

U S PHYSICAL THERAPY INC /NV

Form DEF 14A

April 09, 2015

**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 o

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

**U.S. Physical Therapy, Inc.**

**(Name of Registrant as Specified in its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
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- 1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

**U.S. PHYSICAL THERAPY, INC.  
NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS**

**DATE:** Tuesday, May 19, 2015

**TIME:** 9:00 a.m. (CDT)

**PLACE:** 1300 West Sam Houston Parkway South, Suite 300, Houston, Texas 77042

**MATTERS TO BE ACTED ON:**

1. Election of eleven directors to serve until the next annual meeting of stockholders.
2. Advisory vote to approve named executive officer compensation.
3. Reapprove the material terms of the Company's Amended and Restated 2003 Stock Incentive Plan for purposes of complying with Section 162(m) of the Internal Revenue Code.
4. Ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the year ending December 31, 2015.
5. Consideration of any other matters that may properly come before the meeting or any adjournments.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF THE ELECTION OF EACH OF THE ELEVEN NOMINEES FOR DIRECTOR, THE NON-BINDING APPROVAL OF THE NAMED EXECUTIVE OFFICER COMPENSATION, THE RE-APPROVAL OF THE COMPANY'S AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN FOR PURPOSES OF COMPLYING WITH SECTION 162(M) OF THE INTERNAL REVENUE CODE, AND THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2015.**

The Board of Directors has set Thursday, April 2, 2015, as the Record Date for the Annual Meeting of Stockholders to be held on May 19, 2015 (the Annual Meeting ). Only holders of our common stock of record at the close of business on that date will be entitled to notice of and to attend and vote at the Annual Meeting or any adjournments thereof. A complete list of stockholders will be available for examination at the Annual Meeting and at our offices at 1300 West Sam Houston Parkway South, Suite 300, Houston, Texas 77042, for a period of ten days prior to the Annual Meeting.

You are cordially invited to join us at the Annual Meeting. However, to ensure your representation at the Annual Meeting, we request that you return your signed proxy card at your earliest convenience, whether or not you plan to attend the Annual Meeting. Your proxy card will be returned to you if you are present at the Annual Meeting and request its return.

By Order of the Board of Directors,

Richard Binstein, Secretary

April 9, 2015

**U.S. PHYSICAL THERAPY, INC.**  
**1300 West Sam Houston Parkway South, Suite 300**  
**Houston, Texas 77042**  
**(713) 297-7000**

**PROXY STATEMENT**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**MAY 19, 2015**

**Proxy Statement**

This Proxy Statement is being provided to stockholders in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Stockholders (the Annual Meeting ) of U.S. Physical Therapy, Inc. ( we , us , our , USPT or the Company ) to be held on Tuesday, May 19, 2015 at 9:00 a.m. (central time) at the Company's principal executive offices located at 1300 West Sam Houston Parkway, Suite 300, Houston, Texas, 77042.

**Proxy Solicitation**

Your vote and proxy are being solicited by our Board of Directors ( Board of Directors or Board ) for use at the Annual Meeting. This Proxy Statement and the enclosed proxy card are being mailed on behalf of our Board of Directors on or about April 13, 2015 to all of our stockholders of record as of the close of business on the record date, Thursday, April 2, 2015 (the Record Date ).

Your presence at the Annual Meeting will not automatically revoke your proxy. You may, however, revoke your proxy at any time prior to its exercise by delivering to us another proxy bearing a later date, by attending the Annual Meeting and voting in person, or by filing a written notice of revocation before the Annual Meeting with Richard Binstein, our Secretary, at our principal executive offices located at 1300 West Sam Houston Parkway South, Suite 300, Houston, Texas 77042. If you receive multiple proxy cards, this indicates that your shares are held in more than one account, such as two brokerage accounts, or are registered in different names. You should vote each of the proxy cards received to ensure that all of your shares are voted.

**Your Vote is Important**

Whether or not you plan to attend the Annual Meeting, please take time to vote your shares by signing and returning a proxy card as soon as possible.

**Proposals To Be Voted On and the Board's Voting Recommendations**

The following four proposals are scheduled to be voted on at the Annual Meeting:

- Election of eleven director nominees.
- Advisory vote to approve named executive officer compensation.
- Reapprove the material terms of the Company's Amended and Restated 2003 Stock Incentive Plan for purposes of complying with Section 162(m) of the Internal Revenue Code.
- Ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the year ending December 31, 2015.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF: THE ELECTION OF EACH OF THE ELEVEN NOMINEES FOR DIRECTOR, THE NON-BINDING APPROVAL OF THE NAMED EXECUTIVE OFFICER COMPENSATION, THE RE-APPROVAL OF THE COMPANY'S AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN FOR PURPOSES OF COMPLYING WITH SECTION 162(M) OF THE INTERNAL REVENUE CODE, AND THE RATIFICATION OF THE**

**APPOINTMENT OF GRANT THORNTON LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2015.**

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 19, 2015:**

We have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a Notice of 2015 Annual Meeting of Stockholders, proxy card and Annual Report for the year ended December 31, 2014, and by notifying you of the availability of our proxy materials on the Internet. **The Notice of 2015 Annual Meeting of Stockholders, this Proxy Statement, proxy card and Annual Report for the year ended December 31, 2014 are available at <http://www.cstproxy.com/usph/2015>.** The materials on the website are searchable, readable and printable and the website does not have cookies or other tracking devices which identify visitors. To obtain directions to attend the Annual Meeting and vote in person, please contact Richard Binstein, our Secretary, at 800-530-6285 or via email at [investorrelations@usph.com](mailto:investorrelations@usph.com).

**Who Can Vote:**

All holders of record of our common stock at the close of business on April 2, 2015 are entitled to vote at the Annual Meeting. Holders of our common stock are entitled to one vote per share.

**Proxies:**

**Properly executed but unmarked proxies will be voted FOR the election of our eleven director nominees, FOR the non-binding approval of named executive officer compensation, FOR the reapproval of the Company's Amended and Restated 2003 Stock Incentive Plan for purposes of complying with Section 162(m) of the Internal Revenue Code, and FOR the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the year ending December 31, 2015.** If you withhold your vote for any of the director nominees, this will be counted as a vote **AGAINST** that nominee. If any other matters are properly brought before the Annual Meeting, the persons named in the proxy card will vote your shares as directed by a majority of the Board of Directors.

**Quorum:**

Only shares of our common stock can be voted, with each share entitling its owner to one vote on all matters that come before the Annual Meeting. The close of business on Thursday, April 2, 2015 was fixed by the Board of Directors as the Record Date for determination of stockholders entitled to vote at the Annual Meeting. The number of shares of our common stock outstanding on the Record Date was 12,398,637. The presence, in person or by proxy, of at least a majority of the shares outstanding on the Record Date is necessary to constitute a quorum at our Annual Meeting. Abstentions will be treated as present for determining a quorum at the Annual Meeting. If a broker holding your shares in street name indicates to us on a proxy card that the broker lacks discretionary authority to vote your shares for all matters at the meeting, we will not consider your shares as present or entitled to vote for any purpose. There is no cumulative voting in the election of directors and, as required by Nevada law, the directors will be elected by a plurality of the votes cast at the Annual Meeting.

**Cost of Proxy Solicitation:**

We will bear the cost of soliciting proxies. Some of our directors, officers and regular employees may solicit proxies, without additional compensation, personally or by telephone. Proxy materials will also be furnished without cost to brokers and other nominees to forward to the beneficial owners of shares held in their names.

**Questions and Additional Information:**

You may call our Chief Financial Officer, Lawrance W. McAfee, at 800-580-6285 or email us at [investorrelations@usph.com](mailto:investorrelations@usph.com) if you have any questions. A copy of our Annual Report on Form 10-K for the year

ended December 31, 2014 accompanies this Proxy Statement. **We have filed an Annual Report on Form 10-K for the year ended December 31, 2014 (the Form 10-K ) with the Securities and Exchange Commission (the SEC ). You may obtain additional copies of the Form 10-K by downloading it from our website at [www.usph.com](http://www.usph.com), by writing to U.S. Physical Therapy, Inc., 1300 West Sam Houston Parkway South, Suite 300, Houston, Texas 77042, Attention: Richard Binstein, Secretary, or by emailing us at [investorrelations@usph.com](mailto:investorrelations@usph.com).**

**PLEASE VOTE — YOUR VOTE IS IMPORTANT**

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**PROPOSAL 1 — ELECTION OF DIRECTORS**

The accompanying proxy card, unless marked to the contrary, will be voted in favor of the election of Jerald L. Pullins, Daniel C. Arnold, Christopher J. Reading, Lawrance W. McAfee, Mark J. Brookner, Harry S. Chapman, Dr. Bernard A. Harris, Jr., Marlin W. Johnston, Edward L. Kuntz, Reginald E. Swanson and Clayton K. Trier. These eleven nominees are current directors standing for re-election at the Annual Meeting to serve until the next annual meeting of stockholders or until their successor is elected and qualified. The Governance and Nominating Committee, which consists solely of directors who are independent under the applicable New York Stock Exchange ( NYSE ) listing standards, recommended the nomination of the eleven directors to the Board of Directors. Based on that recommendation, the Board nominated such directors for election at the Annual Meeting.

The Board of Directors has affirmatively determined that Messrs. Pullins, Arnold, Brookner, Chapman, Johnston, Kuntz, Trier, and Dr. Harris are independent under the NYSE listing standards. Messrs. McAfee and Reading, who are both executive officers of the Company, and Mr. Swanson, who is an employee of the Company, were determined not to be independent under the NYSE listing standards. The nominees for director are:

| <b>Nominees:</b>           | <b>Director</b> |              |  |
|----------------------------|-----------------|--------------|--|
|                            | <b>Age</b>      | <b>Since</b> | <b>Position(s) Held</b>  |
| Jerald L. Pullins          | 73              | 2003         | Chairman of the Board  |
| Christopher J. Reading     | 51              | 2004         | President, Chief Executive Officer and Director                |
| Lawrance W. McAfee         | 60              | 2004         | Executive Vice President, Chief Financial Officer and Director |
| Daniel C. Arnold           | 85              | 1992         | Vice Chairman of the Board                                     |
| Mark J. Brookner           | 70              | 1990         | Director   |
| Harry S. Chapman           | 70              | 2010         | Director   |
| Dr. Bernard A. Harris, Jr. | 58              | 2005         | Director   |
| Marlin W. Johnston         | 83              | 1992         | Director   |
| Edward L. Kuntz            | 70              | 2014         | Director   |
| Reginald E. Swanson        | 61              | 2007         | Director (and an employee of STAR Physical Therapy, LP (*))    |
| Clayton K. Trier           | 63              | 2005         | Director   |

\* STAR Physical Therapy, LP is a subsidiary of the Company.

**Director Biographies:**

*Jerald L. Pullins* has served on our Board since 2003, and was appointed Chairman of the Board on May 17, 2011. He is currently engaged in the development and management of private enterprises in the healthcare field. From October 2007 to the present, Mr. Pullins has been the Managing Member of SeniorCare Homes, LLC, which develops, owns and operates supervised, residential homes for senior citizens with Alzheimers, dementia and other memory impairment conditions. Since January 2013, Mr. Pullins has been Chairman and CEO of Baldwin Brothers Cremation, LLC, which owns and operates facilities providing cremation, funeral and related services. From 2007 to May 2013, he served as Chairman of the Board of Directors of Pet Partners, LLC, a private enterprise involved in the acquisition and management of primary care, small animal veterinary hospitals. Mr. Pullins was elected a director of Live Oak Bank, Inc., a privately held financial institution, in 2011.

*Christopher J. Reading* was promoted to President and Chief Executive Officer and elected to our Board effective November 1, 2004. Prior to 2004, Mr. Reading served as our Chief Operating Officer since joining us in 2003. From



1990 to 2003, Mr. Reading served in various executive and management positions with HealthSouth Corporation where most recently he served as Senior Vice President of Operations responsible for over 200 facilities located in 10 states. Mr. Reading is a physical therapist.

*Lawrance W. McAfee* was promoted to Executive Vice President and elected to our Board effective November 1, 2004. Mr. McAfee also serves as our Chief Financial Officer, a position he has held since joining us in 2003. Mr. McAfee's prior experience includes having served as Chief Financial Officer of three public companies and President of two private companies.

*Daniel C. Arnold* was Chairman of the Board from July 6, 2004 to May 17, 2011, and has served as Vice Chairman since that date. Mr. Arnold is a private investor engaged primarily in managing his personal investments. He previously served as Chairman of the Board of Trustees of the Baylor College of Medicine.

*Mark J. Brookner* has served on our Board since August 1998. Mr. Brookner is currently a private investor. He served as our Chief Financial Officer from 1992 to 1998 and as our Secretary and Treasurer during portions of that period.

*Harry S. Chapman* has served on our Board since August 30, 2010. Mr. Chapman is the Chairman and Chief Executive Officer of Chapman Schewe, Inc., a healthcare insurance and employee benefits consulting firm, and since January 1, 2013, also serves as Managing Director with Higginbotham, an insurance, risk management and financial services firm. Previously, he served as a Corporate Senior Vice-President and Managed Care Officer of CIGNA's South Central Region, with responsibility for HMO and PPO plans in several states. Mr. Chapman's experience also includes having served as head of EQUICOR's Health Plan and sales operation in Houston and as a Regional Vice-President for Lincoln National Insurance Company's Central Region.

*Dr. Bernard A. Harris, Jr.* joined our Board on August 23, 2005. Since 2001, Dr. Harris has been President and Chief Executive Officer of Vesalius Ventures, a venture capital firm that invests in early stage medical informatics and technology. Since 2006, Dr. Harris has served as a Class III director of Sterling Bancshares, Inc., a bank holding company. From 1996 to 2001, he served as Chief Medical Officer and Vice President for Space Hab, an aerospace company. Dr. Harris is a former astronaut, having completed two space shuttle missions. He completed his residency in Internal Medicine at the Mayo Clinic and trained as a flight surgeon at the Aerospace School of Medicine at Brooks Air Force Base.

*Marlin W. Johnston* has served on our Board since 1992. Mr. Johnston has been a management consultant with Tonn & Associates, a management consulting firm, since 1993. From 1980 through 1988, Mr. Johnston served as Commissioner of the Texas Department of Human Services. During 1992 and 1993, Mr. Johnston served as a management consultant to the Texas Department of Health and the Texas Department of Protective and Regulatory Services.

*Edward L. Kuntz* has served on our Board since August 26, 2014. Mr. Kuntz is the former Chairman and Chief Executive Officer of Kindred Healthcare, the largest diversified provider of post-acute care services in the United States. From 1998 through May 2014 he served as Chairman of the Board of Directors of Kindred and as Chief Executive Officer from 1998 to 2004. Mr. Kuntz is a director of Rotech Healthcare, Inc., one of the largest providers of home medical equipment and related products and services in the United States, where he serves as a member of the audit and board operating committees. Mr. Kuntz also serves as a director of American Electric Technologies, Inc., a provider of power delivery solutions to the energy industry in the U.S. and internationally and is Chairman of its Audit Committee.

*Reginald E. Swanson* joined our Board on September 6, 2007. Since 2007, Mr. Swanson has been the Managing Director of STAR Physical Therapy, LP, a subsidiary of the Company. Mr. Swanson is founder of STAR Physical Therapy, LLC, and from 1997 to 2007, was its president and managing member. He is a certified athletic trainer and has been involved with sports medicine and physical therapy for over 25 years.

*Clayton K. Trier* joined our Board on February 23, 2005. Mr. Trier is a private investor. He was a founder and former Chairman and Chief Executive Officer of U.S. Delivery Systems, Inc., from 1993 to 1997, which developed the first national network providing same-day delivery service. Before it was acquired in 1996, U.S. Delivery was listed for two years on the New York Stock Exchange. Mr. Trier was a founder of Digital Music Group, Inc. ( DMGI ) and from September 2005 through May 2008, served as its Chairman of the Board. DMGI, listed on the NASDAQ in 2006, acquired the digital rights to master recordings, converted the recordings to digital format and sold the music through online retailers. Since 2008, Mr. Trier has served as a director of St. Luke's Health System, which operates several hospitals in the Houston, Texas metropolitan area.

The persons named on the proxy card will vote FOR all of the nominees for director listed above unless you withhold authority to vote for one or more of the nominees. Under current regulations, a broker is prohibited from voting for directors without receiving instructions from you. As required by Nevada law, nominees will be elected by a plurality of the votes cast at the Annual Meeting. Abstentions and broker non-votes will not be treated as a vote for or against any particular nominee and will not affect the outcome of the election of directors.

All of the nominees have consented to serve as directors. Our Board has no reason to believe that any of the nominees will be unable to act as a director. However, if any director is unable to serve, the Board may designate a substitute. If a substitute nominee is named, the persons named on the proxy card will vote FOR the election of the substitute nominee.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ELECTION OF THE ELEVEN NOMINEES FOR DIRECTOR NAMED IN THIS PROXY STATEMENT.**

**CORPORATE GOVERNANCE AND BOARD MATTERS**

**Board Leadership Structure**

Our Board is led by an independent Chairman and Vice-Chairman and includes six other independent directors. Mr. Reading, our Chief Executive Officer, Mr. McAfee, our Executive Vice President and Chief Financial Officer, and Mr. Swanson, an employee of one of our subsidiaries, STAR Physical Therapy, LP, are the members of the Board who are not independent. We believe the leadership structure enhances the accountability of the executive management to the Board. Because eight of the eleven members of our Board are considered independent, we believe the Board is independent from management. Further, separating the Chairman and Chief Executive Officer roles allows Mr. Reading to focus his efforts on running our business and managing the Company in the best interest of our stockholders while we are able to benefit from prior experiences of our independent Board members.

**Board Oversight of Risk**

Our management is responsible for the Company's day-to-day risk management activities. Our Board, which functions in an oversight role in risk management, focuses on understanding the nature of the risks inherent in our business, including our operations, strategic directions and overall risk management systems. Our Board receives periodic updates on our business operations, financial results, strategy and specific risks related to our business. These updates are communicated through monthly correspondence and presentations by management at Board meetings and through discussions with appropriate management compliance and audit personnel at the meetings of the Board's Audit Committee and Compliance Committee.

In addition, we believe our approach to compensation practices and policies applicable to employees throughout our Company and those followed for our Named Executive Officers (as defined in the Compensation Discussion and Analysis section below) are not reasonably likely to have a material adverse effect on our Company. See Compensation Discussion and Analysis.

**Independent Directors**

The Board has affirmatively determined the Messrs. Arnold, Brookner, Chapman, Harris, Johnston, Kuntz, Pullins, and Trier have no relationship with the Company or its subsidiaries that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and are independent, as defined in the NYSE listing standards. Specifically, the Board determined that the foregoing eight nominees are independent as defined in NYSE listing standards, and that the directors comprising the Company's Audit Committee are independent as defined in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934 (as amended, the Exchange Act ).

**Attendance at Board Meetings and Board Committees**

The Board of Directors conducts its business through its meetings and through meetings of certain committees of the Board of Directors. The Board of Directors is comprised of a majority of independent directors as required by the NYSE listing standards and is required to meet at least four times per year. In addition, the independent directors

periodically meet as a group in executive session , with the Chairman of the Board presiding over such meetings.

The Board has the following standing committees: (i) Governance and Nominating, (ii) Compliance, (iii) Compensation, and (iv) Audit. During 2014, the Board of Directors met five times, the Governance and Nominating Committee met three times, the Compliance Committee met four times, the Compensation Committee met seven times and the Audit Committee met seven times. Each of our directors participated in at least 75% of the aggregate meetings of the Board of Directors and the committees on which he served.

These committees are constituted as follows:

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### *Governance and Nominating Committee*

The Governance and Nominating Committee currently consists of Messrs. Pullins (Chairman), Arnold, Harris (effective March 3, 2015) and Trier, all of whom have been determined to be independent, as defined in the NYSE listing standards and the rules of the SEC. The function of the committee is to select, screen and recommend to the full Board nominees for election as directors, including any nominees proposed by stockholders who have complied with the procedures described below. The committee also has ongoing responsibility for oversight review of Board performance and ensuring each Board member's continuing commitment to the Board and the Company's goals and objectives. Additional functions include regularly assessing the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the committee will consider various potential candidates for director. Candidates may come to the attention of the committee through current Board members, stockholders, or other persons. The committee may also hire third parties to identify, to evaluate, or to assist in identifying or evaluating potential nominees should it be determined necessary. The committee is required to meet at least annually and operates under a written charter, a copy of which is available on our website at [www.usph.com](http://www.usph.com).

*Nomination Criteria.* In its consideration of Board candidates, the Governance and Nominating Committee considers the following criteria: the candidate's general understanding of the health care sector, marketing, finance and other disciplines relevant to the success of a publicly-traded company; strategic business contacts and regard or reputation in the community, other board affiliations, industry and civic affairs; financial, regulatory and business experience; integrity, honesty and reputation; size of the Board of Directors; and regulatory obligations. In the case of incumbent directors whose terms of office are set to expire, the committee reviews each such director's overall service to the Company during said director's terms, including the number of meetings attended, level of participation, quality of performance, and whether the director continues to meet the independence standards set forth in the applicable SEC rules and regulations and the NYSE listing standards. In the case of new director candidates, the questions of independence and financial expertise are important to determine which roles can be performed by the candidate, and the committee preliminarily determines whether the candidate meets the independence standards set forth in the SEC rules and regulations and the NYSE listing standards, and the level of the candidate's financial expertise. Candidates are first screened by the committee, and if approved by the committee, then they are screened by other members of the Board. The full Board approves the final nomination(s) based on recommendations from the committee. The Chairman of the Board, acting on behalf of the full Board, will extend the formal invitation to become a nominee of the Board of Directors. Qualified candidates for membership on the Board will be considered without regard to race, color, religion, sex, ancestry, national origin or disability.

*Stockholder Nomination Procedures.* The Governance and Nominating Committee will consider director candidates recommended by the stockholders. Generally, for a stockholder of the Company to make a nomination, he or she must give written notice to our Secretary so that such notice is received at least 120 calendar days prior to the first anniversary of the date the Company's proxy statement is sent to the stockholders in connection with the previous year's annual meeting of stockholders. If no annual meeting of stockholders was held in the previous year (or if the date of the annual meeting of stockholders was changed by more than 30 calendar days from the date of the previous year's annual meeting), the notice must be received by the Company within a reasonable period prior to the time the Company begins to print and send its proxy materials for the applicable annual meeting. The stockholder's notice must set forth as to each nominee: (i) the name, age, business address and residence address of such nominee, (ii) the principal occupation or employment of such nominee, (iii) the number of shares of our common stock which are beneficially owned by such nominee, and (iv) any other information relating to such nominee that may be required under federal securities laws to be disclosed in solicitations of proxies for the election of directors (including the written consent of the person being recommended as a director candidate to being named in the proxy statement as a nominee and to serve as a director if elected). The stockholder's notice must also set forth as to the stockholder giving notice: (a) the name and address of such stockholder and (b) the number of shares of our common stock which are beneficially owned by such stockholder.

If the information supplied by the stockholder is deficient in any material aspect or if the foregoing procedure is not followed, the chairman of the applicable annual meeting may determine that such stockholder's nomination should not be brought before the meeting and that such nominee is not eligible for election as a director of the Company. The committee will not alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder.

No stockholder nominations were received in connection with the Annual Meeting.

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### ***Compliance Committee***

The Compliance Committee consists of five independent directors. The current members of the committee are Messrs. Kuntz (effective December 9, 2014)(Chairman), Brookner, Chapman, Johnston, and Dr. Harris, all of whom have been determined to be independent, as defined in the NYSE listing standards. The committee has general oversight of our Company's compliance with the legal and regulatory requirements regarding healthcare operations. The Chairman of the committee is provided with information regarding calls received on the Company's compliance hotline and reports findings to the committee. The committee relies on the expertise and knowledge of management, especially our Chief Compliance Officer, who regularly communicates with the Chairman of the committee, and other compliance, management, operations and/or legal personnel. The committee meets at least four times a year and as necessary to carry out its responsibilities and reports periodically to the Board of Directors regarding its actions and recommendations. The committee reviews and assesses the activities and findings of clinic internal audits, reviews reports of material noncompliance and reviews and approves corrective actions proposed by management.

### ***Compensation Committee***

The current members of the Compensation Committee are Messrs. Chapman (Chairman), Pullins and Trier, all of whom have been determined to be independent, as defined in the NYSE listing standards and the rules of the SEC. As more fully described in the Compensation Committee Charter, which can be found on our website at [www.usph.com](http://www.usph.com), the committee is responsible for, among other things:

- establishing goals and objectives relevant to incentive compensation awards (annual and long-term) for the Chief Executive Officer and other senior executive officers of the Company;
- evaluating the Chief Executive Officer's and other senior executive officers' performance and the overall corporate performance in light of these goals and objectives and approve any incentive compensation for such executives;
- determining any periodic adjustments to be made in the Chief Executive Officer's and other senior executive officers' base salary level based on the committee's evaluation thereof;
- reviewing, for officers of the Company other than the senior executives, the proposed salary levels and annual adjustments thereto and the incentive compensation plans formulated by senior executive management and the annual bonus payments to be made thereunder, and providing input and advice to senior executive management with respect to these compensation decisions;
- approving all executive perquisites and any special benefit plans to be made available to senior executive officers;
- advising on compensation of non-employee members of the Board;
- administering the Company's equity compensation plans and approving grants to executive officers, employees, directors, and consultants under such plans;

The committee may delegate its responsibilities to subcommittees of one or more directors. The committee meets at least two times a year to carry out its responsibilities. The Named Executive Officers and other senior executives are not permitted to be present during any deliberations or voting with respect to his or her compensation. The committee's processes and procedures for determining executive compensation are described below under Compensation Discussion and Analysis.

### ***Audit Committee***

The Audit Committee currently consists of Messrs. Trier (Chairman), Brookner, Harris, Johnston and Pullins. Our Board of Directors has determined that Messrs. Brookner, Trier and Pullins are audit committee financial experts under the rules of the SEC. As more fully described in the Audit Committee Charter, which can be found on our website at [www.usph.com](http://www.usph.com), the committee is responsible for, among other things:

-



overseeing our financial reporting processes, including the quarterly reviews and annual audits of our financial statements by the independent auditors;

- the appointment, compensation, retention and oversight of the work of the independent auditors;
- pre-approving audit and permitted non-audit services, and related fees and terms of engagement, provided by the independent auditors; and

- reviewing with management and independent auditors issues relating to disclosure controls and procedures and internal control over financial reporting.

The Audit Committee Charter requires that the committee consist of at least three independent members of our Board and that the committee meet at least four times per year on a quarterly basis. At each regular Audit Committee meeting, the committee meets privately with management and with the independent auditors. Each member of the Audit Committee has been determined to be independent, as defined in the NYSE listing standards and the rules of the SEC.

## **Codes of Conduct and Procedures Regarding Related Party Transactions**

### *Codes of Conduct*

Our Board has approved and we have adopted a Code of Business Conduct and Ethics for our officers and all employees, an additional Code of Business Conduct and Ethics which is applicable to our directors, and Corporate Governance Guidelines. The Codes and Corporate Governance Guidelines are available on our website at [www.usph.com](http://www.usph.com). Our Board, or a committee of its independent members, is responsible for reviewing and approving or rejecting any requested waivers to the Codes, as such waivers may apply to our directors and officers. Neither the Board, nor a committee of its independent members received any requests for waivers or amendments to the Codes in 2014, and none were granted. Any waivers of these Codes for directors, officers and employees will be disclosed in a Form 8-K filed with the SEC, which will be available on the SEC's website at [www.sec.gov](http://www.sec.gov). The Code applicable to directors requires each director to disclose to the Board any interest he or she may have in a potential transaction, arrangement or agreement to which the Company is or will be a party, and refrain from participating directly or indirectly in the transaction unless the Board approves such participation with all interested directors abstaining from the consideration and deliberation of, and any votes concerning, such matter.

Our Board has further approved and we have adopted an additional Code of Business Conduct and Ethics, applicable to our Chief Executive Officer, Chief Financial Officer and senior financial officers, relating to dealings with our auditors and the preparation of our financial statements and other disclosures made to the public under SEC rules and regulations. This Code is available on our website at [www.usph.com](http://www.usph.com). The Board, or a committee of its independent members, is responsible for reviewing and approving or rejecting any requested waivers from, and amendments to, this Code. Neither the Board, nor a committee of its independent members received any requests for waivers or amendments to the Code in 2014, and none were granted. Any waivers from, and amendments to, the Code will be disclosed in a Form 8-K filed with the SEC, which will be available on the SEC's website at [www.sec.gov](http://www.sec.gov). The Code requires the officers to disclose directly to the Audit Committee any conflicts of interest, including any material transaction or relationship involving a potential conflict of interest.

### *Certain Relationships and Related Transactions*

The charter of the Audit Committee requires that the Audit Committee review and approve all insider and affiliated party transactions.

## **Communications with the Board of Directors and Attendance at Annual Meeting**

The Board of Directors maintains an informal process for stockholders to communicate with the Board of Directors. Stockholders wishing to communicate with the Board of Directors should send any communication to our Secretary, at our principal executive offices, 1300 West Sam Houston Parkway South, Suite 300, Houston, Texas 77042. Any such communication must state the number of shares beneficially owned by the stockholder making the communication. The Secretary will forward such communication to the full Board of Directors or to any individual director or directors to whom the communication is directed unless the communication is unduly hostile, threatening, illegal or similarly inappropriate, in which case the Secretary has the authority to discard the communication or take appropriate legal action regarding the communication.

The Board of Directors also maintains an informal process for interested persons to communicate directly with the independent directors who periodically meet as a group in executive session. In the event an interested party wants to communicate directly with our Chairman (who presides over the executive sessions) or with the independent directors as a group, the interested party should send such communication to the attention of Chairman of the Board, labeled CONFIDENTIAL , to our principal executive offices.

Although the Company does not have a formal policy requiring them to do so, all of the members of our Board of Directors are encouraged to attend our annual meeting of stockholders. At the 2014 annual meeting, all directors were in attendance.

### Compensation of Directors

During 2014, each of our non-employee directors received \$10,000 per quarter ( Retainer Fee ) for serving as a member of our Board of Directors. In addition, each of our non-employee directors is paid \$1,000 for each committee meeting attended in person or telephonically (hereinafter referred to as Meeting Fees ). In addition to the Retainer Fee, the Chairman of our Board of Directors, who is also the Chairman of our Governance and Nominating Committee, is paid an annual fee of \$55,000, the Chairman of the Audit Committee is paid an annual fee of \$18,000, the Chairman of the Compensation Committee is paid an annual fee \$12,000, and the Chairman of the Compliance Committee is paid an annual fee of \$10,000 (hereinafter all referred to as Chairman Fees ). Directors are also reimbursed for their out-of-pocket travel and related expenses incurred in attending Board and committee meetings. Directors who are also our employees are not compensated separately for serving on our Board. In addition, in May 2014, each of the non-employee directors elected at the 2014 annual meeting received a grant of 3,000 shares of restricted stock, under the terms of the Company's Amended and Restated 2003 Stock Incentive Plan ( Stock Incentive Plan ), vesting quarterly through April 1, 2015. Upon his appointment to the Board, Mr. Kuntz was granted 3,000 shares of restricted stock vesting quarterly through July 1, 2015.

### Director Compensation Table

The following table discloses the cash, equity awards and other compensation earned, paid or awarded, as the case may be, to each of the Company's directors who are not Named Executive Officers during the fiscal year ended December 31, 2014.

| Name                             | Fees<br>Earned<br>or Paid<br>in Cash (1) | Stock<br>Awards (2) | Change in<br>Pension<br>Value and<br>Non-equity Nonqualified<br>incentive Compensation |                      |                      | All Other<br>Compensation | Total      |
|----------------------------------|--|---------------------|--|----------------------|----------------------|---------------------------|------------|
|                                  |  |                     | Option<br>Awards   | plan<br>compensation | Deferred<br>Earnings |                           |            |
| Daniel C. Arnold                 | \$ 42,000                                | \$ 97,470           | \$ —   | \$ —                 | \$ —                 | \$ —                      | \$ 139,470 |
| Mark J. Brookner                 | \$ 53,000                                | \$ 97,470           | \$ —   | \$ —                 | \$ —                 | \$ —                      | \$ 150,470 |
| Harry S.<br>Chapman              | \$ 60,750                                | \$ 97,470           | \$ —   | \$ —                 | \$ —                 | \$ —                      | \$ 158,220 |
| Dr. Bernard A.<br>Harris,<br>Jr. | \$ 51,000                                | \$ 97,470           | \$ —   | \$ —                 | \$ —                 | \$ —                      | \$ 148,470 |
| Marlin W.<br>Johnston            | \$ 61,750                                | \$ 97,470           | \$ —   | \$ —                 | \$ —                 | \$ —                      | \$ 159,220 |
| Edward L. Kuntz                  | \$ 13,333                                | \$ 107,970          | \$ —   | \$ —                 | \$ —                 | \$ —                      | \$ 121,303 |
| Jerald L. Pullins                | \$ 108,500                               | \$ 97,470           | \$ —   | \$ —                 | \$ —                 | \$ —                      | \$ 205,970 |
| Reginald E.<br>Swanson (3)       | \$ —                                     | \$ —                | \$ —   | \$ —                 | \$ —                 | \$ 128,172                | \$ 128,172 |
| Clayton K. Trier                 | \$ 71,250                                | \$ 97,470           | \$ —   | \$ —                 | \$ —                 | \$ —                      | \$ 168,720 |

- (1) Includes Retainer Fees, Chairman Fees and Meeting Fees.

Stock awards were granted as restricted stock under the terms of the Stock Incentive Plan. With the exception of Mr. Kuntz, who was granted restricted stock in August, 2014 upon his appointment to the Board, the restrictions lapsed as to 750 shares on each of July 1, 2014, October 1, 2014, January 1, 2015 and April 1, 2015. For Mr. Kuntz, the restrictions lapsed as to 750 shares on each of October 1, 2014, January 1, 2015 and April 1, 2015 with

- (2) the restrictions of the remaining 750 shares lapsing on July 1, 2014. Amounts shown are the grant date fair value of the awards computed in accordance with FASB ASC Topic 718, which amounted to \$32.49 per share with the exception of Mr. Kuntz which was \$35.99 per share. Assumptions used in the calculation of these amounts are included in Note 10 — Equity Based Plans to our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on March 12, 2015.

- (3) Other compensation represents salary and car allowance received by Mr. Swanson in his role as an employee of STAR Physical Therapy, LP, a subsidiary of the Company. During 2014, Mr. Swanson did not receive any additional compensation for being a director.

**STOCK OWNERSHIP****Stock Owned by Directors, Nominees and Executive Officers**

The following table shows the number and percentage of shares of our common stock beneficially owned by our directors, Named Executive Officers (as defined under —Compensation Discussion and Analysis ) and all directors and executive officers as a group as of April 2, 2015. Each person has sole voting and investment power for the shares shown below unless otherwise indicated.

| <b>Name of Beneficial Owner</b>   | <b>Number of<br/>Shares<br/>Owned (1)</b> | <b>Percent of<br/>Common Stock</b> |
|---|---|------------------------------------|
| Directors:  |   |                                    |
| Jerald L. Pullins<br>Chairman of the Board  | 30,846                                    | 0.2 %                              |
| Christopher J. Reading<br>President, Chief Executive Officer and<br>Director            | 119,157 (2)                               | 1.0 %                              |
| Lawrance W. McAfee<br>Executive Vice President, Chief Financial<br>Officer and Director | 50,552 (3)                                | 0.4 %                              |
| Daniel C. Arnold<br>Vice Chairman of the Board  | 125,904                                   | 1.0 %                              |
| Mark J. Brookner  | 53,750 (4)                                | 0.4 %                              |
| Harry S. Chapman  | 30,000                                    | 0.4 %                              |
| Dr. Bernard A. Harris, Jr   | 32,084                                    | 0.4 %                              |
| Marlin W. Johnston  | 34,099                                    | 0.3 %                              |
| Edward L. Kuntz   | 3,000 (5)                                 | 0.0 %                              |
| Reginald E. Swanson   | 8,881 (6)                                 | 0.1 %                              |
| Clayton K. Trier  | 13,000                                    | 0.1 %                              |
| Non-Director Executive Officers:  |   |                                    |
| Glenn D. McDowell<br>Chief Operating Officer  | 44,308 (3)                                | 0.4 %                              |
| All directors and executive officers as a group<br>(12 persons)                         | 545,581                                   | 4.4 %                              |

(1) There are no outstanding stock options.

(2) Includes 78,566 shares of common stock granted as restricted stock in which the restrictions will lapse as follows:

| <b>Date</b> | <b># Shares</b> | <b>Date</b> | <b># Shares</b> | <b>Date</b> | <b># Shares</b> |
|-------------|-----------------|-------------|-----------------|-------------|-----------------|
| 6/30/2015   | 1,443           | 4/1/2016    | 6,675           | 10/1/2017   | 4,375           |
| 7/1/2015    | 6,675           | 7/1/2016    | 6,675           | 1/1/2018    | 4,375           |
| 9/30/2015   | 1,443           | 10/1/2016   | 6,675           | 4/1/2018    | 2,500           |
| 10/1/2015   | 6,675           | 1/1/2017    | 6,675           | 7/1/2018    | 2,500           |
| 12/31/2015  | 1,455           | 4/1/2017    | 4,375           | 10/1/2018   | 2,500           |

1/1/2016 6,675 7/1/2017 4,375 1/1/2019 2,500

(3) Includes 40,009 shares of common stock granted as restricted stock in which the restrictions will lapse as follows:

| <b>Date</b> | <b># Shares</b> | <b>Date</b> | <b># Shares</b> | <b>Date</b> | <b># Shares</b> |
|-------------|-----------------|-------------|-----------------|-------------|-----------------|
| 6/30/2015   | 962             | 4/1/2016    | 3,337           | 10/1/2017   | 2,187           |
| 7/1/2015    | 3,337           | 7/1/2016    | 3,337           | 1/1/2018    | 2,195           |
| 9/30/2015   | 962             | 10/1/2016   | 3,337           | 4/1/2018    | 1,250           |
| 10/1/2015   | 3,337           | 1/1/2017    | 3,337           | 7/1/2018    | 1,250           |
| 12/31/2015  | 970             | 4/1/2017    | 2,187           | 10/1/2018   | 1,250           |
| 1/1/2016    | 3,337           | 7/1/2017    | 2,187           | 1/1/2019    | 1,250           |

(4) Includes 50,000 shares of our common stock owned directly by Mr. Brookner and 3,750 shares of common stock held in a trust of which Mr. Brookner is the trustee.

- (5) Includes 750 shares of common stock granted as restricted stock in which the restrictions will lapse on July 1, 2015.
- (6) These shares of our common stock are held by the Regg E. Swanson Revocable Trust of which Mr. Swanson is the trustee and beneficiary.

#### Stock Owned by Certain Beneficial Holders

The table below shows the ownership of shares of common stock by persons known to us to beneficially own more than 5% of our common stock. The information is based on the most recent statements filed with the SEC on Schedule 13G, submitted to us by those persons.

| Name and Address of Beneficial Owner  | Amount and<br>Nature of<br>Beneficial Ownership | Percent of<br>Common Stock<br>Outstanding |
|---|---|---|
| Royce & Associates, LLC<br>745 Fifth Avenue<br>New York, NY 10151                         | 1,098,171(1 )                                   | 8.9 %                                     |
| RBC Global Asset Management (U.S.) Inc<br>100 South Fifth Street<br>Minneapolis, MN 55402 | 931,930(2 )                                     | 7.6 %                                     |
| BlackRock, Inc<br>40 East 52nd Street<br>New York, NY 10022                               | 759,072(3 )                                     | 6.2 %                                     |
| Renaissance Technologies LLC<br>800 Third Avenue<br>New York, NY 10022                    | 659,074(4 )                                     | 5.4 %                                     |

- (1) Royce & Associates, LLC has sole voting and dispositive power over all of the shares as disclosed in a Schedule 13G/A filed on January 29, 2015.
- (2) RBC Global Asset Management (U.S.) Inc. has shared voting power over 591,487 of the shares and shared dispositive power over 931,930 of the shares as disclosed in a Schedule 13G filed on February 4, 2015. BlackRock, Inc. has sole voting power over 729,466 of the shares and sole dispositive power over 759,072 of the shares as disclosed in a Schedule 13G/A filed on January 30, 2015. Various persons associated with BlackRock, Inc. have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the Company. No one person's interest in the common stock of the Company is more than five percent of the total outstanding common stock.
- (3) Renaissance Technologies, LLC ( RTC ) and Renaissance Technologies Holdings Corporation ( RTHC ) have sole voting power over 636,400 and sole dispositive power over 658,997 shares as disclosed in a Schedule 13G filed on January 29, 2015. RTC and RTHC have shared dispositive power over 77 shares. RTHC has a majority ownership of RTC. Certain funds and accounts managed by RTC have the right to receive dividends and proceeds from the sale of the securities.

#### EXECUTIVE OFFICERS

The current executive officers of the Company are as follows:



| <b>Name</b>            | <b>Position</b>                                      |
|------------------------|--|
| Christopher J. Reading | President and Chief Executive Officer                |
| Lawrance W. McAfee     | Executive Vice President and Chief Financial Officer |
| Glenn D. McDowell      | Chief Operating Officer                              |

For information concerning Messrs. Reading and McAfee see Proposal 1 — Election of Directors above.

*Glenn D. McDowell*, 58, was promoted to Chief Operating Officer effective January 24, 2005. Mr. McDowell served as our Vice President of Operations overseeing the west region since joining us in October 2003 until January 2005. From 1996 to 2003, Mr. McDowell was employed by HealthSouth Corporation, a provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services. His most recent position with HealthSouth Corporation was Vice President of Operations — West Ambulatory Division where he oversaw the operations of more than 165 outpatient rehabilitation and other facilities. Mr. McDowell is a physical therapist.

## COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee, composed entirely of independent directors, administers the Company's executive compensation program. The role of the committee includes establishing and overseeing compensation and benefit programs for our executive officers including the Chief Executive Officer ( CEO ) and the other executive officers listed in the Summary Compensation table below (the Named Executive Officers ). The committee also evaluates the performance of the CEO and reviews the performance of our other executive officers every year. Based upon these performance evaluations, the committee establishes compensation for the CEO and other executive officers, and executive management consults with the committee with respect to compensation levels and plans for key employees. Elements of our executive compensation program include: base salary; annual cash incentive compensation; long-term equity incentive awards; post-employment benefits; and benefits and perquisites.

In establishing and overseeing the program, the committee's goal is to ensure that we can attract and retain superior management talent critical to our long-term success. To ensure that executive compensation is aligned with the performance of the Company and the interests of its stockholders, a significant portion of compensation available to executives is linked directly with financial results and other factors that influence stockholder value.

### Compensation Support

Our management, our Human Resources department and our outside consultants, from time to time, support the committee in discharging its duties. In performing duties relating to the development and administration of our executive compensation program, our Human Resources department and the committee periodically review matters that relate to the competitive position, value and design of our short-term and long-term incentive compensation plans, performance goals and rewards available at various levels of performance.

Under its charter, the committee also may retain, at the Company's expense, compensation consultants to provide independent advice and counsel directly to the committee.

### Peer Group Compensation

In evaluating appropriate levels of total compensation for the Named Executive Officers, the committee gathers and analyzes data from a variety of sources. While there is not a comparable peer group of publicly-traded companies serving the outpatient rehab sector, the committee monitors public information on executive compensation for a number of companies providing various healthcare services which are similar in revenue volume and market capitalization to the Company. The Compensation Committee believes that this information is useful in evaluating the competitiveness of our executive compensation program.

### Limitation on Certain Trades of Company Securities

In addition to the various trading restrictions required of Company directors and certain employees under the Exchange Act, Securities Act of 1933, as amended, and SEC rules, the U.S. Physical Therapy, Inc. Insider Trading Policy restricts certain transactions involving company securities. Among other things, directors, officers, employees and other insiders of the Company are prohibited from entering into certain hedging or monetization transactions regarding Company securities (e.g., the purchase of put options, short positions, zero-cost collars or forward sale contracts).

### Compensation Philosophy and Objectives

Our compensation policies are designed to enable us to attract, motivate and retain experienced and qualified executives. We seek to provide competitive compensation. Historically, our policy has been to provide a significant component of an executive officers' compensation through the grant of stock options or restricted shares that vest over

a number of years. We believe that grants of equity-based incentives to executives and key employees help to align the interests of these persons with the interests of our stockholders.

The committee's policy is to compensate and reward executive officers and other key employees based on the combination of some or all of the following factors, depending on the person's responsibilities: corporate performance, business unit performance and individual performance. The committee evaluates corporate performance and business unit performance by reviewing the extent to which the Company has accomplished strategic business objectives such as improved profitability, cash flow, management of working capital, improvements in clinic productivity and efficiency, and the overall quality of patient care. The committee evaluates

individual performance by comparing actual accomplishments to the objectives established for the individual under the Company's management development program. The committee determines increases in base salary and annual cash incentive awards based on actual accomplishments during the performance period and determines long-term incentive awards based on LTIP (as defined below) criteria.

The committee believes that compensation to executive officers should be aligned closely with the Company's performance on both a short-term and long-term basis. As a result, a significant portion of compensation to each executive officer is at risk and tied to the achievement of financial performance goals, regulatory compliance, improvements in operating efficiency and the quality of care provided, and other quantitative and qualitative factors. The executive compensation program is also designed to incentivize continuous improvements by providing enhanced compensation as results improve. While a significant portion of compensation to the Company's executive officers is performance-based, the committee also believes it prudent to provide competitive base salaries and benefits in order to attract and retain the management talent necessary to achieve our long-term strategic objectives. The committee also takes into account the compensation practices of certain comparably-sized healthcare service companies to ensure that the Company is able to attract, retain and reward executive officers whose contributions are critical to our long-term success.

### ***Base Salaries***

Other than the base salary of our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer which were initially set by an employment agreement (see Employment and Consulting Agreements below), base salaries of executives are initially determined by evaluating the responsibilities of the position, the experience and knowledge of the individual and the competitive marketplace for executive talent. Base salaries for executive officers, including those with employment agreements, are reviewed annually by the committee based on, among other things, individual performance and responsibilities, inflation and competitive market conditions.

### ***Annual Cash Incentive Compensation***

Based on individual and Company performance, incentive compensation opportunities are available to a wide range of our employees. We believe that incentive compensation is effective in reinforcing both the overall values of our Company and our specific operating goals.

Incentive compensation programs are designed to focus employees' attention on our key performance goals, to identify the expected levels of performance and to reward individuals who meet or exceed our expectations. The aggregate amounts available for incentive awards are determined by our overall financial performance. The actual awards paid to individual recipients, other than to executive officers, are formulated by management, generally payable on an annual basis and reviewed by the committee prior to payment. The committee formulates and determines incentive awards for Named Executive Officers. See Summary Compensation Table below.

For 2014, the Company's Chief Executive Officer, Chief Financial Officer and Chief Operating Officer (the Executive Participants ) were eligible to receive cash bonus awards under the Company's Objective Cash Bonus Plan and Discretionary Cash Bonus Plan that amounted to a maximum of 125% of their respective base salaries. For a detailed description of these plans, see the Company's Current Report on Form 8-K filed with the SEC on March 27, 2014. Under the Objective Cash Bonus Plan, the Executive Participants were eligible to earn a cash bonus award of up to 75% of their respective base salaries dependent upon the Company achieving diluted earnings per share in the range of \$1.51 to \$1.70 or more. Based on the adjusted diluted earnings per share from continuing operations of \$1.71 for 2014, the Executive Participants received an Objective Cash Bonus award for 2014 equal to 75% of their respective base salaries. Under the Discretionary Cash Bonus Plan, the Executive Participants were awarded a cash bonus award of 50% of their respective base salaries. The discretionary cash award was based upon a subjective determination of the committee utilizing certain performance criteria as detailed in the plan. However, the committee did not consider it practicable to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific performance

criteria it considered in reaching its decision. In considering these performance criteria, the individual members of the committee may have given different weights to different performance criteria. The discretionary performance criteria were not intended to be rigid or formulaic but rather served as a framework under which the committee reviews the total compensation and performance of the Executive Participants to determine what incentive amount is appropriate for any specific year. The total cash bonus for the 2014 year, inclusive of the Objective Cash Bonus Plan and Discretionary Cash Bonus Plan, paid to Messrs. Reading, McAfee and McDowell was \$721,250, \$525,000, and \$471,250, respectively. These bonuses were paid in March 2015.

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### ***Long-term Equity Incentive Awards***

For the 2014 year, the Executive Participants were eligible to receive awards consisting of shares of restricted common stock under the Company's Objective Long-Term Incentive Plan and Discretionary Long-Term Incentive Plan. For a detailed description of these plans, see the Company's Current Report Form 8-K filed with the SEC on March 27, 2014. Under the Objective Long-Term Incentive Plan, Messrs. Reading, McAfee and McDowell were eligible to earn up to 20,000, 10,000 and 10,000 shares of restricted common stock, respectively, dependent upon the Company achieving diluted earnings per share in the range of \$1.51 to \$1.65 or more. Based on the adjusted reported diluted earnings per share of \$1.71 for 2014, Messrs. Reading, McAfee and McDowell were awarded 20,000, 10,000 and 10,000 shares of restricted common stock, respectively. Under the Discretionary Long-Term Incentive Plan, Messrs. Reading, McAfee and McDowell were eligible to earn up to 20,000, 10,000 and 10,000 shares of restricted common stock, respectively, based upon a subjective determination of the committee. The committee utilized certain performance criteria as detailed in the plan but generally did not consider it practicable to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific performance criteria it considers in reaching its decision. In considering these performance criteria, the individual members of the committee may have given different weights to different performance criteria. The discretionary performance criteria were not intended to be rigid or formulaic but rather served as a framework under which the committee reviews the total compensation and performance of the Executive Participants to determine what incentive amount is appropriate for any specific year. For 2014, Messrs. Reading, McAfee and McDowell were awarded 20,000, 10,000 and 10,000 shares of restricted common stock, respectively, under the Discretionary Long-Term Incentive Plan. On March 2, 2015, for the 2014 year, Messrs. Reading, McAfee and McDowell were granted an aggregate of 40,000, 20,000 and 20,000 shares of restricted common stock, respectively, representing the total shares awarded under the Objective Long-Term Incentive Plan and Discretionary Long-Term Incentive Plan. The restricted shares vest evenly over 16 quarters with the first vesting occurring on April 1, 2015.

The Objective Cash Bonus Plan, Discretionary Cash Bonus Plan, Objective Long-Term Incentive Plan, and Discretionary Long-Term Incentive Plan collectively are hereinafter referred to as the 2014 Executive Incentive Plan .

The Stock Incentive Plan and our Amended and Restated 1999 Employee Stock Option Plan ( 1999 Stock Option Plan ) are intended to align employee and outside director interests with stockholders' interests, to provide incentives to our key employees by encouraging their ownership of our common stock and to aid us in attracting and retaining key employees, upon whose efforts our success and future growth depends.

Equity grants are made at the discretion of the committee, which administers the Company's equity compensation plans. The objective of such long-term equity-based awards, which generally vest over three to five years, is primarily to incentivize management and key employees for future performance rather than to reward specific past performance. Individual grant sizes are primarily determined based on the employee's duties and level of responsibility and his or her ability to exert significant influence and make meaningful contributions to the overall future success of the Company and, to a lesser degree, organizational and individual performance. At the discretion of the committee, and based on the recommendation of management, equity grants may also be used as an incentive for candidates recruited to fill key positions and for existing employees who receive significant promotions with increased responsibilities.

### ***Post-Employment Benefits***

We have entered into employment agreements with our Named Executive Officers that provide for the payment of severance and other post-termination benefits depending on the nature of the termination, including severance payments in the event of a termination following a change in control. The committee believes that the terms and conditions of these agreements are reasonable and assist us in retaining the executive talent needed to achieve our objectives. In particular, the termination agreements, in the event of a change in control, help executives focus their attention on the performance of their duties in the best interests of the stockholders without being concerned about the consequences to them of a change in control and help promote continuity of senior management. Information

regarding the specific payments that are applicable to each termination event, as well as the effect on unvested equity awards, is provided under the heading Executive Compensation — Post Termination/Change-in-Control Benefits below.

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### ***Benefits and Perquisites***

*Defined Contribution Plan.* The Company maintains a qualified retirement plan pursuant to Internal Revenue Code Section 401(k) (the 401(k) Plan ) covering substantially all employees subject to certain minimum service requirements. The 401(k) Plan allows employees to make voluntary contributions and provides for discretionary matching contributions by the Company. The assets of the 401(k) Plan are held in trust for grantees and are distributed upon the retirement, disability, death or other termination of employment of the grantee. The Board, in its discretion, determines the amount of any Company contributions. We did not make any contributions to the 401(k) Plan during 2014.

*Life Insurance.* The Company maintains, at its expense, for the benefit of each of its full-time employees, life insurance policies in the amount of one times the employee's annual salary, up to \$200,000.

*Health and Welfare Benefits.* All executive officers, including the Named Executive Officers, are eligible for welfare benefits from the Company including: medical, dental, vision, life insurance, short-term disability and long-term disability. Named Executive Officers participate in these plans on the same basis and subject to the same costs, terms and conditions as other salaried employees at their work location.

### **Employment and Consulting Agreements**

The Company has entered into employment agreements with each of Messrs. Reading and McAfee. These agreements, which presently expire on December 31, 2016, provide for automatic one-year renewals if not terminated on at least 12 months prior notice. If either executive is terminated without cause or resigns for good reason (as defined under their respective agreement), he is entitled to his base salary through the remaining term of the contract, an amount equal to his last year's bonus or the average over the last three years, whichever is greater, and accrued but unpaid vacation. In addition, both Messrs. Reading and McAfee are entitled to a special benefit payment equal to \$500,000 (payable in equal amounts over the remaining term of the agreement) in the event of a change in control, as defined by their respective employment agreements. The employment agreements also provide for certain non-competition and non-solicitation covenants that extend up to two years after termination of employment. Effective January 1, 2015, the annual base salaries under the agreements were increased to \$595,000 for Mr. Reading and \$430,000 for Mr. McAfee.

The Company has also entered into an employment agreement with Mr. Glenn D. McDowell. This agreement, which presently expires on December 31, 2016, provides for automatic one-year renewals if not terminated on at least 12 months prior notice. If the employment of Mr. McDowell is terminated by the Company without cause or by Mr. McDowell for good reason, he would be entitled to receive the compensation then in effect for the remainder of the term of the contract, an amount equal to his last year's bonus or the average over the last three years, whichever is greater, and accrued but unpaid vacation. In addition, if a change in control occurs, Mr. McDowell will be entitled to a change of control benefit payment of \$283,333 (payable in equal amounts over the remaining term of the agreement). The employment agreement also provides for certain non-competition and non-solicitation covenants that extend up to two years after termination of employment. Effective January 1, 2015, Mr. McDowell's annual base salary was increased to \$400,000 per year.

Messrs. Reading, McAfee and McDowell's employment agreements may each be terminated by the Company prior to the expiration of their term. See *Executive Compensation — Post Termination/Change-in-Control Benefits* below for a detailed discussion of the termination and change in control provisions contained in these agreements.

We do not have any executive retention and severance arrangements or change in control agreements with our Named Executive Officers other than those described above.

### **Compensation of Named Executive Officers**



Mr. Reading joined our Company in November 2003 as Chief Operating Officer and, effective November 1, 2004, was promoted to President and Chief Executive Officer. Under his employment agreement with us (see Employment and Consulting Agreements above), Mr. Reading's annual base salary is subject to adjustment by the Compensation Committee. For the last three years, his annual base salary was \$530,000 (during 2012), \$560,000 (during 2013) and \$577,000 (during 2014) and further increased to \$595,000 effective as of January 1, 2015. During each of 2012, 2013 and 2014, Mr. Reading participated in an executive incentive plan specific to such year that was approved by the Compensation Committee and filed with the SEC on Form 8-K. In accordance with such executive incentive plans, Mr. Reading (i) was granted 36,800 shares of restricted stock and

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was paid a cash bonus of \$445,200 for 2012, and (ii) was granted 30,000 shares of restricted stock and was paid a cash bonus of \$369,516 for 2013. As previously disclosed, for 2014, Mr. Reading was paid a cash bonus of \$721,250 on March 13, 2015 and was granted 40,000 shares of restricted stock on March 2, 2015.

Mr. McAfee joined our Company in September 2003 as Chief Financial Officer and, effective November 1, 2004, was promoted to Executive Vice President. Under his employment agreement with us (see Employment and Consulting Agreements above), Mr. McAfee's annual base salary is subject to adjustment by the Compensation Committee. For the last three years, his annual base salary was \$400,000 (during 2012), \$410,000 (during 2013), and \$420,000 (during 2014) and further increased to \$430,000 effective as of January 1, 2015. During each of 2012, 2013 and 2014, Mr. McAfee participated in an executive incentive plan specific to such year that was approved by the Compensation Committee and filed with the SEC on Form 8-K. In accordance with such executive incentive plans, Mr. McAfee (i) was granted 18,400 shares of restricted stock and was paid a cash bonus of \$256,000 for 2012, and (ii) was granted 15,000 shares of restricted stock and was paid a cash bonus of \$278,880 for 2013. As previously disclosed, for 2014, Mr. McAfee was paid a cash bonus of \$525,000 on March 13, 2015 and was granted 20,000 shares of restricted stock on March 2, 2015.

Mr. McDowell joined our Company in October 2003 as Vice President of Operations overseeing the west region and, effective January 24, 2005, was promoted to Chief Operating Officer. Mr. McDowell's employment agreement with us was entered into on May 24, 2007 (see Employment and Consulting Agreements above). For the last three years, his annual base salary was \$340,000 (during 2012), \$365,000 (during 2013), and \$377,000 (during 2014) and further increased to \$400,000 effective as of January 1, 2015. During each of 2012, 2013 and 2014, Mr. McDowell participated in an executive incentive plan specific to such year that was approved by the Compensation Committee and filed with the SEC on Form 8-K. In accordance with such executive incentive plans, Mr. McDowell (i) was granted 18,000 shares of restricted stock and was paid a cash bonus of \$217,600 for 2012, and (ii) was granted 15,000 shares of restricted stock and was paid a cash bonus of \$230,408 for 2013. As previously disclosed, for 2014, Mr. McDowell was paid a cash bonus of \$471,250 on March 13, 2015 and was granted 20,000 shares of restricted stock on March 2, 2015.

In determining the appropriate compensation for Messrs. Reading, McAfee and McDowell, the Compensation Committee evaluates our overall corporate performance under their leadership, as well as each individual contribution to key strategic, financial and development objectives. The committee utilizes a combination of quantitative measures and qualitative factors in reviewing executive performance and compensation.

### **Compensation Deductibility Policy**

Under Section 162(m) of the Code and applicable Treasury regulations, no deduction is allowed for annual compensation in excess of \$1 million paid by a publicly traded corporation to its chief executive officer and the four other most highly compensated officers. Under those provisions, however, there is no limitation on the deductibility of qualified performance-based compensation.

In general, our policy is to maximize the extent of tax deductibility of executive compensation under the provisions of Section 162(m) so long as doing so is compatible with the most appropriate methods and approaches for the design and delivery of compensation to our executive officers.

**Executive Compensation****Summary Compensation Table**

The following table sets forth the compensation paid or accrued for services rendered in all capacities on behalf of the Company during 2014, 2013 and 2012 to Messrs. Reading, McAfee and McDowell.

**Summary Compensation Table For the Fiscal Years Ended December 31, 2014, 2013 and 2012**

| Name and<br>Principal<br>Position                          | Year | Salary<br>(\$) | Bonus<br>(\$) | Stock<br>Awards (1)<br>(\$) | Option<br>Awardss<br>(\$) | Change<br>in<br>Pension<br>Value<br>and<br>Non -<br>Equity<br>Incentive<br>Plan |                                      |   | Total<br>(\$) |
|--|------|----------------|---------------|-----------------------------|---------------------------|---|--------------------------------------|---|---------------|
|  |      |                |               |                             |                           | Non-<br>Qualified<br>Deferred<br>Compensation<br>(\$)                           | All<br>Other<br>Compensation<br>(\$) | Non-<br>Qualified<br>Deferred<br>Compensation<br>(\$) |               |
| Christopher<br>J. Reading<br>Chief<br>Executive<br>Officer | 2014 | 575,692        |               | 1,552,200                   | 721,250                   |   |                                      | 1,242   | 2,850,384     |
|  | 2013 | 558,730        |               | 974,400                     | 369,516                   |   |                                      | 1,242   | 1,903,888     |
|  | 2012 | 526,154        | —             | 853,768                     | —                         | 445,200   | —                                    | 810   | 1,825,932     |
| Lawrance<br>W. McAfee<br>Chief<br>Financial<br>Officer     | 2014 | 419,231        |               | 776,100                     | 525,000                   |   |                                      | 2,322   | 1,722,653     |
|  | 2013 | 409,577        |               | 487,200                     | 278,880                   |   |                                      | 2,322   | 1,177,979     |
|  | 2012 | 399,423        | —             | 426,884                     | —                         | 336,000   | —                                    | 2,322   | 1,164,629     |
| Glenn D.<br>McDowell<br>Chief<br>Operating<br>Officer      | 2014 | 376,077        |               | 776,100                     | 471,250                   |   |                                      | 2,322   | 1,625,749     |
|  | 2013 | 363,942        |               | 487,200                     | 230,408                   |   |                                      | 2,322   | 1,083,872     |
|  | 2012 | 338,076        | —             | 426,884                     | —                         | 277,600   | —                                    | 2,322   | 1,044,882     |

- For 2014, stock awards were granted in accordance with the 2014 Executive Incentive Plan as restricted stock under the terms of the Stock Incentive Plan as follows: Mr. Reading was awarded 40,000 shares and Messrs. McAfee and McDowell were awarded 20,000 shares each. For 2013, stock awards were granted in accordance with the 2013 Executive Incentive Plan as restricted stock under the terms of the Stock Incentive Plan as follows: Mr. Reading was awarded 30,000 shares and Messrs. McAfee and McDowell were awarded 15,000 shares each. For 2012, stock awards were granted in accordance with the 2012 Executive Incentive Plan as restricted stock under the terms of the Stock Incentive Plan as follows: Mr. Reading was awarded 36,800 shares and Messrs. McAfee and McDowell were awarded 18,400 shares each. Amounts shown are the grant date fair value of the

awards computed in accordance with FASB ASC Topic 718 which amounted to a weighted average of \$38.81 per share for 2014, \$32.48 per share for 2013 and \$23.20 per share for 2012. Assumptions used in the calculation of these amounts are included in Note 10 — Equity Based Plans of the Notes to the Consolidated Financial Statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on March 12, 2015.

2. For 2013, the amounts represent the cash bonuses earned under the Company's 2013 Executive Incentive Plan and paid in March 2014. For 2012, the amounts represent the cash bonuses earned under the Company's 2012 Executive Incentive Plan of which a portion was paid in December 2012 and a portion in March 2013. See Compensation Discussion and Analysis — Annual Cash Incentive Compensation for further details.
3. Represents the value of life insurance premiums for life insurance coverage provided to the Named Executive Officers.

### Grants of Plan-Based Awards

The following table sets forth the grants of plan-based awards during 2014 to the Named Executive Officers:

| Name                   | Grant Date | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1): |             |              | Estimated Possible Payouts Under Equity Incentive Plan Awards (1): |            |             | Grant Date Fair Value of Stock Awards (2) |
|------------------------|------------|--|-------------|--------------|--|------------|-------------|---|
|                        |            | Threshold (\$)   | Target (\$) | Maximum (\$) | Threshold (#)  | Target (#) | Maximum (#) |   |
| Christopher J. Reading | 3/27/2014  | \$ —   | \$ 721,250  | \$ 721,250   | —  | 40,000     | 40,000      | \$ 1,388,800                              |
| Lawrance W. McAfee     | 3/27/2014  | \$ —   | \$ 525,000  | \$ 525,000   | —  | 20,000     | 20,000      | \$ 694,400                                |
| Glenn D. McDowell      | 3/27/2014  | \$ —   | \$ 471,250  | \$ 471,250   | —  | 20,000     | 20,000      | \$ 694,400                                |

- Possible payments and equity grants under the 2014 Executive Incentive Plan. See the Summary Compensation Table above for actual amounts earned for 2014. The cash earned was paid on March 13, 2015 and the shares of restricted common stock were granted on March 2, 2015.

Amounts shown are the grant date fair value of the awards computed in accordance with FASB ASC Topic 718 which amounted to a weighted average of \$38.81 per share. See Note 10 — Equity Based Plans of the Notes to the

2. Consolidated Financial Statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on March 12, 2015 for a description of the valuations and a description of the equity plans.

### Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

See Employment and Consulting Agreements above and Post-Termination/Change-in-Control Benefits below for the material terms of our employment agreements with our Named Executive Officers. See Compensation Discussion and Analysis above for an explanation of the amount of salary and bonus in proportion to total compensation. See the footnotes to the Summary Compensation Table above and Grants of Plan-Based Awards table paid to the Named Executive Officers above for narrative disclosure with respect to those tables.

### Outstanding Equity Awards at Fiscal Year-End

The following table shows outstanding awards of shares of restricted common stock that have not vested as of December 31, 2014 for each Named Executive Officer. There are no outstanding stock option awards for the Named Executive Officers as of December 31, 2014.

| Name                   | Stock Awards  |  |
|------------------------|---|--|
|                        | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$ (1)) |
| Christopher J. Reading | 50,859(2)   | \$ 2,134,044   |
| Lawrance W. McAfee     | 26,395(3)   | \$ 1,107,534   |
| Glenn D. McDowell      | 26,395(3)   | \$ 1,107,534   |

1. Calculated based on the closing market price of our common stock on December 31, 2014 of \$41.96 per share.

2. The restrictions on these shares of common stock granted as restricted stock will lapse as follows:

| Date      | # Shares | Date       | # Shares | Date      | # Shares |
|-----------|----------|------------|----------|-----------|----------|
| 1/1/2015  | 4,175    | 10/1/2015  | 4,175    | 1/1/2017  | 4,175    |
| 3/31/2015 | 1,443    | 12/31/2015 | 1,455    | 4/1/2017  | 1,875    |
| 4/1/2015  | 4,175    | 1/1/2016   | 4,175    | 7/1/2017  | 1,875    |
| 6/30/2015 | 1,443    | 4/1/2016   | 4,175    | 10/1/2017 | 1,875    |
| 7/1/2015  | 4,175    | 7/1/2016   | 4,175    | 1/1/2018  | 1,875    |
| 9/30/2015 | 1,443    | 10/1/2016  | 4,175    |           |          |

3. The restrictions on these shares of common stock granted as restricted stock will lapse as follows:

| Date      | # Shares | Date       | # Shares | Date      | # Shares |
|-----------|----------|------------|----------|-----------|----------|
| 1/1/2015  | 2,087    | 10/1/2015  | 2,087    | 1/1/2017  | 2,087    |
| 3/31/2015 | 962      | 12/31/2015 | 970      | 4/1/2017  | 937      |
| 4/1/2015  | 2,087    | 1/1/2016   | 2,087    | 7/1/2017  | 937      |
| 6/30/2015 | 962      | 4/1/2016   | 2,087    | 10/1/2017 | 937      |

|           |       |           |       |          |     |
|-----------|-------|-----------|-------|----------|-----|
| 7/1/2015  | 2,087 | 7/1/2016  | 2,087 | 1/1/2018 | 945 |
| 9/30/2015 | 962   | 10/1/2016 | 2,087 |          |     |

**Option Exercises and Stock Vested Table**

The following table shows the number of shares of our common stock acquired by the Named Executive Officers during 2014 upon the vesting of restricted stock. As of December 31, 2014, there were no outstanding stock options for the Named Executive Officers.

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## Stock Vested

| Name                   | Option Awards                             |                                 | Stock Awards                             |                           |
|------------------------|---|---------------------------------|--|---------------------------|
|                        | Number of shares acquired on exercise (#) | Value realized on exercise (\$) | Number of shares acquired on vesting (#) | Value realized on Vesting |
| Christopher J. Reading | —   | \$ —                            | 28,097                                   | \$ 1,004,725              |
| Lawrance W. McAfee     | —   | \$ —                            | 16,259                                   | \$ 583,109                |
| Glenn D. McDowell      | —   | \$ —                            | 16,259                                   | \$ 583,109                |

The value realized on vesting is computed by multiplying the number of shares of stock by the market value of the underlying shares on the vesting date. The closing price of the stock is used as the market value.

**Post Termination/Change-in-Control Benefits**

The employment agreements of Messrs. Reading, McAfee and McDowell may each be terminated by us prior to the expiration of its term in the event their respective employment is terminated for cause (as defined in each agreement) and may be voluntarily terminated by the Named Executive Officer. In such circumstances, the Named Executive Officer would receive no additional remuneration. If a change in control (as defined in each agreement) occurs, each of Messrs. Reading and McAfee, as applicable, will be entitled to (A) a change of control benefit of \$500,000 (payable in equal amounts over the remaining term of the agreement), and (B) the acceleration of their outstanding equity incentive awards. If the employment of Mr. Reading or Mr. McAfee is terminated by us without cause or by the executive for good reason, regardless of whether there has been a change in control, they would be entitled to receive the compensation then in effect for the remainder of the term of their respective agreement and the greater of: (i) the bonus paid or payable to Mr. Reading or Mr. McAfee, as applicable, with respect to the last fiscal year completed prior to the termination, or (ii) the average of the bonuses paid to Mr. Reading or Mr. McAfee, as applicable, over the last three fiscal years of employment ending with the last fiscal year prior to termination. If a change in control (as defined in his agreement) occurs Mr. McDowell will be entitled to a change of control benefit of (A) \$283,333 (payable in equal amounts over the remaining term of his agreement), and (B) the acceleration of his outstanding equity incentive awards. If the employment of Mr. McDowell is terminated by the Company without cause or by Mr. McDowell for good reason, regardless of whether there has been a change in control, he would be entitled to receive the compensation then in effect for the remainder of the term of his agreement and the greater of: (i) the bonus paid or payable to Mr. McDowell with respect to the last fiscal year completed prior to the termination, or (ii) the average of the bonuses paid to Mr. McDowell over the last three fiscal years of employment ending with the last fiscal year prior to termination.

The amount of compensation payable to each Named Executive Officer under the agreements is detailed in the tables below:

**Christopher Reading  
President and Chief Executive Officer**

| Executive Benefits and Payments Upon Termination (1) | Voluntary Termination or For Cause | Without Cause | Executive Resigns For Good Reason | In Conjunction with a Change In Control |
|--|------------------------------------|---------------|-----------------------------------|---|
|--|------------------------------------|---------------|-----------------------------------|---|

**Compensation**

|                               |    |   |              |              |            |
|-------------------------------|----|---|--------------|--------------|------------|
| Severance (2)                 | \$ | — | \$ 1,154,000 | \$ 1,154,000 | \$ 577,000 |
| Annual Cash Incentive (3)     |    | — | 721,250      | 721,250      | 721,250    |
| Change of Control Benefit (4) |    | — |              |              |            |