

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

PONTIAC GENERAL EMPLOYEES
RETIREMENT SYSTEM, On Behalf of
Itself and All Others Similarly Situated and On
Behalf of Nominal Defendant
HEALTHWAYS, INC.,

Plaintiff,

v.

C.A. No. 9789-VCL

JOHN W. BALLANTINE, J. CRIS
BISGARD, MARY JANE ENGLAND,
BEN R. LEEDLE JR., C. WARREN
NEEL, WILLIAM D. NOVELLI,
ALISON TAUNTON-RIGBY, DONATO TRAMUTO,
JOHN A. WICKENS, KEVIN WILLS, and
SUNTRUST BANK,

Defendants, and

HEALTHWAYS, INC.,

Nominal Defendant.

**NOTICE OF PENDENCY AND PROPOSED
SETTLEMENT OF CLASS ACTION**

The Delaware Court of Chancery authorized this Notice. This is not a solicitation from a lawyer.

TO: All Persons who held Healthways Inc. (“Healthways” or the “Company”) common stock at any time during the period from June 8, 2012 through and including the close of trading on February 10, 2015 (the “Class Period”) and that continued to hold Healthways common stock as of the end of the Class Period, but excluding (a) the Individual Defendants (defined below) and their respective immediate family members; (b) the Company, SunTrust (defined below) and each of the other Lenders (defined below), as well as each of their respective subsidiary companies, officers, directors and affiliates; and (c) the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any of the foregoing excluded parties (the “Class”). Members of the Class are referred to herein as “Class Members.”¹

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.

This Notice relates to a proposed settlement (the “Settlement”) of the above-captioned shareholder class action (the “Action”) pending in the Court of Chancery of the State of Delaware (the “Court”). Class Members’ rights will be affected by the legal proceedings in the Action.

If you are a nominee who held Healthways common stock for the benefit of another during the Class Period, please read the section below entitled “NOTICE TO PERSONS OR ENTITIES HOLDING RECORD OWNERSHIP ON BEHALF OF OTHERS.”

As consideration for the Settlement, Defendants have agreed to eliminate the Proxy Put provision in the Company’s 2012 Loan Agreement (defined below). Plaintiff alleged that the Proxy Put provision in the 2012 Loan Agreement had the potential to deter stockholders from nominating directors and/or supporting the director nominees of other stockholders because, under circumstances, the nomination of directors through an actual or threatened proxy contest could give rise to an “event of default.” As a result of the Action and Settlement, the parties have agreed to eliminate the Proxy Put provision, and Healthways stockholders can nominate or support director nominees without concern for the possibility of triggering an event of default under the 2012 Loan Agreement. Additionally, the Healthways Board has agreed to issue a resolution instructing the Company’s senior management and its General Counsel that any material corporate contract containing a “change of control” provision like the Proxy Put provision must be brought to the

¹ All capitalized terms used in this Notice that are not otherwise defined herein shall have the meanings provided in the Stipulation and Agreement of Compromise, Settlement and Release dated February 10, 2015 (the “Stipulation”). A copy of the Stipulation is available for review at www.gardencitygroup.com.

attention of and explained to the Board, including its impact on the shareholder franchise, prior to its execution. The specific terms of the Settlement consideration are set forth in Paragraph 12 below.

PLEASE NOTE: THERE IS NO PROOF OF CLAIM FORM FOR CLASS MEMBERS TO SUBMIT IN CONNECTION WITH THIS SETTLEMENT, AND CLASS MEMBERS ARE NOT REQUIRED TO TAKE ANY ACTION IN RESPONSE TO THIS NOTICE.

WHAT IS THE PURPOSE OF THIS NOTICE?

1. The purpose of this Notice is to inform Class Members about: (a) the pendency of the Action; (b) the proposed Settlement, subject to Court approval, on the terms and conditions set forth in the Stipulation; (c) the Court's preliminary certification of the Class in connection with the proposed Settlement; (d) Class Members' rights with respect to the proposed Settlement and Plaintiff's Counsel's application for attorneys' fees and litigation expenses; and (e) the hearing that the Court will hold on **May 8, 2015**, at **11:00 AM**, at the Court of Chancery of the State of Delaware, New Castle County Courthouse, 500 North King Street, Wilmington, DE 19801, at which the Court will: (i) determine whether certification of the Class should be made final; (ii) determine whether the Settlement should be approved as fair, reasonable and adequate to the Class; (iii) determine whether to enter the Judgment (defined in Paragraph 16 below) pursuant to the Stipulation; (iv) determine whether to approve Plaintiff's Counsel's application for an award of attorneys' fees and litigation expenses; (v) hear and consider any objections to the Settlement, final certification of the Class or Plaintiff's Counsel's application for an award of attorneys' fees and litigation expenses; and (vi) consider any such other matters as the Court deems appropriate.

WHAT IS THIS CASE ABOUT?

THE FOLLOWING DESCRIPTION OF THIS LITIGATION HAS BEEN PREPARED BY COUNSEL FOR THE PARTIES. THE COURT HAS MADE NO FINDINGS WITH RESPECT TO SUCH MATTERS, AND THIS NOTICE IS NOT AN EXPRESSION OR STATEMENT BY THE COURT OF ANY FINDINGS OF FACT.

2. On or about June 8, 2012, following approval by its board of directors, Healthways entered into its Fifth Amended and Restated Revolving Credit and Term Loan Agreement (the "2012 Loan Agreement") with a syndicate of lenders (the "Lenders"), including Defendant SunTrust Bank ("SunTrust"), which acted as administrative agent for the Lenders.

3. The 2012 Loan Agreement contains a change in control provision that provides as follows:

"Change in Control" shall mean the occurrence of one or more of the following events: (a) any sale, lease, exchange or other transfer (in a single transaction or a series of related transactions) of all or substantially all of the assets of the Borrower to any Person or "group" (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder in effect on the date hereof), (b) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or "group" (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) of 35% or more of the outstanding shares of the voting Capital Stock of the Borrower; or (c) during any period of 24 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals who are Continuing Directors.

4. The 2012 Loan Agreement contains a so-called proxy put provision that defines "Continuing Directors" to exclude the following:

[A]ny individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors (the "Proxy Put provision").

5. Under Section 8.1(m) of the 2012 Loan Agreement, if the Company's board of directors ceases to have a majority of "Continuing Directors" within a consecutive 24-month period, the Lenders have the right to declare an "event of default" and, thus, could elect to terminate the Company's loans and other credit facilities and to declare them immediately due and payable.

6. On June 19, 2014, following a voluntary production of documents in response to a Section 220 Demand Letter from Pontiac General Employees Retirement System ("Plaintiff" or "Pontiac"), Pontiac filed a complaint, captioned *Pontiac Gen. Employees Ret. Sys. v. Ballantine, et al.*, C.A. No. 9789-VCL (the "Complaint"), on behalf of itself, the Company, and all other similarly situated stockholders of the Company against the following defendants: John W. Ballantine, J. Cris

Bisgard, Mary Jane England, Ben R. Leedle Jr., C. Warren Neel, William D. Novelli, Alison Taunton-Rigby, Donato Tramuto, John A. Wickens, Kevin Wills (the “Individual Defendants”), SunTrust and the Company (collectively, the “Defendants”), alleging, among other things, that the Company’s board of directors breached their fiduciary duties of loyalty and care when they did not obtain “extraordinarily valuable economic benefits in exchange for agreeing to the . . . Proxy Put” provision as a part of the 2012 Loan Agreement, and that SunTrust aided and abetted said breach of fiduciary duty. Plaintiff also alleged that it was entitled to a declaratory judgment that the Proxy Put provision was “invalid and unenforceable under Delaware law.” Plaintiff sought, among other things, a permanent injunction barring enforcement of the Proxy Put provision.

7. On August 21, 2014, Healthways and the Individual Defendants moved to dismiss the Complaint based on ripeness grounds, and SunTrust also moved to dismiss the Complaint for failure to state a claim. On October 14, 2014, after briefing and oral argument, the Court denied the Defendants’ respective motions to dismiss the Complaint.

8. Commencing in late October and/or early November 2014, counsel for the respective parties began arm’s length negotiations about a possible resolution to the Action. Thereafter, counsel for the parties reached an oral agreement-in-principle to dismiss the Complaint and settle the Action that provides for certain revisions to the 2012 Loan Agreement, including the removal of the Proxy Put provision. In connection with the settlement negotiations, the Parties did not discuss the amount of any potential application by Plaintiff’s Counsel for attorneys’ fees and expenses.

9. The Parties entered into the Stipulation on February 10, 2015. On February 20, 2015, the Court entered the Scheduling Order in connection with the Settlement which, among other things, authorized this Notice to be provided to Class Members and scheduled the Settlement Hearing to consider whether to grant final approval of the Settlement.

HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT? WHO IS INCLUDED IN THE CLASS?

10. If you are a Class Member, you are subject to the Settlement. The Class preliminarily certified by the Court for purposes of the proposed Settlement consists of:

All Persons who held Healthways common stock at any time during the period from June 8, 2012 through and including the close of trading on February 10, 2015 (the “Class Period”) and that continued to hold Healthways common stock as of the end of the Class Period. Excluded from the Class are (a) the Individual Defendants and their respective immediate family members; (b) the Company, SunTrust and each of the other Lenders, as well as each of their respective subsidiary companies, officers, directors and affiliates; and (c) the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any of the foregoing excluded parties.

11. PLEASE NOTE: The Class was preliminarily certified as a non-“opt-out” class pursuant to Delaware Court of Chancery Rules 23(a), 23(b)(1) and 23(b)(2). Accordingly, Class Members do not have the right to exclude themselves from the Class. The Court will decide whether to finally certify the Class for purposes of the Settlement at the Settlement Hearing (see Paragraph 21 below).

WHAT ARE THE TERMS OF THE SETTLEMENT?

12. As consideration for the Settlement, Defendants have agreed to the following terms:

- (a) The Proxy Put provision will be eliminated by amending the 2012 Loan Agreement’s definition of “Continuing Directors” to delete the following: “(excluding, in the case of both clauses (B) and (C), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors)”.
- (b) No fees of any kind will be paid to SunTrust or the other Lenders for the elimination of the Proxy Put provision. The Company, SunTrust and the other Lenders have reserved the right to negotiate and agree upon fees for amendments or other transactions unrelated to the elimination of the Proxy Put provision.
- (c) The Healthways Board will issue a resolution instructing senior management and its General Counsel that any material corporate contract containing a “change of control” provision must be brought to the attention of and explained to the Board, including its impact on the shareholder franchise, prior to its execution. The Parties have agreed that “material” means as any credit agreement or contract in excess of \$20 million annually that contains a change of control provision that impacts a stockholder’s ability to nominate or elect a director via an actual or threatened proxy contest.

- (d) Healthways will conduct a review of all of its material contracts (as defined in subparagraph (c) immediately above) for provisions that contain a change of control provision and shall disclose to the Board any such provisions that are identified.
- (e) The resolutions set forth in subparagraphs (c) and (d) above shall remain in place for at least three years from the Effective Date of the Settlement.

WHAT ARE THE PLAINTIFF'S REASONS FOR THE SETTLEMENT?

13. Plaintiff and Plaintiff's Counsel thoroughly considered the facts and law underlying the claims asserted in the Action. Although Plaintiff and Plaintiff's Counsel believe that the claims asserted have merit, the Court could have eventually entered judgment in favor of the Defendants dismissing Plaintiff's claims prior to or after trial by finding, among other things, that (a) the directors did not breach their fiduciary duties by agreeing to the Proxy Put provision; or (b) the Lenders did not knowingly aid the directors in their alleged breaches of fiduciary duties. Plaintiff and Plaintiff's Counsel also considered the expense and length of continued proceedings necessary to pursue the claims asserted through trial, as well as the uncertainty of appeals, and the fact that the relief provided for in the Settlement may not have been accomplished through judicial resolution.

14. Plaintiff alleged that the Proxy Put provision in the 2012 Loan Agreement had the potential to deter stockholders from nominating directors and/or supporting the director nominees of other stockholders because, under circumstances, the nomination of directors through an actual or threatened proxy contest could give rise to an "event of default." As a result of the Action and Settlement, the parties have agreed to eliminate the Proxy Put provision, and Healthways stockholders can nominate or support director nominees without concern for the possibility of triggering an event of default under the 2012 Loan Agreement.

15. In light of the valuable benefits provided to the Class under the Settlement, Plaintiff and Plaintiff's Counsel have determined that the proposed Settlement is fair, reasonable and adequate to the Class. The Settlement provides substantial immediate benefits to the Class without the risk that continued litigation could result in obtaining similar or lesser relief for the Class after continued extensive and expensive litigation, including trial and the appeals that were likely to follow.

WHAT WILL HAPPEN IF THE SETTLEMENT IS APPROVED? WHAT CLAIMS WILL THE SETTLEMENT RELEASE?

16. If the Settlement is approved, the Court will enter a judgment (the "Judgment"). Pursuant to the Judgment, upon the Effective Date of the Settlement, the Action will be dismissed with prejudice and the following releases will occur:

Release of Claims by the Class: Plaintiff and each and every other member of the Class, on behalf of themselves and their respective heirs, executors, administrators, predecessors, successors and assigns in their capacities as such, shall be deemed to have and by operation of law and of the Judgment shall have, completely, fully, finally and forever released, relinquished, settled and discharged each and all of the Defendants and the other Released Defendant Parties (defined below) from any and all of the Released Plaintiff Claims (defined below), and shall be forever barred from commencing, instituting or prosecuting any action or other proceeding, in any forum, that asserts any Released Plaintiff Claims against any of the Released Defendant Parties.

"Released Plaintiff Claims" means any and all manner of claims, demands, rights, actions or causes of action, liabilities, damages, losses, obligations, judgments, suits, matters and issues of any kind or nature whatsoever, whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, matured or unmatured, accrued or unaccrued, apparent or unapparent, that have been, could have been, or in the future could have or might have been asserted in the Action or in any other court, tribunal or proceeding by Plaintiff or any of the other members of the Class against the Defendants or any of the other Released Defendant Parties, whether direct, derivative, individual, class, representative, legal, equitable or of any other type or asserted in any other capacity, that relate in any way to the Class member's ownership of Healthways common stock during the Class Period and that arise out of or are based upon the facts, events, transactions, acts, matters, occurrences, statements, representations, misrepresentations, omissions or any other matter, thing or cause whatsoever, or any series thereof, involved in, set forth in or referred to in the allegations in the Complaint, including, without limitation, the allegations in the Complaint concerning the 2012 Loan Agreement, the deliberations and decision making process of the Company's board of directors in connection with the 2012 Loan Agreement, or any disclosures (including the adequacy and completeness of such disclosures) made in connection with the 2012 Loan Agreement. Released Plaintiff Claims do not include any claims to enforce the Settlement, which are expressly excluded from the Released Plaintiff Claims.

“Released Defendant Parties” means (i) the Company, the Individual Defendants, SunTrust and the other Lenders; (ii) any person or entity who is or was affiliated with any or all of the persons or entities identified in subpart (i) above; (iii) any person or entity in which any or all of the persons or entities identified in subpart (i) above has or had a controlling interest; and (iv) the respective past or present immediate family members, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies, corporations, parents, subsidiaries, divisions, affiliates, associated entities, shareholders, principals, officers, managers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, controlling persons, representatives, financial or investment advisors, advisors, consultants, commercial bankers, attorneys, personal or legal representatives, accountants, insurers, co-insurers, reinsurers and associates of each and all of the persons and entities identified in subpart (i) above.

Release of Claims by Defendants: Defendants and each and every other Released Defendant Party, on behalf of themselves and their respective heirs, executors, administrators, predecessors, successors and assigns in their capacities as such, shall be deemed to have and by operation of law and of the Judgment shall have, completely, fully, finally and forever released, relinquished, settled and discharged each and all of Plaintiff and the other Released Plaintiff Parties (defined below) from any and all of the Released Defendant Claims (defined below), and shall be forever barred from commencing, instituting or prosecuting any action or other proceeding, in any forum, that asserts any Released Defendant Claims against any of the Released Plaintiff Parties.

“Released Defendant Claims” means any and all manner of claims, demands, rights, actions or causes of action, liabilities, damages, losses, obligations, judgments, suits, matters and issues of any kind or nature whatsoever, whether known or unknown, contingent or absolute, suspected or unsuspected, disclosed or undisclosed, matured or unmatured, accrued or unaccrued, apparent or unapparent, arising out of or based upon the institution, prosecution, or settlement of the claims asserted by the Plaintiff or the Class in the Action against the Defendants. Released Defendant Claims do not include any claims to enforce the Settlement, which are expressly excluded from the Released Defendant Claims.

“Released Plaintiff Parties” means (i) Plaintiff and all other members of the Class; (ii) any person or entity who is or was affiliated with Plaintiff or any of the other members of the Class; (iii) any person or entity in which Plaintiff or any other member of the Class has or had a controlling interest; and (iv) the respective past or present immediate family members, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies, corporations, parents, subsidiaries, divisions, affiliates, associated entities, shareholders, principals, officers, managers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, controlling persons, representatives, financial or investment advisors, advisors, consultants, commercial bankers, attorneys, personal or legal representatives, accountants, insurers, co-insurers, reinsurers and associates of Plaintiff and all other members of the Class.

Effect of Releases: The Releases include any and all Unknown Claims (defined below), and the Parties have expressly stipulated and agreed that, upon the Effective Date of the Settlement, Plaintiff, each and every other member of the Class, Defendants and each and every other Released Defendant Party shall be deemed to have waived, relinquished and released any and all provisions, rights and benefits conferred by or under any law of the United States or any state or territory of the United States, or principle of common law or foreign law, that may have the effect of limiting the Releases. In particular, Plaintiff, each and every other member of the Class, Defendants, and each and every other Released Defendant Party shall be deemed by operation of law to have waived, relinquished and released, to the fullest extent permitted by law, the provisions, rights and benefits of section 1542 of the California Civil Code, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Plaintiff, each and every other member of the Class, Defendants and each and every other Released Defendant Party shall also be deemed by operation of law to have waived, relinquished and released, to the extent they are applicable, and to the fullest extent permitted by law, the provisions, rights and benefits of any law of any state or territory of the United States, federal law or principle of common law, that is similar, comparable or equivalent to section 1542 of the California Civil Code. Plaintiff and Defendants acknowledge, and each and every other member of the Class and Released Defendant Party shall be deemed by operation of law to have acknowledged,

that they may discover facts in addition to or different from those now known or believed to be true with respect to the Released Plaintiff Claims and Released Defendant Claims, but that it is their intention to hereby completely, fully, finally and forever compromise, settle, release, discharge and extinguish any and all Released Plaintiff Claims and Released Defendant Claims, suspected or unsuspected, which previously existed, now exist or may hereafter exist, and without regard to the subsequent discovery or existence of additional or different facts. Plaintiff and Defendants acknowledge, and each and every other member of the Class and Released Defendant Party shall be deemed by operation of law to have acknowledged, that the waiver of Unknown Claims was separately bargained for and was a material element of the Settlement, and was relied upon by each and all of the Parties in entering into the Stipulation and the Settlement.

“Unknown Claims” means any and all Released Plaintiff Claims that Plaintiff or any other member of the Class does not know or suspect to exist in his, her or its favor at the time of the release of such claims, and any Released Defendant Claims which any Defendant or any other Released Defendant Party does not know or suspect to exist in his, her or its favor at the time of the release of such claims, including without limitation those that, if known, might have affected his, her or its decision to enter into or to object to the Settlement.

17. The Court has stayed all proceedings in the Action other than those related to the Settlement. By Order of the Court, pending final determination by the Court of whether the Settlement should be approved, Plaintiff and all other members of the Class are barred and enjoined from instituting, commencing or prosecuting any and all of the Released Plaintiff Claims against any and all of the Released Defendant Parties.

HOW WILL PLAINTIFF’S COUNSEL BE PAID?

18. Plaintiff’s Counsel have not received any payment for their services in pursuing the claims asserted in the Action, nor have Plaintiff’s Counsel been compensated for their litigation expenses. Plaintiff’s Counsel invested their own resources pursuing the Action on a contingency basis, meaning they would only recover their expenses and be compensated for their time if they created benefits through the Action. In light of the risks undertaken in pursuing the Action on a contingency basis, and the benefits created for the Class through the prosecution of the Action and the Settlement, Plaintiff’s Counsel intend to apply to the Court for an award of attorneys’ fees and litigation expenses.

19. Plaintiff’s Counsel intend to seek Court approval for an award of attorneys’ fees and litigation expenses in an amount not to exceed \$1,200,000.00 in the aggregate. Defendants have agreed that Plaintiff’s Counsel are entitled to an award of attorneys’ fees and litigation expenses, and have agreed not to oppose the fee and expense application as set forth above.

20. The Court will determine the amount of any fee and expense award to Plaintiff’s Counsel (the “Fee and Expense Award”). The full amount of any Fee and Expense Award shall be paid by the Company, its successor-in-interest or their insurers. Class Members are not personally liable for any such fees or expenses.

WHEN AND WHERE WILL THE SETTLEMENT HEARING BE HELD? DO I HAVE RIGHT TO APPEAR AT THE SETTLEMENT HEARING?

21. The Court will consider the Settlement and all matters related to the Settlement at the Settlement Hearing. The Settlement Hearing will be held before The Honorable J. Travis Laster, Vice Chancellor, on **May 8, 2015**, at **11:00 AM**, at the Court of Chancery of the State of Delaware, New Castle County Courthouse, 500 North King Street, Wilmington, DE 19801. At the Settlement Hearing, the Court will, among other things: (a) determine whether the certification of the Class should be made final; (b) determine whether the proposed Settlement on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate to the Class, and should be approved by the Court; (c) determine whether the Judgment (as defined above), should be entered dismissing the Action with prejudice against Defendants pursuant to the Stipulation; (d) determine whether the application by Plaintiff’s Counsel for an award of attorneys’ fees and litigation expenses should be approved; (e) hear and consider any objections to the Settlement, final certification of the Class or Plaintiff’s Counsel’s application for an award of attorneys’ fees and litigation expenses; and (f) consider any other matters that may properly be brought before the Court in connection with the Settlement.

22. Any Class Member may object to the Settlement or Plaintiff’s Counsel’s application for an award of attorneys’ fees and litigation expenses. Objections must be in writing. Class Members must file any written objection, together with copies of all other papers and briefs supporting the objection, with the Register in Chancery at the address set forth below on or before April 28, 2015. Class Members must also serve the papers on representative counsel for Plaintiff and Defendants (by hand or overnight delivery) at the addresses set forth below so that the papers are **received** on or before April 28, 2015.

Register in Chancery	Representative Counsel <u>for Plaintiff</u>	Representative Counsel <u>for Defendants</u>
Court of Chancery New Castle County Courthouse 500 North King Street Wilmington, DE 19801	Joel Friedlander, Esq. Friedlander & Gorris, P.A. 222 Delaware Avenue Suite 1400 Wilmington, DE 19801	William M. Lafferty, Esq. Morris, Nichols, Arsht & Tunnell LLP 1201 N. Market Street Wilmington, DE 19801 S. Michael Sirkin, Esq. Seitz Ross Aronstam & Moritz LLP 100 S. West Street Suite 400 Wilmington, DE 19801

23. Any objections, filings and other submissions by the objecting Class Member: (a) must be signed by the objector and must state the name, address and telephone number of the person or entity objecting and, if represented by counsel, must state the name, address and telephone number of such counsel; (b) must contain a written, specific statement of the Class Member's objection or objections and the specific reasons for each objection, including any legal and evidentiary support the Class Member wishes to bring to the Court's attention; and (c) must include documentation sufficient to prove that the objector is a member of the Class.

24. You may file a written objection without having to appear at the Settlement Hearing. You may not, however, appear at the Settlement Hearing to present your objection unless you first filed and served a written objection in accordance with the procedures described above, unless the Court orders otherwise.

25. If you wish to be heard orally at the hearing in opposition to the approval of the Settlement or Plaintiff's Counsel's application for an award of attorneys' fees and litigation expenses, and if you file and serve a timely written objection as described above, you must also file a notice of appearance with the Register in Chancery and serve it on representative counsel for Plaintiff and Defendants at the addresses set forth above so that it is *received* on or before April 28, 2015. Persons who intend to object and desire to present evidence at the Settlement Hearing must include in their written objection or notice of appearance the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing. Such persons may be heard orally at the discretion of the Court.

26. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Hearing. However, if you decide to hire an attorney, it will be at your own expense, and that attorney must file a notice of appearance with the Court and serve it on representative counsel for Plaintiff and Defendants at the addresses set forth in Paragraph 22 above so that the notice is **received** on or before April 28, 2015.

27. The Settlement Hearing may be adjourned by the Court without further written notice to the Class. If you intend to attend the Settlement Hearing, you should confirm the date and time with Plaintiff's Counsel.

28. Unless the Court orders otherwise, any Class Member who does not object in the manner described above shall (a) be deemed to have waived and forfeited his, her or its right to object to any aspect of the proposed Settlement or Plaintiff's Counsel's application for an award of attorneys' fees and litigation expenses; (b) be forever barred and foreclosed from objecting to the fairness, reasonableness or adequacy of the Settlement, the Judgment to be entered approving the Settlement or the attorneys' fees and litigation expenses requested and/or awarded; and (c) be deemed to have waived and forever barred and foreclosed from being heard, in this or any other proceeding, with respect to any matters concerning the Settlement or the requested and/or awarded attorneys' fees and litigation expenses.

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

29. This Notice contains only a summary of the terms of the proposed Settlement. For more detailed information about the matters involved in the Action, you are referred to the papers on file in the Action, including the Stipulation, which may be inspected during regular office hours at the Office of the Register in Chancery in the Court of Chancery of the State of Delaware, New Castle County Courthouse, 500 North King Street, Wilmington, DE 19801. Additionally, copies of the Stipulation and any related orders entered by the Court will be posted on the following website: www.gardencitygroup.com. If you have questions regarding the Settlement, you may write or call Plaintiff's Counsel: Mark Lebovitch, Esq., Bernstein Litowitz Berger & Grossmann LLP, 1285 Avenue of the Americas, New York, NY 10019, 1-800- 380-8496; or Joel Friedlander, Esq., Friedlander & Gorris, P.A., 222 Delaware Avenue, Suite 1400, Wilmington, DE 19801, 1-302-573-3500.

NOTICE TO PERSONS OR ENTITIES HOLDING RECORD OWNERSHIP ON BEHALF OF OTHERS

30. If you are a brokerage firm, bank, or other person or entity who or which held shares of Healthways common stock during the Class Period as a record holder for the beneficial interest of persons or organizations other than yourself, you must either: (a) within seven (7) calendar days of receipt of this Notice, request from Healthways through Garden City Group, LLC (the "Notice Administrator"), sufficient copies of this Notice to forward to all such beneficial owners and within seven (7) calendar days of receipt of those Notices forward them to all such beneficial owners; or (b) within seven (7) calendar days of receipt of this Notice, provide a list of the names and addresses of all such beneficial owners to the Notice Administrator at: Healthways Shareholder Litigation, c/o GCG, PO Box 10166, Dublin, OH 43017-3166. If you choose the second option, the Notice Administrator will send a copy of the Notice to the beneficial owners. Copies of this Notice may also be obtained from the website www.gardencitygroup.com, or by calling the Notice Administrator toll-free at 1-800-231-1815.

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF
THE REGISTER IN CHANCERY REGARDING THIS NOTICE.**

Dated: February 20, 2015

BY ORDER OF THE COURT OF
CHANCERY OF THE STATE OF
DELAWARE