

FEDERATED NATIONAL HOLDING CO
Form DEF 14A
July 18, 2017

United States
Securities and Exchange Commission
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

FEDERATED NATIONAL HOLDING COMPANY
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Federated National Holding Company
14050 N.W. 14 Street, Suite 180
Sunrise, Florida 33323

July 25, 2017

Dear Shareholder:

On behalf of the Board of Directors and management of Federated National Holding Company, you are cordially invited to join us at the 2017 Annual Shareholders Meeting to be held at 11:00 a.m. (Eastern Time) on September 12, 2017 at the DoubleTree by Hilton Hotel Sunrise – Sawgrass Mills, 13400 West Sunrise Boulevard, Sunrise, Florida 33323.

Attached to this letter are a Notice of Annual Meeting of Shareholders, Proxy Statement which describes the business to be conducted at the meeting, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. We also will report on matters of current interest to our shareholders.

At this year's meeting, you will be asked to:

- (1) elect one director nominee listed in the Proxy Statement;
- (2) consider a non-binding advisory vote to approve the Company's executive compensation;
- (3) consider a proposal to amend the Company's Amended and Restated 2012 Stock Incentive Plan to implement prohibitions on repricing and establish a minimum vesting requirement; and
- (4) ratify the appointment of our independent registered public accounting firm for 2017.

The Board of Directors recommends that you vote FOR the nominee listed in Proposal 1 and FOR Proposals 2, 3 and 4.

Your vote is important. Whether you own a few shares or many, and whether or not you plan to attend the Annual Meeting in person, it is important that your shares be represented and voted at the meeting. You may vote your shares by proxy on the Internet, by telephone, or by completing, signing and promptly returning a proxy card, or you may vote in person at the Annual Meeting.

Thank you for your continued support of Federated National Holding Company.

Sincerely,
Bruce F. Simberg
Chairman of the Board

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FEDERATED NATIONAL HOLDING COMPANY
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON SEPTEMBER 12, 2017

To the Shareholders of Federated National Holding Company:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of Federated National Holding Company, a Florida corporation (the "Company"), will be held at the DoubleTree by Hilton Hotel Sunrise – Sawgrass Mills, 13400 West Sunrise Boulevard, Sunrise, Florida 33323, at 11:00 a.m. (Eastern Time) on September 12, 2017 for the following purposes:

1. To elect one Class III director to serve until our annual meeting in 2020;
2. To hold a non-binding advisory vote on the Company's executive compensation;
3. To amend the Company's Amended and Restated 2012 Stock Incentive Plan to implement prohibitions on repricing and establish a minimum vesting requirement;
4. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2017 fiscal year; and
5. To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on July 13, 2017 as the record date for determining those shareholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

Whether or not you expect to be present, please sign, date and return the enclosed proxy card in the pre-addressed envelope provided for that purpose as promptly as possible. No postage is required if mailed in the United States.

By Order of the Board of Directors,
Rebecca L. Sanchez, Corporate Secretary

Sunrise, Florida
July 25, 2017

ALL SHAREHOLDERS ARE INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. THOSE SHAREHOLDERS WHO ARE UNABLE TO ATTEND ARE RESPECTFULLY URGED TO EXECUTE AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE. SHAREHOLDERS WHO EXECUTE A PROXY MAY NEVERTHELESS ATTEND THE ANNUAL MEETING, REVOKE THEIR PROXY AND VOTE THEIR SHARES IN PERSON.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON SEPTEMBER 12, 2017. The Company's notice of annual meeting, proxy statement and 2016 Annual Report on Form 10-K, as amended, are available on the Internet at <https://materials.proxyvote.com/31422T>.

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FEDERATED NATIONAL HOLDING COMPANY

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON SEPTEMBER 12, 2017

PROXY STATEMENT

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Federated National Holding Company of proxies to be voted at our 2017 Annual Meeting of Shareholders to be held on September 12, 2017, at 11:00 a.m. (Eastern Time) at the DoubleTree by Hilton Hotel Sunrise – Sawgrass Mills, 13400 West Sunrise Boulevard, Sunrise, Florida 33323, and at any postponements or adjournments thereof. In this proxy statement, Federated National Holding Company is referred to as the “Company,” “we,” “our” or “us.”

The approximate date that this proxy statement and the enclosed form of proxy are first being sent to our shareholders is July 25, 2017. You should review the information provided in this proxy statement with our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which is being delivered to shareholders simultaneously with this proxy statement.

GENERAL INFORMATION

Who is entitled to vote at the 2017 Annual Meeting?

Your board has set the close of business on July 13, 2017 as the record date for determining those shareholders entitled to notice of, and to vote on, all matters that may properly come before the Annual Meeting. As of the record date, the Company had approximately 13,434,480 outstanding shares of common stock entitled to notice of, and to vote at, the Annual Meeting. No other securities are entitled to vote at the Annual Meeting. Only shareholders of record on such date are entitled to notice of, and to vote at, the Annual Meeting.

What are the voting rights of shareholders?

Each shareholder of record is entitled to one vote for each share of the Company’s common stock that is owned as of the close of business on the record date on all matters to come before the Annual Meeting. Under our Amended and Restated Articles of Incorporation, as amended (the “Articles of Incorporation”), shareholders do not have cumulative voting rights in the election of directors.

How many votes must be present to hold the Annual Meeting?

To conduct business at the Annual Meeting, a quorum must be present. The attendance, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock entitled to vote on the matters being considered at the Annual Meeting is necessary to constitute a quorum. For purposes of determining whether a quorum exists, we count proxies marked “withhold authority” as to any director nominee or “abstain” as to a particular proposal as being present at the meeting. Shares represented by a proxy as to which there is a “broker non-vote” (that is, where a broker holding your shares in “street” or “nominee” name indicates to us on a proxy that you have given the broker the discretionary authority to vote your shares on some but not all matters), will also be considered present at the meeting for purposes of determining whether a quorum exists.

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How do I vote my shares?

We use the “Notice and Access” method of providing proxy materials to you via the Internet. We believe that this process provides you with a convenient and quick way to access your proxy materials and vote your shares, while allowing us to conserve natural resources and reduce the costs of printing and distributing the proxy materials. On or about July 25, 2017, we will mail to many of our shareholders a Notice of Internet Availability of Proxy Materials (“Notice”) containing instructions on how to access our proxy statement and Form 10-K and vote electronically via the Internet. The Notice also contains instructions on how to receive a paper copy of your proxy materials. We will not be mailing this Notice to shareholders who had previously elected to receive notices, access our proxy materials and vote via the Internet, or who had previously elected to receive paper copies of our proxy materials.

In addition, to ensure we achieve a quorum for the Annual Meeting and facilitate voting by our shareholders, we will mail paper copies of our proxy materials to beneficial holders of at least 1,000 shares of our common stock, to shareholders who have specifically requested receipt of paper copies of our proxy materials, and to all registered holders.

To vote by mail, please sign, date and return to the Company as soon as possible the enclosed proxy card. An envelope with postage paid, if mailed in the United States, is provided for this purpose. Properly executed proxies that are received in time and not subsequently revoked will be voted as instructed on the proxies. If you vote by Internet as described above, you need not also mail a proxy to the Company.

You may vote by ballot in person at the Annual Meeting. If you want to vote by ballot, and you hold your shares in street name (that is, through a bank or broker), you must obtain a legal proxy from that organization and bring it to the Annual Meeting. Even if you plan to attend the Annual Meeting, you are encouraged to submit a proxy card or vote by Internet to ensure that your vote is received and counted. If you vote in person at the Annual Meeting, you will revoke any prior proxy you may have submitted.

Will my shares be voted if I do not provide instructions to my broker or nominee?

If you hold shares through an account with a bank or broker, the voting of the shares by the bank or broker when you do not provide voting instructions is governed by the rules of the New York Stock Exchange. In uncontested solicitations, these rules allow banks and brokers to vote shares in their discretion on “routine” matters for which their customers do not provide voting instructions. On matters considered “non-routine,” banks and brokers may not vote shares without your instruction. Shares that banks and brokers are not authorized to vote are referred to as “broker non votes.” Therefore, if you hold your shares in the name of your broker (sometimes called “street name” or “nominee name”) and you do not provide your broker with specific instructions regarding how to vote on any proposal to be voted on at the Annual Meeting, your broker will not be permitted to vote your shares on non-routine proposals. The only proposal to be voted on at the Annual Meeting that is considered a routine proposal is Proposal 4 regarding the ratification of the Audit Committee’s appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2017 fiscal year. All other proposals to be voted on at the Annual Meeting are considered non-routine. Therefore, if you want your vote to be counted on any proposal to be considered at the Annual Meeting, other than Proposal 4, you must instruct your bank or broker how to vote your shares. If you do not provide voting instructions, no votes will be cast on your behalf with respect to such proposals.

What vote is required?

The election of the Board’s nominee for election to the Board of Directors at the Annual Meeting is expected to be an uncontested election. As such, as a result of the recent amendment of the Company’s Amended and Restated Bylaws (the “Bylaws”) to require that directors be elected by a majority of the votes cast, a director will be elected only if a

majority of the votes cast for the director exceeds the number of votes cast against the director.

Proposal 2 is a non-binding advisory proposal. For Proposals 3 and 4, the votes cast favoring the proposal must exceed the votes cast against the proposal.

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If a shareholder provides specific voting instructions, his or her shares will be voted as instructed. If a shareholder holds shares in his or her name and returns a properly executed proxy without giving specific voting instructions, the shareholder's shares will be voted "FOR" the Board's nominee for directors and "FOR" the remaining proposals, as indicated below. In tabulating the votes for any particular proposal, shares that constitute broker non-votes or abstentions will not be counted as votes cast for any non-routine proposal. Thus, broker non-votes and abstentions will not be counted as votes cast "FOR" or "AGAINST" for any of the proposals except for Proposal 4.

How does the Board of Directors recommend that I vote?

Your board unanimously recommends that you vote as follows:

Proposal	Board Recommendation	For More Information, See Page
(1) Election of one Class III director to serve until our annual meeting in 2020	FOR EACH NOMINEE	8
(2) Non-binding advisory vote on the Company's executive compensation	FOR	37
(3) Amendment to the Company's Amended and Restated 2012 Stock Incentive Plan to implement prohibitions on repricing and establish a minimum vesting requirement	FOR	38
(4) Ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2017 fiscal year	FOR	45

We will also consider other business, if any, that is properly presented at the Annual Meeting. At the time of mailing this proxy statement, however, we are not aware of any matters to be presented at the Annual Meeting other than those described in this proxy statement.

How have the Company's corporate governance practices been updated recently?

We have continued to grow significantly, both in revenues and market capitalization, in recent years. Accordingly, we have updated our corporate governance practices, both to reflect that we are a larger company and to reflect how good corporate governance practices have evolved. We have made the following changes to our corporate governance practices:

§ We continue to separate the roles of Chairman of the Board and Chief Executive Officer.

§ We updated the composition of our Board so that six of our seven members are independent.

§ We have implemented majority voting for directors in uncontested elections.

§ We have approved corporate governance guidelines that memorialize our corporate governance practices and procedures.

§ We have amended the Company's articles and bylaws to reduce the supermajority requirements to amend certain provisions or call a special meeting to a majority of shares outstanding.

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We have adhered to the strictest definitions of “independence” in determining the members of our Compensation and § Nominating committees.

We have also updated our executive compensation programs and practices to reflect evolving governance practices and shareholder feedback. Please see our Compensation Discussion and Analysis on page 19 for a full discussion of these changes.

How will my shares be voted if I mark “Abstain” on my proxy card?

We will count a properly executed proxy card marked “Abstain” as present for purposes of determining whether a quorum is present, but abstentions will not be counted as votes cast for or against any given matter.

What does it mean if I receive more than one proxy card or voting instruction form?

If you hold your shares in more than one account, you will receive a proxy card or voting instruction form for each account. To ensure that all of your shares are voted, please vote using each proxy card or voting instruction form you receive or, if you vote by Internet, you will need to enter each of your Control Numbers. Remember, you may vote by Internet or by signing, dating and returning the proxy card in the postage-paid envelope provided.

Who will solicit proxies on behalf of the Board?

Proxies may be solicited on behalf of the Board of Directors, without additional compensation, by the Company’s directors, officers and regular employees. The original solicitation of proxies by mail may be supplemented by telephone, telegram, facsimile, electronic mail, and personal solicitation by our directors, officers or other regular employees (who will receive no additional compensation for such solicitation activities). You may also be solicited by advertisements in periodicals, press releases issued by us and postings on our corporate website. Unless expressly indicated otherwise, information contained on our corporate website is not part of this proxy statement. We have engaged MacKenzie Partners, Inc., 105 Madison Avenue, New York, NY 10016, to assist with the solicitation of proxies for an estimated fee of \$15,000 plus expenses.

Who will bear the cost of the solicitation of proxies?

The entire cost of soliciting proxies, including the costs of preparing, assembling, printing and mailing this proxy statement, the proxy card and any additional soliciting materials furnished to shareholders, will be borne by the Company. Copies of solicitation material will be furnished to banks, brokerage houses, dealers, banks, voting trustees, their respective nominees and other agents holding shares in their names, which are beneficially owned by others, so that they may forward such solicitation material, together with our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, to beneficial owners. In addition, we will reimburse these persons for their reasonable expenses in forwarding these materials to the beneficial owners upon request.

May I attend the Annual Meeting?

Only holders of the Company’s shares as of the record date are entitled to attend the Annual Meeting. If you are a shareholder of record, please be prepared to provide proper identification, such as a driver’s license or state identification card. If you hold your shares in “street name,” you will need to provide proof of ownership, such as a recent account statement or letter from your bank, broker or other nominee, along with proper identification. The Company reserves the right to deny admittance to anyone who cannot adequately show proof of share ownership as of the record date. No large bags, briefcases or packages will be permitted into the Annual Meeting.

May I record or take pictures at the Annual Meeting?

No cameras, recording equipment, sound equipment or video equipment will be permitted in the meeting room.

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Can the Annual Meeting date be changed?

The Annual Meeting may be adjourned or postponed without notice other than by an announcement made at the Annual Meeting, if approved by the holders of a majority of the shares represented and entitled to vote at the Annual Meeting. No proxies voted against approval of any of the proposals will be voted in favor of adjournment or postponement for the purpose of soliciting additional proxies. If we postpone the Annual Meeting, we will issue a press release to announce the new date, time and location of the Annual Meeting.

Where and when will I be able to find the voting results?

You can find the official results of the voting at the Annual Meeting in our Current Report on Form 8-K that we will file with the Securities and Exchange Commission within four business days after the Annual Meeting. If the official results are not available at that time, we will provide preliminary voting results in the Form 8-K and will provide the final results in an amendment to the Form 8-K as soon as practicable after they become available.

What is the Company's Internet address?

The Company's Internet address is <http://www.FedNat.com>. You can access this proxy statement and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 at this Internet address. The Company's filings with the SEC are available free of charge via a link from this address. Unless expressly indicated otherwise, information contained on our website is not part of this proxy statement. In addition, none of the information on any other website listed in this proxy statement is part of this proxy statement. Any such website addresses are intended to be inactive textual references only.

Who can answer my questions?

Your vote at this year's meeting is important, no matter how many or how few shares you own. Please sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope promptly or vote by Internet or telephone. If you have questions or require assistance in the voting of your shares, please call the Company's Corporate Secretary at (800) 293-2532.

How can I obtain additional copies of these materials or copies of other documents?

Complete copies of this proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 are also available on our website at www.FedNat.com and also may be obtained by contacting our Corporate Secretary by phone at (800) 293-2532 or by mail to the Corporate Secretary, 14050 N.W. 14 Street, Suite 180, Sunrise, Florida 33323.

BENEFICIAL SECURITY OWNERSHIP

The following table sets forth, as of July 13, 2017, information with respect to the beneficial ownership of our common stock by (i) each person who is known by us to beneficially own 5% or more of our outstanding common stock, (ii) each of our executive officers named in the Summary Compensation Table in the section "Executive Compensation," (iii) each of our directors, and (iv) all directors and executive officers as a group.

As used herein, the term beneficial ownership with respect to a security is defined by Rule 13d-3 under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") as consisting of sole or shared voting power (including the power to vote or direct the vote) and/or sole or shared investment power (including the power to dispose or direct the disposition of) with respect to the shares through any contract, arrangement, understanding, relationship or otherwise,

including a right to acquire such power(s) during the next 60 days. Unless otherwise noted, beneficial ownership consists of sole ownership, voting and investment rights, and the address for each person is c/o Federated National Holding Company, 14050 N.W. 14 Street, Suite 180, Sunrise, Florida 33323.

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Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned	Percent of Class Outstanding (1)
Bruce F. Simberg (2)	502,307	3.74%
Michael H. Braun (3)	527,020	3.92%
Richard W. Wilcox Jr. (4)	184,418	1.37%
Carl Dorf (5)	175,442	1.30%
Jenifer G. Kimbrough (6)	37,203	*
Thomas A. Rogers (7)	12,161	*
William G. Stewart (8)	12,161	*
Ronald A. Jordan (9)	10,000	*
Erick A. Fernandez (10)	3,300	*
All directors and executive officers as a group (nine persons) (11)	1,464,012	10.78%
5% or greater holders:		
Douglas Ruth (12)		
Lenox Capital Management, Inc. (12)		
322 Alana Drive	1,310,376	9.75%
New Lenox, IL 60451		
BlackRock, Inc. (13)		
55 East 52 nd Street	955,850	7.11%
New York, NY 10022		
Dimensional Fund Advisors LP (14)		
Palisades West, Building One		
6300 Bee Cave Road	825,137	6.14%
Austin, TX 78746		
Renaissance Technologies Holdings Corporation (15)		
Renaissance Technologies LLC		
800 Third Avenue	703,655	5.24%
New York, NY 10022		

*Less than 1%.

Unless otherwise indicated, the address of each beneficial owner listed is c/o Federated National Holding (1) Company, 14050 N.W. 14 Street, Suite 180, Sunrise, Florida 33323. The percentage of class outstanding is based on 13,434,480 shares outstanding as of July 13, 2017.

Includes 2,435 shares of restricted stock, which began vesting over three years with an initial vest date of March (2) 10, 2017 and 3,289 shares of restricted stock, which will vest over three years with an initial vest date of March 14, 2018.

Includes 40,000 shares of restricted stock, which began vesting over five years with an initial vest date of August 5, 2014, 27,000 shares of restricted stock, which began vesting over five years with an initial vest date of September 9, 2015, 30,000 shares of restricted stock, which began vesting over five years with an initial vest date of December 9, 2015, 10,999 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2016, 30,000 shares of restricted stock, which began vesting over five years with an initial vest date of May 5, 2016, 25,052 shares of restricted stock, which began vesting over five years with an initial vest date of March 10, 2017 and 68,530 shares of restricted stock, which will cliff vest over three years based on performance with an initial vest date of March 14, 2018.

Includes 3,000 shares of common stock held in Mr. Wilcox's IRA, 40,000 shares of common stock held by Mr. Wilcox's spouse, 6,000 shares of restricted stock, which began vesting over five years with an initial vest date of September 9, 2015, 695 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2016, 2,435 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017 and 3,289 shares of restricted stock which will vest over three years with an initial vest date of March 14, 2018.

Includes 63,491 shares of common stock held by Dorf Trust, 59,624 shares of common stock held by Carl Dorf Rollover IRA, 6,000 shares of restricted stock, which began vesting over five years with an initial vest date of September 9, 2015, 695 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2016, 2,435 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017, 3,289 shares of restricted stock which will vest over three years with an initial vest date of March 14, 2018 and 25,000 shares of common stock issuable upon the exercise of vested stock options held by Mr. Dorf.

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Includes 6,000 shares of restricted stock, which began vesting over five years with an initial vest date of September 9, 2015, 695 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2016, 2,435 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017, 3,289 shares of restricted stock which will vest over three years with an initial vest date of March 14, 2018 and 15,000 shares of common stock issuable upon the exercise of vested stock options held by Ms. Kimbrough.

(7) Includes 2,435 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017, 4,176 shares of restricted stock, which began vesting over five years with an initial vest date of March 10, 2017 and 3,289 shares of restricted stock, which will vest over three years with an initial vest date of March 14, 2018.

(8) Includes 2,435 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017, 4,176 shares of restricted stock, which began vesting over five years with an initial vest date of March 10, 2017 and 3,289 shares of restricted stock which will vest over three years with an initial vest date of March 14, 2018.

(9) Includes 10,000 restricted shares, which will vest over five years with an initial vest date of May 12, 2018.

(10) Includes 2,200 shares of restricted stock, which began vesting over three years with an initial vest date of March 10, 2017.

(11) Includes a total of 306,562 shares of restricted stock, 40,000 which began vesting over five years with an initial vest date of August 5, 2014; 45,000 which began vesting over five years with an initial vest date of September 9, 2015; 30,000 which began vesting over five years with an initial vest date of December 9, 2015; 13,084 which began vesting over three years with an initial vest date of March 10, 2016; 30,000 which began vesting over five years with an initial vest date of May 5, 2016; 41,862 which began vesting over three years with an initial vest date of March 10, 2017; 8,352 which began vesting over five years with an initial vest date of March 10, 2017; 19,734 which will vest over three years with an initial vest date of March 14, 2018, 68,530 which will cliff vest over three years based on performance with an initial vest date of March 14, 2018 and 10,000 which will vest over five years with an initial vest date of May 12, 2018.

(12) This information is based on Amendment No. 1 to the Schedule 13G/A filed with the SEC on April 25, 2017

(13) This information is based on Amendment No. 2 to the Schedule 13G/A filed with the SEC on January 24, 2017.

(14) This information is based on Amendment No. 7 to the Schedule 13G/A filed with the SEC on February 9, 2017.

(15) This information is based on Schedule 13G filed with the SEC on February 14, 2017.

PROPOSAL ONE: ELECTION OF DIRECTORS

Nominee for Re-Election

Our Articles of Incorporation provide that our Board of Directors consists of three classes of directors, as nearly equal in number as possible, designated Class I, Class II and Class III, and provides that the exact number of directors comprising our Board of Directors will be determined from time to time by resolution adopted by the Board. At each annual meeting of shareholders, successors to the class of directors whose terms expire at that annual meeting are elected for a three-year term.

Our Board of Directors is currently composed of seven members. The current term of the Class III directors, Carl Dorf and Thomas A. Rogers, expires at this Annual Meeting. Mr. Rogers has been nominated for re-election to the Board and Mr. Dorf will retire at the end of his current term. If re-elected, Mr. Rogers will serve until the 2020 annual meeting. Mr. Dorf's retirement concludes his more than 15 years of service as a member of the Company's Board of Directors. The Board expresses its gratitude to him for his contributions to the Company's success.

The term of the Class II directors, Bruce F. Simberg, Richard W. Wilcox Jr. and William G. Stewart, terminates at our 2018 annual meeting. The term of the Class I directors, Michael H. Braun and Jenifer G. Ki