



Compensation Committee Charter

I. General Statement of Purpose

The Compensation Committee of the Board of Directors (the "Compensation Committee") of athenahealth, Inc. (the "Company"), on behalf of the Board of Directors (the "Board"), discharges the Board's responsibilities relating to compensation of the Company's executives, oversees the Company's overall compensation programs, and develops and implements compensation policies and plans that are appropriate for the Company and which provide incentives that further the Company's long-term strategic plan.

II. Structure and Membership

- Number. The number of individuals serving on the Compensation Committee shall be fixed by the Board from time to time but shall consist of at least two members.
- Independence. Each member of the Compensation Committee shall be independent in accordance with applicable rules of the NASDAQ Stock Market ("NASDAQ rules"). In affirmatively determining the independence of any member of the Compensation Committee, the Board shall consider the factors set forth in Rule 10C-1(b)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). At least two members of the Compensation Committee shall qualify as "non-employee directors" for purposes of Rule 16b-3 under the Exchange Act and as "outside directors" for purposes of Section 162(m) of the Internal Revenue Code, as amended.
- Selection and Removal. The members of the Compensation Committee shall be appointed annually by the Board upon recommendation of the Nominating and Corporate Governance Committee and may be replaced or removed by the Board at any time with or without cause. Resignation or removal of a director from the Board, for whatever reason, shall automatically constitute resignation or removal, as applicable, from the Compensation Committee. Vacancies occurring, for whatever reason, shall be filled by the Board upon recommendation of the Nominating and Corporate Governance Committee.
- Chair. The Board shall designate one member of the Compensation Committee to serve as Chair of the Compensation Committee.
- Indemnification and Expenses. All indemnification, exculpation, expense reimbursement and advancement provisions and rights available to members of the Compensation Committee in their capacities as directors of the Company shall be fully applicable with respect to their service on the Compensation Committee or any subcommittee thereof.
- Meetings. The Compensation Committee shall meet as often as it deems necessary. A majority of the members of the Compensation Committee shall constitute a quorum for purposes of holding a meeting and the Compensation

Committee may act by a vote of a majority of members present at such meeting. In lieu of a meeting, the Compensation Committee may act by unanimous written consent. The Compensation Committee shall maintain minutes of meetings.

III. Compensation Committee Activities

The following responsibilities are set forth as a guide for fulfilling the Compensation Committee's purposes, with the understanding that the Compensation Committee's activities may diverge as appropriate given the circumstances. The Compensation Committee's purposes and responsibilities shall be as set forth below.

A. Matters Related to Compensation of the Company's Chief Executive Officer

- At least annually, review and approve, or recommend to the Board for approval, the corporate goals and objectives that may be relevant to the compensation of the Company's Chief Executive Officer ("CEO").
- Evaluate the CEO's performance in light of the goals and objectives that were set for the CEO, including the annual performance objectives for the CEO, and determine and approve, or recommend to the Board for approval, the CEO's compensation based on such evaluation, including discretionary awards. In connection with determining the long-term incentive component of the CEO's compensation, the Compensation Committee may consider the Company's financial and operational performance, the value of similar incentive awards to CEOs at comparable companies and the awards given to the Company's CEO in past years. In evaluating and determining CEO compensation, the Compensation Committee shall consider the results of the most recent stockholder advisory vote on executive compensation ("Say-on-Pay Vote") required by Section 14A of the Exchange Act.
- The Company's CEO may not be present during voting or deliberation concerning his or her compensation.

B. Matters Related to Compensation of Officers Other Than the Chief Executive Officer

- Determine the compensation of the Company's officers, any members of management that report directly to the CEO and other members of management as the Board and the Compensation Committee determine appropriate, in each case based on the recommendation of the CEO. For the purposes hereof the term "officer" has the meaning defined in Section 16 of the Exchange Act and Rule 16a-1 thereunder. In evaluating and determining executive compensation, the Compensation Committee shall consider the results of the most recent Say-On-Pay Vote.

C. Executive Compensation Disclosure

- Review and discuss annually with management the Company's Compensation Discussion and Analysis" (the "CD&A") required by Item 402(b) of Regulation S-K and, based on such review and discussion, determine whether or not to recommend to the Board that the CD&A be included in the Company's proxy statement relating to its annual meeting of stockholders.

- Produce an annual Compensation Committee Report as required by Item 407(e)(5) of Regulation S-K.

D. Matters Related to Compensation, Incentive and Equity Based Plans

- Establish and review the Company's overall management compensation philosophy and policy.
- Review and approve, or recommend to the Board for approval, actions with respect to the adoption, amendment, administration and termination of all incentive-based compensation, equity-based compensation, pension and other similar plans of the Company, all in accordance with the terms of such plans, subject, in each case, to stockholder approval of any action as required under the applicable plans, the rules and regulations of the Securities and Exchange Commission or NASDAQ, or any other rules and regulations applicable to the Company. In connection with the foregoing, the Compensation Committee shall consider appropriate industry benchmarks and, as appropriate, the compensation policies pursued by companies similarly situated to the Company.
- Review the Company's incentive compensation arrangements to determine whether they encourage excessive risk-taking, review and discuss at least annually the relationship between risk management policies and practices and compensation, and evaluate compensation policies and practices that could mitigate any such risk.
- Review and recommend to the Board for approval the frequency with which the Company will conduct Say-on-Pay Votes, taking into account the results of the most recent stockholder advisory vote on frequency of Say-on-Pay Votes required by Section 14A of the Exchange Act, and review and approve the proposals regarding the Say-on-Pay Vote and the frequency of the Say-on-Pay Vote to be included in the Company's proxy statement.

E. Review of Charter

- Review and reassess the adequacy of this Charter annually and submit any proposed changes to the Board for approval.

F. Self-Evaluations

- Annually evaluate its own performance.

IV. Additional Compensation Committee Authority

The Compensation Committee is authorized, on behalf of the Board, to do any of the following, as the Compensation Committee deems necessary or appropriate in its discretion:

A. Outside Advisors

- The Compensation Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel, or other advisor (each, an "Advisor") as necessary to assist with the execution of its responsibilities set forth in this Charter, but only after taking into consideration the applicable

factors affecting independence that are specified in NASDAQ rule 5605(d)(3)(D).

- The Compensation Committee is directly responsible for the appointment, compensation, and oversight of the work of any Advisor retained by the Compensation Committee.
- The Company must provide appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to any Advisor retained by the Compensation Committee.
- The Compensation Committee shall evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K.

B. Matters Related to Supplemental Benefits

- Review and approve, or recommend to the Board for approval, for the CEO and the other officers of the Company, any employment agreements, severance arrangements, and change in control agreements or provisions, in each case, when and if appropriate, and any special or supplemental benefits.

V. General

- Delegation. The Compensation Committee may establish and delegate authority to one or more subcommittees consisting of one or more of its members, when the Compensation Committee deems it appropriate to do so in order to carry out its responsibilities.
- Reports to Board. The Compensation Committee shall make regular reports to the Board concerning areas of the Compensation Committee's responsibility and maintain minutes or other records of Compensation Committee meetings and activities.
- Further Investigation. In discharging its role, the Compensation Committee is empowered to inquire into any matter that it considers appropriate to carry out its responsibilities, with access to all books, records, facilities and personnel of the Company. The Compensation Committee shall have the authority to request that any officer or employee of the Company, the Company's outside legal counsel, the Company's independent auditor or any other professional retained by the Company to render advice to the Company attend a meeting of the Compensation Committee or meet with any members of or advisors to the Compensation Committee. In carrying out its responsibilities, the Compensation Committee shall be entitled to rely upon advice and information that it receives in its discussions and communications with management and such experts, advisors and professionals with whom the Compensation Committee may consult.
- Other Duties. The Compensation Committee may perform such other functions as may be requested by the Board from time to time.