

PARTNERRE LTD  
Form 4  
February 20, 2014

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2015  
Estimated average burden hours per response... 0.5

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

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

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

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Walker Theodore C

(Last) (First) (Middle)

PARTNER REINSURANCE  
COMPANY OF THE U.S., ONE  
GREENWICH PLAZA

(Street)

GREENWICH, CT 06830-6352

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
PARTNERRE LTD [PRE]

3. Date of Earliest Transaction  
(Month/Day/Year)  
02/18/2014

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_ Director \_\_\_ 10% Owner  
\_X\_ Officer (give title below) \_\_\_ Other (specify below)  
President & CEO, PartnerRe NA

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

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

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				(A) or (D)	Price		
				Code V	Amount		
Common Shares <sup>(1)</sup>	02/18/2014		F	3,152 D	\$ 101.24	21,071	D

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

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474  
(9-02)

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

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 6)
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## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Walker Theodore C PARTNER REINSURANCE COMPANY OF THE U.S. ONE GREENWICH PLAZA GREENWICH, CT 06830-6352			President & CEO, PartnerRe NA	

## Signatures

Marc Wetherhill as Attorney-in-Fact for Theodore C Walker  
 Signature: \_\_\_\_\_ Date: 02/19/2014

\*\*Signature of Reporting Person

Date

## Explanation of Responses:

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

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

(1) Shares withheld to cover taxes on RSU vest.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. Current fair values of 2016 PSU awards at the maximum level of payout are as follows: Mr. McKeracher - \$129,165; Mr. Haft - \$161,669; Mr. Ruelle - \$123,933; Mr. Versteegh - \$75,792; and Mr. Jacobs - \$637,650. For additional information on our long-term equity incentive awards, see Compensation Discussion and Analysis Long Term Incentives.

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- (2) Consists of the aggregate grant-date fair value of stock options granted to Ms. Houde for her service as a non-employee director and to our other NEOs under the Existing 2013 Plan, calculated in accordance with FASB ASC Topic 718. For Mr. Haft and Mr. Versteegh, these amounts include special retention awards granted in November 2016. Please see Note 14, Stock-Based Compensation, to the Company's consolidated financial statements included in our Annual Report on Form 10-K for a detailed description of the assumptions used to calculate the fair value of options. For additional information on our long-term equity incentive awards, see Compensation Discussion and Analysis Long Term Incentives.
- (3) Consists of payments awarded to our NEOs under our STIP. These amounts were earned in the years indicated and paid in the following April. For additional information on our STIP, see Compensation Discussion and Analysis Short Term Incentive Plan.
- (4) For Ms. Houde, represents non-employee director and travel fees received through November 11, 2016 when appointed Interim CEO. For other NEOs, represents retirement savings contributions, automobile benefits, life and long-term disability insurance and club memberships. The amount for Mr. Jacobs includes \$1,519,442 in severance payments and, \$10,000 in vacation payout. See All Other Compensation table below.
- (5) Ms. Houde was appointed Interim CEO on November 11, 2016.
- (6) Mr. McKeracher and Mr. Jacobs are paid in Canadian dollars. Their compensation has been converted to U.S. dollars using the average annual exchange rate applicable for each year. For 2016, 2015 and 2014, these rates were 0.7548, 0.7820 and 0.9054 Canadian dollars for each U.S. dollar, respectively. Likewise, Ms. Houde's compensation after her appointment to Interim CEO has been converted to U.S. dollars. See Non-Employee Director Compensation Table for details of her compensation prior to her appointment as Interim CEO.
- (7) Mr. Versteegh is paid in euros. His compensation has been converted to U.S. dollars using the average annual exchange rate applicable for each year. For 2016, 2015 and 2014, these rates were 1.1066, 1.1091 and 1.3283 euros for each U.S. dollar, respectively.
- (8) Mr. Jacobs served as President and CEO until November 11, 2016. Under the terms of his Separation Agreement, the Company will pay Mr. Jacobs a monthly amount of \$42,207, less applicable withholding, for a period of thirty-six months. The payments reflect the equivalent of twenty-four months of Mr. Jacobs' salary, bonus and certain benefits paid out over a thirty-six month period.

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The following table details the various components included in the All Other Compensation column for 2016.

**All Other Compensation**

Name	Retirement Plan/401(k) Contributions (\$)	Auto (\$)	Life and Long-Term Disability Insurance (\$)	Memberships (\$)	Other (\$)(1)	Total (\$)
Katrina Houde	-	-	-	-	70,251	70,251
Robert McKeracher	9,575	13,374	2,050	-	-	24,999
Edward Haft	10,600	37,197	516	-	5,692	54,005
John Ruelle	11,326	461	1,003	-	748	13,538
Gerard Versteegh	-	-	-	-	-	-
Hendrik Jacobs	9,024	10,145	2,050	1,669	1,529,442	1,552,330

- (1) For Ms. Houde, represents fees for service as a non-employee director until appointed Interim CEO on November 11, 2016. For Mr. Haft, represents a one-time dependent care withholding correction. For Mr. Ruelle, represents wellness rewards. For Mr. Jacobs, represents severance payments of \$1,519,442 and a vacation payout of \$10,000.

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The following table summarizes grants of long-term equity incentive awards to our NEOs in fiscal 2016, and the estimated possible payouts under our short-term incentive plan for fiscal 2016.

### Grants of Plan-Based Awards

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Possible Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	All Other Option Awards: Number of Securities Underlying Options (#)(4)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Katrina Houde(6)	05/24/2016	-	-	-	-	-	-	18,000	-
	11/08/2016	-	-	-	-	-	-	-	5,322
Robert McKeracher	N/A	14,907	149,073	298,146	-	-	-	-	-
	05/24/2016	-	-	-	9,875	19,750	39,500	-	-
	05/24/2016	-	-	-	-	-	-	-	45,658
Edward Haft	N/A	25,214	252,144	504,288	-	-	-	-	-
	05/24/2016	-	-	-	12,360	24,720	49,440	-	-
	05/24/2016	-	-	-	-	-	-	-	57,148
	11/08/2016	-	-	-	-	-	-	-	200,000
John Ruelle	N/A	19,424	194,236	388,471	-	-	-	-	-
	05/24/2016	-	-	-	9,475	18,950	37,900	-	-
	05/24/2016	-	-	-	-	-	-	-	43,808
Gerard Versteegh	N/A	12,572	125,722	251,443	-	-	-	-	-
	05/24/2016	-	-	-	5,794	11,589	23,178	-	-
	05/24/2016	-	-	-	-	-	-	-	26,791
	11/08/2016	-	-	-	-	-	-	-	200,000
Hendrik Jacobs	N/A	65,000	650,000	1,300,000	-	-	-	-	-
	05/24/2016	-	-	-	48,750	97,500	195,000	-	-
	05/24/2016	-	-	-	-	-	-	-	225,400

(1) Reflects each NEO's possible payouts under our STIP for fiscal 2016. Amounts shown indicate each NEO's potential bonus assuming successful completion of the NEO's performance objectives. For additional information on our short-term incentive plan, see Compensation Discussion and Analysis Short Term Incentive Plan. No amounts were paid for 2016 because the performance criteria were not satisfied.

(2) Reflects the potential number of PSU awards that may vest and convert into Common Shares if the predetermined performance measure meets or exceeds established thresholds for the year ending December 29, 2018. If the predetermined performance measure is below the established minimum threshold, no PSUs will vest. Mr. Jacobs' PSUs were forfeited upon his termination of employment. For additional information on our long-term equity incentive awards, see Compensation Discussion and Analysis Long Term Incentives.

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- (3) Ms. Houde was granted RSUs for her service as a non-employee director prior to being appointed Interim CEO. RSUs vest as to one-third annually beginning on the first anniversary of the grant date.
- (4) Represents grants of stock options to purchase Common Shares. For Ms. Houde, stock options were granted for her service as a non-employee director prior to being appointed Interim CEO and vest in full on the first anniversary of the grant date. For Messrs. Haft and Versteegh, stock options granted on November 8, 2016 cliff vest on the third anniversary of the grant date. Stock options granted to NEOs on May 24, 2016 vest one-third annually beginning on the first anniversary of the grant date. All stock options expire on the tenth anniversary of the grant date.
- (5) Consists of the aggregate grant-date fair value of equity incentive awards granted to our NEOs under the Existing 2013 Plan, calculated in accordance with FASB ASC Topic 718. Please see Note 14, Stock-Based Compensation, to SunOpta Inc.'s consolidated financial statements included in our Annual Report on Form 10-K for a detailed description of the assumptions used to calculate the fair value of stock-based awards. The amounts reflect the value of the PSUs at the probable outcome of Company performance as of the grant date.
- (6) Ms. Houde did not participate in the executive incentive plans during her tenure as Interim CEO.  
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The following table summarizes the outstanding equity award holdings of our NEOs as of December 31, 2016. This table includes unexercised and unvested option awards and unvested PSUs and RSUs.

**Outstanding Equity Awards at Fiscal Year End**

Name	Option Awards					Stock Awards	
	Date of Grant	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(2)

Katrina Houde	05/11/2011	15,000	-	7.35	05/11/2017	-	-
	05/08/2012	16,000	4,000	5.73	05/08/2022	-	-
	05/07/2013	12,000	8,000	7.36	05/07/2023	-	-
	05/13/2014	-	-	-	-	2,609	18,393
	05/12/2015	-	-	-	-	5,953	41,969
	05/24/2016	-	-	-	-	18,000	126,900
	11/08/2016	-	5,322	6.65	11/08/2026	-	-

Robert McKeracher	05/11/2011	10,000	-	7.35	05/11/2017	-	-
	11/08/2011	50,000	-	5.05	11/08/2017	-	-
	05/08/2012	56,000	14,000	5.73	05/08/2022	-	-
	05/07/2013	36,000	24,000	7.36	05/07/2023	-	-
	05/13/2014	7,544	11,317	11.30	05/13/2024	-	-
	05/12/2015	4,424	17,696	10.08	05/12/2025	-	-
	05/12/2015	-	-	-	-	12,013	84,692
	05/24/2016	-	45,658	3.27	05/24/2026	-	-
05/24/2016	-	-	-	-	19,750	139,238	

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Name	Option Awards					Stock Awards	
	Date of Grant	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(2)

Edward Haft	10/09/2015	20,000	80,000	5.26	10/09/2025	-	-
	05/24/2016	-	57,148	3.27	05/24/2026	-	-
	05/24/2016	-	-	-	-	24,720	174,276
	11/08/2016	-	200,000	6.65	11/08/2026	-	-

John Ruelle	05/11/2011	2,000	-	7.35	05/11/2017	-	-
	11/08/2011	50,000	-	5.05	11/08/2017	-	-
	05/08/2012	56,000	14,000	5.73	05/08/2022	-	-
	05/07/2013	12,000	24,000	7.36	05/07/2023	-	-
	05/13/2014	7,492	11,238	11.30	05/13/2024	-	-
	05/12/2015	4,887	19,548	10.08	05/12/2025	-	-
	05/12/2015	-	-	-	-	13,270	93,554
	05/24/2016	-	43,808	3.27	05/24/2026	-	-
	05/24/2016	-	-	-	-	18,950	133,598

Gerard Versteegh	05/11/2011	22,500	-	7.35	05/11/2017	-	-
	03/05/2012	28,000	7,000	5.15	03/05/2018	-	-
	05/08/2012	28,000	7,000	5.73	05/08/2022	-	-
	05/07/2013	21,000	14,000	7.36	05/07/2023	-	-
	05/13/2014	4,261	6,392	11.30	05/13/2024	-	-
	05/12/2015	3,150	12,600	10.08	05/12/2025	-	-
	05/12/2015	-	-	-	-	8,553	60,299
	05/24/2016	-	26,791	3.27	05/24/2026	-	-
	05/24/2016	-	-	-	-	11,589	81,702
	11/08/2016	-	200,000	6.65	11/08/2026	-	-

Hendrik	08/09/2012	150,000	50,000	5.14	5/11/2019	-	-
Jacobs(3)	05/07/2013	54,000	36,000	7.36	5/11/2019	-	-
	05/13/2014	12,378	18,568	11.30	5/11/2019	-	-
	05/12/2015	7,383	29,533	10.08	5/11/2019	-	-
	07/06/2015	4,600	18,400	10.52	5/11/2019	-	-
	05/24/2016	-	225,400	3.27	5/11/2019	-	-

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- (1) Option awards granted before 2016 vest at a rate of 20% per year over five years. Option awards granted in 2016 vest as to one-third per year over three years.
- (2) For Ms. Houde, represents RSUs granted in 2014, 2015, and 2016 for her service as a non-employee director of the Company. These RSUs vest as to one-third per year over three years. For other NEOs, represents PSUs granted in 2015 and 2016. The number of PSUs shown is based on the number of shares that would be issued at the end of the performance period at the target level of performance subject to continued employment. The 2015 and 2016 PSUs vest at the end of a three-year performance period ending on December 30, 2017 and December 29, 2018, respectively, based on the Company's performance against the performance goal. For the 2016 PSUs, see prior table for the maximum number of shares that could become vested. The market value of the RSUs and PSUs is based on the closing market price of the Common Shares on the last trading day of fiscal 2016 of \$7.05.
- (3) As of his employment separation date, Mr. Jacobs held 228,361 vested stock options and 377,901 unvested stock options that will continue to vest for a period of 24 months ending on November 11, 2018. On November 11, 2018, all unvested stock options will be cancelled, and all vested stock options can be exercised by Mr. Jacobs until the earlier of (i) the expiry date of the option and (ii) May 11, 2019 (the last day of the six-month period commencing from November 11, 2018). In addition, as of the separation date, PSUs granted to Mr. Jacobs in 2014, 2015, and 2016 were immediately forfeited and cancelled. In the event of a change in control on or prior to November 11, 2018, all of Mr. Jacobs' unvested stock options will immediately vest. No stock options or PSUs were granted to Mr. Jacobs after the separation date.

#### Option Exercises and Stock Vested During Fiscal 2016

The following table details certain information concerning stock options exercised by the NEOs and stock awards that vested during the fiscal year ended December 31, 2016.

#### Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting #(2)	Value Realized on Vesting \$(3)
Katrina Houde	15,000	13,950	5,584	24,879
Robert McKeracher	8,000	6,800	-	-
Gerard Versteegh	23,500	21,620	-	-

- (1) Value realized is calculated as the difference between the total fair market value of the shares on the date of exercise, less the total exercise price paid for the shares.
- (2) Reflects 2,608 RSUs from the May 13, 2014 grant and 2,976 RSUs from the May 12, 2015 grant that vested and were converted into shares on May 13, 2016 and May 12, 2016, respectively. These grants were related to Ms. Houde's service as a non-employee director of the Company.
- (3) Value realized is based on the market value of the underlying shares on the vesting date.

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### Potential Payments on Termination or Change of Control

The Company's Existing 2013 Plan and Amended 2013 Plan provide that, in the event of a merger, consolidation or plan of exchange involving the Company pursuant to which outstanding shares are converted into cash or other stock, securities or property, or a sale, lease or exchange or other transfer of all or substantially all of the assets of the Company, the Company's Board of Directors may, in its sole discretion, provide that outstanding awards under the plan shall be treated in accordance with any of the following alternatives: (i) the outstanding award may be converted into a similar award based on the stock of the surviving or acquiring company, taking into account the relative values of the companies involved in the transaction; (ii) the outstanding award may be cancelled by the Company and the holder would receive cash in an amount equal to the value of the award, as determined by the Company's Board of Directors; or (iii) the outstanding award may become fully exercisable and the Company's Board of Directors would provide an arrangement pursuant to which the holder would have a reasonable opportunity to exercise any award or otherwise realize the value of the award. In the absence of express provisions in an NEO's employment or other agreement the vesting of options granted on or after May 28, 2013 does not automatically accelerate upon a change of control or a subsequent termination of employment.

The Company's 2002 Stock Option Plan, as amended and restated in May 2011, provides for immediate vesting of all unvested stock options in the event of a change of control. A change of control is defined as: (i) the acquisition by a person or group of beneficial ownership of 50% or more of the outstanding voting securities of the Company; (ii) a merger or similar transaction between the Company and another entity whereby voting security holders of the Company immediately prior to such event receive less than 50% of the outstanding voting securities of the entity surviving the event; (iii) the liquidation, dissolution or winding up of the Company; or (iv) the sale or other disposition of all or substantially all of the Company's assets. Outstanding options held by the NEOs that were granted prior to May 28, 2013 are governed by the 2002 Stock Option Plan, and the vesting of these options would accelerate upon a change of control.

Under the PSUs, in the event of the sale of all or substantially all of the assets of the Company or certain mergers involving the Company before the vesting date of the PSUs, an NEO would be entitled to receive a payout of shares no later than 30 days following the transaction. The number of shares issued in such event would be the amount determined by the payout factor calculated as if the performance period ended on the last day of the Company's most recently completed fiscal quarter prior to the date of the transaction (with the performance measures adjusted for the shorter performance period).

With the exception of Ms. Houde, former Interim CEO, we have entered into employment or other agreements with our NEOs, which provide for certain benefits upon a change of control of the Company or upon a termination of employment by the Company without cause. Although some agreements with NEOs entered into prior to August 2016 provide for accelerated vesting of equity awards upon a change of control (so-called single-trigger provisions), employment agreements entered into with NEOs and other executive officers of the Company after August 2016 generally provide for accelerated vesting of awards only if the executive's employment is terminated within a specified period before or following a change of control (so-called double-trigger provisions). The definition of change of control varies among the agreements and generally includes (i) the acquisition of stock representing a majority of the voting power of the Company's stock; (ii) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company ( *Incumbent Directors* ) shall cease for any reason to constitute at least a majority thereof; provided, however, that the term *Incumbent Director* shall also include each new director elected during such two-year period whose nomination or election was approved by two-thirds of the Incumbent Directors then in office; (iii) any consolidation, merger or plan of exchange involving the Company as a result of which the holders of outstanding stock of the Company immediately prior to the transaction do not continue to hold at least 50% of the combined voting power of the outstanding voting securities of the surviving corporation or a parent corporation of the surviving corporation immediately after the transaction; and (iv) the sale of all or substantially all of the assets of the Company. The definition of cause varies among the agreements.

The benefits to be received by the NEOs under the terms of their applicable employment or other agreements in connection with a change of control or upon termination of employment under certain circumstances are summarized as follows:

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***Robert McKeracher***

*Change of Control:* Upon a change of control, all of Mr. McKeracher's unvested options will immediately vest. If material changes are proposed to Mr. McKeracher's position, he will have the option of terminating his employment and receiving a lump sum severance payment equal to 12 months (plus an additional one month per year of service from October 2011 up to a maximum of 18 months) of his base salary and a bonus payment as described below and continuation of his auto allowance and certain medical, dental and insurance benefits for between 12 and 18 months, depending on his length of service. For purposes of calculating the lump sum severance payment, the bonus payment will be based on the higher of (i) the average of his bonus for the year in which termination occurs, on a prorated basis based on year to date results (assuming a minimum of six months have elapsed during the year in which employment termination occurs) and his bonus for the preceding year; or (ii) the average of his bonus payouts for the previous two years of employment.

*Termination by the Company without Cause:* Upon a termination of Mr. McKeracher's employment without cause, he would receive similar benefits as described above relating to a change of control, except that the vesting of unvested options would not be accelerated. Under a retention agreement, if Mr. McKeracher is terminated without cause prior to the earlier of (i) completion of the Company's financial statements for the 2017 fiscal year and (ii) March 28, 2018, he would receive a prorated portion of 60% of his base salary at that time, with the amount based on the portion of the period from November 8, 2016 to December 31, 2017 that he was employed.

***John Ruelle***

*Change of Control:* Upon a change of control, all of Mr. Ruelle's unvested options will immediately vest. In addition, if material changes are proposed to Mr. Ruelle's position, he will have the option of terminating his employment and receiving a lump sum severance payment equal to 12 months (plus an additional one month per year of service from October 2011 up to a maximum of 18 months) of his base salary and a bonus payment as described below and continuation of his auto allowance and certain medical, dental and insurance benefits for between 12 and 18 months, depending on his length of service. For purposes of calculating the lump sum severance payment, the bonus payment will be based on the higher of (i) the average of his bonus for the year in which termination occurs, on a prorated basis based on year to date results (assuming a minimum of six months have elapsed during the year in which employment termination occurs) and his bonus for the preceding year or (ii) the average of his bonus payouts for the previous two years of employment.

*Termination by the Company without Cause:* Upon a termination of Mr. Ruelle's employment without cause, he would receive similar severance benefits as described above under a change of control, except that the vesting of unvested options would not be accelerated. Under a retention bonus agreement, if Mr. Ruelle is terminated without cause prior to December 31, 2017 he would receive a prorated portion of 50% of his base salary at that time, with the amount based on the portion of the period from November 10, 2016 to December 31, 2017 that he was employed.

***Gerard Versteegh***

*Termination without Cause:* Upon a termination of Mr. Versteegh's employment without cause, he will receive the higher of severance benefits equivalent to 12 months base salary, including holiday allowance and bonus (based on the average amount of the previous two years), or severance benefits calculated as per the formula provided by the Dutch Cantonal Court formula. The Dutch Cantonal Court formula fixes the redundancy payment for severance at a number of months' salary. Years of service, age, base salary, and reasonable compensation for the termination circumstance.

*Termination of employment following a Change in Control:* If, at any time during a period of 12 months following a change of control, the Company terminates Mr. Versteegh's employment without cause, or the Company causes good reason (as defined in the agreement) Versteegh shall be entitled to the same benefits as in the event of termination



without cause and all unvested stock options held at that time shall immediately become vested in full.

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***Ed Haft***

*Termination of employment following a Change in Control:* If a change of control occurs and within the 12 months following the change of control the Company terminates Mr. Haft without cause, or Mr. Haft terminates his employment by the Company for good reason (as defined in the agreement), all unvested stock options shall immediately vest and Mr. Haft would be entitled to (i) an amount equal to his annual base salary, payable in substantially equal installments on Company's regular payroll schedule over a 12-month period following the termination date; (ii) an amount equal to the annual bonus for the fiscal year prior to the year in which the termination date occurs, which would have been payable had he remained employed by Company through the annual bonus payment date for such prior fiscal year, if such amount has not yet been paid; and (iii) an amount equal to a pro-rata portion of the annual bonus for the fiscal year in which the termination date occurs, which would have been payable had he remained employed by Company through the annual bonus payment date. The pro-rata amount would be calculated based on Company's actual performance during the applicable fiscal year, multiplied by a fraction, the numerator of which is the number of days during the fiscal year he was employed and the denominator of which is 365.

*Termination Without Cause or Resignation With Good Reason:* Upon termination of employment by Company without cause (and not due to death or disability), or upon resignation for good reason, Mr. Haft shall be entitled to receive similar severance benefits as described above for termination following a change of control, except that the vesting of unvested options would not be accelerated.

***Hendrik Jacobs***

Mr. Jacobs served as President and CEO until November 11, 2016. Under the terms of his Separation Agreement, the Company will pay Mr. Jacobs a monthly amount of \$42,206.72, less applicable withholding, for a period of thirty-six months. The payments reflect the equivalent of twenty-four months of Mr. Jacob's salary, bonus and certain benefits paid out over a thirty-six month period. Mr. Jacobs is entitled to a continuation of medical, prescription and dental care benefits for a 24-month period commencing from the date of termination and ending on November 11, 2018. Stock options for 272,613 shares will continue to vest for a period of 24 months ending on November 11, 2018. In the event of a change in control on or prior to November 11, 2018, options for these shares, plus options for an additional 105,288 shares would immediately vest.

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**Estimated Potential Payments upon Termination of Employment**

The following table sets forth the estimated benefits that would have been payable to the NEOs if a change in control had occurred and each NEO's employment was terminated on December 31, 2016 under circumstances specified in the applicable agreements:

<b>Potential Payments Upon Termination - Change In Control</b>									
<b>Name</b>	<b>Annual Amount for Severance Calculation</b>				<b>Term of Lump Sum Payment (Years)</b>	<b>Lump Sum Severance Payment (\$)</b>	<b>Pro-rata Vesting of Cash Retention (\$)(3)</b>	<b>Accelerated Vesting of RSUs (\$)(4)</b>	<b>Accelerated Vesting of Stock Options (\$)(5)</b>
	<b>Total Base Salary (\$)</b>	<b>Bonus (\$)(1)</b>	<b>Continuation of Benefits (\$)(2)</b>	<b>Sub Total (\$)</b>					
Robert McKeracher(7)	\$298,146	\$0	\$18,189	\$316,335	1.42	\$448,141	\$22,127		\$191,067
Edward Haft	\$420,240	\$0	\$0	\$420,240	1.00	\$420,240	\$0		\$439,219
John Ruelle	\$397,946	\$0	\$14,084	\$412,030	1.42	\$583,709	\$19,755		\$184,074
Gerard Versteegh(8)	\$336,632	\$0	\$0	\$336,632	1.00	\$336,632	\$0		\$203,810
Katrina Houde								\$187,262	\$5,280
Hendrik Jacobs(9)	\$650,000	\$92,015	\$17,706	\$759,721	2.00	\$1,519,442	\$0		\$947,512

- (1) Represents bonus payments as calculated pursuant to the applicable agreements.
- (2) Represents auto allowance, medical, dental, accidental death, disability and life insurance benefits and other benefits through the severance period, all to the extent provided in the applicable agreements.
- (3) Represents the pro-rata portion of the cash retention awards that would have accelerated as of December 31, 2016.
- (4) For Ms. Houde, this amount represents the value of unvested restricted stock units as part of her director compensation and is based on the closing price of the Common Shares on December 30, 2016, the last trading day of the fiscal year, of \$7.05. The vesting of the awards would accelerate upon a change of control even if no termination of employment occurred.
- (5) These amounts are with respect to all unvested stock options for Messrs. McKeracher, Haft, Ruelle, and Versteegh, and Ms. Houde's options granted before 2016, and represent the difference between the exercise price of the stock options and the closing price of the Common Shares on December 30, 2016, the last trading day of the fiscal year, of \$7.05. The vesting of these stock options would accelerate upon a change of control even if no termination of employment occurred, for Mr. Ruelle and Mr. McKeracher with respect to all of their options, and for Mr. Haft, Ms. Houde and Mr. Versteegh with respect to their options granted before 2014. This footnote does not apply to Mr. Jacobs, as a description of his stock option payments is provided in footnote 9.

(6)

Under the PSUs, in the event of the sale of all or substantially all of the assets of the Company or certain mergers involving the Company before the vesting date of the PSUs, an NEO would be entitled to receive a payout of shares. The number of shares issued in such event would be the amount determined by the payout factor calculated as if the performance period ended on the last day of the Company's most recently completed fiscal quarter prior to the date of the transaction (with the performance measures adjusted by the Board for the shorter performance period). For the purposes of this table, these amounts are estimated based on the target number of granted, multiplied by the closing price of the Common Shares on December 30, 2016 of \$7.05.

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- (7) Calculated based on the average annual exchange rate for the year of Cdn \$1.00 = \$0.7548.
- (8) Calculated based on the average annual exchange rate for the year of €1.00 = \$1.1066.
- (9) Represents amounts paid or to be paid to Mr. Jacobs in connection with his termination of employment, which occurred on November 11, 2016. Pursuant to the terms of his severance agreement, options for 272,613 shares will continue to vest over a period of 24 months ending on November 11, 2018. In the event of a change of control prior to November 11, 2018, all of these options will vest, including an additional 105,288 shares. Based on a change of control on December 31, 2016, the amounts in the table for stock options represents the difference between the exercise price of the total amount of stock options and the closing price on that date, of \$7.05.

The following table sets forth the estimated benefits that would have been payable to the NEOs if each officer's employment was terminated by the Company without cause on December 31, 2016 in the absence of a change in control:

Name	Potential Payments Upon Termination				Termination Without Cause				
	Annual Amount for Severance Calculation				Term of Lump Sum Payment (Years)	Lump Sum Severance Payment (\$)	Pro-rata Vesting of Cash Retention (\$)(3)	Accelerated Vesting of RSUs (\$)(4)	Accelerated Vesting of Stock Options (\$)(5)
	Total Base Salary (\$)	Bonus (\$)(1)	Continuation of Benefits (\$)(2)	Sub Total (\$)					
Robert McKeracher(5)	\$298,146	\$0	\$18,189	\$316,335	1.42	\$448,141	\$22,127	\$0	
Edward Haft	\$420,240	\$0	\$0	\$420,240	1.00	\$420,240	\$0	\$0	
John Ruelle	\$397,946	\$0	\$14,084	\$412,030	1.42	\$583,709	\$19,755	\$0	
Gerard Versteegh(6)	\$336,632	\$0	\$0	\$336,632	1.00	\$336,632	\$0	\$0	
Katrina Houde								\$187,262	
Hendrik Jacobs(7)	\$650,000	\$92,015	\$17,706	\$759,721	2.00	\$1,519,442	\$0	\$0	

- (1) Represents bonus payments as calculated pursuant to the applicable agreements.
- (2) Represents auto allowance, medical, dental, accidental death, disability and life insurance benefits and other benefits through the severance period, all to the extent provided in the applicable agreements.
- (3) Represents the pro-rata portion of the cash retention awards that would have accelerated as of December 31, 2016.
- (4) For Ms. Houde, this amount represents the value of unvested restricted stock units as part of her director compensation and is based on the closing price of the Common Shares on December 30, 2016, the last trading day of the fiscal year, of \$7.05.

- (5) Calculated based on the average annual exchange rate for the year of Cdn \$1.00 = \$0.7548.
- (6) Calculated based on the average annual exchange rate for the year of €1.00 = \$1.1066.
- (7) Represents amounts paid or to be paid to Mr. Jacobs in connection with his termination of employment, which occurred on November 11, 2016. Pursuant to the terms of his severance agreement, options for 272,613 shares will continue to vest over a period of 24 months ending on November 11, 2018. The amount in the table for stock options represents the difference between the exercise price of the stock options and the closing price of the Common Shares on November 11, 2016, of \$6.70.

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**PROPOSAL FOUR APPROVAL OF AMENDED 2013 STOCK INCENTIVE PLAN****Overview**

The Company's 2013 Stock Incentive Plan was originally approved by shareholders in May 2013, and an amended plan increasing the number of Common Shares reserved for issuance pursuant to the plan from 1,750,000 to 3,000,000 was approved by shareholders in May 2016 (the *Existing 2013 Plan*). As of March 27, 2017 there were 3,982,652 shares subject to outstanding awards under the Existing 2013 Plan and only 2,201,926 shares available for future grants. The Board of Directors reviewed the Existing 2013 Plan and determined that the current number of available Common Shares under the Existing 2013 Plan is insufficient to meet the Company's objectives with respect to its ability to attract and retain talented individuals on a going-forward basis. The Board of Directors also determined to make other changes to the Existing 2013 Plan to, among other things, better align management and employee incentives with the interests of the Company. As a result, on March 31, 2017 the Board of Directors adopted, subject to shareholder and Toronto Stock Exchange approvals, the Amended 2013 Stock Incentive Plan in the form attached as set forth in Exhibit A (the *Amended 2013 Plan*) to increase the maximum number of Common Shares that can be issued under the Amended 2013 Plan by 3,800,000 Common Shares so that the total number of Common Shares reserved for purposes of the Amended 2013 Plan is 6,800,000 and to make other changes to the Existing 2013 Plan as described below. The Board of Directors believes that increasing the number of Common Shares available for equity incentives is necessary to allow the Company to continue to utilize equity-based compensation awards to retain and attract the services of key individuals essential to the Company's growth and success. The Board of Directors also believes equity incentives enable participants to share in the Company's future success.

We are asking our shareholders to approve the Amended 2013 Plan which would result in the following principal changes to the Existing 2013 Plan, all as set forth in the Amended 2013 Plan and described in more detail below:

The number of Common Shares reserved for purposes of the 2013 Amended Plan is increased by 3,800,000 shares, for a total number of Common Shares reserved for the Amended 2013 Plan of 6,800,000 Common Shares plus any shares available for grant under the Company's 2002 Stock Option Plan (the *Prior Plan*);

The maximum number of Full Value Awards (as defined below) is increased from 750,000 Common Shares to 4,550,000 Common Shares;

The Amended 2013 Plan prohibits the payment of dividends on shares subject to awards before the shares have vested;

For awards granted under the Amended 2013 Plan after March 1, 2017, the Amended 2013 Plan requires a minimum service period of one year from the grant date, subject to limited exceptions, including that this prohibition does not apply to 5% of the sum of the number of shares available under the Amended 2013 Plan following the Meeting plus the number of additional shares that thereafter become available;

For awards granted under the Amended 2013 Plan after March 1, 2017, the Amended 2013 Plan restricts the granting of awards with single-trigger vesting of awards in connection with a change in control of the Company;

Upon the issuance of shares under a stock award or a performance-based award after March 1, 2017, the number of shares reserved for issuance under the Amended 2013 Plan shall be reduced by the number of shares issued plus any shares withheld to satisfy tax withholding obligations;

The maximum number of shares that can be subject to options or stock appreciation rights granted under the Amended 2013 Plan to any employee in any fiscal year is increased from 750,000 Common Shares to 1,500,000 Common Shares;

The maximum number of shares that can be issued under any performance-based awards granted under the 2013 Amended Plan to any recipient in any fiscal year is increased from 275,000 Common Shares to 500,000 Common Shares, and the maximum dollar amount that can be paid under any performance-based awards granted under the Amended 2013 Plan to any recipient in any fiscal year is increased from \$3,000,000 to \$5,000,000; and

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The Amended 2013 Plan provides that the total compensation paid or granted by the Company in any form (including cash and awards under the Amended 2013 Plan) to any non-employee director for service as a director for any fiscal year shall not exceed \$500,000, with awards under the Amended 2013 Plan valued at the time of grant based on the grant date fair value as determined by the Company for financial reporting purposes.

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Shareholder approval of this proposal will also constitute approval of the per-employee limits on grants of options, stock appreciation rights and performance-based awards set forth in the Amended 2013 Plan and re-approval of the list of objective business measures set forth in the Amended 2013 Plan upon which performance-based awards may be based. This re-approval is required every five years for continued compliance with regulations under Section 162(m) of the Internal Revenue Code. See U.S. Tax Consequences.

The complete text of the Amended 2013 Plan is attached to this Proxy Statement as Exhibit A, marked to show changes from the Existing 2013 Plan. The descriptions of the Amended 2013 Plan and the amendments are qualified in their entirety by reference to the full text of the Amended 2013 Plan.

### **Description of the Amended 2013 Plan**

Eligibility. All employees, officers and directors of the Company and its subsidiaries are eligible for selection for participation in the Amended 2013 Plan.

Administration. The Amended 2013 Plan is administered by the Compensation Committee of the Board of Directors (the *Committee*). The Committee may promulgate rules and regulations for the operation of the Amended 2013 Plan and related agreements and generally supervises the administration of the Amended 2013 Plan. The Committee determines the individuals to whom awards are made under the Amended 2013 Plan, the type of awards, the amount of the awards and the other terms and conditions of the awards. The Committee may also accelerate any exercise date, waive or modify any restriction with respect to an award or extend any exercise period, subject to the terms of the Amended 2013 Plan.

Types of Awards. The Amended 2013 Plan permits the Committee to grant a variety of awards, including stock options, stock appreciation rights, restricted stock, restricted stock units and performance-based awards.

Shares Reserved for the Amended 2013 Plan. A total of 6,800,000 Common Shares, plus any Common Shares available for grant under the Prior Plan and any additional Common Shares that become available for re-grant under the Prior Plan due to the cancellation or expiration of stock options, are reserved for issuance under the Amended 2013 Plan. Only 4,550,000 Common Shares may be awarded as Full Value Awards. *Full Value Awards* are stock awards for which the recipient pays no cash consideration or cash consideration of less than the fair market value of the underlying shares as of the grant date (as determined in accordance with the Amended 2013 Plan), except that shares issued in lieu of cash compensation otherwise payable to a participant are not Full Value Awards.

Duration of the Amended 2013 Plan; Amendments. The Amended 2013 Plan will continue until all Common Shares available for issuance under the Amended 2013 Plan have been issued and all restrictions on such shares have lapsed. The Board of Directors has the power to suspend, terminate, modify or amend the Amended 2013 Plan at any time, except that shareholder approval is required to add additional shares to the Amended 2013 Plan, increase the number of shares that can be issued as Full Value Awards or amend the provision prohibiting option re-pricing. Except in connection with a change in capital structure or certain transactions, however, no change in an award already granted shall be made without the written consent of the award holder if the change would adversely affect the holder.

No Dividends on Unvested Awards. No award granted under the Amended 2013 Plan shall provide for the payment of dividends on shares subject to the award before the shares have Vested. However, dividends accumulated between the grant date of an award and the Vesting date on shares that become Vested under the award may be paid to the recipient at or after the time the shares become Vested. *Vested* means that shares have been delivered to the recipient and are no longer subject to a substantial risk of forfeiture (as defined in regulations under Section 83 of the U.S. Internal Revenue Code of 1986, as amended (the *U.S. Code*)).

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Minimum Service Period. No award granted under the Amended 2013 Plan after March 1, 2017 shall become Vested if the recipient does not remain in the service of the Company until the first anniversary of the date of grant, unless the recipient's service is terminated as a result of the recipient's death or physical disability (as defined in the applicable award agreement), or such earlier Vesting occurs in connection with a Change in Control of the Company, as defined in and to the extent permitted by the Amended 2013 Plan. However, the foregoing prohibition shall not apply to 5% of the sum of the number of shares available for awards under the Amended 2013 Plan immediately following the 2017 annual meeting of shareholders plus the number of additional shares that thereafter become available.

Restrictions on Change in Control Vesting. No award granted under the Amended 2013 Plan after March 1, 2017 shall provide for any excuse from satisfaction of the continued service conditions of the award as a result of a Change in Control of the Company, except that an award agreement may excuse the recipient from the continued service obligation if:

- i. the recipient's employment or service relationship is terminated by the employer or the Company without cause or by the recipient for good reason in connection with the Change in Control under terms specified in the award agreement; or
- ii. the award is not converted into an award for stock of the surviving or acquiring corporation in the Change in Control transaction under terms specified in the award agreement or pursuant to the Amended 2013 Plan; provided that any performance-based awards and other awards with performance-based vesting provisions that are settled or for which vesting is accelerated in connection with a Change in Control are settled or accelerated either on a pro-rata basis based on time elapsed during the performance period from the grant date or with performance measured for a performance period ending prior to the Change in Control under terms specified in the award agreement.

A Change in Control is generally defined in the Amended 2013 Plan to include (i) any merger in which the holders of Common Shares immediately prior to the merger do not continue to hold at least 50% of the voting power of outstanding securities of the surviving corporation or its parent corporation immediately after the merger, (ii) any sale of all or substantially all of the assets of the Company, (iii) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors ( *Incumbent Directors* ) cease for any reason to constitute at least a majority thereof; provided, however, that the term *Incumbent Director* shall also include each new director elected during such two-year period whose nomination or election was approved by two-thirds of the Incumbent Directors then in office; or (iv) any person (other than the Company or any employee benefit plan sponsored by the Company), as a result of a tender or exchange offer, open market purchases or privately negotiated purchases from anyone other than the Company, has become the beneficial owner of 50% or more of the outstanding Common Shares.

Stock Options. The Committee may grant stock options to eligible individuals under the Amended 2013 Plan. No employee may be granted options or stock appreciation rights for more than an aggregate of 1,500,000 Common Shares in any fiscal year. The Committee determines the individuals to whom options are granted, the exercise price of each option, the number of shares to be covered by each option, the period of each option, the times at which each option may be exercised, and whether each option is an Incentive Stock Option (intended to meet all of the requirements of an Incentive Stock Option as defined in Section 422 of the U.S. Code) or a non-statutory stock option. The exercise price of each option may not be less than 100% of the fair market value of the underlying shares on the date of grant, except that if a grantee of an Incentive Stock Option at the time of grant owns stock possessing more than 10% of the combined voting power of all classes of stock of the Company, the exercise price may not be less than 110% of the fair market value of the underlying shares on the date of grant. For purposes of determining the exercise price of options granted under the Amended 2013 Plan, the fair market value of the Common Shares will be deemed to be the closing price of the Common Shares as reported by NASDAQ, or such other reported value of the Common Shares as shall be specified by the Committee, on the date of grant. No monetary consideration will be paid to the Company upon the granting of options.

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Options may be granted for varying periods established at the time of grant. Incentive Stock Options are nontransferable except in the event of the death of the holder. The Committee has discretion to allow non-statutory stock options to be transferred to immediate family members of the optionee, subject to certain limitations. Options will be exercisable in accordance with the terms of an option agreement entered into at the time of the grant. In the event of the death or other termination of an optionee's employment with the Company, the Amended 2013 Plan provides that, unless otherwise determined by the Committee, the optionee's options may be exercised for specified periods thereafter (12 months in the case of termination by reason of death or disability and 30 days in the case of termination for any other reason). The Amended 2013 Plan also provides that upon any termination of employment, the Committee may extend the exercise period for any period up to the expiration date of the option and may increase the portion of the option that is exercisable.

The purchase price for shares purchased pursuant to the exercise of options must be paid in cash or, with the consent of the Committee, in whole or in part in Common Shares. With the consent of the Committee, an optionee may request the Company to withhold shares from the exercise to cover required tax withholding or to satisfy the exercise price. Upon the exercise of an option, the number of shares subject to the option and the number of shares available for issuance under the Amended 2013 Plan will be reduced by the number of shares issued upon exercise of the option plus the number of shares, if any, withheld upon exercise to satisfy the exercise price or required tax withholding. Option shares that are not purchased prior to the expiration, termination or cancellation of the related option will become available for future awards under the Amended 2013 Plan.

*Re-pricing Prohibition.* The Amended 2013 Plan provides that, unless shareholder approval is obtained, no stock option may be (i) amended to reduce the exercise price, or (ii) canceled in exchange for cash, another award or any other consideration at a time when the exercise price of the option exceeds the fair market value of the Common Shares.

*Stock Appreciation Rights.* The Committee may grant stock appreciation rights ( SARs ) to eligible individuals under the Amended 2013 Plan. SARs may, but need not, be granted in connection with an option. A SAR gives the holder the right to payment from the Company of an amount equal in value to the excess of the fair market value on the date of exercise of one common share over its fair market value on the date of grant (or, if granted in connection with an option, the exercise price per share under the option to which the SAR relates), multiplied by the number of shares covered by the portion of the SAR or option that is surrendered. The fair market value of the Common Shares on the date of exercise will be deemed to be the closing price of the Common Shares as reported by NASDAQ, or such other reported value of the Common Shares as shall be specified by the Committee, on the date of exercise, or if such date is not a trading day, then on the immediately preceding trading day. A SAR holder will not pay the Company any cash consideration upon either the grant or exercise of a SAR, except for tax withholding amounts upon exercise.

A SAR is exercisable only at the time or times established by the Committee. If a SAR is granted in connection with an option, it is exercisable only to the extent and on the same conditions that the related option is exercisable. Payment by the Company upon exercise of a SAR may be made in Common Shares valued at fair market value, or in cash, or partly in stock and partly in cash, as determined by the Committee. If a SAR is not exercised prior to the expiration, termination or cancellation of the SAR, the unissued shares subject to the SAR will become available for future awards under the Amended 2013 Plan. Upon the exercise of a SAR for shares, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares covered by the SAR. Cash payments for SARs will not reduce the number of shares available for awards under the Amended 2013 Plan.

*Stock Awards, including Restricted Stock and Restricted Stock Units.* The Committee may grant Common Shares to eligible individuals as stock awards (including restricted stock and restricted stock units) under the Amended 2013 Plan. The Committee will determine the individuals to receive stock awards, the number of shares to be awarded, the time of the award and any consideration to be paid by the participant. Generally, no cash consideration (other than required tax withholding) will be paid by award recipients to the Company in connection with stock awards. Stock awards shall be subject to the terms, conditions and restrictions determined by the Committee. Restrictions may

include restrictions concerning transferability, forfeiture of the shares issued, or such other restrictions as the Committee may determine. Stock awards subject to restrictions may be either restricted stock awards under which shares are issued immediately upon grant subject to forfeiture if vesting conditions are not satisfied, or restricted stock unit awards under which shares are not issued until after vesting conditions are satisfied. Upon the issuance of shares under a stock award after March 1, 2017, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares issued plus any shares withheld to satisfy tax withholding obligations.

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*Performance-Based Awards.* The Committee may grant performance-based awards, payable in stock or cash as determined by the Committee. All or part of the Common Shares subject to the awards will be earned (or cash will be paid) if performance targets established by the Committee for the period covered by the award are met and the recipient satisfies any other requirements established by the Committee. The performance targets may be expressed as one or more targeted levels of performance with respect to one or more of the following objective measures with respect to the Company or any subsidiary, division or other unit of the Company: earnings, earnings per share, stock price increase, total shareholder return (stock price increase plus dividends), return on equity, return on assets, return on capital, economic value added, revenues, operating income, inventories, inventory turns, cash flows, earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation and amortization (EBITDA) or any of the foregoing before the effect of acquisitions, divestitures, accounting changes, restructuring or other special charges. Performance-based awards may be made as awards of restricted shares subject to forfeiture if performance goals are not satisfied, awards under which shares are not issued until the performance conditions are satisfied or as cash-based awards. No recipient may be granted in any fiscal year performance-based awards under which the maximum number of shares that may be issued exceeds 500,000 shares or the maximum dollar amount that may be paid exceeds \$5,000,000. The payment of a performance-based award in cash shall not reduce the number of Common Shares reserved for issuance under the Amended 2013 Plan. Upon the issuance of shares under a performance-based award after March 1, 2017, the number of Common Shares reserved for issuance under the Amended 2013 Plan will be reduced by the number of shares issued plus any shares withheld to satisfy tax withholding obligations. The number of shares issued pursuant to stock awards and performance-based awards that are forfeited to the Company will become available for future grants under the Amended 2013 Plan.

*Corporate Mergers.* The Committee may make awards under the Amended 2013 Plan that have terms and conditions that vary from those specified in the Amended 2013 Plan when such awards are granted in substitution for, or in connection with the assumption of, existing awards made by another corporation and assumed or otherwise agreed to be provided for by the Company in connection with a corporate merger or other similar transaction to which the Company or an affiliated Company is a party.

*Changes in Capital Structure.* The Amended 2013 Plan provides that if the outstanding Common Shares are increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of any stock split or certain other events, appropriate adjustment will be made by the Board of Directors in the number and kind of shares available for grants under the Amended 2013 Plan and in all other share amounts set forth in the Amended 2013 Plan and in Stock Awards. In the event of a merger, consolidation or plan of exchange involving the Company pursuant to which outstanding shares are converted into cash or other stock, securities or property, or a sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Company, the Board of Directors, may, in its sole discretion, provide that outstanding awards under the Plan shall be treated in accordance with any of the alternatives set forth in the Amended 2013 Plan.

*Limits on Non-Employee Director Compensation.* The total compensation paid or granted by the Company in any form (including cash and awards under the Amended 2013 Plan) to any non-employee director for service as a director for any fiscal year shall not exceed \$500,000. For this purpose, awards under the Plan shall be valued at the time of grant based on the grant date fair value as determined by the Company for financial accounting purposes.

## **U.S. Tax Consequences**

Certain options authorized to be granted under the Amended 2013 Plan are intended to qualify as Incentive Stock Options for U.S. federal income tax purposes. Under U.S. federal income tax law in effect as of the date of this Proxy Statement, an optionee will recognize no regular income upon grant or exercise of an Incentive Stock Option. The amount by which the market value of shares issued upon exercise of an Incentive Stock Option exceeds the exercise price, however, is included in the optionee's alternative minimum taxable income and may, under certain conditions, be taxed under the alternative minimum tax. If an optionee exercises an Incentive Stock Option and does not dispose

of any of the shares thereby acquired within two years following the date of grant and within one year following the date of exercise, then any gain realized upon subsequent disposition of the shares will be treated as income from the sale or exchange of a capital asset. If an optionee disposes of shares acquired upon exercise of an Incentive Stock Option before the expiration of either the one-year holding period or the two-year holding period specified in the foregoing sentence (a disqualifying disposition ), the optionee will realize ordinary income in an amount equal to the lesser of (i) the excess of the fair market value of the shares on the date of exercise over the option price or (ii) the excess of the fair market value of the shares on the date of disposition over the option price. Any additional gain realized upon the disqualifying disposition will constitute capital gain. The Company will not be allowed any deduction for federal income tax purposes at either the time of grant or the time of exercise of an Incentive Stock Option. Upon any disqualifying disposition by an optionee, the Company will generally be entitled to a deduction to the extent the optionee realizes ordinary income.

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Certain options authorized to be granted under the Amended 2013 Plan will be treated as non-statutory stock options for U.S. federal income tax purposes. Under U.S. federal income tax law in effect as of the date of this Proxy Statement, no income is generally realized by the grantee of a non-statutory stock option until the option is exercised. At the time of exercise of a non-statutory stock option, the optionee will realize ordinary income, and the Company will generally be entitled to a deduction, in the amount by which the fair market value of the shares subject to the option at the time of exercise exceeds the exercise price. The Company is required to withhold income taxes on such income if the optionee is an employee. Upon the sale of shares acquired upon exercise of a non-statutory stock option and held for the applicable capital gains holding period, the optionee will realize capital gain or loss equal to the difference between the amount realized from the sale and the fair market value of the shares on the date of exercise.

An individual who receives stock under the Amended 2013 Plan will generally realize ordinary income under U.S. federal tax law at the time of receipt unless the shares are not substantially vested for purposes of Section 83 of the U.S. Code. Absent an election under Section 83(b), an individual who receives shares that are not substantially vested will realize ordinary income in each year in which a portion of the shares substantially vests. The amount of ordinary income recognized in any such year will be the fair market value of the shares that substantially vest in that year less any consideration paid for the shares. The Company will generally be entitled to a deduction in the amount includable as ordinary income by the recipient at the same time or times as the recipient recognizes ordinary income with respect to the shares. The Company is required to withhold income taxes on such income if the recipient is an employee.

Section 162(m) of the U.S. Code limits to \$1,000,000 per person the amount that the Company may deduct for compensation paid to certain of its most highly compensated executive officers in any year. Under IRS regulations, compensation received through the exercise of an option or stock appreciation right will not be subject to the \$1,000,000 limit if the option or stock appreciation right and the plan pursuant to which it is granted meet certain requirements. One requirement is shareholder approval at least once every five years of a per-employee limit on the number of shares as to which options and stock appreciation rights may be granted. Approval of this Proposal Four will constitute approval of the per employee limit under the Amended 2013 Plan. Other requirements are that the option or stock appreciation right be granted by a committee of at least two outside directors and that the exercise price of the option or stock appreciation right be not less than fair market value of the Common Shares on the date of grant. The Company believes that the Amended 2013 Plan is in compliance with all of the above requirements and, subject to approval of this proposal, any compensation received on exercise of options and stock appreciation rights granted under the Amended 2013 Plan will continue to be exempt from the \$1,000,000 deduction limit.

Under IRS regulations, compensation received through a performance-based award will not be subject to the \$1,000,000 limit under Section 162(m) of the U.S. Code if the performance-based award and the plan meet certain requirements. One of these requirements is shareholder approval of the performance criteria upon which award payouts may be based and the maximum amount payable under awards, both of which are set forth in Section 9 of the Amended 2013 Plan. Other requirements are that objective performance goals and the amounts payable upon achievement of the goals be established by a committee of at least two outside directors and that no discretion be retained to increase the amount payable under the awards. The Company believes that the Amended 2013 Plan is in compliance with all of the above requirements and, subject to approval of this proposal, any compensation received on vesting of performance-based awards granted under the Amended 2013 Plan and otherwise in compliance with all applicable requirements of 162(m), will be exempt from the \$1,000,000 deduction limit. While our general policy is to preserve the deductibility of most compensation paid to executive officers, we may approve compensation that may not be deductible if we believe it is in the best interests of the Company and its shareholders.

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**Amended 2013 Plan Benefits**

Information regarding stock options and PSUs granted in fiscal 2016 to NEOs under the Existing 2013 Plan is set forth in Grants of Plan-Based Awards during 2016 above. Information regarding RSUs granted in fiscal 2016 to non-employee directors under the 2013 Plan is set forth in 2016 Director Compensation above. Stock options for a total of 978,746 Common Shares and PSUs for a total of 250,345 Common Shares (at target level) were granted under the Existing 2013 Plan in fiscal 2016 to all executive officers as a group. Stock options for a total of 514,118 Common Shares, and PSUs for a total of zero Common Shares (at target level), were granted under the Existing 2013 Plan in fiscal 2016 to employees who are not executive officers. Stock options for a total of 42,577 Common Shares, RSUs for a total of 135,985 Common Shares and 12,600 Common Shares (in lieu of cash) were granted in fiscal 2016 to all non-employee directors as a group.

**Equity Compensation Plan Information**

The following table provides information as of December 31, 2016 with respect to our Common Shares that may be issued under equity compensation plans in effect as of that date.

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</b>
Equity compensation plans approved by security holders:			
Stock incentive plans	4,579,850	\$ 7.12	1,554,218
Employee share purchase plan	N/A	N/A	1,173,960
<b>Total</b>	<b>4,579,850</b>	<b>\$ 7.12</b>	<b>2,728,178</b>

**Shareholder Approval**

At the Meeting, shareholders will be asked to consider and, if deemed advisable, approve the following resolution to approve the Amended 2013 Plan:

BE IT RESOLVED AS AN ORDINARY RESOLUTION OF THE SHAREHOLDERS OF SUNOPTA INC. THAT:

1. The Amended 2013 Plan in the form of Exhibit A is hereby approved, ratified and confirmed in all respects;
2. The Company is hereby authorized to file the Amended 2013 Plan with the Toronto Stock Exchange and make any revisions to the text of the 2013 Amended Plan if and as required by the Toronto Stock Exchange; and

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3. Any director or officer of the Company is hereby authorized to take all such steps, actions and proceedings and to sign, execute and deliver all such documents that such director or officer may, in his or her discretion, determine to be necessary or desirable in order to give full force and effect to the intent and purpose of this resolution.

**Recommendation of the Board of Directors; Vote Required**

**The Board of Directors recommends that the shareholders vote FOR approval of the Amended 2013 Plan.**

This proposal will be approved if a quorum is present at the Meeting and the votes cast in favor of this resolution constitute a majority of the total votes cast on this resolution. Brokers and other nominees will not have discretionary authority to vote your shares if you hold your shares in street name and do not provide instructions as to how your shares should be voted on this proposal. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the Meeting, but will have no effect on the results of the vote.

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## PROPOSAL FIVE THE PREFERRED STOCK RESOLUTION

### Overview

On October 7, 2016 following a review of strategic alternatives by the Company, we announced that we had entered into an agreement with funds managed by Oaktree, a global alternative investment management firm with experience in the consumer and retail industry. Shortly after entering into the agreement, we commenced, with the assistance of Oaktree, a thorough review of our operations, management and governance, with the objective of maximizing our ability to deliver long-term value to our shareholders. Through this review, management and the Board have developed a value creation plan built on four pillars: portfolio optimization, operational excellence, go-to-market effectiveness and process sustainability (the *Value Creation Plan*). Recent progress on each of the four pillars of the Value Creation Plan is highlighted in our Annual Report to Shareholders on Form 10-K for the year ended December 31, 2016. We believe that with Oaktree's industry knowledge and operational expertise, we have a valuable partner as we seek to strengthen the Company's operations in a way that can reduce operational volatility and realize sustainable growth and value creation.

We are asking our shareholders to approve the Preferred Stock Resolution to remove the Beneficial Ownership Exchange Cap and the Voting Cap and to waive the Shareholder Rights Plan Trigger (each as defined below). These restrictions were imposed in order to ensure that the Company's Preferred Stock Financing (as defined below) complied with certain regulatory and negotiated requirements and the terms of the Company's shareholder rights plan. In connection with the Company's Preferred Stock Financing, the Company agreed to seek, upon request of the Investors (as defined below), approval of the Preferred Stock Resolution to remove such restrictions and to recommend that our shareholders vote in favor of a resolution to do so. The Investors have requested we do so.

### Preferred Stock Financing

On October 7, 2016 (the *Issue Date*), SunOpta Foods Inc. (the *Subsidiary*), a wholly owned Delaware subsidiary of the Company, issued an aggregate of 85,000 shares of Preferred Stock to Organics and OHIF II LP (collectively, the *Investors*) for consideration in the amount of \$85,000,000 (the *Preferred Stock Financing*). The initial liquidation preference of the Preferred Stock is \$1,000 per share (the *Liquidation Preference*), subject to certain adjustments. At any time, the holders of the Preferred Stock (*Holder*s) may exchange each share of Preferred Stock for a number of Common Shares equal to the quotient of the Liquidation Preference (as defined below) divided by \$7.50 (such quotient, the *Exchange Rate*), subject to adjustments such as anti-dilution adjustments. On the Issue Date, the Exchange Rate represented an 80.3% premium to the closing price of \$4.16 per Common Share on June 24, 2016, the day before the strategic review was announced, and a 12.1% premium to the average closing price for the 60-day period before the Issue Date of \$6.69 per Common Share.

As of the date of this proxy circular, the Preferred Stock is exchangeable into 11,333,333 Common Shares in the aggregate, representing approximately 11.6% of the outstanding Common Shares on a partially diluted basis.

The terms of the Preferred Stock provide for quarterly distributions (*Dividends*) to the Holders. Prior to October 5, 2025, the Dividend rate is 8.0% per annum of the Liquidation Preference, subject to non-compliance penalties. If Dividends are not paid in cash, the amount that would have otherwise been paid will be added to the Liquidation Preference (each such addition, an *In-Kind Dividend*). As the Liquidation Preference increases, the number of Common Shares into which the Preferred Stock are exchangeable will increase. On or after October 5, 2025, the Dividend rate is 12.5% per annum of the Liquidation Preference and the Subsidiary must pay Dividends in cash. The Dividend rate may also increase in certain events, including if we or our Subsidiary fail to comply with certain obligations under agreements entered into in connection with the Preferred Stock Financing.

In connection with the Preferred Stock Financing, in order to allow the Investors to vote the Preferred Stock as if it had been exchanged into Common Shares, the Company issued to a trustee for the benefit of the Investors 11,333,333

Special Voting Shares. The Special Voting Shares entitle the holder thereof to one vote per Special Voting Share on all matters submitted to a vote of the holders of Common Shares, together as a single class, except for Excluded Matters as defined in the Voting Trust Agreement (as defined below), such as the Preferred Stock Resolution. Additional Special Voting Shares will be issued, or outstanding Special Voting Shares will be redeemed, as necessary to ensure that the aggregate number of Special Voting Shares outstanding is equal to the number of shares of Preferred Stock outstanding from time to time multiplied by the Exchange Rate in effect at such time, subject to certain adjustments and restrictions.

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## **NASDAQ Listing Rules**

Because our Common Shares are listed on the NASDAQ Global Select Market, we are subject to the NASDAQ Listing Rules. NASDAQ Listing Rule 5635(b) requires shareholder approval prior to any issuance or potential issuance of securities that will result in a change of control. Generally, NASDAQ interpretations provide that a change of control would occur if, after a transaction, a person or an acquiring entity holds 20% or more of the outstanding shares of common stock or of the voting power of the outstanding capital stock of a company and such ownership or voting power would be the largest position.

### ***Removal of the Beneficial Ownership Exchange Cap***

To comply with the NASDAQ Listing Rules the terms of the Preferred Stock provide that if at any time a Holder elects to exchange, or the Subsidiary causes an exchange of, Preferred Stock, the number of Common Shares delivered to each applicable Holder may not cause such Holder's beneficial ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, but excluding any Common Shares for which any remaining, unexchanged Preferred Stock held by such Holder is exchangeable) to exceed 19.99% of the Common Shares that would be outstanding immediately following such exchange (the *Beneficial Ownership Exchange Cap*), unless the Preferred Stock Resolution has been approved.

If our shareholders do not approve the Preferred Stock Resolution, then the Holders will not be able to exchange their Preferred Stock for Common Shares in excess of the Beneficial Ownership Exchange Cap. Any Holder whose beneficial ownership meets or exceeds the Beneficial Ownership Exchange Cap would have to reduce its beneficial ownership before exchanging Preferred Stock, for example by selling Common Shares or transferring the Preferred Stock to a new Holder.

As of the date hereof, after giving effect to the completed open market purchase by the Investors of 3,000,000 Common Shares as contemplated by the Investor Rights Agreement, the number of Common Shares deliverable on exchange of all the shares of Preferred Stock is less than the Beneficial Ownership Exchange Cap. However, the number of Common Shares for which the Preferred Stock may be exchanged will increase as the Liquidation Preference increases as a result of In-Kind Dividends and could increase as a result of other adjustments such as anti-dilution adjustments. Assuming that all Dividends for the quarterly periods after January 1, 2017 and prior to October 5, 2025 are In-Kind Dividends, and assuming no anti-dilution or other adjustments, the number of Common Shares deliverable on exchange of all the shares of Preferred Stock would be 22,665,414, which together with the 3,000,000 Common Shares purchased in the open market by the Investors, would represent approximately 23.6% of the outstanding Common Shares as of the date of this proxy circular on a partially diluted basis. The Board may declare Dividends to be paid in cash or as In-Kind Dividends during such periods in its sole election, therefore the number of Common Shares deliverable in exchange of all the shares of Preferred Stock may be less than 22,665,414 as a result of In-Kind Dividends.

### ***Removal of the Voting Cap***

The Special Voting Shares were issued to a trustee who holds the Special Voting Shares on behalf of the Investors and is required to vote the Special Voting Shares in accordance with the instructions of the Investors. Under the terms of the Voting Trust Agreement dated the Issue Date between the Company, the Subsidiary, the Investors and others (the *Voting Trust Agreement*), until the Preferred Stock Resolution is approved, the aggregate number of votes exercised by the trustee on behalf of the Investors in respect of the Special Voting Shares may not exceed 17,130,757, being 19.99% of the outstanding Common Shares on the Issue Date (the *Voting Cap*), subject to adjustments such as anti-dilution adjustments.

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If our shareholders do not approve the Preferred Stock Resolution, then the trustee on behalf of the Investors will not be able to vote the Special Voting Shares in excess of the Voting Cap.

As of the date hereof, the number of Special Voting Shares does not exceed the Voting Cap. Currently, 11,333,333 Special Voting Shares are outstanding, representing 66.2% of the Voting Cap. However, the number of Special Voting Shares will increase as the Liquidation Preference increases as a result of In-Kind Dividends and could increase as a result of other adjustments such as anti-dilution adjustments. Assuming that all Dividends for the quarterly periods after January 1, 2017 and prior to October 5, 2025 are In-Kind Dividends, and assuming no anti-dilution or other adjustments, the number of Special Voting Shares would be 22,665,414, which would represent approximately 132.3% of the Voting Cap. The Board may declare Dividends to be paid in cash or as In-Kind Dividends during such periods in its sole election, therefore the number of Special Voting Shares may be less than 22,665,414 as a result of In-Kind Dividends.

### **Waiver of the Shareholder Rights Plan Trigger**

The Company has in place a shareholder rights plan pursuant to the Amended and Restated Shareholder Rights Plan Agreement, dated November 10, 2015, amended and restated as of April 18, 2016, between the Company and American Stock Transfer & Trust Company, LLC (the *SRP*). Under the SRP, holders of rights (other than the triggering holder) issued under the SRP would be entitled to, in effect, purchase Common Shares at a significant discount to the then-current market price, upon the occurrence of a Flip-in Event (as defined in the SRP). A Flip-in Event occurs if a Holder beneficially owns more than 20% of the outstanding Voting Shares (as defined in the SRP). Voting Shares includes both the Common Shares and the Special Voting Shares. Under the SRP, beneficial ownership of Voting Shares includes shares issuable or deliverable to a Holder on the exchange of Preferred Stock. Because the number of Common Shares issuable or deliverable on the exchange of the Preferred Stock increases as the Liquidation Preference increases, a Holder's beneficial ownership of Voting Shares will increase as the Liquidation Preference increases and could result in the occurrence of a Flip-in Event. As discussed above, the Liquidation Preference increases if Dividends are not paid in cash and in certain other events.

Under the SRP, the Company may, with prior consent of the shareholders in accordance with the terms of the SRP, waive the application of the SRP prior to the occurrence of a Flip-in Event. The Company has consummated the Preferred Stock Financing and the directors believe it is in the best interests of the Company to waive the application of the SRP to any Flip-in Event caused by the acquisition (or deemed acquisition) by a Holder of beneficial ownership of Special Voting Shares or Common Shares which are issuable or deliverable to the Holder upon exchange of the Preferred Stock, including an increase in beneficial ownership by way of an increase in the Liquidation Preference (*Shareholder Rights Plan Trigger*). For clarity, such waiver, if approved, would pertain only to the acquisition of Common Shares issuable or deliverable to the Holder upon exchange of the Preferred Stock and the issuance of Special Voting Shares to the trustee for the benefit of the Investors. The SRP would continue to apply in accordance with its terms to other acquisitions of Common Shares that would otherwise trigger a Flip-in Event. For further clarity, such waiver, if approved, would pertain only to the application of a Flip-in Event, and not the terms of the SRP for other purposes, such as deemed beneficial ownership.

A copy of the SRP is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Shareholder Approval**

At the Meeting, shareholders will be asked to consider and, if deemed advisable, approve the following resolution, being the Preferred Stock Resolution:

BE IT RESOLVED AS AN ORDINARY RESOLUTION OF THE SHAREHOLDERS OF SUNOPTA INC. THAT:

1. Removal of the Beneficial Ownership Exchange Cap is hereby consented to, authorized and approved;

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2. Removal of the Voting Cap is hereby consented to, authorized and approved;
3. Waiver of the application of the SRP to any Flip-in Event caused by the acquisition (or deemed acquisition) by a holder of Preferred Stock of beneficial ownership of Special Voting Shares or Common Shares which are issuable or deliverable to the Holder upon exchange of the Preferred Stock, including an increase in beneficial ownership by way of an increase in the Liquidation Preference is hereby consented to, authorized and approved; and
4. Any one director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute and deliver all such further agreements, documents and instruments and to do all such other acts and things as such director or officer may determine to be necessary or advisable for the purpose of giving full force and effect to the provisions of this resolution, the execution and delivery by such trustee, director or officer of any such agreement, document or instrument or the doing of any such act or thing being conclusive evidence of such determination.

**Recommendation of the Board of Directors; Vote Required**

In connection with the Preferred Stock Financing, a transaction which the Board determined was in the best interests of the Company, the Company agreed that the Investors would have a right to request that the Company seek, and that the Board recommend, approval by the shareholders of the Preferred Stock Resolution. The Investors have exercised that right. The Company is proposing, and the Board is recommending, the Preferred Stock Resolution. The Board believes that the Company's partnership with Oaktree is in the best interests of the Company, which has been demonstrated, in part, by Oaktree's contribution to the development of the Value Creation Plan. The Investors have the right to require the Company to seek approval of the Preferred Stock Resolution at each regularly scheduled annual general meeting of shareholders until the resolution is approved. In the event the Company fails to make commercially reasonable efforts to obtain such approval, following a 30-day cure period, the rate of Dividends payable will increase by 1.0% quarterly, subject to a maximum increase of 5.0% .

**The Board of Directors recommends that the shareholders vote in favor of the resolution set out above. In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote any Common Shares and Special Voting Shares represented by proxies held by them FOR the resolution above.**

In order for shareholder approval to be obtained, the Preferred Stock Resolution must be approved by a majority of the votes cast by shareholders present in person or represented by proxy at the Meeting, other than the votes attached to any Special Voting Shares, or Common Shares beneficially owned by the Investors or their affiliates.

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**CERTAIN RELATIONSHIPS AND TRANSACTIONS WITH INSIDERS AND RELATED PERSONS**

The Audit Committee reviews any material transactions in which we are or will be a participant and in which any of our 5% shareholders, directors or executive officers, or any of their immediate family members, has a direct or an indirect material interest. After its review the Audit Committee will only approve or ratify those transactions that the Audit Committee determines are in, or are not inconsistent with, our best interests and the Audit Committee, in its sole discretion, may impose such conditions as it deems appropriate on us or the related person in connection with approval of the transaction.

No informed person (as such term is defined in National Instrument 51-102 of the CSA), any proposed director of the Company or any associate or affiliate of the foregoing or any related person (as such term is defined in Item 404(a) of Regulation S-K) has or will have any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed fiscal year or in any currently proposed transaction in which the Company was or is to be a participant and the amount involved exceeds \$120,000 or which otherwise has materially affected or would materially affect the Company or any of its subsidiaries.

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## EXECUTIVE OFFICERS

**David Colo** (Age 54) serves as President and Chief Executive Officer and as a director. He was appointed to these positions in February 2017. Prior to joining SunOpta, Mr. Colo served as Executive Vice President, Chief Operating Officer of Diamond Foods, Inc. from June 2013 until March 2016 and as Executive Vice President of Global Operations and Supply Chain from December 2012 until June 2013. Since 2016, Mr. Colo has served as an independent industry consultant. Before joining Diamond Foods, Mr. Colo spent approximately three years as an independent industry consultant, focusing on organizational optimization and planning. From 2005 to 2009, he held leadership positions in the consumer products division of ConAgra Foods, Inc., including roles as Senior Vice President of Sales and Operations Planning, Senior Vice President of Enterprise Manufacturing and Senior Vice President of Operations. From 2003 to 2005, he served as President of ConAgra Food Ingredients. Mr. Colo is a member of the Board of Directors of MGP Ingredients, Inc.

**Robert McKeracher** (Age 40) serves as Vice President and Chief Financial Officer of the Company overseeing all financial reporting, compliance and corporate treasury activities. He previously served as Vice President of Financial Reporting for SunOpta from June 2008 until October 2011, and as Director of Financial Reporting from August 2007 to June 2008. Prior to joining the Company, Mr. McKeracher was the Manager of Business Planning and Treasury at Magna Entertainment Corp. from May 2003 to August 2007, after spending four years in public accounting in the assurance and business advisory practice at PricewaterhouseCoopers LLP. Mr. McKeracher is a Chartered Professional Accountant, Chartered Accountant, and holds a Bachelor of Commerce degree from the University of Toronto. In the past five years, Mr. McKeracher has not served on any reporting issuer's Board of Directors.

**John Ruelle** (Age 47) was appointed to the position of Senior Vice President of Corporate Development in February 2017 and continues to serve as Chief Administrative Officer and Senior Vice President of Raw Material Sourcing and Supply, a position he was appointed to in December 2015, after serving as Chief Administrative Officer and Senior Vice President of Corporate Development and Secretary since December 2013. Mr. Ruelle also was responsible for leading the Healthy Snacks platform business within the CPG Segment from October 2015 through February 2017. From October 2011 to December 2013, Mr. Ruelle served as Vice President and Chief Administrative Officer. Mr. Ruelle joined the Company in November 2007 as Vice President of Finance and Administration and Chief Financial Officer of the SunOpta Grains and Foods Group, the largest operating division of the Company at the time. Mr. Ruelle brought over 15 years of progressive food industry senior leadership experience to the Company with a focus on building foundational structures to achieve aggressive revenue and profitably growth through driving talent management, business processes and strategy linkage. Prior to joining the Company, Mr. Ruelle was Vice President of Finance and Administration, Chief Financial Officer, Treasurer and Corporate Secretary for Restaurant Technologies, Inc. where he was co-founder and managed over 30 Greenfield start-ups. Earlier in his career he held various financial and operational roles with LaserMaster Technologies and was a Certified Public Accountant with Larson Allen, LLP. Mr. Ruelle has a Bachelor of Science degree from St. John's University. In the past five years, Mr. Ruelle has not served on any reporting issuer's Board of Directors.

**Gerard Versteegh** (Age 55) serves as Senior Vice President of Global Ingredients. Mr. Versteegh joined The Company in April 2008 as President and co-founder of Tradin Organic Agriculture. Mr. Versteegh has over 30 years of expertise in the global sourcing, processing and distribution of organic raw materials in a broad range of categories. In the past five years, Mr. Versteegh has not served on any reporting issuer's Board of Directors.

**Ed Haft** (Age 56) serves as Senior Vice President of Healthy Fruit platform of the Company. Starting at the Company in October 2015 upon the acquisition of Sunrise Growers, Mr. Haft brings more than 30 years of experience in consumer packaged goods and food manufacturing. Mr. Haft previously served as President and CEO of Sunrise Growers, holding the leadership position in the U.S. retail and food service frozen fruit category. Prior to assuming his role with Sunrise Growers in 2004, Mr. Haft spent 18 years with the Sara Lee Corporation, the last six of which as President of their frozen bakery division. In the past five years, Mr. Haft has not served on any reporting issuer's Board of Directors.

**Lillian Barlett** (Age 54) serves as Vice President of Risk Management and Internal Audit. Ms. Barlett joined the Company in July 2009 as Director of Risk Management and Internal Audit and was promoted to Senior Director of Risk Management and Internal Audit in late-2011. In April 2013, Mrs. Barlett was appointed Vice President of Risk Management and Internal Audit. In the past five years, Ms. Barlett has not served on any reporting issuer's Board of Directors.

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**Jill Barnett** (Age 43) serves as Vice President, General Counsel and Corporate Secretary and is responsible for the legal affairs of the Company. Prior to joining the Company in July 2014, Ms. Barnett spent twelve years as in-house counsel for Best Buy Co., Inc. holding various positions and providing legal support to numerous areas of the business, including Best Buy's global sourcing and exclusive brands business. In the past five years, Ms. Barnett has not served on any reporting issuer's Board of Directors.

**James Gratzek** (Age 52) serves as Senior Vice President of Research and Development and Quality. Mr. Gratzek started with the Company in June 2014 as Senior Vice President of Research and Development and was appointed Senior Vice President of Quality in June 2016. Mr. Gratzek brings more than 20 years of food product and process innovation leadership to the Company team. He spent more than 10 years at General Mills, where he focused on new product development, cost and process improvement, and technology development, completing his tenure as a Director of R&D. Prior to General Mills, he worked at Tetra Pak as Aseptic Technology Director and various program leadership roles at Campbell's. In the past five years, Mr. Gratzek has not served on any reporting issuer's Board of Directors.

**Rob Duchscher** (Age 56) serves as Chief Information Officer. Starting with the Company in March 2017, Mr. Duchscher brings over 30 years of experience in the areas of software engineering and information technology. Of those 30 years, 17 years were spent in industrial process control and transportation logistics. Mr. Duchscher served as Chief Information Officer at Starkey Hearing Technologies from January 2010 through February 2017, where he led the transformation of both the information technology and software engineering departments. Mr. Duchscher initially started at Starkey Hearing Technologies in April 2002 as Vice-President of Software Engineering and R&D PMO. In the past five years, Mr. Duchscher has not served on any reporting issuer's Board of Directors.

**Colin Smith** (Age 36) serves as the Chief Operating Officer of the Company's Consumer Products segment, a role he was appointed to in February 2017. Mr. Smith is a Managing Director and member of the Portfolio Transformation Team with Oaktree, who entered into a strategic partnership with SunOpta in October 2016. Mr. Smith joined Oaktree from AlixPartners in 2014, where he served as a director leading value creation projects across a variety of industries for its global clients. Prior to his eight years at AlixPartners, Mr. Smith worked as a consultant for Deloitte in their Strategy and Operations practice, and for A.T. Kearney Ltd. as a senior business analyst. In the past five years, Mr. Smith has not served on any reporting issuer's Board of Directors.

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## **INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except insofar as they may be shareholders of the Company or as otherwise disclosed in this Proxy Statement, no person who has been a director or executive officer of the Company at any time since the beginning of its last completed fiscal year, any proposed nominee for election as a director of the Company or any associate or affiliate of such persons has any substantial interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

## **SHAREHOLDER PROPOSALS FOR 2018 ANNUAL MEETING OF SHAREHOLDERS; SHAREHOLDER COMMUNICATIONS**

The Company's shareholders may submit proposals on matters appropriate for shareholder action at meetings of shareholders in accordance with Rule 14a-8 promulgated under the Securities Exchange Act of 1934 and Section 137 of the CBCA. For such proposals to be included in the Company's proxy materials relating to its 2018 Annual Meeting of Shareholders, all applicable requirements of Rule 14a-8 and the CBCA must be satisfied and, under the CBCA, such proposals must be received by the Company no later than January 4, 2018. Such proposals should be delivered to SunOpta Inc., Attn: Corporate Secretary, 2233 Argentia Road, Suite 401, West Tower, Mississauga, ON L5N 2X7.

Shareholders may recommend a person as a nominee for director by writing to the Secretary of the Company and providing the information required pursuant to the Advance Notice By-Law. Under SEC rules, notice of a nomination for the 2018 Annual Meeting of Shareholders submitted outside the processes of Rule 14a-8 and Section 137 of the CBCA must be received by the Corporate Secretary of the Company at our principal executive offices at least 30 days prior to the date fixed by the Company for its next annual meeting of shareholders as required by the Advance Notice By-Law (unless such meeting is convened on less than 50 days' notice, in which case notice of any such nomination must be provided not later than the tenth (10th) day following public notice of the meeting date). The proxy solicited by the Board for the 2018 Annual Meeting of Shareholders will confer discretionary authority to vote on any proposal or nomination submitted by a shareholder at that meeting with respect to which the Company has received notice after such date.

Shareholders may communicate with the Board. Communications should be in writing and marked to the attention of the Board of Directors or any of its individual committees, or the Chair of the Board. Any such communications should be delivered to the Company at its principal executive offices located at 2233 Argentia Road, Suite 401, West Tower, Mississauga, ON L5N 2X7.

## **SOLICITATION OF PROXIES**

Proxies solicited in connection with this proxy statement are being solicited by the Board of Directors of the Company. Proxies may be solicited by officers, directors and regular employees of the Company. None of the officers, directors or employees will be directly compensated for such services. In addition, Kingsdale Advisors has been retained by the Company as our strategic shareholder advisor and proxy solicitation agent in connection with the solicitation of proxies for the Meeting. The contact information for Kingsdale Advisors is set out on the last page of this Proxy Statement. The Company will pay Kingsdale Advisors a fee of approximately \$27,500, plus reasonable out-of-pocket expenses, for these services. Solicitations of proxies may be made personally or by mail, facsimile, telephone, messenger, or e-mail. The Company will bear all proxy solicitation costs, including the costs of preparing, assembling, printing and mailing this Proxy Statement, the accompanying proxy card, the Notice and any additional solicitation material that the Company may provide to shareholders, as well as the fees of Kingsdale Advisors.

We will request fiduciaries, custodians, brokerage houses and similar parties to forward copies of proxy materials to beneficial owners of the Common Shares, and we will reimburse these parties for their reasonable and customary charges for expenses of distribution.



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**FORM 10-K AND OTHER INFORMATION**

The Company will mail without charge, upon written request, a copy of its Annual Report on Form 10-K for the fiscal year ended December 31, 2016, including the consolidated financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ), schedules and list of exhibits, and any particular exhibit specifically requested. Requests should be sent to: SunOpta Inc., Attn: Beth McGillivray, 2233 Argentia Road, Suite 401, West Tower, Mississauga, ON L5N 2X7. The Annual Report on Form 10-K and additional information relating to the Company is also available at [www.sunopta.com](http://www.sunopta.com), on EDGAR at [www.sec.gov](http://www.sec.gov) and on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative financial statements and MD&A for the fiscal year ended December 31, 2016.

**OTHER MATTERS**

The Board knows of no other matters to be presented for shareholder action at the Meeting. However, if other matters do properly come before the Meeting or any adjournments or postponements thereof, the Board intends that the persons named in the proxies will vote upon such matters in accordance with their best judgment.

This proxy statement may include forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995). These statements are based on our current expectations and involve risks and uncertainties, which may cause results to differ materially from those set forth in the statements. The forward-looking statements may include statements regarding actions to be taken by us. We do not undertake any obligation to update our forward-looking statements after the date of this report for any reason, even if new information becomes available or other events occur in the future, except as may be required under applicable securities laws. Forward-looking statements should be evaluated together with the many uncertainties that affect our business, particularly those mentioned in the risk factors in our Annual Report on Form 10-K for the year ended December 31, 2016 and in our periodic reports on Form 10-Q and Form 8-K.

Dated this 3rd day of April, 2017.

**By Order of the Board of Directors**

*/s/ David Colo*

David Colo

President and Chief Executive Officer

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Any questions and requests for assistance may be directed to the  
Strategic Shareholder Advisor and Proxy Solicitation Agent:

The Exchange Tower  
130 King Street West, Suite 2950, P.O. Box 361  
Toronto, Ontario  
M5X 1E2  
[www.kingsdaleadvisors.com](http://www.kingsdaleadvisors.com)

**North American Toll Free Phone:**

**1-877-659-1822**

**Email: [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com)**

**Facsimile: 416-867-2271**

**Toll Free Facsimile: 1-866-545-5580**

**Outside North America, Banks and Brokers Call Collect: 416-867-2272**

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**EXHIBIT A**

**SUNOPTA INC.**

**AMENDED 2013 STOCK INCENTIVE PLAN**

**(as amended March 31, 2017,  
subject to shareholder approval at the 2017 Annual Meeting)**

1. **Purpose.** The purpose of this 2013 Stock Incentive Plan (the **Plan**) is to enable SunOpta Inc. (the **Company**) to attract and retain the services of selected employees, officers and directors of the Company. For purposes of this Plan, a person is considered to be employed by or in the service of the Company if the person is employed by or in the service of any entity (the **Employer**) that is the Company, a parent or subsidiary of the Company or a corporation, limited liability company, partnership, joint venture or other entity in which the Company has an interest.

2. **Shares Subject to the Plan.** Subject to adjustment as provided below and in Section 10, the shares to be offered under the Plan shall consist of Common Stock of the Company, and the total number of shares of Common Stock that may be issued under the Plan shall be ~~3,000~~6,800,000 shares plus (i) shares that are available under the Company's 2002 Stock Option Plan (the **Prior Plan**) as of the Effective Date of the Plan (as defined in Section 3.1) and (ii) shares subject to outstanding options under the Prior Plan as of the Effective Date of the Plan if the options are cancelled or terminated or expire after the Effective Date of the Plan without the issuance of the shares subject to the options. If an option, stock appreciation right, Stock Award (as defined in Section 7) or Performance-Based Award (as defined in Section 9) granted under the Plan expires, terminates or is cancelled, the unissued shares thereto shall again be available under the Plan. If shares subject to a Stock Award or Performance-Based Award are forfeited to or repurchased by the Company, the number of shares forfeited or repurchased shall again be available under the Plan. Notwithstanding any provision in the Plan, the maximum number of shares that can be issued under the Plan as ~~Stock Awards or Performance Based Awards (collectively, Full Value Awards)~~ shall be 750,000 shares. Full Value Awards shall be 4,550,000 shares. For purposes of the Plan, Full Value Award means a Stock Award (as defined in Section 7) for which the recipient pays no cash consideration or cash consideration of less than the fair market value of the underlying shares as of the grant date (as determined in accordance with Section 6.2-4), except that shares issued to a participant in lieu of cash compensation to which the participant is otherwise entitled are not Full Value Awards.

3. **Effective Date and Duration of Plan.**

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3.1 **Effective Date.** The Plan shall become effective as of the date it is approved by shareholders of the Company (the Effective Date of the Plan ).

3.2 **Duration.** The Plan shall continue in effect until all shares available for issuance under the Plan have been issued and all restrictions on the shares have lapsed. The Board of Directors of the Company ( Board of Directors ) may suspend or terminate the Plan at any time except with respect to awards then outstanding or subject to restrictions under the Plan. Termination shall not affect any outstanding awards or any right of the Company to repurchase shares or the forfeitability of shares issued under the Plan.

#### 4. Administration.

4.1 **Board of Directors.** The Plan shall be administered by the Board of Directors, which shall determine and designate the individuals to whom awards shall be made, the amount of the awards and the other terms and conditions of the awards. Subject to the provisions of the Plan, the Board of Directors may adopt and amend rules and regulations relating to administration of the Plan, advance the termination of any waiting period, accelerate any exercise or vesting date, waive or modify any restriction applicable to shares (except those restrictions imposed by law) and make all other determinations in the judgment of the Board of Directors necessary or desirable for the administration of the Plan. The interpretation and construction of the provisions of the Plan and related agreements by the Board of Directors shall be final and conclusive. The Board of Directors may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any related agreement in the manner and to the extent it deems expedient to carry the Plan into effect, and the Board of Directors shall be the sole and final judge of such expediency.

4.2 **Committee.** The Board of Directors may delegate to any committee of the Board of Directors (the Committee ) any or all authority for administration of the Plan. If authority is delegated to the Committee, all references to the Board of Directors in the Plan shall mean and relate to the Committee, except (i) as otherwise provided by the Board of Directors and (ii) that only the Board of Directors may amend or terminate the Plan as provided in Sections 3 and 11.

4.3 **No Dividends on Unvested Awards.** No award granted under the Plan shall provide for the payment of dividends on shares subject to the award before the shares have Vested; provided, however, that dividends accumulated between the grant date of an award and the Vesting date on shares that become Vested under the award may be paid to the recipient at or after the time the shares become Vested. Vested means that shares have been delivered to the recipient and are no longer subject to a substantial risk of forfeiture (as defined in regulations under Section 83 of the Internal Revenue Code of 1986, as amended (the Code ).

4.4 **Minimum Service Period.** No award granted under the Plan after March 1, 2017 shall become Vested if the recipient does not remain in the service of the Company until the first anniversary of the date of grant, unless the recipient's service is terminated as a result of the recipient's death or physical disability (as defined in the applicable award agreement), or such earlier Vesting occurs in connection with a Change in Control of the Company to the extent permitted by Section 4.5; provided, however, that the foregoing prohibition shall not apply to five percent of the sum of the number of shares available for awards under the Plan immediately following the 2017 annual meeting of shareholders plus the number of additional shares that thereafter become available.

4.5 **Restrictions on Change in Control Vesting.** No award granted under the Plan after March 1, 2017 shall provide for any excuse from satisfaction of the continued service conditions of the award as a result of a Change in Control of the Company, except that an award agreement may excuse the recipient from the continued service obligation if:

i. the recipient's employment or service relationship is terminated by the employer or the Company without cause or by the recipient for good reason in connection with the Change in Control under terms specified in the award agreement; or

ii. the award is not converted into an award for stock of the surviving or acquiring corporation in the Change in Control transaction under terms specified in the award agreement or pursuant to Section 10.2 of the Plan; provided that any Performance-Based Awards and other awards with performance-based vesting provisions that are settled or for which vesting is accelerated in connection with a Change in Control are settled or accelerated either on a pro-rata basis based on time elapsed during the performance period from the grant date or with performance measured for a performance period ending prior to the Change in Control under terms specified in the award agreement.

4.6 **Change in Control Definition.** For purposes of the Plan, a Change in Control of the Company shall mean the occurrence of any of the following events:

i. The consummation of:

(1) any consolidation, merger or plan of share exchange involving the Company (a Merger) as a result of which the holders of outstanding securities of the Company ordinarily having the right to vote for the election of directors ( Voting Securities ) immediately prior to the Merger do not continue to hold at least 50% of the combined voting power of the outstanding Voting Securities of the surviving corporation or a parent corporation of the surviving corporation immediately after the Merger, disregarding any Voting Securities issued to or retained by such holders in respect of securities of any other party to the Merger; or

(2) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Company;

ii. At any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board ( Incumbent Directors ) shall cease for any reason to constitute at least a majority thereof; provided, however, that the term Incumbent Director shall also include each new director elected during such two-year period whose nomination or election was approved by two-thirds of the Incumbent Directors then in office; or

iii. Any person (as such term is used in Section 14(d) of the Securities Exchange Act of 1934, other than the Company or any employee benefit plan sponsored by the Company) shall, as a result of a tender or exchange offer, open market purchases or privately negotiated purchases from anyone other than the Company, have become the beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of Voting Securities representing fifty percent (50%) or more of the combined voting power of the then outstanding Voting Securities.

5. **Types of Awards, Eligibility, Limitations.** The Board of Directors may, from time to time, take the following actions, separately or in combination, under the Plan: (i) grant Incentive Stock Options, as defined in Section 422 of the ~~Internal Revenue Code of 1986, as amended (the Code )~~, Code, as provided in Sections 6.1 and 6.2; (ii) grant options other than Incentive Stock Options ( Non-Statutory Stock Options ) as provided in Sections 6.1 and 6.3; (iii) grant Stock Awards as provided in Section 7; (iv) grant stock appreciation rights as provided in Section 8; and (v) grant Performance-Based Awards as provided in Section 9. Awards may be made to employees, including employees who are officers or directors, officers and directors selected by the Board of Directors; provided, however, that only employees of the Company or any parent or subsidiary of the Company (as defined in subsections 424(e) and 424(f) of the Code) are eligible to receive Incentive Stock Options under the Plan. The maximum number of shares that can be issued under the Plan as Incentive Stock Options is ~~3,000~~6,800,000 shares. No employee may be granted options or stock appreciation rights for more than an aggregate of ~~750,000 shares of Common Stock in any fiscal year~~ 1,500,000 shares of Common Stock in any fiscal year. The total compensation paid or granted by the Company in any form (including cash and awards under the Plan) to any non-employee director for service as a director for any fiscal year shall not exceed \$500,000. For this purpose, awards under the Plan shall be valued at the time of grant based on the grant date fair value as determined by the Company for financial accounting purposes.

6. **Option Grants.**

6.1 **General Rules Relating to Options.**

6.1 -1 **Terms of Grant.** The Board of Directors may grant options under the Plan. With respect to each option grant, the Board of Directors shall determine the number of shares subject to the option, the exercise price, the period of the option, the time or times at which the option may be exercised and whether the option is an Incentive Stock Option or a Non-Statutory Stock Option.

6.1 -2 **Exercise of Options.** Except as provided in Section 6.1 -4 or as determined by the Board of Directors, no option granted under the Plan may be exercised unless at the time of exercise the optionee is employed by or in the service of the Company and shall have been so employed or provided such service continuously since the date the option was granted. Except as provided in Sections 6.1 -4 and 10, options granted under the Plan may be exercised from time to time over the period stated in each option in amounts and at times prescribed by the Board of Directors, provided that options may not be exercised for fractional shares. Unless otherwise determined by the Board of Directors, if an optionee does not exercise an option in any one year for the full number of shares to which the optionee is entitled in that year, the optionee's rights shall be cumulative and the optionee may purchase those shares in any subsequent year during the term of the option.

6.1 -3 **Nontransferability.** Except as provided below, each Incentive Stock Option granted under the Plan by its terms shall be nonassignable and nontransferable by the optionee, either voluntarily or by operation of law, and during the optionee's lifetime, shall be exercisable only by the optionee. A stock option may be transferred by will or by the laws of descent and distribution of the state or country of the optionee's domicile at the time of death. A Non-Statutory Stock Option shall also be transferable pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act. The Committee may, in its discretion, authorize all or a portion of a Non-Statutory Stock Option granted to an optionee to be on terms which permit transfer by the optionee to (i) the spouse, children or grandchildren of the optionee ( Immediate Family Members ), (ii) a trust or trusts for the exclusive benefit of Immediate Family Members, or (iii) a partnership in which Immediate Family Members are the only partners, provided that (x) there may be no consideration for any transfer, (y) the stock option agreement pursuant to which the options are granted must expressly provide for transferability in a manner consistent with this paragraph, and (z) subsequent transfers of transferred options shall be prohibited except by will or by the laws of descent and distribution. Following any transfer, options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Section 6.1 -5 the term optionee shall be deemed to refer to the transferee. The events of termination of employment of Section 6.1 -4, shall continue to be applied with respect to the original optionee, following which the options shall be exercisable by the transferee only to the extent, and for the periods specified, and all other references to employment, termination of employment, life or death of the optionee, shall continue to be applied with respect to the original optionee.

6.1 -4 **Termination of Employment or Service.**

6.1-4(a) **General Rule.** Unless otherwise determined by the Board of Directors, if an optionee's employment or service with the Company terminates for any reason other than because of total disability or death as provided in Sections 6.1 -4(b) and (c), his or her option may be exercised at any time before the expiration date of the option or the expiration of 30 days after the date of termination, whichever is the shorter period, but only if and to the extent the optionee was entitled to exercise the option at the date of termination.



6.1-4(b) **Termination Because of Total Disability.** Unless otherwise determined by the Board of Directors, in the event of the termination of employment or service because of total disability, the option may be exercised at any time prior to the expiration date of the option or the expiration of 12 months after the date of termination, whichever is the shorter period, but only if and to the extent the optionee was entitled to exercise the option at the date of termination. The term total disability means a mental or physical impairment which is expected to result in death or which has lasted or is expected to last for a continuous period of 12 months or more and which causes the optionee to be unable, in the opinion of the Company, to perform his or her duties as an employee, director or officer of the Company. Total disability shall be deemed to have occurred on the first day after the Company has made a determination of total disability.

6.1 -4(c) **Termination Because of Death.** Unless otherwise determined by the Board of Directors, in the event of the death of an optionee while employed by or providing service to the Company or a subsidiary, the option may be exercised at any time prior to the expiration date of the option or the expiration of 12 months after the date of death, whichever is the shorter period, but only if and to the extent the optionee was entitled to exercise the option at the date of death and only by the person or persons to whom such optionee's rights under the option shall pass by the optionee's will or by the laws of descent and distribution of the state or country of domicile at the time of death.

6.1 -4(d) **Amendment of Exercise Period Applicable to Termination.** The Board of Directors may at any time extend the 30-day and 12-month exercise periods any length of time not longer than the original expiration date of the option. The Board of Directors may at any time increase the portion of an option that is exercisable, subject to terms and conditions determined by the Board of Directors.

6.1 -4(e) **Failure to Exercise Option.** To the extent that the option of any deceased optionee or any optionee whose employment or service terminates is not exercised within the applicable period, all further rights to purchase shares pursuant to the option shall terminate.

6.1 -4(f) **Leave of Absence.** Absence on leave approved by the Employer or on account of illness or disability shall not be deemed a termination or interruption of employment or service. Unless otherwise determined by the Board of Directors, vesting of options shall continue during a medical, family or military leave of absence, whether paid or unpaid, and vesting of options shall be suspended during any other unpaid leave of absence.

6.1 -5 **Purchase of Shares.**

6.1 -5(a) **Notice of Exercise.** Unless the Board of Directors determines otherwise, shares may be acquired pursuant to an option granted under the Plan only upon the Company's receipt of written notice from the optionee of the optionee's binding commitment to purchase shares, specifying the number of shares the optionee desires to purchase under the option and the date on which the optionee agrees to complete the transaction, and, if required to comply with the Securities Act of 1933, containing a representation that it is the optionee's intention to acquire the shares for investment and not with a view to distribution.

6.1 -5(b) **Payment.** Unless the Board of Directors determines otherwise, on or before the date specified for completion of the purchase of shares pursuant to an option exercise, the optionee must pay the Company the full purchase price of those shares in cash or by check or, with the consent of the Board of Directors, in whole or in part, in Common Stock of the Company valued at fair market value and other forms of consideration. With the consent of the Board of Directors, an optionee may pay the exercise price, in whole or in part, by instructing the Company to withhold from the shares to be issued upon exercise shares of Common Stock valued at fair market value. The fair market value of Common Stock of the Company provided or withheld in payment of the purchase price shall be the closing price of the Common Stock of the Company as reported on Nasdaq or such other reported value of the Common Stock of the Company as shall be specified by the Board of Directors, on the date the option is exercised, or if such date is not a trading day, then on the immediately preceding trading day.

6.1 -5(c) **Tax Withholding.** Each optionee who has exercised an option shall, immediately upon notification of the amount due, if any, pay to the Company in cash or by check amounts necessary to satisfy any federal, state and local tax withholding requirements. If additional withholding is or becomes required (as a result of exercise of an option or as a result of disposition of shares acquired pursuant to exercise of an option) beyond any amount deposited before delivery of the certificates, the optionee shall pay the additional withholding amount, in cash or by check, to the Company on demand. If the optionee fails to pay the amount demanded, the Company or the Employer may withhold that amount from other amounts payable to the optionee, including salary, subject to applicable law. With the consent of the Board of Directors, an optionee may satisfy this obligation, in whole or in part, by instructing the Company to withhold some of the shares to be issued upon exercise or by delivering to the Company other shares of Common Stock; ~~provided, however, that the number of shares so withheld or delivered shall not exceed the minimum amount necessary to satisfy the required withholding obligations.~~ The fair market value of Common Stock of the Company withheld or delivered to satisfy withholding obligation shall be the closing price of the Common Stock of the Company as reported on Nasdaq or such other reported value of the Common Stock of the Company as shall be specified by the Board of Directors, on the date the option is exercised, or if such date is not a trading day, then on the immediately preceding trading day.

6.1 -5(d) **Reduction of Reserved Shares.** Upon the exercise of an option, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares issued upon exercise of the option plus any shares withheld in payment of the exercise price or to satisfy withholding requirements.

6.1 -6 **No Repricing.** Except for actions approved by the shareholders of the Company or adjustments made pursuant to Section 10, the option price for an outstanding option granted under the Plan may not be decreased after the date of grant nor may the Company grant a new option or pay any cash or other consideration (including another award under the Plan) in exchange for any outstanding option granted under the Plan at a time when the option price of the outstanding option exceeds the fair market value of the Shares covered by the option.

6.2 **Incentive Stock Options.** Incentive Stock Options shall be subject to the following additional terms and conditions:

6.2 -1 **Limitation on Amount of Grants.** If the aggregate fair market value of stock, determined as of the date the option is granted, for which Incentive Stock Options granted under this Plan (and any other stock incentive plan of the Company or its parent or subsidiary corporations, as defined in subsections 424(e) and 424(f) of the Code) are exercisable for the first time by an employee during any calendar year exceeds \$100,000, the portion of the option or options not exceeding \$100,000, to the extent of whole shares, will be treated as an Incentive Stock Option and the remaining portion of the option or options will be treated as a Non-Statutory Stock Option. The preceding sentence will be applied by taking options into account in the order in which they were granted. If, under the \$100,000 limitation, a portion of an option is treated as an Incentive Stock Option and the remaining portion of the option is treated as a Non-Statutory Stock Option, unless the optionee designates otherwise at the time of exercise, the optionee's exercise of all or a portion of the option will be treated as the exercise of the Incentive Stock Option portion of the option to the full extent permitted under the \$100,000 limitation. If an optionee exercises an option that is treated as in part an Incentive Stock Option and in part a Non-Statutory Stock Option, the Company will designate the portion of the stock acquired pursuant to the exercise of the Incentive Stock Option portion as Incentive Stock Option stock by issuing a separate certificate for that portion of the stock and identifying the certificate as Incentive Stock Option stock in its stock records.

6.2 -2 **Limitations on Grants to 10 percent Shareholders.** An Incentive Stock Option may be granted under the Plan to an employee possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any parent or subsidiary (as defined in subsections 424(e) and 424(f) of the Code) only if the option price is at least 110 percent of the fair market value, as described in Section 6.2 -4, of the Common Stock subject to the option on the date it is granted and the option by its terms is not exercisable after the expiration of five years from the date it is granted.

6.2 -3 **Duration of Options.** Subject to Sections 6.1 -2, 6.1 -4 and 6.2 -2, Incentive Stock Options granted under the Plan shall continue in effect for the period fixed by the Board of Directors, except that by its terms no Incentive Stock Option shall be exercisable after the expiration of 10 years from the date it is granted.

6.2 -4 **Option Price.** The option price per share shall be determined by the Board of Directors at the time of grant. Except as provided in Section 6.2 -2, the option price shall not be less than 100 percent of the fair market value of the Common Stock covered by the Incentive Stock Option at the date the option is granted. The fair market value shall be deemed to be the closing price of the Common Stock of the Company as reported on Nasdaq on the date the option is granted, or if there has been no sale on that date, on the last preceding date on which a sale occurred, or such other reported value of the Common Stock of the Company as shall be specified by the Board of Directors.

6.2 -5 **Limitation on Time of Grant.** No Incentive Stock Option shall be granted on or after the tenth anniversary of the last action by the Board of Directors adopting the Plan or approving an increase in the number of shares available for issuance under the Plan, which action was subsequently approved within 12 months by the shareholders.

6.2 -6 **Early Dispositions.** If, within two years after an Incentive Stock Option is granted or within 12 months after an Incentive Stock Option is exercised, the optionee sells or otherwise disposes of Common Stock acquired on exercise of the Option, the optionee shall within 30 days of the sale or disposition notify the Company in writing of (i) the date of the sale or disposition, (ii) the amount realized on the sale or disposition and (iii) the nature of the disposition (e.g., sale, gift, etc.).

6.3 **Non-Statutory Stock Options.** Non-Statutory Stock Options shall be subject to the following terms and conditions, in addition to those set forth in Section 6.1 above:

6.3 -1 **Option Price.** The option price for Non-Statutory Stock Options shall be determined by the Board of Directors at the time of grant. The option price shall not be less than 100 percent of the fair market value of the Common Stock covered by the Non-Statutory Stock Options at the date the option is granted. The fair market value shall be deemed to be the closing price of the Common Stock of the Company as reported on Nasdaq on the date the option is granted, or if there has been no sale on that date, on the last preceding date on which a sale occurred, or such other reported value of the Common Stock of the Company as shall be specified by the Board of Directors.

6.3 -2 **Duration of Options.** Non-Statutory Stock Options granted under the Plan shall continue in effect for the period fixed by the Board of Directors.

7. **Stock Awards.** The Board of Directors may issue shares, including restricted stock, or rights to receive shares, including restricted stock units, under the Plan ( Stock Awards ) for any consideration, including services, determined by the Board of Directors. A restricted stock unit represents the right to receive one share of Common Stock subject to satisfaction of the conditions set forth in the applicable award agreement. Stock Awards shall be subject to the terms, conditions and restrictions determined by the Board of Directors and set forth in an award agreement. The terms may include restrictions concerning transferability, repurchase by the Company and forfeiture of the shares issued or awarded, deferral of the date for receipt of any shares and any other terms determined by the Board of Directors. The Company may require any recipient of a Stock Award to pay to the Company in cash or by check upon demand amounts necessary to satisfy any federal, state or local tax withholding requirements. If the recipient fails to pay the amount demanded, the Company or the Employer may withhold that amount from other amounts payable to the purchaser, including salary, subject to applicable law. With the consent of the Board of Directors, a participant may satisfy this obligation, in whole or in part, by instructing the Company to withhold some of the shares to be issued or by delivering to the Company shares of Common Stock; ~~provided, however, that the number of shares withheld or delivered shall not exceed the minimum amount necessary to satisfy the required withholding obligation.~~ The fair market value of Common Stock of the Company withheld to satisfy withholding obligations shall be the closing price of the Common Stock of the Company as reported on Nasdaq or such other reported value of the Common Stock of the Company as shall be specified by the Board of Directors, on the date the shares are withheld, or if such date is not a trading day, then on the immediately preceding trading day. Upon the issuance of shares under a Stock Award ~~after March 1, 2017,~~ the number of shares reserved for issuance under the Plan shall be reduced by the number of shares issued, ~~net of plus~~ any shares withheld to satisfy tax withholding obligations.

8. **Stock Appreciation Rights.**

8.1 **Grant.** Stock appreciation rights may be granted under the Plan by the Board of Directors, subject to such rules, terms, and conditions as the Board of Directors prescribes.

8.2 **Exercise.**

8.2 -1 **General.** Each stock appreciation right shall entitle the holder, upon exercise, to receive from the Company in exchange therefor an amount equal in value to the excess of the fair market value on the date of exercise of one share of Common Stock of the Company over its fair market value on the date of grant or such higher amount as the Board of Directors shall determine (or, in the case of a stock appreciation right granted in connection with an option, the excess of the fair market value of one share of Common Stock of the Company over the exercise price per share under the option to which the stock appreciation right relates), multiplied by the number of shares covered by the stock appreciation right or the option, or portion thereof, that is surrendered. No stock appreciation right shall be exercisable at a time that the amount determined under this subsection is negative. Payment by the Company upon exercise of a stock appreciation right may be made in Common Stock valued at fair market value, in cash, or partly in Common Stock and partly in cash, all as determined by the Board of Directors.

8.2 -2 **Time of Exercise.** A stock appreciation right shall be exercisable only at the time or times established by the Board of Directors. If a stock appreciation right is granted in connection with an option, the following rules shall apply: (i) the stock appreciation right shall be exercisable only to the extent and on the same conditions that the related option could be exercised; (ii) upon exercise of the stock appreciation right, the option or portion thereof to which the stock appreciation right relates terminates; and (iii) upon exercise of the option, the related stock appreciation right or portion thereof terminates.

8.2 -3 **Conditions.** The Board of Directors may impose any conditions upon the exercise of a stock appreciation right or from time to time adopt rules affecting the rights of holders of stock appreciation rights. These rules may govern the right to exercise stock appreciation rights granted prior to adoption or amendment of the rules as well as stock appreciation rights granted thereafter.

8.2 -4 **Fair Market Value.** For purposes of this Section 8, the fair market value of the Common Stock shall be determined using the methods set forth in Section 6.1 -5(b).

8.2 -5 **Fractional Shares.** No fractional shares shall be issued upon exercise of a stock appreciation right. In lieu thereof, cash may be paid in an amount equal to the value of the fraction or, if the Board of Directors determines, the number of shares may be rounded downward to the next whole share.

8.2 -6 **Nontransferability.** Each stock appreciation right granted in connection with an Incentive Stock Option and, unless otherwise determined by the Board of Directors, each other stock appreciation right granted by its terms shall be nonassignable and nontransferable by the holder, either voluntarily or by operation of law, except by will or by the laws of descent and distribution of the state or country of the holder's domicile at the time of death, and each stock appreciation right by its terms shall be exercisable during the holder's lifetime only by the holder; provided, however, that a stock appreciation right not granted in connection with an Incentive Stock Option shall also be transferable pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act.

8.2 -7 **Taxes.** Each participant who has exercised a stock appreciation right shall, upon notification of the amount due, pay to the Company in cash amounts necessary to satisfy any federal, state and local tax withholding requirements. If the participant fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the participant including salary, subject to applicable law. With the consent of the Board of Directors a participant may satisfy this obligation, in whole or in part, by having the Company withhold from shares to be issued upon the exercise that number of shares that would satisfy the withholding amount due or by delivering Common Stock to the Company to satisfy the withholding amount. The fair market value of Common Stock of the Company withheld or delivered to satisfy withholding requirements shall be the closing price of the Common Stock of the Company as reported on Nasdaq or such other reported value of the Common Stock of the Company as shall be specified by the Board of Directors, on the date the stock appreciation right is exercised, or if such date is not a trading day, then on the immediately preceding trading day. Upon the exercise of a stock appreciation right for shares, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares covered by the stock appreciation right. Cash payments of stock appreciation rights shall not reduce the number of Shares reserved for issuance under the Plan.

9. **Performance-Based Awards.** The Board of Directors may grant awards intended to qualify as qualified performance-based compensation under Section 162(m) of the Code and the regulations thereunder ( Performance-Based Awards ). Performance-Based Awards shall be denominated at the time of grant either in Common Stock ( Stock Performance Awards ) or in dollar amounts ( Dollar Performance Awards ). Payment under a Stock Performance Award or a Dollar Performance Award shall be made, at the discretion of the Board of Directors, in Common Stock ( Performance Shares ), or in cash or in any combination thereof. Performance-Based Awards shall be subject to the following terms and conditions:

9.1 **Award Period.** The Board of Directors shall determine the period of time for which a Performance-Based Award is made (the Award Period ).

9.2 **Performance Goals and Payment.** The Board of Directors shall establish in writing objectives ( Performance Goals ) that must be met by the Company or any subsidiary, division or other unit of the Company ( Business Unit ) during the Award Period as a condition to payment being made under the Performance-Based Award. The Performance Goals for each award shall be one or more targeted levels of performance with respect to one or more of the following objective measures with respect to the Company or any Business Unit: earnings, earnings per share, stock price increase, total shareholder return (stock price increase plus dividends), return on equity, return on assets, return on capital, economic value added, revenues, operating income, inventories, inventory turns, cash flows, earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation and amortization (EBITDA) or any of the foregoing before the effect of acquisitions, divestitures, accounting changes, and restructuring and special charges (determined according to criteria established by the Board of Directors). The Board of Directors shall also establish the number of Performance Shares or the amount of cash payment to be made under a Performance-Based Award if the Performance Goals are met or exceeded, including the fixing of a maximum payment (subject to Section 9.4) . The Board of Directors may establish other restrictions to payment under a Performance-Based Award, such as a continued employment requirement, in addition to satisfaction of the Performance Goals. Some or all of the Performance Shares may be issued at the time of the award as restricted shares subject to forfeiture in whole or in part if Performance Goals or, if applicable, other restrictions are not satisfied.

9.3 **Computation of Payment.** During or after an Award Period, the performance of the Company or Business Unit, as applicable, during the period shall be measured against the Performance Goals. If the Performance Goals are not met, no payment shall be made under a Performance-Based Award. If the Performance Goals are met or exceeded, the Board of Directors shall certify that fact in writing and certify the number of Performance Shares earned or the amount of cash payment to be made under the terms of the Performance-Based Award.

9.4 **Maximum Awards.** No participant may receive in any fiscal year Stock Performance Awards under which the aggregate amount payable under the Awards exceeds the equivalent of ~~275~~500,000 shares of Common Stock or Dollar Performance Awards under which the aggregate amount payable under the Awards exceeds \$~~35~~5,000,000.

9.5 **Tax Withholding.** Each participant who has received Performance Shares shall, upon notification of the amount due, pay to the Company in cash or by check amounts necessary to satisfy any applicable federal, state and local tax withholding requirements. If the participant fails to pay the amount demanded, the Company or the Employer may withhold that amount from other amounts payable to the participant, including salary, subject to applicable law. With the consent of the Board of Directors, a participant may satisfy this obligation, in whole or in part, by instructing the Company to withhold from any shares to be issued or by delivering to the Company other shares of Common Stock; ~~provided, however, that the number of shares so delivered or withheld shall not exceed the minimum amount necessary to satisfy the required withholding obligation.~~

9.6 **Reduction of Reserved Shares.** The payment of a Performance-Based Award in cash shall not reduce the number of shares of Common Stock reserved for issuance under the Plan. ~~The~~Upon the issuance of shares under a Performance-Based Award after March 1, 2017, the number of shares of Common Stock reserved for issuance under the Plan shall be reduced by the number of shares issued ~~upon payment of an award, net of plus~~ any shares withheld to satisfy withholding obligations.

## 10. **Changes in Capital Structure.**

10.1 **Stock Splits, Stock Dividends.** If the outstanding Common Stock of the Company is hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of any stock split, combination of shares, dividend payable in shares, recapitalization or reclassification, appropriate adjustment shall be made in the number and kind of shares available for grants under the Plan and in all other share amounts set forth in the Plan. In addition, appropriate adjustment shall be made in the number and kind of shares subject to Stock Awards as to which shares have not been issued and as to which outstanding options and stock appreciation rights, or portions thereof then unexercised, shall be exercisable, so that the holder's proportionate interest before and after the occurrence of the event is maintained. Notwithstanding the foregoing, the Board of Directors shall have no obligation to effect any adjustment that would or might result in the issuance of fractional shares, and any fractional shares resulting from any adjustment may be disregarded or provided for in any manner determined by the Board of Directors. Any adjustments made by the Board of Directors pursuant to this Section 10.1 shall be conclusive.



10.2 **Corporate Transactions.** Unless otherwise provided at the time of grant, if during the term of an option, stock appreciation right or restricted stock unit award, there shall occur a merger, consolidation or plan of exchange involving the Company pursuant to which outstanding shares are converted into cash or other stock, securities or property, or a sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Company, then the Board of Directors, may, in its sole discretion, provide that outstanding awards under the Plan shall be treated in accordance with any of the following alternatives:

10.2 -1 The option, stock appreciation right, restricted stock unit award shall be converted into an option, stock appreciation right or restricted stock unit award to acquire stock of the surviving or acquiring corporation in the applicable transaction for a total purchase price equal to the total price applicable to the unexercised portion of the option, stock appreciation right or restricted stock unit award, and with the amount and type of shares subject thereto and exercise price per share thereof to be conclusively determined by the Board of Directors, taking into account the relative values of the companies involved in the applicable transaction and the exchange rate, if any, used in determining shares of the surviving corporation to be held by holders of Shares following the applicable transaction, and disregarding fractional shares;

10.2 -2 The option, stock appreciate right or restricted stock unit shall be cancelled effective immediately prior to the consummation of the transaction, and, in full consideration of the cancellation, pay at such time or at other times as determined by the Board of Directors to the holder thereof an amount in cash, for each share subject to the award, equal to the value, as determined by the Board of Directors, of the award, provided that with respect to any outstanding option such value shall be equal to the excess of (A) the value, as determined by the Board of Directors, of the property (including cash) received by the holder of a share of stock as a result of the transaction over (B) the exercise price of such option; or

10.2 -3 All unissued shares subject to restricted stock unit awards shall be issued immediately prior to the consummation of such transaction, all options and stock appreciation rights will become exercisable for 100 percent of the shares subject to the option or stock appreciation right effective as of the consummation of such transaction, and the Board of Directors shall approve some arrangement by which holders of options and stock appreciation rights shall have a reasonable opportunity to exercise all such options and stock appreciation rights effective as of the consummation of such transaction or otherwise realize the value of these awards, as determined by the Board of Directors. Any option or stock appreciation right that is not exercised in accordance with procedures approved by the Board of Directors shall terminate.

10.3 **Rights Issued by Another Corporation.** The Board of Directors may also grant options, stock appreciation rights, Stock Awards and Performance-Based Awards under the Plan with terms, conditions and provisions that vary from those specified in the Plan, provided that any such awards are granted in substitution for, or in connection with the assumption of, existing options, stock appreciation rights, Stock Awards and Performance-Based Awards or other awards granted, awarded or issued by another corporation and assumed or otherwise agreed to be provided for by the Company pursuant to or by reason of a merger, combination consolidation, acquisition or similar corporate transaction. In the case of any award under this Section 10.3, shares issued or issuable in connection with the substitute award shall not be counted against the number of shares reserved under the Plan, but shall be governed by the Plan by virtue of the Company's assumption of the plan or arrangement of the acquired company or business.

11. **Amendment of the Plan.** The Board of Directors may at any time modify or amend the Plan in any respect, except that shareholder approval shall be required to (i) increase the number of shares reserved for the Plan, (ii) increase the maximum number of shares that can be issued as Full Value Awards and (iii) amend Section 6.1 -6 of the Plan. Except as provided in Section 10, no change in an award already granted shall be made without the written consent of the holder of the award if the change would adversely affect the holder.

12. **Approvals.** The Company's obligations under the Plan are subject to the approval of state and federal authorities or agencies with jurisdiction in the matter. The Company will use its best efforts to take steps required by state or federal law or applicable regulations, including rules and regulations of the Securities and Exchange Commission and any stock exchange on which the Company's shares may be listed, in connection with the grants under the Plan. The foregoing notwithstanding, the Company shall not be obligated to issue or deliver Common Stock under the Plan if issuance or delivery would violate state or federal securities laws.

13. **Employment and Service Rights.** Nothing in the Plan or any award pursuant to the Plan shall (i) confer upon any employee any right to be continued in the employment of an Employer or interfere in any way with the Employer's right to terminate the employee's employment at will at any time, for any reason, with or without cause, or to decrease the employee's compensation or benefits, or (ii) confer upon any person engaged by an Employer or the Company any right to be retained or employed by the Employer or the Company or to the continuation, extension, renewal or modification of any compensation, contract or arrangement with or by the Employer or the Company.

14. **Rights as a Shareholder.** The recipient of any award under the Plan shall have no rights as a shareholder with respect to any shares of Common Stock until the recipient becomes the holder of record of those shares. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date occurs before the date the recipient becomes the holder of record.







**Important Notice Regarding the Availability of Proxy Materials for the Annual and Special Meeting:**

The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).