

TIVITY HEALTH, INC.  
Form DEF 14A  
April 13, 2018

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

SCHEDULE 14A  
(Rule 14a-101)  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. )

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

TIVITY HEALTH, 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:
- (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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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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701 Cool Springs Blvd  
Franklin, Tennessee 37067

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Stockholders of Tivity Health, Inc.:

The 2018 Annual Meeting of Stockholders of Tivity Health, Inc., a Delaware corporation (the "Company"), will be held at the Company's Corporate Office, 701 Cool Springs Boulevard, Franklin, TN 37067 at 8:30 a.m., Central time, on Thursday, May 24, 2018, for the following purposes:

- (1) To elect ten directors to hold office for a term of one year or until their successors have been elected and qualified;
- (2) To consider and act upon a non-binding, advisory vote to approve compensation of the Company's named executive officers as disclosed in the Proxy Statement;
- (3) To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018; and
- (4) To transact such other business as may properly come before the meeting, or any adjournment or postponement thereof.

In accordance with Securities and Exchange Commission rules, we are mailing to many of our stockholders a Notice of Internet Availability instead of a paper copy of each of the Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2017. The Notice of Internet Availability contains instructions on how stockholders can access the proxy materials over the Internet as well as how stockholders can receive a paper copy of our proxy materials, including the Proxy Statement, the Annual Report on Form 10-K for the year ended December 31, 2017 and a form of proxy card. The Proxy Statement and form of proxy card accompanying this notice are being furnished to stockholders on or about April 13, 2018. Only stockholders of record at the close of business on March 29, 2018 are entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

Your attention is directed to the Proxy Statement accompanying this notice for additional information regarding the matters to be acted upon at the meeting.

Whether or not you plan to attend the meeting, we hope you will vote as soon as possible. You may vote your shares via a toll-free telephone number or over the Internet. If you received a paper copy of a proxy or voting instruction card by mail, you may submit your proxy or voting instruction card for the meeting by completing, signing, dating and returning your proxy or voting instruction card in the pre-addressed envelope provided.

By Order of the Board of Directors,  
Kevin G. Wills  
Chairman  
April 13, 2018

Tivity Health, Inc.  
 Proxy Statement  
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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 24, 2018: The Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2017 are available at [www.proxyvote.com](http://www.proxyvote.com).

TIVITY HEALTH, INC.  
701 Cool Springs Boulevard  
Franklin, Tennessee 37067

PROXY STATEMENT  
FOR ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON  
THURSDAY, MAY 24, 2018

The proxy is solicited by the Board of Directors (the "Board") of Tivity Health, Inc. ("Tivity Health" or the "Company") for use at the Annual Meeting of Stockholders to be held on Thursday, May 24, 2018, at 8:30 a.m., Central time, at the Company's Corporate Office, 701 Cool Springs Boulevard, Franklin, TN 37067, and at all adjournments or postponements thereof (the "2018 Annual Meeting of Stockholders"), for the purposes set forth in the foregoing Notice of Annual Meeting of Stockholders. In accordance with Securities and Exchange Commission (the "Commission") rules, we are mailing to many of our stockholders a Notice of Internet Availability instead of a paper copy of each of the Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2017 (the "Form 10-K"). The Notice of Internet Availability contains instructions on how stockholders can access the proxy materials over the Internet as well as how stockholders can receive a paper copy of our proxy materials, including the Proxy Statement, the Form 10-K and a form of proxy card. Copies of this Proxy Statement, the attached notice and the form of proxy are being furnished to stockholders on or about April 13, 2018.

In the election of directors (Proposal No. 1), you may vote "FOR" or "AGAINST" any or all of the nominees or you may "ABSTAIN" from voting with respect to any or all of the nominees. If you "ABSTAIN" from voting, it will not affect the outcome of this proposal.

For the advisory vote to approve compensation of the Company's named executive officers as disclosed in this Proxy Statement (Proposal No. 2) and the ratification of the appointment of PricewaterhouseCoopers LLP ("PwC") (Proposal No. 3), you may vote "FOR," "AGAINST" or "ABSTAIN." If you "ABSTAIN," it will have the same effect as a vote "AGAINST" these proposals.

Shares represented by proxies will be voted in accordance with the choices specified thereon. If you sign your proxy card without giving specific voting instructions, the shares represented by such proxies will be voted FOR the election of the director nominees set forth under Proposal No. 1, FOR the non-binding, advisory vote to approve compensation of the Company's named executive officers as disclosed in this Proxy Statement set forth under Proposal No. 2, and FOR the ratification of the appointment of PwC as our independent registered public accounting firm for 2018 set forth under Proposal No. 3. The Board does not know of any other matters that will be presented for action at the meeting, but the persons named in the proxy intend to vote or act with respect to any other proposal that may be properly presented for action according to their best judgment in light of the conditions then prevailing.

The quorum requirement for holding the 2018 Annual Meeting of Stockholders and transacting business is a majority of the outstanding shares entitled to vote. The shares may be present in person or represented by proxy at the 2018 Annual Meeting of Stockholders. Abstentions and broker non-votes will be counted as present for the purpose of determining the presence of a quorum.

Votes are counted by an independent third party. In the election of directors, a nominee will be elected as a director if the number of votes cast "FOR" such nominee exceeds the number of votes cast "AGAINST" such nominee (with abstentions and broker non-votes not counted as either votes "FOR" or "AGAINST"). In the advisory vote to approve executive compensation, the affirmative "FOR" vote of a majority of those shares present in person or represented by proxy will constitute the stockholders' non-binding approval with respect to our executive compensation programs. The proposal to ratify the appointment of our independent registered public accounting firm requires the affirmative

"FOR" vote of a majority of those shares present in person or represented by proxy.

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Generally, broker non-votes occur when shares held by a broker in "street name" for a beneficial owner are not voted with respect to a particular proposal because (1) the broker has not received voting instructions from the beneficial owner and (2) the broker lacks discretionary voting power to vote those shares. A broker is entitled to vote shares held for a beneficial owner on routine matters, such as the ratification of the appointment of PwC as independent registered public accounting firm (Proposal No. 3), without instructions from the beneficial owner of those shares. On the other hand, a broker is not entitled to vote shares held for a beneficial owner on certain non-routine items absent instructions from the beneficial owner of such shares. The election of directors and the advisory vote to approve executive compensation are non-routine items on which a broker is not entitled to vote shares absent instructions from the beneficial owner of such shares. Broker non-votes count for purposes of determining whether a quorum exists, but do not count as vote cast (with respect to Proposal No. 1) or as shares entitled to vote (with respect to Proposal No. 2). Accordingly, broker non-votes will have no impact on the outcome of the election of directors (Proposal No. 1) or the advisory vote to approve the compensation of the Company's named executive officers as disclosed in this Proxy Statement (Proposal No. 2).

A proxy may be revoked by a stockholder at any time before its exercise by attending the meeting and voting in person; by filing, no later than 5:00 p.m., Central time on Wednesday, May 23, 2018, with the Secretary of the Company a written notice of revocation; by duly executing a proxy bearing a later date; or by casting a new vote by toll-free telephone or the Internet no later than 11:59 p.m., Eastern time on Wednesday, May 23, 2018.

The preliminary voting results will be disclosed in a Current Report on Form 8-K that will be filed by the Company with the Commission within four business days following the 2018 Annual Meeting of Stockholders. The final voting results, if different from the preliminary voting results, will be published on an amended Current Report on Form 8-K within four business days following the date on which the final results become known to us.

Each share of our common stock, \$.001 par value ("Common Stock"), issued and outstanding on the record date, March 29, 2018, will be entitled to one vote on all matters to come before the 2018 Annual Meeting of Stockholders. Cumulative voting is not permitted. As of March 29, 2018, there were outstanding 39,847,047 shares of Common Stock.

We will bear all costs of this solicitation, including expenses in connection with preparing, assembling and furnishing this Proxy Statement. In addition to solicitations by mail, solicitations may be made by Internet, telephone, facsimile, email, or personal or press interviews. Some solicitations by any of these methods may be made by our directors and executive officers or by our investor relations employees within the normal conduct of their duties and without additional remuneration. Brokers and other nominees will be requested to solicit proxies or authorizations from beneficial owners and will be reimbursed for their reasonable and documented expenses in connection therewith.

## Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to those persons that we know to be the beneficial owners (as defined by Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of more than 5% of the outstanding shares of our Common Stock, our only voting security, and with respect to the beneficial ownership of our Common Stock by all directors and nominees, each of the executive officers named in the Summary Compensation Table and all of our executive officers, directors, and director nominees as a group. The information set forth below is based on ownership information we received as of March 29, 2018 (except as otherwise noted below). Unless specified otherwise, the shares indicated are presently outstanding, and each of the stockholders listed below has sole voting and investment power with respect to the shares beneficially owned. Unless otherwise noted, the address of each beneficial owner is c/o Tivity Health, Inc., 701 Cool Springs Blvd., Franklin, TN 37067.

| Name and Address of Beneficial Owner   | Amount and Nature of Beneficial Ownership <sup>(1)</sup> | Percent of Class <sup>(1)</sup> |
|--|--|---------------------------------|
| BlackRock, Inc.<br>55 East 52nd Street<br>New York, NY 10055                     | 4,624,987 <sup>(2)</sup>                                 | 11.61%                          |
| The Vanguard Group.....<br>100 Vanguard Blvd.<br>Malvern, PA 19355               | 4,516,582 <sup>(3)</sup>                                 | 11.33%                          |
| Neuberger Berman Group LLC.<br>1290 Avenue of the Americas<br>New York, NY 10104 | 2,348,000 <sup>(4)</sup>                                 | 5.89%                           |
| Donato J. Tramuto****  | 96,936 <sup>(5)</sup>                                    | *                               |
| Robert J. Greczyn, Jr.**   | 32,039 <sup>(6)</sup>                                    | *                               |
| Lee A. Shapiro**   | 27,867 <sup>(6)</sup>                                    | *                               |
| Kevin G. Wills**   | 21,870 <sup>(6)</sup>                                    | *                               |
| Mary Flipse***.  | 20,753   | *                               |
| Glenn Hargreaves***  | 20,357   | *                               |
| Conan J. Laughlin**  | 16,040 <sup>(6)</sup>                                    | *                               |
| Bradley S. Karro**   | 16,039 <sup>(6)</sup>                                    | *                               |
| Paul H. Keckley, Ph.D.**   | 14,489 <sup>(6)</sup>                                    | *                               |
| Archelle Georgiou, M.D. **   | 11,387 <sup>(7)</sup>                                    | *                               |
| Peter A. Hudson, M.D. **   | 11,387 <sup>(7)</sup>                                    | *                               |



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|  |                        |       |
|--|------------------------|-------|
| Adam Holland***  | 0                      | *     |
| Sara J. Finley *****   | 0                      | *     |
| Beth M. Jacob *****  | 0                      | *     |
| All directors, director nominees, and executive officers as a group (14 persons) | 289,164 <sup>(8)</sup> | 0.73% |

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- \* Indicates ownership of less than one percent of our outstanding shares of Common Stock
- \*\* Director of the Company
- \*\*\* Named Executive Officer
- \*\*\*\* Director and Named Executive Officer
- \*\*\*\*\* Director Nominee

(1) Pursuant to the rules of the Commission, certain shares of our Common Stock that an individual owner set forth in this table has a right to acquire within 60 days after March 29, 2018 pursuant to the exercise or vesting of options to purchase shares of Common Stock ("stock options") or other securities are deemed to be outstanding for the purpose of computing the ownership of that owner, but are not deemed outstanding for the purpose of computing the ownership of any other individual owner shown in the table. Likewise, the shares subject to stock options or other securities held by our other directors and executive officers that are exercisable within 60 days after March 29, 2018 are all deemed outstanding for the purpose of computing the percentage ownership of all executive officers, directors, and director nominees as a group.

(2) Information with respect to stock ownership is based on a Schedule 13G filed by BlackRock, Inc. with the Commission on January 19, 2018 and includes shares held by certain of its subsidiaries. Includes 4,555,053 shares to which BlackRock, Inc. has sole voting power and 4,624,987 shares to which BlackRock, Inc. has sole investment power.

(3) Information with respect to stock ownership is based on a Schedule 13G/A filed by The Vanguard Group, Inc. ("Vanguard") with the Commission on February 9, 2018 and includes shares held by certain of its subsidiaries. Includes 60,534 shares to which Vanguard has sole voting power, 2,300 shares to which Vanguard has shared voting power, 4,456,648 shares to which Vanguard has sole investment power and 59,934 shares to which Vanguard has shared investment power.

(4) Information with respect to stock ownership is based on a Schedule 13G filed by Neuberger Berman Group LLC ("Neuberger") with the Commission on February 15, 2018 and includes shares held by certain of its subsidiaries. Includes 2,335,660 shares to which Neuberger has shared voting power and 2,348,000 shares to which Neuberger has shared investment power.

(5) Includes 1,551 shares issuable upon vesting of restricted stock units within 60 days after March 29, 2018.

(6) Includes 4,563 shares issuable upon vesting of restricted stock units within 60 days after March 29, 2018.

(7) Includes 3,012 shares issuable upon vesting of restricted stock units within 60 days after March 29, 2018.

(8) Includes 34,953 shares issuable upon vesting of restricted stock units within 60 days after March 29, 2018.

Corporate Governance

Board and Committee Summary

The table below lists the current members of the Board and their current committee assignments.

| Board Member           | Director Age                                  | Director Since | Primary Occupation   | Audit | Comp | NCG | Strategic |
|------------------------|---|----------------|--|-------|------|-----|-----------|
| Georgiou               | 55  | 2016           | President, Georgiou Consulting, LLC  | M     |      | M   |           |
| Greczyn                | 66  | 2015           | Former President and Chief Executive Officer of Blue Cross Blue Shield of North Carolina | M     |      |     | C         |
| Hudson                 | 52  | 2016           | Managing Director of Alta Partners   | M, F  |      |     | M         |
| Karro                  | 56  | 2014           | Principal of Hillcote Advisors   | M     |      |     | C         |
| Keckley                | 68  | 2014           | Managing Director of The Keckley Group   |       |      | M   | M         |
| Laughlin               | 45  | 2014           | Founder, Portfolio Manager, and Managing Member of North Tide Capital                    | M, F  | C    |     |           |
| Shapiro                | 62  | 2015           | Managing Partner of 7wire Ventures   | C, F  |      |     | M         |
| Tramuto <sup>(1)</sup> | 61  | 2013           | Chief Executive Officer of Tivity Health, Inc.   |       |      |     |           |
| Wills <sup>(2)</sup>   | 52  | 2012           | Chief Financial Officer of Tapestry, Inc.  |       |      |     |           |
| 2017 Meetings          |   |                | Board: 16  | 12    | 9    | 4   | 6         |
| Audit                  | Audit Committee                               |                |  |       |      |     |           |
| Comp                   | Compensation Committee                        |                |  |       |      |     |           |
| NCG                    | Nominating and Corporate Governance Committee |                |  |       |      |     |           |
| Strategic              | Strategic Review Committee                    |                |  |       |      |     |           |
|                        |   |                | C Chair  |       |      |     |           |
|                        |   |                | M Member   |       |      |     |           |
|                        |   |                | F Financial Expert   |       |      |     |           |

(1) Mr. Tramuto became the chief executive officer of the Company on November 1, 2015 and remained a member of the Board. He is not a member of any committee of the Board.

(2) Mr. Wills serves as Chairman of the Board and is not a member of any committee of the Board.

Other than Mr. Tramuto, all of the members of the Board who served during 2017 are "independent directors", as defined under the Nasdaq Stock Market ("Nasdaq") listing standards. Additionally, the Board has determined that each of Mss. Finley and Jacob, the two director nominees who are not currently members of the Board, qualifies as an "independent director", as defined under the Nasdaq listing standards.

During 2017, each of our incumbent directors attended at least 75% of the aggregate of the total number of meetings held (i) by the Board during the period for which such director served as a member of the Board and (ii) by the committees of which such director was a member during the period for which such director served as a member of such committees.

Board Structure

Our Amended and Restated Bylaws, as amended (our "Bylaws"), provide that the Board shall consist of no fewer than five nor more than 12 directors, with the exact number of directors to be determined from time to time by resolution of the Board, which we believe provides for the optimal exchange of ideas without stifling cooperation. In 2017, the size of the Board was set at nine directors. In 2018, the size of the Board was expanded to ten directors after recommendation of the Nominating and



Corporate Governance Committee and subsequent Board approval, to take effect at the 2018 Annual Meeting of Stockholders.

While our Board's Governance Guidelines (our "Corporate Governance Guidelines") provide flexibility in who may serve as Chairman of the Board, the Board believes that it is currently appropriate to separate the roles of Chairman and Chief Executive Officer ("CEO"). The CEO is responsible for setting our strategic direction and the day-to-day leadership of our business, while the Chairman ensures that the Board's time and attention are focused on effective oversight of the matters most critical to the Company. Mr. Wills currently serves as Chairman of the Board.

Our Corporate Governance Guidelines set forth in greater detail the responsibilities of our Board. Our Corporate Governance Guidelines are available under "Corporate Governance" accessible through the "Investors" link on the Company's website at [www.tivityhealth.com](http://www.tivityhealth.com).

Mr. Laughlin will not be standing for re-election at the 2018 Annual Meeting of Stockholders. Upon the recommendation of the Nominating and Corporate Governance Committee and subsequent approval by the Board, the size of the Board has been increased from nine directors to ten directors beginning at the 2018 Annual Meeting of Stockholders, and Mss. Finley and Jacob have been nominated for election by the Board to fill the additional Board seat and the vacancy that will arise from the departure of Mr. Laughlin from the Board.

#### Risk Oversight

The Company is exposed to a number of risks, including economic, environmental, operational, and regulatory risks, among others. Management is responsible for the day-to-day management of the risks the Company faces, while the Board as a whole is responsible for the oversight of such risk. Each of the Audit, Compensation, Nominating and Corporate Governance, and Strategic Review Committees plays a significant role in assisting the Board to fulfill its oversight responsibilities.

Our Audit Committee, for example, is responsible for overseeing the accounting, financial, legal, and regulatory risks the Company faces. The Audit Committee receives reports from management and outside auditors regarding material issues concerning the adequacy of the Company's internal controls over financial reporting. The Audit Committee also has access to management in discharging its duties and provides regular reports to the Board.

Our Compensation Committee assists the Board with risk oversight by annually reviewing the compensation philosophy of the Company and evaluating and providing recommendations on executive compensation as well as producing an annual report on executive compensation to be included in our Proxy Statement. As further described in "Compensation Discussion and Analysis", the Compensation Committee has determined that our executive compensation program and governance policies do not encourage our management or colleagues to take risks reasonably likely to have a material adverse effect on our business. The Compensation Committee regularly reports its activities to the full Board.

Our Nominating and Corporate Governance Committee assists with risk oversight by managing Board structure and organization, the criteria for selecting new members to the Board and any Board committees, determining compensation for directors, evaluating Board members, and annually reviewing the corporate governance principles of the Company and recommending changes when appropriate. The Nominating and Corporate Governance Committee regularly provides reports to the Board.

The Strategic Review Committee assists the Board with risk oversight by reviewing, evaluating, and making recommendations to the Board regarding the Company's business strategy. The activities of each of our committees are set forth in greater detail in each of their respective charters, which are available under "Corporate Governance" accessible through the "Investors" link on the Company's website at [www.tivityhealth.com](http://www.tivityhealth.com).



The Company believes that the Board leadership structure supports its role in risk oversight. There is open communication between management and directors, and all directors are actively involved in the risk oversight function.

#### Committees of the Board

##### Compensation Committee

During 2017, the Compensation Committee was composed of Dr. Georgiou and Messrs. Karro and Laughlin for the entire year, Mr. Greczyn from the 2017 Annual Meeting of Stockholders through the end of the year and Dr. Mary Jane England from January 2017 until the 2017 Annual Meeting of Stockholders (at which time she did not stand for re-election to the Board). It was chaired by Mr. Laughlin. As discussed in "Compensation Discussion and Analysis," all of the directors who serve on the Compensation Committee are "non-employee directors" as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), "Outside Directors" for purposes of regulations promulgated pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and "independent directors" as defined under the Nasdaq listing standards, in each case as determined by the Board. The Compensation Committee is responsible for overseeing our overall compensation strategies and policies, evaluating the performance of our executive officers, approving the appropriate compensation of each of our executive officers, and administering our equity-based incentive plans, among other things. The Compensation Committee's Charter, which is reviewed annually by the Compensation Committee and is available on our website at [www.tivityhealth.com](http://www.tivityhealth.com), provides a detailed description of the Compensation Committee's duties and responsibilities.

##### Nominating and Corporate Governance Committee

During 2017, the Nominating and Corporate Governance Committee was composed of Drs. Georgiou and Keckley and Mr. Greczyn for the entire year and Dr. England from January 2017 until the 2017 Annual Meeting of Stockholders (at which time she did not stand for re-election to the Board). It was chaired by Dr. England until February 2017 and by Mr. Greczyn from February 2017 through the end of the year. All of the directors who serve on the Nominating and Corporate Governance Committee are "independent directors" as defined under the Nasdaq listing standards. The Nominating and Corporate Governance Committee's responsibilities include, among other things, identifying individuals qualified to become members of the Board, recommending such individuals to the Board for election to the Board, and developing and recommending to the Board corporate governance principles applicable to the Company. The Nominating and Corporate Governance Committee's Charter, which is reviewed annually by the Nominating and Corporate Governance Committee and is available on our website at [www.tivityhealth.com](http://www.tivityhealth.com), provides a detailed description of the Nominating and Corporate Governance Committee's duties and responsibilities and sets forth the director nomination process.

##### Audit Committee

During 2017, the Audit Committee was composed of Messrs. Shapiro and Laughlin and Dr. Hudson. It was chaired by Mr. Shapiro. All of the directors on the Audit Committee are "independent directors" as defined under the Nasdaq listing standards, and satisfy the heightened independence criteria applicable to members of the Audit Committee under the Nasdaq listing standards and Rule 10A-3(b)(1) under the Exchange Act. We have, and will continue to have, at least one member of the Audit Committee who has past employment experience in finance or accounting and requisite professional certification in accounting or other comparable experience that results in the individual's financial sophistication. The Board has determined that each of Mr. Shapiro, Mr. Laughlin, and Dr. Hudson qualifies as an "audit committee financial expert", as defined by the regulations of the Commission. The Audit Committee meets with our independent registered public accounting firm and management to review our consolidated financial statements, the quality and integrity of our accounting, auditing and financial reporting process, and our systems of internal controls. The Audit Committee's Charter, which is reviewed annually by the Audit

Committee and is available on our website at [www.tivityhealth.com](http://www.tivityhealth.com), provides a detailed description of the Audit Committee's duties and responsibilities.



## Strategic Review Committee

The Strategic Review Committee reviews, evaluates and makes recommendations to the Board regarding the Company's business strategy. The Strategic Review Committee is advisory in nature and does not have the power to direct or approve the day-to-day management and operations of the Company. During 2017, the Strategic Review Committee was composed of Messrs. Karro and Shapiro and Drs. Keckley and Hudson for the entire year and Mr. Greczyn from January 2017 until the 2017 Annual Meeting of Stockholders. It was chaired by Mr. Karro. All of the directors who serve on the Strategic Review Committee are "independent directors" as defined under the Nasdaq listing standards. The Strategic Review Committee's Charter is available on our website at [www.tivityhealth.com](http://www.tivityhealth.com) and provides a detailed description of the Strategic Review Committee's duties and responsibilities.

## Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines to assist the Board in the exercise of its duties and responsibilities and to serve in the best interests of the Company and its stockholders. Our Corporate Governance Guidelines, which are available on our website at [www.tivityhealth.com](http://www.tivityhealth.com), provide a framework for the conduct of the business of the Board.

## Code of Conduct

Our Code of Business Conduct applies to all employees (including officers) and non-employee directors (collectively, "colleagues"). The purpose of the Code of Business Conduct is to provide written standards that are reasonably designed to promote: honest and ethical conduct; full, fair, accurate, timely and understandable disclosure in reports and documents we file with the Commission and other public communications we make; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of violations of the Code of Business Conduct; and accountability for adherence to the Code of Business Conduct, and to deter wrongdoing. A copy of our Code of Business Conduct, as well as any amendments thereto, is available on our website at [www.tivityhealth.com](http://www.tivityhealth.com). We intend to post any waiver of a provision of the Code of Business Conduct granted to any principal executive, financial, or accounting officers or any material amendment to the Code of Business Conduct on our website.

## Stockholder Nominees

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted stockholder nominations for director candidates as described below under "Identifying and Evaluating Nominees for Directors." Any stockholder nominations proposed for consideration by the Nominating and Corporate Governance Committee should be addressed to: Secretary, Tivity Health, Inc., 701 Cool Springs Boulevard, Franklin, Tennessee 37067. To be timely, director nominations for the 2019 Annual Meeting of Stockholders must be submitted within the time limits for stockholder proposals as set forth on page 61.

## Director Qualifications

Under our Corporate Governance Guidelines and the Nominating and Corporate Governance Committee Charter, the Nominating and Corporate Governance Committee is responsible for determining the criteria for membership on the Board. Under such criteria, at least a majority of the members of the Board should be independent, and all members should have the highest character and integrity and possess an inquiring mind, vision and the ability to work well with others. Currently, all of our directors except for Mr. Tramuto are independent. Other criteria that will be considered include prior experience as a director, knowledge of our business and industry and broad experience at the operational, financial or policy-making level in business. Diversity, age and skills in the context of the needs of the Board are also a consideration. While the Company's Corporate Governance Guidelines do not explicitly define diversity, it is the Nominating and Corporate Governance Committee's practice to seek director candidates who will contribute to a diversity of perspectives. The Nominating and Corporate Governance



Committee considers diversity in the context of the Board as a whole and takes into account a candidate's personal characteristics and industry experience, with the intent of maintaining a Board that represents a broad range of viewpoints. Board members should also have sufficient time to devote to the affairs of the Company and to provide insight and practical wisdom based on experience. As such, in order to be active participants and perform all director duties responsibly, directors' service on other boards of public companies is limited to three public company boards (excluding the Company).

#### Identifying and Evaluating Nominees for Directors

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Nominating and Corporate Governance Committee regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or other reasons. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Corporate Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current members of the Board, management, professional search firms, stockholders or other persons. These candidates are evaluated at meetings of the Nominating and Corporate Governance Committee and may be considered at any point during the year. As described above, the Nominating and Corporate Governance Committee considers properly submitted stockholder nominations for candidates for the Board. In evaluating nominations, the Nominating and Corporate Governance Committee uses the same criteria for all nominees and seeks to achieve a balance of knowledge, experience, and expertise on the Board. Mss. Finley and Jacob were identified by two non-management directors and recommended by the Nominating and Corporate Governance Committee to the Board to be nominated to stand for election at the 2018 Annual Meeting of Stockholders and to serve, if elected, as directors until the 2019 Annual Meeting of Stockholders. Mss. Finley and Jacob have accepted their nominations and have agreed to serve as directors, if elected.

#### Directors' Attendance at Annual Meetings of Stockholders

Although directors are invited and are always encouraged to attend the annual stockholder meetings, we do not require their attendance. All of the directors then serving attended the 2017 Annual Meeting of Stockholders held on May 25, 2017.

#### Communications with the Board

Stockholders may communicate with the Board by submitting a letter in writing addressed to: Chairman of the Board, Tivity Health, Inc., 701 Cool Springs Boulevard, Franklin, Tennessee 37067. If the communication relates to the Company's ethics or conduct, financial statements, accounting practices or internal controls, the communication may be submitted in writing addressed to: Audit Committee Chairman, Tivity Health, Inc., 701 Cool Springs Boulevard, Franklin, Tennessee 37067. Stockholder communications may be submitted confidentially or anonymously.

#### Stock Ownership and Retention Guidelines

The Company's stock retention guidelines applicable to executive officers require currently employed executive officers to maintain a minimum ownership in the Company's common stock calculated as a multiple of their base salary (at least 3.75 times base salary for the Chief Executive Officer, 1.8 times base salary for each of the Chief Financial Officer and the Chief Legal Officer, and 1.2 times base salary for the Chief Accounting Officer). Executive officers must retain 75% of the net number of shares acquired (after payment of exercise price, if any, and taxes) upon the exercise of all stock options and upon the vesting of all restricted stock units representing hypothetical shares of our Common Stock ("RSUs"), performance-based stock units ("PSUs") and market stock units ("MSUs"), until they reach the required multiple of base salary. Executive officers who do not comply with the guidelines may not be eligible for future equity awards. All of the Company's executive officers are currently in compliance with the guidelines.



Additionally, the Board has adopted stock retention guidelines for independent directors. The guidelines require directors to maintain ownership in the Company's stock equal to three times the current minimum annual cash retainer for directors. Directors must retain 75% of the net number of shares acquired (after payment of exercise price, if any, and taxes) upon the exercise of all stock options and vesting of all RSUs until they reach the required minimum ownership. Except for Mr. Wills, directors have until the five-year anniversary of their appointment to the Board to meet these requirements and may not sell shares of the Company's stock until the ownership requirement is achieved. Mr. Wills was required to meet, and was in compliance with, the guidelines as of January 1, 2018.

#### Evaluations of Board and Committee Performance

Each year, the Nominating and Corporate Governance Committee of the Board conducts an evaluation of the effectiveness of the Board as a whole and the performance of each committee of the Board. The manner of the evaluation is determined annually by the Nominating and Corporate Governance Committee in order to ensure the procurement of accurate and relevant information. The evaluation process is designed to facilitate ongoing, systematic examination of the Board and each committee's effectiveness and accountability and to identify opportunities for improvement. The Nominating and Corporate Governance Committee designs and coordinates the evaluations for the Board and its committees. The Chair of the Nominating and Corporate Governance Committee is responsible for reporting the results to each committee and the full Board.

#### Certain Relationships and Related Party Transactions

Since the beginning of the last fiscal year, we are not aware of any related party transactions between us and our directors, executive officers, 5% stockholders or their family members that require disclosure under Item 404 of Regulation S-K under the Exchange Act ("Item 404").

Pursuant to its written charter, the Audit Committee reviews and either ratifies, approves or disapproves all transactions between the Company and any related person that are required to be disclosed pursuant to Item 404.

In determining whether to approve or ratify any material related party transaction, the Audit Committee considers the relevant information and facts available to it regarding the transaction and takes into account factors such as the related party's relationship to the Company and interest (direct or indirect) in the transaction, the terms of the transaction, and the benefits to the Company of the transaction. No director participates in the approval of an interested transaction for which he or she is a related party or otherwise has a direct or indirect interest.

## PROPOSAL NO. 1

## Election of Directors

The current Board consists of nine directors. As previously discussed, upon the recommendation of the Nominating and Corporate Governance Committee and subsequent approval by the Board, the size of the Board has been increased from nine directors to ten directors beginning at the 2018 Annual Meeting of Stockholders. All of the current directors except Mr. Laughlin will stand for re-election at the 2018 Annual Meeting of Stockholders, and Mss. Finley and Jacob will each stand for election to the Board for the first time.

A nominee for election will be elected as a director if the number of votes cast "FOR" such nominee at the 2018 Annual Meeting of Stockholders exceeds the number of votes cast "AGAINST" such nominee (with abstentions and broker non-votes not counted as either votes "FOR" or "AGAINST"). Stockholders have no right to vote cumulatively for directors, but rather each stockholder shall have one vote for each director for each share of Common Stock held by such stockholder.

Unless contrary instructions are received, shares of our Common Stock represented by duly executed proxies will be voted in favor of the election of the nominees named below. If for any reason a nominee is unable to serve as a director, it is intended that the proxies solicited hereby will be voted for such substitute nominee as our Board may propose. The Board has no reason to expect that the nominees will be unable to serve, and therefore, at this time does not have any substitute nominees under consideration.

Each of the ten persons below is a nominee for election to serve as a director for a term that will expire at the 2019 Annual Meeting of Stockholders and until his/her successor is elected and qualified. Except for Mss. Finley and Jacob, who were each recommended to the Board by the Nominating and Corporate Governance Committee and who are standing for election to the Board for the first time, all of the Company nominees for election to the Board are presently directors of the Company and were previously elected by the Company's stockholders. Except for Mr. Laughlin, all directors elected at the 2017 Annual Meeting of Stockholders are standing for re-election. Certain information relating to the following persons has been furnished to us by the individuals named, and we have also included the specific skills, qualifications and experience of each of our directors and director nominees.

| <u>Name</u>                           | <u>Age</u> | <u>Director Since</u> | <u>Position(s)</u> |
|---------------------------------------|------------|-----------------------|--------------------|
| Sara J. Finley                        | 58         | n/a                   | Director nominee   |
| Archelle Georgiou, M.D.               | 55         | 2016                  | Director           |
| Robert J. Greczyn, Jr.                | 66         | 2015                  | Director           |
| Peter A. Hudson, M.D.                 | 52         | 2016                  | Director           |
| Beth M. Jacob                         | 56         | n/a                   | Director nominee   |
| Bradley S. Karro <sup>(1)</sup>       | 56         | 2014                  | Director           |
| Paul H. Keckley, Ph.D. <sup>(1)</sup> | 68         | 2014                  | Director           |
| Lee A. Shapiro                        |            |                       |                    |