CONTINENTAL RESOURCES, INC
Form 4
February 19, 2016

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Owen Steven K

(Last) (First) (Middle)

P.O. BOX 268836, 20 N. BROADWAY

(Street)

OKLAHOMA CITY, OK 73126

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CONTINENTAL RESOURCES, INC [CLR]

3. Date of Earliest Transaction (Month/Day/Year)
02/17/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SVP, Land

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/17/2016		A		35,474	A	$ 0	110,791 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Owen Steven K P.O. BOX 268836 20 N. BROADWAY OKLAHOMA CITY, OK 73126			SVP, Land	

Signatures

/s/ Eric S. Eissenstat, Attorney-in-Fact	02/19/2016
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Includes 22,000 shares of restricted common stock which vest on February 15, 2017; 25,000 shares of restricted common stock which vest on February 15, 2018; and 35,474 shares of restricted common stock which vest on February 15, 2019.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. p;

	Within 12 Months of a Change in Control on 8/31/08	Disability on 8/31/08	Death on 8/31/08
Cash Severance	$ 706,860 **(1)**	$ 706,860 **(9)(1)**	$
Group Medical Benefits	28,686 **(3)**	28,686 **(9)(3)**	
Annual Incentive Award(4)			
Performance Cash	84,239 **(5)**	84,239 **(5)**	84,239

Stock Options
(6) **(6)**
Restricted Stock Units
174,879 **(6)** 174,879 **(6)** 174,879
Capital Accumulation Plan
1,287,811 **(7)** 1,287,811 **(7)** 1,287,811
Additional Severance(8)
176,715 176,715 **(9)**
Total
$ 2,459,190 $ 2,459,190 $ 1,546,929

(1) Represents 24 months of executive s base salary to be paid at regular payroll dates following the executive s termination. Following a change in control, the payments may be paid in a lump sum no later than sixty days following the date of termination or periodically at regular payroll dates at the executive s election.

(2) For termination by the executive without good reason, the executive is entitled to base salary and benefits through the next payroll date following termination.

(3) Represents the Company s portion of premiums for group medical benefits to be paid for 24 months following the executive s termination.

(4) Based on EPS for fiscal 2008, the executive did not earn an award under the 2008 Annual Incentive Award Plan. Cash awards under this plan were based upon a comparison of our actual EPS and targeted earnings per share as approved by the Compensation Committee at the beginning of the fiscal year, as well as meeting certain

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individual qualitative goals and objectives. For fiscal 2008, the executive was eligible to receive an award up to 45% of his base salary. Had the Company s performance materially exceeded our targeted earnings per share and the executive met his individual goals and objectives, awards to the executive could have exceeded the percentages set forth in the preceding sentence. No additional bonus amounts would be paid during the severance period.

(5) Represents amount earned during fiscal 2008 under the Company s performance-based cash incentive plan. Amount was calculated based on the Company s average EPS growth (excluding long-term incentive compensation) over the last three fiscal years, including fiscal 2008, times the executive s average salary over that same period. The performance awards were awarded in November 2008.

(6) Following a termination without cause, for good reason, without cause or for good reason within twelve months of a change in control, or because of disability or death, unvested equity awards shall vest and become exercisable. The values in the table are based upon the difference between the 4:00 p.m. closing bid price of the Company s Common Stock on The NASDAQ Global Select Market on August 29, 2008 of $19.05 per share and the exercise price of the awards. The value of the executive s unvested options is zero in the table above because the exercise price of his unvested options exceeds the market price on August 29, 2008. Restricted stock units have an exercise price of zero.

(7) Following a termination without cause, for good reason, without cause or for good reason within twelve months of a change in control, or because of disability or death, all amounts contributed by the Company to the Capital Accumulation Plan (CAP) for the benefit of the executive shall vest. The amount in the table above reflects the executive s aggregate CAP balance as of August 31, 2008 as shown in the Nonqualified Deferred Compensation Table. Of this amount, $1,248,425 was vested as of August 31, 2008. The remaining portion was unvested at August 31, 2008 but would vest upon termination by the executive.

(8) Assumes execution of full release of claims in favor of the Company. Represents six months of the executive s base salary to be paid at regular payroll dates following the executive s termination (or in a lump sum in the case of a change in control at the executive s election).

(9) Although not reflected in this table, this amount would be reduced by any disability insurance payments paid by the insurance company to the executive as a result of the executive s disability. In the event of disability, the executive would receive $20,000 per each month of disability from the insurance company until reaching age 67.

Director Compensation

During fiscal 2008, directors who were not officers or employees of, or consultants to, the Company (Outside Directors) each received a $25,000 annual cash retainer as well as $3,000 for each non-regularly scheduled meeting attended lasting for one hour or more and $1,000 for each non-regularly scheduled meeting attended lasting less than one hour. In addition, Outside Directors who had served as directors of the Company for at least 12 months each received an option to purchase 5,000 shares of Common Stock, which was awarded on the date of the 2008 Annual Meeting of Stockholders. Equity awards to Outside Directors during fiscal 2008 were granted pursuant to our 2007 Stock Incentive Plan.

In addition to the cash retainer and option grants discussed above, during fiscal 2008 committee chairs received $7,500 for each Audit Committee meeting attended and $6,000 for each Compensation Committee or Nominating and Corporate Governance Committee meeting attended. Other Outside Directors received $3,000 for each committee meeting attended.

Effective February 2008, Mr. Cigarran is paid $200,000 in cash per year for serving as Chairman of the Board. In addition, he receives the equivalent equity compensation awarded to Outside Directors, as determined by the

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Nominating and Corporate Governance Committee. He receives no other additional compensation for his service on the Board of Directors or attendance at any Board or committee meetings.

Prior to February 2008, we had an employment agreement with Mr. Cigarran which commenced on September 1, 2005 and expired on January 31, 2008. The agreement provided that we pay Mr. Cigarran a base salary of $250,000 and pay the premiums on a $500,000 term life insurance policy for Mr. Cigarran, which shall be payable upon Mr. Cigarran s death to Mr. Cigarran s estate or to such beneficiaries as Mr. Cigarran designates. Pursuant to the agreement, Mr. Cigarran was eligible to participate in our health, dental, vision, life insurance plans, and long and short-term disability plans but not to participate in our bonus plan or long-term incentive plans.

Prior to fiscal 2002, Mr. Herr was an executive officer and director of the Company and served as Chief Financial Officer. During fiscal 2008, Mr. Herr served as a part-time employee of the Company, providing us with advisory services with respect to ongoing business issues and special projects, and was paid $100,000 pursuant to an Employment Agreement between Mr. Herr and us dated November 20, 2001, as amended October 7, 2005 and February 13, 2008. Effective February 2008, Mr. Herr receives the equivalent equity compensation awarded to the Outside Directors, as determined by the Nominating and Corporate Governance Committee.

Beginning on December 1, 2006, Mr. Lytle began serving as a consultant to the Company, focusing on growth, innovation, and total population health as well as creating and supporting strategic customer relationships. For his services, Mr. Lytle receives a payment of $20,833 per month and may receive an additional per diem fee based on the number of days he provides us with services. Mr. Lytle was the founder and CEO of Axia, which we acquired in December 2006.

In connection with our acquisition of Axia, Mr. Lytle purchased 123,305 shares of our common stock pursuant to the terms of a subscription agreement (the Subscription Agreement). Pursuant to the terms of the Subscription Agreement, Mr. Lytle agreed not to resell the shares prior to January 1, 2008, and we granted Mr. Lytle registration rights with respect to the resale of the Common Stock.

The following table summarizes the compensation to each member of the Board of Directors during fiscal 2008. Mr. Leedle receives no additional compensation, as such, for serving as a member of the Board of Directors.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($) (1)	All Other Compensation ($)	Total ($)
Thomas G. Cigarran	$ 116,667	$ 14,644	$ 112,046(2)	$ 243,357
John W. Ballantine	144,000	104,357		248,357
Jay C. Bisgard, M.D.	117,000	104,357		221,357
Mary Jane England, M.D.	82,000	104,357		186,357
Henry D. Herr		14,644	100,000(3)	114,644
L. Ben Lytle			181,667(4)	181,667
C. Warren Neel, Ph.D.	95,000	93,836		188,836
William C. O Neil, Jr.	89,000	81,159		170,159
Alison Taunton-Rigby, Ph.D.	67,000	114,506		181,506
John A. Wickens	61,000	214,191		275,191

(1) Reflects the dollar amount recognized for financial statement reporting purposes, disregarding the estimate of forfeitures, for the fiscal year ended August 31, 2008 in accordance with SFAS No. 123(R) and includes

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amounts from awards granted in fiscal 2006 through fiscal 2008. The grant-date fair value of stock options granted to the Outside Directors during fiscal 2008 was $21.50 per option. Assumptions used in the calculation of these amounts are disclosed in footnote 11 to our audited financial statements for the fiscal year ended August 31, 2008, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on October 30, 2008. The following directors had option awards outstanding as of August 31, 2008: Mr. Cigarran (305,646); Mr. Ballantine (50,000); Dr. Bisgard (50,000); Dr. England (30,000); Mr. Herr (5,000); Dr. Neel (35,000); Mr. O Neil (35,000); Dr. Taunton-Rigby (25,000); and Mr. Wickens (20,000).

(2) Amount reflects compensation earned under the terms on an employment agreement dated February 1, 2006 (which expired January 31, 2008) for Mr. Cigarran s service as Chairman of the Company as well as $6,597 of life insurance premiums we paid for Mr. Cigarran s benefit.

(3) During fiscal 2008, Mr. Herr served as a part-time employee of the Company, providing us with advisory services with respect to ongoing business issues and special projects, and was paid $100,000 pursuant to an Employment Agreement with us dated November 20, 2001, as amended October 7, 2005 and February 13, 2008.

(4) Amount reflects fees paid to Mr. Lytle for consulting services provided to us during fiscal 2008 pursuant to a Consulting Agreement between the Company and Rincon Advisors, LLC, dated October 11, 2006.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Commission. Officers, directors and greater than 10% stockholders are required by regulation of the Commission to furnish us with copies of all Section 16(a) forms they file.

Based solely on a review of the Forms 3, 4 and 5 and amendments thereto and certain written representations furnished to us, we believe that during the fiscal year ended August 31, 2008, all filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with, except for one late Form 4 filing made by Mr. Lytle in December 2007 relating to one transaction in September 2007, and one late Form 4 filing by each of the Named Executive Officers as well as the following officers in November 2007 relating to one transaction in October 2007: Mary Hunter, Mr. Chaput, and Alfred Lumsdaine.

PROPOSAL NO. 2

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Under the Sarbanes-Oxley Act of 2002 and the rules and regulations thereunder, the NASDAQ listing standards, and our Audit Committee Charter, as amended, the Audit Committee has the sole responsibility and authority to appoint our independent auditors. The Audit Committee, comprised of independent members of the Board of Directors, has appointed Ernst & Young LLP, an independent registered public accounting firm, to be our independent auditors for the fiscal year ending December 31, 2009. Although ratification by stockholders is not a prerequisite to the Audit Committee s appointment of Ernst & Young LLP, the Board of Directors considers the selection of the independent auditor to be an important matter of stockholder concern and therefore, as a matter of good corporate governance, requests stockholder ratification of this action. In taking this action, the Audit Committee considered the qualifications of Ernst & Young LLP, the past performance of Ernst & Young LLP since its retention in 2002, its independence with respect to the services to be performed and its qualifications and general adherence to professional auditing standards. We have been informed that representatives of Ernst & Young

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LLP plan to attend the Annual Meeting. Such representatives will have the opportunity to make a statement if they desire to do so and will be available to respond to questions by the stockholders.

If the stockholders do not ratify the appointment of Ernst & Young LLP, the Audit Committee is not obligated to appoint other independent public accountants, but will reconsider the appointment. However, even if the appointment of Ernst & Young LLP is ratified, the Audit Committee, in its discretion, may select a different independent public accountant at any time during fiscal 2009 if it determines that such a change would be in the best interests of us and our stockholders.

Each of the Audit Committee and the Board of Directors recommends a vote FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm.

Principal Accounting Fees and Services

The aggregate fees billed for each of the last two fiscal years for professional services rendered to us by our principal accountant are shown in the table below.

Type of Service	Fiscal Year Ended August 31, 2008	2007
Audit Fees	$ 822,648	$ 768,000
Audit-Related Fees[(1)]	1,500	27,462
Tax Fees[(2)]	103,790	18,901
All Other Fees		
Total	$ 927,938	$ 814,363

(1) Audit-Related Fees in fiscal 2008 included subscription fees to an online research tool. Audit-Related Fees in fiscal 2007 primarily included services pertaining to the review of interim financial statements in connection with the acquisition of Axia.

(2) In fiscal 2008 and 2007, tax fees included review of federal tax return and tax consultation.

The Audit Committee has considered and concluded that the provision of the non-audit services is compatible with maintaining auditor independence.

The Audit Committee has adopted policies and procedures for pre-approving all audit and permissible non-audit services performed by Ernst & Young LLP, its independent registered public accounting firm. The Audit Committee may delegate its responsibility to pre-approve services to be performed by its independent registered public accounting firm to one or more of its members, but the Audit Committee may not delegate its pre-approval authority to management.

Under these policies, the Audit Committee pre-approves the use of audit and audit-related services following approval of the independent registered public accounting firm s engagement. Tax and other non-audit services that are not prohibited services, provided that those services are routine and recurring services and would not impair the independence of the independent registered public accounting firm, may also be performed by the independent registered public accounting firm if those services are pre-approved by the Audit Committee. Pre-approval fee levels for all services to be provided by the independent registered public accounting firm will be established periodically by the Audit Committee. The independent registered public accounting firm must provide detailed back-up documentation to the Audit Committee for each proposed service. The Audit Committee has pre-approved all audit and non-audit services provided by Ernst & Young LLP.

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Notwithstanding anything to the contrary set forth in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings, including this Proxy Statement, in whole or in part, the following report of the Audit Committee shall not be incorporated by reference into any such filings.

Audit Committee Report

The Audit Committee of the Board of Directors is composed of five directors who are independent directors as defined under applicable law and the NASDAQ listing standards. The Board of Directors has determined that Messrs. O Neil and Ballantine and Drs. Bisgard and Neel each qualify as an audit committee financial expert, as defined by the regulations of the Commission. During fiscal 2008, the Audit Committee met thirteen times. In accordance with its written charter adopted by the Board of Directors, the Audit Committee assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and financial reporting processes and our systems of internal control. Management has primary responsibility for our financial statements and financial reporting process, including assessing the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm is responsible for planning and carrying out annual audits and quarterly reviews of our financial statements in accordance with standards established by the Public Company Accounting Oversight Board, expressing an opinion on the conformity of our audited financial statements with U.S. generally accepted accounting principles and auditing and reporting on the effectiveness of our internal control over financial reporting.

In discharging its oversight responsibility as to the audit process, the Audit Committee received the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm s communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm such firm s independence. The Audit Committee meets with the independent registered public accounting firm with and without management present to discuss our internal control assessment process, management s assessment with respect thereto, the independent registered public accounting firm s evaluation of our system of internal control over financial reporting and the overall quality of our financial reporting. The Audit Committee reviewed with the independent registered public accounting firm their fees, audit plans, audit scope, and identification of audit risks.

The Audit Committee discussed and reviewed with the independent registered public accounting firm all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, Communications with Audit Committees , and discussed and reviewed the results of the independent registered public accounting firm s examination of the financial statements.

The Audit Committee reviewed and discussed our audited financial statements as of and for the fiscal year ended August 31, 2008 with management and the independent registered public accounting firm. The Audit Committee also reviewed and discussed the interim financial information contained in each quarterly earnings announcement and Quarterly Report on Form 10-Q with our Chief Financial Officer and our independent registered public accounting firm prior to public release of that information. On several occasions during fiscal year 2008, the Audit Committee reviewed with our independent registered public accounting firm and our internal audit department, management s processes to assess the adequacy of our internal control over financial reporting, the framework used to make the assessment, and management s conclusions on the effectiveness of our internal control over financial reporting.

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Based on the above-mentioned review and discussions with management and the independent registered public accounting firm, the Audit Committee recommended to the Board of Directors that our audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2008, for filing with the Commission.

The Board of Directors has adopted a Restated Charter of the Audit Committee, which is available on our website at www.healthways.com. The Audit Committee reviews and reassesses the adequacy of the Restated Charter annually.

Respectfully submitted,
John W. Ballantine, Chairman
C. Warren Neel
William C. O Neil, Jr.
Jay C. Bisgard, M.D.
John A. Wickens

DEADLINE FOR SUBMISSION OF STOCKHOLDER PROPOSALS TO BE PRESENTED AT THE 2010 ANNUAL MEETING OF STOCKHOLDERS

As previously announced, on August 22, 2008, our Board of Directors approved a change in the Company s fiscal year end from August 31 to December 31. Due to this change in the Company s fiscal year end, we believe that our 2010 Annual Meeting of Stockholders will take place in May or June 2010. Therefore, it is likely that the date of our 2010 Annual Meeting will be changed by more than 30 days from the date of our 2009 Annual Meeting. Accordingly, consistent with SEC rules, the Company will designate a reasonable time before the Company begins to print and send its proxy materials for the 2010 Annual Meeting as the deadline for submitting stockholders proposals eligible for consideration for inclusion in the proxy statement for the 2010 Annual Meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934. Further, if, as we expect, the date of our 2010 Annual Meeting is delayed by more than 60 days from the anniversary date of the 2009 Annual Meeting, notices of stockholders proposals submitted outside the processes of Rule 14a-8 will generally be considered timely (but not considered for inclusion in our proxy statement), pursuant to the advance notice requirement set forth in our bylaws, if such notices are filed with our Secretary in the manner specified in our bylaws not earlier than 120 days prior to the date of the 2010 Annual Meeting and not later than the close of business on the later of the 90th day prior to the 2010 Annual Meeting or the 10th day following the day on which public announcement of the date of the 2010 Annual Meeting is first made. The date of the 2010 Annual Meeting and the deadlines for submitting stockholder proposals for consideration for inclusion in the 2010 proxy statement pursuant to Rule 14a-8 and for submitting notices of stockholders proposals outside the processes of Rule 14a-8, when determined, will be publicly disclosed in accordance with applicable SEC rules. For proposals that are not timely filed, the named proxies will retain discretion to vote proxies that we receive and will exercise authority in accordance with the recommendation of the Board of Directors. For proposals that are timely filed, the named proxies will retain discretion to vote proxies that we receive provided (1) we include in our proxy statement advice on the nature of the proposal and how the named proxies intend to exercise their voting discretion and (2) the proponent does not issue a proxy statement. In order to curtail any controversy as to the date on which we received a proposal, we suggest that stockholders submit their proposals by certified mail, return receipt requested. Nothing in this paragraph shall be deemed to require us to include any stockholder proposal that does not meet all of the requirements for such inclusion established by the Commission at the time in effect.

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DELIVERY OF ANNUAL REPORT AND PROXY STATEMENT TO STOCKHOLDERS SHARING AN ADDRESS

The Commission has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies. We and some brokers household proxy materials, delivering a single proxy statement or Notice of Internet Availability to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker or us that they or we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us, or our transfer agent, if you hold registered shares. You can notify us by sending a written request to Mary A. Chaput, Secretary, Healthways, Inc., 701 Cool Springs Boulevard, Franklin, Tennessee 37067, or by calling Ms. Chaput at the Company at (615) 614-4929.

MISCELLANEOUS

It is important that proxies be returned promptly to avoid unnecessary expense. Therefore, stockholders who do not expect to attend in person are urged, regardless of the number of shares of stock owned, to date, sign and return the proxy promptly.

A COPY OF OUR ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED AUGUST 31, 2008 MAY BE OBTAINED, WITHOUT CHARGE, BY ANY STOCKHOLDER TO WHOM THIS PROXY STATEMENT IS SENT, UPON WRITTEN REQUEST TO MARY A. CHAPUT, SECRETARY, HEALTHWAYS, INC., 701 COOL SPRINGS BOULEVARD, FRANKLIN, TENNESSEE 37067. COPIES OF EXHIBITS FILED WITH THE FORM 10-K ALSO WILL BE AVAILABLE UPON WRITTEN REQUEST ON PAYMENT OF CHARGES APPROXIMATING THE COMPANY S COST.

Date: December 19, 2008.

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APPENDIX A

RESTATED CHARTER OF AUDIT COMMITTEE OF HEALTHWAYS, INC.

The Audit Committee (the Committee) is appointed by the Board of Directors (the Board) to assist the Board in overseeing the accounting and financial reporting processes of the Company and the audits of the Company s financial statements, the Company s compliance with legal and regulatory requirements, the outside auditors qualifications and independence, and the performance of the outside auditors and of the Company s internal audit function.

In discharging its responsibilities, the Committee is empowered to investigate any matter with full access to all books, records, facilities and personnel of the Company and the power to retain, at the Company s expense, outside counsel, auditors or other experts or consultants for this purpose. The Committee shall make regular reports to the Board.

The Committee shall review and reassess the adequacy of this Charter on an annual basis and submit it annually to the Board for approval.

The Committee shall be comprised of not less than three members of the Board who, as determined by the Board, meet the independence and other qualification standards set by applicable law and regulation and the applicable listing standards of The Nasdaq Global Select Market, Inc. One member of the Committee shall have finance or accounting or comparable experience which results in the individual s financial sophistication, and each member shall be able to read and understand fundamental financial statements as determined by the Board. The Committee also shall consider whether one of its members is an audit committee financial expert as defined by the Securities and Exchange Commission.

The Committee s oversight responsibility recognizes that the Company s management is responsible for preparing the Company s financial statements in accordance with generally accepted accounting principles and that the outside auditors are responsible for auditing those financial statements. Additionally, the Committee recognizes that the Company s financial management, as well as its outside auditors, have more time, knowledge and more detailed information on the Company and its financial reports than do Committee members; consequently, in carrying out its duties and responsibilities, the Committee is not providing any expert or special assurance as to the Company s financial statements and is not conducting an audit or investigation of the financial statements or determining that the Company s financial statements are true and complete or are in accordance with generally accepted accounting principles.

The following functions shall be the common recurring activities of the Committee in carrying out its oversight duties and responsibilities. These functions are set forth as minimum duties and responsibilities with the understanding that the Committee may undertake additional duties and responsibilities as the Board or the Committee deems appropriate given the circumstances.

The Committee shall review and discuss with management and the outside auditors the annual audited and quarterly unaudited financial statements, the Company s disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operation , and the selection, application and disclosure of

critical accounting policies and practices used in such financial statements. The Committee also shall review and discuss with the outside auditors the matters required to be discussed by Statements of Auditing Standards (SAS) No. 61 and No. 90, as may be modified or supplemented. The discussion of the financial statements and the related critical accounting policies and practices shall occur prior to the public release of such financial statements and the discussion of the related disclosure, including the Management s Discussion and Analysis of Financial Condition and Results of Operation , shall occur prior to the filing of the Form 10-Q or 10-K. Additionally, based on such review and discussion, the Committee shall consider whether to recommend to the Board that the audited financial statements be included in the Company s Annual Report on Form 10-K.

The Committee shall review and approve all transactions between the Company and any related person that are required to be disclosed pursuant to Securities and Exchange Commission Regulation S-K, Item 404 (Item 404). Related person and transaction shall have the meanings given to such terms in Item 404, as amended from time to time.

The Committee shall discuss with management and the outside auditors policies with respect to risk assessment and risk management and the quality and adequacy of the Company s internal controls and processes that could materially affect the Company s financial statements and financial reporting. The Committee shall meet separately, at least quarterly, with management, and with the outside auditors and shall review with the outside auditors any audit problems or difficulties and management s response.

The Committee shall:

oversee the work of the outside auditors;

resolve disagreements between management and the outside auditors regarding financial reporting;

discuss with management and the outside auditors the internal audit function in the Company, including its responsibilities, budget and staffing and its planned scope of internal audit;

establish hiring policies for employees or former employees of the outside auditors;

preapprove all auditing services and internal control-related services to be provided by the outside auditors;

preapprove all permitted non-audit services, including tax services, to be provided by the outside auditors, subject to such exceptions as may be determined by the Committee to be appropriate and consistent with federal and regulatory provisions;

receive reports from the outside auditors regarding critical accounting policies and practices, alternative treatments of financial information and generally accepted accounting principles, and such other information as may be required by federal and regulatory provisions;

receive from the outside auditors annually a formal written statement delineating all relationships between the outside auditors and the Company that may impact the objectivity and independence of the outside auditors; and

discuss with the outside auditors in an active dialogue any such disclosed relationships or services and their impact on the outside auditors objectivity and independence.

The Committee shall receive reports from the principal executive and financial officers of the Company and the outside auditors regarding any major issues as to the adequacy of the Company s internal controls, any

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special steps adopted in light of internal control deficiencies and the adequacy of disclosure about changes in internal controls over financial reporting.

The Committee shall review and discuss with management (including the senior internal audit officer) and the outside auditors the Company s internal controls report and the outside auditor s attestation of the report prior to the filing of the Company s Form 10-K.

The Committee shall establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

The Committee shall have the sole authority and responsibility to select (subject, if applicable, to stockholder approval), determine the compensation of, and, where appropriate, terminate and replace the outside auditors, and the outside auditors shall report directly to the Committee.

Meetings

The Committee shall meet at least four times annually and more frequently as necessary or appropriate, including teleconferences when appropriate. Special meetings of the Committee may be called on one day notice by the Chairman of the Board or the Committee Chairman. One or more of these meetings shall include separate executive sessions with the Company s Chief Financial Officer and the independent auditors. A majority of the Committee shall constitute a quorum, and the Committee shall act only on the affirmative vote of a majority of the members present at the meeting. Attendance by the Chairman of the Board and by other members of management will be at the invitation of the Committee Chair. The Committee shall maintain minutes of all meetings documenting its activities and recommendations to the Board. Unless the Board has previously designated the Chair, the members of the Committee may designate a Chair by majority vote.

The Committee and its members have complete access to management, recognizing that it is expected that members will use judgment to be sure that this access is not distracting to the business operations of the Company.

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C/O NATIONAL CITY BANK SHAREHOLDER SERVICES OPERATIONS LOCATOR 5352 P.O. BOX 94509 CLEVELAND, OH 44101-4509 Vote 24 hours a day, 7 days a week! **VOTE BY INTERNET** **www.proxyvote.com** Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. **ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS** If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years. **VOTE BY PHONE 1-800-690-6903** Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions. **VOTE BY MAIL** Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. **If you vote by telephone or over the Internet, do not mail your proxy card.** TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: HLTHW1 KEEP THIS PORTION FOR YOUR RECORDSTHIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. DETACH AND RETURN THIS PORTION ONLY HEALTHWAYS, INC. The shares will be voted in accordance with your For A ll Withhold All For All Except To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below. instructions. If no choice is specified, shares will be voted **FOR** the nominees in the election of directors and **FOR** proposal 2. Vote on Directors 1. ELECTION OF DIRECTORS Nominees: 01) Jay C. Bisgard, M.D. 02) Mary Jane England, M.D. 03) John A. Wickens 0 0 0 **Vote on Proposal** 2. To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for fiscal 2009. In their discretion, the proxies may vote on any other matters which may properly come before the meeting or any adjournment thereof. **For Against Abstain** 0 0 0 (**NOTE**: Please sign exactly as your name(s) appear(s) hereon. All holders must sign. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. If a corporation, please sign in full corporate name by authorized officer. If a partnership, please sign in partnership name by authorized person.) Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

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YOUR VOTE IS IMPORTANT **If you do not vote by telephone or Internet, please mark, sign and date this proxy card and return it promptly in the enclosed postage-paid envelope, or otherwise to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717, so the shares may be represented at the meeting. Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting:** The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com. **Proxy card must be signed and dated on the reverse side. Please fold and detach card at perforation before mailing.** HLTHW2 HEALTHWAYS, INC. This proxy is solicited on behalf of the Board of Directors for the Annual Meeting of Stockholders on January 29, 2009 The undersigned hereby appoints Thomas G. Cigarran and Mary A. Chaput, and either of them, as proxies, with full power of substitution, to vote all shares of the undersigned as shown on the reverse side of this proxy at the Annual Meeting of Stockholders of Healthways, Inc. to be held at the Franklin Marriott Cool Springs, 700 Cool Springs Boulevard, Franklin, Tennessee 37067, on January 29, 2009, at 9:00 a.m., Central time, and any adjournments thereof. (Continued and to be signed on reverse side.)