analysis*

Lazard reviewed certain publicly available information and information provided by Alliance management with respect to the 2016 Transaction. Lazard applied the Implied EBITDA multiple (determined to be a range

between 5.2x and 6.0x) from the 2016 Transaction to Alliance s 2017E Adjusted EBITDA (not reduced by minority interest and before deduction for stock-based compensation) of $142.6 million to arrive at a range of implied equity values for Common Stock of $4.62 to $14.79.

*Selected Squeeze-Out Transactions Analysis*

Lazard reviewed and analyzed certain publicly available financial information for 15 selected precedent squeeze-out transactions from January 1, 2012 to April 7, 2017 with a transaction value greater than $50 million involving U.S.-listed target and majority stakeholders buying out remaining stakeholders.

Lazard applied a 30.6% and 54.9% premium, based on the median and mean premiums in the selected squeeze-out transactions, to Alliance s unaffected share price of $7.95 to arrive at a range of implied equity values for Common Stock of $10.38 to $12.32. Lazard observed a maximum premium of 284.6% and a minimum premium of 6.5%, and observed that the 25$^{th}$ percentile premium was 23.6% and the 75$^{th}$ percentile premium was 60.6%.

*52-Week High/Low Trading Prices:*

Lazard reviewed the range of trading prices for Common Stock for the 52 weeks ended December 9, 2016. Lazard observed that, during this period, the daily closing prices of Common Stock ranged from $5.77 to $9.30 per share on August 2, 2016 and December 18, 2015, respectively.

***Miscellaneous***

In connection with Lazard s services as the Special Committee s financial advisor, Alliance has agreed to pay Lazard an aggregate fee for such services of a total of $2.8 million, portions of which became payable upon Lazard s engagement and during the course of its engagement, $1.4 million of which was payable upon the rendering of its opinion (less previously received payments) and $1.4 million of which is contingent upon the closing of the merger. In addition, Alliance may pay Lazard a discretionary fee in an amount to be determined by the Special Committee in its sole discretion, upon the closing of the merger. Alliance also agreed to reimburse Lazard for certain expenses incurred in connection with Lazard s engagement and to indemnify Lazard and certain related persons under certain circumstances against certain liabilities that may arise from or relate to Lazard s engagement. Other than its engagement as financial advisor to the Special Committee in connection with the merger, no material relationships existed in the past two years between Lazard s financial advisory business and either Alliance or Tahoe, including any material relationship pursuant to which any compensation was received.

Lazard, as part of its investment banking business, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, leveraged buyouts and valuations for other purposes. In the ordinary course, Lazard and its affiliates and employees may trade securities of Alliance and certain of its affiliates for their own accounts and for the accounts of their customers, may at any time hold a long or short position in such securities, and may also trade and hold securities on behalf of Alliance and the Purchaser Group Members. The issuance of Lazard s opinion was approved by the opinion committee of Lazard.

Lazard is an internationally recognized investment banking firm providing a full range of financial advisory and other services. After considering Lazard s knowledge and expertise in mergers and acquisitions transactions, experience advising special committees in going private transactions and experience in cross-border transactions with PRC based entities and after Lazard s confirmation that there were no conflicts of interest present that would affect Lazard s ability to effectively provide advice to the Special Committee, the Special Committee determined to engage Lazard as its

independent financial advisor and executed an engagement letter with Lazard on the same day.

Lazard did not recommend any specific consideration to the Special Committee or that any given consideration constituted the only appropriate consideration for the merger. Lazard s opinion and analyses were

only one of many factors taken into consideration by the Special Committee in its evaluation of the merger. Consequently, the analyses described above should not be viewed as determinative of the views of the Special Committee or Alliance s management with respect to the consideration provided for in the merger or as to whether the Special Committee would have been willing to determine that a different consideration was fair.

**Purchaser Group Members Purposes and Reasons for the Merger**

Under the SEC rules governing going private transactions, each Purchaser Group Member is deemed to be engaged in a going private transaction and, therefore, is required to express his, her or its reasons for the merger to the unaffiliated stockholders, as defined in Rule 13e-3 of the Exchange Act. Each Purchaser Group Member is making the statements included in this section solely for the purpose of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

For each Purchaser Group Member, the primary purpose of the merger is to acquire, through Parent, all shares of Common Stock not owned by them to benefit from any future earnings and growth of the Company after the merger of Sub with and into the Company, making the Company privately held and wholly-owned by Parent. The Purchaser Group believes that structuring the transaction in such manner is preferable to other transaction structures because (i) it will enable Parent to directly acquire all of the outstanding shares of the Company at the same time, (ii) it will allow the Company to cease to be a publicly registered and reporting company, (iii) it represents an opportunity for the Company s stockholders other than the Purchaser Group to immediately realize the value of their investment in the Company and (iv) it also allows THAIHOT, as the controlling stockholder of the Company, to maintain all of its investment in the Company through its indirect ownership in Parent.

The Purchaser Group also believes that it is in the best interests of the Company to operate as a privately-held entity. As a privately-held entity, the Company will have greater operational flexibility to pursue alternatives that it would not have as a public company, and management will be able to concentrate on long-term growth, reducing the focus on the quarter-to-quarter performance often emphasized by the public equity market s valuation of Company Stock. Each Purchaser Group Member also believes that the merger will provide the Company with flexibility to pursue transactions with a risk profile that may be unacceptable to many public stockholders, and that these transactions can be more effectively executed as a private company.

In addition, as a privately-held entity, the Company will be relieved of many of the other expenses, burdens and constraints imposed on companies that are subject to the public reporting requirements under the federal securities laws of the United States, including the Exchange Act and Sarbanes-Oxley Act of 2002. The need for the management of the Company to be responsive to the unaffiliated stockholders concerns and to engage in an on-going dialogue with the unaffiliated stockholders can at times distract the management s time and attention from the effective operation and improvement of the business.

The Purchaser Group also considered a variety of potentially negative factors to it concerning the Merger Agreement and the merger, which are listed below, although not listed in any relative order of importance:

- all of the risk of any possible decreases in the Company s revenues, free cash flow or value following the merger will be borne by the Purchaser Group;

risks associated with pending legal proceedings and possible adverse regulatory changes against the Company will be borne by the Purchaser Group;

the business risks facing the Company, including increased competition, will be borne by the Purchaser Group;

an investment in the surviving corporation by the Purchaser Group following the merger will involve substantial risk resulting from the limited liquidity of such an investment; and

following the merger, there will be no trading market for the surviving corporation s equity securities.

**Position of the Purchaser Group as to Fairness of the Merger**

Under SEC rules governing going private transactions, each of the Purchaser Group Member is required to express his, her or its belief as to the fairness of the merger to the unaffiliated stockholders . Each of the Purchaser Group Members is making the statements included in this section solely for the purpose of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

The Purchaser Group has interests in the merger that are different from those of the other stockholders of the Company by virtue of its continuing interests in the surviving corporation after the completion of the merger. The Purchaser Group attempted to negotiate with the Special Committee the terms of a transaction that would be most favorable to the Purchaser Group, and not necessarily to the Company s unaffiliated stockholders, and, accordingly, did not negotiate the Merger Agreement with a goal of obtaining terms that were fair to such unaffiliated stockholders. The Special Committee consists of four directors of the Company who are not affiliated with the Purchaser Group Members, are not employees of the Company or any of its affiliates and have no financial interest in the merger different from, or in addition to the interests of the Company s unaffiliated stockholders other than their interests described under *Special Factors Interests of Alliance s Directors and Executive Officers in the Merger* beginning on page 54. Accordingly, the Purchaser Group believes that the members of the Special Committee are independent and disinterested directors of the Company.

The Purchaser Group did not participate in the deliberations of the Special Committee regarding, or receive any advice from the Special Committee s independent legal or financial advisors as to, the substantive or procedural fairness of the merger to the Company s unaffiliated stockholders. The Purchaser Group has not performed, or engaged a financial advisor to perform, any valuation or other analysis for the purposes of assessing the fairness of the merger to the Company s unaffiliated stockholders. No financial advisor provided the Purchaser Group with any analysis, opinion or appraisal with respect to the fairness of the Merger Consideration to the unaffiliated stockholders.

Based on its knowledge and analysis of available information regarding the Company, as well as the factors considered by, and the analyses and resulting conclusions of, the Special Committee and the Board discussed under *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger* beginning on page 27, each Purchaser Group Member believes that the merger is substantively and procedurally fair to the unaffiliated stockholders based on its consideration of the following factors, which are not listed in any relative order of importance:

- the Special Committee, consisting entirely of directors who are not officers or employees of the Company and who are not affiliated with any member of the Purchaser Group, was established and given authority to, among other things, review, evaluate and negotiate the terms of the merger and to recommend to the Board what action should be taken by the Company, including not to engage in the merger;

- members of the Special Committee do not have any interests in the merger different from, or in addition to, those of the unaffiliated stockholders, other than (i) the directors receipt of board compensation in the ordinary course, (ii) the Special Committee members compensation in connection with its evaluation of the merger (which is not contingent upon the completion of the merger or recommendation of the merger by the Special Committee or the Board) and (iii) the directors indemnification and liability insurance rights under the merger agreement;

the Special Committee retained and was advised by its legal and financial advisors who are experienced in advising committees such as the Special Committee in similar transactions;

the Purchaser Group did not participate in or seek to influence the deliberative process of, or the conclusions reached by, the Special Committee or the negotiating positions of the Special Committee;

the Special Committee and the Board had no obligation to recommend the approval and adoption of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the merger, or any other transaction;

the Special Committee and Board was fully informed about the extent to which the interests of certain stockholders of the Company who are also Purchaser Group Members in the merger differed from those of the unaffiliated stockholders;

the Special Committee and, acting upon the unanimous recommendation of the Special Committee, the Board determined that the Merger Agreement and the transactions contemplated thereby, including the merger, are in the best interests of the unaffiliated stockholders;

the current and historical market prices of the Common Stock, including the fact that the Merger Consideration represents a premium of approximately 67% over Alliance s closing trading price of $7.95 per share of our Common Stock on December 9, 2016, the last trading day prior to Tahoe s initial proposal was publicly disclosed, and a premium of 38% over the $9.60 purchase price per share initially offered by Tahoe;

the Company s Common Stock traded as low as $5.73 per share during the 52-week period prior to the announcement of the execution of the Merger Agreement;

the Merger Consideration is all cash, which allows the unaffiliated stockholders to immediately realize certainty of value and liquidity without incurring brokerage and other costs typically associated with market sales and allows the unaffiliated stockholders not to be exposed to risks and uncertainties relating to the prospects of the Company;

the Merger Consideration, other terms and conditions of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the merger, were the result of extensive negotiations over an extended period of time between the Special Committee and its advisors on the one side and the Purchaser Group and its advisor on the other side;

notwithstanding that the Purchaser Group may not rely upon the opinion provided by Lazard to the Special Committee, the Special Committee received from Lazard an opinion, dated April 10, 2017, as to the fairness, from a financial point of view, of the Merger Consideration to be received by the unaffiliated and non-dissenting stockholders in the merger, based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Lazard in preparing its opinion;

the recognition of the potential disadvantages that the Company would continue to face as an SEC-reporting public company, including continuing to be subject to the (i) regulatory compliance costs; and (ii) requirement to disclose a considerable amount of business information to the public, some of which would otherwise be considered competitively sensitive and would not be disclosed by a non-reporting company and which potentially may help the Company s actual or potential competitors, customers, lenders and vendors compete against the Company or make it more difficult for the Company to negotiate favorable terms with them, as the case may be;

the Merger Agreement requires that it be adopted not only by the affirmative vote of the holders of at least a majority of the voting power of the outstanding Company Stock, but also the affirmative vote of the holders of at least a majority of the voting power of the outstanding Company Stock not beneficially owned by the Purchaser Group or any Section 16 officer of the Company;

subject to compliance with the Merger Agreement and prior to receipt of the requisite stockholder approval, the ability of the Board or the Independent Committee to participate in discussions or negotiations with, or provide non-public information to, any person in response to an unsolicited acquisition proposal for the Company, if the Board or the Independent Committee determines, after consultation with outside legal counsel, that such acquisition proposal constitutes a superior proposal;

the ability of the Board or the Independent Committee, subject to certain conditions, to make a Change in Recommendation or enter into a Superior Proposal;

prior to the mailing of this proxy statement, Parent is required to deposit or cause to be deposited into a special purpose account in Hong Kong sufficient funds in U.S. dollars for timely payment of the aggregate merger consideration, and these funds shall continue to be available and shall not have been withdrawn or otherwise restricted;

the Alliance Expense Reimbursement payable by the Company to Parent if the Merger Agreement is terminated under certain circumstances is $1,500,000, or approximately 1.0% of the Company s total equity value implied by the Merger Consideration;

the Parent Expense Reimbursement payable by Parent to the Company if the Merger Agreement is terminated under certain circumstances is $4,500,000, or approximately 3.0% of the Company s total equity value implied by the Merger Consideration, which is three times the amount of the Alliance Expense Reimbursement payable by the Company to Parent;

the Company, under certain circumstances as set out in the merger agreement, is able to specifically enforce the terms of the Merger Agreement;

the merger is not conditioned on any financing being obtained by Parent or Sub, thus increasing the likelihood that the merger will be consummated and the Merger Consideration will be paid to the unaffiliated stockholders; and

the ability of the Company s stockholders to exercise appraisal rights under Section 262 of the DGCL, which provides such stockholders with the opportunity to have the Delaware Court of Chancery determine the fair value (as defined pursuant to Section 262 of the DGCL) of their shares of Company Stock (which may be more than, less than or the same as the amount such stockholders would have received under the Merger Agreement) and to receive payment based on that valuation in lieu of receiving the Merger Consideration.

The Purchaser Group did not consider the Company s net book value, which is defined as total assets minus total liabilities, as a factor. The Purchaser Group believes that net book value, which is an accounting concept based on historical costs, is not a material indicator of the value of the Company as a going concern because it does not take into account the future prospects of the Company, market conditions, trends in the industry in which the Company conducts its business or the business risks inherent in competing with other companies in the same industry.

In its consideration of the fairness of the merger, the Purchaser Group did not consider the Company s liquidation value to be a relevant valuation method because it considers the Company to be a viable, going concern business where value is derived from cash flows generated from its continuing operations and because the Company will continue to operate its business following the merger.

The Purchaser Group did not seek to establish a pre-merger going concern value for the Common Stock to determine the fairness of the Merger Consideration to the unaffiliated stockholders. Each of the Purchaser Group Members believes that the trading price of the Common Stock at any given time represents the best available indicator of Alliance s going concern value at the time, so long as the trading price of that time is not impacted by speculation regarding the likelihood of a potential transaction. To the extent the pre-merger going concern value was reflected in the pre-announcement price of the Common Stock, the Merger Consideration represented a premium to the going concern value of the Company.

The Purchaser Group considered the previous transaction in the Company s shares by members of the Purchaser Group in the 2016 Acquisition, where the Purchaser Group acquired an aggregate of 5,537,945 shares of Common Stock representing approximately 51.5% of the then outstanding shares of the Company at a price of $18.50 per share. The Purchaser Group believes that the premiums to market value described above reflect a more appropriate comparison of

the value to be paid to unaffiliated stockholders than the 2016 Acquisition, in which the Purchaser Group acquired control of the Company in a single transaction at a price with a premium (including control premium) of 12.7% over Alliance s closing trading price of $16.41 per share on September 15, 2015, the last trading day prior to the press release announcing the signing of the 2016 Acquisition.

Each of the Purchaser Group Members is not aware of, and thus did not consider in its fairness determination, any offers or proposals made by any unaffiliated third parties with respect to (a) a merger or

consolidation of the Company with or into another company, (b) a sale of all or a substantial part of the Company s assets or (c) the purchase of the Company voting securities that would enable the holder to exercise control over the Company.

The Purchaser Group did not perform or receive any independent reports, opinions or appraisals from any third party related to the merger, and thus did not consider any such reports, opinions or appraisals in determining the substantive and procedural fairness of the merger to the unaffiliated stockholders .

The foregoing is a summary of the information and factors considered and given weight by each of the Purchaser Group Members in connection with its evaluation of the substantive and procedural fairness of the merger to the unaffiliated stockholders, which is not intended to be exhaustive, but includes all material factors considered by the Purchaser Group. The Purchaser Group did not find it practicable to assign, and did not assign, relative weights to the individual factors considered in reaching their conclusion as to the substantive and procedural fairness of the merger to the unaffiliated stockholders. Rather, its fairness determination was made after consideration of all of the foregoing factors as a whole.

Each of the Purchaser Group Members believes these factors provide a reasonable basis for its belief that the merger is substantively and procedurally fair to the unaffiliated stockholders. This belief should not, however, be construed as a recommendation to any stockholder of the Company to vote in favor of the proposal to adopt the Merger Agreement. None of the Purchaser Group Members makes any recommendation as to how stockholders of the Company should vote their shares of Common Stock on the proposal to adopt the Merger Agreement.

**Plans for Alliance After the Merger**

It is expected that Alliance s operations will be conducted after the merger substantially as they currently are being conducted, except that it will cease to be a publicly traded company and will instead be a wholly owned subsidiary of Parent. Following the completion of the merger, the Company will no longer be subject to the Exchange Act and NASDAQ compliance and reporting requirements and the related direct and indirect costs and expenses, and may experience positive effects on profitability as a result of the elimination of such costs and expenses.

The directors of Sub will be the directors of Alliance immediately following the merger. The Purchaser Group Members intend that, upon consummation of the merger, the officers of Alliance will remain in their positions.

The Purchaser Group Members have advised Alliance that they do not have any current intentions, plans or proposals to cause Alliance to engage in any of the following:

- an extraordinary corporate transaction following consummation of the merger such as a merger, reorganization or liquidation;
- the relocation of any material operations or sale or transfer of a material amount of assets; or
- any other material changes in its business or the composition of its management.

Nevertheless, following consummation of the merger, the surviving corporation s management and board of directors may initiate a review of Alliance and its assets, corporate and capital structure, capitalization, operations, business,

properties and personnel to determine what changes, if any, would be desirable following the merger to enhance the business and operations of Alliance and may cause Alliance to engage in the types of transactions set forth above if the management or the board of directors decides that such transactions are in the best interest of Alliance upon such review. The Purchaser Group Members expressly reserve the right to make any changes to Alliance s operations after consummation of the merger that they deem appropriate in light of such evaluation and review or in light of future developments.

**Certain Effects of the Merger**

If the Merger Agreement is adopted by the requisite stockholder approval and the other conditions to the closing of the merger are either satisfied or waived, Sub will be merged with and into Alliance, the separate corporate existence of Sub will cease and Alliance will continue its corporate existence under Delaware law as the surviving corporation in the merger, with all of its rights, privileges, immunities, powers and franchises continuing unaffected by the merger.

Upon consummation of the merger, each share of Common Stock issued and outstanding immediately prior to the effective time of the merger (other than shares beneficially owned by Purchaser Group Members, shares owned by Alliance or dissenting shares) will immediately be converted into the right to receive the Merger Consideration, without interest and less applicable withholding taxes.

Following the merger, the entire equity in the surviving corporation will ultimately be owned by the Purchaser Group Members. If the merger is completed, the Purchaser Group Members will be the sole beneficiaries of Alliance s future earnings and growth, if any, and will be entitled to vote on corporate matters affecting Alliance following the merger. Similarly, the Purchaser Group Members will also bear the risks of ongoing operations, including the risks of any decrease in Alliance s value after the merger.

If the merger is completed, Alliance s unaffiliated stockholders will have no interest in Alliance s net book value or net earnings. Based on the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, the table below sets forth the direct and indirect interests in Alliance s net book value and net earnings of the Purchaser Group Members as of and for the year ended December 31, 2016, and what those interests would have been had the merger been completed as of that date.

| | Ownership Prior to the Merger[(1)] | | | Ownership Assuming Completion of the Merger[(1)] | | |
|---|---|---|---|---|---|---|
| | (in thousands, except % ownership) | | | | | |
| Name | Net Book Value | Earnings | % Ownership | Net Book Value | Earnings | % Ownership |
| Purchaser Group Members | $ (4,858,924) | $ 251,971 | 51.1% | $ (9,503,248) | $ 492,813 | 100% |

(1) Ownership percentages are based on shares of Common Stock outstanding as of April 10, 2017, the date of the Merger Agreement.

A primary benefit of the merger to Alliance s stockholders (other than Purchaser Group Members) will be the right of such stockholders to receive the Merger Consideration as described above, representing a premium of approximately 67% over the trading price of $7.95 per share of our Common Stock on December 9, 2016, the last trading day prior to the date Tahoe s initial proposal was publicly disclosed, and a premium of 38% over the $9.60 purchase price per share initially offered by Tahoe. Additionally, such stockholders will avoid the risk of any possible decrease in Alliance s future earnings, growth or value.

The primary detriments of the merger to such stockholders include the lack of interest of such stockholders in Alliance s potential future earnings, growth or value. Additionally, the receipt of cash in exchange for shares of Common Stock pursuant to the merger will generally be a taxable sale transaction for U.S. federal income tax purposes to our stockholders who surrender shares of the Common Stock in the merger, as described further under the

section entitled *Special Factors Material U.S. Federal Income Tax Consequences of the Merger* .

In connection with the merger, the Purchaser Group Members will receive benefits and be subject to obligations that are different from, or in addition to, the benefits received by Alliance s stockholders generally. The primary benefits of the merger to the Purchaser Group Members, based on their ownership of all the equity interests in Parent, include their indirect interest in Alliance s potential future earnings and growth which, if they successfully execute their business strategies, could be substantial. Additionally, following the merger, Alliance will be a private company, and as such will be relieved of the burdens imposed on companies with publicly

traded equity, including the requirements and restrictions on trading that Alliance s directors, officers and beneficial owners of more than 10% of the outstanding shares of Common Stock face as a result of the provisions of Section 16 of the Exchange Act. Additionally, following the merger, Messrs. Qisen Huang and Yong Ge will be directors of the surviving corporation.

The primary detriments of the merger to the Purchaser Group Members include the fact that all of the risk of any possible decrease in Alliance s earnings, growth or value following the merger will be borne by Parent. Additionally, the investment by the Purchaser Group Members in Parent and Alliance will not be liquid, with no public trading market for such securities.

In connection with the merger, certain members of Alliance s management will receive benefits and be subject to obligations that may be different from, or in addition to, the benefits and obligations of Alliance s stockholders generally, as described in more detail under *Special Factors Interests of Alliance s Directors and Executive Officers in the Merger* beginning on page 54. Those incremental benefits are expected to include, among others, certain executive officers continuing as executive officers of the surviving corporation.

The shares of Common Stock are currently registered under the Exchange Act and are quoted on NASDAQ under the symbol AIQ. As a result of the merger, Alliance will be a privately held corporation and there will be no public market for its shares. After the merger, the shares of Common Stock will cease to be listed on NASDAQ and price quotations with respect to sales of shares of Common Stock in the public market will no longer be available. In addition, registration of the Common Stock under the Exchange Act will be terminated.

At the effective time of the merger, the certificate of incorporation and bylaws of Alliance will be amended and restated to read as set forth in Exhibits A and B, respectively, to the Merger Agreement, and, as so amended and restated, will be the certificate of incorporation and by-laws of Alliance following the merger until thereafter amended in accordance with their respective terms and the DGCL.

**Projected Financial Information**

Our management prepares projections with respect to the Company s future financial performance as part of its ongoing management of the business. The Company does not, as a matter of course, make available to the public future financial projections due to the inherent uncertainty of the underlying assumptions and estimates, though the Company has in the past provided investors with full-year guidance in connection with its regularly-scheduled earnings releases which may cover areas such as revenue, Adjusted EBITDA and capital expenditures, among other items, which it may update from time to time during the relevant year. However, the Company is including in this proxy statement a summary of certain unaudited prospective financial information that was prepared by our management and made available to the Board from time to time, to the Special Committee and Lazard in connection with the Special Committee s consideration of the Company s stand-alone prospects and potential strategic transactions available to the Company, as well as, to Tahoe, THAIHOT, Parent and Sub.

Company management, as part of ordinary course strategic and operational planning for the business, prepares, and updates from time to time, multi-year financial projections included in a long-range planning model that are based on the Company s evolving strategy, results and activities. In advance of a Board meeting on August 24, 2016, Company management provided the Board with a set of unaudited preliminary financial projections (the August Long-Range Planning Model ). The August Long-Range Planning Model was not provided to Lazard, but is being included in this proxy statement because it was the last set of unaudited preliminary financial projections provided to the Board and Tahoe (because Tahoe s representatives on the Board received the August Long-Range Planning Model in advance of the August 24, 2016, Board meeting) prior to the submission of the Tahoe Proposal by Tahoe to the Board on

December 8, 2016. On December 13, 2016, Company management presented to the Board and the Board approved unaudited financial projections for fiscal year 2017. Company management then updated its then current long-range planning model based on the Board approved fiscal year 2017 projections and input it received from its divisional executives with respect to their

expectations of their respective divisions financial performance for fiscal years 2018 and 2019 (the December Long-Range Planning Model ). The December Long-Range Planning Model was made available to the Special Committee and Lazard following Tahoe s submission of the Tahoe Proposal to the Board. In connection with the Special Committee s evaluation of the Tahoe Proposal and the Company s future stand-alone prospects, the Special Committee determined that management should prepare an alternative scenario of unaudited financial projections (the Special Committee Forecasts ) based on the December Long-Range Planning Model with certain adjustments with respect to the Company s projected financial performance requested by the Special Committee, the most significant being the elimination of the impacts of any potential acquisitions in the December Long-Range Planning Model that were projected for fiscal year 2018 and beyond. In addition to the elimination of impacts for future potential acquisitions, the Special Committee Forecasts also included moderate reductions in pricing and cost savings and increases in capital expenditures. Each of the August Long-Range Planning Model, the December Long-Range Planning Model and the Special Committee Forecasts contemplated the refinancing of the Company s existing debt. The Special Committee reviewed the Special Committee Forecasts and discussed them with Company management and Lazard, and the Special Committee authorized Lazard to use and rely solely on the Special Committee Forecasts, including in connection with its financial analyses of the Company and the potential transaction. Representatives of Tahoe received the December Long-Range Planning Model and the Special Committee Forecasts from the Company on January 20, 2017. In connection with its evaluation of the Tahoe Proposal, the Special Committee relied solely on the Special Committee Forecasts, which at the time they were prepared reflected the Special Committee s view of the risk profile of certain elements of the Company s business, and represented the Special Committee s and senior management s best then available estimates as to the future financial performance of the Company. The Special Committee did not use or rely on the August Long-Range Planning Model or the December Long-Range Planning Model in connection with its evaluation of the Tahoe Proposal.

The financial projections and forecasts below are being included in this proxy statement not to influence your decision whether to vote for or against the proposal to adopt the merger agreement, but to give our stockholders access to certain financial projections and forecasts which were made available to the Special Committee, Lazard, Tahoe, THAIHOT, Parent or Sub as discussed above in *Special Factors Background of the Merger*, beginning on page 14. The inclusion of this information should not be regarded as an indication that the Company, the Special Committee, the Board, the Special Committee s financial advisor, Tahoe, THAIHOT, Parent, Sub or any other recipient of this information considered, or now considers, such financial projections or forecasts to be a reliable prediction of future results.

In developing the financial projections, the Special Committee and the Company s management made numerous judgments, estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to the Company s business, at a given point in time, all of which are difficult to predict and many of which are beyond the Company s control. The financial projections are subjective in many respects and are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. As such, the financial projections constitute forward-looking information and are subject to risks and uncertainties that could cause actual results to differ materially from the results forecasted, including the various risks set forth in the Company s periodic reports filed with the SEC. There can be no assurance that the projected results will be realized or that actual results will not be significantly higher or lower than projected. The financial projections cannot be considered reliable predictors of future results and they should not be relied upon as such. The financial projections cover multiple years and such information by its nature becomes less predictive and potentially less accurate with each successive year. In addition, the financial projections and forecasts assume that the Company will remain a publicly traded company.

The financial projections do not take into account any circumstances or events occurring after the date they were prepared, including the announcement of the potential merger. The financial projections do not take into account the

effect of any failure to occur of the potential merger and should not be viewed as accurate or continuing in that context.

Whereas, the financial projections were not prepared with a view toward public disclosure or toward complying with generally accepted accounting principles in the United States of America ( GAAP ), the published guidelines of the SEC regarding forecasts or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, the projections are prepared on an accounting basis consistent with the Company s financial statements. The prospective financial information included in the financial projections has been prepared by, and is the responsibility of, the Company.

The inclusion of the financial projections herein is not deemed an admission or representation by the Company that the financial projections are viewed by the Company or the Special Committee as material information of the Company or the surviving corporation. The financial projections are not included in this proxy statement in order to induce any holder of the Company common shares to approve the proposal to approve the Merger Agreement. **THE COMPANY DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE PLANS TO REFLECT CIRCUMSTANCES EXISTING SINCE THEIR RESPECTIVE PREPARATION OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE UNDERLYING ASSUMPTIONS ARE SHOWN TO BE IN ERROR, OR TO REFLECT CHANGES IN GENERAL ECONOMIC OR INDUSTRY CONDITIONS.**

Neither the Company s independent registered public accounting firm, Deloitte & Touche LLP, nor any other independent accountants have examined, compiled or performed any procedures with respect to the financial projections or any amounts derived therefrom or built thereupon and, accordingly, they have not expressed any opinion or given any form of assurance on the financial projections or their achievability and assume no responsibility for, and disclaim any association with, the prospective financial information.

***Use of Non-GAAP Measures***

Certain information in the financial projections are non-GAAP financial measures, including the non-GAAP measure of Adjusted EBITDA . When viewed with our financial results prepared in accordance with GAAP and accompanying reconciliations, we believe these non-GAAP measures provide additional useful information to clarify and enhance the understanding of the factors and trends affecting our past performance and future prospects. We define these measures, explain how they are calculated and provide reconciliations of these measures to the most comparable GAAP measure in the tables below. These non-GAAP financial measures, including Adjusted EBITDA, as presented in this proxy statement, are supplemental measures of our performance that are not required by, or presented in accordance with, GAAP. They are not a measurement of our financial performance under GAAP and should not be considered as alternatives to net income, or any other performance measures derived in accordance with GAAP, or as an alternative to net cash provided by operating activities as measures of our liquidity. The presentation of these measures should not be interpreted to mean that our future results will be unaffected by unusual or nonrecurring items.

The Company s management uses Adjusted EBITDA and non-GAAP operating performance measures internally as complementary financial measures to evaluate the performance and trends of our businesses. We present Adjusted EBITDA below because we believe that it provides useful information with respect to our ability to meet our future debt service, capital expenditures, working capital requirements and overall operating performance.

Adjusted EBITDA and other non-GAAP financial measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are:

Adjusted EBITDA does not reflect our future expenditures for capital expenditures or contractual commitments;

Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

Adjusted EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;

Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future;

Adjusted EBITDA does not reflect any cash requirements for such replacements;

Adjusted EBITDA does not adjust for all non-cash income or expense items that are reflected in our statement of cash flows;

Adjusted EBITDA does not reflect the impact on earnings of charges resulting from matters unrelated to our ongoing operations; and

Other companies in our industry may calculate Adjusted EBITDA differently, limiting its usefulness as comparative measures.

You should compensate for these limitations by relying primarily on our GAAP results and use Adjusted EBITDA only as a supplement to this information. See our consolidated financial statements contained in the Company s Annual Report on Form 10-K for the period ended December 31, 2016, and filed with the SEC by the Company on March 10, 2017, which is incorporated by reference into this proxy statement.

However, in spite of the above limitations, we believe that Adjusted EBITDA and other non-GAAP financial measures are useful to an investor in evaluating our results of operations because these measures:

Are widely used by investors to measure a company s operating performance without regard to items excluded from the calculation of such terms, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired, among other factors;

Help investors evaluate and compare the results of our operations from period to period by removing the effect of our capital structure from our operating performance; and

Are used by our management team for various other purposes in presentations to our Board as a basis for strategic planning and forecasting.

***Definition of Adjusted EBITDA***

Adjusted EBITDA, as used by the Company in this proxy statement, means net (loss) income before: income tax (benefit) expense; interest expense, net; depreciation expense; amortization expense; stock based compensation payment; severance and related costs; net income attributable to noncontrolling interest; restructuring charges; transaction costs; stockholder transaction costs relating to the 2016 Acquisition; impairment charges; legal matters expense, net; changes in fair value of contingent consideration related to acquisitions; non-cash gain on step acquisition; and other non-cash (benefits) charges, which include non-cash (gains) losses on sales of assets.

***August Long-Range Planning Model***

Company management prepared the August Long-Range Planning Model for the Company for fiscal years 2016 through 2020. The August Long-Range Planning Model assumed the successful completion and integration of certain acquisitions, continued creation of joint ventures in the Oncology segment, the successful implementation of certain cost savings initiatives, the refinancing of the Company s existing debt at a higher cost of capital, moderate maintenance and growth CAPEX, more moderate pricing impacts in the Radiology segment as compared to fiscal years 2015 and 2016 due to the substantial completion of the strategic pricing reset in the Radiology segment and moderate expense to support initial entry into the PRC market. The August Long-Range Planning Model is being included in this proxy statement solely to provide our stockholders with the most recent unaudited financial projections of the Company that had been made available to Tahoe, THAIHOT, Parent and Sub (because Tahoe s representatives on the Board received the August Long-Range Planning Model in advance of the August 24, 2016, Board meeting) prior to the submission of the Tahoe Proposal by Tahoe to the Board on December 8, 2016.

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The following presents in summary form the financial projections in the August Long-Range Planning Model:

| | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|
| **Income Statement** | | | | | |
| Net Revenue | $ 514,101 | $ 546,914 | $ 568,528 | $ 588,726 | $ 609,347 |
| YOY Growth | | 6.4% | 4.0% | 3.6% | 3.5% |
| | | | | | |
| Adjusted EBITDA | $ 140,612 | $ 147,872 | $ 152,936 | $ 156,642 | $ 160,277 |
| % of Revenue | 27% | 27% | 27% | 27% | 26% |
| | | | | | |
| Adjusted EBITDA less Minority Interest | $ 120,368 | $ 122,724 | $ 126,391 | $ 129,058 | $ 131,637 |
| % of Revenue | 23% | 22% | 22% | 22% | 22% |

Set forth below are the reconciliations of the non-GAAP financial information included in the August Long-Range Planning Model above to the most comparable GAAP financial measures based on financial information available to, or projected by, the Company.

| ($ in thousands) | 2016E | 2017E | 2018E | 2019E | 2020E |
|---|---|---|---|---|---|
| Net income | $ 2,735 | $ 6,212 | $ 7,843 | $ 9,119 | $ 10,313 |
| Income tax (benefit) expense[1] | 1,944 | 4,591 | 5,797 | 6,740 | 7,623 |
| Depreciation and amortization | 64,578 | 64,170 | 65,384 | 66,791 | 68,386 |
| Stock based compensation | 3,060 | 1,620 | 1,620 | 1,620.0 | 1,620 |
| Interest and other one-time expenses | 46,701 | 43,914 | 43,427 | 42,396 | 41,230 |
| Minority Interest | 21,594 | 27,365 | 28,865 | 29,976 | 31,105 |
| **Adjusted EBITDA** | 140,612 | 147,872 | 152,936 | 156,642 | 160,277 |

(1) Tax expense reflects 42.5% tax rate per Company projections.

***December Long-Range Planning Model***

Company management prepared the December Long-Range Planning Model for the Company for fiscal years 2017 through 2023. The December Long-Range Planning Model assumed moderate same-store growth, more moderate pricing impacts in the Radiology segment as compared to fiscal years 2015 and 2016 due to the substantial completion of the strategic pricing reset in the Radiology segment, the impact of certain contract terminations in the Oncology segment, the successful implementation of certain cost savings initiatives and investments in support of the Company s entry into the PRC. The primary differences between the August Long-Range Planning Model and the December Long-Range Planning Model were due to (1) Company management s inclusion of the Board approved unaudited financial projections for fiscal year 2017, and (2) updated projections from the Company s divisional executives with respect to their expectations of their respective divisions financial performance for fiscal years 2018 and 2019, which in turn impacted projected performance levels in 2020 through 2023. The December Long-Range Planning Model was provided to the Special Committee and, separately, to representatives of Tahoe. The December Long-Range Planning Model was also provided to Lazard, but was superseded by the Special Committee Forecasts and the Special Committee did not authorize Lazard to use the December Long-Range Planning Model for purposes of its financial analyses of the Company and the proposed transaction. The December Long-Range Planning Model is being included

in this proxy statement solely to provide our stockholders with information that was made available to the Special Committee, Lazard, Tahoe, THAIHOT, Parent and Sub.

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The following presents in summary form the financial projections in the December Long-Range Planning Model:

| | 2017E | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E |
|---|---|---|---|---|---|---|---|
| **Income Statement** | | | | | | | |
| Net Revenue | $ 548,259 | $ 579,811 | $ 605,321 | $ 621,243 | $ 634,502 | $ 648,143 | $ 662,191 |
| YOY Growth | 8.7% | 5.8% | 4.4% | 2.6% | 2.1% | 2.1% | 2.2% |
| Adjusted EBITDA | $ 142,375 | $ 159,393 | $ 174,445 | $ 177,858 | $ 179,982 | $ 181,788 | $ 183,052 |
| % of Revenue | 26% | 27% | 29% | 29% | 28% | 28% | 28% |
| Adjusted EBITDA less Minority Interest | $ 118,738 | $ 132,928 | $ 145,155 | $ 147,465 | $ 148,825 | $ 149,858 | $ 150,364 |
| % of Revenue | 22% | 23% | 24% | 24% | 23% | 23% | 23% |

Set forth below are the reconciliations of the non-GAAP financial information included in the December Long-Range Planning Model above to the most comparable GAAP financial measures based on financial information available to, or projected by, the Company.

| ($ in thousands) | 2017E | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E |
|---|---|---|---|---|---|---|---|
| Net income | $ (21,131) | $ 4,110 | $ 12,919 | $ 15,780 | $ 18,001 | $ 20,734 | $ 22,610 |
| Income tax (benefit) expense[1] | (15,618) | 3,038 | 9,549 | 11,664 | 13,305 | 15,325 | 16,711 |
| Depreciation and amortization | 71,912 | 69,294 | 69,126 | 68,989 | 68,435 | 68,007 | 67,697 |
| Stock based compensation | 2,484 | 2,857 | 1,596 | 1,596 | 1,596 | 1,596 | 1,596 |
| Interest and other one-time expenses | 81,091 | 53,629 | 51,966 | 49,436 | 47,487 | 44,195 | 41,750 |
| Minority Interest | 23,637 | 26,465 | 29,289 | 30,393 | 31,157 | 31,930 | 32,688 |
| **Adjusted EBITDA** | **$ 142,375** | **$ 159,393** | **$ 174,445** | **$ 177,858** | **$ 179,982** | **$ 181,788** | **$ 183,052** |

(1) Tax expense reflects 42.5% tax rate per Company projections.

***Special Committee Forecasts***

Set forth below are the Special Committee Forecasts, which were based on the December Long-Range Planning Model and were reviewed by the Special Committee and Lazard and authorized by the Special Committee for use by Lazard in connection with its financial analysis of the potential transaction. In connection with the Special Committee s evaluation of the Tahoe Proposal and the Company s future stand-alone prospects, the Special Committee determined that management should prepare an alternative scenario of unaudited financial projections on a reasonable and good faith basis based on the December Long-Range Planning Model with certain adjustments with respect to the Company s projected financial performance, the most significant being the elimination of the impacts of future potential acquisitions of other businesses by Alliance that were included in the December Long-Range Planning Model and projected to occur in fiscal year 2018 through 2023. In addition to the elimination of impacts for future potential acquisitions, the Special Committee Forecasts also included moderate reductions in pricing, moderate reductions in cost savings and moderate increases in capital expenditures as compared to the December Long-Range

Planning Model. As compared to the December-Long Range Planning Model, the aggregate effects of the adjustments reflected in the Special Committee Forecasts increased Adjusted EBITDA after the impact of the minority interest by $250,000 in fiscal year 2017 and reduced Adjusted EBITDA after the impact of the minority interest by $6.6 million in fiscal year 2018, $14.1 million in fiscal year 2019, $15.1 million in fiscal year 2020 and $15.1 million in fiscal year 2021.

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The following presents financial projections in the Special Committee Forecasts[2,3]:

**Fiscal Year Ending December 31,**

| | 2017E | 2018E | 2019E | 2020E | 2021E | 17E - 21E CAGR |
|---|---|---|---|---|---|---|
| | | | *(Dollars in thousands)* | | | |
| Income Statement Items | | | | | | |
| Radiology | $ 357,944 | $ 366,954 | $ 373,676 | $ 377,885 | $ 382,132 | 1.6% |
| Oncology | 133,439 | 142,177 | 148,295 | 152,738 | 157,075 | 4.2% |
| Interventional | 52,716 | 58,251 | 62,329 | 66,692 | 71,360 | 7.9% |
| Corporate | 4,160 | 4,160 | 4,160 | 4,160 | 4,160 | 0.0% |
| **Net Revenue** | **$ 548,259** | **$ 571,542** | **$ 588,458** | **$ 601,474** | **$ 614,727** | **2.9%** |
| *Growth %* | *8.4%* | *4.2%* | *3.0%* | *2.2%* | *2.2%* | |
| Radiology | $ 123,251 | $ 127,870 | $ 132,578 | $ 132,765 | $ 132,726 | 1.9% |
| Oncology | 57,481 | 60,350 | 61,087 | 61,744 | 62,733 | 2.2% |
| Interventional | 7,005 | 8.917 | 10,220 | 11,621 | 13,068 | 16.9% |
| Corporate | (45,112) | (45,621) | (46,177) | (46,453) | (46,734) | 0.9% |
| **Adjusted EBITDA** | **$ 142,625** | **$ 151,516** | **$ 157,708** | **$ 159,677** | **$ 161,794** | **3.2%** |
| *% Growth* | *8.5%* | *6.2%* | *4.1%* | *1.2%* | *1.3%* | |
| *% Margin* | *26.0%* | *26.5%* | *26.8%* | *26.5%* | *26.3%* | |
| Less: Stock-based Compensation | (2,484) | (2,857) | (1,596) | (1,596) | (1,596) | |
| **Adjusted EBITDA less Stock Based Compensation** | **$ 140,140** | **$ 148,659** | **$ 156,112** | **$ 158,081** | **$ 160,198** | **3.4%** |
| *% Growth* | *9.2%* | *6.1%* | *5.0%* | *1.3%* | *1.3%* | |
| *% Margin* | *25.6%* | *26.0%* | *26.5%* | *26.3%* | *26.1%* | |
| Less: Minority Interest | (23,637) | (25,207) | (26,680) | (27,335) | (28,097) | |
| **Adjusted EBITDA less Stock Based Compensation and Minority Interest** | **$ 116,504** | **$ 123,452** | **$ 129,431** | **$ 130,746** | **$ 132,101** | **3.2%** |
| Less: Non-Alliance JV Interest Expense Add-Back | (491) | (491) | (491) | (491) | (491) | |
| **Adjusted EBITDA less Stock Based Compensation, Minority Interest and JV Interest Expense** | **$ 116,012** | **$ 122,960** | **$ 128,940** | **$ 130,254** | **$ 131,610** | **3.2%** |

(2) A prior version of the Special Committee Forecasts prepared on the basis of estimated financial results for fiscal year 2016 were provided to representatives of Tahoe, but were later updated to reflect the actual financial results for fiscal year 2016. The Special Committee Forecasts provided above were provided to Tahoe and superseded the earlier version of the Special Committee Forecasts. The only changes between the two versions were as a

result of incorporating the actual financial results of fiscal year 2016 (instead of estimated financial results).

(3) In the Special Committee Forecasts, Adjusted EBITDA less the Minority Interest is $118,988 in 2017, $126,309 in 2018, $131,027 in 2019, $132,341 in 2020 and $133,697 in 2021.

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**Unlevered Free Cash Flow Projections[4]**

Company management confirmed the following projected unlevered free cash flows for the Company, which were based on the Special Committee Forecasts, for use in Lazard s discounted cash flow analysis performed in connection with the rendering of its opinion to the Special Committee on April 10, 2017 as summarized in the section *Special Factors Opinion of the Financial Advisor to the Special Committee* beginning on page 33.

| | Fiscal Year Ending December 31, | | | | | 17E - 21E CAGR | 18E - 21E CAGR |
|---|---|---|---|---|---|---|---|
| | **2017E** | **2018E** | **2019E** | **2020E** | **2021E** | | |
| **Adjusted EBITDA less Stock Based Compensation, Minority Interest and JV Interest Expense** | **$ 116,012** | **$ 122,960** | **$ 128,940** | **$ 130,254** | **$ 131,610** | **3.2%** | **2.3%** |
| *% Growth* | 4.7% | 6.0% | 4.9% | 1.0% | 1.0% | | |
| Less: Depreciation to Company | (52,630) | (54,247) | (54,569) | (51,839) | (49,534) | | |
| Less: Amortization to Company | (11,068) | (10,752) | (10,337) | (9,923) | (9,152) | | |
| **EBIT to Company** | **$ 52,314** | **$ 57,962** | **$ 64,034** | **$ 68,492** | **$ 72,924** | **8.7%** | **8.0%** |
| Less: Taxes Paid by Company at 39.9% | (20,871) | (23,124) | (25,546) | (27,325) | (29,093) | | |
| **NOPAT to Company** | **$ 31,444** | **$ 34,838** | **$ 38,488** | **$ 41,168** | **$ 43,831** | **8.7%** | **8.0%** |
| Plus: Depreciation to Company | 52,630 | 54,247 | 54,569 | 51,839 | 49,534 | | |
| Plus: Amortization to Company | 11,068 | 10,752 | 10,337 | 9,923 | 9,152 | | |
| Less: CapEx to Company | (47,842) | (45,724) | (43,742) | (42,604) | (42,642) | | |
| Less: Acquisitions to Company | (4,424) | | | | | | |
| Less: Increase in NWC to Company | 740 | 7,471 | 71 | (2,688) | 159 | | |
| **Unlevered Free Cash Flow to Company** | **$ 43,616** | **$ 61,583** | **$ 59,723** | **$ 57,637** | **$ 60,034** | **8.3%** | **(0.8%)** |
| *% Growth* | | *41.2%* | *(3.0%)* | *(3.5%)* | *4.2%* | | |

(4)

Unlevered Free Cash Flow represents Adjusted EBITDA less (1) stock based compensation less (2) minority interest expense less (3) non-Company joint venture interest expense add-back less (4) taxes paid by the Company less (5) capital expenditures to the Company less (6) acquisitions to the Company less (7) increase (or plus the decrease) in net working capital to the Company.

Set forth below is a summary of the reconciliations of the non-GAAP financial information included in the Special Committee Forecasts above to the most comparable GAAP financial measures based on financial information available to, or projected by, the Company.

| ($ in thousands) | **2017E** | **2018E** | **2019E** | **2020E** | **2021E** |
|---|---|---|---|---|---|
| Net income | $ (18,024) | $ (2,857) | $ 1,510 | $ 5,551 | $ 9,550 |
| Income tax (benefit) expense | (13,322) | (2,112) | 1,116 | 4,103 | 7,059 |
| Depreciation and amortization | 75,176 | 76,711 | 76,602 | 72,891 | 69,261 |
| Stock based compensation | 2,484 | 2,857 | 1,596 | 1,596 | 1,596 |
| Interest and other one-time expenses | 72,673 | 51,710 | 50,203 | 48,200 | 46,232 |
| Minority Interest | 23,637 | 25,207 | 26,680 | 27,335 | 28,097 |
| **Adjusted EBITDA** | **$ 142,625** | **$ 151,516** | **$ 157,708** | **$ 159,677** | **$ 161,794** |

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| | 2017E | 2018E | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|
| EBIT | $ 63,837 | $ 71,340 | $ 77,641 | $ 83,321 | $ 89,068 |
| Depreciation and amortization | 75,176 | 76,711 | 76,602 | 72,891 | 69,261 |
| Other income (expense) | 3,612 | 3,465 | 3,465 | 3,465 | 3,465 |
| **Adjusted EBITDA** | **$ 142,625** | **$ 151,516** | **$ 157,708** | **$ 159,677** | **$ 161,794** |
| Stock based compensation | (2,484) | (2,857) | (1,596) | (1,596) | (1,596) |
| Minority interest expense | (23,637) | (25,207) | (26,680) | (27,335) | (28,097) |
| Non-Company joint venture interest expense add-back | (491) | (491) | (491) | (491) | (491) |
| Taxes paid by Company | (20,871) | (23,124) | (25,546) | (27,325) | (29,093) |
| Capital expenditures to Company | (47,842) | (45,724) | (43,742) | (42,604) | (42,642) |
| Acquisitions to Company | (4,424) | | | | |
| (Increase) decrease in net working capital to Company | 740 | 7,471 | 71 | (2,688) | 159 |
| **Unlevered free cash flow to Company** | **$ 43,616** | **$ 61,583** | **$ 59,723** | **$ 57,637** | **$ 60,034** |

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*Net Operating Losses*

The Company s management expects to utilize certain NOLs. The following is a summary of certain financial and business information provided to the Special Committee which was based on information received from Company management and used by Lazard in its discounted cash flow analysis performed in connection with the rendering of its opinion to the Special Committee on April 10, 2017 as summarized in the section *Special Factors Opinion of the Financial Advisor to the Special Committee* beginning on page 33.

| | ($ in thousands) Fiscal Year Ending December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2016A** | **2017E** | **2018E** | **2019E** | **2020E** | **2021E** | **2022E** | **2023E** |
| **Federal NOLs** | | | | | | | | |
| Pretax Income before Federal NOLs | | ($ 38,133) | ($ 9,125) | $ 8,560 | $ 34,871 | $ 50,391 | $ 51,165 | $ 43,152 |
| NOLs (Used) / Accrued | | 38,133 | 9,125 | (8,560) | (34,871) | (48,425) | 5,832 | (5,832) |
| Federal Taxable Income | | | | | | $ 1,966 | $ 56,997 | $ 37,319 |
| Remaining NOLs | $ 44,597 | $ 82,730 | $ 91,855 | $ 83,295 | $ 48,425 | | $ 5,832 | |
| Federal NOLs (Accrued)/ Used | | ($ 38,133) | ($ 9,125) | $ 8,560 | $ 34,871 | $ 48,425 | ($ 5,832) | $ 5,832 |
| Tax Rate | | 35.00% | 35.00% | 35.00% | 35.00% | 35.00% | 35.00% | 35.00% |
| Nominal Tax Shield from Federal NOLs at a Tax Rate of 35.00% | | | | $ 2,996 | $ 12,205 | $ 16,949 | | $ 2,041 |
| **State NOLs** | | | | | | | | |
| Pretax Income before State NOLs | | ($ 27,911) | ($ 1,534) | $ 6,060 | $ 13,089 | $ 20,042 | $ 19,143 | $ 19,810 |
| NOLs (Used)/ Accrued | | 27,911 | 1,534 | (6,060) | (13,089) | (20,042) | (19,143) | (15,612) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| State Taxable Income | | | | | | | | $ 4,199 |
| Remaining NOLs | $ 44,500 | $ 72,411 | $ 73,946 | $ 67,885 | $ 54,797 | $ 34,754 | $ 15,612 | |
| State NOLs (Accrued)/ Used | | ($ 27,911) | ($ 1,534) | $ 6,060 | $ 13,089 | $ 20,042 | $ 19,143 | $ 15,612 |
| Tax Rate | | 7.53% | 7.53% | 7.53% | 7.53% | 7.53% | 7.53% | 7.53% |
| Nominal Tax Shield from State NOLs at Tax Rate of 7.53% | | | | $ 456 | $ 986 | $ 1,509 | $ 1,441 | $ 1,176 |
| | | | | | | | | |
| **<u>Prepaid Taxes</u>** | | | | | | | | |
| Beginning Balance | | $ 2,500 | $ 2,500 | $ 2,500 | $ 2,500 | $ 2,500 | $ 2,500 | |
| Prepaid Taxes Accrued/ (Used) | | | | | | | (2,500) | |
| Ending Balance | | $ 2,500 | $ 2,500 | $ 2,500 | $ 2,500 | $ 2,500 | | |
| Nominal Tax Shield from Prepaid Taxes | | | | | | | $ 2,500 | |

**Financing**

Alliance and the Purchaser Parties estimate that the total amount of funds required to complete the merger and related transactions and pay related fees and expenses will be approximately $75 million. The Purchaser Parties intend to fund this amount from cash on hand.

Pursuant to the Merger Agreement, the Purchaser Parties are required to take the following actions:

- obtain funds in US dollars sufficient to fund the aggregate Merger Consideration and otherwise necessary to complete the transactions contemplated by the Merger Agreement on or prior to closing;
- establish in the name of a US or other offshore entity, a US dollar deposit account, referred to as a special purpose account , with a bank in Hong Kong;
- deposit the aggregate Merger Consideration in the special purpose account prior to Alliance causing this proxy statement to be mailed to its stockholders;
- provide Alliance and the Special Committee with evidence of the deposit into the special purpose account, together with a certificate certifying that the Purchaser Parties have complied with their respective obligations to establish the special purpose account and make the deposit into it; and
- retain sufficient funds in the special purpose account to pay the aggregate Merger Consideration at all times until the earlier of the closing date or the date on which the Merger Agreement is terminated.

**Interests of Alliance s Directors and Executive Officers in the Merger**

In considering the recommendation of the Board that you vote to adopt the Merger Agreement, you should be aware that aside from their interests as stockholders of Alliance, Alliance s directors and executive officers have interests in the merger that may be different from, or in addition to, those of other stockholders of Alliance generally. The members of the Special Committee were aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the merger, and in making it recommendations to the Board, which was also aware of and took into account these interests, among other matters, when making its recommendation to the stockholders of Alliance that the Merger Agreement be adopted. See *Special Factors Background of the Merger* beginning on page 14 and *Special Factors Reasons for the Merger; Recommendation of the Special Committee; Recommendation of the Board; Fairness of the Merger* beginning on page 27.

Effective upon the consummation of the merger, Alliance will be wholly owned by Parent. Mr. Qisen Huang, Chairman of our Board, will indirectly control Parent.

Alliance s stockholders should take these interests into account in deciding whether to vote FOR the adoption of the Merger Agreement. These interests are described in more detail below, and certain of them are quantified in the narrative and the table below.

*Treatment of Alliance Equity Awards in the Merger*

*Options*

If the merger is consummated, each option to purchase shares of Common Stock outstanding under the Alliance Equity Plans at or immediately prior to the effective time that has an exercise price per share of Common Stock

underlying such option that is less than the Merger Consideration, also referred to as an in-the-money company stock option , whether or not exercisable or vested, shall be cancelled and converted into the right to receive an amount in cash determined by multiplying (i) the excess of the Merger Consideration over the option exercise price of such in-the-money company stock option by (ii) the number of shares of Common Stock subject to such in-the-money company stock option. At or immediately prior to the effective time, each Company stock option that has an option exercise price that is equal to or greater than the Merger Consideration, whether or not exercisable or vested, shall be cancelled without payment.

*Restricted Stock Units*

If the merger is consummated, each award of restricted stock units with respect to shares of Common Stock granted under the Alliance Equity Plans, referred to as a company RSU award , that is outstanding at or

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immediately prior to the effective time, after giving effect to any accelerated vesting as a result of the transactions contemplated by the Merger Agreement, shall be cancelled and converted into the right to receive a restricted cash award in an amount in cash equal to (i) the number of shares of Common Stock subject to such company RSU award immediately prior to the effective time multiplied by (ii) the Merger Consideration. Any restricted cash award will be subject to the same vesting and payment conditions and schedules applicable to the company RSU award immediately prior to the effective time. Company RSU awards held by non-employee directors will be accelerated pursuant to the terms of the awards and will be converted into the right to receive cash payments.

We estimate the aggregate amount that would be payable to Alliance s directors and executive officers (other than Messrs. Qisen Huang, Heping Feng and Tao Zhang) as a result of the full vesting of outstanding in-the-money company stock options held by such directors and executive officers and the full vesting of outstanding company RSU awards held by such directors is approximately $2,700,000.

For additional information about beneficial ownership of Common Stock by directors and officers, see *Important Additional Information Regarding Alliance Security Ownership of Management and Certain Beneficial Owners* beginning on page 141.

The following table sets forth Alliance s directors and executive officers holdings of in-the-money company stock options (vested and unvested) and company RSU awards granted under the Alliance Equity Plans as of April 10, 2017, and also sets forth the amounts with respect to the in-the-money company stock options (vested and unvested), company RSU awards and company Common Stock, assuming a market price per share of Alliance Common Stock of $13.25, the Merger Consideration. Under the Merger Agreement, each in-the-money company stock option will be accelerated in full and converted into the right to receive cash payments and each company RSU award, after giving effect to any accelerated vesting as a result of the transactions contemplated by the Merger Agreement, shall be cancelled and converted into the right to receive a restricted cash award, subject to the same vesting and payment conditions and schedules applicable to the company RSU award immediately prior to the effective time. Company RSU awards held by non-employee directors will be accelerated pursuant to the terms of the awards and will be converted into the right to receive cash payments.

| Name | Shares of Company Common Stock Held (#) | Aggregate Proceeds to be Received for Shares of Company Common Stock Held ($) | In-the-Money Company Stock Options (#) | Company RSU Awards (#) | Aggregate Proceeds to be Received for In-the-Money Company Stock Options and RSU Awards ($)[1] |
|---|---|---|---|---|---|
| *Executive Officers* | | | | | |
| Percy C. Tomlinson | 18,194 | 241,071 | 44,079 | 17,720 | 540,257 |
| Rhonda Longmore-Grund | 2,500 | 33,125 | 59,088 | | 455,786 |
| Richard W. Johns | 4,648 | 61,586 | 83,525 | 6,886 | 633,178 |
| Richard A. Jones | 17,510 | 232,008 | 76,602 | 4,300 | 578,099 |
| Gregory E. Spurlock | 7,007 | 92,843 | 17,497 | 4,014 | 204,778 |
| Steven M. Siwek, M.D. | | | | | |
| Laurie R. Miller | 597 | 7,910 | 4,761 | 1,914 | 58,354 |

| | | | | | |
|---|---|---|---|---|---|
| *Directors:* | | | | | |
| Qisen Huang | | | | | |
| Scott A. Bartos | 24,608 | 326,056 | | 14,917 | 197,650 |
| Larry C. Buckelew | 54,202 | 718,177 | | 10,677 | 141,338 |
| Neil F. Dimick | 55,900 | 740,675 | | 14,917 | 197,650 |
| Heping Feng | | | | 9,945 | 131,771 |
| Edward L. Samek | 67,900 | 899,675 | | 14,917 | 197,650 |
| Paul S. Viviano | 77,637 | 1,028,690 | | 14,917 | 197,650 |
| Tao Zhang | | | | 9,945 | 131,771 |

[1] RSU proceeds subject to vesting requirements post-closing.

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*Severance Agreements*

Messrs. Tomlinson, Johns, Jones, and Spurlock and Mss. Longmore-Grund and Miller are entitled to severance benefits in the event of certain terminations of employment. These severance benefits are provided under an Executive Severance Agreement between Alliance and the executive, and described under *Executive Compensation Potential Payments upon Termination or Change in Control* on page 130 and *Proposal No. 2 Advisory Vote to Approve Merger-Related Compensation Golden Parachute Compensation* on page 90.

*Indemnification/Insurance*

Alliance s bylaws provide for mandatory indemnification of directors and executive officers against certain liabilities that may arise by reason of their status or service as directors or officers. In addition, pursuant to the Merger Agreement, Alliance s directors and executive officers will be entitled to certain ongoing indemnification from Parent and the surviving corporation and coverage under directors and officers liability insurance policies. The indemnification and insurance provisions in the Merger Agreement are further described in the section entitled *The Merger Agreement Other Covenants and Agreements Indemnification; Directors and Officers Insurance* on page 85.

*Compensation of the Special Committee*

The Special Committee consists of four independent members of the Board: Neil F. Dimick, Edward L. Samek, Paul S. Viviano and Scott A. Bartos. The Board appointed Mr. Dimick as the chairman of the Special Committee. In consideration of the time and effort required of the members of the Special Committee in connection with evaluating the potential transaction or any related transaction, the Board adopted resolutions providing for the following compensation structure for each member of the Special Committee:

- a retainer in the amount of $10,000 per month for serving as a member of the Special Committee, with an additional $2,000 per month retainer for the chairman of the Special Committee (this retainer was paid to the directors beginning in December 2016 with only 50% of the retainer paid in November 2016 and no retainer paid prior to November 2016);

- an additional amount of either $2,500 for each meeting of the Special Committee attended in person, or $1,000 for each meeting of the Special Committee attended telephonically, by such member;

- in the event that any litigation or other proceeding is commenced in connection with the potential transaction or any related transaction, payments in the amount of $500 for each hour (rounded up to the next full hour) spent by such member responding to, or otherwise being engaged in, any such litigation or proceeding; and

- reimbursement by Alliance for all costs incurred in connection with the member s service on the Special Committee (including separate counsel if necessary), in each case, payable in accordance with Alliance s standard policies and practices.

These fees are not dependent on the closing of the merger or on the Special Committee s or the Board s approval of, or recommendations with respect to, the merger or any other transaction.

**Material U.S. Federal Income Tax Consequences of the Merger**

The following discussion is a summary of the material U.S. federal income tax consequences of the merger to U.S. Holders and Non-U.S. Holders (each as defined below) of our common stock whose shares are converted into the right to receive cash pursuant to the merger, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the Internal Revenue Code of 1986, as amended (the Code ), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the IRS ), in each case in effect as of the date hereof.

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These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a U.S. Holder or Non-U.S. Holder. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the merger.

This discussion is limited to holders who hold our Common Stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a holder s particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- tax-exempt organizations or governmental organizations;
- persons subject to the alternative minimum tax;
- S-corporations, partnerships or any other entities or arrangements treated as partnerships or pass-through entities for U.S. federal income tax purposes (and investors therein);
- banks, insurance companies and other financial institutions;
- brokers, dealers or traders in securities;
- regulated investment companies or real estate investment trusts;
- U.S. expatriates and former citizens or long-term residents of the United States;
- persons holding our Common Stock as part of a hedge, straddle or other risk reduction transaction or as part of a conversion transaction or other integrated investment;
- persons deemed to sell our Common Stock under the constructive sale provisions of the Code;
- persons who received our Common Stock in a compensatory transaction or pursuant to the exercise of options or warrants or pursuant to restricted stock units;
- U.S. Holders whose functional currency is not the U.S. dollar;

- controlled foreign corporations, passive foreign investment companies or corporations that accumulate earnings to avoid U.S. federal income tax;
- tax-qualified retirement plans; and
- persons who do not vote in favor of the merger and who properly demand appraisal of their shares under Delaware law.

If a partnership (including an entity or arrangement, domestic or foreign, treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our common stock, the tax treatment of a partner in such partnership will generally depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partnerships holding our common stock and partners therein should consult their tax advisors regarding the U.S. federal income tax consequences of the merger.

This discussion does not address the tax consequences pertaining to Company options or Company RSUs that are converted into the right to receive cash in connection with the merger. This discussion also does not address the Purchaser Parties or any of their affiliates.

**THIS DISCUSSION IS PROVIDED FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES RELATING TO THE MERGER IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES AND ANY CONSEQUENCES ARISING UNDER OTHER U.S. FEDERAL TAX LAWS OR THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION.**

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*U.S. Holders*

For purposes of this discussion, a U.S. Holder is a beneficial owner of our Common Stock that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that is subject to the primary supervision of a court within the United States and the control of one or more United States persons as defined in Section 7701(a)(30) of the Code; or (2) that has a valid election in effect under applicable Treasury regulations to be treated as a United States person for U.S. federal income tax purposes.

The receipt of cash by a U.S. Holder in exchange for our Common Stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. In general, a U.S. Holder s gain or loss will be equal to the difference, if any, between the amount of cash received and the U.S. Holder s adjusted tax basis in the shares surrendered pursuant to the merger. Such gain or loss will be a capital gain or loss, and will be a long-term capital gain or loss if such U.S. Holder s holding period in such shares is more than one year at the time of the merger. A preferential tax rate generally will apply to long-term capital gains recognized by certain non-corporate U.S. Holders. The deductibility of capital losses is subject to limitations. If a U.S. Holder acquired different blocks of Common Stock at different times or different prices, such U.S. Holder must determine its tax basis, holding period and gain or loss separately with respect to each block of Common Stock.

*Non-U.S. Holders*

For purposes of this discussion, the term Non-U.S. Holder means a beneficial owner of our Common Stock that is neither a U.S. Holder nor an entity that is treated as a partnership for U.S. federal income tax purposes.

Any gain realized by a Non-U.S. Holder resulting from the merger generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with the Non-U.S. Holder s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States);
- the Non-U.S. Holder is an individual present in the United States for 183 days or more during the taxable year of the merger, and certain other requirements are met; or

the Company is or has been a United States real property holding corporation as such term is defined in Section 897(c) of the Code ( USRPHC ) at any time within the shorter of the five-year period preceding the merger or such Non-U.S. Holder s holding period with respect to the applicable shares of Common Stock and, if our Common Stock is regularly traded on an established securities market (within the meaning of Section 897(c)(3) of the Code), such Non-U.S. Holder owned, actually or constructively, more than 5% of the Company s Common Stock at any time during such period.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates applicable to U.S. persons. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by certain U.S. source

capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we have not been and are not currently a USRPHC, and we do not anticipate becoming a USRPHC before the merger.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

*Information Reporting and Backup Withholding*

Information reporting and backup withholding may apply to the proceeds received by a holder pursuant to the merger. Backup withholding generally will not apply to (1) a U.S. Holder who furnishes a correct taxpayer identification number and certifies that such holder is not subject to backup withholding on IRS Form W-9, or otherwise establishes a basis for exemption from backup withholding, or (2) a Non-U.S. Holder who provides a certification of such holder s non-U.S. status on the applicable IRS Form W-8, or otherwise establishes a basis for exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Copies of information returns that are filed with the IRS may be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which a Non-U.S. Holder resides or is established.

**Regulatory Approvals**

No material federal or state regulatory approvals, filings or notices are required in connection with the merger other than the filing of an overseas investment registration with the NDRC by the applicable Purchaser Parties in respect of the transactions contemplated by the Merger Agreement and the filing of a certificate of merger with the Secretary of State of the State of Delaware by the Company and Sub.

**Delisting and Deregistration of Common Stock**

If the merger is completed, our shares of Common Stock will be delisted from NASDAQ and deregistered under the Exchange Act. As a result, we would no longer file periodic reports with the SEC on account of the shares of Common Stock.

**Fees and Expenses**

Except as described under *The Merger Agreement Fees and Expenses Expense Reimbursement Provisions*, if the merger is not completed, all fees and expenses incurred in connection with the merger will be paid by the party incurring those fees and expenses, except that Alliance will pay the costs of proxy solicitation and printing and mailing this proxy statement and the Schedule 13E-3 and all SEC filing fees with respect to the transaction. Total fees and expenses incurred or to be incurred by Alliance in connection with the merger are estimated at this time to be as follows:

| | Amount to be Paid |
|---|---|

| | |
|---|---|
| Financial advisory fee and expenses | $ 2,850,000 |
| Legal, accounting and other professional fees | $ 2,400,000 |
| SEC filing fees | $ 8,587.01 |
| Proxy solicitation, printing and mailing costs | $ 50,000 |
| Transfer agent and paying agent fees and expenses | $ 40,000 |
| **Total** | $ 5,348,587,01 |

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## Anticipated Accounting Treatment of the Merger

The merger will be accounted for in accordance with U.S. generally accepted accounting principles. Alliance is determining whether the purchase method of accounting or historical book values will be used to account for the transaction.

## Rights of Appraisal

This section summarizes certain material provisions of Delaware law pertaining to appraisal rights. This summary, however, is not a complete statement of all applicable requirements, and it is qualified in its entirety by reference to Section 262 of the DGCL (referred to as Section 262 ), the full text of which appears in Annex C to this proxy statement. The following summary does not constitute any legal or other advice, nor does it constitute a recommendation that stockholders exercise their appraisal rights under Section 262.

Stockholders should carefully review the full text of Section 262, particularly the procedural steps required to perfect appraisal rights, as well as the information discussed below. Failure to fully and precisely follow the steps required by Section 262 for the perfection of appraisal rights will result in the loss of those rights.

Under Section 262, if the merger is completed, holders of shares of our Common Stock immediately prior to the effective time of the merger and who (i) have neither voted in favor of, nor consented in writing to, the approval of the adoption of the Merger Agreement, (ii) timely demand appraisal and otherwise follow the procedures set forth in Section 262, and (iii) do not thereafter withdraw their demand for appraisal of such shares or otherwise lose, waive or fail to perfect their appraisal rights, in each case in accordance with Section 262, will be entitled to have such shares appraised by the Delaware Court of Chancery (referred to as the Court of Chancery ) and to receive payment in cash of an amount equal to the fair value of such shares as determined by the Court of Chancery, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest, if any, as determined by such court. The fair value as determined by the Court of Chancery could be greater than, less than or the same as the Merger Consideration.

Under Section 262, where a merger agreement is to be submitted for adoption at a meeting of stockholders, the corporation must, not less than twenty (20) days before such meeting, notify each stockholder who was a stockholder on the record date set by the board of directors for notice of such meeting (or if no such record date is set, on the close of business on the day next preceding the day on which notice is given), with respect to such shares for which appraisal, and shall include in such notice a copy of Section 262. THIS PROXY STATEMENT CONSTITUTES THE FORMAL NOTICE OF APPRAISAL RIGHTS UNDER SECTION 262 AND A COPY OF SECTION 262 IS ATTACHED HERETO AS ANNEX C AND INCORPORATED HEREIN BY REFERENCE. Alliance s Board has fixed June 30, 2017 as the record date for the purposes of determining the stockholders entitled to receive this notice of appraisal. Any holder of shares of our Common Stock who wishes to exercise such appraisal rights or who wishes to preserve his, her or its right to do so, should review the following discussion and Annex C carefully because failure to timely and properly comply with the procedures specified in Section 262 will result in the loss of appraisal rights under Section 262.

Any stockholder wishing to exercise appraisal rights is urged to consult legal counsel.

If a stockholder elects to exercise appraisal rights under Section 262 with respect to any shares of our Common Stock, such stockholder must do all of the following:

Deliver to Alliance a written demand for appraisal of your shares before the vote is taken to adopt the Merger Agreement. That demand must be executed by or on behalf of the stockholder of record and will be sufficient if it reasonably informs us of the identity of the holder of record of our shares and the intention of such stockholder to demand appraisal of his, her or its shares. Holders of our shares who desire to exercise their appraisal rights must not vote or submit a proxy in favor of adoption of the Merger Agreement, nor consent thereto in writing. Voting against or failing to vote for adoption of the

Merger Agreement by itself does not constitute a demand for appraisal within the meaning of Section 262. The written demand for appraisal must be in addition to and separate from any proxy or vote regarding adoption of the Merger Agreement.

Continuously hold of record such shares from the date on which the written demand for appraisal is made through the effective time of the merger.

*Written Demand by the Record Holder*

All written demands for appraisal should be addressed to our Secretary at Alliance HealthCare Services, Inc., 18201 Von Karman Avenue, Suite 600, Irvine, California 92612. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand must be made in that capacity, and if the shares are owned of record by more than one person, such as in a joint tenancy or tenancy in common, the demand must be executed by or for all joint owners. An authorized agent, including one of two or more joint owners, may execute the demand for appraisal for a holder of record. However, the agent must identify the record owner(s) and expressly disclose the fact that, in executing the demand, the agent is acting as agent for the record owner(s).

A beneficial owner of shares held in street name who wishes to exercise appraisal rights should take such actions as may be necessary to ensure that a timely and proper demand for appraisal is made by the record holder of the shares. If shares are held through a brokerage firm, bank or other nominee who in turn holds the shares through a central securities depository nominee, such as Cede & Co., a demand for appraisal of such shares must be made by or on behalf of the depository nominee, and must identify the depository nominee as the record holder. Any beneficial owner who wishes to exercise appraisal rights and holds shares through a nominee holder is responsible for ensuring that the demand for appraisal is timely made by the record holder. The beneficial holder of the shares should instruct the nominee holder that the demand for appraisal should be made by the record holder of the shares, which may be a central securities depository nominee if the shares have been so deposited.

A record holder, such as a broker, bank, fiduciary, depository or other nominee, who holds shares as a nominee for several beneficial owners may exercise appraisal rights with respect to the shares held for one or more beneficial owners while not exercising such rights with respect to the shares held for other beneficial owners. In such case, the written demand must set forth the number of shares covered by the demand. Where the number of shares is not expressly stated, the demand will be presumed to cover all shares held in the name of the record owner.

*Filing a Petition for Appraisal*

Within ten (10) days after the effective time of the merger, the surviving corporation in the merger must give notice of the date that the merger has become effective to each of our stockholders who did not vote in favor of or consent to the adoption of the Merger Agreement and otherwise complied with Section 262. At any time within sixty (60) days after the effective time, any stockholder who has not commenced an appraisal proceeding or joined a proceeding as a named party shall have the right to withdraw such stockholder s demand for appraisal and accept the Merger Consideration for that stockholder s shares of Common Stock by delivering to the surviving corporation a written withdrawal of the demand for appraisal. However, any such attempt to withdraw the demand made more than sixty (60) days after the effective time will require written approval of the surviving corporation. Unless the demand is properly withdrawn by the stockholder within sixty (60) days after the effective time, no appraisal proceeding in the Court of Chancery will be dismissed as to any stockholder without the approval of the Court of Chancery, and such approval may be conditioned upon such terms as such Court deems just. If the surviving corporation does not approve a request to withdraw a demand for appraisal when that approval is required, or if the Court of Chancery does not approve the dismissal of an appraisal proceeding, the stockholder will be entitled to receive only the appraised value

determined in any such appraisal proceeding, which value could be less than, equal to or more than the Merger Consideration.

Within 120 days after the effective time of the merger, but not thereafter, the surviving corporation, or any holder of shares who has complied with Section 262 and is otherwise entitled to appraisal rights under Section 262, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the fair value of the shares held by all holders who properly demanded appraisal of such shares. If no such petition is filed within that 120 day period, appraisal rights will be lost for all holders of shares of our Common Stock who had previously demanded appraisal of their shares. Alliance is under no obligation to and has no present intention to file a petition and holders should not assume that Alliance, as the surviving corporation, will file a petition, or that it will initiate any negotiations with respect to the fair value of the shares. Accordingly, it is the obligation of the holders of shares of our Common Stock to initiate all necessary action to perfect their appraisal rights in respect of the Shares within the period prescribed in Section 262.

Within 120 days after the effective time of the merger, any holder of shares who has complied with the requirements for the exercise of appraisal rights will be entitled, upon written request, to receive from the surviving corporation a statement setting forth the aggregate number of shares not voted in favor of the merger and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such statement must be mailed within ten (10) days after a written request therefor has been received by the surviving corporation or within ten (10) days after the expiration of the period for delivering of demands for appraisal, whichever is later. Notwithstanding the requirement that a demand for appraisal be made by or on behalf of the record owner of the shares, a person who is the beneficial owner of shares held either in a voting trust or by a nominee on behalf of such person, and as to which demand has been properly made and not effectively withdrawn, may, in such person s own name, file a petition for appraisal or request from the surviving corporation the statement described in this paragraph.

Upon the filing of such petition by any such holder of shares, service of a copy thereof must be made upon the surviving corporation, which will then be obligated within twenty (20) days to file with the Delaware Register in Chancery a duly verified list (referred to as the verified list ) containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached. Upon the filing of any such petition, the Court of Chancery may order that notice of the time and place fixed for the hearing on the petition be mailed to the surviving corporation and all of the stockholders shown on the verified list. Such notice will also be published at least one week before the day of the hearing in a newspaper of general circulation published in the City of Wilmington, Delaware, or in such other publication as the Court of Chancery deems advisable. The costs of these notices and publications are borne by the surviving corporation.

After notice to the stockholders as required by the Court of Chancery, the Court of Chancery is empowered to conduct a hearing on the petition to determine those stockholders who have complied with Section 262 and who have become entitled to appraisal rights thereunder. The Court of Chancery may require the stockholders who demanded payment for their shares to submit stock certificates held by them, if any, to the Delaware Register in Chancery for notation thereon of the pendency of the appraisal proceeding, and if any stockholder fails to comply with the direction, the Court of Chancery may dismiss the proceedings as to that stockholder. In addition, the Court of Chancery will dismiss the proceedings as to all holders of shares of our Common Stock who are otherwise entitled to appraisal rights unless (1) the total number of shares entitled to appraisal exceeds 1% of the outstanding shares of Common Stock of Alliance, or (2) the value of the consideration provided in the merger for such total number of shares exceeds $1 million.

*Determination of Fair Value*

After the Court of Chancery determines the stockholders entitled to an appraisal, the appraisal proceeding will be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through the appraisal proceeding, the Court of Chancery shall determine the fair value of the shares,

exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest, if any, to be paid upon the amount determined to be the fair value. Unless the

Court of Chancery in its discretion determines otherwise for good cause shown, interest from the effective time of the merger through the date of payment of the judgment will be compounded quarterly and will accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective time of the merger and the date of payment of the judgment. Notwithstanding the foregoing, at any time before the entry of judgment in the proceedings, the surviving corporation may pay to each stockholder entitled to appraisal an amount in cash, in which case interest shall accrue thereafter as provided herein only upon the sum of (1) the difference, if any, between the amount so paid and the fair value of the shares as determined by the Court of Chancery, and (2) interest theretofore accrued, unless paid at that time.

In determining fair value, the Court of Chancery will take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Supreme Court of Delaware discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods that are generally considered acceptable in the financial community and otherwise admissible in court should be considered, and that fair price obviously requires consideration of all relevant factors involving the value of a company. In *Tri-Continental Corporation v. Battye*, the Delaware Supreme Court stated that, in making this determination of fair value, the Court of Chancery must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger that throw any light on future prospects of the merged corporation. In *Weinberger*, the Supreme Court of Delaware also stated that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion that does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In addition, the Delaware courts have decided that the statutory appraisal remedy, depending on the factual circumstances, may or may not be a dissenter s exclusive remedy.

Stockholders considering appraisal should be aware that the fair value of their shares as so determined could be more than, the same as or less than the Merger Consideration and that an investment banking opinion as to the fairness, from a financial point of view, of the consideration payable in a sale transaction, such as the merger, is not an opinion as to, and does not otherwise address, fair value under Section 262. Although Alliance believes that the Merger Consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Court of Chancery, and stockholders should recognize that such an appraisal could result in a determination of a value higher or lower than, or the same as, the Merger Consideration. Neither the Purchaser Group nor Alliance anticipates offering more than the Merger Consideration to any stockholder exercising appraisal rights, and each of the Purchaser Group and Alliance reserve the right to assert, in any appraisal proceeding, that for purposes of Section 262, the fair value of a share is less than the Merger Consideration.

Upon application by the Surviving Corporation or by any holder of shares entitled to participate in the appraisal proceeding, the Court of Chancery may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any holder of shares whose name appears on the verified list and who has submitted such stockholder s stock certificates, if any, to the Delaware Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights. The Court of Chancery will direct the payment of the fair value of the shares, together with interest, if any, by the Surviving Corporation to the stockholders entitled thereto. Payment will be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and in the case of holders of shares of our Common Stock represented by certificates upon the surrender to the Surviving Corporation of such stockholder s certificates. The Court of Chancery s decree may be enforced as other decrees in such Court may be enforced.

If a petition for appraisal is not timely filed, then the right to an appraisal will cease. The costs of the action (which do not include attorneys fees or the fees and expenses of experts) may be determined by the Court of

Chancery and taxed upon the parties as the Court of Chancery deems equitable in the circumstances. Upon application of a stockholder, the Court of Chancery may order all or a portion of the expenses incurred by a stockholder in connection with an appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts utilized in the appraisal proceeding, to be charged pro rata against the value of all the shares entitled to appraisal. In the absence of such an order, each party bears its own expenses.

Any stockholder who has duly demanded and perfected appraisal rights for shares in compliance with Section 262 will not, after the effective time if the merger, be entitled to vote his, her or its shares for any purpose or be entitled to the payment of dividends or other distributions thereon, except dividends or other distributions payable to holders of record of shares as of a date prior to the effective time of the merger.

If any stockholder who demands appraisal of shares under Section 262 fails to perfect, successfully withdraws, or loses such holder s right to appraisal with respect to such shares, such shares will be deemed to have been converted at the effective time of the merger into the right to receive the Merger Consideration. If no petition for appraisal is filed with the Delaware Court of Chancery within 120 days after the effective time of the merger, stockholders rights to appraisal shall cease, and all holders of shares of our Common Stock will be entitled to receive the Merger Consideration. Inasmuch as Alliance has no obligation to file such a petition and has no present intention to do so, any holder of shares who desires such a petition to be filed is advised to file it on a timely basis. In addition, a stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw his, her or its demand for appraisal and accept the Merger Consideration by delivering to Alliance a written withdrawal of such stockholder s demand for appraisal and acceptance of the terms of the merger either within sixty (60) days after the effective time of the merger or thereafter with the written approval of Alliance. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery will be dismissed as to any stockholder without the approval of the Court of Chancery, and such approval may be conditioned upon such terms as the Court of Chancery deems just; provided, however, that the limitation set forth in this sentence will not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder s demand for appraisal and to accept the Merger Consideration within sixty (60) days after the effective time of the merger.

If you wish to exercise your appraisal rights with respect to any shares, you must strictly comply with the procedures set forth in Section 262. If you fail to take any required step in connection with the exercise of appraisal rights, it will result in the loss of your appraisal rights and your shares will be deemed to have been converted at the effective time of the merger into the right to receive the Merger Consideration.

The foregoing summary of the rights of Alliance s stockholders to seek appraisal rights under Section 262 does not purport to be a complete statement of the procedures to be followed by the stockholders of Alliance desiring to exercise any appraisal rights available thereunder and is qualified in its entirety by reference to Section 262. The proper exercise of appraisal rights requires strict adherence to the applicable provisions of Section 262, a copy of which is attached hereto as Annex C and incorporated herein by reference.

**Litigation**

On May 5, and May 15, 2017, the Company received letters from two purported stockholders demanding inspection of the Company s books, records, and other documents under Section 220 of the DGCL (together, the Demands ). The Demands allege mismanagement and other wrongdoing on the part of the Board in approving the Merger, and contend that such mismanagement constitutes a breach of the Board s fiduciary duties. The Company believes that the allegations in each Demand are meritless and intends to defend vigorously against any litigation that might be filed in connection with the allegations.

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## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents incorporated by reference in this proxy statement, include forward-looking statements that reflect our current views, including without limitation views as to the expected completion and timing of the merger. These statements can be identified by the fact that they do not relate strictly to historical or current facts. There are forward-looking statements throughout this proxy statement, including under the headings, among others, *Summary Term Sheet Relating to the Merger*, *Questions and Answers About the Annual Meeting and the Merger*, *The Annual Meeting*, *Special Factors*, and *Important Additional Information Regarding Alliance*, and in statements containing the words aim, anticipate, are confident, estimate, expect, will be, will continue, w result, project, intend, plan, believe and other words and terms of similar meaning, or the negative of these terms. should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of Alliance. These forward-looking statements speak only as of the date on which the statements were made and we undertake no obligation to update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise, except as required by law. In addition to other factors and matters referred to or incorporated by reference in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement;
- the outcome of any legal proceedings that have been or may be instituted against Alliance or others relating to the Merger Agreement;
- the inability to complete the merger because of the failure to obtain the requisite stockholder approval, the failure to satisfy conditions relating to a law or order of the People s Republic of China or registration with the NDRC, or the failure to satisfy other conditions to consummation of the merger;
- the risk that the pendency of the merger disrupts current plans and operations and potential difficulties in employee retention as a result of the pendency of the merger;
- the effect of the announcement of the merger on our business relationships, operating results and business generally;
- the amount of the costs, fees, expenses and charges related to the merger;
- the Merger Agreement s contractual restrictions on the conduct of our business prior to completion of the merger;

- the possible adverse effect on our business and the price of Common Stock if the merger is not completed in a timely matter or at all;

and other risks detailed in our filings with the SEC, including in the section entitled Risk Factors in our most recent Annual Report on Form 10-K.

See *Where You Can Find Additional Information* beginning on page 145 for the location of those SEC filings. Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained in this proxy statement, readers should not place undue reliance on forward-looking statements, which reflect management s views only as of the date of this proxy statement. We cannot guarantee any future results, levels of activity, performance or achievements.

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# THE PARTIES TO THE MERGER

**Alliance HealthCare Services, Inc.**

For information about Alliance, see *Important Additional Information Regarding Alliance Company Background* beginning on page 137 and *Where You Can Find Additional Information* beginning on page 145.

**Tahoe Investment Group Co., Ltd.**

Tahoe Investment Group Co., Ltd., formerly Fujian Thai Hot Investment Co. Ltd., referred to as Tahoe , is an entity organized under the laws of the People s Republic of China. Tahoe was established by Mr. Qisen Huang and invests in various fields, such as finance, healthcare and real estate. As of the date of this proxy statement, Mr. Qisen Huang being a director on our Board, owned shares in Tahoe.

**THAIHOT Investment Company Limited**

THAIHOT Investment Company Limited, referred to as THAIHOT , is an exempted company incorporated under the laws of the Cayman Islands, an indirect wholly owned subsidiary of Tahoe and controlling stockholder of Alliance. As of the date of this proxy statement, Mr. Qisen Huang is the sole director of THAIHOT.

On March 29, 2016, THAIHOT, an indirect wholly owned subsidiary of Tahoe, completed its purchase of 5,537,945 shares of Common Stock and thereby acquired approximately 51.5% of our then-outstanding Common Stock. In connection with the acquisition, we entered into the Governance, Voting and Standstill Agreement, dated March 29, 2016, by and between us, THAIHOT and Tahoe (the Governance Agreement ) which was approved by a special committee of our Board composed of independent directors of Alliance not affiliated with any selling stockholders. Pursuant to the Governance Agreement, for so as long as THAIHOT beneficially owns at least 35% of our outstanding Common Stock, subject to approval by a majority of unaffiliated directors, Mr. Qisen Huang shall be the Chairman of the Board and Messrs. Heping Feng and Tao Zhang shall each serve on both the Compensation Committee and the Nominating and Corporate Governance Committee of the Board. In addition, for a period of three (3) years from the date of the closing of the aforementioned acquisition, for so long as THAIHOT beneficially owns at least 35% of Alliance s outstanding Common Stock, THAIHOT will have the right to nominate for election to the Board the number of directors necessary to comprise a majority of the Board. As of May 15, 2017, THAIHOT, owned 5,537,945 shares of our Common Stock, representing approximately 51.1% of our outstanding Common Stock. On December 9, 2016 and April 10, 2017, the Special Committee approved waivers of the standstill provision in the Governance Agreement. See *Agreements With Purchaser Group Members Involving Common Stock Governance, Voting and Standstill Agreement* beginning on page 144 and *Important Additional Information Regarding Alliance Transactions in Common Stock* beginning on page 143.

THAIHOT holds registration rights pursuant to a Registration Rights Agreement, dated as of November 2, 1999, which was assigned to it by the former controlling stockholder of Alliance. See *Agreements With Purchaser Group Members Involving Common Stock Registration Rights Agreement* beginning on page 144.

**THAIHOT Investment (Hong Kong) Company Limited**

THAIHOT Investment (Hong Kong) Company Limited, or THAIHOT HK , is an entity organized under the laws of Hong Kong. THAIHOT HK is engaging in the business of investment holding and is a wholly owned subsidiary of Tahoe and the sole shareholder of THAIHOT. As of the date of this proxy statement, Mr. Qisen Huang is the sole director of THAIHOT HK.

**THAIHOT Investment Company US Limited**

THAIHOT Investment Company US Limited., or Parent , is a newly formed Delaware corporation and indirect wholly owned subsidiary of Tahoe. As of the date of this proxy statement, Messrs. Qisen Huang and

Yong Ge are the directors of Parent. Parent has not engaged in any business other than in connection with the merger and other related transactions.

**Alliance Healthcare Services Merger Sub Limited**

Alliance Healthcare Services Merger Sub Limited, or Sub , is a newly formed Delaware corporation. Sub is a wholly owned subsidiary of Parent. As of the date of this proxy statement, Messrs. Qisen Huang and Yong Ge are the directors of Sub. Sub has not engaged in any business other than in connection with the merger and other related transactions.

**Additional Information Regarding the Purchaser Group Members**

Set forth below are the names, the current principal occupations or employment, telephone number and the name, principal business, and address of any corporation or other organization in which such occupation or employment is conducted and the five-year employment history of each of the Purchaser Group Members. During the past five years, none of the persons or entities described have been (i) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws. Each person identified is a citizen of the PRC.

| Entity Name | Business Address and Telephone | Background |
| --- | --- | --- |
| Tahoe | Tahoe Investment Group Co., Ltd.<br><br>No. 43 Hudong Road<br><br>Olympic Building,<br><br>Fuzhou City<br><br>Fujian Province, China 350003<br><br>Attention: Mr. Qisen Huang<br><br>Phone: +86-591-87591719 | Mr. Qisen Huang is the 95% shareholder and chairman of Tahoe. |
| THAIHOT | THAIHOT Investment Company Limited<br><br>c/o Tahoe Investment Group Co., Ltd.<br><br>No. 43 Hudong Road<br><br>Olympic Building,<br><br>Fuzhou City | Mr. Qisen Huang is the sole director of THAIHOT. |

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| | Fujian Province, China 350003<br><br>Attention: Mr. Qisen Huang<br><br>Phone: +86-591-87591719 | |
| Parent | THAIHOT Investment Company US Limited<br><br>c/o Tahoe Investment Group Co., Ltd.<br><br>No. 43 Hudong Road<br><br>Olympic Building,<br><br>Fuzhou City<br><br>Fujian Province, China 350003<br><br>Attention: Mr. Qisen Huang<br><br>Phone: +86-591-87591719 | Messrs. Qisen Huang and Yong Ge are the directors of Parent. |

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| Entity Name | Business Address and Telephone | Background |
|---|---|---|
| THAIHOT HK | THAIHOT Investment (Hong Kong) Company Limited<br><br>c/o Tahoe Investment Group Co., Ltd.<br><br>No. 43 Hudong Road<br><br>Olympic Building,<br><br>Fuzhou City<br><br>Fujian Province, China 350003<br><br>Attention: Mr. Qisen Huang<br><br>Phone: +86-591-87591719 | Mr. Qisen Huang is the sole director of THAIHOT HK. |
| Sub | Alliance Healthcare Services Merger Sub Limited<br><br>c/o Tahoe Investment Group Co., Ltd.<br><br>No. 43 Hudong Road<br><br>Olympic Building,<br><br>Fuzhou City<br><br>Fujian Province, China 350003<br><br>Attention: Mr. Qisen Huang<br><br>Phone: +86-591-87591719 | Messrs. Qisen Huang and Yong Ge are the directors of Sub. |

**I. Directors and Executive Officers of Tahoe Investment Group Co., Ltd.**

The name, business address, present principal employment and citizenship of each director and executive officer of Tahoe Investment Group Co., Ltd. are set forth below.

| Name | Business Address | Present Principal Employment | Citizenship |
|---|---|---|---|
| Qisen Huang | Tahoe Investment Group Co., Ltd. No. 43 Hudong Road<br><br>Olympic Building, | Chairman, Director | People s Republic of China |

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| | Fuzhou City<br><br>Fujian Province, China 350003<br><br>Phone: +86-591-87591719 | | |
| Yong Ge | Tahoe Investment Group Co., Ltd. No. 43 Hudong Road<br><br>Olympic Building,<br><br>Fuzhou City<br><br>Fujian Province, China 350003<br><br>Phone: +86-591-87591719 | Vice President, Director | People s Republic of China |
| Jun Luo | Tahoe Investment Group Co., Ltd. No. 43 Hudong Road<br><br>Olympic Building,<br><br>Fuzhou City<br><br>Fujian Province, China 350003<br><br>Phone: +86-591-87591719 | Vice President, Director | People s Republic of China |
| Qiaohui Wu | Tahoe Investment Group Co., Ltd. No. 43 Hudong Road<br><br>Olympic Building,<br><br>Fuzhou City<br><br>Fujian Province, China 350003<br><br>Phone: +86-591-87591719 | Vice President, Director | People s Republic of China |

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| Name | Business Address | Present Principal Employment | Citizenship |
|---|---|---|---|
| Weihua Wang | Tahoe Investment Group Co., Ltd. No. 43 Hudong Road<br><br>Olympic Building,<br><br>Fuzhou City<br><br>Fujian Province, China 350003<br><br>Phone: +86-591-87591719 | Vice President, Director | People s Republic of China |

All of Tahoe s directors (except Jun Luo) have been employed with Tahoe for the past five years. Mr. Jun Luo was the vice president and financial director of Beijing Capital Group Co., Ltd. before joining Tahoe in 2016.

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## THE ANNUAL MEETING

### Date, Time and Place

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by the Board for use at the Annual Meeting of Stockholders to be held on August 15, 2017, starting at 9:00 a.m., Pacific Time, at our corporate headquarters located at 18201 Von Karman Avenue, Suite 600, Irvine, California 92612, or at any adjournment or postponement of the meeting.

The purpose of the annual meeting is to take action on the following:

1. to consider and vote on adoption of the Merger Agreement;
2. to consider and vote on a non-binding advisory resolution to approve the merger-related compensation of our named executive officers;
3. to elect Neil F. Dimick, Heping Feng and Paul S. Viviano to serve as Class I directors;
4. to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017;
5. to consider and vote on a non-binding advisory resolution to approve the compensation of our named executive officers;
6. to consider and vote on a non-binding advisory resolution relating to the frequency of an advisory vote to approve the compensation of our named executive officers;
7. to approve the adjournment of the annual meeting, if necessary;

and to act upon any other matter properly brought before the annual meeting or any adjournments or postponements of the annual meeting.

Proposals 2, 4, 5 and 6 are advisory only and are not binding on the Company, whether or not the merger is completed. They are votes separate and apart from the vote to adopt the Merger Agreement, and they are not conditions to completion of the merger. Our Board will consider the outcome of the vote on these proposals in considering what action, if any, should be taken in response to the advisory vote by stockholders. If the merger is completed, the merger-related compensation that is the subject of Proposal 2 may be paid to Alliance s named executive officers even if stockholders fail to approve this proposal.

If the merger is completed, the Company will become a wholly owned subsidiary of Parent, our current directors will cease to be directors of the Company, and the directors of Sub at the effective time of the merger will become the

directors of the Company, regardless of the outcome of the vote on Proposal 3.

**Record Date and Quorum**

The holders of record of Common Stock as of the close of business on June 30, 2017, the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting, are entitled to receive notice of and to vote at the annual meeting. On the record date, 10,831,300 shares of Common Stock were issued and outstanding. For each share of Common Stock that owned on the Record Date, the stockholder is entitled to cast one vote on each matter voted upon at the annual meeting.

The presence at the annual meeting, in person or by proxy, of the holders of a majority of shares of Common Stock outstanding on the record date and entitled to vote will constitute a quorum, permitting the Company to conduct its business at the annual meeting. Proxies received but marked as abstentions will be included in the calculation of the number of shares considered to be present at the annual meeting. Broker non-votes, as described below under *Required Vote Broker Non-Votes*, will be considered to be present for purposes of determining whether a quorum exists.

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### Required Votes

The merger cannot be completed unless both (i) holders of the majority of the aggregate voting power of the issued and outstanding shares of Common Stock vote in favor of adoption of the Merger Agreement (which we refer to as the statutory stockholder approval requirement), and (ii) holders of a majority of outstanding shares of Common Stock not beneficially owned by any Purchaser Group Members or any Section 16 Officers, vote in favor of the adoption of the Merger Agreement (which we refer to as the majority of the minority stockholder approval requirement). If you fail to vote, or vote ABSTAIN on the merger proposal, the effect will be the same as a vote against the adoption of the Merger Agreement.

As of the record date, there were 10,831,300 shares of Common Stock outstanding, of which Tahoe beneficially owns 5,537,945 shares, representing approximately 51.1% of the outstanding shares of Common Stock on the record date. On the terms and conditions set forth in the Support Agreement, Tahoe, THAIHOT and Mr. Qisen Huang have agreed to vote (or cause to be voted) these shares for the adoption of the Merger Agreement. In addition, the executive officers and directors of Alliance have indicated that they intend to vote in favor of adoption of the Merger Agreement given the anticipated benefits of the merger described in this proxy statement.

For purposes of Proposal 3 (election of directors), the election of each director nominee must be approved by a plurality of the votes cast by stockholders represented at the meeting in person or by proxy. A plurality means that the individuals who receive the largest number of votes are elected as directors up to the maximum number of directors to be elected at the annual meeting. Proposal 2 (advisory vote to approve merger-related executive compensation), Proposal 4 (ratification of auditors), Proposal 5 (advisory vote to approve executive compensation), Proposal 6 (advisory vote on frequency of an advisory vote to approve executive compensation), and Proposal 7 (adjournment proposal) require the affirmative vote of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote on the proposal. For purposes of Proposal 6, the choice that receives the highest number of votes cast will be deemed the preferred advisory vote of stockholders.

The vote required and effect of abstentions and broker-non votes for the various proposals being considered at the annual meeting is set forth in the table below.

*Broker Non-Votes*

In accordance with the rules of NASDAQ, banks, brokers and other nominees who hold Common Stock in street name for their customers do not have discretionary authority to vote those shares with respect to the adoption of the Merger Agreement, or any of the other proposals being considered at the annual meeting other than Proposal 4 (ratification of auditors). Accordingly, if banks, brokers or other nominees do not receive specific voting instructions from the beneficial owners of those shares, they are not permitted to vote those shares with respect to any of the proposals listed above to be presented at the annual meeting other than Proposal 4 (this is known as a broker non-vote ).

As a result, if you hold your Common Stock in street name and you do not provide voting instructions, your Common Stock will be counted for purposes of determining whether a quorum is present at the annual meeting but will not be considered a vote cast FOR any of the proposals to be presented at the annual meeting and will have the same effect as a vote AGAINST the adoption of the Merger Agreement. The effect of broker non-votes on the various proposals is described in the table below.

*Abstentions*

Proxies received but marked as abstentions will be included in the calculation of the number of shares of Common Stock represented at the annual meeting for purposes of determining whether a quorum is present. Such proxies will have the same effect as a vote AGAINST the proposal to adopt the Merger Agreement. The effect of abstentions on the various proposals is described in the table below.

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*Effect of Abstentions and Broker Non-Votes*

| Proposal | Vote Required | Voting Options | Effect of Abstentions | Effect of Broker Non-Votes |
|---|---|---|---|---|
| 1. Adoption of Merger Agreement | Both statutory stockholder approval and majority of the minority stockholder approval | FOR, AGAINST or ABSTAIN | Treated as vote AGAINST | Treated as vote AGAINST |
| 2. Advisory vote to approve merger-related compensation | Majority of shares present in person or represented by proxy and entitled to vote on the proposal | FOR, AGAINST or ABSTAIN | Treated as vote AGAINST | No effect |
| 3. Election of directors | Plurality of votes cast | FOR or WITHHOLD for any and all nominees | No effect | No effect |
| 4. Ratification of auditors | Majority of shares present in person or represented by proxy and entitled to vote on the proposal | FOR, AGAINST or ABSTAIN | Treated as vote AGAINST | n/a |
| 5. Advisory vote to approve executive compensation | Majority of shares present in person or represented by proxy and entitled to vote on the proposal | FOR, AGAINST or ABSTAIN | Treated as vote AGAINST | No effect |
| 6. Advisory vote on frequency of executive advisory votes | Majority of shares present in person or represented by proxy and entitled to vote on the proposal | 1 YEAR, 2 YEARS or 3 YEARS or ABSTAIN | Treated as vote AGAINST each frequency | No effect |
| 7. Adjournment of meeting | Majority of shares present in person or represented by proxy and entitled to vote on the proposal | FOR, AGAINST or ABSTAIN | Treated as vote AGAINST | No effect |

**Voting; Proxies; Revocation**

*Attendance*

All holders of Common Stock as of the close of business on June 30, 2017, the record date for voting at the annual meeting, including stockholders of record and beneficial owners of Common Stock registered in the street name of a bank, broker or other nominee, are invited to attend the annual meeting. If you are a

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stockholder of record, please be prepared to provide proper identification, such as a driver s license. If you hold your shares in street name, you will need to provide proof of ownership, such as a recent account statement or letter from your bank, broker or other nominee, along with proper identification.

*Voting in Person*

Stockholders of record will be able to vote in person at the annual meeting. If you are not a stockholder of record, but instead hold your shares in street name through a bank, broker or other nominee, you must provide a proxy executed in your favor from your bank, broker or other nominee in order to be able to vote in person at the annual meeting.

*Providing Voting Instructions by Proxy*

To ensure that your shares are represented at the annual meeting, we recommend that you provide voting instructions promptly by proxy, even if you plan to attend the annual meeting in person.

*Record Holders*

If you are a stockholder of record, you may provide voting instructions by proxy using one of the methods described below.

*Submit a Proxy by Telephone or via the Internet*. This proxy statement is accompanied by a proxy and voting instruction card with instructions for submitting voting instructions. You may submit your proxy by telephone by calling the toll-free number or via the Internet by accessing the Internet address as specified on the enclosed proxy and voting instruction card by the deadlines set forth on the card. Your shares will be voted as you direct in the same manner as if you had completed, signed, dated and returned your proxy and voting instruction card, as described below.

*Submit a Proxy and Voting Instruction Card*. If you complete, sign, date and return the enclosed proxy and voting instruction card by mail so that it is received before the annual meeting, your shares will be voted in the manner directed by you on your proxy and voting instruction card.

If you sign, date and return your proxy and voting instruction card without indicating how you wish to vote, your proxy will be voted FOR the proposal to adopt the Merger Agreement, FOR all of the nominees in Proposal 3, for every 3 YEARS in Proposal 6 and FOR all of the other proposals at the annual meeting. If you fail to return your proxy and voting instruction card or otherwise to vote at the meeting, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the annual meeting (unless you are a record holder as of the record date and attend the annual meeting in person) and will have the same effect as a vote against the adoption of the Merger Agreement, but will not affect the vote regarding the other proposals submitted at the annual meeting.

*Street Name Shares*

If your shares are held by a bank, broker or other nominee on your behalf in street name, your bank, broker or other nominee will send you instructions as to how to provide voting instructions for your shares by proxy. Many banks and brokerage firms have a process for their customers to provide voting instructions by telephone or via the Internet, in addition to providing voting instructions by proxy card.

*Revocation of Proxies*

Your proxy is revocable. If you are a stockholder of record, you may revoke your proxy at any time before the vote is taken at the annual meeting by:

submitting a new proxy with a later date, by using the telephone or Internet proxy submission procedures described above, or by completing, signing, dating and returning a new proxy and voting instruction card by mail to Alliance;

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attending the annual meeting and voting in person; or

giving written notice of revocation to the Secretary of Alliance at 18201 Von Karman Avenue, Suite 600, Irvine, California 92612 or by giving notice of revocation in open meeting.

Attending the annual meeting without taking one of the actions described above will not revoke your proxy. Please note that if you want to revoke your proxy by mailing a new proxy and voting instruction card to Alliance or by sending a written notice of revocation to Alliance, you should ensure that you send your new proxy and voting instruction card or written notice of revocation in sufficient time for it to be received by Alliance before the day of the annual meeting.

If you hold your shares in street name through a bank, broker or other nominee, you will need to follow the instructions provided to you by it in order to revoke your proxy or submit new voting instructions.

**Adjournments and Postponements**

The annual meeting may be adjourned or postponed from time to time, including for the purpose of soliciting additional proxies if there are insufficient votes at the time of the annual meeting to obtain the requisite stockholder approval for adoption of the Merger Agreement, although this is not currently expected. If there is present, in person or by proxy, sufficient favorable voting power to secure the vote of the stockholders of Alliance necessary to adopt the Merger Agreement, Alliance does not anticipate that it will adjourn or postpone the annual meeting.

**Solicitation of Proxies**

We will bear the cost of our solicitation of proxies. This includes the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of our outstanding Common Stock. We may solicit proxies by mail, personal interview, email, telephone, or via the Internet. Alliance has retained MacKenzie Partners, Inc., a proxy solicitation firm, to assist it in the solicitation of proxies for the annual meeting and will pay MacKenzie Partners, Inc. a fee of $10,000, plus reimbursement of out-of-pocket expenses. In addition, Alliance has agreed to indemnify MacKenzie Partners, Inc. against certain liabilities including liabilities arising under the federal securities laws. Brokerage houses, nominees, fiduciaries and other custodians will be requested to forward soliciting materials to beneficial owners and will be reimbursed for their reasonable out-of-pocket expenses incurred in sending proxy materials to beneficial owners.

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# THE MERGER AGREEMENT

The following is a summary of the material provisions of the Merger Agreement, a copy of which is attached to this proxy statement as Annex A, and which we incorporate by reference into this proxy statement. The provisions of the Merger Agreement are extensive and not easily summarized. We encourage you to read carefully the Merger Agreement in its entirety, as the rights and obligations of the parties to the Merger Agreement are governed by the express terms of the Merger Agreement and not by this summary or any other information contained in this proxy statement. In addition, you should read *Agreements With Purchaser Group Members Involving Common Stock* beginning on page 144, which summarizes the Support Agreement, as certain provisions of these agreements relate to certain provisions of the Merger Agreement.

## Explanatory Note Regarding the Merger Agreement

The Merger Agreement and this summary of its terms have been included to provide you with information regarding the terms of the Merger Agreement. Factual disclosures about Alliance contained in this proxy statement or in Alliance s public reports filed with the SEC may supplement, update or modify the factual disclosures about Alliance contained in the Merger Agreement and described in this summary. The representations, warranties and covenants made in the Merger Agreement by Alliance and the Purchaser Parties were qualified and subject to important limitations agreed to by Alliance and the Purchaser Parties in connection with negotiating the terms of the Merger Agreement. In particular, in your review of the representations and warranties contained in the Merger Agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of establishing the circumstances in which a party to the Merger Agreement may have the right not to close the merger if the representations and warranties of the other party prove to be untrue, due to a change in circumstance or otherwise, and allocating risk between the parties to the Merger Agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to stockholders and reports and documents filed with the SEC, and in some cases were qualified by disclosures that were made by Alliance to the Purchaser Parties, which disclosures are not reflected in the Merger Agreement. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this proxy statement, may have changed since the date of the Merger Agreement, April 10, 2017. Additional information about Alliance may be found elsewhere in this proxy statement and in Alliance s other public filings. See *Where You Can Find Additional Information* beginning on page 145.

## Structure of the Merger

At the effective time of the merger, Sub will merge with and into Alliance and the separate corporate existence of Sub will cease. Alliance will be the surviving corporation in the merger and will continue to be a Delaware corporation after the merger. At the effective time of the merger, the certificate of incorporation and bylaws of Alliance will be amended and restated to read as set forth in Exhibits A and B, respectively, to the Merger Agreement.

The directors of Sub immediately prior to the effective time of the merger will be the initial directors of the surviving corporation and will serve until their earlier death, resignation or removal in accordance with the certificate of incorporation and the bylaws of the surviving corporation. The officers of Alliance immediately prior to the effective time will be the initial officers of the surviving corporation and will serve until their successors are duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the certificate of incorporation and bylaws of the surviving corporation.

## When the Merger Becomes Effective

The closing of the merger will take place no later than the fifth business day after the satisfaction or waiver of the conditions to closing provided for in the Merger Agreement (other than any condition that by its nature

cannot be satisfied until the closing of the merger, but subject to satisfaction or waiver of any such condition), at a place to be agreed by the parties. The merger will become effective at the time (referred to as the effective time ) when the parties file a certificate of merger with the Secretary of State of the State of Delaware, to be executed, acknowledged and filed in accordance with the relevant provisions of the DGCL, or at such later date or time as may be agreed by Parent and Alliance in writing and specified in the certificate of merger in accordance with the DGCL.

**Effect of the Merger on the Common Stock of Alliance and Sub**

At the effective time, each issued and outstanding share of Common Stock (other than any cancelled shares, as described below, and any dissenting shares) will be converted automatically into and will represent the right to receive $13.25 in cash per share, without interest, which we refer to as the Merger Consideration.

Each share of Common Stock that is held by Alliance as treasury stock immediately prior to the effective time and all Rollover Shares, which are referred to collectively as cancelled shares , will be cancelled automatically and will cease to exist, and no consideration will be delivered in exchange for such cancellation.

Each share of Common Stock that is issued and outstanding immediately prior to the effective time that is held by any stockholder who has neither voted in factor of, or consented in writing to, the merger and who delivers to Alliance, in accordance with the DGCL, a written demand for payment of the fair cash value for that dissenting share will not be converted into the right to receive the Merger Consideration, unless and until the stockholder loses its rights as a dissenting stockholder.

At the effective time, each share of common stock of Sub issued and outstanding immediately prior to the effective time will be converted into one share of common stock of the surviving corporation.

**Treatment of Alliance Equity Awards in the Merger**

*Options*

At or immediately prior to the effective time, each in-the-money company stock option that is outstanding immediately prior to the effective time, whether or not exercisable or vested, shall be cancelled and converted into the right to receive an amount in cash determined by multiplying (i) the excess of the Merger Consideration over the option exercise price of such in-the-money company stock option by (ii) the number of shares of Common Stock subject to the in-the-money company stock option. At or immediately prior to the effective time, each company stock option that has an option exercise price that is equal to or greater than the Merger Consideration, whether or not exercisable or vested, shall be cancelled without payment.

*Restricted Stock Units*

At or immediately prior to the effective time, each company RSU award that is outstanding immediately prior to the effective time, after giving effect to any accelerated vesting as a result of the transactions contemplated by the Merger Agreement, shall be cancelled and converted into the right to receive a restricted cash award in an amount in cash equal to (a) the number of shares of Common Stock subject to such company RSU award immediately prior to the effective time multiplied by (b) the Merger Consideration. Any restricted cash award will be subject to the same vesting and payment conditions and schedules applicable to the company RSU award immediately prior to the effective time.

**Payment for the Common Stock in the Merger**

Immediately prior to the effective time, the Purchaser Parties are obligated to deliver to a U.S. based bank or trust company designated by Parent and acceptable to Alliance (which we refer to as the paying agent ), from a special purpose account in Hong Kong, for the benefit of holders of Common Stock (other than any cancelled shares and dissenting shares), sufficient funds for timely payment of the Merger Consideration.

Promptly after the effective time, and not later than the second business day following the effective time, the surviving corporation will cause the paying agent to mail to each holder of record of Common Stock whose shares of Common Stock were converted into the right to receive Merger Consideration a letter of transmittal and instructions for use in effecting the surrender of certificates (or affidavits of loss in lieu of certificates) that formerly represented Common Stock or non-certificated shares represented by book-entry in exchange for the Merger Consideration.

**Representations and Warranties**

The Merger Agreement contains representations and warranties of Alliance as to, among other things:

- corporate organization, existence and good standing, including with respect to Alliance s subsidiaries;
- the capitalization of Alliance, including in particular the number of shares of Common Stock, options and restricted stock units outstanding and the existence of any preemptive rights or rights of first refusal with respect to the Common Stock;
- corporate power and authority to enter into the Merger Agreement and, subject to obtaining the requisite stockholder approval, to consummate the transactions contemplated by the Merger Agreement, and enforceability of the Merger Agreement against Alliance;
- required regulatory filings and authorizations, consents or approvals of government entities and consents or approvals required of other third parties;
- the absence of certain violations, defaults or consent requirements under certain contracts, organizational documents and law, in each case arising out of the execution and delivery of the Merger Agreement, and consummation of the transactions contemplated by the Merger Agreement;
- the truth and accuracy of Alliance s filings with the SEC and of the financial statements included in the SEC filings;
- compliance with applicable securities laws since January 1, 2016;
- the truth and accuracy of Alliance s proxy statement and Schedule 13E-3 to be filed with the SEC;
- the absence of certain undisclosed liabilities for Alliance and its subsidiaries;

conduct of Alliance s business in the ordinary course and the absence of a Company Material Adverse Effect (as defined below) since January 1, 2017;

pending or threatened legal proceedings and government orders;

compliance with applicable laws;

the payment of taxes, the filing of tax returns and other tax matters related to Alliance and its subsidiaries;

material contracts of Alliance and its subsidiaries and the absence of breaches under them;

intellectual property owned, licensed or used by Alliance or its subsidiaries;

title to all leasehold interests under enforceable leases in all of the properties leased by Alliance or its subsidiaries and other matters pertaining to real property;

the absence of any fees or commissions owed to investment bankers, finders or brokers in connection with the merger other than to Lazard;

receipt of an opinion from Lazard as the Special Committee s financial advisor;

Alliance s use of all necessary action to ensure that anti-takeover provisions of applicable law will not apply to the merger;

- the statutory stockholder approval and the majority of the minority stockholder approval;
- the absence of any breach, default or cancellation under the insurance policies of Alliance and its subsidiaries;
- Alliance s benefits plans and compliance under such plans and applicable law;
- compliance with applicable healthcare laws since January 1, 2017; and
- compliance with applicable environmental laws since January 1, 2017.

The Merger Agreement also contains representations and warranties of the Purchaser Parties as to, among other things:

- corporate organization, existence and good standing;
- corporate power and authority to enter the Merger Agreement and to consummate the transactions contemplated by it;
- required regulatory filings and authorizations, consents or approvals of government entities and consents or approvals required of other third parties;
- the absence of certain violations, defaults or consent requirements under certain contracts, organizational documents and law, in each case arising out of the execution and delivery of the Merger Agreement, and consummation of, the transactions contemplated by it;
- the accuracy of the information provided by any Purchaser Party to be included in this proxy statement and the Schedule 13E-3;
- Sub s operations;
- the absence of any fees or commissions owed to investment bankers, finders or brokers in connection with the merger;
- the Purchaser Parties ownership of Common Stock;

the Purchaser Parties delivery of the Support Agreement, and the lack of other agreements, contracts, arrangements or understandings between any of the Purchaser Parties or any of their respective affiliates (within the meaning of Rule 12b-2 under the Exchange Act) on the one hand, and any of Alliance s or its subsidiaries directors, officers, employees or stockholders on the other hand, that relate to the transactions contemplated by the Merger Agreement:

the Purchaser Parties having conducted their own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition and prospects of Alliance and its subsidiaries;

Alliance having made available to the Purchaser Parties certain estimates, projections and other forecasts for the business of Alliance and its subsidiaries, and non-reliance by the Purchaser Parties on the same or the accuracy or completeness of them;

the Purchaser Parties having, as of the date of the Merger Agreement and at the closing, sufficient cash, available lines of credit or other sources of immediately available funds in US dollars to consummate the transactions contemplated by the Merger Agreement;

the Purchaser Parties solvency as of the date of the Merger Agreement and after giving effect to the transactions contemplated by it; and

the absence of any representation or warranty not contained in the Merger Agreement.

Many of the representations and warranties in the Merger Agreement are qualified by knowledge or materiality qualifications or a Company Material Adverse Effect or Parent Material Adverse Effect clause.

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For purposes of the Merger Agreement, a Company Material Adverse Effect, means any effect, event, fact, development, circumstance, condition or change, which we refer to collectively as an Effect , that, individually or in the aggregate, has had, or would reasonably expect to have, a material adverse effect on:

- the business, financial condition, results of operations or assets of Alliance and its subsidiaries taken as a whole, other than any such Effect resulting from:
  - any change or prospective change in the market price or trading volume of the Common Stock or the credit rating of Alliance (but not any Effect underlying such change to the extent that such Effect would otherwise constitute a Company Material Adverse Effect);
  - conditions generally affecting the economy or financial, securities, credit or other capital markets generally or the industry in which Alliance and its subsidiaries operate or to the industries to which Alliance and its subsidiaries sell or license their products, solutions and services, including changes in interest and exchange rates, in the United States or any other jurisdiction in which Alliance and its subsidiaries operate or propose to operate;
  - any Effect resulting from the negotiation, announcement, pendency or consummation of the Merger Agreement or the transactions contemplated by it, or third party awareness of the transactions contemplated by the Merger Agreement, including (A) by reason of the identity of any member of the Purchaser Group or their respective affiliates (within the meaning of Rule 12b-2 under the Exchange Act) or any communication by any member of the Purchaser Group or their respective affiliates regarding the plans or intentions of Tahoe or Parent with respect to the conduct of Alliance and its subsidiaries or (B) the initiation or continuation of litigation by any person with respect to or related to the subject matter of the Merger Agreement or the transactions contemplated by it (including any litigation, action, suit, proceeding or investigation made or brought by any of the current or former stockholders of Alliance (on their own behalf or on behalf of Alliance) that asserts allegations of a breach of fiduciary duty relating to the Merger Agreement, or violations of securities laws in connection with the proxy statement), or (C) any loss or change in relationship with any customer, supplier, vendor, reseller, distributor, lender, employee, investor, venture partner or other business partner of Alliance and its subsidiaries;
  - changes in law, taxes or generally accepted accounting principles, interpretations or enforcement of them;
  - geopolitical conditions, the occurrence, escalation, outbreak or worsening of any acts of war (whether or not declared), armed hostilities, sabotage, terrorism (including cyber-terrorism or cyber-attacks) or national or international calamity (or the worsening of such conditions) or other occurrences of instability in high risk locations;

the existence, occurrence or continuation of any force majeure event, including any earthquakes, floods, hurricanes, tropical storms, nuclear incidents, pandemics, quarantine restrictions, weather conditions, tsunamis, tornados, volcanic eruptions, fires or other national disasters;

any failure by Alliance to meet any published analyst estimates or expectations of Alliance s revenue, earnings or other financial or operating metrics or results of operations for any period, in and of itself, or any failure by Alliance to meet its internal or published projections, budgets, plans, guidance, predictions or forecasts of its revenues, earnings or other financial or operating metrics or results of operations, in and of itself (however, the Effects underlying any such failure (if not otherwise falling within one of the other listed exceptions) may be taken into account in determining whether a Company Material Adverse Effect has occurred);

compliance by Alliance with the terms of, or any action taken or not taken by Alliance or any of its subsidiaries that is required or contemplated by the Merger Agreement; or

any action taken or not taken by or at the request of a Purchaser Party or any Designated Representative;

provided that any Effect resulting from any of the matters described in the second, fourth, fifth or sixth bullets may be taken into account in determining whether or not there has been, or is reasonably expected to be, a Company Material Adverse Effect if, but only if, such Effect has a disproportionate adverse effect (and solely to the extent of such disproportionate adverse effect) on Alliance and its subsidiaries, taken as a whole, as compared to other companies in the industry in which Alliance and its subsidiaries operate; or

- the ability of Alliance to consummate the transactions contemplated by the Merger Agreement, other than any such Effect resulting from any of the matters described in the immediately preceding eighth and ninth bullets:

For the purpose of the Merger Agreement, a Parent Material Adverse Effect means any Effect that prevents or materially impedes, interferes with, hinders or delays or would reasonably be expected to prevent or material impede, interfere with, hinder or delay:

- the consummation by the Purchaser Parties of the merger or any of the other transactions contemplated by the Merger Agreement; or

- the compliance by each of the Purchaser Parties of each of their respective obligations under the Merger Agreement in any material respect.

**Conduct of Business Pending the Merger**

The Merger Agreement provides that, subject to certain exceptions or Parent s consent, during the period from the signing of the Merger Agreement to the effective time, Alliance must ensure that the business and operations of Alliance and each of its subsidiaries be conducted in the ordinary course of business and in accordance with past practice, and in compliance with all applicable laws and the requirements of Alliance s material contracts. In addition, subject to certain exceptions or Parent s written consent, Alliance must not, and must cause each of its subsidiaries not to:

- issue, deliver, sell, grant, dispose of, pledge or otherwise encumber, or authorize or propose the issuance, sale, grant, disposition, pledge or other encumbrance of any shares of its capital stock or any other ownership interest of Alliance or any subsidiaries or any securities convertible into or exchangeable for any such shares or any other ownership interest, or any rights, warrants or options to acquire any such shares or any other ownership interest or any convertible or exchangeable securities, or any other securities of Alliance or any of its subsidiaries in lieu of outstanding Common Stock;

- redeem, purchase or otherwise acquire any outstanding shares of capital stock or other securities of Alliance or its subsidiaries, or propose to do so;

- split, combine, subdivide or reclassify any Common Stock or declare, accrue, set aside for payment or pay any dividend or other payment in respect of any Common Stock;

acquire, sell, lease, license, or dispose of any material assets or right other than in the ordinary course of business;

(i) incur, issue or assume any indebtedness or guarantee or otherwise become liable for any indebtedness (including increasing the indebtedness under Company contracts in existence as of the date of the Merger Agreement) other than pursuant to our Credit Agreement, dated as of June 3, 2013, as amended to date (referred to as our Credit Agreement ) or equipment financing incurred in the ordinary course of business, (ii) make any loans, advances (other than certain expense advances to employees in the ordinary course) or capital contributions to, or investments in, any other person or entity, other than to Alliance or a wholly owned subsidiary, or (iii) sell or transfer, or create, assume or suffer to exist any lien on any accounts receivable (other than in the ordinary course of business and consistent with past practices);

(i) increase the compensation or benefits to officers, directors or employees; (ii) grant any rights to severance or termination pay, or enter into or amend any employment or severance agreement with any

current or former employees, directors or officers; (iii) enter into any consulting, bonus, retention, retirement or similar agreement with any current or former employees, directors or officers; (iv) establish, adopt, enter into or amend any benefit plan or collective bargaining agreement, trust, fund policy or arrangement for the benefit of officers, directors or employees; (v) amend or adopt any material benefit plan or equity plan; (vi) accelerate the vesting, exercisability or payment of any compensation or benefit; or (vii) grant any stock options, in each case except as required by law or any benefit plans in effect on the date of the Merger Agreement;

enter into or become bound by, or terminate or materially amend any of Alliance s material contracts, other than the Credit Agreement or in the ordinary course of business;

change any of our accounting methods other than as required by law or generally accepted accounting principles;

amend its charter, bylaws or other organizational documents, or form any subsidiary

acquire any equity interest or other interest in any other entity or effect or become a party to any merger, consolidation, plan of arrangement, share exchange, business combination, recapitalization, reclassification of shares, stock split, reverse stock split or similar transaction;

authorize or make any commitment with respect to any single capital expenditure that is not budgeted in Alliance s current plan approved by the Board as of the date of the Merger Agreement which is in excess of $500,000 or capital expenditures which are, in the aggregate, in excess of $1,000,000 for Alliance and its subsidiaries taken as a whole;

make any pledge of any of its assets or permit any of its assets to become subject to any liens, subject to certain exceptions;

make or change any material tax election, adopt or change any method of tax accounting, file any material amended tax return, enter into certain tax agreements relating to any material tax, surrender the right to claim a material tax refund, settle or compromise any claim in respect of any material tax, consent to any waiver of the statute of limitations period applicable to any material tax claim or assessment, or request any material tax ruling, except in the ordinary course of business;

commence any material legal proceeding except in the ordinary course of business, to enforce the terms of the Merger Agreement or the Support Agreement, or in connection with the Merger Agreement, the Support Agreement and the transactions contemplated by the Merger Agreement;

settle any material legal proceeding;

enter into a material new line of business directly or indirectly;

except as required by applicable law, change any material policy established by the executive officers of Alliance that generally applies to the operations of Alliance;

extend, renew or enter into any contracts containing non-compete or exclusivity provisions that (A) would restrict or limit the operations of Alliance and its subsidiaries or (B) apply to any current or future affiliates of Alliance, the surviving corporation or Parent;

other than in the ordinary course of business consistent with past practice, materially reduce the amount of insurance coverage or fail to renew any material existing insurance policies;

amend in a manner that adversely impacts in any material respect the ability to conduct its business, terminate or allow to lapse any material business;

adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization, merger (other than the merger), consolidation or other reorganization (other than reorganizations involving only wholly owned subsidiaries of Alliance which would not result in a material increase in the tax liability of Alliance of any of its subsidiaries; or

enter into any contract to do any of the above.

### Other Covenants and Agreements

*No Solicitation*

Pursuant to the Merger Agreement, except as described below, during the period prior to the effective time, Alliance agrees that it and its subsidiaries will not, and they will not authorize or knowingly permit their respective officers, directors, employees, agents and representatives, to, directly or indirectly:

- solicit or initiate, or knowingly facilitate or knowingly encourage the submission of any Acquisition Proposal;
- furnish any nonpublic information regarding, or afford access to the properties, books or records of, Alliance or its subsidiaries for the purpose of knowingly facilitating or encouraging an Acquisition Proposal;
- engage in discussions or negotiations for the purpose of knowingly facilitating or encouraging an Acquisition Proposal;
- approve, endorse, recommend or enter into any agreement in principle, letter of intent , acquisition or similar agreement relating to an Acquisition Proposal (except for acceptable confidentiality agreements); or
- resolve to propose, agree or publicly announce an intention to do any of the foregoing.

An Acquisition Proposal means, other than the transactions contemplated by the Merger Agreement, any offer or proposal of any third party relating to:

- any acquisition or purchase, direct or indirect, of assets equal to 15% or more of the consolidated assets of Alliance or to which 15% or more of the consolidated revenues or earnings of Alliance are attributable or 15% or more of any class of equity or voting securities of Alliance,
- any tender offer or exchange offer that, if consummated, would result in such third party beneficially owning 15% or more of any class of equity or voting securities of Alliance,
- a merger, consolidation, statutory share exchange, business combination, sale of assets, liquidation, dissolution or other similar extraordinary transaction involving Alliance or any of its subsidiaries whose assets, individually or in the aggregate, constitute 15% or more of the consolidated assets of Alliance or to which 15% or more of the consolidated revenues or earnings of Alliance are attributable, or
- any combination of the foregoing.

Notwithstanding the above, prior to the receipt of the requisite stockholder approval, if Alliance receives an unsolicited Acquisition Proposal that the Board or the Independent Committee concludes in good faith is or could lead to a Superior Proposal, the unsolicited Acquisition Proposal did not result from Alliance s material breach of its obligations under the non-solicitation provisions of the Merger Agreement (other than any such breach caused by any Purchaser Party or Designated Representative), and after consultation with its counsel, the Board or the Independent Committee determines in good faith that failure to take such action could reasonably be expected to be contrary to the directors fiduciary duties under applicable law, then Alliance may:

- furnish nonpublic information to the person making the unsolicited Acquisition Proposal, provided that such person enters into a customary confidentiality agreement and Alliance gives notice to Parent setting forth the identity of such person and Alliance s intention to furnish such nonpublic information or to enter into discussion with such person; and

- engage in discussions or negotiations with that person regarding the unsolicited Acquisition Proposal.

A Superior Proposal is a bona fide written Acquisition Proposal which did not arise from a material breach of the non-solicitation restrictions in the Merger Agreement (with all references to 15% in the definition

of Acquisition Proposal increased to 40%) that the Board or the Independent Committee determines in good faith, after consultation with its financial advisor and outside legal counsel, and taking into account all terms and conditions of such Acquisition Proposal that it determines to be relevant, is more favorable to holders of unaffiliated shares than the merger after taking into account any changes to the Merger Agreement proposed by Parent in connection with the exercise of its rights in response to such Superior Proposal.

Alliance must promptly provide to Parent any nonpublic information concerning Alliance or any of its subsidiaries that is provided to the person making the unsolicited Acquisition Proposal or its representatives that was not previously provided or made available to a Purchaser Party.

Alliance must promptly (and in any event within 48 hours) advise Parent orally and in writing of the receipt of any Acquisition Proposal or any inquiry that could reasonably be expected to lead to an Acquisition Proposal, including the identity of the party making the Acquisition Proposal or inquiry and details of the material terms and conditions of the Acquisition Proposal, and must keep Parent promptly (and in any event within 48 hours) and reasonably informed with respect to the status of such Acquisition Proposal or any material developments or modifications.

Except as described below, during the period prior to the effective time, neither the Company, the Board nor any Board committee is permitted to make any Change in Recommendation , which means:

- withhold, withdraw, amend, qualify or modify, in a manner adverse to the Purchaser Parties, the Company Recommendation;
- adopt, approve or recommend any Acquisition Proposal;
- fail to include the Company Recommendation in this proxy statement or fail to recommend against any Acquisition Proposal subject to Regulation 14D under the Exchange Act in any solicitation or recommendation statement on Schedule 14D-9 as promptly as practicable after the commencement of such Acquisition Proposal (but in any event within ten business days);
- following receipt of an Acquisition Proposal, fail to reaffirm its approval or recommendation of the Merger Agreement and the merger within ten business days after receipt of any reasonable request by Parent to do so; or
- resolve or agree to take any of the foregoing actions.

Notwithstanding the above, at any time prior to obtaining the requisite stockholder approval, the Board or the Independent Committee may make a Change in Recommendation in response to either:

- an Effect that was not known to the Special Committee on the date of the Merger Agreement (or if known, the consequences of which were not reasonably foreseeable to the Special Committee as of such date), which Effect (or the consequences of it) becomes known to the Special Committee before receipt of the requisite

stockholder approval (such Effect is referred to as an Intervening Event ), if the Board or the Independent Committee determines in good faith, after consultation with its legal counsel, that the failure to do so could reasonably be expected to be contrary to the directors fiduciary duties under applicable law; or

the receipt of an Acquisition Proposal, if the Board or the Independent Committee determines in good faith, after consultation with its financial advisor and legal counsel, that such Acquisition Proposal constitutes a Superior Proposal and that the failure to take such action could reasonably be expected to be contrary to the directors fiduciary duties under applicable law.

However, the Board or the Independent Committee may only make a Change in Recommendation if:

it provides Parent with a notice of its intent to take such action which, in the case of a Superior Proposal, specifies the identity of the person making the Superior Proposal and the material terms of

the Superior Proposal and contains a copy of the material documents or agreements providing for the Superior Proposal, or, in the case of an Intervening Event, contains a reasonably detailed description of the Intervening Event;

if requested by Parent, for a period of at least three business days after receipt of the notice, negotiates in good faith with Parent and any representative of Parent (if Parent desires to negotiate) to permit Parent to propose amendments to the Merger Agreement;

following such three-day negotiation period, and taking into account in good faith any further Parent proposals regarding the Merger Agreement, the Board or the Independent Committee determines that the Superior Proposal would continue to constitute a Superior Proposal, or, in the case of an Intervening Event, the failure to make a Change in Recommendation with respect to such Intervening Event could reasonably be expected to be contrary to its fiduciary duties under applicable law;

in case of a Superior Proposal, such Superior Proposal did not result from a material breach of the non-solicitation provisions of the Merger Agreement (other than any such breach caused by any Purchaser Party or any Designated Representative); and

the Board or the Independent Committee causes Alliance to terminate the Merger Agreement and pay to Parent the Alliance Expense Reimbursement.

In the event of any amendment to the financial terms or other material terms of an Acquisition Proposal, Alliance will be required to deliver a new notice to Parent and to comply with the requirements of the Merger Agreement with respect to such new notice, except that the minimum negotiation period shall be two business days (instead of three business days as contemplated above).

*Stockholder Approval*

Alliance will use reasonable efforts to take all action necessary in accordance with the DGCL its certificate of incorporation and bylaws to duly call, give notice of, convene and hold a meeting of its stockholders as promptly as practicable following the mailing of this proxy statement for the purpose of obtaining the requisite stockholder approval and, subject to the occurrence of a Change in Recommendation, use all reasonable efforts to solicit from its stockholders proxies in favor of the adoption of the Merger Agreement.

*Reasonable Best Efforts*

Subject to the terms and conditions of the Merger Agreement, Alliance, Tahoe, Parent and THAIHOT will use their reasonable best efforts to promptly:

take, or cause to be taken, or do, or cause to be done, and to assist and cooperate with the other parties in doing all things necessary, proper or advisable under applicable law or otherwise to consummate the merger and the other transactions contemplated by the Merger Agreement:

obtain from governmental entities any actions, non-actions, clearances, waivers, consents, approvals, permits or orders required to be obtained by the parties in connection with the Merger Agreement and the transactions contemplated by it;

make all registrations, filings, notifications or submissions which are necessary or advisable, with respect to the Merger Agreement and the merger required under any applicable state or federal securities laws or other applicable law;

furnish all information required for any application or other filing to be made pursuant to any applicable law;

keep the other party promptly informed in all material respects of any material communication received by such party from, or given by such party to, any governmental entity;

permit the other party to review any material communication (and considering the other party s reasonable comments to) delivered to, any consulting with the other party in advance of any meeting or conference with any governmental entity (including allowing the other party the opportunity to participate in any such meeting or conference);

avoid the entry of, or having vacated or terminated, any decree, order or judgment that would restrain, prevent or delay the merger and the other transactions contemplated by the Merger Agreement; and

execute and deliver any additional instruments necessary to consummate the merger and the other transactions contemplated by the Merger Agreement.

On May 11, 2017, Tahoe and Alliance, at the direction of and upon the approval of the Independent Committee, agreed to waive the deadline to file the Proxy Statement and the Schedule 13 E-3 with the SEC within thirty-five (35) days after the date of the Merger Agreement and extend it to forty-five (45) days after the date of the Merger Agreement.

*Indemnification; Directors and Officers Insurance*

From and after the effective time, Tahoe and Parent will, and will cause the surviving corporation to, indemnify and hold harmless, and provide advancement of expenses to, the present and former officers and directors of Alliance and its subsidiaries (each of whom we refer to as an indemnified party ) in respect of acts or omissions in their capacity as an officer or director of Alliance or any of its subsidiaries or any of their respective predecessors or as an officer, director, employee, fiduciary or agent of another agent if the indemnified party was serving in such capacity at the request of Alliance or any of its subsidiaries, to the fullest extent permitted by the DGCL or any other applicable law or provided under the certificate of incorporation, bylaws and any indemnification agreements and any other governing documents of Alliance and its subsidiaries in effect on the date of the Merger Agreement. In addition, Tahoe and Parent will, and will cause the surviving corporation to, advance fees, costs and expenses (including reasonable attorneys fees and disbursements) incurred by an indemnified party in connection with and prior to the final disposition of any proceeding to which an indemnified party is, has been or becomes a party or is otherwise involved (including as a witness) arising in whole or in part out of the fact that the indemnified party is or was an officer or directors of Alliance or any of its subsidiaries or any of their respective predecessors or is or was serving at the request of Alliance or any of its subsidiaries or any of their respective predecessors as an officer, director, employee, fiduciary or agent of another enterprise.

From and after the effective time, each of Tahoe and Parent shall cause to be maintained in effect all provisions in the surviving corporation s certificate of incorporation and bylaws (and in the certificate of incorporation, bylaws and other governing documents of each of its subsidiaries) regarding (i) elimination of liability of directors, (ii) indemnification of officers, directors and employees and (iii) advancement of expenses, in each case, that are no less advantageous to the intended beneficiaries than the corresponding provisions in existence on the date of the Merger Agreement.

Parent will purchase a tail policy for a period from the effective time until six years from the effective time with terms, conditions, retentions and limits of liability that are no less favorable than the coverage provided under the Company s existing directors and officers insurance policies and fiduciary liability insurance policies maintained by Alliance as are in effect as of the date of the Merger Agreement (subject to a maximum aggregate premium of 300% of the cost of the current directors and officers liability insurance).

*Stockholder Litigation*

Each party will give the other the opportunity to participate in the defense or settlement of any stockholder litigation against the any party or its directors relating to the merger or the other transactions contemplated by the Merger Agreement, whether commenced prior to or after the execution and delivery of the Merger Agreement.

*Other Covenants*

The Merger Agreement contains additional covenants of the parties relating to, among other matters:

- the filing of this proxy statement and the Schedule 13E-3 with the SEC (and cooperation in response to any comments from the SEC with respect to this proxy statement);
- the coordination of press releases and other public announcements or filings relating to the transactions contemplated by the Merger Agreement;
- giving Parent access to our properties, books, records, and other information;
- antitakeover statues or regulations that become applicable to the transactions contemplated by the Merger Agreement;
- certain matters relating to Section 16 of the Exchange Act;
- the de-listing of the Common Stock from NASDAQ and the deregistration under the Exchange Act; and
- the obligation of the Purchaser Parties to fund the aggregate Merger Consideration into a special purpose account.

**Conditions to the Merger**

The obligations of Alliance, on the one hand, and the Purchaser Parties, on the other hand, to consummate the merger are subject to the satisfaction (or mutual waiver by Alliance and the Purchaser Parties, if permissible under applicable law; provided that the condition in the first bullet below cannot be waived by any person in any circumstance), at or before the effective time, of the following conditions:

- that the majority of the minority stockholder approval have been obtained;
- that the statutory stockholder approval have been obtained;
- that no governmental entity of any competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any order or law or taken any other action which is then in effect (whether temporary, preliminary or permanent) and has the effect of enjoining, restraining or otherwise prohibiting the consummation of the merger; and

- that following the filing by the applicable Purchaser Parties of an overseas investment registration with the National Development and Reform Commission of the People s Republic of China or its competent local counterparts (collectively referred to as the NDRC ) in respect of the transactions contemplated by the Merger Agreement, the applicable Purchaser Parties shall have received a written acknowledgement issued by the NDRC that such registration has been completed.

The obligation of Alliance to effect the merger is subject to the satisfaction or waiver by Alliance, at or before the effective time, of the following conditions:

- the continued accuracy of the representations and warranties of the Purchaser Parties in the Merger Agreement as of the closing date (except for certain representations and warranties which must remain accurate as of a specified date), except where the failure of such representations and warranties of such Purchaser Party to be so true and correct (without giving effect to any materiality or Parent Material Adverse Effect qualifiers), would not individually or in the aggregate have a Parent Material Adverse Effect.

- that each of the Purchaser Parties shall have in all material respects performed all obligations and complied with all covenants required by the Merger Agreement to be performed or complied with by it at or prior to the closing of the merger;

- that Tahoe, THAIHOT and Parent shall have delivered certificates certifying as to the satisfaction of the above two conditions; and

- that prior to the mailing of this proxy statement, Parent shall have deposited or caused to be deposited into a special purpose account in Hong Kong sufficient funds in U.S. dollars for timely payment of the aggregate Merger Consideration, and these funds shall continue to be available and shall not have been withdrawn or otherwise restricted.

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The obligation of the Purchaser Parties to effect the merger is subject to the satisfaction or waiver by the Purchaser Parties, at or before the effective time, of the following conditions:

- the accuracy of the representations and warranties of Alliance in the Merger Agreement as follows: (i) representations and warranties in respect of organization, capitalization, authorization, brokers or finders, and opinion of financial advisor, shall be true and correct in all material respects as of the date of the Merger Agreement and as of the closing date (except for certain representations and warranties which must remain true and correct as of a specified date), (ii) the representations and warranties in respect of absence of changes shall be true and correct as of the date of the Merger Agreement and as of the closing date; and (iii) all other representations and warranties shall be true and correct as of the date of the Merger Agreement and, without giving effect to any materiality or Company Material Adverse Effect qualifiers, as of the closing date (except for certain representations and warranties which must remain accurate as of a specified date), except where the failure to be so true and correct would not, individually or in the aggregate, have a Company Material Adverse Effect.

- that Alliance shall have in all material respects performed all obligations and complied with all covenants required by the Merger Agreement to be performed or complied with by it at or prior to the effective time; and

- that Alliance shall have delivered a certificate certifying to the satisfaction of the above two conditions.

**Termination**

Alliance and Parent may terminate the Merger Agreement by mutual written consent at any time before the effective time, whether prior to or after receipt of the requisite stockholder approval. In addition, either Alliance or Parent (as applicable) may terminate the Merger Agreement at any time prior to the effective time if:

- any governmental entity having competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law or order which is then in effect or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the merger, and such order or other action is final and nonappealable, subject to certain exceptions;

- if the requisite stockholder approval shall not have been obtained at the annual meeting (after taking into account any adjournment, postponement or recess of the meeting), provided that this termination right is not available to Parent if the failure to obtain the requisite stockholder approval is due to the failure of one or more stockholder parties to the Support Agreement to vote the shares of Common Stock beneficially owned by it in accordance with the Support Agreement;

- the merger has not been completed by December 15, 2017 (referred to as the Termination Date ), subject to the right of Alliance to extend the Termination Date for a single additional 60-day period in certain circumstances enumerated in the Merger Agreement related to restraints under the law of the People s

Republic of China or failure to complete registration with the NDRC; except that this termination right is not available to a party whose breach of, or failure to fulfill any of its obligations under the Merger Agreement in any manner has been the cause of, or resulted in, the failure to consummate the merger by the Termination Date; or

prior to obtaining the requisite stockholder approval, the Board or the Independent Committee shall have made a Change in Recommendation.

Parent may terminate the Merger Agreement at any time prior to the effective time if there is a breach or failure of any representation, warranty, covenant or agreement of the Company, which breach or failure has given rise to or would reasonably be likely to give rise to the failure of a condition to the Purchaser Parties obligations to complete the merger, and such condition would not be capable of being satisfied prior to the Termination Date, or if capable of being satisfied, the failure of the condition is not cured within 30 business days following receipt of written notice from Parent (except that Parent may not so terminate if it is in material breach of the Merger Agreement under circumstances that would cause the Company s closing conditions not to be satisfied); or

Alliance may terminate the Merger Agreement at any time prior to the effective time if:

there is a breach or failure of any representation, warranty, covenant or agreement of the Purchaser Parties, which breach or failure has given rise to or would reasonably be likely to give rise to the failure of a condition to the Company s obligations to complete the merger, and such condition would not be capable of being satisfied prior to the Termination Date, or if capable of being satisfied, the failure of the condition is not cured within 30 business days following receipt of written notice from the Company (except that Alliance may not so terminate if it is in material breach of the Merger Agreement under circumstances that would cause the Purchaser Parties closing conditions not to be satisfied);

all conditions to the Purchaser Parties obligations to complete the merger have been satisfied or waived (except those to be satisfied at closing), Alliance has irrevocably confirmed in writing to Parent that the closing conditions specific to Alliance have been satisfied or Alliance is willing to waive them and is prepared to close, and the Purchaser Parties fail to consummate the closing within five business days after the date that the closing should have occurred under the Merger Agreement; or

prior to the date that Alliance has notified Parent that it is prepared to mail the proxy statement (but at least 60 days after the date of the Merger Agreement), Parent shall have failed to deposit or caused to be deposited into a special purpose account sufficient funds for timely payment of the aggregate Merger Consideration.

**Fees and Expenses**

Except as otherwise provided in the Merger Agreement and as described below, whether or not the merger is consummated, all costs and expenses incurred in connection with the merger will be paid by the party incurring them.

*Expense Reimbursement Provisions*

Alliance is required to pay Parent the Alliance Expense Reimbursement (an amount equal to $1,500,000) in the event that Alliance or Parent terminates the Merger Agreement in connection with their respective right to do so following a Board or Independent Committee Change in Recommendation.

Parent is required to pay Alliance the Parent Expense Reimbursement (an amount equal to $4,500,000) under the following circumstances:

in the event that the Merger Agreement is terminated by Alliance: (i) as a result of a breach or failure of any representation, warranty or covenant of any Purchaser Party set forth in the Merger Agreement; (ii) because the Purchaser Parties fail to complete the merger within five business days following the date on which the closing should have occurred; or (iii) because Parent failed to deposit into a special purpose account in Hong Kong sufficient funds in U.S. dollars for timely payment of the aggregate Merger Consideration; or

in the event that the Merger Agreement is terminated by either Alliance or Parent: (i) because the merger has not occurred by the Termination Date, at a time when the obligations of the Purchaser Parties to close have

been satisfied or waived (other than those to be satisfied at closing, one or more conditions relating to a law or order of the People s Republic of China, or the condition relating to registration with the NDRC); or (ii) due to an order from a governmental entity in the People s Republic of China or any law of the People s Republic of China.

**Amendments and Modification**

Subject to applicable law, the Merger Agreement may be amended, modified and supplemented, whether before or after any vote of the stockholders of Alliance at any time prior to the effective time, by written

agreement of Alliance and the Purchaser Parties and by action of their respective boards of directors, with Alliance acting solely through the Independent Committee. However, following receipt of the requisite stockholder approval, no amendment may be made that would reduce the amount or change the type of consideration into which each share of Common Stock shall be converted upon consummation of the merger or that by law would require further approval or authorization by the stockholders of Alliance without such further approval or authorization.

**Specific Performance**

Under certain circumstances, Alliance and the Purchaser Parties are entitled to specific performance of the terms of the Merger Agreement, in addition to any other remedy at law or equity.

**Governing Law; Disputes**

The Merger Agreement is governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law.

Any disputes between the parties arising under the Merger Agreement shall be exclusively and finally settled through arbitration by Hong Kong International Arbitration Centre in accordance with the HKIAC Administered Arbitration Rules then in force.

**Company Actions**

Subject to the requirements of applicable law, any amendment, consent, waiver or other determination to be made, or action to be taken, by the Company or the Board under or with respect to the Merger Agreement may be made or taken only at the direction and upon the approval of the Independent Committee.

**Provisions for Unaffiliated Stockholders**

No provision has been made to grant the Company s unaffiliated stockholders access to the corporate files of Alliance, any other party to the merger or any of their respective affiliates, or to obtain counsel or appraisal services at the expense of the Company, any other such party or affiliate.

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## PROPOSAL NO. 2

## ADVISORY VOTE TO APPROVE MERGER-RELATED COMPENSATION

In accordance with Section 14A of the Exchange Act, Alliance is providing its stockholders with the opportunity to cast an advisory (non-binding) vote to approve the compensation that may be paid or become payable to its named executive officers in connection with the merger, as determined in accordance with Item 402(t) of Regulation S-K. The following table and accompanying narrative provide the information about that compensation that is required to be disclosed and subject to the advisory vote pursuant to SEC rules. Pursuant to the SEC rules, the disclosure provided below includes compensation to the named executive officers, whether present, deferred or contingent, that is based on or otherwise relates to the merger.

The amounts set forth in the table below, which represent an estimate of each named executive officer s transaction-related compensation, as of April 10, 2017, assume the following:

- a closing date of the merger of April 10, 2017;
- each named executive officer s employment is terminated by Alliance without cause or by the named executive officer with good reason immediately following the merger, entitling the named executive officer to receive the severance payments and benefits under the terms of such named executive officer s Executive Severance Agreement; and
- a value of acceleration of vesting of any in-the-money company stock option is calculated assuming a market price per share of Alliance Common Stock of $13.25, the Merger Consideration.

Please note that the amounts reported below are estimates based on multiple assumptions that may or may not actually occur, including the assumptions described above and those described in *Special Factors Interests of Alliance s Directors and Executive Officers in the Merger* beginning on page 54. As a result, the actual merger-related compensation, if any, to be received by a named executive officer may differ in material respects from the amounts set forth below.

For a narrative description of the terms and conditions applicable to the payments quantified in the table below, see *Special Factors Interests of Alliance s Directors and Executive Officers in the Merger* beginning on page 54, which is incorporated herein by reference.

**Golden Parachute Compensation**

| Name | Cash ($)[1] | Equity ($)[2] | Benefits/Perquisites ($)[3] | Total ($) |
|---|---|---|---|---|
| **Percy C. Tomlinson**<br>*President and Chief Executive Officer* | 1,831,500 | 185,720 | 82,141 | 2,099,361 |
| **Rhonda Longmore-Grund** | 787,500 | 218,092 | 81,432 | 1,087,024 |

| | | | | | |
|---|---|---|---|---|---|
| *Executive Vice President and Chief Financial Officer* | | | | | |
| **Richard W. Johns**<br><br>*Chief Operating Officer and Chief Legal Officer* | 984,375 | 72,168 | | 84,651 | 1,141,194 |
| **Richard A. Jones**<br><br>*President, Alliance HealthCare Radiology* | 853,125 | 45,074 | | 90,342 | 988,541 |
| **Gregory E. Spurlock**<br><br>*President, Alliance Oncology and Alliance HealthCare International* | 853,125 | 42,079 | | 55,666 | 950,870 |
| **Howard K. Aihara**[(4)]<br><br>*Former Executive Vice President and Chief Financial Officer* | | | | | |

(1) Amounts in this column reflect cash severance payments due to the named executive officer under the Executive Severance Agreements assuming the named executive officer is terminated by Alliance without cause or by the named executive officer for good reason immediately following the assumed date of the completion of the merger (April 10, 2017). The severance amounts for Messrs. Tomlinson, Johns, Jones and Spurlock and Ms. Longmore-Grund, reflect the sum of (x) the aggregate value of continuation of their annual base salary for 18 months and (y) the aggregate value of one and one-half times their annual target bonus opportunity. Annual base salaries and target bonuses for Messrs. Tomlinson, Johns, Jones and Spurlock and Ms. Longmore-Grund as of the assumed effective date of the transaction (April 10, 2017) are as follows:

| Name | Annual Base Salary ($) | Annual Target Bonus ($) |
|---|---|---|
| Percy C. Tomlinson | 660,000 | 561,000 |
| Rhonda Longmore-Grund | 300,000 | 225,000 |
| Richard W. Johns | 375,000 | 281,250 |
| Richard A. Jones | 325,000 | 243,750 |
| Gregory E. Spurlock | 325,000 | 243,750 |

(2) Under the Merger Agreement, each named executive officer would be entitled to accelerated vesting of his or her outstanding unvested in-the-money company stock options granted pursuant to the Alliance Equity Plans. The amounts in this column reflect the value of the unvested in-the-money company stock options held by the named executive officers and outstanding as of the assumed merger closing date, and assuming a market price per share of Alliance Common Stock of $13.25, the Merger Consideration.

(3) The amounts in this column reflect an estimate, based on current costs and insurance premiums, the continuation of health and welfare benefits for 18 months for Messrs. Tomlinson, Johns, Jones and Spurlock and Ms. Longmore-Grund pursuant to each s respective Executive Severance Agreement. These amounts are payable only if the named executive officer s employment is terminated by Alliance without cause or by the named executive officer with good reason immediately following the merger. In addition, under their Executive Severance Agreements, Messrs. Tomlinson, Johns, Jones, Spurlock and Ms. Longmore-Grund are also entitled to reimbursement of up to $35,000 for outplacement services. The amounts to be paid for outplacement services will be based on expenses actually incurred by the named executive officer, and are assumed to be $35,000 for purposes of this table.

(4) Mr. Aihara ceased serving as Alliance s Executive Vice President and Chief Financial Officer effective as of March 10, 2016. Mr. Aihara is not entitled to any severance or other benefits in connection with the merger.

**Advisory Vote**

As required by Section 14A of the Exchange Act, Alliance is asking its stockholders to vote to approve the adoption of the following resolution:

RESOLVED, that the compensation that may be paid or become payable to Alliance s named executive officers in connection with the merger, as disclosed in the above table entitled Golden Parachute Compensation, including the associated narrative discussion, is hereby APPROVED.

The vote on executive compensation payable in connection with the merger is a vote separate and apart from the vote to adopt the Merger Agreement. Accordingly, you may vote to approve the executive compensation and vote against adoption of the Merger Agreement, or vice versa. Because the vote is advisory in nature only, it will not be binding on either Alliance or Parent. Accordingly, because Alliance is contractually obligated to pay the compensation, the compensation will be payable, subject only to the applicable conditions, if the merger is approved and consummated and regardless of the outcome of the advisory vote.

Approval of the advisory resolution on executive compensation payable to Alliance s named executive officers in connection with the merger requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter. Proxies received but marked as abstentions will be considered a vote AGAINST this proposal. The Board (with Mr. Qisen Huang, Mr. Heping Feng and Dr. Tao Zhang recusing themselves) recommends a vote FOR this proposal.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL NO. 2.**

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## PROPOSAL NO. 3

## ELECTION OF DIRECTORS

Our Board is divided into three classes, with each director serving a three-year term and one class of directors being elected at each year s annual meeting of stockholders. At each annual meeting, nominees are elected as directors to a class with a term of office that expires at the annual meeting held three years after the year of the nominee s election, or when their successors are elected and qualified.

The term of office of the three incumbent Class I directors expires at the 2017 Annual Meeting. The Board has nominated incumbent directors Neil F. Dimick, Heping Feng and Paul S. Viviano for election to three-year terms of office that will expire at the annual meeting to be held in 2020 or when their respective successors are elected and qualified. If the merger is completed all of our current directors will cease to be directors of the Company (other than those who are also directors of Sub), and the directors of Sub at the effective time of the merger will become the directors of the Company (regardless of the outcome of this Proposal 3). Mr. Feng, along with Dr. Zhang and Mr. Huang, was appointed to the Board on March 29, 2016 pursuant to the terms of the Governance Agreement described in Agreements With Purchaser Group Members Involving Common Stock below.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE THREE NOMINEES FOR DIRECTOR.**

Below is information about the Class I nominees and our other current directors, including their principal occupations, business experience, directorships in other public companies and information about their specific experience, qualifications, attributes or skills that led to the conclusion that they should serve as directors in light of our structure and business. If for any reason any of the nominees should be unavailable to serve, proxies solicited by this proxy statement may be voted for a substitute as well as for the other nominees. The Board, however, expects each of the nominees to be available to serve if elected. There are no family relationships among any of our directors or executive officers.

**Nominees and Other Members of the Board**

| Name | Position | Age | Class | Director Since | Term Expires |
|---|---|---|---|---|---|
| **Qisen Huang** | Chairman of the Board | 52 | II | 2016 | 2018 |
| **Larry C. Buckelew** | Vice Chairman of the Board | 63 | II | 2009 | 2018 |
| **Scott A. Bartos** | Director | 53 | III | 2012 | 2019 |
| **Tao Zhang** | Director | 42 | III | 2016 | 2019 |
| **Neil F. Dimick** | Director | 67 | I | 2002 | 2017 |
| **Heping Feng** | Director | 57 | I | 2016 | 2017 |
| **Edward L. Samek** | Director | 80 | III | 2001 | 2019 |
| **Percy C. Tomlinson** | Director and Chief Executive Officer | 55 | II | 2013 | 2018 |
| **Paul S. Viviano** | Director | 64 | I | 2003 | 2017 |

*Nominees (Incumbent Class I Directors serving for a term expiring in 2017)*

NEIL F. DIMICK

Mr. Dimick is a healthcare consultant and private investor. He served as Executive Vice President and Chief Financial Officer of AmerisourceBergen Corporation from August 2001 through April 2002. From 1992 through August 2001 he served as Senior Executive Vice President and Chief Financial Officer of Bergen Brunswig Corporation.
Mr. Dimick began his career as a corporate auditor with Deloitte & Touche where he held the position of partner for eight years. Mr. Dimick is also a director of WebMD Corporation, Resources Connection, Inc. and Mylan Laboratories, Inc. Mr. Dimick was a director of Thoratec Corporation from 2003 through October

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2015 when the company was sold. Mr. Dimick has substantial experience in the healthcare services industry and is an audit committee financial expert, serving as a director and member of the audit committee of several publicly traded healthcare companies. This experience along with his chief financial officer and public accounting background is often called upon, particularly in connection with accounting and finance-related issues. Mr. Dimick has served as a member of our Board for more than fourteen years, providing him with significant background and experience concerning Alliance and its development. The Board concluded that Mr. Dimick should continue to serve as a director because of his knowledge of our industry, business and operations due to his extensive work experience in the healthcare services industry and his long tenure as a member of the Board. Mr. Dimick currently serves as the Chairman of our Audit Committee and as a member of our Nominating and Corporate Governance Committee.

HEPING FENG

Mr. Feng is a Chinese Certified Public Accountant. He is now a senior advisor of PricewaterhouseCoopers (referred to as PwC ). Mr. Feng was the Vice Chairman of Morgan Stanley China from March 2011 to August 2014. Before joining Morgan Stanley, he was the Office Managing Partner of PricewaterhouseCoopers Beijing. Mr. Feng became a partner at PwC in 1995. Before joining PwC he was a Division head of the Ministry of Finance of the People s Republic of China (PRC) from 1985 to 1992. Mr. Feng has over 20 years working experience in private and public services. He has worked extensively with the China Investment Corporation (CIC) and the Chinese Ministry of Commerce (MOFCOM) and market regulators and government agencies such as the China Securities Regulatory Commission (CSRC), China Banking Regulatory Commission (CBRC), and the Ministry of Finance of the PRC (MoF). Mr. Feng currently serves on our Compensation Committee and Nominating and Corporate Governance Committee. Given Mr. Feng s substantial experience with financial and accounting matters, the Board determined that Mr. Feng should continue to serve as a director.

PAUL S. VIVIANO

Mr. Viviano is a health care leader who has directed academic, nonprofit and for-profit healthcare organizations that deliver excellence in clinical care, research and diagnostics for three decades. Mr. Viviano joined Children s Hospital Los Angeles as President and Chief Executive Officer in 2015 and serves as a member of the institution s Board of Trustees. Previous to serving as President and Chief Executive Officer of Children s Hospital Los Angeles, Mr. Viviano served as the Chief Executive Officer and Associate Vice Chancellor for the UC San Diego Health System, an institution noted for its leadership in medical research and patient care. He has also served as the President and Chief Executive Officer of USC University Hospital and USC/Norris Cancer Hospital and held various chief executive roles within the St. Joseph Health System, ultimately serving as the President and Chief Operating Officer for the system. He served as our Chairman of the Board and Chief Executive Officer for 10 years. Mr. Viviano serves on the boards of several organizations, including Loyola Marymount University, where he serves as the Chair of the Board of Trustees. In addition, he serves as the Chair Elect of the Board of Directors of the California Children s Hospital Association. Given the importance of hospital service business models to our operations and planning, and Mr. Viviano s substantial experience with Alliance and the hospital industry, the Board determined that Mr. Viviano should continue to serve as a director. Mr. Viviano currently serves as the Chairman of our Compensation Committee and as a member of our Nominating and Corporate Governance Committee.

*Incumbent Class II Directors serving for a term expiring in 2018*

LARRY C. BUCKELEW

Mr. Buckelew is a healthcare advisor and private investor. Since March 2016, Mr. Buckelew has served as Vice Chairman of the Board and Chairman of our Strategic Planning and Finance Committee. Mr. Buckelew served as

Chairman of our Board from June 2012 until March 2016, and as Interim Chief Executive Officer for a period of 16 months commencing June 2012. Mr. Buckelew has been a member of our Board since May 2009, and was a member of both the Audit and Compensation Committees prior to June 2012. Prior to joining

Alliance s Board in 2009, Mr. Buckelew served as President and Chief Executive Officer of Gambro Healthcare, Inc. from November 2000 through October 2005. Mr. Buckelew began his career with American Hospital Supply Corporation (AHSC) in 1975 and served as an executive with AHSC and later Baxter International, Inc. following their merger in November 1985. Mr. Buckelew joined Sunrise Medical Inc. as Division President in 1986, a role he held until being named as Corporate President in 1993. In 1994, Mr. Buckelew was elected as President/Chief Operating Officer and Director for Sunrise, a position he held until 1996. In 1996, Mr. Buckelew was named as Group President for the Medical Group of companies for Teleflex Inc., and additionally as Chairman of Surgical Services Inc. (SSI) in 1998, positions he held until joining Gambro Healthcare Inc. in 2000. In determining that Mr. Buckelew should continue to serve as a director, the Board noted that Mr. Buckelew has substantial experience in the healthcare services and products industry, having served in executive positions with several large healthcare services providers and medical products companies throughout most of his career, that he has relevant board experience with other healthcare companies and that his background and experience provide him with a firm understanding of our industry, business and operations.

QISEN HUANG

Mr. Qisen Huang has been the Chairman of our Board of Directors since March 29, 2016. Mr. Huang has been the Executive Director of Tahoe since forming the company in 1992. In June 2009, Tahoe became the majority shareholder of Fujian Sannong Group (subsequently known as Thai Hot Group), a company listed on the Shanghai Stock Exchange, and Mr. Huang became its Chairman and Chief Executive Officer in March 2010. Prior to forming Tahoe, Mr. Huang was the Chief of the Investment Group under the Operations Department of Fujian Construction Bank. Mr. Huang graduated from Fuzhou University, Department of Civil Engineering, in 1984. Given Mr. Huang s substantial business and executive management experience in several industries, the Board determined that Mr. Huang should continue to serve as a director.

PERCY C. TOMLINSON

Mr. Tomlinson joined us as Chief Executive Officer in October 2013. Prior to joining Alliance, Mr. Tomlinson served as the Chief Executive Officer for Midwest Dental, a leading US provider of dental care services, since September 2012. Previously, he spent 10 years with the Center for Diagnostic Imaging (CDI), a national network of imaging providers offering a full range of diagnostic imaging, pain management and interventional radiology services. At CDI, Mr. Tomlinson served as Chief Executive Officer from May 2011 until September 2012, as President and Chief Operating Officer from 2005 to 2011, and as Senior Vice President and Chief Financial Officer from 2002 to 2005. Prior to joining CDI, Mr. Tomlinson spent approximately 17 years in primarily finance-related roles, including as Executive Vice President and Chief Financial Officer of Department 56, a publicly traded wholesale and retail consumer products company and President of Harmon Solutions Group, an insurance claim outsourcing company. In addition to his executive management experience, Mr. Tomlinson serves on the Board of Venture Expeditions, a charitable organization. Mr. Tomlinson holds an M.B.A. from Columbia University and a B.A. from the University of St. Thomas. Given Mr. Tomlinson s 25 years of diverse executive management and leadership experience spanning the healthcare, consumer products, insurance and other industries, the Board determined that Mr. Tomlinson should continue to serve as a director.

*Incumbent Class III Directors serving for a term expiring in 2019*

SCOTT A. BARTOS

Mr. Bartos is a director of Alliance HealthCare Services, Cardiovascular Systems Inc. and Outset Medical, Inc (formerly Home Dialysis Plus). Mr. Bartos previously served as President, Chief Executive Officer and Chairman of

the Board for Rural/Metro Corporation, the nation s leading provider of ambulance, fire protection and safety services, having joined Rural/Metro Corporation as the Chief Executive Officer in May 2013. Prior to joining Rural/Metro Corporation, Mr. Bartos previously served as President, Chief Executive Officer and Director of LaVie Care Centers, a national long-term care company with revenues exceeding $1 billion annually, from July 2009 through the sale of the company in December 2011. Prior to joining LaVie, Mr. Bartos served as

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President and Chief Operating Officer-East of Gambro Healthcare, Inc., and served in executive and management positions with companies such as Endoscopy Specialists, Inc., a company he founded and led through a merger and eventual public listing, U.S. Surgical Corporation, and PepsiCo, Inc. In determining that Mr. Bartos should continue to serve as a director, the Board noted that Mr. Bartos background and experience is called upon in considering all significant aspects of our business and operations, particularly with respect to matters of business strategy, and that Mr. Bartos has substantial experience as a healthcare executive and director and has extensive knowledge regarding our industry, business and operations. Mr. Bartos currently serves as a member of our Audit Committee and Compensation Committee.

EDWARD L. SAMEK

Mr. Samek served as Vice Chairman of MedQuist, Inc. from 1998 to 2000 and as Chairman and Chief Executive Officer of The MRC Group and its predecessor companies from 1982 to 1998 when it was acquired by MedQuist. Previously he served as President of Hudson Pharmaceutical Corporation and President of Childcraft Education Corp. He has also held executive and management positions with Procter & Gamble, Johnson & Johnson and Avon Products, Inc. Currently an independent consultant and investor, Mr. Samek serves as an Honorary Trustee of the Jackson Laboratory and Chairman of the Board of Friends of Acadia (National Park). Mr. Samek has extensive background and experience in the healthcare services industry and broad experience on the boards of several healthcare companies. In addition, he is our longest serving director, having joined the Board in 2001. In determining that Mr. Samek should continue to serve as a director, the Board noted that Mr. Samek s background and experience is called upon in considering all significant aspects of our business and operations, particularly with respect to matters of business strategy, and that Mr. Samek has substantial experience concerning our development and is knowledgeable regarding our industry, business and operations. Mr. Samek currently serves as the Chairman of our Nominating and Corporate Governance Committee and as a member of our Audit Committee.

TAO ZHANG

Dr. Zhang has been a member of our Board of Directors since March 29, 2016. Dr. Zhang founded United Pacific Healthcare in August 2014, of which he is currently the Chairman and Chief Executive Officer. Previously, Dr. Zhang worked directly under Dr. Thomas Frist, Jr., the co-founder of Hospital Corporation of America (HCA), from 2008 through 2014. From 2008 to 2011, Dr. Zhang was in the U.S. on a part-time basis during which time he helped Dr. Frist and HCA source and negotiate hospital acquisition deals in China. Dr. Zhang spent the remainder of the time with HCA in China as the full-time chairman and Chief Executive Officer of China Hospital Corporation. From 2001 through 2005, Dr. Zhang worked at CITIC Pacific in the healthcare division as project manager and then General Manager. Dr. Zhang earned his M.D. degree in Qingdao University Medical School in 1998 and obtained further training in cardiac surgery for an additional three years in Beijing Fuwai Hospital. Dr. Zhang also holds both an M.B.A. and a Master s Degree in Health Sector Management from Duke University, obtained in 2007. Dr. Zhang currently serves on our Compensation Committee and Nominating and Corporate Governance Committee. Given Dr. Zhang s substantial experience with the medical and healthcare delivery industry, the Board determined that Dr. Zhang should continue to serve as a director.

**Corporate Governance**

Alliance s business is managed under the direction of our Board, which selects our officers, delegates responsibilities for the conduct of our operations to those officers and monitors their performance. Our non-management directors meet regularly in executive session without the presence of our management. The position of presiding director of these executive sessions is selected by a majority of the non-management directors present.

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*Board Leadership Structure*

The Board does not have a policy with respect to whether the role of the Chairman and the Chief Executive Officer should be separate. However, pursuant to the terms of the Governance Agreement that we entered into with Tahoe in connection with the 2016 Transaction (which is described under *Certain Governance Items Related Person Transactions* , below), the contractual right exists for Tahoe to appoint the Chairman so long as Tahoe beneficially owns an aggregate of at least 35% of our outstanding shares. Mr. Buckelew currently serves as the Vice Chairman of the Board and Mr. Tomlinson currently serves as Chief Executive Officer. The Board has determined that this is the appropriate leadership structure for the Company at this time because it permits our Chief Executive Officer to focus on setting the strategic direction of the Company and the day-to-day leadership and performance of the Company, while permitting the Chairman and Vice Chairman to focus on providing independent guidance to the Chief Executive Officer and setting the agenda for Board meetings. Our Board acknowledges that no single leadership model is right for all companies at all times. As such, our Board periodically reviews its leadership structure and may, depending on the circumstances, choose a different leadership structure in the future, in light of our obligations under the Governance Agreement.

*Board Independence*

Our Board has reviewed the independence of the members of our Board, in accordance with the guidelines set out in our Corporate Governance Guidelines (available at *http://investors.alliancehealthcareservices-us.com/phoenix.zhtml?c=129994&p=irol-govhighlights*) and applicable rules of The NASDAQ Stock Market LLC, or NASDAQ. As a result of the review, the Board has determined that each of Messrs. Bartos, Dimick, Feng, Samek and Viviano, and Dr. Zhang, qualifies as an independent director in accordance with NASDAQ rules. In making this determination, the Board considered the matters described under *Agreements with Purchaser Group Members Involving Common Stock* , below, the relationship between Tahoe and each of Mr. Feng and Dr. Zhang, and Mr. Viviano s former role as our Chief Executive Officer and Chairman of the Board.

*Board and Committee Meetings*

Our Board meets four times a year in regularly scheduled meetings. It may meet more often if necessary. The Board held seven meetings in the fiscal year ended December 31, 2016, referred to as fiscal 2016. During fiscal 2016, all directors attended 75% or more of the total of (a) all meetings of the Board and (b) all meetings of committees of the Board on which such directors served. In addition to the formal meetings noted above, the Board and the committees of the Board are consulted frequently and sometimes act by written consent taken without a meeting. Our directors are invited to attend our annual meetings, including our 2017 Annual Meeting. Mr. Tomlinson attended and presided over our 2016 Annual Meeting.

Executive management, in consultation with the Board, usually determines the agenda for the meetings. Board members receive the agenda and supporting information in advance of the meetings. Board members may raise other matters at the meetings. The chief executive officer, chief financial officer, general counsel and other selected members of senior management make presentations to the Board at the meetings, and a substantial portion of the meeting time is devoted to the Board s discussion of these presentations. Significant matters that require Board approval are voted on at the meetings. Board members have complete access to senior management.

Our Board has a standing Nominating and Corporate Governance Committee, Compensation Committee and Audit Committee. A current copy of the charter for each committee is available *at http://investors.alliancehealthcareservices-us.com/ phoenix.zhtml?c=129994&p=irol-govhighlights*.

In 2015, the Board established a Special Committee composed of the Company s independent directors not affiliated with any selling stockholders, to review the 2016 Transaction on behalf of the Company and to negotiate any matters related to the 2016 Transaction with Tahoe and the selling stockholders on behalf of the Company. The members of the Special Committee at that time consisted of Messrs. Dimick (Chairman), Samek and Viviano. The Special Committee held no in-person meetings and 15 telephonic meetings during fiscal 2016.

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During 2016, the Board reconstituted the Special Committee to evaluate a non-binding proposal from Tahoe to acquire all of the outstanding common shares of Alliance that are not currently owned by Tahoe, which resulted in the Merger Agreement being signed. The members of the reconstituted Special Committee consisted of Messrs. Dimick (Chairman), Bartos, Samek and Viviano. The reconstituted Special Committee held one in-person meeting and seven telephonic meetings during fiscal 2016.

**Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee is responsible for the identification of qualified candidates to become Board and Board committee members; the selection of nominees for election as directors at annual stockholders meetings; the selection of candidates to fill Board vacancies; the development and recommendation to the Board of our Corporate Governance Guidelines; and oversight of the evaluation of the Board and management. The Nominating and Corporate Governance Committee s current members are Messrs. Samek (Chairman), Dimick, Feng, and Viviano and Dr. Zhang. The Nominating and Corporate Governance Committee was formed in April 2007 and met one time in fiscal 2016.

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the appropriate characteristics, skills and experience required for the Board as a whole and its individual members. The Nominating and Corporate Governance Committee, in recommending candidates (both new candidates and current Board members) for election or appointment, and the Board, in approving such candidates, take into account many factors, including the ability to make analytical inquiries, representation of significant stockholders, general understanding of marketing, finance, and other elements relevant to the success of a publicly traded company in today s business environment, experience in our industry and with relevant social policy concerns, understanding of our business on a technical level, maintaining a diversity of viewpoints among Board members, other board service and educational and professional background. Each candidate nominee must also possess fundamental qualities of intelligence, honesty, good judgment, high ethics and standards of integrity, fairness and responsibility. The Board evaluates each individual in the context of the Board as a whole, with the objective of assembling a group that can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas. The Nominating and Corporate Governance Committee specifically takes into account the importance of diversity of background and perspective among Board members. This is reflected in the diverse business and personal experience of Alliance s directors as described in more detail above. The Nominating and Corporate Governance Committee assesses the effectiveness of its approach toward maintaining and encouraging diversity on the Board through the annual Board self-assessment as well as on-going feedback from Board members on an informal basis. We do not have a formal diversity policy pertaining to the selection of directors.

Stockholders may nominate candidates for election to our Board in accordance with our bylaws, a copy of which can be obtained by writing to our Secretary at Alliance HealthCare Services, Inc., 18201 Von Karman Avenue, Suite 600, Irvine, California 92612. In general, those nominations must be received in writing by our Secretary not less than 90 days nor more than 120 days before the first anniversary of the preceding year s annual meeting, as set forth in our bylaws. The nomination must be accompanied by the name and address of the nominating stockholder and must state the number and class of shares held. It must include information regarding each nominee that would be required to be included in a proxy statement. The Nominating and Corporate Governance Committee will give appropriate consideration to candidates for Board membership recommended by stockholders, and will evaluate those candidates in the same manner as other candidates identified by the Nominating and Corporate Governance Committee.

**Compensation Committee**

The Compensation Committee is responsible for discharging the Board s responsibilities relating to compensation of our executives, including by designing (in consultation with management or the Board), recommending to the Board for approval and evaluating our compensation plans, policies and programs. As part of these responsibilities, the Compensation Committee determines executive base compensation and incentive

compensation and approves the terms of stock option and restricted stock grants pursuant to our equity plan. The Compensation Committee is also responsible for producing an annual report on executive compensation for inclusion in our proxy materials. Under its charter, the Compensation Committee is entitled to delegate any or all of its responsibilities to a subcommittee of the Compensation Committee, except that it is not permitted to delegate its responsibilities with respect to determination of the Chief Executive Officer s compensation; evaluation of the Chief Executive Officer s performance; review of compensation, employment and severance agreements for all other executive officers; review of incentive-compensation and equity-based plans; compensation matters intended to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended, referred to as the Code; or compensation matters intended to be exempt from Section 16(b) under the Exchange Act or pursuant to Rule 16b-3 under the Exchange Act. The Compensation Committee s current members are Messrs. Viviano (Chairman), Bartos, and Feng and Dr. Zhang. Mr. Samek served on the Compensation Committee during fiscal 2016. During fiscal 2016, the Compensation Committee held three meetings.

As described in the Compensation Discussion and Analysis, the Compensation Committee has directly engaged Mercer, LLC, a nationally recognized consulting firm dedicated to assisting clients with compensation plan design for executives, key employees and boards of directors, to work with the Compensation Committee to assist it in the determination of the key elements of our compensation programs. Mercer, LLC does not provide any other services to us.

After review and consultation with Mercer, LLC, the Compensation Committee has determined that there are no conflicts of interest raised by the work of Mercer, LLC currently nor were any conflicts of interest raised by the work performed during fiscal 2016. In reaching these conclusions, the Compensation Committee considered the factors set forth in applicable SEC and NASDAQ rules.

On March 23, 2016, the Board approved the formation of an Equity Incentive Committee of the Board consisting of Messrs. Samek and Bartos for the sole purpose of granting options and restricted stock units in connection with the Company s 2016 Long Term Incentive Program. The Equity Inventive Committee has separate but concurrent jurisdiction with the Compensation Committee and the Board in accordance with the 1999 Equity Plan for Employees and Directors of Alliance and Subsidiaries.

**Audit Committee**

The Audit Committee, which is solely responsible for appointing our independent registered public accounting firm, is also responsible for assisting our Board with its oversight responsibilities regarding: the integrity of our financial statements; our compliance with legal and regulatory requirements; our independent registered public accounting firm s qualifications and independence; and the performance of our internal audit function and independent registered public accounting firm. The current members of the Audit Committee are Messrs. Dimick (Chairman), Bartos and Samek, each of whom served on the committee throughout 2016. Our Board has determined that each current member of the Audit Committee meets the NASDAQ composition requirements, including the requirements regarding financial literacy and financial sophistication, and the Board has determined that each member is independent under NASDAQ listing standards and the rules of the SEC regarding audit committee membership. Our Board has also determined that Mr. Dimick is an audit committee financial expert within the meaning of SEC rules.

Our Corporate Governance Guidelines provide that the members of the Audit Committee may not serve on the audit committee of more than two other public companies at the same time as they are serving on our Audit Committee unless our Board determines that such simultaneous service would not impair the ability of such member to effectively serve on our Audit Committee. Mr. Dimick currently serves on the audit committees of three public companies, in addition to our Audit Committee. In light of Mr. Dimick s other commitments, our Board has concluded that his

service on those three other audit committees would not impair his ability to effectively serve on our Audit Committee. During fiscal 2016, the Audit Committee held nine meetings. For additional information concerning the Audit Committee, see *Certain Governance Items Report of the Audit Committee of the Board.*

### Hotline for Accounting or Auditing Matters

As part of the Audit Committee s role to establish procedures for the receipt of complaints regarding accounting, internal accounting controls or auditing matters, the Audit Committee established a hotline for the receipt of complaints regarding our accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees or stockholders of concerns regarding questionable accounting or auditing matters. Employees or stockholders may call (800) 799-4605 to make anonymous submission of their concerns.

### Shareholder Engagement

Stockholders and other parties interested in communicating directly with our Audit Committee, our independent directors as a group, our non-management directors as a group or our presiding director of the executive sessions of the non-management directors may do so by writing to our Secretary at Alliance HealthCare Services, Inc. 18201 Von Karman Avenue, Suite 600, Irvine, California 92612. Our Secretary will review all such correspondence and forward to the Board a summary of that correspondence and copies of any correspondence that, in his opinion, deals with the functions of the Board or its committees or that he otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by Alliance that is addressed to members of the Board and request copies of any such correspondence. Any concerns relating to accounting, internal controls or auditing matters will be brought to the attention of our Audit Committee and handled in accordance with the procedures established by our Audit Committee with respect to those matters.

### Pay Risk Assessment

The Compensation Committee and the Board as a whole perform an ongoing oversight of our compensation practices in light of the risks in our operations. The oversight includes, among other things, a review of management s decision-making and policy-making structures and practices; the methodology used to define, update and measure short-term and long-term objectives; the effectiveness and nature of communications within Alliance and between management and our Board and other stakeholders; and our compliance policies, practices and programs. In general, based upon this review, each of the Compensation Committee and the Board believes that our compensation practices do not provide undue incentives for short-term planning or short-term financial awards, and do not reward unreasonable risk. You can find a more detailed description of the risk factors associated with our business in the Risk Factors section of our annual report on Form 10-K for the year ended December 31, 2016.

As described in more detail below, the Compensation Committee and the Board believe that our compensation policies and practices encourage actions that increase the value of Alliance and are well aligned with our strategic objectives. Based on management s ongoing assessment of our compensation practices, and our review and discussion of the same with the Compensation Committee, we believe that our compensation policies and practices do not present risks that are reasonably likely to have a material adverse effect on Alliance. In evaluating our compensation policies and practices, a number of factors were identified which Alliance and the Compensation Committee believe discourage excessive risk-taking, including:

- The base salaries we pay to our employees are fixed in amount, and thus the Compensation Committee and the Board do not believe that these base salaries encourage excessive risk-taking.

The Radiology Division has established separate bonus and commission plans for its sales, marketing and operations teams. For the sales team, commissions are tied to signing service agreements with new customers and renewing service agreements with existing customers. The longer the term of the agreement and the higher the value of the agreement, the larger the commission. Also, if actual revenues generated by a particular deal are lower than what was projected in the original business model for the deal, we adjust the total commissions to reflect actual performance. Marketing staff receive bonuses based on achievement of same store volume growth. Operations team leaders receive

bonuses based on achievement of budgeted revenue, adjusted EBITDA and return on invested capital. Some operations team members also receive a transactional bonus based on customer renewals.

The Oncology Division has established separate bonus and commission plans for its business development, marketing and operations teams. For the business development team, we pay bonuses when new deals are signed, based on the value of the particular deal. Also, if actual revenues generated by a particular deal are lower than what was projected in the original business model for the deal, we adjust the total commissions to reflect actual performance. Marketing staff are paid bonuses based on achievement of same store volume growth. We pay the operations team leaders bonuses based on achievement of budgeted revenue, adjusted EBITDA and return on invested capital.

The Interventional Division has established separate bonus and commission plans for its marketing and operations teams. Marketing staff are paid bonuses based on achievement of same store volume growth. We pay the operations team leaders bonuses based on achievement of budgeted revenue, adjusted EBITDA and return on invested capital.

Several of our employees are awarded long-term equity-based incentives that are important to help further align those employees interests with those of our stockholders. The Compensation Committee and Board do not believe that these equity-based incentives encourage unnecessary or excessive risk taking because their ultimate value is tied to our stock price.

**The Board s Role in Risk Oversight**

The Board oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and to enhance stockholder value. A fundamental part of the Board s risk management oversight is not only understanding the risks we face and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us. The involvement of the full Board in setting our business strategy is a key part of its assessment of management s appetite for risk and also a determination of what constitutes an appropriate level of risk for us.

While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. The Board has delegated risk management responsibility with respect to legal and regulatory compliance, including compliance with the Sarbanes-Oxley Act of 2002, to the Audit Committee. The Audit Committee oversees the implementation of our Compliance Program, Records Retention Policy and Sarbanes-Oxley compliance as well as other compliance policies. The Audit Committee has a particular focus on financial risk, including internal controls, and receives an annual risk assessment report from our internal auditors. The Board has delegated responsibility for our directors and officers insurance programs to the Compensation Committee. The Audit Committee and Compensation Committee regularly report to the Board concerning risk management issues. Our Audit Committee assists the Board in fulfilling its oversight responsibility with respect to regulatory, healthcare compliance and public policy issues that affect us and works closely with our legal and regulatory groups. In addition, in setting compensation, the Compensation Committee strives to create incentives that encourage a level of risk-taking behavior consistent with our business strategy.

**Fiscal 2016 Directors Compensation**

Under our compensation program for non-employee directors we paid our non-employee directors (other than Mr. Huang) an annual fee of $40,000 for their services as directors, payable in quarterly installments of $10,000 each. Directors who were affiliated with Oaktree and MTS discontinued their service on the Board upon completion of the 2016 Transaction, and so only received the first quarterly payment.

On December 31, 2015, each non-employee director at that time who was unaffiliated with Oaktree and MTS (other than Mr. Buckelew) received a restricted stock unit award, with the number of units calculated as $140,000, divided by the average share price of our Common Stock over the 15-day period preceding the grant

date, rounded down to the nearest whole unit. Mr. Buckelew received a restricted stock unit award on December 31, 2015, with the number of units calculated as $102,500, divided by the closing share price of our Common Stock as of the grant date. All of these restricted stock unit awards vested on December 31, 2016. On December 31, 2016, each non-employee director (other than Messrs. Huang, Buckelew, and Feng, and Dr. Zhang) received a restricted stock unit award, with the number of units calculated as $140,000, divided by the average share price of our Common Stock over the 15-day period preceding the grant date, rounded down to the nearest whole unit. On December 31, 2016, Mr. Feng and Dr. Zhang received a restricted stock unit award, with the number of units calculated as $93,338, which represents the prorated portion of the normal annual compensation attributable to the eight months during which they actively served as directors of the Company, divided by the average share price of our Common Stock over the 15-day period preceding the grant date, rounded down to the nearest whole unit. Mr. Buckelew received a restricted stock unit award on December 31, 2016, with the number of units calculated as $102,500, divided by the closing share price of our Common Stock as of the grant date. These restricted stock unit awards will vest in accordance with their terms in connection with completion of the merger. If the merger is not completed, they will vest on December 31, 2017, if the director continues his service with us through that date.

During 2016, we paid Mr. Huang a cash fee of $135,000 for his services in 2016 as director and will pay him a cash fee of $180,000 for his services in 2017 if he continues his service with us through that date. Mr. Huang has not received any restricted stock unit awards.

Our directors also received the following retainers for their service on committees of the Board and for serving as a chair of a committee for 2016:

| **Committee Chair Retainers** | |
|---|---|
| Audit | $ 30,000 |
| Compensation | 5,000 |
| Nominating and Corporate Governance | 5,000 |
| **Committee Member Retainers** | |
| Audit | $ 15,000 |
| Compensation | 5,000 |
| Nominating and Corporate Governance | 5,000 |

Messrs. Bartos, Dimick, Samek and Viviano also received fees for service on the Special Committee, as described in note 1 of the table included under *Directors Compensation Table for Fiscal 2016.*

We entered into an offer letter with Mr. Buckelew effective June 1, 2012, providing for his service as our Interim Chief Executive Officer, which concluded on October 1, 2013, and Chairman of our Board. Under the offer letter, Mr. Buckelew was entitled to receive additional retainers for his service as Chairman of the Board. The combined amount of these retainers was $335,000 per year through October 1, 2015, paid $197,500 in cash and $137,500 in restricted stock units, and became $265,000 per year thereafter, paid $162,500 in cash and $102,500 in restricted stock units. Effective upon the closing of the 2016 Transaction, Mr. Buckelew was appointed Vice Chairman of the Board. On the recommendation of the Special Committee of the Board for the 2016 Transaction, the Board approved that Mr. Buckelew s compensation for his services on the Board would remain unchanged for the remainder of 2016. Mr. Buckelew was inadvertently overpaid from July 2016 until early April 2017 by an amount equal to $40,070.82. He promptly repaid that amount in full after the error was detected.

As in prior years, non-employee directors received reimbursement of travel expenses related to their Board service.

We have established a directors deferred compensation plan for all non-employee directors. No directors elected to participate in the directors deferred compensation plan in 2016, and only Mr. Dimick had an account balance under the directors deferred compensation plan as of December 31, 2015. Upon the closing of the 2016 Transaction, in accordance with the terms of the deferred compensation plan, Mr. Dimick s phantom units were converted and settled for cash.

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*Directors Compensation Table for Fiscal 2016*

The following table summarizes the compensation earned during the fiscal year ended December 31, 2016 by each of our non-employee directors.

| Name | Fees Earned or Paid in Cash ($)(1) | Stock Awards ($)(2)(3) | Total ($) |
|---|---|---|---|
| Scott A. Bartos | 70,000 | 143,203 | 213,203 |
| Aaron A. Bendikson(4) | 46,876 | | 46,876 |
| Larry C. Buckelew | 195,636 | 102,499 | 298,135 |
| Neil F. Dimick | 186,572 | 143,203 | 329,775 |
| Heping Feng(4) | 37,500 | 95,472 | 132,972 |
| Michael P. Harmon(4) | 46,876 | | 46,876 |
| Qisen Huang(4) | 135,000 | | 135,000 |
| Curtis S. Lane(4) | 61,719 | | 61,719 |
| Edward L. Samek | 144,256 | 143,203 | 287,459 |
| Paul S. Viviano | 126,500 | 143,203 | 269,703 |
| Tao Zhang(4) | 37,500 | 95,472 | 132,972 |

(1) Amounts in this column for Messrs. Bartos, Dimick, Samek and Viviano include fees paid for service on the Special Committee. The Board authorized payment to the Directors who served on the Special Committee, Messrs. Bartos, Dimick (Chairman), Samek, and Viviano, of the following amounts: $10,000 monthly fees ($12,000 for Mr. Dimick); $2,500 for each in-person meeting attended, and $1,000 for each telephonic meeting attended. Mr. Bartos did not become a member of the Special Committee until November 2016.

(2) The amounts in this column are the aggregate grant date fair values computed in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 718 (revised January 15, 2010), Stock Compensation. Assumptions made in the valuation of awards in the Stock Awards column can be found in Note 4 of the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, but exclude the impact of estimated forfeitures related to service-based vesting conditions.

(3) On December 31, 2016, each non-employee director (other than Messrs. Huang, Buckelew, and Feng, and Dr. Zhang) received a restricted stock unit award, with the number of units calculated as $140,000, divided by the average share price of our Common Stock over the 15-day period preceding the grant date, rounded down to the nearest whole unit. On December 31, 2016, Mr. Feng and Dr. Zhang received a restricted stock unit award, with the number of units calculated as $93,338, which represents the prorated portion of the normal annual compensation attributable to the eight months during which they actively served as directors of the Company, divided by the average share price of our Common Stock over the 15-day period preceding the grant date, rounded down to the nearest whole unit. Mr. Buckelew received a restricted stock unit award on December 31, 2016, with the number of units calculated as $102,500, divided by the closing share price of our Common Stock as of the grant date, rounded to a whole unit. These restricted stock unit awards will vest in accordance with their terms in connection with completion of the merger. If the merger is not completed, they will vest on December 31, 2017, if the director continues his service with us through that date. Information about the compensation for Mr. Tomlinson is provided below in the Executive Compensation section.

(4)

At the completion of the 2016 Transaction, Messrs. Feng and Huang and Dr. Zhang were appointed to serve on our Board and replaced Messrs. Bendikson, Harmon and Lane, effective March 29, 2016.

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# CERTAIN GOVERNANCE ITEMS

## Certain Relationships and Related Transactions

*Review and Approval of Related Person Transactions*

All relationships and transactions in which we are a participant and involving our directors, executive officers, nominees for directors, stockholders beneficially owning more than 5% of our outstanding shares or any of their respective immediate family members are participants are reviewed by an independent body of the Board, such as the independent and disinterested members of the Board. As set forth in the Audit Committee charter, the members of the Audit Committee, all of whom are independent directors, also discuss with management and the independent auditor any related person transactions brought to the Audit Committee s attention that could reasonably be expected to have a material impact on our financial statements.

In the course of their review and approval or ratification of a disclosable related person transaction, the independent and disinterested members of the Board may consider factors such as the following:

- the nature of the related person s interest in the transaction;
- the material terms of the transaction, including, without limitation, the amount and type of transaction;
- the importance of the transaction to the related person;
- the importance of the transaction to the Company;
- whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Company; and
- any other matters the Audit Committee or such independent and disinterested members of the Boarddeem appropriate.

*Related Person Transactions*

From 2007 until March 29, 2016, we were parties to a Governance and Standstill Agreement with affiliates of Oaktree Capital Management, L.P. ( Oaktree ) and MTS Health Investors, LLC ( MTS ), our controlling stockholders during that period. Pursuant to the agreement, MTS and Oaktree had the right to designate three persons to our Board. Oaktree and MTS also held registration rights, assigned to them by Viewer Holdings, LLC, an affiliate of KKR and former controlling stockholder of ours, pursuant to a registration rights agreement, dated as of November 2, 1999. In connection with the 2016 Transaction, described below, Oaktree and MTS assigned substantially all of their respective rights and obligations under this registration rights agreement.

On March 29, 2016, Tahoe purchased the shares held by Oaktree and MTS, as well as shares held by Larry C. Buckelew (which we refer to as the 2016 Transaction ). The aggregate purchase price was approximately $102.5 million, or $18.50 per share, and was paid from funds held by Tahoe. As a result, Tahoe owned approximately 51.6% of our outstanding shares as of June 30, 2017. In connection with the purchase, we entered into a Governance, Voting and Standstill Agreement (referred to as the Governance Agreement ) with Tahoe. The Governance Agreement was approved by a Special Committee of our Board of Directors composed of independent directors of the Company not affiliated with any selling stockholders.

Pursuant to the Governance Agreement, Tahoe and its affiliates are prohibited, for a period of three years from the date of the closing of the 2016 Transaction (referred to as the Standstill Period ), from acquiring additional shares of our Common Stock without the prior consent of a majority of the unaffiliated directors unless Tahoe s beneficial ownership falls below 51.5% of our outstanding Common Stock. In this case, Tahoe has the right to acquire additional shares to maintain its beneficial ownership at up to 51.5% if such right is exercised within 120 days of Tahoe s beneficial ownership level falling below such level.

During the Standstill Period and for so long as Tahoe beneficially owns at least 35% of our outstanding Common Stock, Tahoe will have the right to nominate for election to the Board the number of directors necessary to comprise a majority of the Board. Pursuant to the terms of the Governance Agreement, the initial Tahoe nominees are Qisen Huang, Heping Feng and Tao Zhang and each shall serve on a different class of the Board. In addition, as long as Tahoe beneficially owns at least 35% of our outstanding Common Stock, subject to approval by a majority of unaffiliated directors, Qisen Huang shall be the Chairman of the Board and Heping Feng and Tao Zhang shall each serve on both the Compensation Committee and the Nominating and Corporate Governance Committee of the Board.

In the event that Tahoe beneficially owns less than 35% but at least 25% of our outstanding Common Stock, Tahoe will have the right to nominate for election three members to the Board who will each serve on a different class of the Board, and the right to nominate one director to serve on each of the Compensation Committee and the Nominating and Corporate Governance Committee. In the event Tahoe beneficially owns less than 25% but at least 15% of our outstanding Common Stock, Tahoe will have the right to nominate for election one member to the Board, and it will lose its right to have any of its nominated directors serve on the Compensation Committee or the Nominating and Corporate Governance Committee. In the event Tahoe beneficially owns less than 15% of our outstanding Common Stock, Tahoe will have no contractual rights to nominate for election any members to the Board. Any appointment of a Tahoe nominee to the Board, the Compensation Committee or the Nominating and Corporate Governance Committee is subject to approval of the nominee by a majority of the unaffiliated directors based on a determination of, among other things, the nominee s independence or other qualifications to serve on the Board or committees of the Board under applicable rules of the NASDAQ Stock Market, the Internal Revenue Service or the SEC. During the Standstill Period, Tahoe agrees to vote its shares in favor of the individuals nominated by the Nominating and Corporate Governance Committee for election to the Board and will not vote for removal of such nominees unless such removal is recommended by the Nominating and Corporate Governance Committee.

Pursuant to the terms of the Governance Agreement, for so long as Tahoe and its affiliates beneficially own at least 15% of our outstanding Common Stock or one or more individuals affiliated with Tahoe is a member of the Board, subject to certain exceptions, Tahoe will not, and will cause its affiliates not to, directly or indirectly, own, manage, operate, control, be employed by or participate in the ownership, management, operation or control of any business that directly competes with the business of the Company as currently conducted. The parties agree that Tahoe will use its commercially reasonable best efforts to provide assistance to the Company as may be reasonably requested in connection with the operation of the Company s business and the Company s pursuit of worldwide growth opportunities without any management, consulting, advisory or similar fee or expense to the Company other than reimbursement of reasonable out-of-pocket expenses incurred by Tahoe in providing such requested assistance by the Company.

Pursuant to the Governance Agreement, Tahoe agreed to reimburse us for the following expenses related to the Tahoe Transaction: (i) 100% of the fees and expenses we incurred in connection with the amendment or waiver of certain restrictions contained in our Credit Agreement, and (ii) all reasonable fees, costs and expenses we incurred in excess of $1 million. Immediately following closing of the Tahoe Transaction, Tahoe made capital contributions to us of approximately $13.5 million to reimburse us for certain fees and expenses we incurred in connection with the Credit Agreement and $1.5 million to fund cash-based awards to our management. Immediately prior to the closing of the 2016 Transaction, Oaktree and MTS also made capital contributions to us of approximately $15.1 million to reimburse us for certain fees and expenses we incurred in connection with the Credit Agreement and transaction costs.

The Special Committee approved the payment of a portion of the $1.5 million cash-based awards funded by Tahoe to Messrs. Tomlinson ($572,500), Johns ($297,500), Jones ($90,000) and Spurlock ($150,000), contingent on each executive entering into an amendment to their respective executive severance agreement, which, among other things, waived single acceleration of benefits under those agreements in connection with the 2016 Transaction. These

amendments are described in more detail under Executive Compensation Compensation

Discussion and Analysis Employment Agreements, Offer Letters and Severance Agreements Severance and Change in Control Benefits . The Company also granted the following cash and equity awards to the above executives, the commencement of vesting of which was conditioned on the execution by each executive of the amendment to his respective executive severance agreement:

| Named Executive Officer | Cash Award | Options | RSUs |
|---|---|---|---|
| Percy C. Tomlinson | $ 1,141,864 | 44,079 | 26,580 |
| Richard W. Johns | $ 443,704 | 17,128 | 10,328 |
| Richard A. Jones | $ 277,096 | 10,697 | 6,450 |
| Gregory E. Spurlock | $ 258,674 | 9,986 | 6,021 |

A portion of each named executive officer s cash award is performance-based and tied to the Company s achievement of the 2016 EBITDA goal. Based on achievement of the 2016 EBITDA goal with respect to the portion of the cash awards that are subject thereto, the cash awards vested as to one-third of the amount on December 31, 2016, and each remaining one-third will vest on December 31, 2017 and 2018, subject to the executive s continued service with the Company through each vesting date. Each of the option and RSU awards vests as to one-third of the shares on each of the first, second and third anniversaries of the date of grant, subject to the executive s continued service with the Company through each vesting date. See *The Merger Agreement* beginning on page 75.

We believe that we have executed the merger and the transactions set forth above, including the agreements entered into with the Purchaser Group Members in connection with them, on terms no less favorable to us than we could have obtained from unaffiliated third parties. Until such time as the merger is completed, we intend to ensure that all future transactions between us and our officers, directors and principal stockholders and their affiliates, are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

**Report of the Audit Committee of the Board**

The following is the report of our Audit Committee with respect to our audited financial statements for the fiscal year ended December 31, 2016. This report shall not be deemed soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, nor shall any information in this report be incorporated by reference into any past or future filing under the Securities Act or the Exchange Act, except to the extent we specifically request that it be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act or the Exchange Act.

During fiscal 2016, the Audit Committee of the Board consisted of not less than three non-employee directors who met the independence requirements of the NASDAQ Stock Market. The Audit Committee operates under a written charter, approved and adopted by the Board, a copy of which is available at: *http://investors.alliancehealthcareservices-us.com/phoenix.zhtml?c=129994&p=irol-govhighlights*.

*What are the responsibilities of management, the independent auditors and the Audit Committee?*

The purpose of the Audit Committee, which is solely responsible for appointing our independent registered public accounting firm, subject to stockholder ratification, is to assist the Board with its oversight responsibilities regarding:

- the integrity of our financial statements and internal controls;

our compliance with legal and regulatory requirements;

the independent registered public accounting firm s qualifications and independence; and

the performance of our internal audit function and independent registered public accounting firm.
The Audit Committee s responsibilities are limited to oversight.

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Alliance s management is responsible for the preparation, presentation and integrity of our financial statements as well as our financial reporting process, accounting policies, internal audit function, internal accounting controls and disclosure controls and procedures. Alliance s independent registered public accounting firm is responsible for performing an audit of our annual financial statements, expressing an opinion as to the conformity of such annual financial statements with accounting principles generally accepted in the United States, expressing an opinion on the effectiveness of Alliance s internal control over financial reporting and reviewing our interim financial information.

*How does the Audit Committee carry out its responsibilities?*

The Audit Committee convened nine times during fiscal 2016 to discuss the interim and annual financial statements and Alliance s internal controls on the financial reporting process.

The Audit Committee reviewed our audited financial statements for the fiscal year ended December 31, 2016 and met with both management and our independent registered public accounting firm for fiscal 2016, Deloitte & Touche LLP, to discuss those financial statements.

The Audit Committee has received from and discussed with Deloitte & Touche LLP its written disclosure and communication regarding its independence from Alliance as required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence, and has discussed with Deloitte & Touche LLP its independence.

The Audit Committee has also reviewed and considered whether the provision of other non-audit services by Deloitte & Touche LLP is compatible with maintaining the independent registered public accounting firm s independence.

The Audit Committee has also discussed with Deloitte & Touche LLP any matters required to be discussed under applicable Public Company Accounting Oversight Board standards.

Based upon these reviews and discussions, the Audit Committee has recommended to the Board that the audited financial statements be included in Alliance s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for filing with the SEC.

THE AUDIT COMMITTEE

Neil F. Dimick, Chairman

Scott A. Bartos

Edward L. Samek

**Availability of Governance Documents**

We will mail without charge upon written request copies of our Corporate Governance Guidelines and the charters of our standing Board committees.

Our Code of Ethics for the CEO and Senior Financial Officers governing our directors, officers and employees is posted on our website, which is located at http://investors.alliancehealthcareservices-us.com (and is available in print, upon request), and we will also post on our website any amendment to the Code of Ethics for the CEO and Senior Financial Officers and any waiver applicable to our senior financial officers, as defined in the Code, and our executive officers or directors.

Requests for the above documents should be sent to our Secretary at Alliance HealthCare Services, Inc., at our corporate headquarters located at 18201 Von Karman Avenue, Suite 600, Irvine, CA 92612.

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## PROPOSAL NO. 4

## RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has approved the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017, referred to as fiscal 2017. Services provided to us by Deloitte & Touche LLP for fiscal 2016 are described below and under *Certain Governance Items Report of the Audit Committee of the Board* above.

Deloitte & Touche LLP has served as our independent registered public accounting firm since November 1999. Deloitte & Touche LLP has unrestricted access to the Audit Committee to discuss audit findings and other financial matters.

A representative of Deloitte & Touche LLP is expected to attend the annual meeting. He or she will have the opportunity to speak at the meeting and respond to appropriate questions.

Stockholder ratification of the appointment of Deloitte & Touche LLP is not required by our bylaws or otherwise. However, the Board is submitting this proposal to the stockholders entitled to vote at the annual meeting for ratification as a matter of good corporate governance. If the stockholders fail to ratify the appointment, the Audit Committee will reconsider the appointment and may affirm the appointment or retain another independent accounting firm, in either case if it determines doing so would be in our best interest and in the best interests of our stockholders.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL NO. 4**

### Principal Accounting Firm Fees

Aggregate fees billed to us for services rendered for the fiscal years ended December 31, 2016 and 2015 by our independent registered public accounting firm, Deloitte & Touche LLP, were:

| | Fiscal Year Ended | |
|---|---|---|
| | **2016** | **2015** |
| Audit fees[a] | $ 1,079,750 | $ 815,600 |
| Audit-related fees[b] | 185,500 | 609,180 |
| Total audit and audit-related fees | $ 1,262,250 | $ 1,424,780 |
| Tax fees[c] | 0 | 0 |
| All other fees[d] | 5,700 | 5,700 |
| Total fees | $ 1,270,950 | $ 1,430,480 |

(a) Includes fees for the audit of our annual consolidated financial statements and the annual audit of our internal control over financial reporting, annual audits of the financial statements of our joint ventures, review of our financial statements included in our quarterly reports on Form 10-Q and services associated with securities filings

such as comfort letters, consents and assistance with review of documents filed with the SEC.

(b) Includes accounting consultations and due diligence services for acquisitions, including additional fees incurred associated with our restatement of certain of our prior period financial statements.

(c) Includes tax consultation.

(d) Includes fees for other permitted non-audit services such as project management consultation and accounting research tool subscriptions.

All audit and non-audit services performed by our independent registered public accounting firm must be specifically pre-approved by our Audit Committee. Consistent with this policy, in 2016 and 2015 all audit and non-audit services performed by Deloitte & Touche LLP were pre-approved by our Audit Committee.

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## PROPOSAL NO. 5

## ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

In accordance with Section 14A of the Exchange Act, we are providing stockholders with the opportunity to cast a non-binding, advisory vote to approve the compensation of our named executive officers as disclosed pursuant to the SEC s executive compensation disclosure rules and set forth in this Proxy Statement (including in the compensation tables and narratives accompanying those tables, as well as in the Compensation Discussion and Analysis).

Our executive compensation programs are designed to enable us to attract, motivate and retain executive talent, who are critical to our success. The following is a summary of some of the key points of our executive compensation program. We urge our stockholders to review the *Executive Compensation Compensation Discussion and Analysis* section of this Proxy Statement and executive-related compensation tables and narratives for more information.

**We emphasize pay-for-performance and tie a significant amount of our named executive officers pay to our performance.** Consistent with our performance-based compensation philosophy, we reserve the largest portion of potential compensation for performance- and equity-based programs. Our performance-based bonus program rewards short-term performance; while our equity awards, mainly in the form of restricted stock awards, reward long-term performance and align the interests of management with those of our stockholders. The performance goals under our bonus program focus on targets intended to fuel our long-term growth.

**We believe that our compensation programs are strongly aligned with the long-term interests of our stockholders.** We believe that equity awards serve to align the interests of our executives with those of our long-term stockholders by encouraging long-term performance. As such, equity awards are a key component of our executive compensation program.

Our Board believes that the information provided above and within the *Executive Compensation* section of this Proxy Statement demonstrates that our executive compensation program was designed appropriately and is working to ensure that management s interests are aligned with our stockholders interests and support long-term value creation.

The following resolution will be submitted for a stockholder vote at the annual meeting:

RESOLVED, that the stockholders of Alliance HealthCare Services, Inc. approve, on an advisory basis, the compensation of Alliance HealthCare Services, Inc. s named executive officers, as disclosed in the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth in this Proxy Statement.

**OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL NO. 5**

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or our Board. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

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# EXECUTIVE COMPENSATION

## Compensation Discussion and Analysis

This section discusses the principles underlying our compensation policies for our executive officers who are named in the *Summary Compensation Table* below. Our named executive officers for 2016, who we refer to as our executives or executive officers in this section are:

- Percy C. Tomlinson, President and Chief Executive Officer;
- Rhonda Longmore-Grund, Executive Vice President and Chief Financial Officer;
- Howard K. Aihara, former Executive Vice President and Chief Financial Officer;
- Richard W. Johns, Chief Operating Officer, Chief Legal Officer and Secretary;
- Richard A. Jones, President, Alliance Radiology Division; and
- Gregory E. Spurlock, President, Alliance Oncology Division and International Business.

Ms. Longmore-Grund was appointed Executive Vice President and Chief Financial Officer effective as of March 10, 2016.

Mr. Aihara ceased serving as the Company s Executive Vice President and Chief Financial Officer effective as of March 10, 2016.

### *Executive Summary*

We are a leading national provider of advanced outpatient diagnostic imaging and radiation therapy services, based upon annual revenue and number of systems deployed. Managing and growing our business requires a management team of dedicated, experienced and talented executives. Our executives are accountable for the performance of the company and the division(s) they manage and are compensated primarily based on that performance.

Fiscal 2016 was another successful and important year for the company as we seek to execute on our long-term strategic growth plan:

- We achieved revenue of $505.5 million and adjusted EBITDA (as defined below) of $131.5 million.*
- We generated $108.8 million in operating cash flows.

Alliance Radiology reported strong annual same-store volume growth of +1.6% for MRI and +6.7% for PET/CT.

Alliance Oncology continued its same-store volume growth trends, with annual same-store stereotactic radiosurgery volume growth of +0.4% and linear accelerator volume increasing 2.9%.

Alliance Interventional revenue increased 37.3% to $45.6 million.

* Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles in the United States ( GAAP ). See *Long Term Incentive Compensation* below and Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (pages 41 to 43), for additional information and a GAAP reconciliation of this measure.

We believe that executive compensation for 2016 was consistent with our compensation philosophy and objectives (as described below) and with our performance during the year. The following discussion summarizes in more detail our executive compensation program, including our compensation philosophy and objectives, the processes and sources of input that are considered in determining executive compensation, and an analysis of the compensation paid to or earned by the executive officers for 2016.

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***Our Executive Compensation Philosophy and Objectives***

***Purpose of Compensation***

Our executive compensation program aims to attract talented individuals to lead, manage and operate all aspects of our business and reward and retain executives who continue to meet our high expectations over time. Our executive compensation program combines short- and long-term components, cash and equity, and fixed and contingent payments in the amounts and proportions that we believe are most appropriate to incentivize and reward our executive officers for achieving our objectives. Our executive compensation program also is intended to make us competitive in our industry, where there is considerable competition for talented executives.

***Compensation Objectives***

Our Compensation Committee has designed our executive compensation to be significantly performance-based. The Compensation Committee believes that compensation we pay to our executives should align closely with our performance on both a short-term and long-term basis; should be linked to specific, measurable results intended to create value for stockholders; and should assist us in attracting and retaining key executives critical to our long-term success.

More particularly, our compensation program strives to achieve the following objectives:

- attract and retain individuals of superior ability and managerial talent;
- ensure executive compensation is aligned with our corporate strategies, business objectives and the long-term interests of our stockholders;
- increase the incentive to achieve key strategic and financial performance measures by linking incentive award opportunities to the achievement of performance goals in these areas; and
- enhance the executives incentive to increase our stock price and maximize stockholder value, as well as promote retention of key people, by providing a portion of total compensation opportunities for senior management in the form of direct ownership in Alliance through stock options and/or restricted stock units.

To achieve these objectives, we pay our executive officers competitively, consistent with our success and their contribution to that success. We ensure that a significant portion of compensation directly relates to our stock performance and other factors that directly and indirectly influence stockholder value. Accordingly, the Compensation Committee sets goals designed to link each executive s compensation to identified key measures of our performance and the executive s own performance. Consistent with this performance-based philosophy, our executive officer compensation includes a significant incentive-based component in addition to a base salary. The Compensation Committee reserves for our named executive officers the largest potential compensation awards for performance- and incentive-based programs.

The elements of our executive compensation include the following:

annual base salary;

annual cash bonus opportunity in accordance with our Executive Incentive Plan;

long-term equity incentive awards in accordance with our 1999 Equity Plan;

long-term cash incentive awards;

discretionary bonuses in circumstances in which our Compensation Committee determines appropriate; and

additional benefits and perquisites.

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Generally, our Compensation Committee allocates total compensation between cash and equity based in part on a review of peer group healthcare services companies of comparable size and with which we compete for executive talent, as discussed below. The allocation reflects what the members of the Compensation Committee believe to be an appropriate balance between short-term incentives and long-term incentives to align the interests of our executive officers with the interests of our stockholders. Our Compensation Committee annually evaluates the balance between equity and cash compensation among executive officers.

***Determination of Executive Compensation***

***Role of the Compensation Committee***

The Compensation Committee evaluates the performance of our CEO and has the sole authority to approve his compensation. The Compensation Committee reviews and makes compensation determinations with respect to all compensation for all other executive officers. To aid the Compensation Committee in making its determinations, the CEO provides recommendations annually to the Compensation Committee regarding the compensation of all other executive officers.

***Role of Executive Officers***

In connection with the determination of compensation awards, our CEO evaluates the performance of each named executive officer. Each named executive officer in turn participates in an annual performance review with the CEO to provide input about the named executive officer s contributions to our company for the relevant period. The Compensation Committee annually reviews the performance of our named executive officers, and our CEO s assessments of that performance, when making its compensation determinations.

***Compensation Benchmarking and Peer Group***

The Compensation Committee considers the compensation paid by a peer group of healthcare services companies in determining base salaries, target bonus percentages, discretionary equity grants and allocation of total compensation between cash and equity. This approach enables us to offer competitive compensation packages to our executives and also ensures that our cost structures will allow us to remain competitive in our markets. In setting annual cash compensation opportunities and determining equity grants, the Compensation Committee considers the peer group data but does not target any specific positioning for the compensation components or total compensation.

In late 2013 and continuing into 2014, the Compensation Committee directly engaged F.W. Cook to work with management and the Compensation Committee to assist it in the determination of the key elements of the compensation programs. At the Compensation Committee s direction, F.W. Cook evaluated a number of factors, including total cash compensation, existing equity awards and share ownership, cash bonuses to retain executive officers and the relative experience and responsibilities of executives. F.W. Cook also prepared a summary comparison of our various compensation components and total compensation to the peer group data. F.W. Cook provided data and analysis to the Compensation Committee with respect to competitive practices and the amounts and nature of compensation paid to executives.

The peer group recommended by F.W. Cook and approved by the Compensation Committee consisted of the following 9 companies: Amedisys Inc.; AMN Healthcare Services, Inc.; AmSurg Corp.; Cross Country Healthcare, Inc.; Hanger Orthopedic Group, Inc.; Healthways, Inc.; IPC The Hospitalist Company, Inc.; RadNet Inc.; and U.S. Physical Therapy, Inc. This group of companies provided an appropriate peer group because the companies were primarily engaged in healthcare services and healthcare facilities and they balanced the company s relative size in

terms of revenue; earnings before interest, taxes, depreciation and amortization (EBITDA); market cap and enterprise value.

During 2015, the Special Committee engaged Mercer to perform a comprehensive review of the compensation payable to the Company s employees in connection with the completion of the 2016 Transaction

and any new compensatory arrangements that would be put into place for 2016. For its review, Mercer used a combination of peer group proxy data and survey data (weighed equally) for the named executive officers. In connection with its review, Mercer recommended and the Special Committee approved, utilizing Mercer s modified peer group. Mercer recommended peer companies with revenues ranging from $300 million $1.2 billion (approximately 0.5x 2x of Alliance s projected revenue of approximately $600 million).

Based on Mercer s recommendations, AmSurg was removed from the peer group due to size (>5x of Alliance s revenue) and the following companies were added: Surgical Care Affiliates, Examworks, LHC Group, Capital Senior Living Corp, Diversicare Healthcare Services, Addus Homecare, USMD Holdings. Mercer used both Mercer and Towers Watson survey data for healthcare and technology companies using the $300 million $1.2 billion revenue cut.

***Stockholder Advisory Vote to Approve Executive Compensation***

At our 2014 annual meeting of stockholders, our stockholders approved, on an advisory basis, the compensation of our named executive officers with an approval rating of approximately 88% of votes cast. While the Compensation Committee is pleased with the support shown by our stockholders in this advisory vote, modifications were made for 2016, described more fully below, as we strive to ensure that our executive compensation is aligned with our corporate strategy, business objectives and the long-term interests of our stockholders. Because our stockholders voted at the 2011 annual meeting of stockholders to hold future advisory votes on the compensation of our named executive officers every three years, we are holding an advisory say-on-pay vote at the 2017 annual meeting of stockholders. In addition, we are required to hold an advisory vote on the frequency of the say-on-pay vote at least once every six years and so we are holding an advisory vote on the frequency of the say-on-pay vote at the 2017 meeting of stockholders.

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

The following sections describe each element of the direct compensation program for our named executive officers in more detail.

***Annual Base Salary***

The Compensation Committee establishes base salaries for executive officers based on the scope of their responsibilities, individual contribution, prior experience, sustained performance, competitive salary levels within the peer group of companies and company budget. The Compensation Committee sets the base salary of each of our named executive officers each year based significantly on individual performance, as assessed by the Compensation Committee with input from the CEO regarding executives other than him. The Compensation Committee also considers how the executive s base salary compares with the peer group generally, but the Compensation Committee does not target any specific level of base salary for the executives as compared to the peer group. Any increase in salary is discretionary, and our executives receive no formulaic base salary increases.

Mercer s 2015 market analysis indicated that each of the named executive officers 2015 base salaries fell significantly below the market median. For 2016, the Compensation Committee approved a 10% base salary increase for Mr. Tomlinson, and an approximately 11% base salary increase for Mr. Johns, to account for this market positioning and to reflect the changes in their roles and level of responsibilities, and an approximately 5% increase in the base salaries of each other continuing named executive officer which brings their salaries closer to the market median.

Accordingly, Mr. Tomlinson received an increase in his base salary for 2016 to $660,000, Mr. Johns received an increase in his base salary for 2016 to $375,000, Mr. Spurlock received an increase in his base salary for 2016 to $325,000, and Mr. Jones received an increase to $325,000. Each of these base salary increases was effective as of

February 2, 2016. None of our other named executive officers received a base salary increase for 2015.

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The base salaries of our named executive officers for 2016 are set forth below:

| Name and Title | 2014 Salary | 2015 Salary | 2016 Salary |
|---|---|---|---|
| Percy C. Tomlinson, President and Chief Executive Officer | $ 600,000 | $ 600,000 | $ 660,000 |
| Rhonda Longmore-Grund, Executive Vice President and Chief Financial Officer | n/a | n/a | $ 300,000 |
| Howard K. Aihara, former Executive Vice President and Chief Financial Officer | $ 299,580 | $ 305,000 | $ 93,846(1) |
| Richard W. Johns, Executive Vice President, General Counsel and Secretary | $ 325,000 | $ 337,000 | $ 375,000 |
| Richard A. Jones, President, Radiology Division | $ 310,000 | $ 310,000 | $ 325,000 |
| Gregory E. Spurlock, President, Oncology Division | $ 290,000 | $ 310,000 | $ 325,000 |

(1) Earnings from January 1 April 30th

Annual Cash Bonus Opportunity

Each of our named executive officers participates in an annual bonus plan called the Executive Incentive Plan.

Target Bonus Opportunity. The Compensation Committee generally assigns to each of our executives an annual target bonus that is stated as a percentage of his or her annual base salary. The percentage target increases along with the executive s responsibilities within the company and with the named executive officer s ability to influence the overall results of the company. The 2016 target bonus opportunities for the named executive officers were set at the same levels as in 2014 and 2015: 85% of his annual base salary in the case of Mr. Tomlinson and 75% of annual base salary in the case of each other named executive officer. The Compensation Committee determined that these percentages appropriately reflected the responsibilities held by each officer and his ability to affect the success of the company.

For 2016, the bonus amount earned by each executive under the Executive Incentive Plan was calculated in two steps. First, the fiscal 2016 bonus opportunity for each executive was determined based on achievement against four company financial performance measures or, in the case of Messrs. Jones and Spurlock, division financial performance measures in lieu of company measures:

(1) revenue component 15% of total 2016 bonus opportunity;

(2) adjusted EBITDA component 50% of total 2016 bonus opportunity;

(3) patient satisfaction component 5% of total 2016 bonus opportunity; and

(4) return on invested capital component 30% of total 2016 bonus opportunity.

Second, the bonus amount earned by each executive was calculated as the sum of:

(1) an amount equal to 70% of the 2016 bonus opportunity for such executive; and

(2) an amount equal to 30% of the 2016 bonus opportunity for such executive multiplied by the executive s percentage achievement of his individual performance objectives ( Performance Objectives ) for 2016.

Revenue Component. The revenue component constituted 15% of the annual bonus opportunity in 2016. For Mr. Jones, President of our Radiology Division, the revenue component was based solely on revenue for the Radiology Division. For Mr. Spurlock, President of our Oncology Division, the revenue component was based solely on revenue for the Oncology Division. For the remaining named executive officers, the revenue component was based on total company revenue since these executives were responsible for company-wide achievement. The actual bonus amount payable with respect to the revenue component can range from 0% to 115% of the target bonus amount, with the higher our revenue against the established target, the higher the bonus percentage relative to this component. In 2016, the revenue target for the company was $530.3 million and the company achieved revenue of $505.5 million. This achievement level was 95.3% of the target, which resulted in bonus payouts under the Executive Incentive Plan for Messrs. Tomlinson, Aihara, Johns and Ms. Longmore-Grund for the revenue component of 91.8% of the target bonus amount. In 2016, the revenue target for our Radiology Division was $356.9 million and our Radiology Division achieved revenue of $350.8 million. This achievement level was 98.3% of the target, which resulted in a bonus payout under the Executive Incentive Plan for Mr. Jones for the revenue component of 98.3% of the target bonus amount. In 2016, the revenue target for our Oncology Division was $115.6 million and our Oncology Division achieved revenue of $107.2 million. This achievement level was 92.7% of the target, which resulted in a bonus payout under the Executive Incentive Plan for Mr. Spurlock for the revenue component of 72.1% of the target bonus amount.

Adjusted EBITDA Component. The adjusted EBITDA component constituted 50% of the annual bonus opportunity in 2016. For Mr. Jones, President of our Radiology Division, the adjusted EBITDA component was based solely on adjusted EBITDA for the Radiology Division. For Mr. Spurlock, President of our Oncology Division, the adjusted EBITDA component was based solely on adjusted EBITDA for the Oncology Division. For the remaining named executive officers, the adjusted EBITDA component was based on total company adjusted EBITDA since these executives were responsible for company-wide achievement. The actual bonus amount payable with respect to the adjusted EBITDA component can range from 0% to 150% of the target bonus amount. In 2016, the adjusted EBITDA target for the company was $112.3 million and the company achieved adjusted EBITDA of $113.9 million. This achievement level was 101.4% of the target, which resulted in bonus payouts under the Executive Incentive Plan for Messrs. Tomlinson, Aihara and Johns, and Ms. Longmore-Grund for the adjusted EBITDA component of 102.8% of the target bonus amount. In 2016, the adjusted EBITDA target for our Radiology Division was $110.0 million and our Radiology Division achieved adjusted EBITDA of $114.2 million. This achievement level was 103.8% of the target, which resulted in a bonus payout under the Executive Incentive Plan for Mr. Jones for the adjusted EBITDA component of 113.8% of the target bonus amount. In 2016, the adjusted EBITDA target for our Oncology Division was $38.0 million and our Oncology Division achieved adjusted EBITDA of $40.0 million. This achievement level was 105.3% of the target, which resulted in a bonus payout under the Executive Incentive Plan for Mr. Spurlock for the adjusted EBITDA component of 123% of the target bonus amount. Mr. Aihara was paid at 100% achievement pro-rated for the period of time in which he was employed for 2016.

Patient Satisfaction Component. The patient satisfaction component constituted 5% of the annual bonus opportunity in 2016. For Mr. Jones, President of our Radiology Division, the patient satisfaction component was

based solely on patient satisfaction for the Radiology Division. For Mr. Spurlock, President of our Oncology Division, the patient satisfaction component was based solely on patient satisfaction for the Oncology Division. For the remaining named executive officers, the patient satisfaction component was based on total company patient satisfaction since these executives are responsible for company-wide achievement. The actual bonus amount payable with respect to the patient satisfaction component can range from 0% to 150% of the target bonus amount, with the higher our patient satisfaction against the established target, the higher the bonus percentage relative to this component. In 2016, the patient satisfaction target for the company was 95% and the company achieved patient satisfaction of 95%. This achievement level resulted in bonus payouts under the Executive Incentive Plan for Messrs. Tomlinson, Aihara and Johns, and Ms. Longmore-Grund for the patient satisfaction component of 100% of the target bonus amount. In 2016, the patient satisfaction target for our Radiology Division was 95% and our Radiology Division achieved patient satisfaction of 95%. This achievement level resulted in a bonus payout under the Executive Incentive Plan for Mr. Jones for the patient satisfaction component of 100% of the target bonus amount. In 2016, the patient satisfaction target for our Oncology Division was 95% and our Oncology Division achieved patient satisfaction of 95%. This achievement level resulted in a bonus payout under the Executive Incentive Plan for Mr. Spurlock for the patient satisfaction component of 100% of the target bonus amount.

Return on Invested Capital Component. The return on invested capital component constituted 30% of the annual bonus opportunity in 2016. Return on invested capital for total company calculation means (A) adjusted EBITDA net of minority interest and depreciation expense divided by (B) assets net of goodwill, intangible assets and non-debt liabilities. For Mr. Jones, President of our Radiology Division, the return on invested capital component was based solely on return on invested capital for the Radiology Division, for which Return on invested capital means (A) Adjusted EBITDA net of shared services, minority interest, and depreciation, divided by (B) net fixed assets and construction in process, plus accounts receivable. For Mr. Spurlock, President of our Oncology Division, the return on invested capital component was based solely on return on invested capital for the Oncology Division, for which Return on invested capital means (A) Adjusted EBITDA net of shared services, minority interest, and depreciation, divided by (B) net fixed assets and construction in process, plus accounts receivable. For the remaining named executive officers, the return on invested capital component was based on total company return on invested capital since these executives are responsible for company-wide achievement. The actual bonus amount payable with respect to the return on invested capital component can range from 0% to 150% of the target bonus amount. In 2016, the return on invested capital target for the company was 20.4% and the company achieved a favorable return on invested capital of 20.6%. This achievement level was 101.0% of the target, which resulted in bonus payouts under the Executive Incentive Plan for Messrs. Tomlinson, Aihara and Johns, and Ms. Longmore-Grund for the return on invested capital component of 102% of the target bonus amount. In 2016, the return on invested capital target for our Radiology Division was 32.5% and our Radiology Division achieved return on invested capital unfavorable of 30.0%. This achievement level was 92.3% of the target, which resulted in a bonus payout under the Executive Incentive Plan for Mr. Jones for the return on invested capital component of 69% of the target bonus amount. In 2016, the return on invested capital target for our Oncology Division was 16.3% and our Oncology Division achieved return on invested capital favorable of 19.8%. This achievement level was 121.5% of the target, which resulted in a bonus payout under the Executive Incentive Plan for Mr. Spurlock for the return on invested capital component of 150% of the target bonus amount.

Performance Objectives Component. Due to the number of Performance Objectives assigned to each named executive officer, no individual Performance Objective is material to the total compensation paid to a named executive officer. The Compensation Committee has set Performance Objectives to be difficult to attain in light of budget projections and past experience and does not expect the executive officer to attain them with average or below average effort or performance. Many Performance Objectives require the subjective judgment of the Compensation Committee.

Please see the following summaries of the individual Performance Objectives assigned to each named executive officer and the Compensation Committee s assessment of his or her achievement of his or her Performance Objectives.

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*Chief Executive Officer-Percy C. Tomlinson*

Mr. Tomlinson s Performance Objectives for 2016 included key strategic goals, performance of the Radiology and Oncology Divisions, financial performance, implementation of investor relations plans and patient care. No single Performance Objective for Mr. Tomlinson had a material effect on the total compensation payable or paid to him. Mr. Tomlinson achieved his Performance Objectives at 100% during 2016.

*Executive Vice President and Chief Financial Officer-Howard K. Aihara*

Mr. Aihara s primary 2016 Performance Objective was the successful transition of all duties and responsibilities to the incoming candidate. He is acknowledged as achieving 100% of his performance objective.

*Executive Vice President and Chief Financial Officer-Rhonda Longmore-Grund*

Ms. Longmore-Grund s Performance Objectives for 2016 included key strategic goals, performance of the Radiology and Oncology Divisions, obtaining lease financings, managing operational and balance sheet metrics, and implementation of investor relations plans, inclusive of establishing key relationships and presenting at conferences throughout the year. No single Performance Objective for Ms. Longmore-Grund had a material effect on the total compensation payable or paid to her. Ms. Longmore-Grund s achievement score was at 100% for 2016.

*Executive Vice President, Chief Operating Officer, Chief Legal Officer, and Secretary-Richard W. Johns*

Mr. Johns Performance Objectives for 2016 included strategy and business development for the Alliance Interventional Division, refining our operational model in preparation for future growth, developing and executing a legal strategy for China expansion, effectively managing legal activities and team member development. No single Performance Objective for Mr. Johns had a material effect on the total compensation payable or paid to him. Mr. Johns achieved his Performance Objectives at 95% during 2016.

*President, Radiology Division-Richard A. Jones*

Mr. Jones Performance Objectives for 2016 were with respect to the Radiology Division and included revenue protection and growth, excellence in patient care and service, financial performance, operational profitability and growth and same-store volume growth. No single Performance Objective for Mr. Jones had a material effect on the total compensation payable or paid to him. Mr. Jones achieved his Performance Objectives at 100% during 2016. Mr. Jones also received a discretionary bonus of $30,000 for his division s strong performance during 2016.

*President, Oncology Division-Gregory E. Spurlock*

Mr. Spurlock s Performance Objectives for 2016 were with respect to the Oncology Division and included actively managing and scaling growth of the division and its talent, enhancing the data intelligence used to support this growth, patient satisfaction and increasing revenue and same-store sales. No single Performance Objective for Mr. Spurlock had a material effect on the total compensation payable or paid to him. Additionally Mr. Spurlock had Performance Objectives for the development of our International Division. Mr. Spurlock achieved his Performance Objectives at 95% during 2016.

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Fiscal 2016 Executive Incentive Plan Bonus Calculation. In summary, for 2016 we paid the following bonuses to our named executive officers under the Executive Incentive Plan, which amounts are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table below:

Step 1: Calculation of Total Fiscal 2016 Executive Incentive Plan Bonus Opportunity:

| Name | Revenue Payout% | Adjusted EBITDA Payout% | Return on Invested Capital Payout% | Patient Satisfaction % | Weighted Average Payout % | Total Fiscal 2016 Bonus Opportunity |
|---|---|---|---|---|---|---|
| Percy C. Tomlinson | 91.8% | 102.8% | 102.0% | 100.0% | 100.8% | $ 553,460 |
| Rhonda Longmore-Grund | 91.8% | 102.8% | 102.0% | 100.0% | 100.8% | $ 180,514 |
| Howard K. Aihara | 91.8% | 102.8% | 102.0% | 100.0% | 100.8% | $ 70,927(1) |
| Richard W. Johns | 91.8% | 102.8% | 102.0% | 100.0% | 100.8% | $ 276,788 |
| Richard A. Jones | 98.3% | 113.8% | 69.0% | 100.0% | 97.3% | $ 234,722 |
| Gregory E. Spurlock | 72.1% | 123% | 150.0% | 100.0% | 122.3% | $ 294,942 |

(1) Based on eligible earnings from Jan 1 April 30

Step 2: Calculation of Total Fiscal 2016 Executive Incentive Plan Bonus Earned:

| | Financial Performance Component - 70% | Individual Performance Component 30% | | | | |
|---|---|---|---|---|---|---|
| Name | Financial Component Bonus Amount | Individual Performance Bonus Opportunity | Individual Performance Score | Individual Performance Component Bonus Amount | Discretionary Bonus(1) | Total Fiscal 2016 Bonus Amount |
| Percy C. Tomlinson | $ 387,422 | $ 166,038 | 100.0% | $ 166,038 | $ 0 | $ 553,460 |
| Rhonda Longmore-Grund | $ 126,360 | $ 54,154 | 100.0% | $ 54,154 | $ 0 | $ 180,514 |
| Howard K. Aihara | $ 49,649 | $ 21,278 | 100.0% | $ 21,278 | $ 0 | $ 70,927 |
| Richard W. Johns | $ 193,752 | $ 83,036 | 95.0% | $ 78,884 | $ 0 | $ 272,636 |
| Richard A. Jones | $ 164,305 | $ 70,417 | 100.0% | $ 70,417 | $ 30,000 | $ 264,722 |
| Gregory E. Spurlock | $ 206,459 | $ 88,483 | 95.0% | $ 84,059 | $ 0 | $ 290,518 |

(1) Represents discretionary bonuses approved by the Compensation Committee s in recognition of division achievement

Payouts for Return on Capital Component of Executive Incentive Plan For Prior Years. In 2016, certain of our named executive officers were eligible to receive payouts under the return on capital component (the ROC Component ) of the Executive Incentive Plan for prior years. The ROC Component is measured with respect to (1) investments in fixed-site imaging centers and radiation oncology centers (collectively, the de novo investments ) and (2) acquisition

investments. For Mr. Jones, President of our Radiology Division, the ROC Component is based solely on investments for the Radiology Division. For Mr. Spurlock, President of our Oncology Division, the ROC Component is based solely on investments for the Oncology Division. For the remaining named executive officers, the ROC Component is based on an aggregate of investments in both the Radiology Division and the Oncology Division since these executives are responsible for company-wide achievement. The return on capital is determined based on EBIT (defined as earnings before interest and income taxes), divided by total capital expended, in each case with respect to the particular investment. For the de novo investments, return on capital is measured against a return on capital expectation established by the Compensation Committee. For the acquisition investments, the return on capital is measured against the return on capital target for the particular acquisition established by the Board of Directors. Achievement of return on capital is calculated based on a weighted average of the de novo and acquisition investments achievement levels,

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with payment ranging from 0% to 175% of the target bonus amount. The Board of Directors considers our success in developing these de novo centers and in strategically investing in acquisitions to be critical components for our overall success.

The ROC Component 2016 target was not earned and as a result nothing will be paid in FY 2017. Since the plan has ended, 2016 is the last year of measurement and potential payout. It was measured and paid two and three fiscal years after the particular investment was made. For example, for the 2013 de novo and acquisition investments, the return on capital achievement levels were calculated based on 2016 performance. One-half of the amounts calculated would have been paid with respect to 2016 performance. The return on capital will not be again calculated, as the plan has ended. The ROC Component has not been a component of our Executive Incentive Plan since 2014 and was only being paid with respect to de novo and acquisition investments made prior to fiscal 2014.

Oncology Division 2016 Business Development Incentive Compensation Plan. In addition to the Executive Incentive Plan described above, Mr. Spurlock was eligible to receive a commission equal to $75,000 for each contract executed by the company in 2016 in connection with the creation or upgrade of a radiation therapy treatment facility owned, leased and/or operated by the company s Oncology Division if such contract generated at least $3,000,000 of EBITDA. For 2016, Mr. Spurlock earned two commissions totaling $150,000.

2016 Transaction Bonus Program. In connection with and effective as of the closing of the 2016 Transaction, the Company entered into a new management incentive arrangement which involved the issuance of $1.5 million in cash-based awards (the Cash Awards Amount ) to the management of the Company. The Cash Awards Amount was paid by the THAIHOT Investment Company Limited and Tahoe Investment Group Co., Ltd. to the Company at the closing of the 2016 Transaction. On March 23, 2016, the Special Committee of the Board approved the payment of the following cash awards pursuant to this arrangement to the named executive officers, contingent on each executive entering into the Amendment to his respective Executive Severance Agreement, described below under *Employment Agreements, Offer Letters and Severance Agreements Severance and Change in Control Benefits*.

| Name | Cash Award |
|---|---|
| Percy C. Tomlinson | $ 572,500 |
| Richard W. Johns | $ 297,500 |
| Richard A. Jones | $ 90,000 |
| Gregory E. Spurlock | $ 150,000 |

The cash awards were paid as to one-third of the amount on each of the closing of the 2016 Transaction, the three-month anniversary of the closing of the 2016 Transaction and the six-month anniversary of the closing of the 2016 Transaction, in each case, subject to the executive s continued service with the Company through each payment date. Additionally, as discussed below under *Employment Agreements, Offer Letters and Severance Agreements Severance and Change in Control Benefits*, Mr. Aihara also received a cash award of $150,000. All payments were made in 2016, and are not ongoing obligations.

***Long-Term Incentive Compensation***

Annual Long-Term Incentive Program (LTIP) Awards. In May 2013, with the assistance of F.W. Cook, we adopted a new long-term incentive program ( LTIP ) under which executive officers and other eligible employees may be granted on an annual basis a combination of stock options and annual performance cash awards payable based on achievement against a pre-established adjusted EBITDA goal (referred to as EBITDA Awards ) for the year. The Compensation Committee has established annual LTIP grant guidelines for each executive officer, which are based on the individual s

position level and are expressed as a percentage of annual salary. These LTIP grant guidelines are one factor the Compensation Committee considers when determining the grant value of the annual awards to each executive under the LTIP. The Compensation Committee also considers

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the recommendation of our Chief Executive Officer (other than for the Chief Executive Officer s LTIP award) and a subjective evaluation of the executive s responsibilities, individual performance, current compensation package, value of unvested equity awards and expected future contributions and value to the company. Once the grant value for these executives is determined, the Compensation Committee determines the appropriate allocation of the grant value between stock options, RSUs, and EBITDA Awards.

The Compensation Committee granted the 2016 LTIP awards in March 2016. After reviewing the LTIP guidelines for each executive officer and the other factors described in the preceding paragraph, the Compensation Committee determined to provide LTIP awards equal to the LTIP guideline applicable to each such executive and to split the award values between stock options (based on an estimate of Black-Scholes valuation as of the grant date), restricted stock units (RSU s) (based on estimated value as of grant date) and EBITDA Awards (based on the target award value). One of the principal factors in making this determination was a strong desire to stress internal parity and to balance both short-term and long-term objectives.

| Name | LTIP Guideline as% of Salary | Approx. LTIP Grant Value Approved | Value Allocated to RSU s | Value Allocated to Stock Options | Value Allocated to Target EBITDA Award |
|---|---|---|---|---|---|
| Percy C. Tomlinson | 230.7% | $ 1,522,485 | 12.5% (190,311) | 12.5% (190,311) | 75.0% (1,141,864) |
| Rhonda Longmore-Grund | 50.0% | $ 150,000 | 0 | 50.0% (75,000) | 50.0% (75,000) |
| Richard W. Johns | 157.8% | $ 591,605 | 12.5% (73,951) | 12.5% (73,951) | 75.0% (443,704) |
| Richard A. Jones | 113.7% | $ 369,461 | 12.5% (46,183) | 12.5% (46,183) | 75.0% (277,096) |
| Gregory E. Spurlock | 106.1% | $ 344,899 | 12.5% (43,112) | 12.5% (43,112) | 75.0% (258,674) |

The stock options were granted with an exercise price equal to the closing price of our Common Stock on the NASDAQ Stock Market on the date of grant and generally vest in three substantially equal installments on the first three anniversaries of the grant date. Please see the Grants of Plan-Based Awards Table for the number of stock options granted pursuant to the 2016 LTIP awards. RSUs make up a component of our Long Term Incentive Program and, similar to the granted stock options, these grants generally vest in three substantially equal installments on the first three anniversaries of the grant date.

We believe that stock options, which provide a reward to the executive only if the market price of the underlying shares increases over time, are inherently performance-based and serve as an effective means to achieve our compensation objective of motivating our executives to contribute to the long-term growth and profitability of our company and thereby create value for our stockholders. We believe that RSUs are also performance-based due to their potential to increase in value due to positive company financial performance. Stock options and RSU s also function as a retention incentive for our executives as they generally vest and become exercisable in installments over a three-year period, contingent upon the executive s continued employment.

The 2016 EBITDA Awards represent the right to receive a cash bonus payment, the amount of which is specified in the award agreement. If the target adjusted EBITDA goal is obtained, 25% of the target value will be earned and

payable to the executive based on achievement of the EBITDA goals for 2016. The remaining 75% of the target value is subject solely to the time-vesting conditions described below. For the 2016 EBITDA Awards, adjusted EBITDA means net income (or loss) under generally accepted accounting principles, before: interest expense, net; income taxes; depreciation and amortization expense; share-based payment; severance or other restructuring expenses; transaction costs; shareholder transaction costs; impairment charges; legal matters expense, net; changes in fair value of contingent consideration related to acquisitions; non-cash gain or step

acquisition; and other non-cash charges or benefits included in other income (or expense). Actual adjusted EBITDA is determined by the Compensation Committee taking into account adjustments that the Compensation Committee believes are appropriate, such as for acquisitions or dispositions during the year, for purposes of the 2016 EBITDA Awards. If the target adjusted EBITDA is not met, any amount earned with respect to the 25% of the target value allocated will be at the Compensation Committee s discretion. One-third (1/3) of the earned award (with respect to both the portion that is subject to achievement of the target adjusted EBITDA goal and the portion that is subject solely to the time-vesting conditions) vested and became payable as of December 31, 2016 and was paid on March 15, 2017. The remaining two-thirds (2/3) of the earned award will vest and become payable in equal installments on December 31 of each of the next two years, subject to the executive s continued employment through the applicable vesting date, and be paid by March 15 following each vesting date. The purpose of the EBITDA Awards is to focus executives on achievement of an important financial operating objective and to encourage retention over the vesting period of the award.

The target company-wide adjusted EBITDA for 2016 was $112.3 million, the target Radiology Division adjusted EBITDA for 2016 was $110.0 million and the target Oncology Division adjusted EBITDA for 2016 was $38.0 million. For 2016, the Company achieved company-wide adjusted EBITDA of $113.9 million, Radiology Division adjusted EBITDA of $114.2 million and Oncology Division adjusted EBITDA of $40.0 million. In order to encourage employee retention and motivation and to recognize the significant achievements of the year, including the 2016 Transaction, the Compensation Committee approved a 100% payout under the 2016 EBITDA plan.

2014 RSU Grant. In 2014, Mr. Tomlinson was granted an award of 25,000 restricted stock units (the RSU Award ). The RSU Award was subject to certain performance-vesting conditions tied to the Company s stock price. The RSU Award provided that in the event of a change in control, the unvested portion of the award will convert into the right to receive a cash amount (the Cash Right ) equal to the number of unvested restricted stock units multiplied by the per share consideration received by the holders of the Company s Common Stock in the change in control and the Cash Right shall vest on the six month anniversary of the consummation of the change in control subject to Mr. Tomlinson s continued service through such date; provided, that in the event Mr. Tomlinson is terminated without cause or for good reason (each as defined in the Mr. Tomlinson s Employment Agreement) the Cash Right shall vest in full on the date of such termination (the Cash Right Conversion ). The 2016 Transaction constituted a change in control under the terms of the RSU Award agreement and for purposes of the Cash Right Conversion, the Special Committee approved that the per-share consideration received by the holders of the Company s Common Stock upon the consummation of the 2016 Transaction was $18.50 per share, and $462,500 was paid to Mr. Tomlinson in 2016.

***Employment Agreements, Offer Letters and Severance Agreements***

***Employment Agreements and Offer Letters***

The Compensation Committee does not have an established policy for entering into employment agreements or offer letters with executive officers. Generally, absent other factors, the Compensation Committee s intent is to retain the flexibility to review and adjust compensation to our executive officers on at least an annual basis. In certain circumstances, however, particularly at the senior executive level, we have entered into employment agreements or offer letters with our executive officers where we determined that the retention of the executive was critical to our future success. In these cases, we may agree to fix some or all of the executive s compensation for the term of the agreement.

For example, in connection with our executive reorganizational efforts of the last couple of years, we entered into an offer letter with Mr. Tomlinson, our Chief Executive Officer. We also previously entered into an employment agreement with Mr. Aihara, our former Chief Financial Officer. The employment agreement and offer letter, which

are summarized more thoroughly below in the section *Description of Compensation Arrangements for Named Executive Officers*, generally set forth a minimum annual base salary and annual

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target bonus opportunity for the executive during the term of employment. These agreements also provide for certain equity awards to be granted to the executive upon or following commencement of employment, which are intended to provide retention, to align the executive s interests with those of our stockholders and, in some cases, to make the executive whole for compensation forfeitable upon leaving a previous employer. The Compensation Committee, generally after consultation with its compensation consultant, has approved these agreements and determined that they are appropriate and advisable to maintain a consistent, focused and motivated executive leadership team.

***Severance and Change in Control Benefits***

Our executive officers are eligible to receive certain severance and change in control benefits under various agreements with us. Our philosophy is that, outside of a change in control context, severance protections are only appropriate in the event an executive s employment is involuntarily terminated by us without cause or is voluntarily terminated by the executive for good reason. In such circumstances, we provide severance benefits to our executive officers under an Executive Severance Agreement (or, in the case of Mr. Aihara, under his Employment Agreement). Severance benefits in these circumstances generally consist of 18 months continued base salary, target bonus, and healthcare coverage, as well as outplacement services.

In February 2016, we entered into a Transition and Separation Agreement with Mr. Aihara in connection with Mr. Aihara s separation and in consideration of his release of any claims against the Company. Under the terms of the agreement, Mr. Aihara is entitled to receive: (i) 18 months base salary and one and one-half times his 2016 annual target bonus opportunity, payable in bi-weekly installments over the 18 months following his separation; (ii) payment or reimbursement of COBRA premiums for the earlier of the 18-month salary continuation period or the date on which Mr. Aihara becomes eligible for healthcare coverage under another employer s plan; (iii) prorated 2016 annual target incentive bonus determined using the financial performance of the Company in 2016 assuming 100% achievement of the individual performance goals; (iv) eligibility to receive a $150,000 transaction bonus in the event that 2016 Transaction was consummated on or prior to December 31, 2016, payable in substantially equal installments on each of the closing of the 2016 Transaction, the three month anniversary of such closing and the six month anniversary of such closing; (v) discretionary payments of $350 each, payable in bi-weekly installments over the 18-month salary continuation period; and (vi) direct payment of up to $35,000 for outplacement services. Mr. Aihara was also entitled to cash payments earned under the LTIP that vested based upon service through December 31, 2015, and his 2015 actual incentive award.

We believe that the occurrence or potential occurrence of a change in control transaction will create uncertainty regarding the continued employment of our executive officers. This uncertainty results from the fact that many change in control transactions result in significant organizational changes, particularly at the senior executive level. On a case by case basis, in order to encourage executive officers to remain employed with us during an important time when their prospects for continued employment following the transaction are often uncertain, we may provide our executive officers with the same or enhanced severance benefits under their severance agreement if they voluntarily terminate their employment in connection with a change in control transaction. We provide severance protection under these circumstances to help ensure that executive officers can objectively evaluate change in control transactions that may be in the best interests of our stockholders despite the potential negative consequences such transactions may have on them personally.

We generally do not believe that severance benefits should be paid unless there is an actual or constructive termination of an executive s employment without cause. Historically, however, under our standard terms and conditions for stock options and stock awards to our executive officers, option awards generally would immediately vest upon the occurrence of a change in control, as defined therein. As a result, in connection with the 2016 Transaction, which constituted a change in control under these agreements, the vesting of stock options outstanding as

of the date of the closing of the 2016 Transaction accelerated in full.

Effective as of March 2016, the form of stock option and RSU agreements were revised to require double trigger for acceleration of awards, such that awards will only accelerate if there is a termination of employment

without cause or for good reason within 12 months following a change in control. Similarly, under the 2016 EBITDA Award letters, an award only becomes payable in the event of a termination of employment without cause or for good reason within 12 months following a change in control.

Also in March 2016, we entered into amendments (the Amendments ) to the Executive Severance Agreements with each of Messrs. Tomlinson, Johns, Jones and Spurlock. The Executive Severance Agreements included in the good reason definition a resignation by the executive following the date the Company or its affiliates completes an acquisition transaction which results in the legal, beneficial or equitable ownership transfer of at least a majority of the aggregate of all voting equity interests of the Company (the Trigger ). Each executive agreed to waive the Trigger with respect to the 2016 Transaction. In addition, with respect to Messrs. Jones and Spurlock, the Amendments remove the Trigger from the good reason definition with respect to any future change in control transaction as well. In the case of Messrs. Tomlinson and Johns, in the event of a future change in control transaction, they may only resign within a thirty day period following six months after the future change in control transaction in order to receive the benefit of the Trigger.

Please see the *Potential Payments Upon Termination or Change in Control* section below for a description and quantification of the potential payments that may be made to the executive officers in connection with their termination of employment or a change in control.

***Other Elements of our Compensation Program***

***Benefits and Perquisites***

We provide to each named executive officer and the named executive officer s eligible dependents such health, dental and optical insurance as we may from time to time make available to our other executives of the same level of employment. We provide each named executive officer such disability and/or life insurance as we in our sole discretion may from time to time make available to our other executive employees of the same level of employment. We have provided each named executive officer with an automobile allowance during the term of the named executive officer s employment with us as we in our sole discretion may from time to time make available to our other executive employees of the same level of employment. The auto allowance program has been eliminated as of January 1, 2017.

***Tax and Accounting Considerations***

While the Compensation Committee and the Board generally considers the financial accounting and tax implications of their executive compensation decisions, historically neither element has been a material consideration in the compensation awarded to our named executive officers.

**The following report of the Compensation Committee shall not be deemed soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934, as amended (the Exchange Act ), or to the liabilities of Section 18 of the Exchange Act, nor shall any information in this report be incorporated by reference into any past or future filing under the Securities Act of 1933, as amended (the Securities Act ), or the Exchange Act, except to the extent that we specifically request that it be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act or the Exchange Act.**

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**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company s proxy statement for its 2017 Annual Meeting of Stockholders and the Company s 2016 Annual Report on Form 10-K, as amended.

THE COMPENSATION COMMITTEE

Paul S. Viviano (Chairman)

Scott A. Bartos

Heping Feng

Tao Zhang

**Summary Compensation Table**

The following table presents information regarding compensation earned for fiscal years 2016, 2015, and 2014 by the individuals who served as our named executive officers. Unless otherwise noted, the footnote disclosures apply to fiscal 2016 compensation. For an explanation of the amounts included in the table for fiscal years 2015 or 2014, please see the footnote disclosures in our Proxy Statement for the corresponding fiscal year.

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($)(2) | Option Awards ($)(2) | Non-Equity Incentive Plan Compensation ($)(3) | All Other Compensation ($)(4) | Total ($) |
|---|---|---|---|---|---|---|---|---|
| Percy C. Tomlinson | 2016 | 660,000 | | 184,201 | 184,199 | 653,460 | 1,311,432 | 2,993,292 |
| *President and Chief Executive* | 2015 | 600,000 | 175,000 | | 300,130 | 294,276 | 2,006 | 1,371,412 |
| Officer | 2014 | 600,000 | | 567,500 | | 130,557 | 80,720 | 1,378,777 |
| Rhonda Longmore-Grund Executive Vice President and Chief Financial Officer | 2016 | 238,846 | 50,000(1) | | 275,114 | 180,514 | 1,226 | 745,700 |
| Howard K. Aihara | 2016 | 93,846 | | | | 135,425 | 1,134,408 | 1,363,679 |
| *Former Executive Vice President and* | 2015 | 305,000 | 56,102 | | 76,290 | 138,211 | 9,079 | 584,682 |
| *Former Chief Financial Officer* | 2014 | 299,580 | 277,823 | | 73,645 | 115,208 | 8,701 | 773,419 |
| Richard W. Johns | 2016 | 375,000 | | 71,576 | 71,573 | 343,836 | 379,569 | 1,241,554 |
| *Chief Operating Officer and* | 2015 | 337,000 | 161,937 | | 84,287 | 227,712 | 12,053 | 822,989 |
| *Chief Legal Officer* | 2014 | 325,000 | 60,625 | | 81,250 | 86,266 | 11,496 | 564,637 |
| Richard A. Jones | 2016 | 325,000 | | 44,701 | 44,699 | 300,355 | 163,044 | 877,799 |
| *President, Radiology Division* | 2015 | 310,000 | 82,083 | | 77,531 | 236,779 | 9,111 | 715,504 |
| | 2014 | 310,000 | 236,500 | | 75,000 | 74,088 | 20,673 | 713,184 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Gregory E. Spurlock | 2016 | 325,000 | | 41,730 | 41,726 | 440,518 | 224,793 | 1,073,767 |
| *President, Oncology Division and* | 2015 | 310,000 | 105,000 | | 77,531 | 129,041 | 10,344 | 631,916 |
| *International* | 2014 | 290,000 | 35,000 | | 70,000 | 362,330 | 9,829 | 764,082 |

(1) Represents the sign on bonus paid to Ms. Longmore-Grund.

(2) The amounts in this column are the granted value of the 2016 LTIP stock option and RSU components. The amounts in this column are the aggregate grant date fair values computed in accordance with FASB ASC Topic 718. Assumptions made in the valuation of awards in the Stock Awards and Option Awards columns can be found in Note 4 of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as amended, but exclude the impact of estimated forfeitures related to service-based vesting conditions.

(3) Amounts in this column constitute payments made under the 2016 Executive Incentive Plan, the ROC Component payable under the Executive Incentive Plan for prior years and the commissions payable under the 2016 Oncology Division Business Development Incentive Compensation Plan. The Compensation Committee set the target bonus and performance criteria used to determine whether and to what extent the named executive officers would receive payments under the 2016 Executive Incentive Plan, the ROC Component under the Executive Incentive Plan for prior years and the 2016 Oncology Division Business Development Incentive Compensation Plan. See *Compensation Discussion and Analysis Elements of our Executive Compensation Program Annual Cash Bonus Opportunity*

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section above for details regarding the 2016 Executive Incentive Plan, the ROC Component under the Executive Incentive Plan for prior years and the 2016 Oncology Division Business Development Incentive Compensation Plan.

(4) Amounts in this column include the value shown in the following table of other compensation and perquisites paid to named executive officers. Each item is valued at the actual amount we paid to the named executive officer or to a service provider on behalf of the named executive officer. Other compensation includes owed severance, and accrued, unused vacation timed owed at time of separation.

| **Name** | **Year** | **Auto allowance ($)** | **Discretionary Bonus/ Severance[1] ($)** | **LTIP Payments[2] ($)** | **Professional Fees ($)** | **Life insurance premiums paid by the company ($)** | **Total ($)** |
|---|---|---|---|---|---|---|---|
| Percy C. Tomlinson | 2016 | | 1,109,500 | 200,000 | | 1,932 | 1,311,432 |
| Rhonda Longmore-Grund | 2016 | | | | | 1,226 | 1,226 |
| Howard K. Aihara | 2016 | 2,492 | 1,068,333 | 63,108 | | 475 | 1,134,408 |
| Richard W. Johns | 2016 | 8,400 | 297,500 | 69,708 | 530 | 3,431 | 379,569 |
| Richard A. Jones | 2016 | 7,200 | 90,000 | 64,207 | | 1,637 | 163,044 |
| Gregory E. Spurlock | 2016 | 8,400 | 150,000 | 63,333 | | 3,060 | 224,793 |

(1) For Mr. Tomlinson, amount reflects transaction bonus payments in connection with the 2016 Transaction of $1,034,500 ($572,000 transaction bonus and $462,500 cash right payment) as well as discretionary bonus of $75,000 paid under the 2015 EBITDA Award. For Mr. Aihara, amount reflects $872,583 severance accrued, $45,750 accrued and unused vacation time, and $150,000 2016 Transaction bonus. For Messrs. Johns, Jones, and Spurlock, amounts reflect 2016 Transaction bonuses only.

(2) Additional LTIP cash payments were paid in accordance with the change of control acceleration requirements Incentive plan earned in prior years.

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**Grants of Plan-Based Awards for 2016 Fiscal Year**

The following table shows grants of plan-based awards in fiscal 2016 to the named executive officers.

| Name | Award Type | Board Approval Date | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($) | Target ($) | Maximum ($) | All Other Stock Awards: Number of Securities Underlying Shares (#) | Exercise or Base Price of Option Awards ($ per share) | Grant Date Fair Value of Stock and Option Awards ($)[5] |
|---|---|---|---|---|---|---|---|---|---|
| Percy C. Tomlinson | EIP Bonus[2] | | | 78,540 | 561,000 | 841,500 | | | |
| | LTIP Cash[3] | 3/23/2016 | 3/23/2016 | | 1,141,864 | 1,141,864 | | | |
| | LTIP Options | 3/23/2016 | 3/23/2016 | | | | 44,079 | 6.93 | 184,201 |
| | LTIP RSUs | 3/23/2016 | 3/23/2016 | | | | 26,580 | | 184,199 |
| Rhonda Longmore-Grund | EIP Bonus[2] | | | 31,500 | 225,000 | 337,500 | | | |
| | LTIP Cash[3] | 3/23/2016 | 3/23/2016 | | 75,000 | 75,000 | | | |
| | LTIP Options | 3/23/2016 | 3/23/2016 | | | | 17,371 | 6.93 | 72,591 |
| | LTIP RSUs | | | | | | | | |
| | NQ Options | 3/10/2016 | 3/10/2016 | | | | 41,717 | 8.04 | 202,523 |
| Richard W. Johns | EIP Bonus[2] | | | 39,375 | 281,250 | 421,875 | | | |
| | LTIP Cash[3] | 3/23/2016 | 3/23/2016 | | 443,704 | 443,704 | | | |
| | LTIP Options | 3/23/2016 | 3/23/2016 | | | | 17,128 | 6.93 | 71,576 |
| | LTIP RSUs | 3/23/2016 | 3/23/2016 | | | | 10,328 | | 71,573 |
| Richard A. Jones | EIP Bonus[2] | | | 34,650 | 247,500 | 371,250 | | | |
| | LTIP Cash[3] | 3/23/2016 | 3/23/2016 | | 277,096 | 277,096 | | | |
| | LTIP Options | 3/23/2016 | 3/23/2016 | | | | 10,697 | 6.93 | 44,701 |
| | LTIP RSUs | 3/23/2016 | 3/23/2016 | | | | 6,450 | | 44,699 |
| Gregory E. Spurlock | EIP Bonus[2] | | | 34,650 | 247,500 | 371,250 | | | |
| | Commission[4] | | | | 150,000 | | | | |
| | LTIP Cash[3] | 3/23/2016 | 3/23/2016 | | 258,674 | 258,674 | | | |
| | LTIP Options | 3/23/2016 | 3/23/2016 | | | | 9,986 | 6.93 | 41,730 |
| | LTIP RSUs | 3/23/2016 | 3/23/2016 | | | | 6,021 | | 41,726 |

(1)

Unless otherwise noted in the footnotes below, the vesting schedules applicable to the plan-based awards granted in fiscal 2016 are included below in the *Outstanding Equity Awards at 2016 Fiscal Year-End* table.

(2) Reflects potential awards under our 2016 Executive Incentive Plan ( EIP ). The bonus opportunity under the EIP was determined based on four financial performance measures (revenue (15%), adjusted EBITDA (50%), patient satisfaction (5%), and return on invested capital (30%)), with the bonus amount payable based on achievement of the financial performance measures (70%) and individual Performance Objectives (30%). The threshold amount for the EIP Bonus represents 70% multiplied by the amount payable if the threshold level of performance was met for each of the four financial performance measures (revenue (86%), adjusted EBITDA (90%), patient satisfaction (93%) and return on invested capital (86%)), which equates to 70% multiplied by 20% of the executive s 2016 bonus opportunity. The target amount assumes that the target level of performance was met for each of the performance measures and that the executive achieved his Performance Objectives at 100%. The maximum amount payable under the 2016 Executive Incentive Plan is 150% of the target award.

(3) Reflects the target award value under the EBITDA Awards granted as part of our 2016 LTIP. Twenty-five percent of the target amount is earned if the 2016 adjusted EBITDA target established by the Board is met or exceeded. The remaining 75% of the target value is subject solely to time-vesting conditions described below. For 2016, the target adjusted EBITDA was met and the Compensation Committee approved a payout under the awards equal to 100% of the target award value. One-third (1/3) of the amount of the award vested and became payable as of December 31, 2016 and payable by March 15 of the following year. The remaining two-thirds (2/3) of the amount of the award will vest in equal installments on December 31, 2017, and December 31, 2018, in each case subject to the executive s continued employment through such date, and upon vesting payable no later than March 15 of the following year. For Ms. Longmore-Grund, 100% of the award was conditioned on her continued employment as of December 31, 2016, and accordingly vested as of that date.

(4) Represents a commission Mr. Spurlock was eligible to earn under the Oncology Division 2016 Business Development Incentive Compensation Plan, as described under *Executive Compensation Annual Cash Bonus Opportunity* above.

(5) The amounts in this column are the aggregate grant date fair values computed in accordance with ASB ASC Topic 718. Assumptions made in the valuation of awards in the Stock Awards column can be found in Note 4 of the Consolidated Financial Statements in the company s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as amended. The vesting of each award is as described in the outstanding equity awards table found below.

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### Description of Compensation Arrangements for Named Executive Officers

***Overview***

The Summary Compensation Table above quantifies the value of the different forms of compensation earned by our named executive officers in fiscal years 2014, 2015 and 2016, and the Grants of Plan-Based Awards Table for 2016 Fiscal Year above provides information regarding the equity incentive awards and non-equity incentive awards granted to our named executive officers in fiscal 2016. These tables should be read in conjunction with the narrative descriptions and additional tables that follow.

***Offer Letter with Percy C. Tomlinson-President and CEO***

Mr. Tomlinson was appointed our President and Chief Executive Officer effective October 1, 2013. Under the terms of the offer letter we entered into with Mr. Tomlinson, he is paid an annual base salary of $600,000, which was increased to $660,000 in 2016 with a target bonus of 85% of base salary, subject to achievement of specified corporate and individual goals.

Mr. Tomlinson was paid a signing bonus of $310,000. In the event Mr. Tomlinson s employment had been terminated (i) voluntarily by Mr. Tomlinson without good reason, (ii) due to Mr. Tomlinson s death or permanent disability or (iii) by the company for cause, Mr. Tomlinson was required to repay 100% of the bonus if the termination had occurred prior to October 1, 2014, or 50% of the bonus if the termination had occurred between October 1, 2014 and October 1, 2015.

Mr. Tomlinson s offer letter also provided for reimbursement of reasonable moving expenses and, for 6 months following his start date, reimbursement for temporary living expenses (up to a maximum of $5,000 per month) and reasonable travel expenses to Minnesota. Mr. Tomlinson is eligible for four weeks paid vacation per year, as well as participation in the company s health and welfare plans.

Additionally, we entered into an Executive Severance Agreement with Mr. Tomlinson, which was amended in March 2016, as summarized in more detail in the *Potential Payments Upon Termination or Change in Control* section below.

Mr. Tomlinson s compensation package, including the amounts of signing bonuses and stock option grants, were determined by our Compensation Committee in its judgment to be necessary to attract Mr. Tomlinson to accept the role of Chief Executive Officer. The Compensation Committee consulted with F.W. Cook during the process of arm s length negotiations with Mr. Tomlinson, and took into consideration the opportunity costs Mr. Tomlinson would incur in leaving his employment prior to joining Alliance.

***Offer Letter with Rhonda Longmore Grund Executive Vice President and CFO***

Ms. Longmore-Grund became our Executive Vice President and CFO in March of 2016. Under the terms of the offer letter we entered into with Ms. Longmore-Grund, she is paid an annual base salary of $300,000 with a target annual bonus of 75% of base salary, subject to achievement of specified corporate and individual goals.

Ms. Longmore-Grund was paid a signing bonus of $50,000. Had Ms. Longmore-Grund s employment been terminated (i) voluntarily by Ms. Longmore-Grund, or (ii) by the company for cause, in each instance prior to the first anniversary of her employment start date, she would have been required to repay 100% of the bonus.
Ms. Longmore-Grund also received stock options with a value of $202,523, which will vest in 3 annual installments on each anniversary of the grant date, subject to her continued employment through each such date. In addition, the

letter provides that our compensation committee will recommend an award to Ms. Longmore-Grund under the LTIP equivalent to 50% of her base salary, with such award to be allocated evenly between stock options and an EBITDA Award payable in cash. (See a more detailed description of the LTIP awards above under *Long-Term Incentive Compensation* .)

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### *Employment Agreement with Howard K. Aihara-Former Chief Financial Officer*

Under the terms of our employment agreement with Mr. Aihara, dated as of December 1, 2005 and amended as of April 16, 2007 and December 9, 2008, Mr. Aihara was entitled to receive:

- a cash bonus, under a plan administered by the Compensation Committee, based upon our achievement of certain operating and/or financial or other goals established by the Board in its sole discretion, with an initial annual target bonus amount equal to 75% of his then-current annual base salary; and

- expense reimbursement, participation in employee benefits arrangements, and a monthly automobile allowance of not less than $600.

Under his employment agreement, Mr. Aihara was also entitled to severance in the event his employment terminated under certain circumstances. In connection with his separation from the Company, in February 2016, we entered into a Transition and Separation Agreement with Mr. Aihara, as described in more detail in the *Compensation Discussion and Analysis Employment Agreements, Offer Letters and Severance Agreements Severance and Change in Control Benefits* section above.

### *Equity-Based Awards*

Each stock option and stock award reported in the *Grants of Plan-Based Awards Table for 2016 Fiscal Year* was granted by the Compensation Committee under, and is subject to, the terms of our 1999 Equity Plan. The Board of Directors has delegated general administrative authority over the 1999 Equity Plan to the Compensation Committee. The Compensation Committee has broad authority under the plan with respect to awarding grants, including the authority to select participants and determine the type of award they are to receive, to determine the number of shares that are to be subject to awards and the terms and conditions of awards, to accelerate or extend the vesting or exercisability or extent the term of any or all outstanding awards, to make certain adjustments to an outstanding award and to authorize the conversion, succession or substitution of an award upon the occurrence of certain corporate events such as reorganizations, mergers and stock splits, and to make provision for the payment of the purchase price of an award (if any) and ensure that any tax withholding obligations incurred in respect of awards are satisfied.

### *Stock Options and Restricted Stock Units*

Each stock option reported in the *Grants of Plan-Based Awards for 2016 Fiscal Year* table has a per-share exercise price equal to the closing market price of a share of our Common Stock on the grant date as reported on the NASDAQ Stock Market. In addition, each stock option and restricted stock unit granted to our executive officers in 2016 vests over a 3-year period as disclosed in the *Outstanding Equity Awards at 2016 Fiscal Year-End* table below, subject to earlier vesting in connection with certain terminations of employment upon or following a change in control transaction. Once vested, each stock option will generally remain exercisable until its normal expiration date on the tenth anniversary of the grant date. Outstanding options and RSUs, however, may terminate earlier in connection with the termination of the executive officer s employment with us. In the event an executive s employment terminates, vested stock options granted to the executive will generally remain exercisable until the earlier to occur of three months following the termination date or the expiration date of the options, except that all outstanding options will terminate immediately in the event the executive s employment is terminated for cause. Subject to earlier expiration of the vested stock options, stock options granted to our executives will remain exercisable for a one-year period in the event the executive ceases to be an employee due to his death, permanent disability or permanent retirement (which is

defined as voluntary retirement after age 65 years and after having completed at least three years of service with the company).

Effective as of the closing of the 2016 Transaction, which constituted a change in control under the terms of the option agreements for options granted prior to 2016, the vesting of all outstanding stock options granted prior to 2016 accelerated.

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**Outstanding Equity Awards at 2016 Fiscal Year-End**

The following table presents information with respect to outstanding equity awards held by each of the named executive officers as of December 31, 2016:

| | | Option Awards | | | | Stock Awards | |
|---|---|---|---|---|---|---|---|
| Name | Grant Date | Number of Securities Underlying Unexercised Options (#) Exercisable[1] | Number of Securities Underlying Unexercised Options (#) Unexercisable[2] | Option Exercise Price ($) | Option Expiration Date | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)[3] | Market Value of Units of Stock That Have Not Vested ($)[4] |
| Percy C. Tomlinson | 10/1/2013 | 61,771 | | 29.14 | 10/1/2023 | | |
| | 10/1/2013 | 41,181 | | 29.14 | 10/1/2023 | | |
| | 2/27/2015 | 21,055 | | 23.91 | 2/27/2025 | | |
| | 3/23/2016 | | 44,079 | 6.93 | 3/23/2026 | | |
| | 3/23/2016 | | | | | 26,580 | 255,168 |
| Rhonda Longmore-Grund | 3/10/2016 | | 41,717 | 8.04 | 3/10/2026 | | |
| | 3/23/2016 | | 17,371 | 6.93 | 3/23/2026 | | |
| Richard W. Johns | 1/31/2012 | 60,000 | | 5.70 | 1/31/2022 | | |
| | 5/21/2013 | 6,397 | | 12.70 | 5/21/2023 | | |
| | 1/31/2014 | 4,656 | | 28.70 | 1/31/2024 | | |
| | 2/27/2015 | 5,913 | | 23.91 | 2/27/2025 | | |
| | 3/23/2016 | | 17,128 | 6.93 | 3/23/2026 | | |
| | 3/23/2016 | | | | | 10,328 | 99,149 |
| Richard A. Jones | 1/3/2012 | 60,000 | | 6.20 | 1/3/2022 | | |
| | 5/21/2013 | 5,905 | | 12.70 | 5/21/2023 | | |
| | 1/31/2014 | 4,298 | | 28.70 | 1/31/2024 | | |
| | 2/27/2015 | 5,439 | | 23.91 | 2/27/2025 | | |
| | 3/23/2016 | | 10,697 | 6.93 | 3/23/2026 | | |
| | 3/23/2016 | | | | | 6,450 | 61,920 |
| Gregory E. Spurlock | 1/3/2012 | 2,000 | | 6.20 | 1/3/2022 | | |
| | 5/21/2013 | 5,511 | | 12.70 | 5/21/2023 | | |
| | 1/31/2014 | 4,011 | | 28.70 | 1/31/2024 | | |
| | 2/27/2015 | 5,439 | | 23.91 | 2/27/2025 | | |
| | 3/23/2016 | | 9,986 | 6.93 | 3/23/2026 | | |
| | 3/23/2016 | | | | | 6,021 | 57,802 |

(1) Options are scheduled to vest in three substantially equal installments on each of the first, second and third anniversaries of the grant date. Effective as of the closing of the 2016 Transaction, which constituted change in control under the terms of the option agreement, the vesting of the stock options granted prior to 2016 was accelerated.

(2) These options are scheduled to vest in three substantially equal installments on each of the first, second and third anniversaries of the grant date. Upon certain employment terminations on or following a change in control, vesting will be accelerated.

(3) These stock awards are RSU s, which are scheduled to vest in three substantially equal installments on each of the first, second and third anniversaries of the grant date. Upon certain employment terminations on or following a change in control, vesting will be accelerated.

(4) The dollar values of these awards are calculated by multiplying the number of units by $9.60, the last reported sale price of our Common Stock on December 30, 2016, the last trading day of 2016.

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**Fiscal 2016 Option Exercise and Stock Vested Table**

The following table presents information regarding the amount realized upon the exercise of stock options and the vesting of restricted stock units for our named executive officers during fiscal 2016.

| | Option Awards | | Stock Awards | |
|---|---|---|---|---|
| Name | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting ($) |
| Percy C. Tomlinson | | | | |
| Larry C. Buckelew | | | | |
| Rhonda Longmore-Grund | | | | |
| Howard K. Aihara | 17,333 | 13,626 | | |
| Richard W. Johns | | | | |
| Richard A. Jones | | | | |
| Gregory E. Spurlock | | | | |

**Potential Payments upon Termination or Change in Control**

This section describes severance and change in control plans covering our named executive officers and certain agreements we have entered into with some of our named executive officers that could require us to make payments to the executives in connection with certain terminations of their employment with us and/or a change in control. The last subsection provides a table that presents our estimate of the benefits payable to the executive officers under each of these scenarios based on an assumed triggering event occurring on December 31, 2016.

***Change in Control-Without Termination of Employment***

Upon the occurrence of a change in control, historically, under the terms of our stock option agreements under our 1999 Equity Plan all unvested stock options will immediately vest, regardless of whether there has also been a termination of employment. In addition, the unvested restricted stock units granted to Mr. Tomlinson were to convert into the right to receive a cash amount (the Cash Right ) equal to the number of unvested restricted stock units multiplied by the per share consideration received by the holders of our Common Stock in the change in control , as determined by the Compensation Committee, in its sole discretion. The Cash Right was earned and paid in an amount equal to $462,500 following the 2016 Transaction, which constituted a change in control. Further, in connection with the 2016 Transaction, which constituted a change in control under the option agreements (for stock options granted prior to 2016), the vesting of the respective pre-2016 stock options outstanding as of the date of the closing of the 2016 Transaction accelerated in full. Effective as of March 2016, the form of stock option and RSU agreements were revised to require double trigger for acceleration of awards, such that awards will only accelerate if there is a termination of employment without cause or for good reason within 12 months following a change in control.

Also, for awards prior to 2016, upon the occurrence of a change in control, the target amount of any EBITDA Award under the LTIP for the year in which the change in control occurs, and any previously earned but unpaid EBITDA Award amounts, became earned and payable at 6 months following the change in control. For these purposes, change in control generally means an acquisition by any person or group of more than 50% of our stock, mergers and similar

transactions that result in a 50% or greater change in our ownership, and the sale, lease or transfer of all or substantially all of the assets of the company. For a specific definition, please refer to the applicable stock plan or form of award agreement as filed with the SEC. Under the terms of the EBTIDA Awards, due to the 2016 Transaction constituting a change in control, unpaid earned cash amounts under the 2014 and 2015 EBITDA awards vested and were paid in full on the earlier of (a) six months after the closing of the change of control or (b) the termination of the participant s employment by the Company without cause or by the participant for good reason, each as defined therein, except in the case of Mr. Aihara, to whom the full unpaid earned cash amounts under the 2014 and 2015 EBITDA were paid one (1) month after the closing of the 2016 Transaction pursuant to the terms of his Transition and Separation Agreement.

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Under the 2016 EBITDA Award letters, an award only becomes payable in the event of a termination of employment without cause or for good reason within 12 months following a change in control.

*Termination Without Cause or for Good Reason-Before Change in Control*

Executive officers are entitled to severance benefits in the event of certain terminations of employment. These severance benefits are provided under an Executive Severance Agreement between the company and the executive. Severance benefits are payable in the event the executive s employment is terminated by us without cause or voluntarily by the executive for good reason. For these purposes, cause generally means the commission of certain crimes by the executive, the executive s willful engaging in fraud or dishonest conduct, refusal to perform certain duties, breach of fiduciary duty, or breach of certain other violations of company policy. For these purposes, good reason generally means the assignment to the executive of materially inconsistent duties, a significant adverse change in the executive s reporting relationship, certain reductions in compensation or benefits, certain relocations of the executive s employment and, for certain executives, prior to the March 2016 Amendments, the occurrence of an acquisition of the company that results in the legal, beneficial or equitable ownership transfer of at least a majority of voting stock of the company. For the specific definitions of cause and good reason , please refer to the form of Executive Severance Agreement (or, in the case of Mr. Aihara, his Employment Agreement) as filed with the SEC.

In March 2016, we entered into the Amendments to the Executive Severance Agreements with each of Messrs. Tomlinson, Johns, Jones and Spurlock. The Executive Severance Agreements with each of Messrs. Tomlinson, Johns, Jones and Spurlock included in the good reason definition a resignation by the executive following the date the Company or its affiliates completes an acquisition transaction which results in the legal, beneficial or equitable ownership transfer of at least a majority of the aggregate of all voting equity interests of the Company (the Trigger ). Each executive agreed to waive the Trigger with respect to the 2016 Transaction. In addition, with respect to Messrs. Jones and Spurlock, the Amendments remove the Trigger from the good reason definition with respect to any future change in control transaction as well. In the case of Messrs. Tomlinson and Johns, in the event of a future change in control transaction, they may only resign within a thirty day period following six months after the future change in control transaction in order to receive the benefit of the Trigger.

For each of the executive officers, the severance benefits generally consist of:

- Severance equal to eighteen (18) months base salary and one and one-half (1-1/2) times the executive s annual target bonus opportunity, generally payable in monthly installments over the eighteen (18) months following separation;

- Payment of the bi-weekly amount of the company s employer coverage expense for continuation of the same or equivalent group health, payable over the 18-month salary continuation period; and

- Reimbursement of up to $35,000 for outplacement services.

Under his Executive Severance Agreement, Mr. Tomlinson is also entitled to the target value of any outstanding EBITDA Award.

Payment of severance benefits is generally conditioned upon the executive s execution of a valid release of claims and agreement to certain non-competition and non-solicitation provisions during the term of the salary continuation

payments.

Mr. Aihara ceased serving as Executive Vice President and Chief Financial Officer effective March 10, 2016. In February 2016, we entered into a Transition and Separation Agreement with Mr. Aihara in connection with Mr. Aihara s separation and in consideration of his release of any claims against the Company. For a description of the severance and other benefits payable to Mr. Aihara under this agreement please see the *Compensation Discussion and Analysis Employment Agreements, Offer Letters and Severance Agreements Severance and Change in Control Benefits* section above.

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***Termination Without Cause or for Good Reason-After Change in Control***

Pursuant to their Executive Severance Agreements, executives are generally entitled to the same severance benefits described above in the event of their termination of employment by us without cause or voluntarily by the executive for good reason upon or following a change in control. In addition, upon a termination by us without cause or voluntarily by the executive for good reason following a change in control, all options and RSUs granted in 2016 and thereafter will vest.

***Termination Due to Death or Disability***

In the event the executive s employment terminates due to the executive s death or disability, the executive will be entitled to receive the bonus earned under the Executive Incentive Plan if he has been employed by the company through the last day of the applicable performance period. Such bonus will be paid in the same manner and at the same time as bonuses are paid generally under the plan to continuing employees. The executive will also be entitled to payment of any previously earned but unpaid EBITDA Award amounts, as well as full accelerated vesting of any outstanding options and RSUs.

***Termination Due to Retirement***

In the event of the executive s retirement (which is generally defined as termination of employment following age 65 and three years of employment with the company), the executive will be entitled to receive the bonus earned under the Executive Incentive Plan if he has been employed by the company through the last day of the applicable performance period. Such bonus will be paid in the same manner and at the same time as bonuses are paid generally under the plan to continuing employees.

***Calculation of Potential Payments upon Termination or Change in Control***

The following table presents our estimate of the benefits payable to the named executive officers under the agreements and plans described above in connection with certain terminations of their employment with us and/or a change in control as of December 31, 2016. In calculating the amount of any potential payments to the named executive officers, we have assumed the following:

- The price per share of our Common Stock is equal to the NASDAQ Stock Market closing market price per share on December 30, 2016 ($9.60), the last trading day in fiscal 2016.

- The company does not survive the change in control, and all outstanding incentive awards are cashed out and terminated in the transaction.

- We report amounts in the table below without any reduction for possible delay in the commencement or timing of payments.

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Not included in the table below are payments each named executive officer earned or accrued prior to termination, such as previously vested equity and non-equity incentive awards, which are more fully described and quantified in the tables and narratives above

| | Change in Control (without Termination of Employment) ($) | Before Change in Control- Termination w/o Cause or for Good Reason ($) | After Change in Control- Termination w/o Cause or for Good Reason ($) | Death or Disability ($) | Retirement ($) |
|---|---|---|---|---|---|
| Percy C. Tomlinson | | | | | |
| Cash Severance Payments(1) | | 1,831,500 | 1,831,500 | 561,000 | 561,000 |
| Continuation of Benefits(2) | | 47,141 | 47,141 | | |
| Outplacement Services(3) | | 35,000 | 35,000 | | |
| Vesting of Stock Options(4) | | | 117,691 | 117,691 | |
| Vesting of Stock Awards(5) | | | 255,168 | 255,168 | |
| EBITDA Award | | | 761,243 | 1,141,864 | |
| **Total** | | **1,913,641** | **3,047,743** | **2,075,723** | **561,000** |
| Rhonda Longmore-Grund | | | | | |
| Cash Severance Payments(1) | | 787,500 | 787,500 | 225,000 | 225,000 |
| Continuation of Benefits(2) | | 46,432 | 46,432 | | |
| Outplacement Services(3) | | 35,000 | 35,000 | | |
| Vesting of Stock Options(4) | | | 111,459 | 111,459 | |
| Vesting of Stock Awards(5) | | | | | |
| EBITDA Award | | | 50,000 | 75,000 | |
| **Total** | | **868,932** | **1,039,391** | **411,459** | **225,000** |
| Richard W. Johns | | | | | |
| Cash Severance Payments(1) | | 984,375 | 984,375 | 281,250 | 281,250 |
| Continuation of Benefits(2) | | 49,651 | 49,651 | | |
| Outplacement Services(3) | | 35,000 | 35,000 | | |
| Vesting of Stock Options(4) | | | 45,732 | 45,732 | |
| Vesting of Stock Awards(5) | | | 99,149 | 99,149 | |
| EBITDA Award | | | 49,301 | 443,704 | |
| **Total** | | **1,069,026** | **1,263,208** | **869,835** | **281,250** |
| Richard A. Jones | | | | | |
| Cash Severance Payments(1) | | 866,250 | 866,250 | 247,500 | 247,500 |
| Continuation of Benefits(2) | | 55,342 | 55,342 | | |
| Outplacement Services(3) | | 35,000 | 35,000 | | |

| | | | | |
|---|---|---|---|---|
| Vesting of Stock Options(4) | | 28,561 | 28,561 | |
| Vesting of Stock Awards(5) | | 61,920 | 61,920 | |
| EBITDA Award | | 30,789 | 277,096 | |
| **Total** | **956,592** | **1,077,862** | **615,077** | **247,500** |
| Gregory E. Spurlock | | | | |
| Cash Severance Payments(1) | 866,250 | 866,250 | 247,500 | 247,500 |
| Continuation of Benefits(2) | 20,666 | 20,666 | | |
| Outplacement Services(3) | 35,000 | 35,000 | | |
| Vesting of Stock Options(4) | | 26,663 | 26,663 | |
| Vesting of Stock Awards(5) | | 57,802 | 57,802 | |
| EBITDA Award | | 28,741 | 258,674 | |
| **Total** | **921,916** | **1,035,122** | **590,639** | **247,500** |

(1) The amounts shown represent the cash severance payable to the executive under his Executive Severance Agreement or Employment Agreement in the event of a qualifying termination of employment. For a termination due to death or disability, the amounts shown represent the cash severance for the executive under the Executive Incentive Plan.
(2) For purposes of the calculation for these amounts, expected costs have not been adjusted for any actuarial assumptions related to mortality, likelihood that the executive will find other employment, or discount rates for determining present value.
(3) These amounts are equal to the maximum value of outplacement services that would be available for the named executive officer.
(4) The amounts shown represent the value attributable to the full acceleration of vesting for option awards and are calculated by multiplying (i) the difference between the closing NASDAQ market price of a share of our Common Stock on December 30, 2016 ($9.60), the last trading day in fiscal 2016, and the applicable exercise price, by (ii) the number of shares subject to stock options vesting on an accelerated basis on December 31, 2016. As a result, the amounts shown do not include any value for the acceleration of stock options that have an exercise price greater than $9.60 or for stock options that were already vested as of December 31, 2016.
(5) The amounts shown represent the value attributable to the Cash Right calculated by multiplying (i) the NASDAQ Stock Market closing price of a share of our Common Stock on December 30, 2016 ($9.60), the last trading day in fiscal 2016, by (ii) the number of unvested units on December 31, 2016.

**Compensation Committee Interlocks and Insider Participation**

Aaron A. Bendikson, Scott A. Bartos, Curtis S. Lane and Edward A. Samek served as members of the Compensation Committee prior to completion of the 2016 Transaction, with Mr. Bendikson serving as the Chairman. Scott A. Bartos, Heping Feng, Paul Viviano and Tao Zhang served as members of the Compensation Committee during the remainder of fiscal 2016, with Mr. Viviano serving as the Chairman. Mr. Viviano previously served as our Chairman of the Board and Chief Executive Officer for 10 years. All members of the Compensation Committee during fiscal 2016 were independent directors and none of them were our employees or former employees or had any relationship with us requiring disclosure under SEC rules requiring disclosure of certain transactions with related persons. There are no Compensation Committee interlocks between us and any other entities in which one of our executive officers served on the compensation committee (or equivalent body) or the board of directors of another entity whose executive officer(s) served on our Compensation Committee or Board.

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## PROPOSAL NO. 6

## ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE

## TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

In accordance with Section 14A of the Exchange Act, we are also seeking an advisory, non-binding determination from our stockholders as to the frequency with which stockholders would have an opportunity to provide an advisory approval of our executive compensation program. We are providing stockholders the option of selecting a frequency of 1, 2 or 3 years, or abstaining. This vote, which we last held at our 2011 Annual Meeting, is required at least once every six years.

**OUR BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR EVERY 3 YEARS AS THE FREQUENCY FOR AN ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION.**

For the reasons described below, we recommend that our stockholders select a frequency of 3 years.

A triennial approach provides regular input by stockholders, while allowing stockholders to better judge our compensation programs in relation to our long-term performance. This benefits our institutional and other stockholders, who have historically held on to our stock over the long-term.

Our executive compensation programs are designed to operate over the long-term and are designed to support long-term value creation. Equity awards, mainly in the form of restricted stock, have historically represented a significant portion of our executives compensation. Restricted stock aligns management s interests with the interests of our stockholders.

A triennial vote will provide our Compensation Committee and our Board sufficient time to thoughtfully evaluate the results of the most recent advisory vote on executive compensation, discuss the implications of the vote with our stockholders and develop and implement any changes to our executive compensation programs that may be appropriate in light of the vote. A triennial vote will also allow for these changes to our executive compensation programs to be in place long enough for stockholders to see and evaluate the effectiveness of these changes.

The composition and level of compensation paid to executives in the market evolves over multiple years. A triennial approach will allow us to review evolving practices in the market to ensure our compensation programs reflect best practices.

The following resolution will be submitted for a stockholder vote at the annual meeting:

RESOLVED, that an advisory stockholder vote to approve the compensation paid to Alliance HealthCare Services, Inc. s named executive officers, as disclosed in the Compensation Discussion and Analysis, compensation tables and narrative discussion, be submitted to Alliance HealthCare Services, Inc. s stockholders every: (i) 1 year, (ii) 2 years, (iii) 3 years or (iv) abstain; with such frequency that receives the highest number of votes cast being the preferred advisory vote of stockholders.

This vote is advisory, and therefore not binding on the Company, the Compensation Committee or our Board. Stockholders are not being asked to approve or disapprove of the Board s recommendation, but rather to indicate their own choice as among the frequency options. However, the Board will review the voting results and take them into consideration when making any decision to determine the frequency of future say-on-pay votes.

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## PROPOSAL NO. 7

## PROPOSAL TO ADJOURN THE ANNUAL MEETING

At the annual meeting, we may ask stockholder to vote upon an adjournment of the annual meeting, if necessary, to solicit additional proxies for the adoption of the Merger Agreement.

In this proposal, we are asking you to authorize the holder of any proxy solicited by our Board to vote in favor of granting discretionary authority to the proxy or attorney-in-fact to adjourn the annual meeting to another time and place for the purpose of soliciting additional proxies. If the stockholders approve the adjournment proposal, we could adjourn any adjourned session of the annual meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from stockholders that have previously voted. Among other things, approval of the adjournment proposal could mean that, even if we had received proxies representing a sufficient number of votes against adoption of the Merger Agreement to defeat that proposal, we could adjourn the annual meeting without a vote to approve the Merger Agreement and seek to convince the holders of those shares to change their votes to vote in favor of adoption of the Merger Agreement.

**OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL NO. 7**

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## IMPORTANT ADDITIONAL INFORMATION REGARDING ALLIANCE

### Company Background

Alliance is a leading national provider of outsourced medical services, including radiology, oncology and interventional. We provide a full continuum of services from mobile to comprehensive service line management and joint venture partnerships, which can include one or more of the following depending on the customer s needs: systems, technologists to operate the systems, sales and marketing, patient scheduling and pre-authorization, billing and payer management, equipment maintenance and upgrades, overall management of services and fixed-site operations including outpatient clinics and Ambulatory Surgical Centers.

As of December 31, 2016, we operated 625 diagnostic imaging, radiation therapy, and interventional radiology systems. With a strategy of partnering with hospitals, health systems and physician practices through joint ventures and fee for service arrangements, we provide quality healthcare services for over 1,100 hospitals and healthcare partners in 46 states, where approximately 2,450 Alliance Team Members are committed to providing exceptional patient care and exceeding customer expectations. Our executive office is located at 18201 Von Karman Avenue, Suite 600, Irvine, CA 92612 and our telephone number is (949) 242-5300.

### Executive Officers and Directors

Set forth below is information regarding our executive officers, including their principal occupations for the past five years and their ages as of March 1, 2017. There are no family relationships between any of our executive officers and any other executive officer or board member. Our Board elects our executive officers, who serve at the discretion of our Board. Information regarding our directors is included under *Proposal 3: Election of Directors* above. None of our executive officers or directors has been convicted in a criminal proceeding during the past five years (excluding traffic violations or similar misdemeanors), and none of these persons has been a party to any judicial or administrative proceeding during the past five years that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws. All of our executive officers and directors are citizens of the United States, except for Mr. Huang, Mr. Feng and Dr. Zhang, who are citizens of the PRC.

The business address of each of our executive offices and directors is c/o Alliance HealthCare Services, Inc., 18201 Von Karman Avenue, Suite 600, Irvine, CA 92612, and their business telephone number is (949) 242-5300.

| Name | Age | Present Position |
|---|---|---|
| Percy C. Tomlinson | 54 | Chief Executive Officer |
| Rhonda A. Longmore-Grund | 54 | Executive Vice President and Chief Financial Officer |
| Richard W. Johns | 59 | Chief Operating Officer and Chief Legal Officer |
| Richard A. Jones | 53 | President, Alliance HealthCare Radiology |
| Gregory E. Spurlock | 55 | President, Alliance Oncology and Alliance HealthCare International |
| Steven M. Siwek, M.D. | 52 | President, Alliance Interventional |
| Laurie R. Miller | 50 | Executive Vice President, Human Resources, Marketing and Communications |

**Percy C. Tomlinson** became Chief Executive Officer in October 2013. Mr. Tomlinson has more than 25 years of diverse executive management and leadership experience, serving in a variety of roles, most recently as the Chief Executive Officer of Midwest Dental, from 2012 until joining us. Previously, he spent 10 years with the Center for

Diagnostic Imaging, Inc. in several senior roles including Chief Executive Officer from 2011 to 2012, President and Chief Operating Officer from 2005 to 2011 and Senior Vice President and Chief Financial Officer from 2002 to 2005. Mr. Tomlinson holds an M.B.A. from Columbia University and a B.A. from the University of St. Thomas.

**Rhonda A. Longmore-Grund** became Executive Vice President and Chief Financial Officer in March 2016. Ms. Longmore-Grund most recently served as the Senior Vice President and Chief Financial Officer for Printronix, a privately-held global industrial technology design and manufacturing company from November 2009 to February 2016. Previously, Ms. Longmore-Grund held senior management positions at Ingram Micro, Inc., Exult, Inc., Velocium and Digital Equipment Corporation. Ms. Longmore-Grund received a B.A. from the University of Massachusetts at Amherst and an M.A.L.D. from the Fletcher School of Law and Diplomacy at Tufts University.

**Richard W. Johns** has served as our Chief Operating Officer, Chief Legal Officer and Secretary since February 2016. Previously, Mr. Johns served as our Executive Vice President, General Counsel and Secretary since February 2012. Mr. Johns has had a legal career spanning over 30 years providing legal services to a variety of healthcare clients based in the U.S. and Europe. From 2010 to 2012, he was General Counsel at LaVie Care Centers, a national long-term care company with revenues in excess of $1 billion annually. From 2009 to 2010, Mr. Johns maintained his own law practice serving various healthcare clients in the U.S. and Europe, and from 1998 to 2008 served as a partner with the internationally recognized firm of Foley & Lardner, where he was instrumental in developing a national healthcare practice. Mr. Johns began his legal career working with various law firms in the Washington, D.C. area and holds a Juris Doctor degree from the University of Southern California.

**Richard A. Jones** was appointed President of Alliance HealthCare Radiology in June 2012. Previously, Mr. Jones served as Executive Vice President of the Radiology Division since August 2011. He has been with Alliance since 1996, originally serving as Regional Operations Manager, then Vice President of Business Development, then Vice President of Operations for the North zone, then Senior Vice President of the North zone, and then as Senior Vice President of Operations. Before joining Alliance, Mr. Jones held a number of leadership roles in hospitals and the commercial healthcare sector. Mr. Jones holds a Bachelor of Arts degree from Eastern Nazarene College.

**Gregory E. Spurlock** was appointed President of Alliance Oncology and Alliance HealthCare International in February 2016. Previously, Mr. Spurlock served as President of Alliance Oncology commencing in April 2013. Mr. Spurlock initially joined Alliance Oncology as Chief Administrative Officer in April 2011, as part of the company s acquisition of US Radiosurgery and was later promoted to Senior Vice President of Business Development and Contract Operations in June of 2012. In his current role, Mr. Spurlock oversees all aspects of Alliance Oncology and leads the new International Division overseeing both Oncology and Radiology for operations outside of the U.S. Mr. Spurlock joined US Radiosurgery in 2004 and held various executive leadership positions with the company and its affiliates from 2004 until its acquisition by Alliance in 2011, including Chief Operating Officer of US Radiosurgery, Executive Vice President of NeoSpine, and Chief Executive Officer of Imaging One. Prior to 2004, Mr. Spurlock also held the role of Executive Director at Tennessee Orthopaedic Alliance and at the Kerlan-Jobe Orthopaedic Clinic in Los Angeles.

**Steven M. Siwek, M.D.** was appointed President of Alliance Interventional in April 2015. Dr. Siwek initially joined Alliance through the February 2015 acquisition of The Pain Center of Arizona (referred to as TPC ): Arizona s center of excellence for the diagnosis and treatment of chronic pain disorders with 12 locations statewide. As founder and CEO of TPC, Dr. Siwek has focused the last 15 years of his medical career on building programs that set national standards for quality coordinated care in pain management. Dr. Siwek s multi-disciplinary and integrative approach to preventing, treating, and eliminating chronic pain is advancing the way in which interventional and pain management services are accessed and delivered nationwide. Dr. Siwek received his M.D. from the New York Medical College and completed his residency training at the Mayo Clinics in Rochester, Minneapolis, and Scottsdale, Arizona, and fellowship at the Mayo Clinic in Jacksonville, Florida. In addition, Dr. Siwek holds an M.B.A. from the Graziadio School of Business and Management at Pepperdine University.

**Laurie R. Miller** joined Alliance HealthCare Services in January 2013 and serves as the Executive Vice President of Human Resources, Marketing and Communications. Ms. Miller brings over 20 years of business

experience to this role, having held senior human resources leadership positions for a variety of high tech companies. She joined Alliance as the Vice President of Human Resources and Organizational Development, leading the business partner team focused on supporting the Radiology business line. At gen-E, she was the Vice President of Human Resources, from July 2012 through January of 2013, and was responsible for implementing gen-E s global HR strategic plan. Prior to working at gen-E, Ms. Miller held multiple human resources leadership roles for Ingram Micro, starting in June 2006. Her last role was the Senior Director of Change Enablement and Executive Director of Human Resources for Ingram Micro, which she held from January 2010 through May 2012. During that time frame, Ms. Miller led the North America HR function and a team of 60 HR professionals covering the US, Canada and Manila. Ms. Miller holds a B.A. from University of California at Los Angeles.

### Prior Public Offerings

During the past three years, Alliance has not made any underwritten public offering of Common Stock for cash that was registered under the Securities Act of 1933 or exempt from registration under Regulation A.

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### Historical Selected Consolidated Financial Information

Set forth below is certain historical selected consolidated financial information of Alliance. The historical selected consolidated financial data as of and for the fiscal years ended December 31, 2016, 2015, 2014, 2013 and 2012 have been derived from Alliance s historical audited consolidated financial statements and the historical selected consolidated financial data as of March 31, 2017 has been derived from Alliance s unaudited consolidated financial statements. This information is only a summary and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended 2016 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, each of which is incorporated by reference into this proxy statement. More comprehensive financial information is included in those reports, including management s discussion and analysis of financial condition and results of operations, and the following summary is qualified in its entirety by reference to those reports and all of the financial information and notes contained in them. For additional information, see *Where You Can Find Additional Information* beginning on page 145. Historical results are not necessarily indicative of results to be expected in any future period.

| | | | Year Ended December 31, | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|---|---|
| **(in thousands except per share data)** | **2016** | **2015** | **2014** | **2013** | **2012** | **2017** | **2016** |
| **Consolidated Statements of Operations Data:** | | | | | | | |
| Revenues | $ 505,549 | $ 473,054 | $ 436,387 | $ 448,831 | $ 472,258 | $ 129,936 | $ 123,725 |
| Costs and expenses: | | | | | | | |
| Cost of revenues, excluding depreciation and amortization | 285,746 | 269,104 | 237,420 | 239,397 | 253,225 | 75,049 | 70,914 |
| Selling, general and administrative expenses | 96,663 | 88,471 | 79,903 | 80,215 | 76,022 | 23,535 | 25,265 |
| Transaction costs | 1,886 | 3,296 | 2,344 | 465 | 994 | 162 | 417 |
| Shareholder transaction costs | 4,219 | 1,853 | | | | 869 | 1,009 |
| Severance and related costs | 3,910 | 1,347 | 2,517 | 1,658 | 2,226 | 634 | 1,716 |
| Impairment charges | 632 | 6,817 | 308 | 13,031 | | | |
| Loss on extinguishment of debt | | | | 26,018 | | | |
| Depreciation expense | 54,972 | 48,595 | 54,971 | 66,319 | 79,333 | 14,073 | 13,048 |
| Amortization expense | 10,561 | 9,325 | 7,880 | 10,973 | 15,861 | 3,275 | 2,443 |
| Interest expense, net | 34,506 | 26,241 | 24,693 | 39,170 | 54,101 | 8,700 | 7,495 |
| Other (income) expense, net | (6,586) | (12,255) | (1,823) | (1,945) | 3,036 | (483) | (787) |
| Total costs and expenses | 486,509 | 442,794 | 408,213 | 475,301 | 484,798 | 125,814 | 121,520 |
| Income (loss) before income taxes, earnings from unconsolidated investees and noncontrolling interest | 19,040 | 30,260 | 28,174 | (26,470) | (12,540) | 4,122 | 2,205 |
| Income tax expense (benefit) | 2,852 | 6,536 | 7,327 | (12,398) | (6,710) | (3) | (945) |
| Earnings from unconsolidated investees | (1,290) | (3,391) | (4,654) | (5,630) | (4,667) | (336) | (252) |
| Net income (loss) | 17,478 | 27,115 | 25,501 | (8,442) | (1,163) | 4,461 | 3,402 |
| | (16,985) | (20,373) | (14,883) | (13,041) | (10,775) | (5,075) | (4,592) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Less: Net income attributable to noncontrolling interest | | | | | | | |
| Net income (loss) attributable to Alliance HealthCare Services, Inc. | $ 493 | $ 6,742 | $ 10,618 | $ (21,483) | $ (11,938) | $ (614) | $ (1,190) |
| Income (loss) per common share attributable to Alliance HealthCare Services, Inc.: | | | | | | | |
| Basic | $ 0.05 | $ 0.63 | $ 1.00 | $ (2.02) | $ (1.12) | $ (0.06) | $ (0.11) |
| Diluted | $ 0.04 | $ 0.62 | $ 0.98 | $ (2.02) | $ (1.12) | $ (0.06) | $ (0.11) |
| Weighted average number of shares of Common Stock and Common Stock equivalents: | | | | | | | |
| Basic | 10,866 | 10,741 | 10,669 | 10,634 | 10,624 | 10,973 | 10,779 |
| Diluted | 10,959 | 10,849 | 10,836 | 10,634 | 10,624 | 10,973 | 10,779 |
| **Ratio of Earnings to Fixed Charges**(1) | 1.63 | 2.41 | 2.52 | 0.61 | 0.94 | 1.55 | 1.36 |
| **Consolidated Balance Sheets Data (at end of period):** | | | | | | | |
| Cash and cash equivalents | $ 22,241 | $ 38,070 | $ 33,033 | $ 34,702 | $ 39,977 | $ 21,472 | $ 22,241 |
| Total assets(2) | 659,864 | 603,660 | 457,795 | 439,988 | 508,143 | 645,642 | 659,864 |
| Long-term debt, including current maturities(2) | 548,745 | 571,091 | 499,170 | 519,801 | 542,138 | 543,249 | 551,216 |
| Stockholders deficit | (9,503) | (77,620) | (122,524) | (147,661) | (127,337) | (9,943) | (45,827) |

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(1) The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. For purposes of calculating the ratio of earnings to fixed charges, earnings are defined as income before income taxes, plus noncontrolling interest, plus distributions from unconsolidated investees, plus fixed charges. Fixed charges are the sum of interest on all indebtedness and amortization of debt issuance costs.
(2) Total assets and long-term debt, including current maturities, have been retroactively adjusted to reflect the impact of accounting pronouncements adopted on January 1, 2016. See Note 2 in Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (001-16609), filed with the SEC on March 10, 2017.

**Book Value Per Share**

Our net book value per share as of March 31, 2017 was approximately -$0.92 (calculated based on 10,831,300 shares outstanding as of such date).

**Market Price of the Common Stock**

The Common Stock is traded on the NASDAQ Global Market under the symbol AIQ.

The following table sets forth for the periods indicated the high and low sales prices for the Common Stock.

| | Market Price | |
|---|---|---|
| Fiscal Year | High | Low |
| **2017** | | |
| First Quarter | $ 10.40 | 9.60 |
| Second Quarter | 13.60 | 9.95 |
| **2016** | | |
| First Quarter | $ 8.80 | 6.51 |
| Second Quarter | $ 7.83 | 5.90 |
| Third Quarter | $ 6.88 | 5.77 |
| Fourth Quarter | $ 9.60 | 6.94 |
| **2015** | | |
| First Quarter | $ 25.33 | 19.76 |
| Second Quarter | $ 24.49 | 17.83 |
| Third Quarter | $ 19.04 | 9.00 |
| Fourth Quarter | $ 10.92 | 6.73 |

The closing price of our Common Stock on June 30, 2017 was $13.30. As of the record date, Alliance had approximately 12 stockholders of record.

**Dividends**

Alliance has not paid any dividends during the periods set forth above. Covenants under Alliance s Credit Agreement restrict the payment of dividends or other distributions on the Common Stock.

**Alliance Purchases of Equity Securities**

Alliance has not repurchased any outstanding Common Stock during the periods set forth above.

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

The following table sets forth certain information regarding beneficial ownership of the Common Stock as of June 30, 2017 by: (a) each person who is known by us to own beneficially more than 5% of our Common Stock; (b) each of our named executive officers (as defined in Compensation Discussion and Analysis ); (c) by each of our directors and nominees for director; and (d) by all of our current executive officers and directors as a

group. Unless otherwise indicated, the address of the person or entities shown in the table below is c/o Alliance HealthCare Services, Inc., 18201 Von Karman Avenue, Suite 600, Irvine, CA.

| Name | Common Stock Owned Beneficially[(1)] | Percentage of Shares Beneficially Owned[(1)] |
|---|---|---|
| *Greater than 5% Stockholders:* | | |
| THAIHOT Investment Company Limited[(2)] | 5,537,945 | 51.1% |
| Renaissance Technologies LLC[(3)] | 762,960 | 7.0% |
| *Named Executive Officers:* [(4)] | | |
| Percy C. Tomlinson | 156,894 | * |
| Rhonda Longmore-Grund | 22,195 | * |
| Richard W. Johns | 87,323 | * |
| Richard A. Jones | 96,717 | * |
| Laurie R. Miller | 5,742 | * |
| Gregory E. Spurlock | 27,296 | * |
| Howard K. Aihara | 45,570 | * |
| *Directors:* | | * |
| Qisen Huang[(2)] | 5,537,945 | 51.1% |
| Scott A. Bartos | 24,608 | |
| Larry C. Buckelew | 54,202 | * |
| Neil F. Dimick | 55,900 | * |
| Heping Feng | | * |
| Tao Zhang | | * |
| Edward L. Samek | 67,900 | * |
| Paul S. Viviano | 77,637 | * |
| All Current Executive Officers and Directors (15 persons) | 6,214,359 | 57.3% |

* Less than 1%

(1) Except as otherwise indicated, the persons named in the table have sole voting and investment power with respect to the shares of our Common Stock shown as beneficially owned by them and have an address in care of our principal office. Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 under the Exchange Act. The percentages are based upon 10,831,300 shares outstanding as of June 30, 2017, except for certain persons who hold options that are presently exercisable or exercisable within 60 days of that date. The percentages for those parties who hold options that are presently exercisable or exercisable within 60 days of June 30, 2017 are based upon the sum of 10,831,300 shares outstanding plus the number of shares subject to options that are presently exercisable or exercisable within 60 days of June 30, 2017 held by them, as indicated in the following notes.

(2) The amounts shown and the following information was provided by THAIHOT Investment Company Limited (referred to as THAIHOT ), Tahoe and Mr. Qisen Huang pursuant to a Schedule 13D/A filed with the SEC on April 11, 2017 indicating beneficial ownership as of April 10, 2017 of 5,537,945 shares of our Common Stock. Tahoe Investment Group Co., Ltd. is an investment holding company and an affiliate of THAIHOT. Mr. Qisen Huang is the 95% shareholder and director of Tahoe Investment Group Co., Ltd. and the sole director of

THAIHOT. The address of THAIHOT, Tahoe and Mr. Qisen Huang is: c/o Tahoe Investment Group Co., Ltd., No. 43 Hudong Road, Olympic Building, Fuzhou City, Fujian Province, China 350003.

(3) The amounts shown and the following information was provided by Renaissance Technologies LLC ( RTC ) and Renaissance Technologies Holding Corporation ( RTHC ) pursuant to a Schedule 13G/A filed with the SEC on February 14, 2017 indicating beneficial ownership as of December 31, 2016 of 762,960 shares of our Common Stock. RTC and RTHC report that they have sole voting power over 731,604 shares, sole dispositive power over 731,604 shares and shared dispositive power over 13,526 shares. The address of the principal business office of RTC and RTHC is 800 Third Avenue, New York, New York 10022.

(4) Includes shares of our Common Stock that may be acquired as of or within 60 days of June 30, 2017 through the exercise of stock options as follows: Mr. Tomlinson (138,700), Ms. Longmore-Grund (19,695), Mr. Johns (82,765), Mr. Jones (79,207), Ms. Miller (5,145) and Mr. Spurlock (20,289). Also includes shares of our Common Stock that may be acquired within 60 days of June 30, 2017 through the vesting of restricted stock unit awards as follows: Mr. Tomlinson (0), Mr. Aihara (0), Ms. Longmore-Grund (0), Mr. Johns (0), Mr. Jones (0), Ms. Miller (0) and Mr. Spurlock (0).

**Transactions in Common Stock**

*Transactions Between Alliance and the Purchaser Group Members*

We believe that we have executed all of the transactions set forth below on terms no less favorable to us than we could have obtained from unaffiliated third parties. We intend to ensure that all future transactions between us and our officers, directors and principal stockholders and their affiliates, are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

On March 29, 2016, THAIHOT consummated the 2016 Transaction. The aggregate purchase price was approximately $102.5 million, or $18.50 per share, and was paid from funds held by THAIHOT. As a result, THAIHOT acquired approximately 51.5% of our then-outstanding Common Stock. In connection with the purchase, we entered into the Governance Agreement. The Governance Agreement was approved by a special committee of our Board composed of independent directors of Alliance not affiliated with any selling stockholders. See *Agreements With Purchaser Group Members Involving Common Stock Governance, Voting and Standstill Agreement* beginning on page 144 and *Important Additional Information Regarding Alliance Transactions in Common Stock* beginning on page 143.

THAIHOT holds registration rights pursuant to a Registration Rights Agreement, dated as of November 2, 1999, which was assigned to it by the former controlling stockholder of Alliance. See *Agreements With Purchaser Group Members Involving Common Stock Registration Rights Agreement* beginning on page 144.

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## AGREEMENTS WITH PURCHASER GROUP MEMBERS INVOLVING COMMON STOCK

### Support Agreement

In connection with the Merger Agreement, Tahoe, THAIHOT, Parent, Mr. Qisen Huang and Alliance entered into a Rollover and Support Agreement, dated as of the date of the Merger Agreement, which is referred to as the Support Agreement . On the terms and conditions set forth in the Support Agreement, Tahoe, THAIHOT and Mr. Qisen Huang have agreed to vote (or cause to be voted) all the Rollover Shares, among other matters, for the approval and adoption of the Merger Agreement and the transactions contemplated by the Merger Agreement. The Support Agreement also provides that THAIHOT will contribute the Rollover Shares to Parent in exchange for newly issued shares of Parent and receive no consideration for the cancellation of the Rollover Shares in accordance with the Merger Agreement.

The foregoing description of the Support Agreement is qualified in its entirety by the full text of such agreement, a copy of which is filed as Exhibit 10.1 to Alliance s Current Report on Form 8-K filed on April 11, 2017, and is incorporated herein by reference.

### Governance, Voting and Standstill Agreement

In connection with the 2016 Transaction, we entered into the Governance Agreement, as described under *Certain Governance Items Certain Relationships and Related Transactions Related Person Transactions* .

On December 9, 2016, the Special Committee approved a waiver of the standstill provision in the Governance Agreement for the limited purpose of Tahoe submitting to the Special Committee its proposal to acquire the unaffiliated shares and to make any public announcement thereof required by applicable law, rule or regulation. On April 10, 2017, the Special Committee approved a waiver of the standstill provision in the Governance Agreement in order for the Purchaser Parties to enter into the Merger Agreement, the Support Agreement and any other documents contemplated thereby for the purpose of acquiring all of the unaffiliated shares and upon consummation of the merger and the other contemplated transactions to make any public announcement required by applicable law, rule or regulation.

The description of the Governance Agreement referenced above is qualified in its entirety by the full text of such agreement, a copy of which is filed as Exhibit 10.1 to Alliance s Current Report on Form 8-K filed on March 29, 2016, and is incorporated herein by reference.

### Registration Rights Agreement

Oaktree and MTS held registration rights with respect to Alliance capital stock pursuant to a registration rights agreement, dated as of November 2, 1999 (the Registration Rights Agreement ). In connection with the 2016 Transaction, Oaktree and MTS assigned substantially all of their respective rights and obligations under the Registration Rights Agreement to THAIHOT pursuant to an assignment dated as of March 29, 2016.

The foregoing description of the Registration Rights Agreement is qualified in its entirety by the full text of such agreement, which is included as Exhibit 10.21 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and is incorporated herein by reference.

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## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (referred to as the Exchange Act ), requires our directors and executive officers, and persons who own more than 10% of a registered class of our securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our Common Stock and other equity securities. Based solely on a review of copies of such forms received with respect to fiscal year 2016 and the written representations received from certain reporting persons that no other reports were required, we believe that all directors, officers and persons who own more than 10% of our Common Stock have complied with the reporting requirements of Section 16(a), except that, due to administrative oversight, on April 12, 2016, a late Form 3 was filed to report the determination that effective as of March 15, 2016, Dr. Steven M. Siwek was an executive officer of Alliance; on May 16, 2016, a late Form 4 was filed to report the sale of 5,812 shares of our Common Stock by Mr. Gregory E. Spurlock on May 12, 2014; and on February 22, 2017 (March 13, 2017 for Dr. Zhang), late Forms 4 were filed to report that each of Messrs. Buckelew, Bartos, Samek, Viviano and Dimick and Dr. Zhang received a restricted stock unit award on December 31, 2016.

## MULTIPLE STOCKHOLDERS SHARING ONE ADDRESS

In accordance with Rule 14a-3(e)(1) under the Exchange Act, one proxy statement will be delivered to two or more stockholders who share an address, unless we have received contrary instructions from one or more of the stockholders. We will deliver promptly upon written or oral request a separate copy of the proxy statement to a stockholder at a shared address to which a single copy of the proxy statement was delivered. If your household received a single set of proxy materials, but you would prefer to receive a separate copy of this proxy statement or our annual report on Form 10-K for the year ended December 31, 2016, you may contact us at Alliance HealthCare Services, Inc., 18201 Von Karman Avenue, Suite 600, Irvine, California 96212, Attn: Secretary, and we will deliver those documents to you promptly upon receiving the request. You may also change your preferences through the Broadridge Householding Election system at 1-866-540-7095.

## SUBMISSION OF STOCKHOLDER PROPOSALS

If the merger is completed, we will not hold a 2018 Annual Meeting of Stockholders. If the merger is not completed, you will continue to be entitled to attend and participate in our annual meetings of stockholders.

In general, stockholders who, in accordance with Rule 14a-8 under the Exchange Act wish to present proposals for inclusion in the proxy materials to be distributed by us in connection with our 2018 Annual Meeting (if there is one) must submit their proposals to our Secretary on or before March 16, 2018.

In accordance with our bylaws, to be properly brought before the 2018 Annual Meeting, a stockholder s notice of the nominee or the matter the stockholder wishes to present must be delivered to our Secretary at the address provided below no earlier than April 17, 2018 and no later than May 17, 2018. All stockholders must also comply with the applicable requirements of the Exchange Act. Your submission must contain the specific information required in our bylaws. If you would like a copy of our bylaws, please write to our Secretary at Alliance HealthCare Services, Inc., 18201 Von Karman Avenue, Suite 600, Irvine, California 92612.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

The Company files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, proxy statements or other information that we file with the SEC at the following location of the SEC:

Public Reference Room

100 F Street, N.E.

Washington, D.C. 20549

Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. The Company s public filings are also available to the public from document retrieval services and the Internet website maintained by the SEC at www.sec.gov. Our Current Reports on Form 8-K, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and proxy statements, and amendments to such, filed with the SEC are made available on our website at www.alliancehealthcareservices-us.com. Our code of conduct and key committee charters are also available on our website.

The Company will make available a copy of its public reports, without charge, upon written request to the Secretary, Alliance HealthCare Services, Inc., 18201 Von Karman Avenue, Suite 600, Irvine, California 92612. Each such request must set forth a good faith representation that, as of the record date, the person making the request was a beneficial owner of Common Stock entitled to vote at the annual meeting. In order to ensure timely delivery of such documents prior to the annual meeting, any such request should be made promptly to the Company. A copy of any exhibit may be obtained upon written request by a stockholder (for a fee limited to the Company s reasonable expenses in furnishing such exhibit) to the Secretary, Alliance HealthCare Services, Inc., 18201 Von Karman Avenue, Suite 600, Irvine, California 92612.

Because the merger is a going private transaction, the Company and the Purchaser Group Members have filed with the SEC a Transaction Statement on Schedule 13E-3 with respect to the merger. The Schedule 13E-3, including any amendments and exhibits filed or incorporated by reference as a part of it, is available for inspection as set forth above. The Schedule 13E-3 will be amended to report promptly any material change in the information set forth in the most recent Schedule 13E-3 filed with the SEC. We will also amend the Schedule 13E-3 to incorporate by reference any additional documents that we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement and prior to the date of the annual meeting to the extent required to fulfill our obligations under the Exchange Act.

The SEC allows us to incorporate by reference into this proxy statement documents we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this proxy statement. We incorporate by reference the documents listed below that we have previously filed with the SEC:

**Company Filings**

Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2016, filed with the SEC on March 10, 2017

Amendment No. 1 to Annual Report on Form 10-K/A, filed with the SEC on May 1, 2017

Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2017, filed with the SEC on May 9, 2017

Current Report on Form 8-K, filed with the SEC on April 11, 2017

No persons have been authorized to give any information or to make any representations other than those contained in this proxy statement and, if given or made, such information or representations must not be relied upon as having been authorized by us or any other person. This proxy statement is dated July 14, 2017. You should not assume that the information contained in this proxy statement is accurate as of any date other than that date, and the mailing of this proxy statement to stockholders shall not create any implication to the contrary.

By Order of the Board of Directors,

Richard W. Johns

Chief Operating Officer, Chief Legal Officer and Secretary

Irvine, California

July 14, 2017

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# ANNEX A

## MERGER AGREEMENT

**EXECUTION COPY**

## AGREEMENT AND PLAN OF MERGER

**by and among**

**TAHOE INVESTMENT GROUP CO., LTD.**

**THAIHOT INVESTMENT COMPANY LIMITED**

**THAIHOT INVESTMENT COMPANY US LIMITED**

**ALLIANCE HEALTHCARE SERVICES MERGER SUB LIMITED**

**and**

**ALLIANCE HEALTHCARE SERVICES, INC.**

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