

MINDBODY, Inc.
Form DEF 14A
April 28, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

(Name of Registrant as Specified In Its Charter)

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

4051 Broad Street, Suite 220

San Luis Obispo, California 93401

(877) 755-4279

To our Stockholders:

We are pleased to invite you to attend the annual meeting of stockholders of MINDBODY, Inc. to be held on Friday, June 10, 2016 at 10:00 a.m., local time, at our offices located at 651 Tank Farm Road, San Luis Obispo, California 93401.

Details regarding how to attend the annual meeting and the business to be conducted at the annual meeting are more fully described in the accompanying notice of annual meeting of stockholders and proxy statement.

Your vote is important. Regardless of whether you plan to attend the annual meeting, it is important that your shares be represented and voted at the annual meeting, and we hope you will vote as soon as possible. You may vote by proxy over the Internet or by telephone, or, if you received paper copies of the proxy materials by mail, you may also vote by mail by following the instructions on the proxy card or voting instruction card. Voting over the Internet or by telephone, written proxy or voting instruction card will ensure your representation at the annual meeting regardless of whether you attend the annual meeting.

Thank you for your ongoing support of, and continued interest in, MINDBODY, Inc.

Sincerely,

Richard Stollmeyer
President, Chief Executive Officer,

and Chairman of the Board
San Luis Obispo, California

April 28, 2016

MINDBODY, INC.

4051 Broad Street, Suite 220

San Luis Obispo, California 93401

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Time and Date	10:00 a.m., local time, on Friday, June 10, 2016
Place	Our offices located at 651 Tank Farm Road, San Luis Obispo, California 93401
Items of Business	(1) To elect as Class I directors the two nominees named in the accompanying proxy statement to serve until our 2019 annual meeting of stockholders and until their respective successors are duly elected and qualified. (2) To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016. (3) To transact other business that may properly come before the annual meeting or any adjournments or postponements thereof.
Adjournments and Postponements	Any action on the items of business described above may be considered at the annual meeting at the time and on the date specified above or at any time and date to which the annual meeting may be properly adjourned or postponed.
Record Date	April 12, 2016
Meeting Admission	Only holders of record of our Class A common stock and Class B common stock as of April 12, 2016 are entitled to notice of and to vote at the annual meeting. You are invited to attend the annual meeting if you are a stockholder of record or a beneficial owner of shares of our Class A common stock and Class B common stock, in each case, as of April 12, 2016. If you are a stockholder of record, you must present valid government-issued photo identification (e.g., driver's license or passport) for admission to the annual meeting. If you are a beneficial owner of shares of our Class A common stock and Class B common stock, you must provide proof of such ownership as of April 12, 2016 (e.g., your most recent account statement reflecting your stock ownership as of April 12, 2016) and you must present valid government-issued photo identification for admission to the annual meeting.
Availability of Proxy Materials	The Notice Regarding the Internet Availability of Proxy Materials, which contains instructions on how to access the proxy materials and our 2015 annual report, is first being sent or given on or about April 28, 2016 to all stockholders entitled to vote at the annual meeting. The proxy materials and our 2015 annual report can be accessed as of April 28, 2016 at the following Internet address: www.edocumentview.com/MB .
Voting	Your vote is very important. You may vote by proxy over the Internet or by telephone, or, if you received paper copies of the proxy materials by mail, you may also vote by mail by following the instructions on the proxy card or voting instruction card. For specific instructions on how to vote your shares, please refer to the section entitled Questions and Answers beginning on page 1 of the accompanying proxy statement.

By order of the Board of Directors,

Kimberly Lytikainen
General Counsel and Secretary
San Luis Obispo, California
April 28, 2016

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MINDBODY, INC.

PROXY STATEMENT

FOR THE 2016 ANNUAL MEETING OF STOCKHOLDERS

To be held at 10:00 a.m., local time, on Friday, June 10, 2016

The information provided in the “Questions and Answers” format below is for your convenience only and is merely a summary of the information contained in this proxy statement. You should read the entire proxy statement carefully.

QUESTIONS AND ANSWERS

ABOUT THE PROXY MATERIALS AND ANNUAL MEETING

Why am I receiving these materials?

This proxy statement and the enclosed form of proxy are furnished in connection with the solicitation of proxies by our board of directors for use at the 2016 annual meeting of stockholders of MINDBODY, Inc., a Delaware corporation, and any postponements or adjournments thereof. The annual meeting will be held on Friday, June 10, 2016 at 10:00 a.m., local time, at our offices located at 651 Tank Farm Road, San Luis Obispo, California 93401.

Stockholders are invited to attend the annual meeting and are requested to vote on the items of business described in this proxy statement. The Notice Regarding the Internet Availability of Proxy Materials, or the Notice of Internet Availability, which contains instructions on how to access the proxy materials and our 2015 annual report, is first being sent or given on or about April 28, 2016 to all stockholders entitled to notice of and to vote at the annual meeting. In addition, the proxy materials and our 2015 annual report can be accessed as of April 28, 2016 at the following Internet address: www.edocumentview.com/MB.

What proposals am I voting on?

You are being asked to vote on two proposals:

- the election of the two nominees for Class I director named in this proxy statement to hold office until our 2019 annual meeting of stockholders and until their respective successors are duly elected and qualified; and
- the ratification of the appointment of Deloitte & Touche LLP, or Deloitte & Touche, as our independent registered public accounting firm for our fiscal year ending December 31, 2016.

What if other matters are properly brought before the annual meeting?

As of the date of this proxy statement, we are not aware of any other matters that will be presented for consideration at the annual meeting. If any other matters are properly brought before the annual meeting, the persons named as proxies will be authorized to vote or otherwise act on those matters in accordance with their judgment. If for any reason a Class I director nominee is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate as may be nominated by our board of directors.

How does the board of directors recommend that I vote?

Our board of directors recommends that you vote your shares:

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- “FOR” each of the two nominees for Class I director named in this proxy statement; and
 - “FOR” the ratification of the appointment of Deloitte & Touche as our independent registered public accounting firm for our fiscal year ending December 31, 2016.
-

Who is entitled to vote at the annual meeting?

Holders of either class of our common stock as of the close of business on April 12, 2016, the record date for the annual meeting, are entitled to vote at the annual meeting. As of the record date, there were (i) 16,528,774 shares of our Class A common stock issued and outstanding and (ii) 23,160,959 shares of our Class B common stock issued and outstanding. Our Class A common stock and Class B common stock will vote as a single class on all matters described in this proxy statement for which your vote is being solicited. Stockholders are not permitted to cumulate votes with respect to the election of directors. Each share of Class A common stock is entitled to one vote on each matter properly brought before the annual meeting and each share of Class B common stock is entitled to ten votes on each matter properly brought before the annual meeting. Our Class A common stock and Class B common stock are collectively referred to in this proxy statement as our common stock.

Stockholder of Record: Shares Registered in Your Name. If, at the close of business on the record date for the annual meeting, your shares were registered directly in your name with our transfer agent, Computershare Trust Company, N.A., or Computershare, then you are a stockholder of record. As a stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote in person at the annual meeting.

Beneficial Owner of Shares Held in "Street Name": Shares Registered in the Name of a Broker, Bank or Other Nominee. If, at the close of business on the record date for the annual meeting, your shares were held, not in your name, but rather in an account at a brokerage firm, bank or other nominee, then you are the beneficial owner of shares held in "street name" and the Notice of Internet Availability is being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker, bank or other nominee regarding how to vote the shares in your account by following the voting instructions your broker, bank or other nominee provides. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the annual meeting unless you obtain a legal proxy from your broker, bank or other nominee.

How can I vote my shares?

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in one of the following ways:

- You may vote in person. If you plan to attend the annual meeting, you may vote by delivering your completed proxy card in person or by completing and submitting a ballot, which will be provided at the annual meeting.
- You may vote by mail. To vote by mail, complete, sign and date the proxy card that accompanies this proxy statement and return it promptly in the postage-prepaid envelope provided (if you received printed proxy materials). Your completed, signed and dated proxy card must be received prior to the annual meeting.
 - You may vote by telephone. To vote over the telephone, call toll-free (800) 652-8683 if calling within the United States, United States territories and Canada, using a touch-tone telephone and follow the recorded instructions (have your Notice of Internet Availability or proxy card in hand when you call). You will be asked to provide the control number from your Notice of Internet Availability or proxy card. Telephone voting is available 24 hours a day, 7 days a week, until 1:00 a.m., Central Time, on June 10, 2016.
- You may vote via the Internet. To vote via the Internet, go to www.envisionreports.com/MB to complete an electronic proxy card (have your Notice of Internet Availability or proxy card in hand when you visit the website). You will be asked to provide the control number from your Notice of Internet Availability or proxy card. Internet voting is available 24 hours a day, 7 days a week, until 1:00 a.m., Central Time, on June 10, 2016.

Beneficial Owner of Shares Held in “Street Name”: Shares Registered in the Name of a Broker, Bank or Other Nominee

If you are a beneficial owner of shares held of record by a broker, bank or other nominee, you will receive voting instructions from your broker, bank or other nominee. You must follow the voting instructions provided by your broker, bank or other nominee in order to instruct your broker, bank or other nominee on how to vote your shares. Beneficial owners of shares should generally be able to vote by returning the voting instruction card to their broker, bank or other nominee, or by telephone or via the Internet. However, the availability of telephone or Internet voting will depend on the voting process of your broker, bank or other nominee. As discussed above, if you are a beneficial owner, you may not vote your shares in person at the annual meeting unless you obtain a legal proxy from your broker, bank or other nominee.

Can I change my vote or revoke my proxy?

Stockholder of Record: Shares Registered in Your Name. If you are a stockholder of record, you can change your vote or revoke your proxy by:

- entering a new vote by telephone or via the Internet (until the applicable deadline for each method as set forth above);
- returning a later-dated proxy card (which automatically revokes the earlier proxy);
- providing a written notice of revocation prior to the annual meeting to our corporate secretary at our principal executive offices as follows: MINDBODY, Inc., 4051 Broad Street, Suite 220, San Luis Obispo, California 93401, Attn: Corporate Secretary; or
- attending the annual meeting and voting in person. Attendance at the annual meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

Beneficial Owner of Shares Held in "Street Name": Shares Registered in the Name of a Broker, Bank or Other Nominee. If you are the beneficial owner of your shares, you must contact the broker, bank or other nominee holding your shares and follow their instructions to change your vote or revoke your proxy.

Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a paper copy of the full set of proxy materials?

In accordance with the rules of the Securities and Exchange Commission, or SEC, we have elected to distribute our proxy materials, including the notice of annual meeting of stockholders, this proxy statement and our 2015 annual report, primarily via the Internet. As a result, we are mailing to our stockholders a Notice of Internet Availability instead of a paper copy of the proxy materials. The Notice of Internet Availability contains instructions on how to access our proxy materials on the Internet, how to vote on the proposals, how to request printed copies of the proxy materials and 2015 annual report, and how to request to receive all future proxy materials in printed form by mail or electronically by e-mail. We encourage stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce our costs and the environmental impact of our annual meetings.

What is the effect of giving a proxy?

Proxies are solicited by and on behalf of our board of directors. The persons named in the proxy, Richard Stollmeyer, our President and Chief Executive Officer and Chairman, and Brett White, our Chief Financial Officer, have been designated as proxies for the annual meeting by our board of directors. When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the annual meeting in accordance with the instruction of the stockholder on such proxy. If no specific instructions are given, however, the shares will be voted in accordance with the recommendations of our board of directors on the proposals as described above and, if any other matters are properly brought before the annual meeting, the shares will be voted in accordance with the proxies' judgment.

In addition, Mr. Stollmeyer and Robert Murphy, our Chief Operating Officer, currently hold an irrevocable proxy to vote shares of common stock held by certain of our stockholders, as described in the section entitled "Security Ownership." Stockholders who have granted such proxy to Messrs. Stollmeyer and Murphy are not entitled to vote such shares at the annual meeting. Messrs. Stollmeyer and Murphy intend to vote such shares in accordance with the recommendations of our board of directors on the proposals as described above, and in accordance with their judgment if any other matters are properly brought before the annual meeting.

How many votes do I have?

Holders of our Class A common stock are entitled to one vote for each share held as of the record date. Holders of our Class B common stock are entitled to ten votes for each share held as of the record date. Our Class A common stock and Class B common stock will vote as a single class on all matters described in this proxy statement for which your vote is being solicited.

What is the quorum requirement for the annual meeting?

A quorum is the minimum number of shares required to be present or represented at the annual meeting for the meeting to be properly held under our amended and restated bylaws and Delaware law. The presence, in person or by proxy, of a majority of the voting power of our stock issued and outstanding and entitled to vote at the annual meeting will constitute a quorum to transact business at the annual meeting. Abstentions, “WITHHOLD” votes, and “broker non-votes” are counted as present and entitled to vote for purposes of determining a quorum. If there is no quorum, the chairman of the meeting may adjourn the meeting to another time or place.

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What are broker non-votes?

Broker non-votes occur when a beneficial owner of shares held in “street name” does not give instructions to the broker, bank or other nominee, as applicable, as to how to vote on matters deemed “non-routine” and there is at least one “routine” matter to be voted upon at the annual meeting. Generally, if shares are held in “street name,” the beneficial owner of the shares is entitled to give voting instructions to the broker, bank or other nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker, bank or other nominee can still vote the shares with respect to matters that are considered to be “routine,” but not with respect to “non-routine” matters. In the event that a broker, bank or other nominee votes shares on the “routine” matters, but does not vote shares on the “non-routine” matters, those shares will be treated as broker non-votes with respect to the “non-routine” proposals. Accordingly, if you own shares through a nominee, such as a broker or bank, please be sure to instruct your nominee how to vote to ensure that your vote is counted on each of the proposals.

What matters are considered “routine” and “non-routine”?

The ratification of the appointment of Deloitte & Touche as our independent registered public accounting firm for our fiscal year ending December 31, 2016 (Proposal No. 2) is considered “routine” under applicable federal securities rules. The election of Class I directors (Proposal No. 1) is considered “non-routine” under applicable federal securities rules.

What are the effects of abstentions and broker non-votes?

An abstention represents a stockholder’s affirmative choice to decline to vote on a proposal. If a stockholder indicates on its proxy card that it wishes to abstain from voting its shares, or if a broker, bank or other nominee holding its customers’ shares of record causes abstentions to be recorded for shares, these shares will be considered present and entitled to vote at the annual meeting. As a result, abstentions will be counted for purposes of determining the presence or absence of a quorum and will also count as votes against a proposal in cases where approval of the proposal requires the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy and entitled to vote at the annual meeting (e.g., Proposal No. 2). However, because the outcome of Proposal No. 1 (election of directors) will be determined by a plurality vote, abstentions will have no impact on the outcome of such proposal as long as a quorum exists.

Broker non-votes will be counted for purposes of calculating whether a quorum is present at the annual meeting but will not be counted for purposes of determining the number of votes cast on a proposal. Therefore, a broker non-vote will make a quorum more readily attainable but will not otherwise affect the outcome of the vote on either proposal.

What is the voting requirement to approve each of the proposals?

Proposal No. 1: Election of Class I Directors. The election of Class I directors as Class I directors requires a plurality of the voting power of the shares present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors. This means that the two nominees for Class I director receiving the highest number of “FOR” votes will be elected as Class I directors. You may vote (i) “FOR” for each director nominee or (ii) “WITHHOLD” for each director nominee. Because the outcome of this proposal will be determined by a plurality vote, shares voted “WITHHOLD” will not prevent a director nominee from being elected as a director.

Proposal No. 2: Ratification of Appointment Deloitte & Touche. The ratification of the appointment of Deloitte & Touche requires the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the annual meeting and entitled to vote. You may vote “FOR,” “AGAINST,” or “ABSTAIN” on this proposal. Abstentions will count towards the quorum requirement for the annual meeting and will have the same

effect as a vote against the proposal.

Who will count the votes?

A representative of our transfer agent, Computershare, will tabulate the votes and act as inspector of elections.

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What if I do not specify how my shares are to be voted or fail to provide timely directions to my broker, bank or other nominee?

Stockholder of Record: Shares Registered in Your Name. If you are a stockholder of record and you submit a proxy but you do not provide voting instructions, your shares will be voted:

- “FOR” each of the two nominees for Class I director named in this proxy statement; and
- “FOR” the ratification of the appointment of Deloitte & Touche as our independent registered public accounting firm for our fiscal year ending December 31, 2016.

In addition, if any other matters are properly brought before the annual meeting, the persons named as proxies will be authorized to vote or otherwise act on those matters in accordance with their judgment.

Beneficial Owner of Shares Held in “Street Name”: Shares Registered in the Name of a Broker, Bank or Other Nominee. Brokers, banks and other nominees holding shares of common stock in “street name” for customers are generally required to vote such shares in the manner directed by their customers. In the absence of timely directions, your broker, bank or other nominee will have discretion to vote your shares on our sole “routine” matter – Proposal No. 2 (ratification of the appointment of Deloitte & Touche). Absent direction from you, however, your broker, bank or other nominee will not have the discretion to vote on Proposal No. 1 relating to the election of directors.

How can I contact MINDBODY’s transfer agent?

You may contact our transfer agent, Computershare, by telephone at (877) 575-3100 (toll-free for United States residents) or (781) 575-3100, or by writing Computershare Trust Company, N.A., at P.O. Box 30170, College Station, Texas 77842. You may also access instructions with respect to certain stockholder matters (e.g., change of address) via the Internet at www.computershare.com/investor.

How can I attend the annual meeting?

Stockholder of Record: Shares Registered in Your Name. If you were a stockholder of record at the close of business on the record date, you must present valid government-issued photo identification (e.g., driver’s license or passport) for admission to the annual meeting.

Beneficial Owner of Shares Held in “Street Name”: Shares Registered in the Name of a Broker, Bank or Other Nominee. If you were a beneficial owner at the close of business on the record date, you may not vote your shares in person at the annual meeting unless you obtain a “legal proxy” from your broker, bank or other nominee who is the stockholder of record with respect to your shares. You may still attend the annual meeting even if you do not have a legal proxy. For admission to the annual meeting, you must provide proof of beneficial ownership as of the record date (e.g., your most recent account statement reflecting your stock ownership as of the record date) and you must present valid government-issued photo identification.

Please note that no cameras, recording equipment, large bags, briefcases or packages will be permitted in the annual meeting.

Directions to the annual meeting may be found in the section entitled Other Matters – Directions to Annual Meeting below.

Will the annual meeting be webcast?

We do not expect to webcast the annual meeting.

How are proxies solicited for the annual meeting and who is paying for such solicitation?

Our board of directors is soliciting proxies for use at the annual meeting by means of the proxy materials. We will bear the entire cost of proxy solicitation, including the preparation, assembly, printing, mailing and distribution of the proxy materials. Copies of solicitation materials will also be made available upon request to brokers, banks and other nominees to forward to the beneficial owners of the shares held of record by such brokers, banks or other nominees. The original solicitation of proxies may be supplemented by solicitation by telephone, electronic communication, or other means by our directors, officers or employees. No additional compensation will be paid to these individuals for any such services, although we may reimburse such individuals for their reasonable out-of-pocket expenses in connection with such solicitation. We do not plan to retain a proxy solicitor to assist in the solicitation of proxies.

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If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur.

Where can I find the voting results of the annual meeting?

We will announce preliminary voting results at the annual meeting. We will also disclose voting results on a Current Report on Form 8-K filed with the SEC within four business days after the annual meeting. If final voting results are not available to us in time to file a Current Report on Form 8-K within four business days after the annual meeting, we will file a Current Report on Form 8-K to publish preliminary results and, within four business days after final results are known, file an additional Current Report on Form 8-K to publish the final results.

What does it mean if I receive more than one Notice of Internet Availability or more than one set of printed materials?

If you receive more than one Notice of Internet Availability or more than one set of printed materials, your shares may be registered in more than one name and/or are registered in different accounts. Please follow the voting instructions on each Notice of Internet Availability or each set of printed materials, as applicable, to ensure that all of your shares are voted.

I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

We have adopted an SEC-approved procedure called “householding,” under which we can deliver a single copy of the Notice of Internet Availability and, if applicable, the proxy materials and annual report, to multiple stockholders who share the same address unless we receive contrary instructions from one or more of the stockholders. This procedure reduces our printing and mailing costs. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, we will deliver promptly a separate copy of the Notice of Internet Availability and, if applicable, the proxy materials and annual report, to any stockholder at a shared address to which we delivered a single copy of any of these documents. To receive a separate copy, or, if you are receiving multiple copies, to request that we only send a single copy of next year’s proxy materials and annual report, you may contact us as follows:

MINDBODY, Inc.

Attention: Investor Relations

4051 Broad Street, Suite 220

San Luis Obispo, CA 93401

Tel: (877) 755-4279

Stockholders who hold shares in street name may contact their broker, bank or other nominee to request information about householding.

Is there a list of stockholders entitled to vote at the annual meeting?

The names of stockholders of record entitled to vote at the annual meeting will be available at the annual meeting and from our corporate secretary for ten days prior to the meeting for any purpose germane to the annual meeting, between the hours of 9:00 a.m. and 4:30 p.m., local time, at our corporate headquarters located at 4051 Broad Street, Suite 220,

San Luis Obispo, California 93401.

When are stockholder proposals due for next year's annual meeting?

Please see the section entitled Stockholder Proposal Deadlines for 2017 Annual Meeting in this proxy statement for more information regarding the deadlines for the submission of stockholder proposals for our 2017 annual meeting.

What are the implications of being an "emerging growth company"?

We are an "emerging growth company" under applicable federal securities laws and therefore permitted to take advantage of certain reduced public company reporting requirements. As an emerging growth company, we provide in this proxy statement the scaled disclosure permitted under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, including certain executive compensation disclosures required of a "smaller reporting company," as that term is defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In addition, as an emerging growth company, we are not required to conduct votes seeking approval, on an advisory basis, of the compensation of our named executive officers or the frequency with which such votes must be conducted. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal

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year following the fifth anniversary of the completion of our initial public offering, (ii) the last day of the first fiscal year in which our annual gross revenue is \$1 billion or more, (iii) the date on which we have, during the previous rolling three-year period, issued more than \$1 billion in non-convertible debt securities or (iv) the date on which we are deemed to be a “large accelerated filer” as defined in the Exchange Act.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Composition of the Board

Our board of directors is currently comprised of eight members. Six of the eight directors that comprise our board of directors are “independent directors” within the meaning of such term as set forth in the listing standards of the NASDAQ Stock Market LLC, or NASDAQ. Our board of directors is divided into three staggered classes of directors. At each annual meeting of stockholders, a class of directors will be elected for a term of three years to succeed the class of directors whose terms are then expiring.

As discussed in the section below entitled Proposal Number 1 Election of Class I Directors, Mr. Newton’s term will expire at the annual meeting and he will not be standing for re-election. The authorized number of directors will be reduced effective as of the annual meeting to eliminate the vacancy on our board of directors resulting from the expiration of his term. Accordingly, following the annual meeting, our board of directors will be comprised of seven members, with five of those seven directors being “independent directors” within the meaning of the NASDAQ listing standards.

The following table sets forth the names, ages, and certain other information for each of the directors with terms expiring at the annual meeting (including those who are also nominees for election as a director at the annual meeting) and for each of the continuing members of our board of directors. All information is as of April 12, 2016.

Name	Class	Age	Position	Expiration		
				Director Since	Term Expires	Which Nominated
Nominees for Director						
Gail Goodman(1)	I	55	Director	2016	2016	2019
Jeremy Levine(2)	I	42	Director	2010	2016	2019
Continuing Directors						
Eric Liaw (2)(3)	II	38	Director	2014	2017	—
Robert Murphy	II	59	Chief Operating Officer	2004	2017	—
Richard Stollmeyer	III	50	and Director President, Chief Executive Officer and Chairman of the Board	2004	2018	—
Katherine Blair Christie (1)(2)(4)	III	44	Director	2015	2018	—
Graham Smith (1)(3)	III	56	Lead Independent Director	2015	2018	—
Director with Term Expiring at Annual Meeting/Non-Continuing Director						
Tyler Newton(1)(3)	I	43	Director	2009	2016	—

- (1) Member of compensation committee.
 - (2) Member of nominating and corporate governance committee.
 - (3) Member of audit committee.
 - (4) Member of audit committee effective as of the date of the annual meeting.
- Nominees for Director

Gail Goodman. Ms. Goodman has served as a member of our board of directors since April 2016. From April 1999 to February 2016, Ms. Goodman served as President and Chief Executive Officer of Constant Contact, Inc., an online marketing firm acquired by Endurance International Group Holdings, Inc. in February 2016. Ms. Goodman also served as a director of Constant Contact from May 1999, including as chairwoman of the board from November 1999, until February 2016. Ms. Goodman served as Vice President, Commerce Products Group, of Open Market, Inc., a provider of Internet commerce application software acquired by Future Tense, from 1996 until 1998, and as Vice President, Marketing, of Progress Software Corporation, a developer and provider of application development tools and database software, from 1994 until 1996. She holds a B.A. from the University of Pennsylvania and an M.B.A. from The Tuck School of Business at Dartmouth College.

Ms. Goodman was selected to serve on our board of directors because of her extensive experience, including in executive leadership roles in both privately and publicly held companies, in the software and marketing industry.

Jeremy Levine. Mr. Levine has served as a member of our board of directors since August 2010. Since January 2007, Mr. Levine has served as a Partner at Bessemer Venture Partners, a venture capital firm he joined in May 2001. Mr. Levine has served on the board of directors of Yelp Inc., a local directory and user review service, since 2005, and Shopify, Inc., an e-commerce platform provider, since 2011, and currently serves on the board of directors of a number of privately held companies. Mr. Levine holds a B.S. degree in Computer Science from Duke University.

Mr. Levine was selected to serve on our board of directors because of his experience in the venture capital industry and as a director of both publicly and privately held technology companies.

Continuing Directors

Richard Stollmeyer. Mr. Stollmeyer is one of our founders and has served as our President and Chief Executive Officer and as Chairman of our board of directors since October 2004. Mr. Stollmeyer holds a B.S. degree in Political Science and Russian Language, with a concentration in International Relations, from the United States Naval Academy.

Mr. Stollmeyer was selected to serve on our board of directors because of the perspective and experience he brings as our President and Chief Executive Officer. As one of our founders, Mr. Stollmeyer also brings historical knowledge, operational expertise and continuity to our board of directors.

Robert Murphy. Mr. Murphy is one of our founders and has served as our Chief Operating Officer since November 2011, and as a member of our board of directors since October 2004. Mr. Murphy has served in several senior leadership roles at our company since 2004, including serving as our Chief Financial Officer and our Chief Marketing Officer. Prior to joining our company, Mr. Murphy owned and operated several yoga studios in the New York City area. Mr. Murphy holds a B.S. degree in Communications from Boston University.

Mr. Murphy was selected to serve on our board of directors because of the perspective and experience he brings as our Chief Operating Officer and his background in the health and wellness services industry. As one of our co-founders, Mr. Murphy also brings historical knowledge, operational expertise and continuity to our board of directors.

Katherine Blair Christie. Ms. Christie has served as a member of our board of directors since March 2015. Ms. Christie has been with Cisco Systems, Inc., a provider of business mobility software, since August 1999 and currently serves as Senior Vice President. Ms. Christie also serves as an advisor to several privately-held companies. From January 2011 to June 2015, Ms. Christie served as Senior Vice President and Chief Marketing Officer at Cisco Systems. From January 2008 to January 2011, Ms. Christie served as Senior Vice President, Global Corporate Communications at Cisco Systems. Ms. Christie holds a B.S. degree in Marketing and Business Administration and an M.B.A. degree from Drexel University.

Ms. Christie was selected to serve on our board of directors because of her operating and management experience in the technology industry.

Eric Liaw. Mr. Liaw has served as a member of our board of directors since February 2014. Since March 2011, Mr. Liaw has served in several roles at Institutional Venture Partners, a venture capital firm, where he currently serves as a General Partner. From August 2003 to January 2011, Mr. Liaw served in several roles at Technology Crossover Ventures, a venture capital firm, including most recently as a Vice President. Mr. Liaw serves on the boards of directors of a number of privately held companies. Mr. Liaw holds a B.A. degree in Economics with a minor in

Computer Science and an M.S. degree in Management Science and Engineering from Stanford University.

Mr. Liaw was selected to serve on our board of directors because of his experience in the venture capital industry and as a director of high growth technology companies.

Graham Smith. Mr. Smith has served as a member of our board of directors since January 2015. From December 2007 to June 2015, Mr. Smith served in various leadership roles at salesforce.com, inc., a global cloud computing company, including Chief Financial Officer from March 2008 to August 2014, and Executive Vice President of Finance through June 2015. Mr. Smith currently serves on the board of directors of Splunk Inc., a provider of machine data analytics software, Citrix Systems, Inc., a provider of business mobility software, and Xero, Inc., an online accounting software company. Mr. Smith also serves on the board of directors of BlackLine, Inc., a provider of software for financial controls and automation. Mr. Smith holds a B.Sc. degree in Economics and Politics from Bristol University in England and qualified as a member of the Institute of Chartered Accountants in England and Wales.

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Mr. Smith was selected to serve on our board of directors because of his financial expertise and extensive experience in the software industry.

Non-Continuing Director

Tyler Newton. Mr. Newton has served as a member of our board of directors since March 2009. Since December 2006, Mr. Newton has served as a Partner at Catalyst Investors, a growth equity investment firm he joined in April 2000. Mr. Newton has also served on the boards of directors of a number of privately held companies. Mr. Newton holds a B.A. degree in Economics from Middlebury College and is a CFA Charter holder. Mr. Newton was selected to serve on our board of directors because of his growth investing experience as a director of numerous technology companies. Mr. Newton will not be standing for re-election at the 2016 annual meeting and, accordingly, it is anticipated that his service on our board of directors will be completed on June 10, 2016.

Director Independence

As a company listed on the NASDAQ Global Market we are required under the listing rules of NASDAQ, or the NASDAQ listing rules, to maintain a board comprised of a majority of independent directors as determined affirmatively by our board. In addition, the NASDAQ listing rules require that, subject to specified exceptions, each member of our audit, compensation, and nominating and corporate governance committees be independent. Audit committee members and compensation committee members must also satisfy the independence criteria set forth in Rule 10A-3 and Rule 10C-1, respectively, under the Exchange Act. Under the NASDAQ listing rules, a director will only qualify as an “independent director” if, in the opinion of our board of directors, the director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Our board of directors has undertaken a review of the independence of our directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, our board of directors has determined that none of Mses. Christie and Goodman, and Messrs. Levine, Liaw, Newton, and Smith, representing six of the eight directors, has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is an “independent director” as that term is defined under the NASDAQ listing rules. Messrs. Stollmeyer and Murphy are not considered independent directors because of their positions as our President and Chief Executive Officer and Chief Operating Officer, respectively.

In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with us and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, and the transactions that may involve them described in the section titled “Related Person Transactions.”

There are no family relationships among any of our directors or executive officers.

Board Leadership Structure and Lead Independent Director

Richard Stollmeyer currently serves as both Chairman of our board of directors and as our President and Chief Executive Officer. Our board of directors has adopted corporate governance guidelines that provide that one of our independent directors will serve as our lead independent director at any time when our chief executive officer serves as the chairman of our board of directors or if the chairman is not otherwise independent. Because Mr. Stollmeyer is our Chairman and also our President and Chief Executive Officer, our board of directors has appointed Graham Smith

to serve as our Lead Independent Director. As Lead Independent Director, Mr. Smith presides over periodic meetings of our independent directors, serves as a liaison between our chairman and our independent directors, and performs such additional duties as our board of directors may otherwise determine and delegate.

As one of our founders, Mr. Stollmeyer has extensive knowledge of all aspects of our business, industry and customers, and is best positioned to identify strategic priorities, lead critical discussions and execute our business plans. We believe that Mr. Stollmeyer's combined role enables strong leadership, creates clear accountability and enhances our ability to communicate our message and strategy clearly and consistently to our stockholders. Moreover, we believe that the combined role is both counterbalanced and enhanced with effective oversight by our independent directors, including the independent leadership provided by our Lead Independent Director. As a result of our board's committee system, majority of independent directors, and Mr. Smith's role as Lead Independent Director, our board maintains effective oversight of our business operations, including independent oversight of our financial statements, executive compensation, selection of director candidates, and corporate governance programs. Accordingly, we believe that our current leadership structure is appropriate and enhances the board's ability to effectively carry out its roles and responsibilities on behalf of our stockholders.

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Role of Board in Risk Oversight Process

Risk is inherent with every business, and we face a number of risks, including strategic, financial, business and operational, legal and compliance, and reputational. We have designed and implemented processes to manage risk in our operations. Management is responsible for the day-to-day management of risks the company faces, while our board of directors, as a whole and assisted by its committees, has responsibility for the oversight of risk management. Our board reviews strategic and operational risk in the context of discussions, question and answer sessions, and reports from the management team at each regular board meeting, receives reports on all significant committee activities at each regular board meeting, and evaluates the risks inherent in significant transactions. Our audit committee assists our board in fulfilling its oversight responsibilities with respect to risk management in the areas of internal control over financial reporting and disclosure controls and procedures, legal and regulatory compliance, and also, among other things, discusses with management and the independent auditor guidelines and policies with respect to risk assessment and risk management. Our compensation committee assesses risks relating to our executive compensation plans and arrangements, and whether our compensation policies and programs have the potential to encourage excessive risk taking. Our nominating and corporate governance committee assesses risks relating to our corporate governance practices, the independence of the board and potential conflicts of interest.

The board believes its current leadership structure supports the risk oversight function of the board. In particular, our board believes that our Lead Independent Director, majority of independent directors, and our independent committees provide a well-functioning and effective balance to the members of executive management on our board.

Board Meetings and Committees

During our fiscal year ended December 31, 2015, our board of directors held eleven meetings (including regularly scheduled and special meetings), and each director attended at least 75% of the aggregate of (i) the total number of meetings of our board of directors held during the period for which he or she has been a director and (ii) the total number of meetings held by all committees of our board of directors on which he or she served during the periods that he or she served.

Our board of directors has established the following standing committees of the board: audit committee; compensation committee; and nominating and corporate governance committee. The composition and responsibilities of each of the committees of our board of directors is described below.

Audit Committee

The current members of our audit committee are Messrs. Smith, Liaw and Newton. Mr. Smith is the chair of the audit committee. Mr. Newton's tenure on the audit committee will end at the annual meeting as he will no longer serve on the board of directors following the annual meeting. Accordingly, our audit committee as of the date of the annual meeting will be comprised of Messrs. Smith and Liaw, and Ms. Christie, who has been appointed to the audit committee effective as of the date of the annual meeting. Mr. Smith will remain as the chair of the audit committee. Our board of directors has determined that each member of our audit committee (including Ms. Christie) is an independent director under the current NASDAQ listing rules, satisfies the additional independence criteria for audit committee members and satisfies the requirements for financial literacy under the NASDAQ listing rules and Rule 10A-3 of the Exchange Act. Our board has also determined that Mr. Smith qualifies as an audit committee financial expert within the meaning of the applicable rules and regulations of the SEC and satisfies the financial sophistication requirements of the NASDAQ listing rules.

Our audit committee is responsible for, among other things:

- selecting a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- helping to ensure the independence and performance of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and the independent registered public accounting firm, our interim and year-end operating results;
- developing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- reviewing our policies on risk assessment and risk management;
- reviewing related party transactions; and
- approving or, as required, pre-approving, all audit and all permissible non-audit services to be performed by the independent registered public accounting firm.

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Our audit committee operates under a written charter approved by our board of directors and that satisfies the applicable rules and regulations of the SEC and the NASDAQ listing rules. The charter is available on our website at <http://investors.mindbodyonline.com>. Our audit committee held eight meetings during 2015.

Compensation Committee

The current members of our compensation committee are Messrs. Newton and Smith, and Meses. Christie and Goodman. Mr. Newton is the chair of the compensation committee. Mr. Newton's tenure on the compensation committee will end at the annual meeting as he will no longer serve on the board of directors following the annual meeting. Accordingly, our compensation committee immediately following the annual meeting will be comprised of Ms. Christie, who will serve as chair of the compensation committee, Ms. Goodman, and Mr. Smith. Our board of directors has determined that each member of our compensation committee is an independent director under the current NASDAQ listing rules, satisfies the additional independence criteria for compensation committee members under Rule 10C-1 and the NASDAQ listing rules, is a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, and is an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

Our compensation committee is responsible for, among other things:

- reviewing, approving and determining, or making recommendations to our board of directors regarding, the compensation of our executive officers;
 - administering our equity compensation plans;
- reviewing, approving and making recommendations to our board of directors regarding incentive compensation and equity compensation plans; and
- establishing and reviewing general policies relating to compensation and benefits of our employees.

Our compensation committee operates under a written charter approved by our board of directors and that satisfies the applicable rules and regulations of the SEC and the NASDAQ listing rules. The charter is available on our website at <http://investors.mindbodyonline.com>. Our compensation committee held seven meetings during 2015.

Nominating and Corporate Governance Committee

The current members of our nominating and corporate governance committee are Messrs. Levine and Liaw, and Ms. Christie. Mr. Levine is the chair of the nominating and corporate governance committee. Our board of directors has determined that each current member of our nominating and corporate governance committee is independent under the NASDAQ listing rules.

Our nominating and corporate governance committee is responsible for, among other things:

- identifying, evaluating and selecting, or making recommendations to our board of directors regarding, nominees for election to our board of directors and its committees;
- evaluating the performance of our board of directors and of individual directors;
- considering and making recommendations to our board of directors regarding the composition of our board of directors and its committees;
- reviewing developments in corporate governance practices;
- evaluating the adequacy of our corporate governance practices and reporting; and
- developing and making recommendations to our board of directors regarding corporate governance guidelines and matters.

Our nominating and corporate governance committee operates under a written charter approved by our board of directors and that satisfies the applicable rules and regulations of the SEC and the NASDAQ listing rules. The charter is available on our website at <http://investors.mindbodyonline.com>. Our nominating and corporate governance committee held two meetings during 2015.

Compensation Committee Interlocks and Insider Participation

During 2015, our compensation committee was comprised of Jeremy Levine (until March 2015), Robert Murphy (until March 2015), Graham Smith (since March 2015), Katherine Blair Christie (since April 2015), and Tyler Newton. Except for Mr. Murphy,

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who is our Chief Operating Officer, none of the members of our compensation committee during our last fiscal year is, or was during 2015, an officer or employee of the company. None of our executive officers currently serves, or in the past year has served, as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) or director of any entity that has one or more executive officers serving on our compensation committee or our board of directors. Mr. Murphy and entities affiliated with Messrs. Levine and Newton are party to our investors' rights agreement. Please see the section entitled Related Person Transactions in this proxy statement for additional information.

Considerations in Evaluating Director Nominees

In its evaluation of director candidates, including the members of the board of directors eligible for reelection, our nominating and corporate governance committee considers the following:

- The current size and composition of our board of directors and the needs of the board and its respective committees;
- Factors such as character, integrity, judgment, diversity of experience, independence, area of expertise, corporate experience, length of service, potential conflicts of interest, other commitments, and the like. Our nominating and corporate governance committee evaluates these factors, among others, and does not assign any particular weighting or priority to any of these factors; and
- Other factors that our nominating and corporate governance committee may consider appropriate.

The nominating and corporate governance committee also focuses on issues of diversity, such as diversity in experience, international perspective, background, expertise, skills, age, gender, and ethnicity. The nominating and corporate governance committee does not have a formal policy with respect to diversity; however, our board of directors and the nominating and corporate governance committee believe that it is essential that members of our board of directors represent diverse viewpoints. Any nominee for a position on the board must satisfy the following minimum qualifications:

- The highest personal and professional ethics and integrity;
- Proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;
- Skills that are complementary to those of the existing board;
- The ability to assist and support management and make significant contributions to the company's success; and
- An understanding of the fiduciary responsibilities required of a member of the board and the commitment of time and energy necessary to diligently carry out those responsibilities.

If our nominating and corporate governance committee determines that an additional or replacement director is required, the committee may take such measures as it considers appropriate in connection with its evaluation of a director candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the committee, board, or management.

After completing its review and evaluation of director candidates, our nominating and corporate governance committee recommends to our full board of directors the director nominees for selection. Our nominating and corporate governance committee has discretion to decide which individuals to recommend for nomination as directors and our board of directors has the final authority in determining the selection of director candidates for nomination to our board.

Stockholder Recommendations for Nominations to Our Board

It is the policy of our nominating and corporate governance committee to consider recommendations for candidates to our board of directors from stockholders holding no less than one percent (1%) of the fully diluted capitalization of our company continuously for at least twelve (12) months prior to the date of the submission of the

recommendation. Subject to the foregoing, our nominating and corporate governance committee will consider candidates recommended by stockholders in the same manner as candidates recommended to the committee from other sources.

A stockholder that wants to recommend a candidate for election to the board should direct the recommendation in writing by letter to the company, attention of the general counsel, at MINDBODY, Inc., 4051 Broad Street, Suite 220, San Luis Obispo, California 93401. Such recommendation must include the candidate's name, home and business contact information, detailed biographical data and relevant qualifications, a signed letter from the candidate confirming willingness to serve, information regarding any relationships between us and the candidate and evidence of the recommending stockholder's ownership of our stock. Such recommendation must also include a statement from the recommending stockholder in support of the candidate, particularly within the

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context of the criteria for board membership. Our nominating and corporate governance committee has discretion to decide which individuals to recommend for nomination as directors.

A stockholder that instead desires to nominate a person directly for election to the board at an annual meeting of the stockholders must meet the deadlines and other requirements set forth in our amended and restated bylaws and the rules and regulations of the SEC. Any nomination should be sent in writing to MINDBODY, Inc., 4051 Broad Street, Suite 220, San Luis Obispo, California 93401, Attention: Secretary. To be timely for our 2017 annual meeting of stockholders, our Secretary must receive the nomination no earlier than February 12, 2017 and no later than March 14, 2017. Please see the section entitled Stockholder Proposal Deadlines for 2017 Annual Meeting in this proxy statement for more information.

Communications with the Board of Directors

In cases where stockholders wish to communicate directly with our non-management directors, messages can be sent to our general counsel at MINDBODY, Inc., 4051 Broad Street, Suite 220, San Luis Obispo, California 93401. Our general counsel reviews incoming stockholder communications and, if appropriate, routes such communications to the appropriate director(s) or, if none is specified, to the chairman of the board. Our general counsel may decide in the exercise of her judgment whether a response to any stockholder or interested party communication is necessary and provides a report to the nominating and corporate governance committee of our board on a quarterly basis of any stockholder communications received to which the general counsel has responded.

This procedure for stockholder and other interested party communications with the non-management directors is administered by our nominating and corporate governance committee. This procedure does not apply to (i) communications to non-management directors from our officers or directors who are stockholders or (ii) stockholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act, which are discussed further in the section entitled Stockholder Proposal Deadlines for 2017 Annual Meeting in this proxy statement.

Director Attendance at Annual Meetings

We do not have a formal policy regarding attendance by members of our board of directors at annual meetings of stockholders, but we strongly encourage our directors to attend.

Code of Business Conduct and Ethics

Our board of directors has adopted a written code of business conduct and ethics that applies to all of our employees, officers and directors, including our chief executive officer, chief financial officer, and other executive and senior financial officers. The full text of our code of business conduct and ethics is available on the corporate governance section of our website, which is located at <http://investors.mindbodyonline.com>. We will post (i) amendments to our code of business conduct and ethics and (ii) waivers of our code of business conduct and ethics for directors and executive officers, on the same website.

COMPENSATION OF NON-EMPLOYEE DIRECTORS

Outside Director Compensation Policy

On May 22, 2015, our board of directors adopted our Outside Director Compensation Policy and it became effective on June 18, 2015. Members of our board of directors who are not employees are eligible for awards under our Outside Director Compensation Policy. Accordingly, neither Mr. Stollmeyer nor Mr. Murphy, both executive officers of MINDBODY, is eligible for awards under our Outside Director Compensation Policy.

Under our Outside Director Compensation Policy, non-employee directors will receive compensation in the form of equity and cash, as described below:

Cash Compensation

Effective as of the annual meeting to which this proxy statement relates, each non-employee director is eligible to receive the following annual cash retainers for certain board and/or committee service:

- \$32,000 per year for service as a board member;
- \$10,000 per year additionally for service as lead independent director;
- \$20,000 per year additionally for service as chairperson of the board;
- \$20,000 per year additionally for service as chair of the audit committee;
- \$7,500 per year additionally for service as a member of the audit committee (other than chair);
- \$10,500 per year additionally for service as chair of the compensation committee;
- \$5,000 per year additionally for service as a member of the compensation committee (other than chair);
- \$6,500 per year additionally for service as chair of the nominating and corporate governance committee; and
- \$3,000 per year additionally for service as a member of the nominating and corporate governance committee (other than chair).

Cash retainers will be paid quarterly in arrears on a pro-rated basis. A non-employee director may elect that payment of the cash retainers under our Outside Director Compensation Policy be made in the form of fully-vested restricted stock under our 2015 Equity Incentive Plan, or 2015 Plan.

Equity Compensation

Non-employee directors are eligible to receive all types of equity awards (except incentive stock options) under our 2015 Plan, including discretionary awards not covered under our Outside Director Compensation Policy. All grants of awards under our Outside Director Compensation Policy will be automatic and non-discretionary.

Upon joining our board, and commencing with the annual meeting to which this proxy statement relates, each newly-elected non-employee director will receive an initial equity award, or the initial award, under our 2015 Plan with a value of approximately \$350,000. This award will vest in approximately equal installments annually over a four-year period, subject to continued service through each vesting date. The initial award will be in the form of restricted stock units, unless otherwise determined by our board of directors or our compensation committee.

On the date of each annual meeting of our stockholders commencing with the annual meeting to which this proxy statement relates, each non-employee director who is continuing as a director following the applicable meeting will be granted an annual equity award, or the annual award, under our 2015 Plan with a value of approximately \$180,000, or a pro-rated annual award as described below. If the non-employee director had not been a non-employee director as of the previous annual meeting of our stockholders, then the annual award will be pro-rated based on the number of months served as a non-employee director for the previous year. Each annual award will fully vest on the earlier to

occur of: (i) the day prior to the next annual meeting following the date of grant or (ii) the first anniversary of the grant date, in each case, subject to continued service through the vesting date. The annual award will be in the form of restricted stock units, unless otherwise determined by our board of directors or our compensation committee.

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For purposes of our Outside Director Compensation Policy, value means generally (i) with respect to any award of restricted stock units, the fair market value of the shares on the grant date of the award, or (ii) with respect to a stock option, the grant date fair value calculated in accordance with Accounting Standards Codification (ASC) Topic 718.

Notwithstanding the vesting schedules described above, the vesting of all equity awards granted to a non-employee director, including any award granted outside of our Outside Director Compensation Policy, will vest in full upon a “change in control” (as defined in our 2015 Plan) if the non-employee director’s service as a director terminates on or following the change in control other than pursuant to a voluntary resignation.

Our 2015 Plan contains maximum limits, which were approved by our stockholders, on the size of the equity awards that can be granted to each of our non-employee directors in any fiscal year, but those maximum limits do not reflect the intended size of any potential grants or a commitment to make any equity award grants to our non-employee directors in the future.

In connection with her appointment to our board of directors in April 2016, the board granted to Ms. Goodman an award of 25,053 restricted stock units, which will vest in approximately equal installments annually over a four-year period, subject to continued service through each vesting date.

Director Compensation Table

The following table provides information regarding the total compensation that was granted to each non-employee director in our fiscal year ended December 31, 2015. Our non-employee directors did not receive any cash compensation for their service on our board of directors or committees in our fiscal year ended December 31, 2015. The table excludes Messrs. Stollmeyer and Murphy, each of whom is a named executive officer and did not receive any compensation from us in his role as a director in fiscal 2015. See the section below entitled “Executive Compensation” for information about the compensation of Messrs. Stollmeyer and Murphy.

Name	Option Awards	
	(\$)(1)	Total (\$)
Katherine Blair Christie (2)	431,410	431,410
Gail Goodman (3)	—	—
Jeremy Levine	—	—
Eric Liaw	—	—
Tyler Newton	—	—
Graham Smith (4)	449,824	449,824

(1) The amounts in the “Option Awards” column reflect the aggregate grant date fair value of stock options granted during the fiscal year computed in accordance with the provisions of ASC 718. The assumptions that we used to calculate these amounts are discussed in Note 9 to our financial statements appearing at the end of our Annual Report on Form 10-K for the year ended December 31, 2015. These amounts do not reflect the actual economic value that will be realized by the director upon the vesting of the stock options, the exercise of the stock options, or the sale of the common stock underlying such stock options. As of December 31, 2015, none of Messrs. Levine, Liaw and Newton held stock options.

(2) As of December 31, 2015, Ms. Christie held an option to purchase 60,000 shares of our Class B common stock.

(3) Ms. Goodman joined our board in April 2016.

(4) As of December 31, 2015, Mr. Smith held an option to purchase 70,000 shares of our Class B common stock.

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PROPOSAL NUMBER 1

ELECTION OF CLASS I DIRECTORS

Our board of directors is currently comprised of eight directors and is divided into three staggered classes of directors. At the annual meeting, two Class I directors will be elected to our board of directors by the holders of our common stock to succeed the same class whose term is then expiring. Each director's term continues until the expiration of the term for which such director was elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal.

Tyler Newton is one of the Class I directors whose term is scheduled to expire at the annual meeting. Mr. Newton is a Partner at Catalyst Investors, one of our longest-term institutional investors, and is our longest-term non-management board member. Mr. Newton will not be standing for re-election at this annual meeting. We thank Mr. Newton for his exemplary service to our company and our board of directors. As a result of the foregoing, the authorized number of directors will be reduced effective as of the annual meeting to eliminate the vacancy on our board of directors resulting from the expiration of his term, and our board will be comprised of seven directors.

Nominees for Director

Our nominating and corporate governance committee recommended for nomination, and our board of directors nominated, Gail Goodman and Jeremy Levine, each a current Class I director, as nominees for reelection as Class I directors at the annual meeting. If elected, each of Ms. Goodman and Mr. Levine will serve as a Class I director until the 2019 annual meeting and until his or her respective successor is duly elected and qualified or until his or her earlier death, resignation or removal. For more information concerning the nominees, please see the section entitled "Board of Directors and Corporate Governance."

Ms. Goodman and Mr. Levine have agreed to serve as directors if elected, and management has no reason to believe that they will be unavailable to serve. In the event a nominee is unable or declines to serve as a director at the time of the annual meeting, proxies will be voted for any nominee who may be proposed by the nominating and corporate governance committee and designated by the present board of directors to fill the vacancy.

Required Vote

The Class I directors will be elected by a plurality of the voting power of the shares present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors. In other words, the two nominees receiving the highest number of "FOR" votes will be elected as Class I directors. You may vote (i) "FOR" for each director nominee or (ii) "WITHHOLD" for each director nominee. Shares represented by executed proxies will be voted, if authority to do so is not expressly withheld, for the election of Gail Goodman and Jeremy Levine. "WITHHOLD" votes and broker non-votes will have no effect on the outcome of this proposal.

Board Recommendation

Our board of directors recommends a vote "FOR" the election to the board of directors of Gail Goodman and Jeremy Levine as Class I directors.

PROPOSAL NUMBER 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM

Our audit committee has appointed Deloitte & Touche as our independent registered public accounting firm for the year ending December 31, 2016. During 2015, Deloitte & Touche served as our independent registered public accounting firm.

Notwithstanding its appointment and even if our stockholders ratify the appointment, our audit committee, in its discretion, may appoint another independent registered public accounting firm at any time during the year if the audit committee believes that such a change would be in the best interests of our company and its stockholders. Our audit committee is submitting the appointment of Deloitte & Touche to our stockholders because we value our stockholders' views on our independent registered public accounting firm and as a matter of good corporate governance. If the appointment is not ratified by our stockholders, our audit committee may consider whether it should appoint another independent registered public accounting firm. A representative of Deloitte & Touche is expected to be present at the annual meeting, either in person or telephonically, where he or she will be available to respond to appropriate questions and, if he or she desires, to make a statement.

Fees Paid to the Independent Registered Public Accounting Firm

The following table presents the aggregate fees billed for professional audit services and other services rendered to us by Deloitte & Touche for our fiscal years ended December 31, 2015 and 2014.

	Fiscal Year Ended	
	2015	2014
Audit Fees (1)	\$1,094,572	\$2,344,260
Audit-related Fees	—	—
Tax Fees (2)	123,465	—
All Other Fees	—	—
Total Fees	\$1,218,037	\$2,344,260

(1) "Audit Fees" consist of professional services rendered in connection with the audit of our consolidated financial statements and review of our quarterly consolidated financial statements and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years. Fees for 2014 also included fees billed for professional services rendered in connection with our Form S-1 registration statement related to our initial public offering of Class A common stock completed in June 2015 and our Form S-8 registration statement filed in June 2015.

(2) "Tax Fees" consist of fees for professional services for tax compliance, tax advice and tax planning.

Auditor Independence

In 2015, there were no other professional services provided by Deloitte & Touche that would have required our audit committee to consider their compatibility with maintaining the independence of Deloitte & Touche.

Audit and Non-Audit Services Pre-Approval Policy

Our audit committee has established a policy governing our use of the services of our independent registered public accounting firm. Under this policy, our audit committee (or its delegate) may pre-approve services to be performed by our independent registered public accounting firm without consideration of specific case-by-case services or may require the specific pre-approval of the committee, in either case, in order to ensure that the provision of such services does not impair the public accountants' independence. All fees paid to Deloitte & Touche for our fiscal years ended December 31, 2015 and 2014 were pre-approved by our audit committee.

Required Vote

Ratification of the appointment of Deloitte & Touche as our independent registered public accounting firm for the year ending December 31, 2016 requires the affirmative "FOR" vote of a majority of the voting power of the shares present in person or represented by proxy at the annual meeting and entitled to vote on the proposal. You may vote "FOR," "AGAINST," or "ABSTAIN"

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on this proposal. Abstentions have the same effect as a vote against the proposal. Broker non-votes will not affect the outcome of voting on this proposal.

Board Recommendation

Our board of directors recommends a vote “FOR” the ratification of the appointment of Deloitte & Touche as our independent registered public accounting firm for the year ending December 31, 2016.

Audit Committee Report

The audit committee is a committee of the board of directors comprised solely of independent directors as required by the NASDAQ listing rules and the rules and regulations of the SEC. The audit committee operates under a written charter approved by MINDBODY’s board of directors, which is available on MINDBODY’s web site at <http://investors.mindbodyonline.com>. The composition of the audit committee, the attributes of its members and the responsibilities of the audit committee, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit committees. The audit committee reviews and assesses the adequacy of its charter and the audit committee’s performance on an annual basis.

With respect to MINDBODY’s financial reporting process, MINDBODY’s management is responsible for (i) establishing and maintaining internal controls and (ii) preparing MINDBODY’s consolidated financial statements. MINDBODY’s independent registered public accounting firm, Deloitte & Touche, is responsible for performing an independent audit of MINDBODY’s consolidated financial statements in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), or PCAOB, and to issue a report thereon. It is the responsibility of the audit committee to oversee these activities. It is not the responsibility of the audit committee to prepare MINDBODY’s financial statements. These are the fundamental responsibilities of management. In the performance of its oversight function, the audit committee has:

- reviewed and discussed the audited financial statements for fiscal year 2015 with the management of MINDBODY;
- discussed with Deloitte & Touche, MINDBODY’s independent registered public accounting firm, the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees, as adopted by the PCAOB; and
- received the written disclosures and the letter from Deloitte & Touche as required by applicable requirements of the PCAOB regarding the independent registered public accounting firm’s communications with the audit committee concerning independence, and has discussed with Deloitte & Touche that firm’s independence.

Based on the audit committee’s review of the audited financial statements and the various discussions with management and Deloitte & Touche, the audit committee recommended to the board of directors that the audited financial statements be included in our annual report on Form 10-K for the fiscal year ended December 31, 2015 for filing with the SEC. The audit committee has also appointed Deloitte & Touche as the company’s independent registered public accounting firm for the year ending December 31, 2016.

The Audit Committee

Graham Smith (Chair)

Eric Liaw

Tyler Newton

This audit committee report shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A promulgated by the SEC or to the liabilities of Section 18 of the Exchange Act, and shall not be deemed incorporated by reference into any prior or subsequent filing by MINDBODY under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act, except to the extent MINDBODY specifically requests that the information be treated as “soliciting material” or specifically incorporates it by reference.

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EXECUTIVE COMPENSATION

Processes and Procedures for Executive and Director Compensation

Our compensation committee is responsible for the executive compensation programs for our executive officers and regularly reports to our full board regarding its activities and recommendations. Its principal responsibilities relating to our executive officers include setting compensation for our executive officers; overseeing, reviewing and approving new compensation plans and programs for our executive officers; approving equity awards for our executive officers; and establishing and reviewing policies for the administration of executive compensation programs. In addition, our compensation committee evaluates director compensation, including equity compensation, and makes recommendations to our board regarding director compensation.

In determining each executive officer's compensation, our compensation committee reviews our corporate financial performance and financial condition and assesses the individual performance and contributions of the individual executive officers. Individual executive officer performance is evaluated by our President and Chief Executive Officer, in consultation with our Chief Financial Officer and Senior Vice President, People & Culture, in the case of other executive officers, and by the compensation committee, in the case of our President and Chief Executive Officer. While our President and Chief Executive Officer provides input on his compensation, he does not participate in compensation committee or board deliberations regarding his own compensation. Our President and Chief Executive Officer meets with the compensation committee to discuss executive compensation matters and to make recommendations to the compensation committee with respect to other executive officers. The compensation committee may modify individual compensation components for executive officers and is not bound to accept the President and Chief Executive Officer's recommendations. Our compensation committee then reviews the recommendations and other data and makes decisions as to the total compensation for each executive officer, as well as each individual component of compensation. The compensation committee makes all final compensation decisions for our executive officers.

Our compensation committee has the authority to retain the services of outside consultants. In 2015, our compensation committee engaged Compensia, an independent compensation consulting firm, as its compensation consultant to review our then-existing executive compensation programs, including assisting us in identifying a peer group of companies for purposes of benchmarking our levels of executive compensation and providing a competitive market compensation assessment of the short- and long-term compensation of our executive officers. The compensation committee has the sole authority to approve the terms of the engagement of Compensia. Although our compensation committee considers the advice and recommendations of our independent compensation consultants as to our executive compensation programs, our compensation committee ultimately makes its own decisions about these matters.

Our compensation committee periodically, and at least annually, considers and assesses Compensia's independence, including whether Compensia has any potential conflicts of interest with our company or members of the compensation committee. In connection with its engagement in 2015, our compensation committee conducted such a review in April 2015. Based on that review, our compensation committee concluded that it was not aware of any conflict of interest that had been raised by work performed by Compensia or the individual consultants employed by Compensia that perform services for the compensation committee.

Summary Compensation Table

The following table presents summary information regarding the compensation reportable for our principal executive officer and our two other most highly compensated executive officers for fiscal 2015 and prior years where applicable, as determined under SEC rules. We refer to these individuals as our "named executive officers" for fiscal 2015.

Name and Principal Position	Year	Non-Equity Incentive						Total
		Salary	Option		Plan	All Other		
		(\$)	Bonus	Awards	Compensation	Compensation		
Richard Stollmeyer Chairman, Chief Executive Officer and President	2015	390,000	—	1,688,534	390,491	30,067	(3)	2,499,092
	2014	360,000	—	699,668	89,734	16,750		1,166,152
Robert Murphy Chief Operating Officer	2015	345,000	—	683,192	296,624	32,901	(4)	1,357,717
	2014	330,000	—	699,668	89,734	10,541		1,129,943
Brett White (5) Chief Financial Officer	2015	320,000	—	611,450	274,551	27,362	(6)	1,233,363

(1) The amounts in the “Option Awards” column reflect the aggregate grant date fair value of stock options granted during the fiscal year computed in accordance with the provisions of ASC 718. The assumptions that we used to calculate these amounts are

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discussed in Note 9 to our financial statements appearing at the end of our Annual Report on Form 10-K for the year ended December 31, 2015. These amounts do not reflect the actual economic value that will be realized by the named executive officer upon the vesting of the stock options, the exercise of the stock options, or the sale of the common stock underlying such stock options.

(2) Amounts approved by our compensation committee under our Executive Bonus Plan (as described below).

(3) Consists of Health Savings Account contributions, medical plan benefits, 401(k) matching contributions, short and long term disability benefits, and legal fees.

(4) Consists of personal use of a company-leased car, medical plan benefits, 401(k) matching contributions, and short and long term disability benefits, and legal fees.

(5) Mr. White was not a named executive officer in 2014.

(6) Consists of Health Savings Account contributions, medical plan benefits, 401(k) matching contributions, and short and long term disability benefits.

Non-Equity Incentive Plan Compensation

Executive Bonus Plan

Our Executive Bonus Plan was adopted by our compensation committee in December 2014. Our Executive Bonus Plan allows our compensation committee to provide cash incentive awards to employees selected by our compensation committee, including our named executive officers, which may but need not be based upon performance goals established by our compensation committee.

Under our Executive Bonus Plan, our compensation committee determines the performance goals (if any) applicable to any award or portion of an award, which goals may include, without limitation, the attainment of research and development milestones, bookings, business divestitures and acquisitions, cash flow, cash position, operating results and operating metrics, product defect measures, product release timelines, productivity, return on assets, return on capital, return on equity, return on investment, return on sales, sales results, sales growth, stock price, time to market, total stockholder return, working capital and individual objectives such as peer reviews or other subjective or objective criteria. The performance goals may differ from participant to participant and from award to award.

Our compensation committee currently administers our Executive Bonus Plan. The administrator of our Executive Bonus Plan may, in its sole discretion and at any time, increase, reduce or eliminate a participant's actual award, and/or increase, reduce or eliminate the amount allocated to the bonus pool for a particular performance period. The actual award may be below, at or above a participant's target award, in the discretion of the administrator. The administrator may determine the amount of any increase, reduction, or elimination on the basis of such factors as it deems relevant, and it is not required to establish any allocation or weighting with respect to the factors it considers.

Actual awards are paid in cash only after they are earned, which usually requires continued employment through the last day of the performance period and the date the actual award is paid. Payment of awards occurs as soon as administratively practicable after they are earned, but no later than the dates set forth in our Executive Bonus Plan.

Pursuant to the employment agreements entered into between us and our named executive officers, our named executive officers are each eligible to receive annual bonuses as a percentage of their annual base salary based upon achievement of the performance goals determined by our compensation committee. For additional information regarding the terms of these employment letter agreements, see below under "Named Executive Officer Employment Arrangements and Potential Payments upon Termination or Change in Control."

Our board of directors and our compensation committee in their sole discretion have the authority to amend, suspend or terminate our Executive Bonus Plan, provided such action does not impair the existing rights of any participant with respect to any earned awards.

2015 Non-Equity Incentive Plan Payments

For 2015, the target and actual incentive amounts for our named executive officers were the following:

	Target Award Opportunity	Actual Award Amount
Named Executive Officer	(\$)	(\$)
Richard Stollmeyer	277,000	390,491
Robert Murphy	208,950	296,624
Brett White	199,750	274,551

For 2015, our compensation committee approved the performance targets under our Executive Bonus Plan for Messrs. Stollmeyer, Murphy and White. Incentives under our Executive Bonus Plan were payable based on our achievement of targets related to certain performance metrics, including revenue growth, sales efficiency, certain subscriber-related measures and earnings before interest, taxes, depreciation and amortization. Subject to achieving the applicable performance targets, each participant was eligible to receive a target incentive payment. For Messrs. Stollmeyer and Murphy, half of the target incentive was to be paid in equal installments on a quarterly basis during the year, subject to the achievement of the applicable quarterly performance targets. The other half of the target incentive was to be payable at the end of the year, subject to the achievement of the applicable annual performance targets. For Mr. White, eighty percent (80%) of the target incentive was to be paid in equal installments on a quarterly basis during the year, subject to the achievement of the applicable quarterly performance targets. The other twenty percent (20%) of the target incentive was to be payable at the end of the year, subject to the achievement of the applicable annual performance targets. Performance in excess of the performance targets was to result in payments in excess of the target incentive, subject to a cap of 200% of the target incentive. During 2015, we achieved the performance targets at a level that triggered the payments set forth in the Summary Compensation Table under the column “Non-Equity Incentive Plan Compensation” and in the table above. In addition, under our Executive Bonus Plan, Mr. White was eligible to receive a cash bonus payment subject to completion of our initial public offering. Accordingly, following the completion of our initial public offering in June 2015, Mr. White was awarded a cash bonus in an amount equal to \$15,000 under our Executive Bonus Plan.

Named Executive Officer Employment Arrangements and Potential Payments upon Termination or Change in Control

Richard Stollmeyer

We entered into an employment agreement with Richard Stollmeyer, our President and Chief Executive Officer, effective as of May 22, 2015. The employment agreement has a term of three years, with automatic renewals for additional three-year terms, unless either party provides notice not to renew the agreement within 90 days of the end of such three-year term. Mr. Stollmeyer’s employment is at-will. Mr. Stollmeyer’s current annual base salary is \$420,000, and is subject to review and adjustment based on our normal performance review practices. In addition, Mr. Stollmeyer is eligible to earn annual incentive compensation with a target no less than 90% of his base salary, or target bonus. Mr. Stollmeyer’s current target bonus is 100% of his base salary.

Mr. Stollmeyer’s employment agreement provides that if his employment is terminated by us or our successor without “cause” (as defined below), by Mr. Stollmeyer for “good reason” (as defined below) or on account of death or disability (each, a “qualifying termination”), upon his executing a general release and waiver of claims against us (or our successor) in the form provided by us or our successor that becomes effective and irrevocable within the time period

prescribed in his employment agreement, Mr. Stollmeyer will receive (i) continuing payments of severance equal to 18 months of Mr. Stollmeyer's annual base salary as then in effect; (ii) a lump-sum amount equal to Mr. Stollmeyer's target annual incentive compensation, pro-rated for the days served during the year of employment; (iii) reimbursement of COBRA continuation premiums for up to 18 months for Mr. Stollmeyer and his eligible dependents (provided he is eligible for and timely elects COBRA continuation coverage), or cash payments in lieu thereof; and (iv) acceleration of 100% of the then-unvested shares subject to Mr. Stollmeyer's equity awards granted prior to May 22, 2015. If the qualifying termination occurs during the period that commences upon a change in control (as defined in the 2015 Plan) and ends on the first anniversary following a change in control, then in addition to the benefits described above, 100% of Mr. Stollmeyer's equity awards granted on or after May 22, 2015 will vest. Additionally, notwithstanding the standard vesting schedule of each applicable stock option, Mr. Stollmeyer's stock option grant (a) on June 27, 2013 covering 25,000 shares vests as to 100% of the shares on a sale of the company (as defined in the option agreement) and (b) on February 6, 2014 covering 125,000 shares vests as to 100% of the shares on the date that is six months following our initial public offering. Accordingly, the stock option grant on February 6, 2014 covering 125,000 shares became fully vested and exercisable on December 24, 2015.

In the event any of the payments provided for under the employment agreement or otherwise payable to Mr. Stollmeyer would constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code and could be subject to the related excise tax under Section 4999 of the Internal Revenue Code, he would be entitled to receive either full payment of benefits or such

lesser amount that would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to him. This employment agreement does not require us to provide any tax gross-up payments.

In fiscal 2015, Mr. Stollmeyer received the following stock option grants: (i) an option to purchase up to 162,500 shares of our Class B common stock in February 2015 at an exercise price of \$14.476 per share; and (ii) an option to purchase up to 100,000 shares of our Class B common stock in May 2015 at an exercise price of \$14.496 per share.

Subsequent to the end of fiscal 2015, Mr. Stollmeyer received the following equity awards: (i) an option to purchase up to 97,379 shares of our Class A common stock in March 2016 at an exercise price of \$13.91 per share; and (ii) an award of 43,177 restricted stock units in March 2016.

Robert Murphy

We entered into an employment agreement with Robert Murphy, our Chief Operating Officer, effective as of May 22, 2015. The employment agreement has a term of three years, with automatic renewals for additional three-year terms, unless either party provides notice not to renew the agreement within 90 days of the end of such three-year term. Mr. Murphy's employment is at-will. Mr. Murphy's current annual base salary is \$350,000, and is subject to review and adjustment based on our normal performance review practices. In addition, Mr. Murphy is eligible to earn annual incentive compensation with a target no less than 65% of his base salary, or target bonus. Mr. Murphy's current target bonus is 65% of his base salary.

Mr. Murphy's employment agreement provides that if his employment is terminated by us or our successor without "cause" (as defined below), by Mr. Murphy for "good reason" (as defined below) or on account of death or disability (each, a "qualifying termination"), upon his executing a general release and waiver of claims against us (or our successor) in the form provided by us or our successor that becomes effective and irrevocable within the time period prescribed in his employment agreement, Mr. Murphy will receive (i) continuing payments of severance equal to 18 months of Mr. Murphy's annual base salary as then in effect; (ii) a lump-sum amount equal to Mr. Murphy's target annual incentive compensation, pro-rated for the days served during the year of employment; (iii) reimbursement of COBRA continuation premiums for up to 18 months for Mr. Murphy and his eligible dependents (provided he is eligible for and timely elects COBRA continuation coverage), or cash payments in lieu thereof; and (iv) acceleration of 100% of the then-unvested shares subject to Mr. Murphy's equity awards granted prior to May 22, 2015. If the qualifying termination occurs during the period that commences upon a change in control and ends on the first anniversary following a change in control, then in addition to the benefits described above, 100% of Mr. Murphy's equity awards granted on or after May 22, 2015 will vest. Additionally, notwithstanding the standard vesting schedule of each applicable stock option, Mr. Murphy's stock option grant (a) on June 27, 2013 covering 25,000 vests as to 100% of the shares on a sale of the company (as defined in the option agreement) and (b) on February 6, 2014 covering 125,000 shares vests as to 100% of the shares on the date that is six months following our initial public offering. Accordingly, the stock option grant on February 6, 2014 covering 125,000 shares became fully vested and exercisable on December 24, 2015.

In the event any of the payments provided for under the employment agreement or otherwise payable to Mr. Murphy would constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code and could be subject to the related excise tax under Section 4999 of the Internal Revenue Code, he would be entitled to receive either full payment of benefits or such lesser amount that would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to him. This employment agreement does not require us to provide any tax gross-up payments.

In fiscal 2015, Mr. Murphy received the following stock option grants: (i) an option to purchase up to 81,250 shares of our Class B common stock in February 2015 at an exercise price of \$14.476 per share; and (ii) an option to purchase up to 25,000 shares of our Class B common stock in May 2015 at an exercise price of \$14.496 per share.

Subsequent to the end of fiscal 2015, Mr. Murphy received the following equity awards: (i) an option to purchase up to 24,344 shares of our Class A common stock in March 2016 at an exercise price of \$13.91 per share; and (ii) an award of 10,794 restricted stock units in March 2016.

Brett White

We entered into an employment agreement with Brett White, our Chief Financial Officer, effective as of May 22, 2015. The employment agreement has a term of three years, with automatic renewals for additional three-year terms, unless either party provides notice not to renew the agreement within 90 days of the end of such three-year term. Mr. White's employment is at-will. Mr. White's current annual base salary is \$350,000. Mr. White's current target bonus is 65% of his base salary. The target bonus may be adjusted up or down, as determined in the sole discretion of our board or the compensation committee.

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Mr. White's employment agreement provides that if his employment is terminated by us or our successor without "cause" (as defined below), by Mr. White for "good reason" (as defined below) or on account of death or disability (each, a "qualifying termination"), upon his executing a general release and waiver of claims against us (or our successor) in the form provided by us or our successor that becomes effective and irrevocable within the time period prescribed in his employment agreement, Mr. White will receive (i) continuing payments of severance equal to 18 months of Mr. White's annual base salary as then in effect; (ii) reimbursement for all reasonable relocation costs directly related to his relocating away from the area of the Company's headquarters; (iii) reimbursement of COBRA continuation premiums for up to 18 months for Mr. White and his eligible dependents (provided he is eligible for and timely elects COBRA continuation coverage), or cash payments in lieu thereof; and (iv) acceleration of 100% of the then-unvested shares subject to Mr. White's equity awards granted prior to May 22, 2015. If the qualifying termination occurs during the period that commences upon a change in control and ends on the first anniversary following a change in control, then in addition to the benefits described above, 100% of Mr. White's equity awards granted on or after May 22, 2015 will vest. Additionally, notwithstanding the standard vesting schedule of each applicable stock option, Mr. White's stock option grant (a) on June 27, 2013 covering 339,467 shares vests as to 100% on the earlier of a sale of the company (as defined in the option agreement) and one year following the completion of our initial public offering and (b) on February 6, 2014 covering 25,000 shares vests as to 100% of the shares on the date that is six months following our initial public offering. Accordingly, the stock option grant on February 6, 2014 covering 25,000 shares became fully vested and exercisable on December 24, 2015.

In the event any of the payments provided for under the employment agreement or otherwise payable to Mr. White would constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code and could be subject to the related excise tax under Section 4999 of the Internal Revenue Code, he would be entitled to receive either full payment of benefits or such lesser amount that would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to him. This employment agreement does not require us to provide any tax gross-up payments.

In fiscal 2015, Mr. White received the following stock option grants: (i) an option to purchase up to 37,500 shares of our Class B common stock in February 2015 at an exercise price of \$14.476 per share; and (ii) an option to purchase up to 57,500 shares of our Class B common stock in May 2015 at an exercise price of \$14.496 per share.

Subsequent to the end of fiscal 2015, Mr. White received the following equity awards: (i) an option to purchase up to 68,165 shares of our Class A common stock in March 2016 at an exercise price of \$13.91 per share; and (ii) an award of 30,224 restricted stock units in March 2016.

For purposes of the employment agreements with our named executive officers, "cause" means generally:

- executive's conviction of, or plea of nolo contendere, to a felony (excluding negligent driving offenses or driving offenses solely related to the speed limit) and which has an adverse effect on our business or affairs;
- executive's gross and willful misconduct;
- executive's unauthorized and intentional use or disclosure of any of our proprietary information or trade secrets or any other party to whom executive owes an obligation of nondisclosure;
- executive's willful breach of any material obligations under any material written agreement or covenant with us;
- executive's refusal to perform his or her employment duties after receiving notice and an opportunity to cure; or
- a failure to cooperate in good faith with a governmental or internal investigation.

No termination for cause is effective unless executive is given written notice from the board of directors of the condition that could constitute cause and, if capable of being cured, at least 30 days to cure.

For purposes of the employment agreements with our named executive officers, "good reason" means generally a resignation within 30 days following the expiration of any cure period following the occurrence of one or more of the

following, without executive's consent:

- a material reduction of executive's duties, authority or responsibilities;
- a material reduction in executive's base salary (except where there is a reduction to the management team generally, not to exceed 15%);
- a material change in the geographic location of executive's work location (a relocation of less than 30 miles will not be considered material).

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A resignation for good reason requires informing us within 90 days of the initial existence of the grounds for good reason and a cure period of 30 days following the date we receive such notice.

2015 Equity Incentive Plan

Our 2015 Plan provides that in the event of a “merger” or “change in control,” as defined under our 2015 Plan, each outstanding award will be treated as the administrator determines, except that if a successor corporation or its parent or subsidiary does not assume or substitute an equivalent award for any outstanding award, then such award will fully vest, all restrictions on such award will lapse, all performance goals or other vesting criteria applicable to such award will be deemed achieved at 100% of target levels, and such award will become fully exercisable, if applicable, for a specified period prior to the transaction. The award will then terminate upon the expiration of the specified period of time. If the service of an outside director is terminated on or following a change in control, other than pursuant to a voluntary resignation, his or her options, restricted stock units and stock appreciation rights, if any, will vest fully and become immediately exercisable, all restrictions on his or her restricted stock will lapse, and all performance goals or other vesting requirements for his or her performance shares and units will be deemed achieved at 100% of target levels, and all other terms and conditions met.

2015 Employee Stock Purchase Plan

Our 2015 Employee Stock Purchase Plan, or ESPP, provides that in the event of a merger or change in control, as defined under our ESPP, a successor corporation may assume or substitute each outstanding purchase right. If the successor corporation refuses to assume or substitute for the outstanding purchase right, the offering period then in progress will be shortened, and a new exercise date will be set. The administrator will notify each participant that the exercise date has been changed and that the participant’s option will be exercised automatically on the new exercise date unless prior to such date the participant has withdrawn from the offering period.

2009 Stock Option Plan

Our 2009 Plan provides that in the event of a corporate transaction (as defined in our 2009 Plan), which generally includes a merger, consolidation or sale of all or substantially all of our assets, each outstanding award will either be (i) assumed or substituted for an equivalent award or (ii) terminated in exchange for a payment for the vested portion of the award (less any exercise price for that portion of the award). In the event that the successor corporation does not agree to such assumption, substitution, or exchange, the awards will terminate upon the consummation of the transaction. Certain stock options accelerate in full upon a sale of the company (as defined in the applicable stock option agreement).

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information concerning outstanding equity awards for our named executive officers at December 31, 2015:

Name	Grant Date (1)		Number of	Number of	Option	Option
			Securities	Securities		
			Underlying	Underlying		
			Unexercised	Unexercised	Exercise	Expiration
			Options #	Options #		
Name	Grant Date (1)		Exercisable	Unexercisable	Price (\$)	Date
Richard Stollmeyer	11/19/2010	(2)	358,252	—	0.544	11/19/2020
	11/15/2011	(2)	197,017	—	1.392	11/15/2021
	6/27/2013	(3)	15,625	9,375	7.708	6/27/2023
	2/6/2014	(4)	125,000	—	11.52	2/6/2024
	2/5/2015	(5)	33,855	128,645	14.476	2/5/2025
	5/22/2015	(6)	14,582	85,418	14.496	5/22/2025
Robert Murphy	11/15/2011	(2)	196,727	—	1.392	11/15/2021
	6/27/2013	(3)	15,625	9,375	7.708	6/27/2023
	2/6/2014	(4)	125,000	—	11.52	2/6/2024
	2/5/2015	(5)	16,927	64,323	14.476	2/5/2025
	5/22/2015	(6)	3,645	21,355	14.496	5/22/2025
Brett White	6/27/2013	(3)	212,167	127,300	7.708	6/27/2023
	2/6/2014	(4)	25,000	—	11.52	2/6/2024
	2/5/2015	(5)	7,812	29,688	14.476	2/5/2025
	5/22/2015	(6)	8,385	49,115	14.496	5/22/2025

(1) Each of the outstanding equity awards was granted pursuant to our 2009 Plan.

(2) 100% of the shares subject to the option were vested as of the grant date.

(3) One-fourth (1/4th) of the shares subject to the option vested on June 27, 2014, and 1/48th of the shares subject to the option vest monthly thereafter, subject to continued service with us on each such vesting date. This option includes accelerated vesting on a sale of the company and, in the case of Mr. White, one year following our initial public offering, as described in the section titled “Named Executive Officer Employment Arrangements and Potential Payments upon Termination or Change in Control” above.

(4) 100% of the shares subject to the option were vested as of December 24, 2015 in accordance with the accelerated vesting, as described in the section titled “Named Executive Officer Employment Arrangements and Potential Payments upon Termination or Change in Control” above.

Years of industry, most recently as Executive Vice President of ARAMARK Corporation, a provider of food, Service: 11 uniform and support services. During his eighteen-year career with ARAMARK, Mr. Zillmer served Age: 61 as President of ARAMARK’s Business Services division, the International division and the Food and Support Services group. Prior to joining ARAMARK, Mr. Zillmer was employed by Szabo Food

Board	Services until Szabo was acquired by ARAMARK in 1986.
Committees:	
Compensation	Qualifications
Governance	As the former Chief Executive Officer of Univar and previously Allied Waste, Mr. Zillmer has experience leading both public and large private companies. With Univar, he became intimately familiar with the chemical market, including with respect to chemicals that Ecolab uses to manufacture its products. He also has extensive knowledge of the environmental aspects of chemicals manufacturing and distribution. His experience leading various ARAMARK operations has given him deep knowledge of the institutional market, particularly the contract catering segment, which is a large market for Ecolab. His roles on the boards of Reynolds American, Allied Waste and United Stationers have provided him with significant public company board experience.
Biography	
Retired President and Chief Executive Officer of Univar Inc., a global distributor of industrial chemicals and related specialty services. Director of Ecolab since 2006. Vice Chair of the Compensation Committee and member of the Governance Committee.	Other directorships held during the past five years
	Director of Reynolds American Inc., Veritiv Corp., Performance Food Group Company and CSX Corporation.
Mr. Zillmer joined Univar in 2009 as President and Chief Executive Officer. In 2012, he stepped down as President and CEO and became Executive Chairman until December 2012 when he retired from Univar. Prior to joining Univar,	

Mr. Zillmer served as Chairman and Chief Executive Officer of Allied Waste Industries, a solid waste management business, from 2005 until the merger of Allied Waste with Republic Services, Inc. in December 2008. Before Allied Waste, Mr. Zillmer spent 30 years in the managed services

COMPENSATION DISCUSSION AND ANALYSIS

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the following Compensation Discussion and Analysis of the Company with management. Based on their review and discussion, the Compensation Committee recommended to the Board of Directors, and the Board has approved, the inclusion of the Compensation Discussion and Analysis in both the Company's Annual Report on Form 10-K for the year ended December 31, 2016, and the Company's Proxy Statement for the Annual Meeting of Stockholders to be held May 4, 2017.

Dated: February 24, 2017 Leslie S. Biller Arthur J. Higgins
 Jeffrey M. Ettinger Jerry W. Levin
 Jerry A. Grundhofer John J. Zillmer

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis ("CD&A") provides information about the principles underlying our executive compensation programs and the key executive compensation decisions that were made for the fiscal year ended December 31, 2016 ("2016"), including the most important factors relevant to those decisions. This CD&A is intended to provide additional context and background for the compensation earned by and awarded to the following named executive officers ("NEOs") for 2016 as reported in the Summary Compensation Table which follows this discussion:

Douglas M. Baker, Jr.	Chairman of the Board and Chief Executive Officer
Daniel J. Schmechel	Chief Financial Officer
Thomas W. Handley	President and Chief Operating Officer
Michael A. Hickey	Executive Vice President and President – Global Institutional
Christophe Beck	Executive Vice President and President – Global Water and Process Services

The Company's compensation programs enable us to attract and retain the leadership talent that is necessary to successfully manage our strong earnings growth and return on invested capital objectives, while balancing necessary investment in the businesses in order to achieve attractive, long-term shareholder returns. Our corporate short-term and long-term incentive plan performance measures are aligned with this strategy by utilizing growth in adjusted diluted earnings per share (hereinafter, "adjusted EPS," unless the context otherwise requires) and adjusted return on invested capital (hereinafter, "adjusted ROIC," unless the context otherwise requires), both as defined later in this CD&A. At the business unit level, we also incorporate business unit sales and operating income performance measures.

Executive Summary

Business Environment

The Company continued to work aggressively through 2016's difficult environment, where lackluster global economies, significantly unfavorable foreign currency translation and continued depressed energy market activities presented multiple headwinds to our growth. The Company achieved good adjusted earnings per share growth before the impact of currency translation as the Global Institutional, Global Industrial and Other segments once again showed solid fixed currency organic sales growth and margin expansion. These performances offset challenging results in our Global Energy segment, which continued to outperform very challenging industry trends.

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The charts below illustrate our 1-year adjusted EPS growth and 1-year TSR, in each case compared to the S&P 500 and our comparison companies:

* Adjusted Diluted EPS is a non-GAAP financial measure that is defined and reconciled to Diluted EPS (as reported in our financial statements) in the section at page 35 entitled “Adjustments to Reported Financial Results.”

**Diluted EPS at the comparison companies represents amounts excluding extraordinary items standardized in accordance with GAAP.

Our Company remains committed to driving attractive sales and adjusted EPS growth as well as continuing to make the right investments to deliver superior shareholder returns for years to come.

Compensation Actions

We took the following actions with respect to our NEOs in 2016:

Compensation Element	2016 NEO Compensation Action
Base salaries	<ul style="list-style-type: none"> • With respect to NEOs who were employed by us in 2015 and 2016, base salaries increased between 3.3% and 14.3% and on average 7.6% versus 2015 excluding promotions
Annual cash incentives	<ul style="list-style-type: none"> • Annual cash incentive bonus payouts were between 91% and 111% of target, and averaged 98% of target • Annual cash incentive bonus payout for our CEO was at 95% of target
Long-term incentives	<ul style="list-style-type: none"> • Long-term equity incentive awards, consisting of stock options and performance-based restricted stock units (“PBRsUs”), were granted in the same proportion as prior years and were within the median range of our size-adjusted competitive market for each NEO • For the 2014 to 2016 PBRsU grant cycle, average award payouts were at 100% of target award opportunities

COMPENSATION DISCUSSION AND ANALYSIS

The charts below illustrate our Company's actual performance relative to our pre-established performance goals as well as our actual award payouts as a percentage of target award opportunities for the annual cash and long-term incentive plans:

* The achievement of adjusted EPS of \$4.37 per share actually aligned with a payout of 98% of target under the annual cash incentive plan. The payout was reduced to 95% of target which aligned with adjusted EPS of \$4.36 per share. See "Annual Cash Incentives – Performance Goals and Achievement – Corporate", starting on page 36 for a further discussion of the adjustment.

*Adjusted ROIC is a non-GAAP financial measure that is described in the section starting on page 35 entitled "Adjustments to Reported Financial Results."

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Practices

Our compensation programs encourage executive decision-making that is aligned with the long-term interests of our stockholders. We tie a significant portion of pay to Company performance over a multi-year period. Our Compensation Committee has incorporated the following market-leading governance features into our executive compensation programs:

Compensation Philosophy	We maintain a market median range compensation philosophy for all elements of total direct compensation, with Committee discretion to position our NEOs appropriately relative to that range based on factors such as tenure, past performance, and future potential
Goal Setting Process	We have in place a robust planning process to establish financial and business performance metrics for incentive plans
Performance Measures	We use different performance measures in our short-term and long-term incentive plans
Stock Ownership	We maintain stock ownership guidelines that encourage executives to retain a significant long-term position in our stock and thereby align their interests with the interests of our stockholders
Change in Control	We have implemented a balanced change-in-control severance policy that provides our officers severance at two times the sum of base salary plus annual incentive pay at target following a change in control and termination of employment (a so-called “double-trigger”), with no tax gross-ups
Risk Mitigation	We employ features to mitigate against our executives taking excessive risk in order to maximize pay-outs, including varied and balanced performance targets, discretionary authority of the Compensation Committee to reduce award pay-outs, bonus caps at 200% of target and a Policy on Reimbursement of Incentive Payments (or so-called “clawback” policy)
Problematic Practices	We do not provide or permit “single-trigger” vesting in event of change in control, hedging or pledging of our Company stock, or backdating or repricing of stock option awards
Employment Agreements	We do not maintain employment agreements with any of our NEOs

The Compensation Committee oversees the design and administration of our executive compensation programs according to the processes and procedures discussed in the Corporate Governance section of this Proxy Statement. The Compensation Committee is advised by an independent compensation consultant, Cook & Co.

Pay-Versus-Performance Alignment

We emphasize pay-for-performance and structure our programs to provide incentives for executives to drive business and financial results. We believe that the pay of our executives, particularly our CEO, correlates well with our total shareholder returns; and while our incentive programs help to drive results, they do so without encouraging excessive risk taking that would threaten the long-term growth of our business.

Shareholder Outreach and 2016 Say-on-Pay Results

During 2016, we engaged stockholders holding approximately 50% of our shares concerning a variety of topics, including our executive compensation program. The stockholders did not raise any significant issues with respect to our program. Additionally, at the 2016 Annual Meeting, Ecolab stockholders approved on an advisory basis the compensation of our NEOs disclosed in that year’s proxy statement, with more than 95% of the total votes cast by holders of shares represented at the meeting voting in favor of our executive compensation proposal. The Compensation Committee took this favorable stockholder support into account in deciding to retain the overall

structure and philosophy of our compensation plans and programs in 2016.

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COMPENSATION DISCUSSION AND ANALYSIS

Program Elements

The principal elements of our executive compensation programs for 2016 are illustrated below:

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To align pay levels for NEOs with the Company's performance, our pay mix places the greatest emphasis on performance-based incentives. Approximately 91% of our CEO's target total direct compensation (salary, target bonus and the grant date fair value of long-term incentive awards), and approximately 78% of the average target total direct compensation of our other NEOs is performance-based, as summarized below, with equity elements depicted in blue and cash elements depicted in gray:

CEO Pay Mix Average Other Named Executive Officer Pay Mix

Our Analysis

Our analysis indicates that total direct compensation mix for our NEOs on average is generally consistent with the competitive market. The CEO receives a higher proportion of his total direct compensation allocated to performance-based components than non-performance-based components and more allocated to equity-based compensation than cash-based compensation compared to the other NEOs. The higher emphasis on performance-based compensation for the CEO is designed to reward him for driving company performance and creating long-term shareholder value that is a greater responsibility in his position than in the positions of the other NEOs, and is consistent with the competitive market for the CEO position. The level of compensation of our CEO reflects the many responsibilities of serving as CEO of a public company. Accordingly, our CEO's median range competitive pay levels (including long-term equity awards) reflect his broader scope and greater responsibilities compared to our other NEOs.

Compensation Philosophy

Our executive compensation program is designed to meet the following objectives:

- Support our corporate vision and long-term financial objectives
- Communicate the importance of our business results
- Retain and motivate executives important to our success
- Reward executives for contributions at a level reflecting our performance

Our executive compensation program as a whole, as well as each element, is designed to be market-competitive in order to attract, motivate and retain our executives in a manner that is in the best interests of our stockholders. Our executive compensation program is further designed to reinforce and complement ethical and sustainable management practices, promote sound risk management and align management interests (such as sustainable long-term growth) with those of our stockholders. We believe that our long-term equity incentive program, which typically accounts for at least half of our

COMPENSATION DISCUSSION AND ANALYSIS

NEOs' total annual compensation, is an effective tool in aligning our executives' interests with those of our stockholders and in incentivizing long-term value creation.

Our philosophy is to position base salary, annual cash incentives, and long-term equity incentives in the median range of our competitive market, adjusted for the Company's size. We define the median range as within 15% of the median for base salaries and within 20% of the median for annual cash incentive targets and long-term incentive targets. For annual cash incentives, our philosophy generally is to also position them at a level commensurate with the Company's performance based on adjusted EPS compared to EPS growth in the Standard & Poor's 500. We position annual cash incentives and long-term incentives to provide lower than median compensation for lower than competitive market performance and higher than median compensation for higher than competitive market performance. This approach provides motivation to executives without incentivizing inappropriate risk-taking to achieve pay-outs, as we believe that the Company's prospects for growth are generally at least as favorable as the average of the S&P 500.

Our Analysis

For 2016, total direct compensation opportunities for all our NEOs were positioned in the market median range. The Compensation Committee has determined to establish total direct compensation opportunities for our CEO toward the high end of the median range in recognition of his long tenure and sustained exceptional performance.

Compensation Process

For our NEOs, the Compensation Committee reviewed and approved all elements of 2016 compensation, taking into consideration recommendations from our CEO (but not for his own compensation), as well as competitive market guidance and feedback provided by the Compensation Committee's independent compensation consultant and our human resources staff regarding individual performance, time in position and internal pay comparisons. The Compensation Committee reviewed and approved all elements of 2016 compensation for our CEO, taking into consideration the Board's performance assessment of the CEO and recommendations, competitive market guidance and feedback from the Compensation Committee's independent compensation consultant and our human resources staff. Recommendations with respect to the compensation of our CEO are not shared with our CEO.

Compensation Benchmarking

For benchmarking purposes, we define our competitive market for compensation data to be a simple average of median compensation from a 20-company comparison group and size-adjusted median general industry data from third-party surveys in which we participate.

The comparison group is selected by the independent compensation consultant based on input from the Company and the Compensation Committee, and is reviewed and approved annually by the Compensation Committee in the spring of each year. The independent consultant utilizes an objective selection process methodology that consists of the following steps:

- Focus on companies in the chemicals, oil & gas equipment & services, and industrial conglomerates industry groups
- Screen for companies with annual revenues of one-fourth to four times the annual revenues of our Company
- Further screen for companies within a reasonable size range in various other measures such as annual operating income, total assets, total equity, total employees and market capitalization
- Identify companies that meet several other criteria, such as significant international operations, inclusion in the S&P 500, business-to-business focus, and not highly cyclical

COMPENSATION DISCUSSION AND ANALYSIS

The chart below summarizes our Company's percentile ranking versus the 20 companies selected for the comparison group for 2016 based on the above selection criteria:

All financial and market data are taken from Standard & Poor's Capital IQ

The third party general industry surveys used during 2016 were from Aon Hewitt, Willis Towers Watson and Cook & Co. For benchmarking 2016 base salary and annual cash incentive compensation, we used the average of size adjusted median compensation data from Aon Hewitt and Towers Watson, as well as median compensation data from the comparison companies. The 2015 Towers Watson CDB Executive Compensation Survey includes 465 organizations that range in revenue from approximately \$1 billion to over \$46 billion. We also used the 2015 Aon Hewitt TCM Executive Regression Analysis Survey, which includes over 400 organizations that range in revenue from approximately \$34 million to \$179 billion. For benchmarking long term incentives, we used the average of the median compensation data yielded by the comparison companies, the 2016 Willis Towers Watson CDB General Industry Executive Compensation Survey report and the Cook & Co. 2016 Survey of Long Term Incentives. The 2016 Willis Towers Watson survey has 484 participants which range in revenue from approximately \$1 billion to greater than \$42 billion. The Cook & Co. survey has 57 participants which range in revenue from over \$5 billion to \$179 billion.

Base Salaries

The Compensation Committee reviews base salaries for our NEOs and other executives annually in February effective as of April 1 of the current fiscal year, and increases are based on changes in our competitive market, changes in scope of responsibility, individual performance and time in position. Our philosophy is to pay base salaries that are within the median range of our size-adjusted competitive market. When an executive officer is new to his/her position, his/her initial base salary will likely be at the low end of the median range but, if performance is acceptable, his/her base salary will be increased over several years to arrive at the median.

COMPENSATION DISCUSSION AND ANALYSIS

Salary Increases

For 2015 and 2016, annualized base salary rates for our NEOs are summarized below:

Name	2015 Annualized Base Salary Rate (\$)	2016	Increase Percentage(1)
		Annualized Base Salary Rate (\$)	
Douglas M. Baker, Jr.	1,150,000	1,200,000	4.3%
Daniel J. Schmechel	525,000	600,000	14.3%
Thomas W. Handley	620,000	675,000	8.9%
Michael A. Hickey	515,000	552,500	7.3%
Christophe Beck	535,000	552,500	3.3%

(1) All increases represent merit increases.

Our Analysis

For 2016, base salaries accounted for approximately 9% of total compensation for the CEO and 22% on average for the four other NEOs. 2016 base salary rates were within the median range for all of our NEOs. In general, the 2016 merit salary increases for our NEOs were in line with the principles used to deliver the Company's U.S. salary increases broadly.

Adjustments to Reported Financial Results

The Compensation Committee has authority to adjust the reported diluted EPS and ROIC on which incentive compensation payouts are determined in order to eliminate the distorting effect of unusual income or expense items that may occur during a given year that impact year-over-year growth or return percentages.

For purposes of the adjusted EPS performance measure used in our annual cash incentive program, a reconciliation of 2016 diluted EPS as reported to 2016 adjusted diluted EPS is summarized below:

2016 reported diluted EPS	\$	4.14
Adjustments:		
Special (gains) and charges	\$	0.21
Discrete tax net expense (benefit)	\$	0.01
Adjusted diluted EPS	\$	4.37

Note: Per-share amounts do not necessarily sum due to rounding. Additional information regarding the composition of the adjustments identified in the table above is contained on pages 31-35 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Reported diluted earnings per share and adjusted EPS for the years 2012 through 2016 are provided in our 2016 Annual Report. We believe that in this context adjusted EPS is a more meaningful measure of the Company's underlying business performance than reported diluted earnings per share because it provides greater transparency

with respect to our results of operations and that it is more useful for period-to-period comparison of results. In addition, we use adjusted EPS internally to evaluate our performance and in making financial and operational decisions.

For purposes of the measurement of divisional and business unit performance goals and in the determination of payouts to executives under our annual cash incentive program, the revenue and operating income performance measures are recorded at fixed currency rates of foreign exchange and adjusted for special gains and charges, as well as certain other exceptional items, such as the results of certain businesses acquired during the year and certain strategic initiatives. We include within special gains and charges items that we believe can significantly affect the period-over-period assessment of operating results and not necessarily reflect costs and/or income associated with historical trends and future operating results, as more fully identified on pages 31-34 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. We use these measures internally to evaluate our performance and in making financial and operational decisions, including with respect to incentive compensation. We believe that our use of these measures provides greater transparency with respect to our results of operations and that these measures are useful for period-to-period comparison of results.

For purposes of the adjusted ROIC performance measure used in our PBR SU program, we define ROIC as the quotient of after-tax operating income divided by the sum of short-term and long-term debt and shareholders' equity, less cash and cash equivalents. The PBR SU awards provide for adjustment of the ROIC calculation in the event of a large acquisition (such

COMPENSATION DISCUSSION AND ANALYSIS

as the Nalco and Champion transactions) or other significant transaction or event approved by the Board. Considering the significant impact of purchase accounting and special gains and charges related to the Nalco and Champion transactions on the ROIC calculation, for the 2017 to 2019 performance cycle, adjusted ROIC is measured excluding the purchase accounting impact and special gains and charges related to these transactions and is also adjusted for acquisitions, accounting or tax changes, gains or losses from discontinued operations, restructurings, and certain other unusual or infrequently occurring charges during the performance period.

This CD&A contains statements regarding incentive targets and goals. These targets and goals are disclosed in the limited context of the Company's compensation programs and should not be understood to be statements of management's expectations or estimates of results or other guidance.

Annual Cash Incentives

The Company maintains annual cash incentive programs for executives referred to as the Management Incentive Plan, or MIP, and Management Performance Incentive Plan, or MPIP. In effect, the MPIP establishes the maximum bonus payouts for the NEOs, while the MIP criteria are used by the Compensation Committee to guide the exercise of its downward discretion in determining the actual pay-outs which have historically been (and were in 2016) well below the MPIP maximum permitted payouts. As further described under the "Regulatory Considerations" heading on page 42, the annual cash incentive programs have been designed and administered in this manner to preserve the federal income tax deductibility of the associated compensation expense by the Company. To determine the 2016 award payments (which were paid in March 2017), the Committee reviewed the performance of the NEOs and other executives at its February 2017 meeting prior to filing. With respect to the 2016 awards, the Committee established a performance goal under the MPIP to determine the maximum pay-out potential and then used the goals described below with respect to the MIP to determine whether and to what degree the actual payout amount for each NEO's annual cash incentive award would be less than the maximum permitted amount.

Target Award Opportunities

Under the MIP, we establish annual target award opportunities expressed as a percentage of base salary paid during the year and various award payment limits expressed as a percentage of the target award. Our annual cash incentive targets are set within the median range relative to our competitive market for each position, and the annual cash incentive plan is structured so that lower performance results in below-market payouts and superior performance drives payouts above the median range. For 2016, target award opportunities were within the median range for all our NEOs, and ranged from 75% to 150% of base salary. Minimum and maximum payout opportunities ranged from 40% to 200% of target award opportunity, respectively, with no payout for performance below the minimum level specified.

Performance Measures

Under the MIP, we use a mix of overall corporate, business unit and individual performance measures to foster cross-divisional cooperation and to assure that executives have a reasonable measure of control over the factors that affect their awards. This performance measure mix varies by executive position.

Performance Goals and Achievement - Corporate

Under the MIP, several performance goals are used, including goals measuring overall corporate performance as well as goals for specific business unit performance for those executives who are responsible for these business units. Overall corporate performance in 2016 was based on adjusted EPS goals. We believe that adjusted EPS is a better measure of the Company's underlying business performance than reported diluted EPS because it provides greater

transparency with respect to our results of operations, which is more useful for period-to-period comparison of results. In addition, a total company measure of performance such as adjusted EPS is used as one of the performance measures with respect to our NEOs who manage particular business units because it reinforces our Circle the Customer -- Circle the Globe strategy and fosters cross-divisional cooperation.

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COMPENSATION DISCUSSION AND ANALYSIS

In establishing these goals for 2016, we took into consideration our prior year results, overall economic and market trends, other large companies' performance expectations and our anticipated business opportunities, investment requirements and the competitive situation. For 2016, the adjusted EPS goals were:

Payout at 40% of the target award opportunity (minimum level) at	\$4.12
Payout at 100% of the target award opportunity (target level) at	\$4.38
Payout at 140% percent of the target award opportunity (140% level) at	\$4.48
Payout at 200% of the target award opportunity (maximum level) at	\$4.64 or greater

Payouts for results between performance levels are interpolated on a straight-line basis. Actual 2016 adjusted EPS was \$4.37 resulting in the achievement of the adjusted EPS goal at 98% of target. However, Management recommended that the Compensation Committee exercise its discretion as provided under the MIP and adjust the Company's performance achievement with respect to adjusted EPS from the actual adjusted EPS achieved of \$4.37 to \$4.36. The Compensation Committee followed Management's recommendation, and as a result, the adjusted EPS pay-out was adjusted from 98% of target to 95% of target. Management recommended the \$0.01 adjustment for all participants in the MIP in order to fund awards to non-MIP participants.

Performance Goals and Achievement - Division

For Mr. Handley, who is our President and Chief Operating Officer, 30% of his annual cash incentive is based upon a 2016 total division operating income goal. For 2016, the total division operating income goals were:

- 1.5% growth over 2015 total division operating income for payout at 40% of the target award opportunity (minimum level)
- 5.2% growth over 2015 total division operating income for payout at 100% of the target award opportunity (target level)
- 10.1% growth over 2015 total division operating income for payout at 140% percent of the target award opportunity (140% level)
- 18.9% growth over 2015 total division operating income for payout at 200% of the target award opportunity (maximum level)

Payouts for results between performance levels are interpolated on a straight-line basis. Adjusted as noted above, 2016 total division operating income grew 3.1% over 2015 total division operating income resulting in the achievement of the total division operating income goal at 81% of target.

For two of our NEOs, namely Messrs. Hickey and Beck who manage particular business units for us, 70% of their annual cash incentive is based upon their respective 2016 business unit performance goals which are measured against the achievement of revenue and operating income goals. The revenue and operating income goals, which are weighted equally, are set forth below.

The 2016 revenue goal for Mr. Hickey was:

- 4.1% growth over 2015 business unit revenue for payout at 40% of the target award opportunity (minimum level)
- 7.9% growth over 2015 business unit revenue for payout at 100% of the target award opportunity (target level)
- 9.5% growth over 2015 business unit revenue for payout at 140% percent of the target award opportunity (140% level)
- 11.2% growth over 2015 business unit revenue for payout at 200% of the target award opportunity (maximum level)

The 2016 revenue goal for Mr. Beck was:

0.8%
growth over
2015
business
unit revenue
for payout
at 40% of
the target
award
opportunity
(minimum
level)
4.5%
growth over
2015
business
unit revenue
for payout
at 100% of
the target
award
opportunity
(target
level)
6.2%
growth over
2015
business
unit revenue
for payout
at 140%
percent of
the target
award
opportunity
(140%
level)
10.3%
growth over
2015
business
unit revenue

for payout
at 200% of
the target
award
opportunity
(maximum
level)

The 2016 operating income goal for Mr. Hickey was:

-0.3% growth over 2015 business unit operating income for payout at 40% of the target award opportunity (minimum level)

7.3% growth over 2015 business unit operating income for payout at 100% of the target award opportunity (target level)

9.9% growth over 2015 business unit operating income for payout at 140% percent of the target award opportunity (140% level)

16.3% growth over 2015 business unit operating income for payout at 200% of the target award opportunity (maximum level)

The 2016 operating income goal for Mr. Beck was:

4.6%
growth over
2015
business
unit
operating
income for
payout at
40% of the
target award
opportunity
(minimum
level)

11.6%
growth over
2015
business
unit
operating
income for
payout at
100% of the
target award
opportunity
(target
level)

18.6%
growth over
2015
business

unit
operating
income for
payout at
140%
percent of
the target
award
opportunity
(140%
level)
30.4%
growth over
2015
business
unit
operating
income for
payout at
200% of the
target award
opportunity
(maximum
level)

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No pay out is made with respect to the business unit revenue goal unless the business unit achieves at least the minimum level on its operating income goal. Pay outs for results between these two performance levels are interpolated on a straight line basis. Adjusted as noted above, revenue growth and operating income growth for the business units managed by Mr. Hickey were 7.9% and 9.4%, respectively, resulting in achievement by Mr. Hickey of his business unit goal at 118% of target. Revenue growth and operating income growth for the business units managed by Mr. Beck were 2.9% and 15.6%, respectively, resulting in achievement by Mr. Beck of his business unit goal at 98% of target.

Performance Goals and Achievement - Individual

For Mr. Schmechel, who holds a staff position as our Chief Financial Officer, 30% of his annual cash incentive is based upon attainment of individual performance goals. This component of his staff position award under the MIP is set at 30% of the performance measure mix for annual cash incentives so that achievement of these goals is a component of the award but remains balanced against achievement of corporate performance goals. The 2016 individual performance objectives for our Chief Financial Officer are specific, qualitative, and achievable with significant effort and, if achieved, provide benefit to the Company. Mr. Schmechel's individual performance goals covered financial, organizational and strategic initiatives, including delivering on financial objectives, developing talent and projects to increase efficient service delivery. Mr. Schmechel achieved 95% of his individual target performance goals. The Compensation Committee, with input from the CEO, approved an annual cash incentive of \$443,100, including the component based on the Chief Financial Officer's achievement of his 2016 individual performance goals.

2016 Annual Incentive Compensation Pay-Out Summary

Performance Measure Mix

	2016 Base Salary Earnings (\$)	MIP		Business Unit Individual (%)	MIP Target Pay-Out Level (\$)	MIP Performance Achieved (%)	Pay-Out		
		Target Award Opportunity (% of Base Salary)	EPS (%)				MIP Based on MIP Performance	Compensation Committee Adjustments (\$)	Actual Payout (\$)
Douglas M. Baker, Jr.	1,187,500	150	100		1,781,250	98	1,740,200	(41,100)	1,699,100
Daniel J. Schmechel	581,250	80	70	30	325,500 139,500	98 95	318,000 132,600		443,100
Thomas W. Handley	661,250	90	70	30	416,588 178,537	98 81	407,000 145,400		542,800
Michael A. Hickey	543,125	75	30	70	122,203 285,141	98 118	119,400 335,200		541,800
Christophe Beck	548,125	75	30	70	123,328 287,766	98 98	120,500 283,200	(2,800)	

403,700 (2,800) 400,900

(1) Management recommended that the Compensation Committee exercise its discretion as provided under the MIP and adjust the Company's performance achievement with respect to adjusted earnings per share from the actual adjusted earnings per share achieved of \$4.37 to \$4.36. The Compensation Committee followed Management's recommendation, and, as a result, the adjusted earnings per share pay-out was adjusted from 98% of target to 95% of target. See "Annual Cash Incentives — Performance Goals and Achievement - Corporate", beginning at page 36 for a discussion of the reasons for the adjustment.

COMPENSATION DISCUSSION AND ANALYSIS

Discretionary Adjustments

To recognize individual performance, the Compensation Committee also may increase or decrease an NEO's payout from the level recommended by applying the MIP performance metrics (but always subject to the maximum permitted MPIP payout), with input from the CEO (other than as to his own award), based on the individual performance of the NEO. This is done to recognize either inferior or superior individual performance in cases where this performance is not fully represented by the performance measures. No such discretionary adjustments were made to the 2016 annual cash incentive payouts.

The Compensation Committee reviews and approves all adjustments to our overall corporate results and significant adjustments to our business unit performance results. Other than described above, the 2016 annual cash incentive payouts were made in accordance with the overall corporate results and business unit performance results established for the NEOs without adjustment.

Our Analysis

In 2016 the Compensation Committee set the minimum, target and maximum levels of the adjusted EPS component of the annual incentive so that the intended relative difficulty of achieving the various levels is consistent with the past several years, taking into account current prospects and market considerations. Target award opportunities in 2016 accounted for approximately 17% of total compensation on average for the NEOs receiving all elements of our compensation program and were within the median range of our competitive market for each position. Actual award payments for the NEOs averaged 98% of target award opportunities. Ecolab's businesses experienced multiple headwinds in 2016, including continued depressed energy market activity, lackluster global economies and unfavorable foreign currency translation, which made our executives' performance goals challenging. The 2016 award payouts are indicative of solid fixed currency organic sales growth and margin expansion in our businesses other than our energy business during the year.

Long-Term Equity Incentives

The Compensation Committee granted long-term equity incentives to our NEOs and other executives in December 2016, consistent with its core agenda and past practice of granting these incentives at its regularly scheduled December meeting. For 2016, our long-term equity incentive program consisted of an annual grant of stock options and PBRsUs, weighted approximately equally in terms of grant value.

Our program continues to be based on pre-established grant guidelines that are calibrated annually to our competitive market on a position-by-position basis for the NEOs. Actual grants may be above or below our guidelines based on our assessment of individual performance and future potential. Generally, long-term equity incentives are granted on the same date as our Compensation Committee approval date and in no event is the grant date prior to the approval date.

Stock Options

Our stock options have a 10-year contractual exercise term from the date of grant and vest ratably over three years. Our stock options have an exercise price which is the average of the high and low market price on the date of grant. We believe that the use of the average of the high and low market price on the date of the grant removes potential same-day stock volatility. We do not have a program, plan or practice to time stock option grants to executives in coordination with the release of material non-public information. From time to time, in addition to our annual grants, we may make special grants of stock options to our NEOs and other executives in connection with promotions and recruitment, and for general retention purposes. During 2016, we did not make any such special grants of stock

options to our NEOs.

Performance-Based Restricted Stock Units

Our PBRsUs cliff-vest after three years, subject to attainment of three-year average annual adjusted ROIC goals over the performance period. We selected ROIC as the performance measure because it reinforces focus on capital efficiency throughout the organization, is highly correlated with shareholder returns, matches well with our long-standing corporate goal of achieving consistent return on beginning equity and is understood by our external market. As further described under the “Regulatory Considerations” heading on page 42, our PBRsUs have been designed and administered in a manner to preserve the federal income tax deductibility of the associated compensation expense by the Company. In this

COMPENSATION DISCUSSION AND ANALYSIS

connection, the Compensation Committee annually establishes an adjusted ROIC goal for the executive officers to determine maximum payout potential, with the ability to exercise downward discretion to reduce the actual payout in accordance with the adjusted ROIC goals described below to be applied to a broader group of PBRSU award recipients.

For the 2017 to 2019 performance cycle, 40% of the PBRsUs granted may be earned subject to attainment of a threshold goal of 10% average annual ROIC over the cycle, and 100% of the PBRsUs may be earned subject to attainment of a target goal of 15% average annual ROIC over the cycle, in each case adjusted as described above under the heading “Adjustments to Reported Financial Results” beginning at page 35, with straight-line interpolation for performance results between threshold and target goals. No PBRsUs may be earned if adjusted ROIC is below the threshold goal, and no more than 100% of the PBRsUs may be earned if adjusted ROIC is above the target goal; accordingly, target and maximum are equal. Importantly, the threshold goal exceeds our cost of capital, thereby ensuring that value is created before awards are earned. Excluding the impact of purchase accounting and special gains and charges related to the Nalco and Champion transactions, the Company’s annual adjusted ROIC for 2016 was 21.9%. Dividend equivalents are not paid or accrued on the PBRsUs during the performance period.

Pay-out of Performance-Based Restricted Stock Units Vesting in 2016

The PBRsUs granted by the Committee in December 2013 for the 2014 to 2016 performance cycle vested on December 31, 2016 and the Committee has determined the pay out for such PBRsUs, including with respect to Messrs. Baker, Schmechel, Handley, Hickey and Beck, to be 100% of the target opportunity. For the PBRsUs granted in December 2013, the target payout would be earned upon attainment of an average annual ROIC, adjusted as previously described, of 15% over the 2014 through 2016 performance cycle. Consistent with the established formula and definition of adjusted ROIC, the Company’s average annual ROIC over the cycle, excluding the impact of purchase accounting and special gains and charges relating to the Nalco and Champion transactions, was 21.4%. Based upon this performance, the Committee approved pay out of 100% of the PBRsUs.

Restricted Stock

From time to time, we may make special grants of restricted stock or restricted stock units subject only to service-based vesting to our NEOs and other executives in connection with promotions and recruitment, and for general retention purposes. During 2016, we did not make any special grants of restricted stock units to our NEOs.

Our Analysis

For the last completed fiscal year, long-term equity incentives accounted for approximately 77% of total target compensation for the CEO and 60% on average for the other NEOs, which is consistent with our competitive market. Actual grants to the NEOs were within the median range for all of our NEOs. Our annual practice of granting equity incentives in the form of stock options and PBRsUs is similar to our competitive market, where other forms of long-term equity and cash compensation are typically awarded in addition to, or in lieu of, stock options. Our selective use of restricted stock or restricted stock units as a retention or recruitment incentive is consistent with our competitive market. We believe that our overall long-term equity compensation cost is within a reasonable range of our competitive market as to our NEOs and also our other employees.

Executive Benefits and Perquisites

Our NEOs participate in all of the same health care, disability, life insurance, pension, and 401(k) benefit plans made available generally to the Company’s U.S. employees. In addition, our NEOs are eligible to participate in a deferred compensation program, restoration plans for the qualified 401(k) and pension plans, and, with respect to certain of our

NEOs, an executive disability and life benefit and a supplemental retirement benefit. The non-qualified retirement plans supplement the benefits provided under our tax-qualified plans, taking into account compensation and benefits above the IRS limits for qualified plans. The NEOs also receive limited perquisites that are described in more detail in the footnotes to the Summary Compensation Table including certain allowances and limited perquisites received by Mr. Beck related to his relocation.

The Company has maintained a private aircraft use policy for several years authorizing the use of private aircraft for business and personal use by the Company's Chairman of the Board and Chief Executive Officer and, under certain

COMPENSATION DISCUSSION AND ANALYSIS

circumstances, business use by its directors and certain other executives. Under the policy, personal use of private aircraft by the Chairman of the Board and Chief Executive Officer is limited to \$100,000 of unreimbursed usage per year. Additional information with respect to this perquisite is provided in more detail in the footnotes to the Summary Compensation Table.

Our Analysis

We review our executive benefits and perquisites program periodically to ensure it remains market-competitive for our executives and supportable to our stockholders. Excluding allowances and perquisites provided to Mr. Beck to support his relocation, our perquisites account for 1.2% of total compensation for the CEO and the other NEOs receiving all elements of our compensation program in 2016. Executive benefits and perquisites are consistent with our competitive market.

Executive Change-In-Control Policy

The terms of our Change-In-Control Severance Compensation Policy, including the events constituting a change in control under our policy, are described in Potential Payments upon Termination or Change in Control section of this Proxy Statement. Our policy applies to all elected officers, including the NEOs, except those who are covered by separate change-in-control or similar agreements with the Company or a subsidiary, a circumstance which arises only in the case of an executive having such an agreement with a company we acquire. Such an executive will become covered automatically under the Company's Change-In-Control Severance Compensation Policy when the existing agreements terminate or expire.

Our Analysis

We review our change-in-control protection periodically to ensure it continues to address the best interests of our stockholders. Our analysis indicates that our change-in-control policy, which is structured as a so-called "double-trigger" policy, promotes the interests of stockholders by mitigating executives' concerns about the impact a change in control may have on them, thereby allowing the executives to focus on the best interests of stockholders under such circumstances.

Stock Retention and Ownership Guidelines

We have in place stock retention and ownership guidelines to encourage our NEOs and other executives to accumulate a significant ownership stake so they are vested in maximizing long-term stockholder returns. Our guidelines provide that the CEO own Company stock with a market value of at least six times current base salary. The Company also requires other corporate officers to own Company stock with a market value of at least three times current base salary. Until the stock ownership guideline is met, our CEO, CFO and President are expected to retain 100% of all after-tax profit shares from exercise, vesting or payout of equity awards. Our other officers are expected to retain 50% of all after-tax profit shares from exercise, vesting or payout of equity awards until their stock ownership guidelines are met. For purposes of complying with our guidelines, stock is not considered owned if subject to an unexercised stock option or unvested PBRUS. Shares owned outright, legally or beneficially, by an officer or his or her immediate family members residing in the same household and shares held in the 401(k) plan count towards meeting the guideline. Our NEOs and other officers may not pledge shares or enter into any risk hedging arrangements with respect to Company stock.

NEO Stock Ownership Relative to Guidelines

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The table below illustrates the standing of each of our NEOs in relation to their respective stock ownership guidelines as of December 30, 2016, based on the closing market price of our Common Stock on such date of \$117.22 per share.

	2016 Annualized Base Salary (\$)	Stock Ownership Guideline	Stock Ownership(1)	Multiple of 2016 Base Salary
Douglas M. Baker, Jr.	1,200,000	6X salary	508,257	49.6X salary
Daniel J. Schmechel	600,000	3X salary	136,061	26.6X salary
Thomas W. Handley	675,000	3X salary	112,014	19.5X salary
Michael A. Hickey	552,500	3X salary	46,682	9.9 X salary
Christophe Beck	552,500	3X salary	19,700	4.2 X salary

(1) Excludes shares underlying unexercised or unvested long-term incentive awards.

COMPENSATION DISCUSSION AND ANALYSIS

Our Analysis

Our analysis indicates that our stock retention and ownership guidelines are consistent with the design provisions of other companies disclosing such guidelines, as reported in public SEC filings and as periodically published in various surveys and research reports. Our analysis further indicates that our NEOs are in compliance with our guidelines either by having achieved the ownership guideline or, if the guideline is not yet achieved, by retaining 100% or 50%, as applicable, of all after-tax profit shares from any stock option exercises or restricted stock unit vesting.

Compensation Recovery

The Company's Board of Directors has adopted a policy requiring the reimbursement of annual cash incentive and long-term equity incentive payments made to an executive officer due to the executive officer's misconduct, as determined by the Board based on the recommendation of the Compensation Committee. Each of our executive officers has agreed in writing to this policy. This policy was filed with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 as Exhibit (10)W and is available along with our other SEC filings at our website at www.investor.ecolab.com/earnings-center/sec-filings.

Regulatory Considerations

We monitor changes in the tax and accounting regulatory environment when assessing the financial efficiency of the various elements of our executive compensation program. We have designed and administered our annual cash incentives, particularly our stockholder-approved MPIP, and long-term equity incentive plans in a manner that is intended to preserve the federal income tax deductibility of the associated compensation expense.

The MPIP is designed to meet the requirements of Internal Revenue Code Section 162(m) regarding performance-based compensation and is administered by the Compensation Committee, which selects the participants each year and establishes the annual performance goal based upon performance criteria that it selects, the performance target and a maximum annual cash award dependent on achievement of the performance goal. For 2016, the Compensation Committee selected reported diluted earnings per share as the performance measure under the MPIP. The Compensation Committee certifies the extent to which the performance goal has been met and the corresponding amount of the award earned by the participants, with the ability to exercise downward discretion to lower, but not raise, the award to an amount based upon the metrics used for our broader-based MIP cash incentive and to recognize individual performance.

The Compensation Committee has similarly positioned the PBRsUs to meet the requirements of Section 162(m). The Compensation Committee annually establishes an adjusted ROIC goal for the executive officers to determine maximum payout potential for Code Section 162(m) purposes, with the ability to exercise downward discretion to reduce the actual payout in accordance with the adjusted ROIC goals to be applied to a broader group of PBRsU award recipients as described above under "Performance-Based Restricted Stock Units."

We have designed and administered our deferred compensation, equity compensation and change-in-control severance plans to be in compliance with federal tax rules affecting non-qualified deferred compensation. In accordance with FASB Accounting Standards Codification 718, Compensation - Stock Compensation, for financial statement purposes, we expense all equity-based awards over the service period for awards expected to vest, based upon their estimated fair value at grant date. Accounting treatment has not resulted in changes in our equity compensation program design for our NEOs.

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SUMMARY COMPENSATION TABLE FOR 2016

SUMMARY COMPENSATION TABLE FOR 2016

The following table shows cash and non-cash compensation for the years ended December 31, 2016, 2015 and 2014 for the persons serving as the Company's "Principal Executive Officer" and "Principal Financial Officer" during the year ended December 31, 2016 and for the next three most highly-compensated executive officers who were serving in those capacities at December 31, 2016.

Name & Principal Position	Year	Salary(1) (\$)	Bonus (\$)	Stock Awards(2) (\$)	Option Awards(3) (\$)	Compensation (4) (\$)	Change in Pension Value	Non-Equity and Incentive Plan	Non-qualified Deferred Compensation(5)	All Other Compensation(6) (\$)	Total (\$)
Douglas M. Baker, Jr. Chairman of the Board and Chief Executive Officer (principal executive officer)	2016	1,187,500		4,680,970	4,839,616	1,699,100		1,749,879	193,386		14,350,452
	2015	1,140,343		4,355,360	4,453,940			3,513,831	139,888		13,603,369
	2014	1,103,277		3,701,798	8,778,292	2,564,100		4,049,270	260,078		15,456,822
Daniel J. Schmechel Chief Financial Officer (principal financial officer)	2016	581,250 -		886,936	916,988	443,100		444,275	(307,949)		2,964,599
	2015	518,750 -		822,722	841,312	124,500		1,000,637	278,152		3,586,073
	2014	487,500 -		740,339	755,664	578,500		902,730	12,078		3,476,811
Thomas W. Handley	2016										