

DIAMOND HILL INVESTMENT GROUP INC  
Form DEF 14A  
March 11, 2014  
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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  
(Amendment No. )

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 §240.14a-12

Diamond Hill Investment Group, Inc.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

Form, Schedule or Registration Statement No.:

(2)

Filing Party:

(3)

Date Filed:

(4)

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DIAMOND HILL INVESTMENT GROUP, INC.  
ANNUAL LETTER TO SHAREHOLDERS

March 12, 2014

Dear Fellow Shareholders:

The asset management industry is not complex but neither is it easy, especially as an active manager. Our fiduciary responsibility to our clients is crystal clear. We fulfill that responsibility by providing investment strategies that we believe will deliver long-term value to our clients' portfolios and then by communicating accurately the degree to which we have succeeded in that endeavor.

Similarly, our corporate goal is to provide a return to our owners commensurate with the risk of our enterprise. This is measured by the capital returned to shareholders and the growth in the intrinsic value per share.

I am pleased that, since inception, we have generally met this dual mission of delivering value to our clients and to our shareholders. Going forward, while our mission remains clear, it continues to be challenging as we experience countervailing winds: the benefit of more resources, offset by larger assets under management (AUM). Therefore, continuous improvement is required in all areas of the firm.

Firm Sustainability

Succession planning is one of the most important responsibilities of any firm, and we made significant progress in 2013. Late last year, Chris Bingaman was named President of Diamond Hill Capital Management, Inc., and Lisa Wesolek was named Chief Operating Officer. Chris and Lisa are among the people who will be the future executive leadership and in fact already have increasing influence on the management of the firm as members of the Senior Management Team appointed in December 2012. As a portfolio manager, Chris understands the importance of our fiduciary responsibility and will maintain our primary investment focus. Given the competitive nature of our industry, client service and retention is also important to our future growth and sustainability, and Lisa's experience will be invaluable.

It is expected that Chris will succeed me as Chief Executive Officer in January 2016. As I wrote in the Diamond Hill annual shareholder letter in March 2011, I intend to continue to serve as a portfolio manager after that time. In addition, effective January 1, 2014, I assumed the role of Vice Chairman of the Diamond Hill Investment Group Board, and it is expected that I will succeed Don Shackelford as Board Chairman in 2015 when his term expires.

Attracting and retaining talented investment personnel is also key to firm sustainability. Our research team has continued to grow in numbers and experience, led by Co-Directors of Research Rick Snowdon and Austin Hawley. At the end of 2013, we had 17 research analysts and 7 research associates, which we believe necessary for the depth of analysis required to accomplish our goals. The growth of this team has paralleled the growth in AUM, and we hope to see continued growth in both. Importantly, we have had no turnover in our equity portfolio manager or our research analyst ranks since the firm's inception.

Co-Chief Investment Officer Chris Welch leads our newest strategy, which is a Mid Cap strategy that overlaps with Chuck Bath's Large Cap strategy and Chris' own Small-Mid Cap strategy. We believe that this offering addresses an important market segment and can be managed efficiently given our existing strategies. We will only offer strategies in areas where we believe we can meet our fiduciary responsibility to new clients without diminishing our ability to meet that responsibility to our clients in existing strategies.



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At the end of 2013, we completed an initiative to refresh our brand, including a new logo and website. Each of the colors in our new logo was carefully chosen to represent one of the core principles in our mission statement, serving as a subtle yet tangible reminder of our commitment and our distinctive culture. Our commitment to an intrinsic value-based investment philosophy, long-term perspective, disciplined approach, and alignment with our clients' interests remains unchanged, as it has since our firm's inception.

### Financial Results: Shareholder Value

Revenue was \$81 million in 2013 compared with \$67 million in 2012 and \$47 million in 2008. AUM finished the year at \$12.2 billion, up 30% from 2012 and 170% from 2008. Our 37.7% operating margin was slightly higher than last year's margin of 36.6%. Our strong financial results in 2013 were primarily a reflection of the very strong U.S. equity markets. The U.S. financial markets have rebounded considerably from the depths of the financial crisis. As a result, we believe it is highly unlikely that equity market returns will rival returns over the past five years, which certainly impacts our growth in revenues and profits.

Six years ago, Diamond Hill paid its first cash dividend, and we have paid a cash dividend each year since. In total, we have paid \$49 per share in cash dividends, about 57% of which represented a return of capital. It is important to note that during the past six years, our tangible book value per share declined due to these dividends, from \$17.52 at the end of 2007 to \$13.80 at the end of 2013. The \$49 per share in dividends and the \$3.72 decline in tangible book value per share results in a net of \$45.28 per share, which represents one measure of change in shareholder value during the past six years, an annualized rate of 17% percent for the six years. While tangible book value is a component of intrinsic value, the percentage of intrinsic value it represents varies considerably between companies.

This analysis is comparable to another popular measure: total shareholder return (TSR), which takes into account both cash returned to shareholders and change in stock price. For Diamond Hill, this also equates to approximately 15% annualized over the past six years. While the current stock price represents the market's estimate of a company's intrinsic value, a premise of our investment philosophy is that price and intrinsic value often differ, sometimes substantially. Thus, we believe the relevant measure of value creation, in addition to cash returned to shareholders, is the change in Diamond Hill's intrinsic value.

### The Next Five Years

During the next five years, and always, our top priority is to meet our fiduciary duty to clients. Adding value to our clients' portfolios through our disciplined investment process is imperative for retaining and growing our client base. Secondly, adding new strategies that fit well with our existing strategies, like our new Mid Cap strategy, is something we will consider. Over the past few years, we have expanded our research effort to include more international companies. A deeper understanding of non-U.S. based companies not only allows us to be better investors, but also may lead to a global strategy in the future. Finally, additional tangential business opportunities, like our Beacon Hill subsidiary, are possible, but only when we believe that such opportunities would increase the intrinsic value of our entire firm.

We are a financially strong, well-positioned firm operating in a very competitive industry. While I would not want us to underestimate the various challenges, I believe that we will continue to build upon our past successes and to reward clients, shareholders, and associates accordingly. A special thanks to our Board of Directors who have supported me in those efforts.

Sincerely,  
R. H. Dillon

President and Chief Executive  
Officer

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Diamond Hill Investment Group, Inc.  
325 John H. McConnell Boulevard, Suite 200  
Columbus, Ohio 43215

March 12, 2014

Dear Shareholders:

We cordially invite you to attend the 2014 Annual Meeting of Shareholders of Diamond Hill Investment Group, Inc. to be held at 325 John H. McConnell Blvd., Columbus, Ohio 43215, on Wednesday, April 30, 2014, at 2:00 p.m. Eastern Daylight Saving Time.

The attached Notice of Annual Meeting and Proxy Statement describe the formal business to be transacted at the meeting. During the meeting, we will also report on our operations and our directors and officers will be present to respond to any appropriate questions you may have. On behalf of the Board of Directors, we urge you to sign, date and return the enclosed proxy card as soon as possible, even if you currently plan to attend the Annual Meeting. This will not prevent you from voting in person, but will ensure that your vote is counted if you are unable to attend the Annual Meeting. Your vote is important, regardless of the number of shares you own.

Sincerely,  
R. H. Dillon  
President and Chief Executive Officer

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Diamond Hill Investment Group, Inc.  
325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON APRIL 30, 2014

Notice is hereby given that the 2014 Annual Meeting of Shareholders (the "Annual Meeting") of Diamond Hill Investment Group, Inc. (the "Company"), will be held at 325 John H. McConnell Blvd., Columbus, Ohio 43215, on Wednesday, April 30, 2014, at 2:00 p.m. Eastern Daylight Saving Time to consider and act upon the following matters:

- 1) the election of six directors to serve on the Company's Board of Directors until the Company's 2015 Annual Meeting of Shareholders and until their successors have been duly elected and qualified;
- 2) the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014;
- 3) the approval of the Diamond Hill Investment Group, Inc. 2014 Equity and Cash Incentive Plan;
- 4) amendments to the Company's Code of Regulations to separate the positions of President and Chief Executive Officer;
- 5) amendments to the Company's Code of Regulations to permit the Board of Directors to amend the Code of Regulations in accordance with Ohio law;
- 6) a non-binding, advisory resolution to approve the compensation of the Company's named executive officers; and
- 7) such other business as may properly come before the Annual Meeting or any adjournment thereof.

Action may be taken on the foregoing proposals at the Annual Meeting or at any adjournment of the Annual Meeting. The Board of Directors has fixed the close of business on March 6, 2014, as the record date for determination of the shareholders entitled to vote at the Annual Meeting and any adjournments thereof. Please complete, sign and date the enclosed form of proxy, which is solicited by the Company's Board of Directors, and mail it promptly in the enclosed envelope. Alternatively, you may vote by phone or electronically over the Internet in accordance with the instructions on the enclosed proxy. Returning the enclosed proxy card, or transmitting voting instructions electronically through the Internet or by telephone, does not affect your right to vote in person at the Annual Meeting. If you attend the Annual Meeting, you may revoke your proxy and vote in person if your shares are registered in your name.

PROMPTLY RETURNING YOUR PROXY WILL SAVE THE COMPANY THE EXPENSE OF MAKING FURTHER REQUESTS FOR PROXIES IN ORDER TO OBTAIN A QUORUM. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE. ALTERNATIVELY, REFER TO THE INSTRUCTIONS ON THE PROXY CARD TO TRANSMIT YOUR VOTING INSTRUCTIONS VIA THE INTERNET OR BY TELEPHONE.

By order of the Board of Directors,  
James F. Laird  
Secretary

Columbus, Ohio  
March 12, 2014

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 30, 2014:

The Proxy Statement and the 2013 Annual Report to Shareholders are available without charge at the following location:





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Diamond Hill Investment Group, Inc.  
325 John H. McConnell Boulevard, Suite 200  
Columbus, Ohio 43215

PROXY STATEMENT  
FOR THE ANNUAL MEETING OF SHAREHOLDERS OF  
DIAMOND HILL INVESTMENT GROUP, INC.  
TO BE HELD ON APRIL 30, 2014

This Proxy Statement is being furnished to the shareholders of Diamond Hill Investment Group, Inc., an Ohio corporation (the “Company”, “we”, “us” or “our”), in connection with the solicitation of proxies by our Board of Directors (the “Board”) for use at our 2014 Annual Meeting of Shareholders (the “Annual Meeting”) to be held on April 30, 2014, and any adjournment thereof. A copy of the Notice of Annual Meeting accompanies this Proxy Statement. This Proxy Statement and the enclosed proxy are first being mailed to shareholders on or about March 14, 2014. Only our shareholders of record at the close of business on March 6, 2014, the record date for the Annual Meeting, are entitled to notice of, and to vote at, the Annual Meeting.

The purposes of this Annual Meeting are:

- 1) To elect six directors to serve on our Board until our 2015 Annual Meeting of Shareholders and until their successors have been duly elected and qualified;
- 2) To consider and vote upon a proposal to ratify the appointment of KPMG LLP (“KPMG”) as our independent registered public accounting firm for the fiscal year ending December 31, 2014;
- 3) To consider and vote upon the approval of the Diamond Hill Investment Group, Inc. 2014 Equity and Cash Incentive Plan (the “2014 Incentive Plan”);
- 4) To consider and vote upon amendments to our Code of Regulations to separate the positions of President and Chief Executive Officer;
- 5) To consider and vote upon amendments to our Code of Regulations to permit the Board to amend the Code of Regulations in accordance with Ohio law;
- 6) To consider and vote upon a non-binding, advisory resolution to approve the compensation of our named executive officers; and
- 7) To transact such other business that may properly come before the Annual Meeting or any adjournment thereof.

Those common shares represented by (i) properly signed proxy cards received by us prior to the Annual Meeting or (ii) properly authenticated voting instructions recorded electronically over the Internet or by telephone prior to 11:59 p.m. Eastern Daylight Saving Time on April 29, 2014 and, in each case, that are not revoked, will be voted at the Annual Meeting as directed by the shareholders. If a shareholder submits a valid proxy and does not specify how the common shares should be voted, they will be voted as recommended by the Board. The proxy holders will use their best judgment regarding any other matters that may properly come before the Annual Meeting.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 30, 2014:**

The Proxy Statement and the 2013 Annual Report to Shareholders are available without charge at the following

location:

<http://ir.diamond-hill.com/GenPage.aspx?IID=112960&GKP=1073749012>

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QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

- Q: When and where will the Annual Meeting take place?  
A: The Annual Meeting will be held at 325 John H. McConnell Blvd., Columbus, Ohio 43215, on Wednesday, April 30, 2014, at 2:00 p.m. Eastern Daylight Saving Time. You may also listen live to the Annual Meeting via audio conference by calling 1-800-774-6070, and using confirmation code 8418 969# when prompted.
- Q: What may I vote on?  
A: At the Annual Meeting, you will be asked to consider and vote upon: (i) the election of six directors to serve on the Board until our 2015 Annual Meeting of Shareholders; (ii) the ratification of the appointment of KPMG as our independent registered public accounting firm for the fiscal year ending December 31, 2014; (iii) the approval and adoption of our 2014 Equity and Cash Incentive Plan; (iv) amendments to our Code of Regulations to separate the positions of President and Chief Executive Officer; (v) amendments to our Code of Regulations to permit the Board to amend the Code of Regulations in accordance with Ohio law; and (vi) a non-binding, advisory resolution to approve the compensation of our named executive officers.
- Q: What do I need to do now?  
A: After carefully reading this Proxy Statement, indicate on the enclosed proxy card how you want your shares to be voted and sign and mail the proxy card promptly in the enclosed envelope. Alternatively, you may vote by phone or over the Internet in accordance with the instructions on your proxy card. The deadline for transmitting voting instructions over the Internet or telephonically is 11:59 p.m. Eastern Daylight Saving Time on Tuesday, April 29, 2014. If you vote by phone or over the Internet you do not need to return a proxy card. You should be aware that if you vote over the Internet or by phone, you may incur costs associated with electronic access, such as usage charges from Internet service providers and telephone companies.
- Q: What does it mean if I get more than one proxy card?  
A: If your shares are registered in more than one account, you will receive more than one proxy card. If you intend to vote by mail, sign, date and return all proxy cards to ensure that all your shares are voted. If you are a record holder and intend to vote by telephone or over the Internet, you must do so for each individual proxy card you receive.
- Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?  
A: Many shareholders are beneficial owners, meaning they hold their shares in “street name” through a broker, bank or other nominee. As summarized below, there are some distinctions between shares held of record and those owned beneficially.
- Shareholder of Record. For shares registered directly in your name with the Company’s transfer agent, you are considered the shareholder of record and we are sending this Proxy Statement and related materials directly to you. As a shareholder of record, you have the right to vote in person at the Annual Meeting or you may grant your proxy directly to the Board’s designees by completing, signing and returning the enclosed proxy card, or transmitting your voting instructions over the Internet or by phone.
- Beneficial Owner. For shares held in “street name”, you are considered the beneficial owner and this Proxy Statement and related materials are being forwarded to you by your broker, bank or other nominee, who is the shareholder of record. As the beneficial owner, you have the right to direct your broker or other nominee on how to vote your shares. Your broker or nominee will provide you with information on the procedures you must follow to instruct them how to vote your shares or how to revoke previously given voting instructions.
- Q: If my shares are held in “street name” by my broker, will my broker vote my shares for me?  
A: Your broker will vote your shares in the manner you instruct, and you should follow the voting instructions provided to you by your broker. However, if you do not provide voting instructions to your broker, it may vote your shares in its discretion on certain “routine” matters. The ratification of the appointment of KPMG as our independent registered public accounting firm for the 2014 fiscal year is considered routine, and if you do not submit voting instructions, your broker may choose, in its discretion, to vote or not vote your shares on the ratification. [None of the other matters to be voted on at the Annual Meeting are routine, and your broker may not vote your shares on those matters without your instructions.]



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- Q: May I revoke my proxy or change my vote after I have mailed a proxy card or voted electronically over the Internet or by telephone?
- A: Yes. You can change your vote at any time before your proxy is voted at the Annual Meeting. If you are the record holder of the shares, you can do this in three ways:
- send a written statement to James F. Laird, our Secretary, stating that you would like to revoke your proxy, which must be received prior to the Annual Meeting;
  - send a newly signed and later-dated proxy card, which must be received prior to the Annual Meeting, or submit later-dated electronic voting instructions over the Internet or by telephone no later than 11:59 p.m. Eastern Daylight Saving Time on April 29, 2014; or
  - attend the Annual Meeting and revoke your proxy in person prior to the start of voting at the Annual Meeting or vote in person at the Annual Meeting (attending the Annual Meeting will not, by itself, revoke your proxy or a prior Internet or telephone vote).
- If you are a beneficial owner, you may change your vote by submitting new voting instructions to your broker or nominee, and you should review the instructions provided by your broker or nominee to determine the procedures you must follow.
- Q: Can I vote my shares in person at the Annual Meeting?
- A: You may vote shares held of record in person at the Annual Meeting. If you choose to attend, please bring the enclosed proxy card and a form of identification. If you are a beneficial owner and you wish to attend the Annual Meeting and vote in person, you will need a signed proxy from your broker or other nominee giving you the right to vote your shares at the Annual Meeting and a form of identification. To obtain directions to attend the Annual Meeting and vote in person, please call James F. Laird, the Company's Secretary, at (614) 255-3353 or visit the Company's website, [www.diamond-hill.com/contact](http://www.diamond-hill.com/contact).
- Q: How will my shares be voted if I submit a proxy without voting instructions?
- A: If you submit a proxy and do not indicate how you want your shares voted, your proxy will be voted on the matters presented as recommended by the Board. The Board's recommendations are set forth in this Proxy Statement.
- Q: Who can answer my questions about how I can submit or revoke my proxy or vote by phone or via the Internet?
- A: If you are a record shareholder and have more questions about how to submit your proxy, please call James F. Laird, the Company's Secretary, at (614) 255-3353. If you are a beneficial owner, you should contact your broker or other nominee to determine the procedures you must follow.

## PROCEDURAL MATTERS

### Record Date

Only our shareholders of record at the close of business on March 6, 2014, the record date, will be entitled to vote at the Annual Meeting. As of the record date, there were 3,285,998 of our common shares outstanding and entitled to vote at the Annual Meeting.

### Proxy

Your shares will be voted at the Annual Meeting as you direct on your signed proxy card or in your telephonic or Internet voting instructions. If you submit a proxy card without voting instructions, it will be voted as recommended by the Board. These recommendations are set forth in this Proxy Statement. The duly appointed proxy holders will vote in their discretion on any other matters that may properly come before the Annual Meeting.

### Voting

Each outstanding share may cast one vote on each separate matter of business properly brought before the Annual Meeting. If you hold shares in street name, we encourage you to instruct your broker or other nominee as to how to

vote your shares.

A shareholder voting in the election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to (i) the number of directors to be elected (six), multiplied by (ii) the number of shares held by the shareholder, or may distribute such shareholder's total votes among as many candidates as the shareholder may select. However, no shareholder will be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to voting and a shareholder has

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given us notice at least 48 hours prior to the Annual Meeting of the intention to cumulate votes. The proxies the Board is soliciting include the discretionary authority to cumulate votes. If cumulative voting occurs at the Annual Meeting, the proxies intend to vote the shares represented by proxy in a manner to elect as many of the six director nominees as possible. Cumulative voting only applies to the election of directors.

Director elections. The affirmative vote of the holders of a plurality of the shares present at the Annual Meeting, in person or by proxy, and entitled to vote is required for the election of directors. The six nominees receiving the most votes will be elected.

Ratification of selection of KPMG. The affirmative vote of a majority of the shares present at the Annual Meeting, in person or by proxy, and entitled to vote on the proposal is required to ratify the selection of KPMG as the Company's independent registered public accounting firm for fiscal year 2014.

Approval of the 2014 Incentive Plan. The affirmative vote of a majority of the shares present at the Annual Meeting, in person or by proxy, and entitled to vote on the proposal is required to approve the 2014 Incentive Plan.

Approval of the amendments to the Company's Code of Regulations to separate the positions of President and Chief Executive Officer. The affirmative vote of a majority of our outstanding shares is required to approve the amendments to our Code of Regulations.

Approval of the amendments to the Company's Code of Regulations to permit the Board of Directors to amend the Code of Regulations in accordance with Ohio law. The affirmative vote of a majority of our outstanding shares is required to approve the amendments to our Code of Regulations.

Advisory approval of named executive officer compensation. The affirmative vote of a majority of the shares present at the Annual Meeting, in person or by proxy, and entitled to vote on the proposal is required for shareholder advisory approval of the compensation of the Company's named executive officers.

Effect of broker non-votes and abstentions. Under the applicable regulations of the Securities and Exchange Commission (the "SEC") and the rules of exchanges and other self-regulatory organizations of which the brokers are members, brokers who hold common shares in street name may sign and submit proxies and may vote our common shares on certain "routine" matters. The ratification of KPMG is considered routine. Brokers may not vote street name shares on other matters without specific instructions from the customer who owns the shares. Proxies that are signed and submitted by brokers that have not been voted on certain matters are referred to as "broker non-votes."

Under applicable stock exchange rules, brokers are not permitted to vote without instruction in the election of directors, on the approval of the 2014 Incentive Plan, or the two proposals to amend our Code of Regulations. In addition, SEC regulations prohibit brokers from voting without customer instruction on the approval of named executive officer compensation. Neither broker non-votes nor abstentions will have any effect on the election of directors. Abstentions will have the same effect as a vote against the ratification of the appointment of KPMG, the 2014 Incentive Plan, and the advisory approval of named executive officer compensation; although, broker non-votes will have no effect on those proposals. Abstentions and broker non-votes will have the same effect as votes against the each of the proposals to amend our Code of Regulations.

## Quorum

Business can be conducted at the Annual Meeting only if a quorum, consisting of at least the holders of a majority of our outstanding shares entitled to vote, is present, either in person or by proxy. Abstentions and broker non-votes will be counted toward establishing a quorum. If a quorum is not present at the time the Annual Meeting is convened, a

majority of the shares represented in person or by proxy may adjourn the Annual Meeting to a later date and time, without notice other than announcement at the Annual Meeting. At any such adjournment of the Annual Meeting at which a quorum is present, any business may be transacted which might have been transacted at the Annual Meeting as originally called.

#### Solicitation; Expenses

We will pay all expenses of the Board's solicitation of the proxies for the Annual Meeting, including the cost of preparing, assembling and mailing the Notice, form of proxy and Proxy Statement, postage for return envelopes, the handling and expenses for tabulation of proxies received, and charges of brokerage houses and other institutions, nominees or fiduciaries for forwarding such documents to beneficial owners. We will not pay any electronic access charges associated with Internet or telephonic voting incurred by a shareholder. We may solicit proxies in person or by telephone, facsimile or e-mail, and our officers, directors and employees may also assist with solicitation, but will receive no additional compensation for doing so.

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No person is authorized to give any information or to make any representation not contained in this Proxy Statement, and you should not rely on any such information or representation. This Proxy Statement does not constitute the solicitation of a proxy in any jurisdiction from any person to whom it is unlawful to make such proxy solicitation in such jurisdiction. The delivery of this Proxy Statement shall not, under any circumstances, imply that there has not been any change in the information set forth herein since the date of this Proxy Statement.

Requests for Proxy Statement and Annual Report on Form 10-K; Internet Availability

Our Annual Report on Form 10-K for the year ended December 31, 2013, including audited consolidated financial statements, accompanies this Proxy Statement but is not a part of the proxy solicitation material. We are delivering a single copy of this Proxy Statement and the Form 10-K to multiple shareholders sharing an address unless we have received instructions from one or more of the shareholders to the contrary. We will promptly deliver a separate copy of the Proxy Statement and/or Form 10-K, at no charge, upon receipt of a written or oral request by a record shareholder at a shared address to which a single copy of the documents was delivered. Written or oral requests for a separate copy of the documents, or to provide instructions for delivery of documents in the future, may be directed to James F. Laird, Secretary of the Company, at 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215 or by phone at (614) 255-3333.

Additionally, this Proxy Statement and our Annual Report on Form 10-K are available on the internet free of charge at:

<http://ir.diamond-hill.com/GenPage.aspx?IID=112960&GKP=1073749012>.

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth beneficial ownership of our common shares as of the record date, March 6, 2014, by (a) all persons known by us to own beneficially five percent or more of the Company's outstanding shares, (b) each director and director nominee, (c) our Chief Executive Officer and Chief Financial Officer, and the President and Chief Operating Officer of Diamond Hill Capital Management, Inc., and (d) all of our executive officers, directors, and nominees as a group. Although not required, we have also decided to voluntarily disclose all common shares beneficially owned by all other employees of the Company, excluding the executive officers. Unless otherwise indicated, the named persons exercise sole voting and dispositive power over the shares listed. None of the named persons have any outstanding options.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class <sup>(1)</sup>
Christopher M. Bingaman	20,898	(2) *
R. H. Dillon	301,288	(2) 9.2 %
Randolph J. Fortener	6,000	*
James F. Laird	75,422	(2) 2.3 %
Donald B. Shackelford	11,705	(3) *
Bradley C. Shoup	6,000	*
Frances A. Skinner	6,935	*
Lisa M. Wesolek	31,107	(2) *
Directors, nominees, and executive officers as a group (8 persons)	459,355	14.0 %
All other employees of the Company (87 persons)	544,863	(4) 16.6 %
5% Beneficial Owners		
Royce & Associates, LLC <sup>(5)</sup>	202,329	6.2 %
BlackRock, Inc. <sup>(6)</sup>	188,208	5.7 %

Beneficial ownership of less than one percent is represented by an asterisk (\*). The percent of class is based upon (1)(a) the number of shares beneficially owned by the named person, divided by (b) the total number of shares which are issued and outstanding as of March 6, 2014 (3,285,998 shares).

Includes 2,434 shares, 2,901 shares, 3370 shares, and 697 shares for Mr. Bingaman, Mr. Dillon, Mr. Laird, and Ms. (2) Wesolek, respectively, which are held in the Company's 401(k) plan, over which the Trustee of the 401(k) Plan possesses the voting power and which are subject to restrictions on the power to dispose of these shares.

(3) Includes 11,705 shares for Mr. Shackelford that are held in Trust.

Includes all employees of Diamond Hill Investment Group, Inc. and its subsidiaries as of March 6, 2014, excluding executive officers. Each employee has sole voting power. Certain shares are subject to restrictions on the power to (4) dispose of the shares. The employees do not constitute a Group as defined by Rule 13d-1 of the Exchange Act.

Includes 64,641 shares held in the Company's 401(k) Plan, over which the Trustee of the 401(k) Plan possesses the voting power and which are subject to restrictions on the power to dispose of these shares.

The address for Royce & Associates, LLC is 745 Fifth Avenue, New York, NY 10151. Based on information (5) contained in a Schedule 13G filed with the SEC on January 8, 2014, by Royce & Associates, Inc, which reported Royce & Associates, Inc. has sole voting power and sole dispositive power over 202,329 shares.

The address for BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022. Based on information contained in (6) a Schedule 13G/A filed with the SEC on January 28, 2014, by BlackRock, Inc., which reported BlackRock, Inc. has sole voting power over 183,334 shares and sole dispositive power over 188,208 shares on behalf of its subsidiaries.

## SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires executive officers and directors, and persons who beneficially own more than ten percent of the Company's shares, to file with the SEC initial reports of ownership on Form 3 and reports of changes in ownership on Form 4 and Form 5. Executive officers, directors and persons who beneficially own more

than ten percent of the Company's securities are required by SEC regulations to furnish to the Company copies of all Section 16(a) reports they file with the SEC. Based solely upon a review of the Forms 3, 4 and 5 furnished to the Company by these persons and statements made by these persons that no other Section 16(a) reports were required to be filed by them, there were, to the Company's knowledge, no late or unfiled reports during the year ended December 31, 2013.

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PROPOSAL 1 — ELECTION OF DIRECTORS

The Board guides the strategic direction of the Company and oversees its management. All of our directors are elected annually. Peter J. Moran, who has served as a director of the Company since 2011 and is the chairman of the Nominating and Governance Committee, has not been renominated and is retiring from the Board at the Annual Meeting. The Board would like to thank Mr. Moran for his dedicated service to the Company. Although we presently have seven directors, as a result of Mr. Moran's departure from the Board, the Board has reduced the number of directors from seven to six. Mr. Moran will continue to serve until his term expires at the Annual Meeting, at which time the reduction to six directors will take effect. Thus, the Board is nominating six nominees for election.

Pursuant to the recommendation of the Nominating and Governance Committee, the Board has nominated the six nominees listed below for reelection, all of whom are incumbents, to hold office until the next annual meeting of shareholders and until their respective successors are elected and qualified. If any nominee becomes unable or unwilling to serve between the date of this proxy statement and the Meeting, proxies will be voted FOR the election of a replacement recommended by the Nominating and Governance Committee and approved by the Board.

Director Independence

The Board has determined that, with the exception of Mr. Dillon and Mr. Laird, all of our current directors are independent under the rules and independence standards of The NASDAQ Stock Market ("NASDAQ"), as well as applicable SEC requirements. There are no family relationships among our directors and executive officers.

The Nominees

The Board has determined that all of our director nominees are qualified to serve as directors of the Company. In addition to the specific business experience listed below, each of our director nominees has the tangible and intangible skills and attributes that we believe are required to be an effective director of the Company, including experience at senior levels in areas of expertise helpful to the Company, a willingness and commitment to assume the responsibilities required of a director, and the character and integrity we expect of our directors. The specific qualifications of each individual nominee are set forth under his or her name below.

R. H. Dillon, CFA, age 57, has been a director of the Company since 2001, and the President and CEO of the Company since 2000. Prior to joining the firm in 2000, Mr. Dillon had been employed as a portfolio manager by Loomis, Sayles & Company since 1997. Mr. Dillon has over 30 years of experience in the investment management industry.

Mr. Dillon received his BS and MA from The Ohio State University and his MBA from University of Dayton. Mr. Dillon also holds the Chartered Financial Analyst designation.

The Board believes that Mr. Dillon's qualifications to serve on the Board include his 13 years of experience as CEO and a Portfolio Manager of the Company, his in depth knowledge and involvement in our operations and his more than 30 years of experience as an investment professional.

Randolph J. Fortener, age 60, has been an independent director of the Company since 2013, is the chair of the Audit Committee, and serves on the Nominating and Governance Committee. Mr. Fortener has worked at the Crane Group, a private holding and management company, based in Columbus, Ohio, since 1990 and currently serves as the executive vice president of Crane Investment Company. In such capacity, Mr. Fortener directs all investment and acquisition activity for the company. Prior to joining the Crane Group, Mr. Fortener was a partner at Deloitte & Touche LLP, a big four accounting firm, providing services to investment banking firms. Mr. Fortener also specialized in estate and tax planning for privately held businesses while with Deloitte. Mr. Fortener has over 35 years

of business experience, with an emphasis on corporate acquisitions and investments.

Mr. Fortener has served on numerous corporate boards and has served as chairman for many of them. Currently, Mr. Fortener is an appointed board member of the Columbus Metropolitan Library and serves on the board of The Breathing Association.

Mr. Fortener received a BS in accounting from The University of Findlay and an MBA in finance from the University of Dayton and is a Certified Public Accountant (inactive).

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Mr. Fortener's qualifications to serve on the Board include his substantial experience in accounting and financial matters, including his significant experience as a certified public accountant, his current role as President of Crane Investment Company, and his experience on other corporate boards.

James F. Laird, CPA, age 57, has been a director of the Company since 2011, and the Chief Financial Officer, Secretary and Treasurer of the Company and President of Diamond Hill Funds since 2001. Prior to joining the firm in 2001, Mr. Laird was employed as a Senior Vice President for Villanova Capital since 1999 and Vice President and General Manager for Nationwide Advisory Services, Inc. from 1995 to 1999. Mr. Laird has over 25 years of experience in the investment management industry.

Mr. Laird received his BS in Accounting from The Ohio State University, is a Certified Public Accountant, and holds the Series 7, 24, 26, 27 and 63 securities licenses with the Financial Industry Regulation Authority.

Mr. Laird's qualifications to serve on the Board include his 12 years of experience as CFO of the Company, his in depth knowledge and involvement in our operations and his more than 25 years of experience in the financial, operational, administrative, and distribution aspects of the investment management industry.

Donald B. Shackelford, age 81, has been an independent director of the Company since 2005, has served as board chairman since 2011, and serves on the Compensation Committee. Mr. Shackelford retired from Fifth Third Bank, Central Ohio in 2008, where he served as Chairman from 1998 to 2008. Prior to joining Fifth Third Bank, Mr. Shackelford served as Chairman and CEO of State Savings Bank for 25 years, until its acquisition by Fifth Third Bank in 1998.

Mr. Shackelford served as a director of The Progressive Corporation, a national property and casualty insurance company from 1976 to 2010. Mr. Shackelford serves on the board of The Lowell Group, Insignia Bank, and Insight Bank, each private companies. Mr. Shackelford also served as a director of Limited Brands, Inc. from 1976 to 2005.

Mr. Shackelford received his BA from Denison University and his MBA from Harvard Business School.

Mr. Shackelford's qualifications to serve on the Board include his substantial experience in banking and financial services and his experience as a director of other public companies.

Bradley C. Shoup, age 55, has been an independent director of the Company since 2012 and serves on the Audit, Compensation, and Nominating and Governance Committees. Mr. Shoup has been Partner at Falcon Fund Management Ltd., since 2013. From 2011 to 2013, Mr. Shoup was a Managing Director of Cox Partners Inc., a private investment partnership in a family office. Prior to working at Cox Partners Inc., Mr. Shoup was Chief Investment Officer of Armstrong Equity Partners LP, a private investment partnership in the same family office. Prior to joining Armstrong, Mr. Shoup was President of BCS Capital Inc, an investment advisory firm from 2003 to 2006. Prior to BCS Capital, he was a founding member of Relational Investors LLC, an institutional investment management firm. Mr. Shoup has over 20 years of experience in the investment management industry.

Mr. Shoup received his BS in Civil Engineering with Distinction from the University of Kansas and his MS from the Sloan School of Management at Massachusetts Institute of Technology.

Mr. Shoup's qualifications to serve on the Board include his significant experience in the investment management industry, including his specific knowledge of and experience in investment management.

Frances A. Skinner, CFA, CPA, age 49, has been an independent director of the Company since 2010, is the chair of the Compensation Committee, and serves on the Audit Committee. Ms. Skinner has been a partner with AUM



Partners, LLC, a management consulting firm specializing in the investment management industry, since 2009. Prior to joining AUM Partners, she was a principal with Focus Consulting Group, Inc. from 2003 to 2009. Ms. Skinner also spent 16 years at Allstate Investments, LLC, where she worked on developing compensation and incentive programs for investment professionals. Ms. Skinner has over 25 years of experience in the areas of investment management, finance and consulting. She is a co-author of the book High Performing Investment Teams (Wiley, 2006).

Ms. Skinner received her BA from St. Xavier University and her MBA from the University of Illinois - Chicago. Ms. Skinner also holds the Chartered Financial Analyst designation and is a Certified Public Accountant.

Ms. Skinner's qualifications to serve on the Board include her significant experience in the global investment management industry and experience in developing and consulting on matters of leadership, teamwork, performance evaluation, and compensation practices.

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THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF R. H. DILLON, RANDY J. FORTENER, JAMES F. LAIRD, DONALD B. SHACKELFORD, BRADLEY C. SHOUP, AND FRANCES A. SKINNER AS DIRECTORS OF THE COMPANY.

THE BOARD OF DIRECTORS AND COMMITTEES

The Board held a total of five meetings during the year ended December 31, 2013. Each director attended 100% of the combined total number of meetings of the Board and its committees of which he or she was a member. Consistent with our Corporate Governance Guidelines, the independent directors met in executive session at all of the regularly scheduled Board meetings in 2013. Our Corporate Governance Guidelines provide that all directors are expected to attend each annual meeting of shareholders. All of our then incumbent directors attended our 2013 Annual Meeting of Shareholders.

Corporate Governance

The Board has three standing committees: the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee. The Board has adopted a written charter for each Committee. Current copies of each committee charter and our Corporate Governance Guidelines are available at our website, [ir.diamond-hill.com](http://ir.diamond-hill.com), under the heading "Corporate Governance" on the right hand side of the site.

Pursuant to rules promulgated under the Sarbanes-Oxley Act of 2002, the Board has adopted a Code of Ethics for Principal Executive and Senior Financial Officers. This code is intended to deter wrongdoing and promote honest and ethical conduct, full, timely and accurate reporting, compliance with laws, and accountability for adherence to the code, including internal reporting of code violations.

We also have a Code of Business Conduct and Ethics that is applicable to all of our employees and directors, a copy of which was filed as an exhibit to our Annual Report on Form 10-K filed with the SEC on March 13, 2009. It is our policy to require all employees to participate annually in continuing education and training relating to the Code of Business Conduct and Code of Ethics.

We also have established a policy prohibiting our officers, directors, and employees from purchasing or selling shares of the Company while in possession of material, nonpublic information, or otherwise using such information for their personal benefit or in any manner that would violate applicable laws and regulations. The policy also prohibits all employees and directors from purchasing or selling any derivative arrangement related to securities of the Company or engaging in any speculative, short selling, or hedging activities related to securities of the Company that may have a similar economic effect.

Audit Committee

Mr. Fortener, Mr. Shoup, and Ms. Skinner serve on the Audit Committee, which met four times during 2013. Mr. Fortener serves as the Chair of the Audit Committee. The Board has determined that each of these committee members meets the independence and financial literacy rules and standards of the SEC and NASDAQ. The Board also has concluded that each of Mr. Fortener, Mr. Shoup, and Ms. Skinner meets the criteria for an audit committee financial expert as established by the SEC.

The primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to (1) the retention of our independent registered public accounting firm, including appointing and overseeing the terms of its engagement and its performance, qualifications and independence, and (2) the integrity of our financial statements, other financial information provided to shareholders, and our internal control structure. The Audit

Committee also reviews all related person transactions for potential conflicts of interest on an ongoing basis and all such transactions must be approved by the Audit Committee. Additional information on the approval of related person transactions is available under the heading “Certain Relationships and Related Person Transactions” below. The report of the Audit Committee appears below the heading “AUDIT COMMITTEE REPORT.”

#### Compensation Committee

Mr. Shackelford, Mr. Shoup, and Ms. Skinner serve on the Compensation Committee, which met three times during 2013. Ms. Skinner serves as the Chair of the Compensation Committee. The Board has determined that each of these committee members meets the independence criteria of the SEC and NASDAQ. No member of the Compensation Committee is or has been an officer or employee of the Company or has had any relationship requiring disclosure by us under Item 404 of SEC Regulation S-K. In

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addition, no member of the Compensation Committee or Board is employed by a company whose board of directors includes a member of the Company's management.

The primary purpose of the Compensation Committee is to review and approve the Company's executive compensation policies, evaluate the performance of our executive officers in light of corporate goals and objectives approved by the Compensation Committee, approve the annual salary, bonus, stock grants and other benefits, direct and indirect, of our executive officers and other senior employees, make recommendations to the full Board with respect to incentive-compensation plans and equity-based plans and determine director and committee member/chair compensation for non-employee directors. The Compensation Committee also administers our equity and other incentive plans. The Compensation Committee has delegated to management the ability to make stock grants within specific parameters to associates to align the interests of shareholders and the associate, to promote employee retention, and long-term employee ownership. A description of the Company's processes and procedures for the consideration and determination of executive officer compensation are discussed under the heading "Compensation Discussion and Analysis" below.

#### Nominating and Governance Committee

Messrs. Fortener, Moran, and Shoup serve on the Nominating and Governance Committee, which met twice during 2013. Mr. Moran serves as the chairman. The Board has determined that each of these committee members meets the independence criteria of NASDAQ.

The primary purpose of the Nominating and Governance Committee is to maintain and cultivate the effectiveness of the Board and oversee the Company's governance policies. Among the committee's responsibilities are Board and committee composition, director qualifications, orientation and education, and Board evaluations. Members identify, evaluate, and nominate Board candidates; review compliance with director stock ownership guidelines; and oversee procedures regarding shareholder nominations and other communications to the Board. The Nominating and Governance Committee is also responsible for monitoring compliance with and recommending any changes to the company's Corporate Governance Guidelines. Additional information regarding the committee's activities can be found under the heading "Corporate Governance."

#### Board Committee Membership

The following table summarizes the membership of the Board and each of its committees, and the number of times each met during 2013:

Director	Audit	Compensation	Nominating and Governance
R. H. Dillon			
Randolph J. Fortener <sup>(1)</sup>	Chair		Member
James F. Laird			
Peter J. Moran			Chair
Donald B. Shackelford <sup>(2)</sup>		Member	
Bradley C. Shoup <sup>(3)</sup>	Member	Member	Member
Frances A. Skinner	Member	Chair	
Number of Meetings in 2013	4	3	2

(1) Mr. Fortener was appointed Chair of the Audit Committee in April 2013.

(2) Chairman of the Board.

(3) Mr. Shoup was appointed to Compensation Committee in October 2013, replacing Mr. Moran, and was appointed to the Nominating and Governance Committee in April 2013.

Compensation of Directors

The Compensation Committee is responsible for periodically reviewing and recommending to the Board the compensation of non-employee directors. At the discretion of the Board, directors are eligible to receive stock-based awards under the Diamond Hill Investment Group, Inc. 2011 Equity and Cash Incentive Plan (the "2011 Plan"). After a thorough review of the compensation of our non-employee directors, the Compensation Committee recommended a change in our non-employee director compensation from an annual payment structure to the use of long-term cliff vesting restricted stock awards, as a way to further align the interests

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of our directors with the long-term interests of our shareholders.

The Board adopted the Compensation Committee's recommendation and, effective January 1, 2012, independent directors are compensated using cliff vesting restricted stock grants. These are intended to compensate the directors for a period of time, which is currently the shorter of five years or a director's expected retirement date. The restricted stock grants are intended to fully compensate directors for their services as directors and as members of committees of the Board. After the restricted stock grants vest, our Corporate Governance Guidelines prohibit the shares from being sold while the director remains on the Board, except that shares may be sold within the year the grants vest to pay taxes due as a result of the vesting.

In 2012, the non-employee directors each received a cliff vesting restricted stock grant. Non-employee directors who are eligible to serve on the Board for five years or longer received a cliff vesting restricted stock grant of 6,000 shares intended to fully compensate them for their services through 2016. These directors will not be eligible to receive another cliff vesting restricted stock grant until 2017. Non-employee directors who are expected to retire within five years received a prorated cliff vesting restricted stock grant intended to fully compensate them for their services until they retire from the Board.

The following table summarizes the changes in the structure of director compensation adopted in 2012:

	Previous Compensation Structure 2011	New Compensation Structure*				
		2012	2013	2014	2015	2016
Total Compensation — Company Stock	—	[6,000 Shares of Company Stock]				
Annual Retainer — Company Stock	\$ 40,000					
Annual Retainer for Chairman — Cash	\$ 10,000					
Annual Retainer for Committee Chairs — Cash	\$ 5,000					
Payment for each board meeting attended	\$ 2,000					
Payment for each committee meeting attended	\$ 1,000					

The following table sets forth information regarding the compensation earned by, or paid to, directors who served on our Board in 2013. Mr. Dillon and Mr. Laird, who are executive officers of the Company, do not receive separate compensation for the director service and have been omitted from this table. As discussed above, existing directors received no cash or stock compensation in 2013, with the exception of Mr. Fortener who received a cliff vesting restricted stock grant of 6,000 shares in conjunction with his election to the Board, which is intended to fully compensate him for a five year period.

2013 Director Compensation<sup>(1)</sup>

Name	Stock Awards <sup>(2)</sup>	Total
Randolph J. Fortener <sup>(3)</sup>	\$452,940	\$452,940
Peter J. Moran	\$—	\$—
Donald B. Shackelford	\$—	\$—
Frances A. Skinner	\$—	\$—
Bradley C. Shoup	\$—	\$—

(1) Includes only those columns relating to compensation awarded to, earned by, or paid to non-employee directors for their services in 2013. All other columns have been omitted.

(2) Represents the full grant-date fair value computed by multiplying the total shares granted by the closing price of the shares on the grant date.

Mr. Fortener was elected to the Board at the 2013 Annual Shareholder meeting. His compensation represents (3) service after his election to the Board and is intended to represent service for the five year period ending April 30, 2018.

Non-employee directors are not expected to receive any additional cash or stock awards for the service period covered in the below table. These shares were granted under the 2011 Plan. For information on the expensing of these awards, please see note 5 to the

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consolidated financial statements contained in the Company's Form 10-K for the year ended December 31, 2013. Details of each stock award are reflected in the table below.

Name	Shares Granted	Service Period Covered	Grant- Date Fair Value	Grant Date	Vesting Date
Randolph J. Fortener	6,000	4/24/13 - 4/30/18	\$452,940	4/30/13	4/30/18
Peter J. Moran	6,000	1/1/12 - 12/31/16	\$462,060	2/22/12	1/1/17
Donald B. Shackelford <sup>(a)</sup>	4,200	1/1/12 - 4/30/15	\$323,442	2/22/12	4/30/15
Frances A. Skinner	6,000	1/1/12 - 12/31/16	\$462,060	2/22/12	1/1/17
Bradley C. Shoup	6,000	4/25/12 - 4/30/17	\$462,060	4/25/12	4/30/17

(a) Intended to represent service from January 1, 2012 until his scheduled retirement.

### Ownership and Retention Guidelines

Our Corporate Governance Guidelines generally prohibit shares granted to our directors as compensation from being sold while the director remains on the Board. Therefore, we expect each non-employee director to hold for his or her entire term of service on the Board all of our shares granted to the director as compensation, except for sales of shares to pay taxes as discussed above.

### CORPORATE GOVERNANCE

The Nominating and Governance Committee has general oversight responsibility for assessment and recruitment of new director candidates, as well as evaluation of director and board performance and oversight of our governance matters. The Committee originally adopted Corporate Governance Guidelines on February 25, 2010 and reviews them annually. The most current version of the Guidelines is available on our website, [ir.diamond-hill.com](http://ir.diamond-hill.com), under "Corporate Governance" on the right hand side of the site.

### Board Leadership and Composition

We believe separating the roles of Chairman and CEO provides for a strong governance and oversight structure, and these roles have been separate since 2000. Mr. Shackelford has served as independent non-executive chairman since 2011 and Mr. Dillon has served as CEO since joining the Company in 2000. The Chairman approves Board agendas and schedules, chairs all executive sessions of the independent directors, acts as the liaison between the independent directors and management, oversees the information distributed in advance of Board meetings, is available to the Secretary to discuss and, as necessary, respond to shareholder communications to the Board, and calls meetings of the independent directors. Mr. Dillon assumed the role of Vice Chairman in 2014 and is expected to become Chairman when Mr. Shackelford retires from the Board. When this occurs, a Lead Director will be named.

Currently, five of the seven directors are independent under NASDAQ standards. If the proposed directors are elected and following Mr. Moran's departure, four of our six directors will still be independent. In addition, the Nominating and Governance Committee, the Audit Committee, and the Compensation Committee are all currently comprised entirely of independent directors and following the Annual Meeting will be reconstructed to remain so. Overall, we believe that our Board structure is designed to foster critical oversight, good governance practices, and the interests of the Company and its shareholders.

Among other things, the Corporate Governance Guidelines address term limits of each director. Although we have a 10 year service limit for directors, the Guidelines authorize the Board to make exceptions to this limitation and permit directors to serve for an additional year, and the Board has made such exceptions in the past.



## Board's Role in Risk Oversight

The Board's role in our risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including client investment results, and operational, financial, legal, regulatory and strategic risks. The Audit Committee is responsible for overseeing risks relating to our accounting matters, financial reporting and legal and regulatory compliance. To satisfy these oversight responsibilities, the Audit Committee meets regularly with management and the Company's independent registered public accounting firm. The Compensation Committee is responsible for overseeing risks

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relating to employment policies and our compensation and benefits programs. To satisfy these oversight responsibilities, the Compensation Committee meets regularly with management to understand the implications of compensation decisions, particularly the risks that our compensation policies pose to our finances and our relationship with employees.

### Planning Group and Senior Management Team

In December 2012, the Company created a Senior Management Team, which includes the CEO, CFO, Mr. Bingaman, Mr. Snowdon, and Ms. Wesolek. Each member of the Senior Management Team reports directly to the CEO and is responsible for the following functional areas of the company: Mr. Laird - Finance, Administration, and Compliance; Mr. Bingaman - Portfolio Management; Mr. Snowdon - Research; and Ms. Wesolek - Client Service, Marketing, and Business Development. In conjunction with the creation of the Senior Management Team, the Planning Group was temporarily dissolved.

In July 2013, the Company reconstituted the Planning Group to provide input to the Senior Management Team, provide a source of leadership development, and play a role in the Company's overall succession planning efforts. When reconstituted, the Planning Group included William Zox, Gary Young, and Laurie Riebel from the previous planning group and new members Austin Hawley - investment research, Jason Downey - investment research, and Josh Alderman - business development. The Company believes that the Senior Management Team in conjunction with a reconstituted Planning Group is an appropriate and effective organizational structure for the Company.

In December 2013, the Company announced that effective January 1, 2014, Mr. Bingaman would assume the role of President of Diamond Hill Capital Management, Inc. With this role, Mr. Bingaman is expected to succeed Mr. Dillon as Chief Executive Officer in January 2016. In addition, the Company announced that effective January 1, 2014, Ms. Wesolek would assume the role of Chief Operating Officer of Diamond Hill Capital Management, Inc.

### Director Orientation and Continuing Education and Development

When a new independent director joins the Board, the Company provides a formal orientation program for the purpose of providing the new director with an understanding of our operations and financial condition. In addition, each director is expected to maintain the necessary level of expertise to perform his or her responsibilities as a director. To assist the directors in maintaining such level of expertise, we may, from time to time, offer continuing education programs in addition to briefings during Board meetings relating to the competitive and industry environment and the Company's goals and strategies.

### Director Qualifications and the Nominations Process

The Nominating and Governance Committee believes that the nominees presented in this proxy statement would constitute a Board with an appropriate level and diversity of experience, education, skills, and independence. The Nominating and Governance Committee routinely considers the current composition of the Board, and whether changes should be made or additional directors should be added to the Board.

The Nominating and Governance Committee supervises the nomination process for directors. It considers the performance, independence, diversity, and other characteristics of our incumbent directors, including their willingness to serve, and any change in their employment or other circumstances in considering their nomination each year. The Nominating and Governance Committee also considers diversity of background and experience as well as gender and other forms of diversity. We do not, however, have any formal policy regarding diversity in identifying nominees for a directorship, but rather we consider it among the various factors relevant to any particular nominee and the overall needs of the Board. In the event that a vacancy exists or the Company decides to increase the size of the Board, the

Nominating and Corporate Governance Committee will identify, interview, examine, and make recommendations to the Board regarding appropriate candidates.

The Nominating and Governance Committee identifies potential candidates principally through suggestions from our directors and senior management. The committee may also seek candidates through informal discussions with third parties. We have not historically retained search firms to help identify director candidates and did not do so in identifying this year's nominees.

In evaluating potential candidates, the Nominating and Governance Committee considers, among other factors, independence from management, experience, expertise, commitment, diversity, number of other public company board and related committee seats held, potential conflicts of interest, and the composition of the Board at the time of the assessment. All candidates for nomination must:

- demonstrate strong character and integrity;
- have sufficient time to carry out their duties;

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• have experience at senior levels in areas of expertise helpful to the Company and consistent with the objective of having a diverse and well-rounded Board; and  
• have the willingness and commitment to assume the responsibilities required of a director of the Company.

In addition, candidates expected to serve on the Audit Committee must meet independence and financial literacy qualifications required by NASDAQ, the SEC, and other applicable laws and regulations. Candidates expected to serve on the Nominating and Governance Committee and on the Compensation Committee must meet independence qualifications set out by NASDAQ. The evaluation process of potential candidates also includes personal interviews, and discussions with appropriate references. Once the Nominating and Governance Committee has selected a candidate, it recommends the candidate to the full Board for election if a vacancy occurs or is created by an increase in the size of the Board during the course of the year, or for nomination if the director is to be first elected by our shareholders. All directors serve for one-year terms and must stand for reelection annually.

The Nominating and Governance Committee does not currently have any specific policies regarding the consideration of director candidates recommended by shareholders due to a historical absence of shareholder recommendations. The Nominating and Governance Committee will consider shareholder recommendations for directors using the process and criteria set forth above. In the future, the Nominating and Governance Committee may in its discretion adopt policies regarding the consideration of director candidates recommended by shareholders. Shareholder recommendations for Board candidates must be directed in writing to the Company at 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215, Attention: Secretary, and must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and us within the last three years, and evidence of the recommending person's ownership of our common shares.

### Certain Relationships and Related Person Transactions

The Board recognizes that related person transactions present a heightened risk of conflicts of interest. We currently have no related person transactions reportable pursuant to Item 404(a) of SEC Regulation S-K and have not had any such transactions in the recent past. As such, we do not believe it is necessary to have a written policy specifically dealing with related person transactions. The Audit Committee will review any potential related person transactions as they arise and are reported to the Board or the Audit Committee, regardless of whether the transactions are reportable pursuant to Item 404. No such transactions arose or were reviewed by the Audit Committee in 2013. For any related person transaction to be consummated or to continue, the Audit Committee must approve or ratify the transaction.

### Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee during 2013 were Ms. Skinner, Mr. Moran, Mr. Shoup, and Mr. Shackelford. Mr. Shoup replaced Mr. Moran on the Committee in October 2013. No director who served on the Compensation Committee during 2013 currently is, or during 2013 was, an officer, employee or former officer of the Company or had any relationship during 2013 requiring disclosure by us under Item 404 of SEC Regulation S-K. During 2013, none of our executive officers served as a member of the board of directors or compensation committee of any other company that has an executive officer serving as a member of our Board or Compensation Committee.

### EXECUTIVE OFFICERS AND COMPENSATION INFORMATION

During 2013, R. H. Dillon and James F. Laird were the Company's only named executive officers. Their experience is described above under the heading "PROPOSAL 1 - ELECTION OF DIRECTORS." The Company had no executive officers other than our named executive officers during 2013. Each named executive officer devotes his full time and effort to the affairs of the Company. Effective January 1, 2014, Diamond Hill Capital Management, Inc., a subsidiary

of the Company, named Chris Bingaman, President, and Lisa Wesolek, Chief Operating Officer, making them executive officers of the Company.

Compensation Discussion and Analysis

In our Compensation Discussion and Analysis, we:

- describe our compensation program objectives and how compensation for our named executive officers is determined;
- and
- explain the tables and disclosures that follow.

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This Compensation Discussion and Analysis presents compensation information for the following individuals:

R. H. Dillon, who served as our President and Chief Executive Officer in 2013; and  
James F. Laird, who served as our Chief Financial Officer, Secretary and Treasurer in 2013.

### Background

We are in the investment management industry. Human capital is the most important resource of companies in our industry. Attracting and retaining employees can be more difficult in our industry than in others because of how heavily our industry depends on the contributions of talented individuals. We have been able to attract and retain high-quality employees due to:

- our investment-centric culture,
- employee ownership in our business,
- our central Ohio location, and
- the nationally-competitive compensation we offer to our employees.

Compensation, which is a critical element in a business dependent on talented employees, has a particularly significant impact on profitability in industries like ours that are not capital intensive. This requires a balancing of the economics between our operating profit margin and rewarding the employees who generate our profits and produce investment results for our clients. As of March 6, 2014, our employees and directors owned approximately 30% of the Company. In contrast, many competitor firms are owned entirely by their employees and many publicly-traded asset managers are far less employee owned. Despite our unique ownership structure given our industry, we believe that industry norms are helpful benchmarks for evaluating the balancing effort.

At our 2013 Annual Meeting of Shareholders, we asked our shareholders to vote upon an advisory resolution to approve the compensation of our executive officers. The compensation of our named executive officers was approved by 98% of the votes cast on the matter. The Compensation Committee of the Board (the “Committee”) believes that the results of the advisory vote on executive compensation are supportive of our previous compensation practices and of its overall judgment related to the compensation practices of the Company and considered that endorsement in establishing the compensation awarded to our executive officers for 2013.

### Compensation Program Objectives

We seek to attract and retain people with integrity, intelligence and energy. All employees are paid a competitive base salary, provided with competitive benefits and participate in an annual cash and equity incentive compensation program. The amount of individual incentive awards is based on an assessment of individual performance, while the amount of the overall available incentive pool is based on (i) overall firm investment and operating results, (ii) market compensation data, and (iii) the profitability of the firm compared to other investment management firms.

In addition to annual incentive compensation, upon commencing employment with the Company, most employees are awarded equity grants as an incentive to their continued employment. Generally, these awards cliff vest after five years of employment to promote employee retention and long-term employee ownership. The Company also seeks to increase employee ownership because it believes such ownership encourages employees to act and think like owners. While compensation amounts differ depending upon position, responsibilities, performance and competitive data, the Company seeks to reward all employees with similar compensation components based on these objectives.

### Rewards Based on Performance

Our primary business objective is to meet our fiduciary duty to clients. Specifically, our focus is on long-term, five-year investment returns, with goals defined as rolling five-year periods in which client returns are sufficiently above relevant passive benchmarks, rank in the top quartile of similar investment strategies, and exceed a sufficient absolute return for the risk associated with the asset class. As it relates to our investment professionals, their compensation program is designed to reward performance that supports these objectives. For those employees who are not a part of our investment team the compensation program varies, but is based on rewarding individual performance that helps us meet our fiduciary duty to clients and shareholders. We seek to fulfill our fiduciary duty to shareholders by managing the firm and its assets to increase shareholder value over time.

Over the past five years, our annualized total shareholder return was 26.8% compared to a peer group average of 18.6% and a 20.0% return for the Russell 2000 Index. Further, over the past five years, \$49 per share has been returned to shareholders via special dividend distributions, much of which has been deemed a return of capital, and therefore, is generally not currently taxable to our shareholders.

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### Compensation Setting Process

**Role of the Compensation Committee.** The Committee has the overall responsibility for evaluating and approving the structure, operation and effectiveness of our compensation plans, policies and programs for all employees. The Committee consists of Mr. Shackelford, Mr. Shoup and Ms. Skinner. Ms. Skinner serves as the Chair. Each member of the Committee is an “outside director” for purposes of Section 162(m) of the Internal Revenue Code (the “Code”), is a “non-employee director” for purposes of Section 16(b) of the Securities Exchange Act of 1934, and meets NASDAQ independence requirements. The Committee is specifically charged to:

- review and approve the corporate goals and objectives relevant to the compensation of the CEO, to evaluate the CEO’s performance in light of these goals and objectives, and, based on this evaluation, make recommendations to the Board for the independent directors to approve the CEO’s compensation level (including any long-term incentive or other compensation under any incentive-based or equity-based compensation plan);
- review management’s recommendations and make recommendations to the Board with respect to director and other non-CEO executive officer compensation; provided, however, that the Committee has full decision-making authority with respect to compensation intended to be performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code;
- retain compensation consultants as it deems necessary to assist in its evaluation of director, CEO or other senior executive compensation programs or arrangements. The Committee also has the authority to obtain advice and assistance from internal or external legal, accounting or other advisors;
- review management’s recommendations and make recommendations to the Board with respect to incentive-based compensation and equity-based compensation plans and programs that are subject to Board approval, and that may be applicable to all or any portion of the employees of the Company and/or its subsidiaries; and
- exercise all power and authority of the Board in the administration of equity-based incentive compensation plans.

The Committee considers the sum of all pay elements when reviewing annual compensation recommendations for the named executive officers. Although the framework for compensation decision-making is tied to the Company’s overall financial performance and the creation of long-term shareholder value, the Committee retains the discretion to make recommendations to the Board for the independent directors to approve individual compensation based on other performance factors, such as demonstrated management and leadership capabilities and the achievement of certain investment results for client accounts and other strategic operating results.

**Role of Management.** The Company’s CEO evaluates the CFO as part of our annual review process and makes recommendations to the Committee regarding all elements of executive compensation paid to him. Changes in executive compensation proposed by the CEO are based on the CFO’s performance, the compensation of individuals with comparable responsibilities in competing or similar organizations, and the profitability of the Company. At the Committee’s request, the CEO and CFO attend Committee meetings to provide general employee compensation and other information to the Committee, including information regarding the design, implementation and administration of our compensation plans. The Committee also meets in executive sessions without the presence of any executive officer whose compensation the Committee is scheduled to discuss.

**Use of Compensation Consultants and Surveys in Determining Executive Compensation.** The Committee’s written charter gives it the authority to retain an independent outside executive compensation consulting firm to assist in evaluating policies and practices regarding executive compensation and provide objective advice regarding the competitive landscape. Historically, however, the Committee has not engaged compensation consultants and did not do so in 2013.



Each year the Committee obtains and summarizes an asset management industry pay analysis prepared by McLagan Partners, a compensation specialist focusing on the asset management industry. The companies in the McLagan Partners' analysis includes approximately 150 public and private asset management companies with which we compete. This analysis provides the Committee with a general overview of compensation trends in the asset management industry. The Committee does not define a specific peer group, but rather takes a broad view of the analysis. The Committee does not set any compensation elements or levels based on targeting a certain percentile from the survey, but rather sets compensation that it believes to be both competitive and based on the executive's value to the Company. The survey is just one of many factors that the Committee considers when determining executive compensation. Management and the Committee believe this broad view of the analysis is appropriate because we compete with both public and private asset management firms regardless of their size and scope of operations.

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### Elements of Compensation

**Base Salary.** Base salaries for the named executive officers are intended to provide a fixed level of cash compensation that is appropriate given the executive's role in the organization. Generally, base salaries are determined by (i) scope of responsibility and complexity of position, (ii) performance history, (iii) tenure of service, (iv) internal equity within the Company's salary structure, and (v) relative salaries of persons holding similar positions at companies within the investment management industry. Base salaries are designed to compensate knowledge and experience. In December 2013, the Committee made the determination not to increase the base salaries of the named executive officers for fiscal year 2014. Consistent with our desire to have the majority of total compensation paid to named executive officers at risk in the form of incentive compensation, only 35 and 20 percent of the total compensation of our CEO and CFO, respectively, in fiscal year 2013 (as shown in the Summary Compensation table) was paid in the form of base salaries. In furtherance of this desire, the 100,000 share performance-based restricted stock award made to the CEO in May 2011 has vesting provisions based on the future operating performance of the Company, as described in the "Restricted Stock Award to Mr. Dillon" section below.

**Annual Cash Bonuses.** In March 2011, we entered into an amendment and restatement of our employment agreement with Mr. Dillon. We agreed to amend and restate Mr. Dillon's employment agreement to reflect the mutual desire of the Company and Mr. Dillon that he remain CEO for the next five years. The amended and restated agreement entitles Mr. Dillon to, among other things, an annual cash bonus equal to at least 5% of the Company's operating income, subject to an annual cap of \$640,000. Mr. Dillon earned a \$640,000 cash bonus for 2013 because 5% of the Company's operating income for fiscal year 2013 exceeded \$640,000. The Committee believes this formula to determine a cash bonus is appropriate for our CEO, whose effectiveness and responsibility is most closely tied to the amount of our operating income, capping the award at an amount that Mr. Dillon and the Committee believe is appropriate given broad market compensation data and the additional value of the separate restricted stock award to Mr. Dillon in 2011 (which is described in the following section).

The Committee awarded a discretionary cash bonus to Mr. Laird, to reward him for his strong performance and overall contributions to the Company in fiscal year 2013. The Committee believes that structuring Mr. Laird's annual cash bonus as a discretionary cash bonus provides the Committee with the flexibility to consider all aspects of Mr. Laird's performance and contributions to the Company which, for a CFO, may not be as directly tied to our operating income. In determining the amount of Mr. Laird's cash bonus, the Committee considered the Company's overall operating results for 2013, contributions by Mr. Laird that were not reflected in our operating results, and broad market compensation data.

**Restricted Stock Award to Mr. Dillon.** In May 2011, we awarded 100,000 shares of performance-based restricted stock to Mr. Dillon pursuant to the Company's 2011 Plan. All of the shares will vest on January 1, 2016, if the Company's cumulative operating profit (defined as the Company's total revenue during the period beginning on January 1, 2011 and ending on December 31, 2015, excluding any investment income and gains and the revenue of the Company's subsidiaries Beacon Hill Fund Services, Inc. and BHIL Distributors, Inc. (collectively, "Beacon Hill"), less the Company's total operating expenses during such period, excluding Beacon Hill expenses, any investment losses and all taxes) equals or exceeds \$75,000,000. The results of Beacon Hill are excluded from the cumulative operating profit because it is a separate subsidiary of the Company and is not yet material to the overall financial results of the Company. If the Company's cumulative operating profit during such period is less than \$75,000,000, a number of shares of restricted stock equal to 100,000 multiplied by a fraction, the numerator of which will be the Company's actual cumulative operating profit during such performance period and the denominator of which will be \$75,000,000, will vest on January 1, 2016. Any shares of restricted stock that do not vest will be forfeited on such date. All shares of restricted stock that vest on January 1, 2016 will remain subject to restrictions on sale or transfer following the vesting date. The restrictions on sale or transfer will lapse with respect to 20% of the vested shares of restricted stock on each anniversary of the vesting date. If Mr. Dillon dies or is disabled prior to December 31, 2015, a

number of shares of restricted stock equal to 100,000 multiplied by a fraction, the numerator of which will be the number of whole months of service elapsed between January 1, 2011 and the date of death or disability and the denominator of which will be 60, will vest and become immediately transferable without restriction. If Mr. Dillon's employment is terminated prior to January 1, 2016 without Cause or for Good Reason (each as defined in Mr. Dillon's amended and restated employment agreement), a number of shares of restricted stock equal to 100,000 multiplied by the lesser of (i) a fraction, the numerator of which will be the Company's actual cumulative operating profit during the period beginning on January 1, 2011 and ending on the date of termination of employment and the denominator of which will be \$75,000,000, and (ii) a fraction, the numerator of which will be the number of whole months of service elapsed between January 1, 2011 and the date of termination of employment and the denominator of which will be 60, will vest and become immediately transferable without restriction. In the event of a Change in Control (as defined in Mr. Dillon's amended and restated employment agreement), all 100,000 shares of restricted stock will immediately vest and become transferable without restriction.

This restricted stock award is intended to comprise all of Mr. Dillon's equity-based compensation for the 2011 fiscal year through the 2015 fiscal year, and no additional equity awards to Mr. Dillon during that period are contemplated. The Committee believes

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this compensation structure strongly aligns the long-term interests of Mr. Dillon with those of the Company and its shareholders and better advances the objectives of our compensation program than the annual compensation structure used in prior years.

In December 2012, we amended Mr. Dillon's award agreement made under the 2011 Plan to clarify restrictions on dividends paid on the 100,000 share performance-based restricted stock grant described above. The amendment caused dividends paid in 2012 on the 100,000 share performance-based restricted stock grant to be placed in escrow and to be subject to the same vesting requirements as the stock grant. When shares subject to the award vest, the related dividends held in escrow will be transferred to Mr. Dillon.

Discretionary Stock Award to Mr. Laird. The Committee awarded a discretionary stock award to Mr. Laird to reward him for his strong performance and overall contributions to the Company in fiscal year 2013. The Committee believes that paying a discretionary stock bonus to Mr. Laird provides the Committee with the flexibility to consider all aspects of Mr. Laird's performance and contributions to the Company as well as properly compensate him for the value he provided to the Company in fiscal year 2013. In addition, this stock award, while immediately vested, is restricted from sale or transfer for five years, which the Committee believes strongly aligns the long-term interests of Mr. Laird with those of the Company and its shareholders. In determining the amount of the stock award, the Committee considered the contributions Mr. Laird made to the Company in 2013, specifically his leadership in our day-to-day management, oversight of financial matters, compliance, and internal controls, all of which contribute to our overall operating results, which continued to be strong in 2013. In summary, the Committee considered contributions made by Mr. Laird in 2013 along with a review of broad market compensation data for executives in similar roles and determined that this discretionary award was reflective of his performance in 2013.

Retirement Plan Benefits. We provide retirement benefits through the Diamond Hill Investment Group 401k Plan and Trust. The named executive officers are entitled to participate in this plan on the same terms and conditions as all other employees. The Plan does not involve any guaranteed minimum or above-market returns, as plan returns depend on actual investment results.

Deferred Compensation Plans. We have two Deferred Compensation Plans: the Diamond Hill Fixed Term Deferred Compensation Plan (the "Fixed Term Plan") and the Diamond Hill Variable Term Deferred Compensation Plan (the "Variable Term Plan"). Mr. Dillon is eligible to participate in the Variable Term Plan, along with each person employed by the Company or any of its affiliates as a portfolio manager or research analyst. Mr. Laird is eligible to participate in the Fixed Term Plan, along with each person employed by the Company or any of its affiliates who is not a portfolio manager or research analyst. The terms and conditions of the Plans are described in more detail under the heading "Pension Plans and Non-Qualified Deferred Compensation" below.

Other Benefits and Perquisites. We do not provide supplemental retirement plan benefits to our named executive officers. As a general rule, we do not provide any perquisites or other personal benefits to our named executive officers that are not offered on an equal basis to all employees. Our named executive officers are entitled to participate in benefit programs that entitle them to medical, dental, and short-term and long-term disability insurance coverage that are available to all employees.

Post Employment Payments. Only Mr. Dillon, has an employment contract which provides for payments upon termination of employment. More information on Mr. Dillon's employment agreement and termination payments thereunder is set forth under the heading "Employment Agreements and Change in Control Benefits."

### Stock Ownership Guidelines

In February 2010, the Board adopted stock ownership guidelines for our named executive officers to further align their interests with those of our shareholders. The below table provides the target ownership level reflected in the

guidelines and actual shares owned as of December 31, 2013. Both of our named executive officers hold shares well in excess of the amounts required under the guidelines.

Name	Title	Target Ownership Level	Target Number of Shares(a)	Number of Shares Owned	Ownership Guideline Met
R. H. Dillon	President and CEO	5x Salary	15,211	301,244	Yes
James F. Laird	Chief Financial Officer	3x Salary	5,071	74,102	Yes

(a) Based on a per share price of \$118.34, which was the closing price of our common shares on December 31, 2013, and the respective base salaries of our named executive officers as of that date.

Risks Related to Compensation Policies and Practices

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As part of its oversight of our executive and non-executive compensation programs, the Compensation Committee considers how current compensation programs, including the incentives created by compensation awards, affect the Company’s risk profile. In addition, the Committee reviews our compensation policies, particularly the incentives that they create, to determine whether they encourage an appropriate level of risk-taking and do not present a significant risk to the Company. The Compensation Committee also considered the following risk mitigating factors:

- current compensation programs reward portfolio managers and research analysts on trailing five-year investment performance in client accounts;
- a majority of incentive compensation is in the form of equity-based awards;
- sale restriction periods for equity-based compensation awards encourage executives and other employees to focus on the long-term performance of the Company;
- the Committee has discretionary authority to adjust annual incentive awards;
- the Company has internal controls over financial reporting and other financial, operational and compliance policies and practices; and
- base salaries are consistent with executives’ responsibilities so that they are not motivated to take excessive risks to achieve a reasonable level of financial security.

Based on this review, the Committee has concluded that our compensation policies and procedures are not reasonably likely to have a material adverse effect on the Company.

Compensation Recoupment and Restitution Policy

Upon the recommendation of the Compensation Committee, our Board of Directors recently adopted a compensation recoupment and restitution policy that applies to all incentive compensation received by all employees, including our named executive officers. Under the policy, we may recover all or a portion of incentive compensation (or pay out additional incentive compensation) related to awards made after the adoption of the policy, in three general situations:

- if due to error or malfeasance the previously determined incentive pool, or an individual award, is either too large (or too small), then any overpayment made to an employee may be returned to Company or an additional payment may be made to an associate;
- if an employee violates an important Company policy or acts in an unlawful manner, then we could recoup the employee’s incentive compensation; and
- if an employee, who is part of the financial statement preparation process, commits wrongdoing, then we could recoup the employee’s incentive compensation.

The policy is intended to provide enhanced safeguards against certain types of misconduct and provide enhanced protection to and alignment with shareholders. These provisions are in addition to any policies or recovery rights that are provided under applicable laws, including the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act. Beginning in 2013, all awards are subject to this policy.

Summary Compensation Table

The following table sets forth the total compensation paid to or earned by our named executive officers in the years indicated. Additional information on the elements of compensation included in the table below is available under the “Compensation Discussion and Analysis” section.

Name and Principal	Year	Salary	Bonus <sup>(1)</sup>	Stock Awards	All Other Compensation <sup>(5)</sup>	Total
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Position						
R. H. Dillon	2013	\$360,000	\$640,000	\$—	\$34,464	\$1,034,464
President and CEO	2012	\$360,000	\$640,000	\$—	\$34,464	\$1,034,464
	2011	\$360,000	\$640,000	\$7,997,000	(2) \$34,200	\$9,031,200
James F. Laird	2013	\$200,000	\$550,000	\$250,000	(3) \$26,532	\$1,026,532
Secretary, Treasurer and	2012	\$200,000	\$250,000	\$500,000	(3) \$26,532	\$976,532
Chief Financial Officer	2011	\$200,000	\$250,000	\$500,000	(3) \$26,400	\$976,400

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Mr. Dillon was granted a bonus award in accordance with the terms of his employment contract. Mr. Laird was granted a discretionary bonus award from the Company's bonus pool, which was not based upon any pre-established performance goals. Mr. Laird's amount for 2013 includes a \$300,000 cash bonus and \$250,000 originally made as a stock award with respect to which Mr. Laird elected to defer 50% in cash to the Fixed Term Plan. See the "Compensation Discussion and Analysis" section above for a further description of Mr. Dillon's and Mr. Laird's cash bonus awards for fiscal year 2013.

Represents the full grant date fair value computed by multiplying the total number of shares of restricted stock granted by the closing price of our common shares on the grant date. This award represents 100,000 shares of restricted stock awarded to Mr. Dillon on May 2, 2011 as part of a long-term performance-based incentive program under the 2011 Plan and constitutes the stock portion of Mr. Dillon's incentive compensation for the years 2011 through 2015. These shares will vest on January 1, 2016 subject to the achievement of performance goals established by the Compensation Committee and described above in the "Compensation Discussion and Analysis" section. The value shown is based on what we currently believe to represent the probable outcome of the applicable performance goals. Any shares that vest on January 1, 2016 will be subject to further restrictions from transfer or sale in accordance with the following schedule:

## Percentage of Vested Shares Available for Transfer or Sale

January 1, 2017	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021
20%	40%	60%	80%	100%

Represents the full grant date fair value computed by multiplying the total number of shares granted by the closing price of the shares on the grant date. These shares were awarded to Mr. Laird as partial payment for amounts earned under our 2013, 2012, and 2011 annual incentive plans. All shares were fully vested on the grant date but were restricted from sale for five years. The below table shows the details of the specific number of shares granted for each annual incentive plan year:

Name	Incentive Plan Year	Shares Granted	Grant Date	Sale Restriction Period
James F. Laird	2013	2,130	February 28, 2014	Five Years
	2012	6,405	February 20, 2013	Five Years
	2011	6,493	February 22, 2012	Five Years

The stock awards made to Mr. Laird for 2011, 2012, and 2013 were discretionary and were made under the Company's 2011 Plan.

(4) The following types of compensation are included in the all other compensation column:

Name	Year	Contributions to Company 401k Plan <sup>(a)</sup>	Contributions to Health Savings Account <sup>(a)</sup>	Total
R. H. Dillon	2013	\$29,400	\$5,064	\$34,464
	2012	\$29,400	\$5,064	\$34,464
	2011	\$29,400	\$4,800	\$34,200
James F. Laird	2013	\$24,000	\$2,532	\$26,532
	2012	\$24,000	\$2,532	\$26,532
	2011	\$24,000	\$2,400	\$26,400

<sup>(a)</sup> The Company contributions to the Company 401k Plan and employee Health Savings Accounts are offered to all employees of the Company and its affiliates.

## Grants of Plan Based Awards for 2013

The following table sets forth information regarding annual incentive plan awards to each of the named executive officers for the year ended December 31, 2013.



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Name	Grant Date	Compensation Committee Action Date(1)	Estimated Possible Payouts Under Equity Incentive Plan Awards(2)			Grant Date Fair Value of Stock and Options Awards \$
			Threshold #	Target #	Maximum #	
R.H. Dillon	—	—	—	—	—	—
James F. Laird	2/28/14	2/24/14	—	2,130	—	\$250,000

(1) The Compensation Committee Action Date represents the date on which the Committee authorized the equity-based award.

(2) The amount in this column represents shares of restricted stock awarded pursuant to the 2011 Plan, which award is described in detail above under the heading “Compensation Discussion and Analysis.”

#### Outstanding Equity Awards at December 31, 2013

The following table summarizes all outstanding equity awards held by our named executive officers as of December 31, 2013. Mr. Laird had no outstanding equity awards at December 31, 2013.

Name	Stock Awards	
	Equity Incentive Plan Awards: Number of Unearned Shares That have Not Vested <sup>(1)</sup>	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested <sup>(2)</sup>
R. H. Dillon	100,000	\$ 11,834,000

(1) The amount in this column represents shares of restricted stock awarded pursuant to the 2011 Plan, which is described in detail above under the heading “Compensation Discussion and Analysis.” These shares will vest on January 1, 2016, subject to the achievement of performance goals established by the Compensation Committee and Mr. Dillon’s continued employment by the Company on that date.

(2) Amount reflects the value of the shares of restricted stock shown multiplied by \$118.34, the closing market price of the Company’s common shares as of December 31, 2013.

#### Option Exercises and Stock Vested for 2013

Neither Mr. Dillon nor Mr. Laird exercised any options during 2013. The following table sets forth information with respect to the only stock awards to Mr. Dillon or Mr. Laird that vested in 2013.

Name	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting
R. H. Dillon	—	\$ —
James F. Laird	6,405	\$ 500,000

#### Pension Plans and Non-Qualified Deferred Compensation

We do not maintain any pension plans for named executive officers or other employees. We offer two Non-Qualified Deferred Compensation Plans: the Fixed Term Plan and the Variable Term Plan (the “Deferred Compensation Plans”).

Deferrals of Incentive Compensation.

Pursuant to the Deferred Compensation Plans, participants may elect to defer up to 50% of the stock portion of their annual bonus and up to 100% of the cash portion of their annual bonus for a plan year (the calendar year). Generally, the participant must submit a deferral election by December 31 of the year before the services are to be performed. After the applicable deadline, a deferral election is irrevocable for that plan year except under circumstances set forth in the Deferred Compensation Plan.

Earnings

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The deferred incentive compensation, if any, is credited to an account for that plan year. The participant is 100% vested in the account, although the account is subject to the terms and conditions of the Company's Compensation Recoupment and Restitution Policy, described above. The account will be credited with earnings and losses based on the performance of the investment selections in the participant's account, which only include Diamond Hill Funds.

## Plan Funding

The Deferred Compensation Plans are unfunded, unsecured promises by the Company to pay the account balances under the Deferred Compensation Plans at a later date. Participants have only the rights of general unsecured creditors of the Company and do not have any interest in or right to any specific asset of the Company.

## Distributions

Under the Fixed Term Plan, the account for each Plan Year will be distributed in (i) a single lump sum payment within 90 days following the fifth anniversary of the date the Incentive Compensation was deferred or (ii) in up to five substantially equal annual installments beginning on the January 1 following the fifth anniversary of the date such Incentive Compensation was deferred and on each January 1 thereafter, except in the event of death, Disability or a Change in Control.

Under the Variable Term Plan, the participant must elect when they wish to receive distributions. Generally, the participant may elect to receive the account (i) in a single lump sum payment within 90 days following either the termination of employment, or a specified date which is at least five years after the annual bonus was deferred; or (ii) in substantially equal annual installments for up to fifteen years beginning on the January 1 following either (A) the termination of employment and on each January 1 thereafter, or (B) on a specified date which is at least five years after the annual bonus was deferred and on each January 1 thereafter.

In the event of death or Disability (as defined in the Deferred Compensation Plans), the participant's account will be distributed to the participant or the participant's beneficiary, as applicable, in a lump sum within 90 days after the event. In the event that the Company undergoes a Change in Control (as defined in the Plans), the account will be distributed in a lump sum within 30 days after the Change in Control.

During fiscal year 2013, Mr. Dillon deferred no compensation and had no balance under the Deferred Compensation Plans as of December 31, 2013. In 2013, Mr. Laird was awarded a discretionary stock award in the amount of \$500,000. Mr. Laird elected to defer \$250,000 of such award into the Fixed Term Plan.

## Non-Qualified Deferred Compensation

Name	Executive Contributions in Last Fiscal Year	Registrant Contributions in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year Ending
R. H. Dillon	0	0	0	0	0
James F. Laird	250,000 <sup>(1)</sup>	0	0	0	250,000 <sup>(1)</sup>

<sup>(1)</sup> The amounts included in this table were reported as Bonus in the Summary Compensation Table for 2013. No contribution was actually deposited into the plan until 2014.

## Employment Agreements and Change in Control Benefits

We currently have an employment agreement with Mr. Dillon. A description of the agreement is set forth below. We are not a party to an employment agreement with any other employee and are not obligated to provide change in

control benefits to any employee other than Mr. Dillon.

In March 2011, we entered into an amended and restated employment agreement with Mr. Dillon. The agreement has a current expiration date of January 1, 2016. The agreement provides for an annual salary of \$360,000, which may be increased (but not reduced) by the Board annually, plus an annual cash bonus of at least 5% of the Company's operating income, with a maximum annual cash bonus of \$640,000. Mr. Dillon also received a restricted stock award of 100,000 shares that vests on January 1, 2016 if performance criteria established by the Compensation Committee are satisfied and Mr. Dillon remains employed with the Company on that date. The performance criteria and vesting provisions of Mr. Dillon's restricted stock award are discussed more thoroughly in the "Compensation Discussion and Analysis" section above. Mr. Dillon's employment agreement also entitles him to receive health insurance and six weeks paid vacation annually and to participate in other benefit programs offered to employees. The agreement also restricts Mr. Dillon from competing with the Company during the term of the agreement and for one year following termination of his employment and provides that he will at all times maintain the confidentiality of Company information.

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If we terminate Mr. Dillon's employment without Cause (as defined in Mr. Dillon's amended and restated employment agreement), he would be entitled to the following payments, which are quantified to reflect the amounts he would have received had his employment been terminated at December 31, 2013:

1. his accrued but unpaid base salary and vacation and unreimbursed business expenses as of the date of termination (\$0 at December 31, 2013);
2. payments, if any, under other benefit plans and programs in effect at the time (\$0 at December 31, 2013; we have no benefit plans that would result in payments upon termination);
3. a single lump sum payment equal to six months of his base salary at his annual salary rate in effect at the date of termination (\$180,000 at December 31, 2013);
4. beginning in the seventh month after the date of termination, six monthly payments of his monthly base salary (\$180,000 at December 31, 2013);
5. any portion of the restricted stock award of 100,000 shares as provided in the award agreement (60,000 shares at December 31, 2013);
6. a lump sum payment equal to the amount, if any, he received as an annual cash bonus for the preceding year (\$640,000 at December 31, 2013);
7. his accrued but unpaid annual cash bonus from the year prior to the date of termination (\$0 at December 31, 2013); and
8. a pro rata portion of the annual cash bonus (\$640,000 at December 31, 2013).

Mr. Dillon may terminate his employment for "Good Reason" (as defined in Mr. Dillon's amended and restated employment agreement), which generally includes reduction of his annual base salary or annual cash bonus, permanent or consistent assignment to him of duties inconsistent with his position and authority, a requirement that he no longer report directly to the Board, or a breach by the Company of his employment agreement. If he terminates his employment for Good Reason, Mr. Dillon is entitled to all of the payments to which he would be entitled in the event he is terminated without Cause, except for the payment set forth in number 7 above.

If Mr. Dillon's employment terminates due to his death or disability, if the employment agreement terminates in accordance with its terms or if we terminate Mr. Dillon for "Cause" (as defined in Mr. Dillon's amended and restated employment agreement), he will be entitled to receive the payments set forth in numbers 1 and 2 above. In the event of his death, he will also receive the payments described in numbers 1, 2, 5, and 8 above. In the event of disability, he will also receive the payments described in numbers 1, 2, 5, 7, and 8 above. Under the employment agreement, "Cause" generally includes material violations of our employment policies, conviction of crime involving moral turpitude, violations of securities or investment adviser laws, causing us to violate a law which may result in penalties exceeding \$250,000, materially breaching the employment agreement, or fraud, willful misconduct, or gross negligence in carrying out his duties.

In the event of a "Change in Control" (as defined in Mr. Dillon's amended and restated employment agreement), all 100,000 shares of restricted stock would immediately vest and become transferable without restriction in accordance with the terms of the award agreement applicable to the restricted stock award. Additionally, if within 24 months after the occurrence of a "Change in Control", Mr. Dillon's employment is terminated by the Company for any reason other than death, disability or for Cause, or Mr. Dillon terminates his employment for "Good Reason", he will be entitled to the following payments from us or our successor, in addition to the applicable payments set forth in numbers 1 through 8 above:

• a single lump sum payment equal to his annual base salary and annual cash bonus payable to him for the most recently completed fiscal year (\$1,000,000 at December 31, 2013); and

a single lump sum payment equal to 12 months of premium payments for coverage for Mr. Dillon and his family under our group health plan (\$6,050 at December 31, 2013).

If any payments to Mr. Dillon in connection with a “Change in Control” would constitute excess parachute payments under applicable tax laws, Mr. Dillon will receive gross-up payments in an amount that covers any taxes, interest, penalties, additional taxes or costs incurred and leaves Mr. Dillon with the amount he would have retained if the payments he received upon the “Change in Control” had not constituted excess parachute payments.

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COMPENSATION COMMITTEE REPORT

The Board's Compensation Committee has submitted the following report for inclusion in this Proxy Statement:

We have reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on such review and discussion, we recommended that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Submitted by the Compensation Committee of the Board of Directors:

Frances A. Skinner, Chair  
Donald B. Shackelford  
Bradley C. Shoup

Table of Contents**PROPOSAL 2 — RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

On October 25, 2012, upon the recommendation of the Audit Committee, Plante & Moran PLLC (“Plante & Moran”) was dismissed as our independent registered public accounting firm. The reports of Plante & Moran on the consolidated financial statements of the Company for the years ended December 31, 2011 and December 31, 2010 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles. Plante & Moran’s reports on the effectiveness of internal control over financial reporting as of December 31, 2011 and 2010 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

During the fiscal years ended December 31, 2010 and December 31, 2011 and from January 1, 2012 through October 30, 2012, there were (i) no disagreements between the Company and Plante & Moran on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which if not resolved to Plante & Moran’s satisfaction, would have caused Plante & Moran to make reference to the subject matter of the disagreement in connection with its reports for such years and interim period, and (ii) no “reportable events” within the meaning of Item 304(a)(1)(v) of Regulation S-K.

On October 24, 2012, the Audit Committee engaged KPMG as our independent registered public accounting firm for the fiscal year ending December 31, 2012. During the fiscal years ended December 31, 2010 and December 31, 2011 and from January 1, 2012 through October 30, 2012, neither the Company nor anyone on its behalf has consulted with KPMG regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, (ii) the type of audit opinion that might be rendered on the Company’s financial statements, (iii) any matter that was the subject of a “disagreement” within the meaning of Item 304(a)(1)(iv) of Regulation S-K, or (iv) any “reportable event” within the meaning of Item 304(a)(1)(v) of Regulation S-K. KPMG served as our independent registered public accounting firm in fiscal 2013 as well.

The Audit Committee has again engaged KPMG as our independent registered public accounting firm for the 2014 fiscal year, and is asking that our shareholders ratify this appointment. Representatives of KPMG are expected to be present at the Annual Meeting to respond to appropriate questions from shareholders and to make such statements as they may desire.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF KPMG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014.**

If Proposal 2 is not approved, the Audit Committee will reconsider the appointment of KPMG as our independent registered public accounting firm for 2014.

**Disclosure of Fees Charged by the Independent Registered Public Accounting Firm**

The following table summarizes the fees billed by Plante & Moran and KPMG for services rendered to the Company and its subsidiaries during 2012 and 2013.

	Year Ended 12/31/2013	Year Ended 12/31/2012
Audit Fees <sup>(1)</sup>	\$118,200	\$109,500
Audit-Related Fees	—	—
Tax Fees <sup>(2)</sup>	\$52,350	\$45,620
All Other Fees <sup>(3)</sup>	\$3,000	4,950
Total Fees	\$173,550	\$160,070



(1) Audit fees include professional services rendered for the audit of annual financial statements, reviews of quarterly financial statements, issuance of consents, and assistance with review of other documents filed with the SEC. In 2012, Plante & Moran billed the Company \$12,000 and KPMG billed the Company \$97,500. In 2013, all fees were billed by KPMG.

(2) Tax fees include services related to tax compliance, tax advice and tax planning, including the preparation of tax returns and assistance with tax audits. In 2012, Plante & Moran billed the Company \$14,120 and KPMG billed the Company \$31,500. In 2013, all fees were billed by KPMG.

In 2013 all Other Fees were billed by KPMG and included services related to a review of a consolidation analysis.

(3) In 2012, all Other Fees were billed by Plante & Moran and included services related to assisting management with calculating the Company's "earnings and profits" in order to determine the proper tax character of dividends paid.

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Preapproval by Audit Committee

The Audit Committee pre-approves the audit and non-audit services provided by the independent registered public accounting firm to ensure that the provision of the services does not impair the firm's independence. All services disclosed above were pre-approved by the Audit Committee.

AUDIT COMMITTEE REPORT

The Audit Committee is comprised of three independent directors operating under a written charter adopted by the Board. Annually, the Audit Committee engages the Company's independent registered public accounting firm. KPMG served as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2013.

Management is responsible for preparation of the Company's financial statements and for designing and maintaining the Company's systems of internal controls and financial reporting processes. The Company's independent registered public accounting firm is responsible for performing an audit of the Company's consolidated financial statements in accordance with standards of the Public Company Accounting Oversight Board ("PCAOB") and issuing reports on the Company's financial statements and the effectiveness of the Company's internal controls over financial reporting. The Audit Committee's responsibility is to provide independent, objective oversight of these processes.

Pursuant to this responsibility, the Audit Committee met and held discussions with management and KPMG regarding the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2013. The Audit Committee reviewed the audit plan and scope with KPMG and discussed with them the matters required by Statement on Auditing Standards No. 61, as amended, and adopted by the PCAOB in Rule 3200T. The Audit Committee also met with KPMG without management present to discuss the results of their audit work, their evaluation of the Company's system of internal controls and the quality of the Company's financial reporting.

The Committee also discussed with KPMG its independence from management and the Company, and received its written disclosures and the letter from KPMG required by applicable requirements of the PCAOB regarding the independent accountant's communications with the audit committee concerning independence.

Management has represented to the Audit Committee that the Company's consolidated financial statements for the year ended December 31, 2013, were prepared in accordance with United States generally accepted accounting principles, and the Audit Committee reviewed and discussed the audited consolidated financial statements with management and KPMG. Based on the Audit Committee's discussions with management and KPMG and review of KPMG's report to the Audit Committee, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC.

Submitted by the Audit Committee of the Board of Directors:

Randolph J. Fortener, Chairman  
Bradley C. Shoup  
Frances A. Skinner

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PROPOSAL 3 - APPROVAL OF THE COMPANY'S 2014 EQUITY AND CASH INCENTIVE PLAN

Summary of 2014 Equity and Cash Incentive Plan

The following is a summary of the material terms of the 2014 Incentive Plan, which summary is qualified in its entirety by reference to the 2014 Incentive Plan, the complete text of which is attached to this proxy statement as Appendix A. We urge you to read the 2014 Incentive Plan.

**Purpose.** The purpose of the Plan is to promote the Company's long-term financial success and increase shareholder value by motivating performance through incentive compensation. The Plan also is intended to encourage participants to acquire ownership interests in the Company, attract and retain talented employees and directors and enable participants to participate in the Company's long-term growth and financial success.

**Effect on Other Plans.** The 2014 Incentive Plan will replace the Company's existing equity-based incentive plan (the "2011 Plan"). As of March 1, 2014, under the 2011 Plan, zero shares were subject to outstanding stock options; a maximum of 220,560 shares may be paid out in respect of outstanding restricted stock; a maximum of 14,000 shares may be paid out in respect of outstanding restricted stock units and 189,318 shares remained available for new award grants. If the 2014 Incentive Plan is approved, future awards will be made under the 2014 Incentive Plan and no additional awards will be made under the 2011 Plan.

**Administration.** The Compensation Committee of the Board will administer the 2014 Incentive Plan and will have full power and authority to:

- interpret the 2014 Incentive Plan and any award agreement issued thereunder;
- establish, amend and rescind any rules and regulations relating to the Plan;
- select participants;
  - establish the terms and conditions of any award consistent with the terms and conditions of the 2014 Incentive Plan, including when the award may vest and, if applicable, exercised, the acceleration of any such dates, and the expiration of the award; and
- make any other determinations that it deems necessary or desirable for the administration of the 2014 Incentive Plan.

To the extent permitted by law, the Compensation Committee may delegate any ministerial duties associated with the Plan; however, the Compensation Committee may not delegate duties that it is required to discharge to comply with Section 162(m) of the Code, its authority to grant awards to any participant who is subject to Section 16 of the Act, and its authority under any equity award granting policy of the Company that may be in effect from time to time.

**Eligibility.** The Compensation Committee may select any employees of the Company and its affiliates and any non-employee directors to receive awards under the 2014 Incentive Plan. As of March 6, 2014, there were 5 non-employee directors of the Company and approximately 90 employees of the Company and its affiliates who are eligible to receive awards under the 2014 Incentive Plan.

Types of Awards

**In General.** When an award is granted under the 2014 Incentive Plan, the Compensation Committee will establish the terms and conditions of that award. These terms and conditions will be contained in an award agreement.

**Stock Options.** A stock option gives a participant the right to acquire a specified number of shares at an exercise price determined at the time of grant. Stock options may be granted as "incentive stock options" or "nonqualified stock options." The exercise price of a stock option must be at least equal to the fair market value of a share (i.e., the closing price of the Company's shares on NASDAQ) on the date the stock option is granted. The exercise price of a stock option may

be paid in any method approved by the Compensation Committee, including in cash, by tendering previously-acquired shares, by a cashless exercise, any combination of the foregoing or any other method approved by the Compensation Committee. The Compensation Committee will determine the term of the stock option (which may not exceed ten years), the vesting conditions and any other terms and conditions of the stock option, all of which will be stated in the award agreement. Incentive stock options may only be granted to employees and must comply with other requirements, including those contained in Section 422 of the Code.

Stock Appreciation Rights. A stock appreciation right gives the participant a right to receive the difference between the fair market value of a share on the date of exercise over the exercise price of the stock appreciation right. The exercise price of any stock appreciation right will be at least equal to the fair market value of a share on the date the stock appreciation right is granted. The Compensation Committee will determine the term of the stock appreciation right (which may not exceed ten years), the vesting

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conditions and any other terms and conditions of the stock appreciation right, all of which will be stated in the related award agreement.

**Restricted Stock.** Restricted stock consists of a number of shares granted to a participant subject to limitations on transferability and a risk of forfeiture if certain terms and conditions are not met. These restrictions may include time- or performance-based restrictions, as determined by the Compensation Committee and stated in the related award agreement. Unless otherwise provided in the award agreement, a participant who has been granted restricted stock will have the right to vote the restricted stock during the restriction period and receive dividends (which will be subject to the same limitations as the restricted stock).

**Other Stock-Based Awards.** Other stock-based awards are awards valued in whole or in part by reference to, or otherwise based on, the fair market value of a share. Other stock-based awards may include unrestricted shares and stock units, which are notional shares that entitle the participant to receive the value of a share if certain terms and conditions are satisfied. These terms and conditions (if any) may include time- or performance-based terms and conditions, as determined by the Compensation Committee and stated in the related award agreement. Other stock-based awards may be granted with rights to receive dividends paid on the shares to which the award relates.

**Cash-Based Awards.** Cash awards represent the right to receive a cash payment if certain terms and conditions are satisfied. These terms and conditions may include time- or performance-based terms and conditions, as determined by the Compensation Committee and stated in the related award agreement.

**Performance-Based Awards.** Awards granted under the 2014 Incentive Plan may be granted subject to satisfaction or attainment of performance criteria so that the award may constitute qualified performance-based compensation under Section 162(m) of the Code.

For employees, other than Covered Employees, the Compensation Committee may select any performance criteria it deems appropriate. For Covered Employees, the performance criteria are:

- operating profit, including operating profit margins;
- earnings per share;
- net income;
- investment performance of the Company's investment strategies (collectively or a single strategy, individually);
- operating income;
- calculation of the Company's intrinsic value;
- return on equity;
- return on sales; and
- revenue.

Different performance criteria may be applied to individual participants or to groups of participants and may be based on the results achieved individually or collectively by the Company, by any related entity or by any combination of our segments, products, divisions, or related entities. In addition, performance objectives may be measured on an absolute or cumulative basis or measured relative to selected peer companies or a market index.

The Compensation Committee may issue a performance-based award to any participant. However, a performance-based award granted to an employee whose compensation may be subject to limited deductibility under Section 162(m) of the Code (a "Covered Employee") is subject to the additional requirements discussed below. Generally, our Named Executive Officers are our only Covered Employees.

For performance-based awards granted to a Covered Employee, the Compensation Committee will establish in writing the applicable performance criteria, performance period and formula for determining the amount or value of the performance-based award by no later than 90 days after the beginning of the applicable performance period (or, if earlier, after 25% of the applicable performance period has expired). After the end of each performance period, the Compensation Committee will certify in writing whether the performance goals and other material terms imposed on the Performance-Based Award have been satisfied. The Compensation Committee may exercise negative discretion and reduce (but not increase) the amount of a performance-based award to a Covered Employee.

#### Shares Available for Awards

Share Pool. Subject to the adjustments discussed below, the aggregate number of shares available for the grant of awards under the 2014 Incentive Plan will be 600,000, which is the same number of shares that were authorized and available for issuance from

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our existing equity-based incentive plan, the 2011 Plan. Shares issued under the 2014 Incentive Plan may consist of treasury shares, authorized but unissued shares, or shares purchased on the open market.

**Share Usage.** When an award is granted, the number of shares available for issuance under the 2014 Incentive Plan will be reduced by the number of shares subject to such award. Notwithstanding the reduction described in the preceding sentence, the following shares may be again available for issuance as awards:

- shares covered by an award that expires or is forfeited, cancelled, surrendered or otherwise terminated without the issuance of shares;
- shares covered by an award that is settled in cash or for less than the full number of shares subject to the award;
- shares granted through the assumption of, or in substitution for, outstanding awards granted by a company to individuals who become participants in the 2014 Incentive Plan as the result of a merger, consolidation, acquisition or other corporate transaction involving such company and the Company or any of its affiliates;
- shares from awards exercised for or settled in vested and nonforfeitable shares that are later returned to the Company pursuant to any compensation recoupment policy, provision or agreement; and
- shares surrendered upon exercise of an award as payment of the applicable exercise price or withheld to satisfy any applicable taxes.

**Adjustments.** In the event of any share dividend, share split, recapitalization, merger, reorganization, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of shares or any other change affecting the shares, the Compensation Committee will make such substitutions and adjustments as it deems equitable and appropriate to the aggregate number of shares that it may issue under the 2014 Incentive Plan, any share-based limits imposed under the 2014 Incentive Plan and the exercise price, number of shares and other terms or limitations applicable to outstanding awards.

**Share Price.** On March 6, 2014, the closing price of the Company's shares on NASDAQ was \$118.11.

### Effect of Termination of Employment or Service

**Death; Disability or Retirement.** Except as otherwise specified in the related award agreement, in the event of a participant's death, disability or retirement (as such terms are defined in the 2014 Incentive Plan): (1) all exercisable awards may be exercised for the remainder of the term of such award (provided, however, that any incentive stock option that is not exercised within 12 months following the participant's death, disability or retirement will be treated as a nonqualified stock option); (2) a pro rata portion of all unvested awards shall vest, as determined by the Committee in its sole discretion, based on the amount of time elapsed during the vesting period prior to the date of death, disability or retirement, or the attainment of the performance criteria over the portion of the performance period elapsed as of the date of death, disability or retirement; and (3) all awards that do not vest as described in (1) and (2), above, shall terminate and be forfeited as of the date of death, disability or retirement.

**Termination for Cause.** Except as otherwise specified in the related award agreement, if a participant is terminated for Cause (as such term is defined in the 2014 Incentive Plan), all awards, whether or not vested and/or exercisable, shall terminate and be forfeited as of the date of termination.

**Other Terminations.** Except as otherwise specified in the related award agreement, if a participant terminates for any other reason: (1) all exercisable awards may be exercised for the remainder of the term of such award (provided, however, that any incentive stock option that is not exercised within three months following the participant's termination will be treated as a nonqualified stock option); and (2) all unvested awards shall terminate and be forfeited as of the date of termination.

### Change in Control

Except as otherwise provided in the related award agreement, in the event of a change in control (as such term is defined in the 2014 Incentive Plan), all outstanding awards shall become immediately vested and exercisable, and the Compensation Committee may take such actions, if any, as it deems necessary or desirable with respect to any such awards, including, without limitation, (1) the payment of a cash amount in exchange for the cancellation of an award and/or (2) the issuance of substitute awards that substantially preserve the value, rights and benefits of any awards affected by the change in control.

#### Other Terms and Conditions

**Transferability.** Except as otherwise provided in a related award agreement, a participant may not sell, transfer, pledge or assign an award, except by will or the laws of descent and distribution. In no event may it be transferred for value. During a participant's lifetime, only the participant or his or her guardian or legal representative may exercise an award.



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**No Rights as a Shareholder.** Except as otherwise provided in the 2014 Incentive Plan or in a related award agreement, a participant will not have any rights as a shareholder with respect to shares covered by an award unless and until the participant becomes the record holder of such shares.

**Repricing.** Except for adjustments due to recapitalization, etc. as discussed above, the 2014 Incentive Plan expressly prohibits the Board or Compensation Committee from amending the terms of an outstanding award to reduce the exercise price of an outstanding stock option or stock appreciation right or cancel an outstanding stock option or stock appreciation right in exchange for cash or other awards (including stock options or stock appreciation rights) having an exercise price less than the exercise price of the original stock option or stock appreciation right, without shareholder approval.

**Effective Date and Term.** The 2014 Incentive Plan will become effective upon its approval by the shareholders and, unless earlier terminated, will continue until the tenth anniversary of the date of its approval by the shareholders (except that the Compensation Committee may not grant any incentive stock options after February 25, 2024, the tenth anniversary of the date the 2014 Incentive Plan was approved by the Board).

### Amendment or Termination

The Board or Compensation Committee may amend or terminate the 2014 Incentive Plan at any time, except that no amendment or termination may be made without shareholder approval if the amendment materially increases the benefits accruing to participants, the amendment materially increases the aggregate number of shares authorized for grant under the 2014 Incentive Plan (except for adjustments due to recapitalization, etc. as discussed above), the amendment materially modifies the eligibility requirements for participation or shareholder approval is required by any law, regulation or stock exchange rule.

### U.S. Federal Income Tax Consequences

The following is a brief summary of the general U.S. federal income tax consequences relating to participation in the 2014 Incentive Plan. This summary is based on U.S. federal tax laws and Treasury Regulations in effect on the date of this Proxy Statement and does not purport to be a complete description of the U.S. federal income tax laws. In addition, this summary does not constitute tax advice or describe federal employment, state, local or foreign tax consequences. Each participant should consult with his or her tax advisor concerning the U.S. federal income tax and other tax consequences of participating in the 2014 Incentive Plan.

**Incentive Stock Options.** Incentive stock options are intended to qualify for special treatment available under Section 422 of the Code. A participant will not recognize taxable income when an incentive stock option is granted and the Company will not receive a deduction at that time. A participant will not recognize ordinary income upon the exercise of an incentive stock option provided that the participant was, without a break in service, an employee of the Company or an affiliate during the period beginning on the grant date of the incentives stock option and ending on the date three months prior to the date of exercise (one year prior to the date of exercise if the participant's employment is terminated due to Disability).

If the participant does not sell or otherwise dispose of the shares acquired upon the exercise of an incentive stock option within two years from the grant date of the incentive stock option or within one year after the participant receives the shares, then, upon disposition of such shares, any amount realized in excess of the exercise price will be taxed to the participant as a capital gain, and the Company will not be entitled to a corresponding deduction. The participant generally will recognize a capital loss to the extent that the amount realized is less than the exercise price.

If the foregoing holding period requirements are not met, the participant generally will recognize ordinary income at the time of the disposition of the shares in an amount equal to the lesser of (1) the excess of the fair market value of the shares on the date of exercise over the exercise price or (2) the excess, if any, of the amount realized upon disposition of the shares over the exercise price, and the Company will be entitled to a corresponding deduction. Any amount realized in excess of the value of the shares on the date of exercise will be capital gain. If the amount realized is less than the exercise price, the participant generally will recognize a capital loss equal to the excess of the exercise price over the amount realized upon the disposition of the shares.

The rules that generally apply to incentive stock options do not apply when calculating any alternative minimum tax liability. The rules affecting the application of the alternative minimum tax are complex, and their effect depends on individual circumstances, including whether a participant has items of adjustment other than those derived from incentive stock options.

Nonqualified Stock Options. A participant will not recognize any income when a nonqualified stock option is granted, and the Company will not receive a deduction at that time. However, when a nonqualified stock option is exercised, a participant will recognize ordinary income equal to the excess, if any, of the fair market value of the shares that the participant purchased on the

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date of exercise over the exercise price. If a participant uses shares or a combination of shares and cash to pay the exercise price of a nonqualified stock option, the participant will recognize ordinary income equal to the value of the excess of the number of shares that the participant purchases over the number of shares that the participant surrenders, less any cash the participant uses to pay the exercise price. When a nonqualified stock option is exercised, the Company will be entitled to a deduction equal to the ordinary income that the participant recognizes.

**Stock Appreciation Rights.** A participant will not recognize taxable income when a stock appreciation right is granted, and the Company will not receive a deduction at that time. When a stock appreciation right is exercised, a participant will recognize ordinary income equal to the excess of the cash and/or the fair market value of the shares the participant receives over the aggregate exercise price of the stock appreciation right, if any, and the Company will be entitled to a corresponding deduction.

**Restricted Stock.** Unless a participant makes an election under Section 83(b) of the Code (a “Section 83(b) Election”), the participant generally will not recognize taxable income when restricted stock is granted, and the Company will not receive a deduction at that time. Instead, a participant will recognize ordinary income when the restricted stock vests (i.e., when the underlying shares are either freely transferable or not subject to a substantial risk of forfeiture) equal to the fair market value of the shares that the participant receives when the terms, conditions and restrictions have been met, less any consideration paid for the restricted stock, and the Company generally will be entitled to a deduction equal to the income that the participant recognizes.

If a participant makes a Section 83(b) Election, the participant will recognize ordinary income on the grant date equal to the fair market value of the shares subject to the restricted stock award on the grant date, and the Company will be entitled to a deduction equal to the income that the participant recognizes at that time. The participant will not recognize income when (and if) the restricted stock vests.

**Other Stock-Based Awards.** Generally, a participant will not recognize taxable income when another stock-based award is granted, and the Company will not receive a deduction at that time. However, upon the settlement of another stock-based award, the participant will recognize ordinary income equal to the cash and/or fair market value of the shares that the participant receives, less the aggregate exercise price of the other stock-based award, if any. The Company generally will be entitled to a deduction equal to the income that the participant recognizes.

**Cash Awards.** A participant will not recognize ordinary income at the time a cash award is granted, and the Company will not be entitled to a deduction at that time. In general, a participant will recognize ordinary income when the cash award is settled equal to the amount of the cash received, and the Company will be entitled to a corresponding deduction.

**Section 162(m) of the Code.** Awards granted under the 2014 Incentive Plan may constitute qualified performance-based compensation under Section 162(m) of the Code to preserve certain federal income tax deductions by the Company for Covered Employees. To so qualify, awards must be granted under the 2014 Incentive Plan by a committee consisting solely of two or more “outside directors” (as defined under applicable tax regulations) and satisfy the 2014 Incentive Plan’s limit on the total number of shares that may be awarded to any single participant during any fiscal year. In addition, for awards other than stock options and stock appreciation rights to constitute qualified performance-based compensation, the granting, vesting, exercisability or settlement of the award, as the case may be, must be contingent upon satisfying one or more of the performance criteria described above, as established and certified by a committee consisting solely of two or more “outside directors.” The Compensation Committee meets the composition requirements of Section 162(m) of the Code.

**Sections 280G and 4999 of the Code.** Sections 280G and 4999 of the Code impose penalties on “excess parachute payments.” An excess parachute payment occurs when payments are made to a “disqualified individual” (as defined

under Section 280G of the Code) in connection with a change in control in an amount equal to or greater than three times the disqualified individual's taxable compensation averaged over the five calendar years ending before the change in control (or over the entire period of employment if the participant has been employed less than five calendar years). This average is called the "base amount." The excess parachute payment is the amount by which the payments exceed the participant's base amount.

Excess parachute payments subject the disqualified individual to a 20% excise tax. This tax is in addition to other federal, state and local income, wage and employment taxes. The Company may not deduct the amount of any excess parachute payment, and the \$1,000,000 limit on deductible compensation under Section 162(m) of the Code is reduced by the amount of the excess parachute payment. Generally, any payments under the 2014 Incentive Plan that may be subject to the loss of deduction or excise tax imposed by Sections 280G or 4999 of the Code are reduced to the maximum amount that can be paid without resulting in a loss of deduction or the imposition of an excise tax.

Section 409A of the Code. Section 409A of the Code imposes rules for amounts deferred under nonqualified deferred compensation plans. Section 409A includes a broad definition of nonqualified deferred compensation plans which may extend to various types

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of awards granted under the 2014 Incentive Plan. The proceeds of any award that is subject to Section 409A are subject to a 20% excise tax if those proceeds are distributed before the recipient separates from service with the Company or before the occurrence of other specified events, such as death, disability or a change in control, all as defined in Section 409A. The 2014 Incentive Plan has been drafted to comply with Section 409A of the Code. The 2014 Incentive Plan is intended to comply with the requirements of Section 409A of the Code and the Compensation Committee intends to administer the 2014 Incentive Plan to minimize the impact of Section 409A of the Code.

New Plan Benefits

There have been no grants authorized by the Compensation Committee under the 2014 Incentive Plan to date.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL AND ADOPTION OF THE 2014 INCENTIVE PLAN.

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**PROPOSAL 4 - APPROVAL OF AN AMENDMENT TO OUR CODE OF REGULATIONS TO SEPARATE THE POSITIONS OF PRESIDENT AND CHIEF EXECUTIVE OFFICER**

Currently, under our Code of Regulations (the “Regulations”) the positions of President and Chief Executive Officer (the “CEO”) are combined. Historically, this combined position has not presented any issues because it has been held by Mr. Dillon since our formation. However, with the growth of our Company and a view towards expanded leadership, our Board now desires the flexibility to appoint different individuals to serve as our President and our CEO. As we have disclosed previously, we have been involved in succession planning in light of Mr. Dillon’s intention to retire as our CEO at the end of 2015. As part of this process, the Board desires to appoint his anticipated successor as our President, while retaining Mr. Dillon as our CEO. This separation would permit a more effective and efficient division of responsibilities, and would permit the Board to more effectively fill our officer positions to carry out our succession planning. In addition, the appointment of an anticipated successor during Mr. Dillon’s service to the Company would enable a seamless transition of our senior leadership and increase organizational sustainability.

If this amendment is approved by our shareholders, the Board intends to immediately appoint Chris Bingaman, who is currently the President of Diamond Hill Capital Management, Inc., our wholly-owned subsidiary, to the position of President. As we have previously announced, Mr. Bingaman is expected to succeed Mr. Dillon as our CEO in January 2016.

The full text of Sections 3.01 and 3.04 through 3.08 of the Regulations, as they are proposed to be amended, is set forth below, marked to show changes from the current provisions in the Regulations:

**SECTION 3.01. OFFICERS.** The officers of the corporation to be elected by the directors shall be a chief executive officer, a president, a secretary, a treasurer, and, if desired, one or more vice presidents and such other officers and assistant officers as the directors may from time to time elect. The directors may elect a chairman of the board, who must be a director. Officers need not be shareholders of the corporation, and may be paid such compensation as the board of directors may determine. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if such instrument is required by law, the Articles, the Regulations or the By-Laws to be executed, acknowledged, or verified by two or more officers.

**SECTION 3.04. DUTIES OF THE CHIEF EXECUTIVE OFFICER.** The chief executive officer of the corporation shall exercise supervision over the business of the corporation and over its officers and employees and shall have, among such additional powers and duties as the directors may from time to time assign to him, the power and authority to sign all certificates evidencing shares of the corporation and all deeds, mortgages, bonds, contracts, notes and other instruments requiring the signature of the chief executive officer of the corporation. It shall be the duty of the chief executive officer to preside at meetings of shareholders in the absence of, or at the request of, the chairman of the board.

**SECTION 3.05. DUTIES OF THE PRESIDENT.** The president shall be the chief executive officer of the corporation and shall exercise supervision over the business of the corporation and over its officers and employees and shall have, among such additional powers and duties as the directors and, if there be one, the chief executive officer, may from time to time assign to him, the power and authority to sign all certificates evidencing shares of the corporation and all deeds, mortgages, bonds, contracts, notes and other instruments requiring the signature of the president of the corporation. It shall be the duty of the president to preside at all meetings of shareholders.

**SECTION 3.053.06. DUTIES OF THE VICE PRESIDENTS.** In the absence of the chief executive officer, or the president, or in the event of his either officer's inability or refusal to act, the vice president, if any (or in the event there be more than one vice president, the vice presidents in the order designated, or in the absence of any designation, then in the order of their election), shall perform the duties of the chief executive officer, or the president, and when so acting, shall have all the powers of and be subject to all restrictions upon the chief executive officer or the president. The vice presidents shall perform such other duties and have such other powers as the directors may from time to time prescribe.

SECTION 3.063.07. DUTIES OF THE SECRETARY. It shall be the duty of the secretary, or of an assistant secretary, if any, in case of the absence or inability to act of the secretary, to keep minutes of all the proceedings of the shareholders and the directors and to make a proper record of the same; to perform such other duties as may be required by law, the Articles or the Regulations; to perform such other and further duties as may from time to time be assigned to him by the directors, the chief executive officer, or the president; and to deliver all books, paper and property of the corporation in his possession to his successor, the chief executive officer, or to the president.

SECTION 3.073.08. DUTIES OF THE TREASURER. The treasurer, or an assistant treasurer, if any, in case of the absence or inability to act of the treasurer, shall receive and safely keep in charge all money, bills, notes, choses in action,

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securities and similar property belonging to the corporation, and shall do with or disburse the same as directed by the chief executive officer, the president, or the directors; shall keep an accurate account of the finances and business of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, stated capital and shares, together with such other accounts as may be required and hold the same open for inspection and examination by the directors; shall give bond in such sum with such security as the directors may require for the faithful performance of his duties; shall, upon the expiration of his term of office, deliver all money and other property of the corporation in his possession or custody to his successor, the chief executive officer, or the president; and shall perform such other duties as from time to time may be assigned to him by the directors.

The table of contents and the remaining provisions of Article Three of the Regulations will be renumbered and updated accordingly.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF AMENDMENTS TO OUR CODE OF REGULATIONS TO SEPARATE THE POSITIONS OF PRESIDENT AND CHIEF EXECUTIVE OFFICER.



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PROPOSAL 5 - APPROVAL OF AN AMENDMENT TO OUR CODE OF REGULATIONS TO PERMIT THE BOARD OF DIRECTORS TO AMEND OUR CODE OF REGULATIONS IN ACCORDANCE WITH OHIO LAWN

Currently, any amendment under our Regulations requires approval by our shareholders, regardless of how minor the change. Many states, such as Delaware, historically have allowed the board of directors of a corporation to amend that corporation's by-laws (the equivalent to Ohio's code of regulations) without shareholder approval. In 2006, the Ohio Revised Code was amended to allow the directors of Ohio corporations to make certain amendments to a corporation's code of regulations without shareholder approval, if such authority is provided in or permitted by the articles or code of regulations, and subject to the statutory limitations listed below. These amendments, however, may not divest or limit the shareholders' power to adopt, amend or repeal the code of regulations of the corporation.

Below is a list of the rights that the Ohio legislature reserved to the shareholders. The proposed amendment to our Regulations will prohibit our Board from taking any of these actions without the approval of our shareholders:

- specifying the percentage of shares a shareholder must hold in order to call a special meeting;
- specifying the length of time required for notice of a shareholders' meeting;
- specifying that shares that have not yet been fully paid will not have voting rights;
- specifying requirements for a quorum at a shareholders' meeting;
- prohibiting shareholder or director actions from being authorized or taken without a meeting;
- defining terms of office for directors or providing for classification of directors;
- requiring greater than a majority vote of shareholders to remove directors without cause;
- establishing requirements for a quorum at directors' meetings, or specifying the required vote for an action of the directors; and
- removing the requirement that a control share acquisition of the Company be approved by the shareholders.

In addition, the Board may not delegate its authority to adopt, amend or repeal our Regulations to any of its committees.

If the proposed amendment to our Regulations is approved and adopted by our shareholders, Section 6.01 of our Regulations would be revised to allow the Board to amend our Regulations in the future to the extent permitted by Ohio law. Accordingly, the Board would be able to make ministerial and other changes to our Regulations without the time-consuming and expensive process of seeking shareholder approval, which would otherwise be required if this proposal is not approved. If the amendment is adopted, the Board intends to thoroughly review the Regulations and adopt amendments as it deems appropriate, subject to the limitations discussed above. No amendment may eliminate the right of our shareholders to adopt, amend or repeal our Regulations. While the Board has not yet undertaken a careful review of the Regulations, it anticipates that many of the changes will be to update the Regulations into a more contemporary form to conform with applicable rules, law and practices since the Regulations were originally adopted. The Company is required to promptly notify our shareholders of any amendments made to our Regulations by sending a notice to our shareholders as of the date of the adoption of the amendment or by filing a report with the SEC.

The full text of Section 6.01 of the Regulations, as it is proposed to be amended, is set forth below, marked to show changes from the current provision in the Regulations:

**SECTION 6.01. AMENDMENTS.** The Regulations may be amended, or new regulations may be adopted, at a meeting of shareholders held for such purpose, only by the affirmative vote of the holders of shares entitling them to exercise not less than a majority of the voting power of the corporation on such proposal, or without a meeting by the written consent of the holders of shares entitling them to exercise not less than a majority of the voting power of the corporation on such proposal. Except as otherwise set forth in the Articles of Incorporation, these Regulations may be

amended, or new regulations adopted, by the directors to the fullest extent permitted by Ohio law.

If this proposal is approved, the Board believes that its having the ability to amend our Regulations will result in a more efficient and economical governance of our Company, while the limitations under Ohio law on the ability of the Board to amend the Regulations offers our shareholders desired protection.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF AN AMENDMENT TO OUR CODE OF REGULATIONS TO PERMIT THE BOARD OF DIRECTORS TO AMEND OUR CODE OF REGULATIONS IN ACCORDANCE WITH OHIO LAW.

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**PROPOSAL 6 - ADVISORY VOTE ON THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS**

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, requires that we provide our shareholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our executive officers identified in the Summary Compensation Table of this Proxy Statement (the "named executive officers") as disclosed in this Proxy Statement in accordance with the SEC's rules.

As described in detail in the section entitled, "EXECUTIVE OFFICERS AND COMPENSATION INFORMATION", we believe that executive compensation should be linked with the Company's performance and significantly aligned with the interests of the Company's shareholders. In addition, our executive compensation program is designed to allow us to retain, and recognize the contributions of, employees who play a significant role in our current and future success. We urge you to read the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure for a detailed description of the fiscal year 2013 compensation of our named executive officers.

The vote on this resolution is not intended to address any specific element of compensation; rather, the advisory vote relates to the overall compensation of our named executive officers. This vote is advisory and therefore not binding on the Company. However, the Board and the Compensation Committee will review the voting results and will take into account the outcome of the vote when determining future compensation for the Company's named executive officers. Accordingly, we ask our shareholders to vote on the following resolution:

"RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2014 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure."

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPLENSATION DISCLOSURE RULES OF THE SEC.**

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**ADDITIONAL INFORMATION**

**SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

Given the Company's relatively small size, the relatively small number of record shareholders, and the Board's consistent practice of being open to receiving direct communications from shareholders, the Board believes that it is not necessary to implement, and we do not have, a formal process for shareholders to send communications to the Board. Our practice is to forward any communication addressed to the full Board to the Chairman, to a group of directors to a member of the group, or to an individual director, to that person.

**SHAREHOLDER PROPOSALS FOR 2015 ANNUAL MEETING**

Shareholders are entitled to submit proposals on matters appropriate for shareholder action consistent with SEC rules and our Code of Regulations. Should a shareholder wish to have a proposal appear in the Proxy Statement for next year's annual meeting, under applicable SEC rules, the proposal must be received by the Company's Secretary on or before November 13, 2014, and must otherwise comply with the requirements of Rule 14a-8 of the Exchange Act. If a shareholder intends to present a proposal at next year's annual meeting but does not intend to seek the inclusion of such proposal in our Proxy Statement, such proposal must be received by the Company prior to January 27, 2015, or management proxies will be entitled to use discretionary voting authority should such proposal be raised without any discussion of the matter in the Proxy Statement. The Company's address is 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215.

**SHAREHOLDERS SHARING THE SAME ADDRESS**

The SEC has implemented rules regarding the delivery of proxy materials (i.e., annual reports, proxy statements, proxy statements combined with a prospectus or any information statements provided to shareholders) to households. This method of delivery, often referred to as "householding", would generally permit the Company to send a single annual report and a single proxy statement to any household at which two or more different shareholders reside if the Company believes such shareholders are members of the same family, unless the shareholder(s) have opted out of the householding process. Each shareholder would continue to receive a separate notice of any meeting of shareholders and proxy card. The householding procedure reduces the volume of duplicate information you receive and reduces expenses. The Company has instituted householding. If (i) you wish to receive separate annual reports or proxy statements, either this year or in the future, or (ii) members of your household receive multiple copies of the annual report and proxy statement and you wish to request householding, you may contact the Company's transfer agent, Continental Stock Transfer & Trust Company at 17 Battery Place, New York, New York 10004, or by phone at (212) 509-4000, or write to Mr. James Laird at 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215, or by calling (614) 255-3333.

In addition, many brokerage firms and other holders of record have instituted householding. If your family has one or more "street name" accounts under which our shares are beneficially owned, you may have received householding information from your broker, financial institution or other nominee in the past. Please contact the holder of record directly if you have questions, require additional copies of this Proxy Statement or Annual Report on Form 10-K or wish to revoke your decision to household and thereby receive multiple copies. You should also contact the holder of record if you wish to institute householding. These options are available to you at any time.

**OTHER BUSINESS**

The Board knows of no other business to be acted upon at the Annual Meeting. However, if any other business properly comes before the Annual Meeting, it is the intention of the persons named in the enclosed Proxy to vote on such matters in accordance with their best judgment.

The prompt completion, execution, and delivery of your proxy card or your submission of voting instructions electronically over the Internet or by telephone will be appreciated. Whether or not you expect to attend the Annual Meeting, please complete and sign the Proxy and return it in the enclosed envelope, or vote your proxy electronically via the Internet or telephonically.

By Order of the Board of Directors

James F. Laird  
Secretary

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APPENDIX A - 2014 EQUITY AND CASH INCENTIVE PLAN

DIAMOND HILL INVESTMENT GROUP, INC.

2014 EQUITY AND CASH INCENTIVE PLAN

The purpose of the Plan is to promote the Company's long-term financial success and increase shareholder value by motivating performance through incentive compensation. The Plan also is intended to encourage Participants to acquire ownership interests in the Company, attract and retain talented employees and directors and enable Participants to participate in the Company's long-term growth and financial success.

ARTICLE I

DEFINITIONS

When used in the Plan, the following capitalized words, terms and phrases shall have the meanings set forth in this Article I. For purposes of the Plan, the form of any word, term or phrase shall include any and all of its other forms.

1.1 "Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, or any successor thereto.

1.2 "Affiliate" shall mean any entity with whom the Company would be considered a single employer under Section 414(b) or (c) of the Code, but modified as permitted under any Code section relevant to the purpose for which the definition is applied.

1.3 "Award" shall mean any Nonqualified Stock Option, Incentive Stock Option, Stock Appreciation Right, Restricted Stock, Other Stock-Based Award or Cash-Based Award granted pursuant to the Plan.

1.4 "Award Agreement" shall mean any written or electronic agreement between the Company and a Participant that describes the terms and conditions of an Award. If there is a conflict between the terms of the Plan and the terms of an Award Agreement, the terms of the Plan shall govern.

1.5 "Board" shall mean the Board of Directors of the Company.

1.6 "Cash-Based Award" shall mean a cash Award granted pursuant to Article IX of the Plan.

1.7 "Cause" shall mean, unless otherwise provided in the related Award Agreement or in any employment agreement between the Participant and the Company or any Affiliate or in any other agreement between the Participant and the Company or any Affiliate, a Participant's: (a) willful and continued failure to substantially perform the Participant's assigned duties; (b) gross misconduct; (c) breach of any term of any agreement with the Company or any Affiliate, including the Plan and any Award Agreement; (d) conviction of (or plea of no contest or nolo contendere to) (i) a felony or a misdemeanor that originally was charged as a felony but which was subsequently reduced to a misdemeanor through negotiation with the charging entity or (ii) a crime other than a felony, which involves a breach of trust or fiduciary duty owed to the Company, any Affiliate or any client of the Company or any Affiliate; or (e) violation of the Company's code of conduct, Code of Ethics, Insider Trading Policy or any other policy of the Company or any Affiliate that applies to the Participant. Notwithstanding the foregoing, Cause will not arise solely because the Participant is absent from active employment during periods of vacation, consistent with the Company's applicable vacation policy, or other period of absence approved by the Company.

1.8 "Change in Control" shall mean, unless otherwise provided in any employment agreement between the Participant and the Company or any Affiliate or in any other agreement between the Participant and the Company or any Affiliate, the occurrence of any of the following:

(a) Any transaction or series of transactions, whereby any person (as that term is used in Section 13 and 14(d)(2) of the Act), is or becomes the beneficial owner (as that term is used in Section 13(d) of the Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities; provided, that for purposes of this paragraph, the term "person" will exclude (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or an Affiliate, (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership in the Company, and (iii) any venture capital firm or other investor in securities of the Company that first purchases any such securities within the thirty (30) day period following the effective date of the Plan;



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- (b) Any merger, consolidation, other corporate reorganization or liquidation of the Company in which the Company is not the continuing or surviving corporation or entity or pursuant to which Shares would be converted into cash, securities, or other property, other than (i) a merger or consolidation with a wholly-owned subsidiary, (ii) a reincorporation of the Company in a different jurisdiction, or (iii) any other transaction in which there is no substantial change in the stockholders of the Company;
- (c) Any merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than fifty percent (50%) of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation, or other reorganization is owned by persons who were not stockholders of the Company immediately prior to such merger, consolidation, or other reorganization;
- (d) The sale, transfer, or other disposition of all or substantially all of the assets of the Company in one transaction or a series of transactions; or
- (e) A change or series of related or unrelated changes in the composition of the Board, during any twenty-four (24) month period beginning on the first anniversary of the effective date of the Plan, as a result of which fewer than fifty percent (50%) of the incumbent directors are directors who either (i) had been directors of the Company on the later of such first anniversary of the effective date of the Plan or the date twenty-four (24) months prior to the date of the event that may constitute a Change of Control (the "Original Directors") or (ii) were elected, or nominated for election, to the Board with the affirmative votes of a least a majority of the aggregate of the Original Directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved. Notwithstanding the foregoing, the following transactions will not constitute a "Change of Control": (i) any transaction the sole purpose of which is to change the state of incorporation of the Company or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; or (ii) with respect to any Award that is subject to Section 409A of the Code and for which no exception applies, any transaction or event described above that does not also constitute a "change in control event" within the meaning of Section 409A of the Code.

1.9 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto. Where appropriate, a reference to the Code shall also include the applicable Treasury Regulations and other official guidance promulgated thereunder.

1.10 "Committee" shall mean the Compensation Committee of the Board, which will be comprised of at least two directors, each of whom is an "outside director," within the meaning of Section 162(m) of the Code, a "non-employee" director within the meaning of Rule 16b-3 under the Act, and an "independent director" under the rules of the exchange on which the Shares are listed.

1.11 "Company" shall mean Diamond Hill Investment Group, Inc., an Ohio corporation, and any successor thereto.

1.12 "Covered Employee" shall mean a "covered employee" within the meaning of Section 162(m) of the Code.

1.13 "Director" shall mean a person who is a member of the Board, excluding any member who is an Employee.

1.14 "Disability" shall mean, with respect to:

(a) An Incentive Stock Option, "disability" as defined in Section 22(e)(3) of the Code;

(b) The payment, exercise or settlement of any Award that is (or becomes) subject to Section 409A of the Code (and for which no exception applies): (i) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; (ii) the Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering Employees of the Participant's employer; or (iii) the Participant is determined to be totally disabled by the Social Security Administration; and

(c) A Participant's right to exercise or receive settlement of any Award or with respect to the payment, exercise or settlement of any Award not described in subsection (a) or (b) of this definition, a Participant's inability (established by an independent physician selected by the Committee) due to illness, accident or otherwise to perform his or her duties, which is expected to be permanent or for an indefinite duration longer than 12 months.





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1.15 “Employee” shall mean any person who is a common law employee of the Company or any Affiliate. A person who is classified as other than a common law employee but who is subsequently reclassified as a common law employee of the Company or any Affiliate for any reason and on any basis shall be treated as a common law employee only from the date that reclassification occurs and shall not retroactively be reclassified as an Employee for any purpose under the Plan.

1.16 “Fair Market Value” shall mean the value of one Share on any relevant date, determined under the following rules:

(a) If the Shares are traded on an exchange, the reported “closing price” on the relevant date if it is a trading day, otherwise on the next trading day;

(b) If the Shares are traded over-the-counter with no reported closing price, the mean between the lowest bid and the highest asked prices on that quotation system on the relevant date if it is a trading day, and if the relevant date is not a trading day, then on the next trading day; or

(c) If neither (a) nor (b) applies, (i) with respect to Options, Stock Appreciation Rights and any Award that is subject to Section 409A of the Code, the value as determined by the Committee through the reasonable application of a reasonable valuation method, taking into account all information material to the value of the Company, within the meaning of Section 409A of the Code, and (ii) with respect to all other Awards, the fair market value as determined by the Committee in good faith.

1.17 “Incentive Stock Option” shall mean an Option that is intended to meet the requirements of Section 422 of the Code.

1.18 “Nonqualified Stock Option” shall mean an Option that is not intended to be an Incentive Stock Option.

1.19 “Option” shall mean an option to purchase Shares which is granted pursuant to Article V of the Plan. An Option may be either an Incentive Stock Option or a Nonqualified Stock Option.

1.20 “Other Stock-Based Award” shall mean an Award granted pursuant to Article VIII of the Plan.

1.21 “Participant” shall mean an Employee or Director who is granted an Award under the Plan.

1.22 “Performance-Based Award” shall mean an Award described in Article X of the Plan.

1.23 “Performance Criteria” shall mean: (a) with respect to a Participant who is or is likely to be a Covered Employee, the performance criteria described in Section 10.2(a) of the Plan; and (b) with respect to any other Participant, any performance criteria determined by the Committee in its sole discretion.

1.24 “Plan” shall mean the Diamond Hill Investment Group, Inc. 2014 Equity and Cash Incentive Plan, as set forth herein and as may be amended from time to time.

1.25 “Preexisting Plan” shall mean the Diamond Hill Investment Group, Inc. 2011 Equity and Cash Incentive Plan. Upon approval of the Plan by the Company’s shareholders, no further awards will be issued under the Preexisting Plan, although the Preexisting Plan will remain in effect after the Company’s shareholders approve the Plan for purposes of determining any grantee’s right to awards issued under the Preexisting Plan before that date.

1.26 “Restricted Stock” shall mean an Award granted pursuant to Article VII of the Plan under which a Participant is issued Shares which are subject to specified restrictions on vesting and transferability.

1.27 “Retirement” shall mean, unless otherwise provided in the related Award Agreement or in any employment agreement between the Participant and the Company or any Affiliate or in any other agreement between the Participant and the Company or any Affiliate, a Participant’s voluntary termination of employment that is determined to constitute a “retirement” by the Board.

1.28 “Shares” shall mean the common shares, without par value, of the Company or any security of the Company issued in satisfaction, exchange or in place of these shares.

1.29 “Stock Appreciation Right” shall mean an Award granted pursuant to Article VI of the Plan.

1.30 “Subsidiary” shall mean with respect to an Incentive Stock Option, a “subsidiary corporation” as defined under Section 424(f) of the Code.

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ARTICLE II

SHARES SUBJECT TO THE PLAN

2.1 Number of Shares Available for Awards. Subject to this Article II, the aggregate number of Shares with respect to which Awards may be granted under the Plan shall be 600,000, all of which may be granted with respect to Incentive Stock Options. The Shares may consist, in whole or in part, of treasury Shares, authorized but unissued Shares not reserved for any other purpose or Shares purchased by the Company or an independent agent in either a private transaction or in the open market. Subject to this Article II, upon the grant of an Award, the number of Shares available for issuance under the Plan shall be reduced by an amount equal to the number of Shares subject to such Award, and any Shares underlying such an Award that become available for future grant under the Plan pursuant to Section 2.2 shall be added back to the Plan in an amount equal to the number of Shares subject to such an Award that become available for future grant under the Plan pursuant to Section 2.2.

2.2 Share Usage. In addition to the number of Shares provided for in Section 2.1, the following Shares shall be available for Awards under the Plan: (a) Shares covered by an Award that expires or is forfeited, canceled, surrendered or otherwise terminated without the issuance of such Shares; (b) Shares covered by an Award that is settled only in cash or for less than the full number of Shares subject to the Award; (c) Shares granted through the assumption of, or in substitution for, outstanding awards granted by a company to individuals who become Employees or Directors as the result of a merger, consolidation, acquisition or other corporate transaction involving such company and the Company or any of its Affiliates; (d) any Shares from awards exercised for or settled in vested and nonforfeitable Shares that are later returned to the Company pursuant to any compensation recoupment policy, provision or agreement; and (e) any Shares surrendered upon exercise of an Award as payment of the applicable exercise price or withheld to satisfy any applicable taxes.

2.3 Fiscal Year Limits. Subject to Section 2.4 and unless and until the Committee determines that an Award to a Covered Employee shall not be designated as “qualified performance-based compensation” under Section 162(m) of the Code, during any fiscal year of the Company, the Committee may not grant to any Participant: (a) Options covering more than 100,000 Shares; (b) Stock Appreciation Rights covering more than 100,000 Shares; (c) more than 100,000 Shares of Restricted Stock; (d) Other Stock-Based Awards covering more than 100,000 Shares; (e) Cash-Based Awards with a value in excess of \$5,000,000; (f) Performance-Based Awards that are to be settled in Shares covering more than 100,000 Shares; and (g) Performance-Based Awards that are to be settled in cash in excess of \$5,000,000.

2.4 Adjustments. In the event of any Share dividend, Share split, recapitalization (including payment of an extraordinary dividend), merger, reorganization, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of Shares or any other change affecting the Shares, the Committee shall make such substitutions and adjustments, if any, as it deems equitable and appropriate to: (a) the aggregate number of Shares that may be issued under the Plan; (b) any Share-based limits imposed under the Plan; and (c) the exercise price, number of Shares and other terms or limitations applicable to outstanding Awards. Notwithstanding the foregoing, an adjustment pursuant to this Section 2.4 shall be made only to the extent such adjustment complies, to the extent applicable, with Section 409A of the Code.

ARTICLE III

ADMINISTRATION

3.1 In General. The Plan shall be administered by the Committee. The Committee shall have full power and authority to: (a) interpret the Plan and any Award Agreement; (b) establish, amend and rescind any rules and regulations relating to the Plan; (c) select Participants; (d) establish the terms and conditions of any Award consistent with the terms and conditions of the Plan, including when the Award may vest and, if applicable, be exercised, the acceleration of any such dates and the expiration of the Award; and (e) make any other determinations that it deems necessary or desirable for the administration of the Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award Agreement in the manner and to the extent the Committee deems necessary or desirable. Any decision of the Committee in the interpretation and administration of the Plan shall be made in the Committee’s sole and absolute discretion and shall be final, conclusive and binding on all persons.

3.2 Delegation of Duties. In its sole discretion, the Committee may delegate any ministerial duties associated with the Plan to any person (including Employees) it deems appropriate; provided, however, that the Committee may not

delegate (a) any duties that it is required to discharge to comply with Section 162(m) of the Code or any other applicable law; (b) its authority to grant Awards to any Participant who is subject to Section 16 of the Act; and (c) its authority under any equity award granting policy of the Company that may be in effect from time to time.

ARTICLE IV  
ELIGIBILITY

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4.1 Eligibility. The Committee may designate any Employee or Director as a Participant for purposes of receiving an Award under the Plan. Notwithstanding the foregoing, (a) any Non-Qualified Stock Option or Award subject to Section 409A of the Code may be granted to Employees or Directors of Affiliates only to the extent consistent with Section 409A of the Code; and (b) only Employees of the Company or a Subsidiary may be granted an Incentive Stock Option.

4.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards will be granted and will determine the nature and amount of each Award. No individual will have any right to be granted an Award pursuant to this Plan.

ARTICLE V  
OPTIONS

5.1 Grant of Options. Subject to the terms and conditions of the Plan, Options may be granted to Participants in such number, and upon such terms and conditions, as shall be determined by the Committee in its sole discretion.

5.2 Award Agreement. Each Option shall be evidenced by an Award Agreement that shall specify the exercise price, the term of the Option, the number of Shares covered by the Option, the conditions upon which the Option shall become vested and exercisable and such other terms and conditions as the Committee shall determine and which are not inconsistent with the terms and conditions of the Plan. The Award Agreement also shall specify whether the Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option.

5.3 Exercise Price. The exercise price per Share of an Option shall be determined by the Committee at the time the Option is granted; provided, however, that in no event shall the exercise price per Share of any Option be less than 100% of the Fair Market Value of a Share on the date of grant.

5.4 Term. The term of an Option shall be determined by the Committee; provided, however, that in no event shall the term of any Option exceed ten years from its date of grant.

5.5 Exercisability. Options shall become exercisable at such times and upon such terms and conditions as shall be determined by the Committee. Such terms and conditions may include, without limitation, the satisfaction of (a) performance goals based on one or more Performance Criteria; and (b) time-based vesting requirements.

5.6 Exercise of Options. Except as otherwise provided in the Plan or in a related Award Agreement, an Option may be exercised for all or any portion of the Shares for which it is then exercisable. An Option shall be exercised by the delivery of a notice of exercise to the Company or its designee in a form specified by the Committee which sets forth the number of Shares with respect to which the Option is to be exercised and full payment of the exercise price for such Shares. The exercise price of an Option may be paid: (a) in cash or its equivalent; (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the aggregate exercise price; provided that such Shares had been held for at least six months or such other period required to obtain favorable accounting treatment and to comply with the requirements of Section 16 of the Act; (c) by a cashless exercise (including by withholding Shares deliverable upon exercise and through a broker-assisted arrangement to the extent permitted by applicable law); (d) by a combination of the methods described in clauses (a), (b) and/or (c); or (e) through any other method approved by the Committee in its sole discretion. As soon as practicable after receipt of the notification of exercise and full payment of the exercise price, the Company shall cause the appropriate number of Shares to be issued to the Participant.

5.7 Special Rules Applicable to Incentive Stock Options. Notwithstanding any other provision in the Plan to the contrary:

(a) The terms and conditions of Incentive Stock Options shall be subject to and comply with the requirements of Section 422 of the Code.

(b) The aggregate Fair Market Value of the Shares (determined as of the date of grant) with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company and its Subsidiaries) may not be greater than \$100,000 (or such other amount specified in Section 422 of the Code), as calculated under Section 422 of the Code.

(c) No Incentive Stock Option shall be granted to any Participant who, at the time the Incentive Stock Option is granted, owns shares possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any Subsidiary, unless (i) the exercise price of such Incentive Stock Option is at least 110% of the Fair

Market Value of a Share

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on the date the Incentive Stock Option is granted and (ii) the date on which such Incentive Stock Option will expire is not later than five years from the date the Incentive Stock Option is granted.

ARTICLE VI

STOCK APPRECIATION RIGHTS

6.1 Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, Stock Appreciation Rights may be granted to Participants in such number, and upon such terms and conditions, as shall be determined by the Committee in its sole discretion.

6.2 Award Agreement. Each Stock Appreciation Right shall be evidenced by an Award Agreement that shall specify the exercise price, the term of the Stock Appreciation Right, the number of Shares covered by the Stock Appreciation Right, the conditions upon which the Stock Appreciation Right shall become vested and exercisable and such other terms and conditions as the Committee shall determine and which are not inconsistent with the terms and conditions of the Plan.

6.3 Exercise Price. The exercise price per Share of a Stock Appreciation Right shall be determined by the Committee at the time the Stock Appreciation Right is granted; provided, however, that in no event shall the exercise price per Share of any Stock Appreciation Right be less than 100% of the Fair Market Value of a Share on the date of grant.

6.4 Term. The term of a Stock Appreciation Right shall be determined by the Committee; provided however, that in no event shall the term of any Stock Appreciation Right exceed ten years from its date of grant.

6.5 Exercisability of Stock Appreciation Rights. A Stock Appreciation Right shall become exercisable at such times and upon such terms and conditions as may be determined by the Committee. Such terms and conditions may include, without limitation, the satisfaction of (a) performance goals based on one or more Performance Criteria; and (b) time-based vesting requirements.

6.6 Exercise of Stock Appreciation Rights. Except as otherwise provided in the Plan or in a related Award Agreement, a Stock Appreciation Right may be exercised for all or any portion of the Shares for which it is then exercisable. A Stock Appreciation Right shall be exercised by the delivery of a notice of exercise to the Company or its designee in a form specified by the Committee which sets forth the number of Shares with respect to which the Stock Appreciation Right is to be exercised. Upon exercise, a Stock Appreciation Right shall entitle a Participant to an amount equal to (a) the excess of (i) the Fair Market Value of a Share on the exercise date over (ii) the exercise price per Share, multiplied by (b) the number of Shares with respect to which the Stock Appreciation Right is exercised. A Stock Appreciation Right may be settled in full Shares, cash or a combination thereof, as specified by the Committee in the related Award Agreement.

ARTICLE VII

RESTRICTED STOCK

7.1 Grant of Restricted Stock. Subject to the terms and conditions of the Plan, Shares of Restricted Stock may be granted to Participants in such number, and upon such terms and conditions, as shall be determined by the Committee in its sole discretion.

7.2 Award Agreement. Each Restricted Stock Award shall be evidenced by an Award Agreement that shall specify the number of Shares of Restricted Stock, the restricted period(s) applicable to the Shares of Restricted Stock, the conditions upon which the restrictions on the Shares of Restricted Stock will lapse and such other terms and conditions as the Committee shall determine and which are not inconsistent with the terms and conditions of the Plan.

7.3 Terms, Conditions and Restrictions.

(a) The Committee shall impose such other terms, conditions and/or restrictions on any Shares of Restricted Stock as it may deem advisable, including, without limitation, a requirement that the Participant pay a purchase price for each Share of Restricted Stock, restrictions based on the achievement of specific performance goals (which may be based on one or more Performance Criteria), time-based restrictions, holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Restricted Stock. Notwithstanding the foregoing, subject to Sections 2.3(h) and Article XII of the Plan or as described in the related Award Agreement in connection with a Participant's death, termination due to Disability and/or Retirement, no condition on vesting of a Restricted Stock Award that is based upon achievement of specified performance goals shall be based on performance over a period of less than one

year.

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(b) To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all terms, conditions and/or restrictions applicable to such Shares have been satisfied or lapse.

(c) Unless otherwise provided in the related Award Agreement or required by applicable law or as determined by the Committee, the restrictions imposed on Shares of Restricted Stock shall lapse upon the expiration or termination of the applicable restricted period and the satisfaction of any other applicable terms and conditions.

7.4 Rights Associated with Restricted Stock during Restricted Period. During any restricted period applicable to Shares of Restricted Stock:

(a) Such Shares of Restricted Stock may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated.

(b) Unless otherwise provided in the related Award Agreement: (i) the Participant shall be entitled to exercise full voting rights associated with such Shares of Restricted Stock; and (ii) the Participant shall be entitled to all dividends and other distributions paid with respect to such Shares of Restricted Stock during the restricted period; provided, however, that receipt of any such dividends or other distributions will be subject to the same terms and conditions as the Shares of Restricted Stock with respect to which they are paid.

ARTICLE VIII

OTHER STOCK-BASED AWARDS

8.1 Grant of Other Stock-Based Awards. Subject to the terms and conditions of the Plan, Other Stock-Based Awards may be granted to Participants in such number, and upon such terms and conditions, as shall be determined by the Committee in its sole discretion. Other Stock-Based Awards are Awards that are valued in whole or in part by reference to, or otherwise based on the Fair Market Value of, the Shares, and shall be in such form as the Committee shall determine, including without limitation, (a) unrestricted Shares or (b) time-based or performance-based restricted stock units that are settled in Shares and/or cash. Notwithstanding the foregoing, subject to Sections 2.3(h) and Article XII of the Plan or as described in the related Award Agreement in connection with a Participant's death, termination due to Disability and/or Retirement, no condition on vesting of an Other Stock-Based Award that is based upon achievement of specified performance goals shall be based on performance over a period of less than one year and no condition on vesting of an Other Stock-Based Award that is based upon continued employment or the passage of time shall provide for vesting in full of the Other Stock-Based Award more quickly than in pro rata installments over three years from the date of grant of the Award.

8.2 Award Agreement. Each Other Stock-Based Award shall be evidenced by an Award Agreement that shall specify the terms and conditions upon which the Other Stock-Based Award shall become vested, if applicable, the time and method of settlement, the form of settlement and such other terms and conditions as the Committee shall determine and which are not inconsistent with the terms and conditions of the Plan.

8.3 Form of Settlement. An Other Stock-Based Award may be settled in full Shares, cash or a combination thereof, as specified by the Committee in the related Award Agreement.

8.4 Dividend Equivalents. Awards of Other Stock-Based Awards may provide the Participant with dividend equivalents, as determined by the Committee in its sole discretion and set forth in the related Award Agreement.

ARTICLE IX

CASH-BASED AWARDS

Subject to the terms and conditions of the Plan, Cash-Based Awards may be granted to Participants in such amounts and upon such other terms and conditions as shall be determined by the Committee in its sole discretion. Each Cash-Based Award shall be evidenced by an Award Agreement that shall specify the payment amount or payment range, the time and method of settlement and the other terms and conditions, as applicable, of such Award which may include, without limitation, performance objectives.

ARTICLE X

PERFORMANCE-BASED AWARDS

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10.1 In General. Awards may be granted as Performance-Based Awards that are deductible by the Company under Section 162(m) of the Code. As determined by the Committee in its sole discretion, the grant, vesting, exercisability and/or settlement of any Performance-Based Award shall be conditioned on the attainment of performance goals based upon one or more Performance Criteria during a performance period established by the Committee. Any such Award must meet the requirements of this Article X.

10.2 Performance Criteria.

(a) For purposes of the Plan, the “Performance Criteria” for Participants who are or are likely to be Covered Employees are as follows:

(i) Operating profit, including operating profit margins;

(ii) Earnings per share (i.e., net income divided by a weighted average number of shares of Stock outstanding and dilutive common equivalent shares deemed outstanding);

(iii) Net income;

(iv) Investment performance of the Company’s investment strategies (collectively or single strategy, individually);

(v) Operating income (i.e., income from operations excluding unusual items);

(vi) Calculation of the Company’s intrinsic value;

(vii) Return on equity (i.e., net income divided by average shareholders’ equity);

(viii) Return on sales (i.e., operating income before incentive compensation divided by revenue); and

(ix) Revenue (i.e., net sales).

(b) Performance Criteria may relate to the individual Participant, the Company, one or more of its Affiliates or one or more of their respective divisions or business units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, in each case, as determined by the Committee in its sole discretion.

10.3 Establishment of Performance Goals. With respect to Performance-Based Awards for Participants who are or are likely to be Covered Employees, the Committee shall establish: (a) the applicable performance goals and performance period and (b) the formula for computing the Performance-Based Award. Such terms and conditions shall be established in writing while the outcome of the applicable performance period is substantially uncertain, but in no event later than the earlier of: (i) 90 days after the beginning of the applicable performance period; or (ii) the expiration of 25% of the applicable performance period.

10.4 Certification of Performance. With respect to Performance-Based Awards for Participants who are or are likely to be Covered Employees, the Committee shall certify in writing whether the applicable performance goals and other material terms imposed on such Performance-Based Awards have been satisfied, and, if they have, ascertain the amount of the applicable Performance-Based Award. No such Performance-Based Award shall vest, become exercisable and/or be settled, as the case may be, until the Committee makes this certification.

10.5 Modifying Performance-Based Awards. To the extent consistent with Section 162(m) of the Code, performance goals relating to such Performance-Based Awards may be calculated without regard to extraordinary items or adjusted, as the Committee deems equitable, in recognition of unusual or non-recurring events affecting the Company and/or its Affiliates or changes in applicable tax laws or accounting principles.

10.6 Negative Discretion. In the Committee’s sole discretion, the amount of a Performance-Based Award actually paid to a Participant may be less than the amount determined by the applicable performance goal formula.

ARTICLE XI

TERMINATION OF EMPLOYMENT OR SERVICE

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11.1 Effect of Termination of Employment or Service. With respect to each Award granted under the Plan, the Committee shall, subject to the terms and conditions of the Plan, determine the extent to which the Award shall vest and the extent to which the Participant shall have the right to exercise and/or receive settlement of the Award on or following the Participant's termination of employment or services with the Company and/or any Affiliate. Such provisions shall be determined in the sole discretion of the Committee at any time prior to or after such termination, shall be included in the related Award Agreement or an amendment thereto, need not be uniform among all Awards granted under the Plan and may reflect distinctions based on the reasons for termination.

11.2 Default Provisions. If the Award Agreement does not specify the effect of a Participant's termination of employment or services with the Company and/or any Affiliate on the vesting, exercisability and/or settlement of Awards, the following provisions shall apply:

(a) Death, Disability or Retirement. In the event of a Participant's death, Disability or Retirement: (i) all exercisable Awards may be exercised for the remainder of the term of such Award (provided, however, that any Incentive Stock Option that is not exercised within 12 months following the Participant's death, Disability or Retirement will be treated as a Nonqualified Stock Option); (ii) a pro rata portion of all unvested Awards shall vest, as determined by the Committee in its sole discretion, based on the amount of time elapsed during the vesting period prior to the date of death, Disability or Retirement, or the attainment of the performance objectives or Performance Goals, as applicable, over the portion of the Performance Period elapsed as of the date of death, Disability or Retirement; and (iii) all unvested Awards that do not vest pursuant to this Section 11.2(a) shall terminate and be forfeited as of the date of death, Disability or Retirement.

(b) Termination for Cause. If a Participant is terminated for Cause, all Awards, whether or not vested and/or exercisable, shall terminate and be forfeited as of the date of termination.

(c) Other Termination. If a Participant terminates for any other reason: (i) all exercisable Awards may be exercised for the remainder of the term of such Award (provided, however, that any Incentive Stock Option that is not exercised within three months following the Participant's termination will be treated as a Nonqualified Stock Option); and (ii) all unvested Awards shall terminate and be forfeited as of the date of termination.

Notwithstanding the foregoing, in no event shall any Performance-Based Award granted to a Covered Employee that is intended to qualify as "performance-based compensation" under Section 162(m) of the Code, be settled or become exercisable in full, upon the termination of employment of the Covered Employee without regard to the satisfaction of the related Performance Criteria.

## ARTICLE XII

### CHANGE IN CONTROL

12.1 In General. Except as otherwise provided in the related Award Agreement, in the event of a Change in Control, all outstanding Awards shall become immediately vested and exercisable and the Committee, in its sole discretion, may take such actions, if any, as it deems necessary or desirable with respect to any such Awards, including, without limitation: (a) by providing for a cash payment in exchange for the cancellation of an Award; or (b) the issuance of substitute Awards that substantially preserve the value, rights and benefits of any affected Awards. Any action relating to an Award that is subject to Section 409A of the Code shall be consistent with the requirements thereof.

12.2 Effect of Section 280G of the Code. Unless specified otherwise in the associated Award Agreement or in another written agreement between the Participant and the Company or any Affiliate, if the Company concludes that any payment or benefit due to a Participant under the Plan, when combined with any other payment or benefit due to the Participant from the Company or any other entity (collectively, the "Payor"), would be considered a "parachute payment" within the meaning of Section 280G of the Code, the Payor will reduce the payments and benefits due to the Participant under the Plan to \$1.00 less than the amount that would otherwise be considered a "parachute payment" within the meaning of Section 280G of the Code. Any reduction pursuant to this Section 12.2 shall be made in accordance with Section 409A of the Code and the Treasury Regulations promulgated thereunder.

## ARTICLE XIII

### AMENDMENT OR TERMINATION OF THE PLAN

13.1 In General. The Board or the Committee may amend or terminate the Plan at any time; provided, however, that no amendment or termination shall be made without the approval of the Company's shareholders to the extent that

(a) the amendment materially increases the benefits accruing to Participants under the Plan, (b) the amendment materially increases the aggregate

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number of Shares authorized for grant under the Plan (excluding an increase in the number of Shares that may be issued under the Plan as a result of Section 2.4), (c) the amendment materially modifies the requirements as to eligibility for participation in the Plan, or (d) such approval is required by any law, regulation or stock exchange rule.

13.2 Repricing. Except for adjustments made pursuant to Section 2.4 of the Plan, in no event may the Board or the Committee amend the terms of an outstanding Award to reduce the exercise price of an outstanding Option or Stock Appreciation Right or cancel an outstanding Option or Stock Appreciation Right in exchange for cash, other Awards or Options or Stock Appreciation Rights with an exercise price that is less than the exercise price of the original Option or Stock Appreciation Right without shareholder approval.

ARTICLE XIV

TRANSFERABILITY

14.1 Non-Transferability. Except as described in Section 14.2 or as provided in a related Award Agreement, an Award may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, except by will or the laws of descent and distribution and, during a Participant's lifetime, may be exercised only by the Participant or the Participant's guardian or legal representative. Notwithstanding any provision contained in this Article XIV, no Award may be transferred by a Participant for value or consideration.

14.2 Beneficiary. Unless otherwise specifically designated by the Participant in writing, a Participant's beneficiary under the Plan shall be the Participant's spouse or, if no spouse survives the Participant, the Participant's estate.

ARTICLE XV

MISCELLANEOUS

15.1 No Right to Continued Service or to Awards. The granting of an Award under the Plan shall impose no obligation on the Company or any Affiliate to continue the employment or services of a Participant or interfere with or limit the right of the Company or any Affiliate to terminate the services of any Employee or Director at any time. In addition, no Employee or Director shall have any right to be granted any Award, and there is no obligation for uniformity of treatment of Participants. The terms and conditions of Awards and the Committee's interpretations and determinations with respect thereto need not be the same with respect to each Participant.

15.2 Tax Withholding.

(a) The Company or an Affiliate, as applicable, shall have the power and the right to deduct, withhold or collect any amount required by law or regulation to be withheld with respect to any taxable event arising with respect to an Award granted under the Plan. This amount may, as determined by the Committee in its sole discretion, be (i) withheld from other amounts due to the Participant, (ii) withheld from the value of any Award being settled or any Shares being transferred in connection with the exercise or settlement of an Award, (iii) withheld from the vested portion of any Award (including the Shares transferable thereunder), whether or not being exercised or settled at the time the taxable event arises, (iv) collected directly from the Participant, or (v) satisfied through any combination of the methods described above.

(b) Subject to the approval of the Committee, a Participant may elect to satisfy the withholding requirement, in whole or in part, by having the Company or an Affiliate, as applicable, withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction; provided that such Shares would otherwise be distributable to the Participant at the time of the withholding and if such Shares are not otherwise distributable at the time of the withholding, provided that the Participant has a vested right to distribution of such Shares at such time. All such elections shall be irrevocable and made in writing and shall be subject to any terms and conditions that the Committee, in its sole discretion, deems appropriate.

15.3 Requirements of Law. The grant of Awards and the issuance of Shares shall be subject to all applicable laws, rules and regulations (including applicable federal and state securities laws) and to all required approvals of any governmental agencies or national securities exchange, market or other quotation system. Without limiting the foregoing, the Company shall have no obligation to issue Shares under the Plan prior to: (a) receipt of any approvals from any governmental agencies or national securities exchange, market or quotation system that the Committee deems necessary; and (b) completion of registration or other qualification of the Shares under any applicable federal or state law or ruling of any governmental agency that the Committee deems necessary.

15.4 Legends. Certificates for Shares delivered under the Plan may be subject to such share transfer orders and other restrictions that the Committee deems advisable under the rules, regulations and other requirements of the Securities and Exchange

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Commission, any stock exchange or other recognized market or quotation system upon which the Shares are then listed or traded, or any other applicable federal or state securities law. The Committee may cause a legend or legends to be placed on any certificates issued or stop orders imposed on Shares under the Plan to make appropriate reference to restrictions within the scope of this Section 15.4.

15.5 **Uncertificated Shares.** To the extent that the Plan provides for the issuance of certificates to reflect the transfer of Shares, the transfer of Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

15.6 **Governing Law.** The Plan and all Award Agreements shall be governed by and construed in accordance with the laws of (other than laws governing conflicts of laws) the State of Ohio.

15.7 **No Impact on Benefits.** Awards are not compensation for purposes of calculating a Participant's rights under any employee benefit plan that does not specifically require the inclusion of Awards in calculating benefits.

15.8 **Rights as a Shareholder.** Except as otherwise provided in the Plan or in a related Award Agreement, a Participant shall have none of the rights of a shareholder with respect to Shares covered by an Award unless and until the Participant becomes the record holder of such Shares.

15.9 **Successors and Assigns.** The Plan shall be binding on all successors and assigns of the Company and each Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

15.10 **Section 409A of the Code.**

(a) Awards granted pursuant to the Plan that are subject to Section 409A of the Code, or that are subject to Section 409A but for which an exception from Section 409A of the Code applies, are intended to comply with or be exempt from Section 409A of the Code, and the Plan shall be interpreted, administered and operated accordingly.

(b) If a Participant is determined to be a "specified employee" (within the meaning of Section 409A of the Code and as determined under the Company's policy for determining specified employees), the Participant shall not be entitled to payment or to distribution of any portion of an Award that is subject to Section 409A of the Code (and for which no exception applies) and is payable or distributable on account of the Participant's "separation from service" (within the meaning of Section 409A of the Code) until the expiration of six months from the date of such separation from service (or, if earlier, the Participant's death). Such Award, or portion thereof, shall be paid or distributed on the first business day of the seventh month following such separation from service.

(c) Nothing in the Plan shall be construed as an entitlement to or guarantee of any particular tax treatment to a Participant, and none of the Company, its Affiliates, the Board or the Committee shall have any liability with respect to any failure to comply with the requirements of Section 409A of the Code.

15.11 **Savings Clause.** In the event that any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

**ARTICLE XVI**

**EFFECTIVE DATE AND TERM OF THE PLAN**

The effective date of the Plan shall be the date on which the Plan is approved by the Company's shareholders and the Plan shall terminate and no Awards may be granted after the tenth anniversary of this date. Notwithstanding the foregoing, no Incentive Stock Options shall be granted more than ten years after the date the Plan is approved by the Board. The termination of the Plan shall not preclude the Company from complying with the terms of Awards outstanding on the date the Plan terminates.

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font-family:ARIAL">Charles D. McCrary \* C

Lee J. Styslenger III

Member

C Chair

Audit Committee Financial Expert

þ Risk Committee Risk Management Expert

\* Lead Independent Director

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**CORPORATE GOVERNANCE**

*Chair*

**Carolyn H. Byrd**

*Other Members*

**George W. Bryan**

**Eric C. Fast**

**John E. Maupin, Jr.**

**Lee J. Styslinger III**

**Audit Committee**

The Audit Committee currently consists of Carolyn H. Byrd (Chair), George W. Bryan, Eric C. Fast, John E. Maupin, Jr., and Lee J. Styslinger III. All of these Directors are independent and were selected for membership on the Audit Committee based on the recommendation of the NCG Committee.

The Audit Committee has a written charter that is posted on our website at [www.regions.com](http://www.regions.com) and is reviewed and approved on an annual basis.

The purpose of the Audit Committee is to assist the Board in monitoring the:

- (a) Integrity of the Company's financial statements, financial reporting processes and financial controls;
- (b) Independent auditor's qualifications and independence;
- (c) Performance of the Company's internal audit function and independent auditors; and
- (d) Company's compliance with legal and regulatory requirements.

Each member of the Audit Committee must be independent and financially literate as defined by the SEC and NYSE regulations. Additionally, at least one member of the Audit Committee must be an Audit Committee Financial Expert as that term is defined by the SEC. Pursuant to the Audit Committee's written charter, members of the Audit Committee may only serve on two other public company audit committees.

The Audit Committee meets at least quarterly, and more often if deemed necessary or advisable. In 2014, the Audit Committee met eight times.

Additionally, pursuant to its charter, the Audit Committee will:

Appoint or replace the independent auditor;

Pre-approve all auditing services, internal control-related services and permitted non-audit services to be performed by the independent auditor;

Retain independent legal, accounting or other advisers as it deems necessary or advisable;

Discuss with management (i) the Company's major financial risk exposures and (ii) the steps management has taken to monitor and control such exposures;

Review and discuss financial statements and disclosure matters that will be filed with the SEC;

Review and discuss with management all non-GAAP information;

Oversee, review and evaluate the Company's relationship with the independent auditor and the independent auditor's performance and independence; and

Oversee the Company's internal audit function.

The Audit Committee serves as a Board-level oversight role. Management is responsible for preparing the Company's consolidated financial statements, for maintaining internal controls, and for complying with laws and regulations. The

independent auditors are responsible for auditing the Company's consolidated financial statements and internal controls.

The Audit Committee regularly meets with Regions' internal auditors and Ernst & Young LLP, with and without management present, to discuss the results of their examinations, their evaluations of Regions' internal accounting and financial reporting controls, and the overall quality of Regions' financial reporting.

The Audit Committee also must prepare the report required to be included in this proxy statement. The Audit Committee has approved such report, which is on page 50.

### **Audit Committee Financial Experts**

The Board believes that all of the members of the Audit Committee have accounting or related financial management expertise under the rules of the NYSE. Additionally, all members qualify as Audit Committee Financial Experts within the meaning of the rules of the SEC.

In addition, all Audit Committee members are financially literate, as required by NYSE listing standards, and all members meet the additional criteria for independence of audit committee members as set forth in Rule 10A-3(b)(1) under the Exchange Act.

### **Accounting or Audit-Related Matters**

The Audit Committee has established procedures for the receipt, retention and evaluation of complaints and submissions concerning accounting and audit-related matters, the features of which include insulation from management, safeguards for protecting anonymity and confidentiality of associate submissions, alternative methods for submissions, dedication of resources for investigations and the recording and preservation of findings.

The procedures are administered by the Audit Committee and a limited number of individuals in Regions' corporate security, risk, legal and internal audit areas. Regions has notified its associates that the procedures are in place and how to direct a complaint or submission.

In addition, any interested party may communicate concerns regarding accounting, internal accounting controls or auditing matters directly to the attention of the Audit Committee as follows:

Regions Financial Corporation

Attention: Audit Committee Chair

c/o Office of the Corporate Secretary

1900 Fifth Avenue North

Birmingham, Alabama 35203

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**CORPORATE GOVERNANCE**

**Compensation Committee**

The Compensation Committee currently consists of Don DeFosset (Chair), David J. Cooper, Sr., Ruth Ann Marshall, Susan W. Matlock and Lee J. Styslinger III.

Each member of the Compensation Committee must be independent as defined by the NYSE. Accordingly, all of our Directors who serve on the Compensation Committee are independent, qualify as a non-employee director within the meaning of Rule 16b-3 under the Exchange Act, and satisfy the requirement as an outside director for the purposes of IRC Section 162(m).

These Directors were selected for membership on the Compensation Committee based on the recommendation of the NCG Committee. The Compensation Committee has a written charter, which is posted on our website at [www.regions.com](http://www.regions.com) and is reviewed and approved on an annual basis.

The purpose of the Compensation Committee is to assist the Board in:

- (a) Fulfilling its responsibilities relating to the compensation of the Executive Officers;
- (b) Ensuring that all executive compensation is fair, appropriate, reasonable, and in compliance with all applicable regulations; and
- (c) Performing such other duties and responsibilities in accordance with its charter.

The Compensation Committee met seven times in 2014. The Compensation Committee regularly invited certain members of management to its meetings as it deemed appropriate, consistent with the maintenance of the confidentiality of compensation discussions. The CEO did not attend any portion of a meeting where his performance was evaluated or his compensation discussed.

The Compensation Committee has the additional authority and responsibilities relating to compensation matters to:

Approve the Company's compensation philosophy;

Supervise and monitor the Company's compensation plans and programs to determine whether they are properly aligned with the Company's strategic and financial objectives and ensure that such employee compensation plans and programs are supportive of the Company's Risk Appetite Statement as established by the Board and maintain the appropriate processes and procedures and sufficient personnel to manage compensation-related risks;

Review and approve all Company goals and objectives relevant to the CEO's compensation and evaluate the CEO's performance in light of those goals and objectives;

Determine the CEO's compensation (including base salary, incentive compensation, long-term compensation, executive benefits, and perquisites);

Approve the compensation of the Executive Officers and such senior officers as the Compensation Committee determines appropriate;

Review and approve any employment agreement, new hire award or new hire payment proposed to be made with any proposed or current Executive Officer;

Ensure that the compensation and other incentives granted to the Chief Risk Officer are consistent with providing an objective assessment of the risks taken by the Company, in consultation with the Risk Committee;

Review and approve any severance, change-in-control or similar termination agreement, award or payment proposed to be made with any current or former Executive Officer;

Approve the creation, termination and amendment of executive compensation plans;

Approve any new equity compensation plan or any material change to an existing plan where stockholder approval is not required;

Review and make recommendations as to the form and amount of Director compensation in connection with the NCG Committee;

Retain and obtain the advice of any compensation consultant, outside legal counsel, or any such other advisors as it deems necessary or desirable to assist with the execution of its duties and responsibilities; and

perform an annual self-evaluation.

The Compensation Committee meets at least on an annual basis with Regions' CRO to review incentive compensation arrangements for employee compensation plans in order to identify any features that might encourage unnecessary and excessive risk-taking or manipulation of earnings.

The Compensation Committee also must prepare the report required to be included in this proxy statement. The Compensation Committee has approved such report, which appears on page 68.

### **Compensation Philosophy**

In determining the long-term incentive award component of compensation for the Executive Officers, the Compensation Committee considers the Company's performance for the year. The Compensation Committee may also take into consideration such items as relative stockholder return, the award practices of competitive financial institutions, the awards granted in past years, the Compensation Committee's assessment of the current and expected

contribution of the Executive Officer to the Company's success, and such other factors as the Compensation Committee considers appropriate.

### **Compensation Committee Interlocks and Insider Participation**

During 2014, there were no relationships that would create a Compensation Committee interlock as defined under applicable SEC regulations.

#### *Chair*

**Don DeFosset.**

#### *Other Members*

**David J. Cooper, Sr.**

**Ruth Ann Marshall**

**Susan W. Matlock**

**Lee J. Styslinger III**

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**CORPORATE GOVERNANCE**

*Chair*

**Charles D. McCrary**

*Other Members*

**David J. Cooper, Sr.**

**John D. Johns**

**Ruth Ann Marshall**

**John E. Maupin, Jr.**

**Nominating and Corporate Governance Committee**

The NCG Committee currently consists of Charles D. McCrary (Chair), David J. Cooper, Sr., John D. Johns, Ruth Ann Marshall, and John E. Maupin, Jr. All of these Directors are independent. The NCG Committee has a written charter, which is posted on our website at [www.regions.com](http://www.regions.com) and is reviewed and approved on an annual basis.

The primary purpose of the NCG Committee is to assist the Board by:

(a) Identifying individuals qualified to become Board members; and



(b) Establishing and maintaining effective corporate governance policies and practices.

The NCG Committee has direct access to and open communication with management and may obtain advice and assistance from internal legal, accounting or other advisors. The NCG Committee is authorized to select, retain, terminate, and approve the fees of independent legal, accounting, or other advisors as it deems appropriate.

Each member of the NCG Committee must be independent as defined by the SEC and NYSE. In the absence of a Non-Executive Chairman of the Board, the NCG Committee Chair serves as the Lead Independent Director.

The NCG Committee meets as frequently as deemed necessary, but not less than three times per year. In 2014, the NCG Committee met six times.

The NCG Committee recommends to the Board the Director nominees for each annual meeting, and may recommend the appointment of qualified individuals as Directors between annual meetings.

The NCG Committee oversees and facilitates the annual evaluation of the performance of the Board, all committees and individual Directors.

The NCG Committee annually reviews and recommends any changes to its charter and the charters of the other standing Committees.

Further, the NCG Committee assesses the Board's leadership structure, recommends the appropriate size of the Board, and makes an annual evaluation of the independence of each Director.

In addition, the NCG Committee will:

- Monitor Directors' service on other boards to ensure that each Director has adequate time to appropriately serve on Regions Board;

- Make recommendations as to the appropriate stock ownership and compensation of non-employee Directors, in consultation with the Compensation Committee;

- Review and assess the Company's Corporate Governance Principles and Code of Conduct;

- Oversee the Company's management succession plan; and

- Oversee any amendment to the Company's Certificate of Incorporation or By-Laws. The NCG Committee recommends to the Board the number, identity and responsibilities of Board committees, including the Chair of each Committee and the membership of each Committee.

The NCG Committee assesses the skills, qualifications and experience of our Directors and each year recommends a slate of nominees to the Board. From time to time, the NCG Committee also evaluates changes to the composition of our Board. In evaluating existing Directors or new candidates, the NCG Committee assesses the needs of the Board and the qualifications of the individual. See the discussion on pages 24 through 29 for more information on each of our current Director nominees.

In consultation with the Chairman and CEO, the NCG Committee evaluates potential new candidates for Board membership, including candidates recommended by stockholders in compliance with procedures set forth in the By-Laws of the Company. Stockholders who wish to nominate Directors at an annual meeting in accordance with the procedures in our By-Laws should follow the instructions in the section *Submission of Stockholder Proposals or Nominations for 2016 Annual Meeting of Stockholders* on page 87.

The NCG Committee will seek Board members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity, such that the Board will maintain an appropriate mix of skills and characteristics to meet the needs of the Company. The NCG Committee and the Board assess the qualifications of Director nominees based on criteria such as general business knowledge, an understanding of the financial services industry, experience in positions with a high degree of responsibility, leadership positions in the companies or institutions with which they are affiliated, and the contributions they can make to the Board and management.

Director nominees are evaluated based on their individual merits, taking into account the Company's needs and the composition of the Board. Although the Board has not adopted a formal policy on diversity, the NCG Committee considers the diversity of Directors in the context of the Board's overall needs. The NCG Committee evaluates diversity in a broad sense, recognizing the benefits of demographic diversity, but also considering the breadth of diverse backgrounds, skills, and experiences that Directors may bring to our Board.

To assist in its identification of qualified Directors, the NCG Committee reviews key qualifications and skills that are described on pages 22 and 23 of this proxy statement.

The NCG Committee may identify potential Directors in a number of ways, including recommendations made by current or former Directors or members of management and through contacts in the business, civic, academic, legal and non-profit communities. When appropriate, the NCG Committee may retain a search firm to identify candidates.

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**CORPORATE GOVERNANCE**

**Risk Committee**

The Risk Committee currently consists of George W. Bryan (Chair), Carolyn H. Byrd, Don DeFosset, Eric C. Fast, John D. Johns, James R. Malone and Susan W. Matlock. All of these Directors are independent and were selected for membership on the Risk Committee based on the recommendation of the NCG Committee.

The Chair of the Risk Committee, as designated by the Board, is required to be a Director who (i) is not an officer or employee of the Company; (ii) has not been an officer or associate of the Company during the previous three years; (iii) is not a member of the immediate family of a person who is, or has been within the last three years, a Regulation O executive officer of the Company; and (iv) is an independent director under Item 407 of SEC Regulation S-K. The Risk Committee must include at least one Director who has experience in identifying, assessing, and managing risk exposures of large, complex financial firms. Mr. Johns has been determined as the Risk Committee's Risk Management Expert.

The Risk Committee has a written charter, which is posted on our website at [www.regions.com](http://www.regions.com) and is reviewed and approved on an annual basis.

The Risk Committee is responsible for: (a) the risk management policies of the Company's enterprise operations; (b) oversight of the Company's risk management framework; and (c) the Board's risk appetite parameters to be used by management to operate the Company.

Generally, Regions' enterprise risks (including emerging risks) can be categorized as follows: legal risk, reputational risk, liquidity risk, credit risk, market risk, strategic risk, compliance risk and operational risk. The Risk Committee considers risk in relation to the potential for growth and increase in stockholder value.

The Risk Committee met six times in 2014. The Risk Committee has direct access to management, with open lines of communication. The Risk Committee meets separately with each of the CRO, Chief Credit Officer, the Credit Review Director, and Internal Audit Director at least quarterly, or more frequently if the Risk Committee deems advisable.

The Risk Committee oversees Regions' enterprise risk management framework, including policies, procedures, strategies and systems established by management to identify, measure, mitigate, monitor and report major risks, including emerging risks and other enterprise risks.

The Risk Committee reviews and approves the level and nature of risks that Regions is willing to assume and communicates such approval in the form of a measurable Risk Appetite Statement.

The Risk Committee monitors the Company's performance to ensure alignment with the tolerance levels articulated in the Risk Appetite Statement.

The Risk Committee ensures that the compensation of the CRO is consistent with providing an objective assessment of the risks taken by the Company.

In addition, the Risk Committee approves, at least annually, the contingency funding plan that sets out the Company's strategies for addressing liquidity needs during liquidity stress events. The Committee will also receive written reports from an independent review function regarding material liquidity risk management.

The Risk Committee also has oversight of the Company's fiduciary activities, including oversight of trust powers exercised by Regions Bank.

The Risk Committee receives information from the Risk Management team and other management groups, and advises management on the following items:

Asset and liability management and trading activities.

Compliance with asset/liability policies, limits, activities, and procedures.

Operational risk, including information technology activities.

Risks associated with the Company's technology infrastructure.

Business continuity planning.

Non-credit losses and credit risk, including the level and adequacy of the allowance for loan and lease losses.

Credit risk rating system.

Compliance risk, reputational risk, legal risk and strategic risk.

Market risk, including the oversight of funding activities and liquidity risk.

The Risk Committee has oversight of the Company's Credit Review function, including approving the appointment of the Credit Review Director and reviewing his or her performance and compensation on an annual basis.

In addition, the Risk Committee has direct access to and open communication with management. The Risk Committee has complete authority to obtain advice and assistance from internal legal, accounting or other internal advisors. In the course of performing its duties and responsibilities, the Risk Committee is also authorized to select, retain, and terminate independent legal, accounting or other advisors as it deems appropriate, without seeking approval of management or the Board.

The Risk Committee coordinates with other Board Committees, as appropriate, concerning risk management matters within the other Committees' respective areas of responsibility. The Risk Committee makes regular reports to the Board, communicates with the Company's regulators when appropriate, and performs such other activities that it deems necessary or advisable to fulfill its purpose.

*Chair*

**George W. Bryan**

*Other Members*

**Carolyn H. Byrd**

**Don DeFosset**

**Eric C. Fast**

**John D. Johns**

**James R. Malone**

**Susan W. Matlock**

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**PROPOSAL**

**2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

*What am I voting on?*

You are voting on a proposal to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the year 2015.

The Audit Committee is responsible for selecting the independent auditor engaged by Regions. The Audit Committee has selected Ernst & Young LLP as Regions' independent registered public accounting firm (that is, the independent auditor) for the 2015 fiscal year. The Board recommends that the stockholders ratify the selection of Ernst & Young LLP. In the event the selection is not ratified by our stockholders, it is anticipated that no change in auditors would be made for the current year because of the difficulty and expense of making any change during the current year. However, the vote results would be considered in connection with the engagement of independent auditors for 2016.

*What vote is required to approve this proposal?*

Approval of this proposal requires the affirmative **FOR** vote of a majority of the votes cast for or against the proposal. Abstentions and broker non-votes have no effect on the vote results.

*What does the Board recommend?*

**The Board unanimously recommends that you vote **FOR** this proposal.**

*What services are provided by Ernst & Young LLP?*

Ernst & Young LLP has been engaged to provide audit, tax and regulatory compliance advisory services. The Audit Committee considered and determined that the engagement by Regions of Ernst & Young LLP for tax and regulatory compliance advisory services, does not impair Ernst & Young LLP's independence.

*How much was Ernst & Young LLP paid for 2014 and 2013?*

The aggregate fees paid to Ernst & Young LLP by Regions for 2014 and 2013 are set forth in the following table:

	2014	2013
Audit fees (1)	\$ 6,181,738	\$ 5,780,074
Audit related fees (2)	485,650	744,900
Tax fees (3)	218,062	372,016
All other fees (4)	1,738,909	319,065
<b>Total fees</b>	<b>\$ 8,624,359</b>	<b>\$ 7,216,055</b>

- (1) Audit fees include fees associated with the annual audit of Regions consolidated financial statements and internal control over financial reporting, reviews of Regions quarterly reports on Form 10-Q, SEC regulatory filings, statutory audits, and audits of subsidiaries.
- (2) Audit related fees include fees associated with audits of employee benefit plans and certain non-registered funds, as well as service organizations controls reports.
- (3) Tax fees include fees associated with tax compliance services, including the preparation, review and filing of tax returns, tax advice, and tax planning.
- (4) All other fees principally include fees associated with advisory services related to regulatory compliance reporting.

In accordance with the Audit Committee Charter, the Audit Committee must pre-approve any engagement of Ernst & Young LLP for audit or non-audit services on a case by case basis. The Audit Committee has delegated to its Chair the authority to pre-approve permissible non-audit services. Any such approval of non-audit services pursuant to this delegation of the full Audit Committee's authority must be presented to the Audit Committee at its next regular meeting for ratification.

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PROPOSAL

**2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

*Will a representative of Ernst & Young LLP be present at the meeting?*

Ernst & Young LLP served as Regions' independent auditors for the year ended December 31, 2014, and a representative of the firm will be present at the annual meeting to make a statement if he or she so desires and to respond to appropriate questions from stockholders.

*How long has Ernst & Young LLP been Regions' independent auditor?*

Ernst & Young LLP (or its predecessors) has served as Regions' independent auditors since 1971.

A new lead audit partner is designated at least every five years to provide a fresh perspective. Consistent with this practice, a new lead audit partner was designated for 2013.

In determining whether to reappoint the independent auditor, the Audit Committee considers the independent auditor's qualifications, its independence and the length of time the firm has been engaged, in addition to considering the quality of the work performed by the independent auditor and an assessment of the past performance of both the lead audit partner and Ernst & Young LLP.

The Audit Committee and the Board believe that the continued retention of Ernst & Young LLP to serve as Regions' independent auditors is in the best interest of Regions and its stockholders.



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**AUDIT COMMITTEE REPORT**

**AUDIT COMMITTEE REPORT**

The consolidated balance sheets of Regions Financial Corporation and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, other comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014, are included in Regions' Annual Report on Form 10-K for the 2014 fiscal year. Regions, acting through its management and Board of Directors, has the primary responsibility for the financial statements and the reporting process, including the systems of internal accounting controls. Ernst & Young LLP, independent auditors engaged by Regions, are responsible for planning and conducting the annual audit, for expressing an opinion on the conformity of Regions' audited financial statements with U.S. generally accepted accounting principles and for annually auditing the effectiveness of Regions' internal controls over financial reporting.

The Audit Committee oversees Regions' financial reporting process on behalf of the Board of Directors. In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed the audited financial statements with Regions' Management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, the clarity of disclosures in the financial statements, the analysis of financial condition and results of operations, and the effectiveness of internal controls over financial reporting.

The Audit Committee has reviewed with Ernst & Young LLP their judgments as to the quality, not just the acceptability, of Regions' accounting principles and such other matters as are required to

be discussed with the Audit Committee under auditing standards generally accepted in the United States, including the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1 AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young LLP's communications with the Audit Committee concerning independence, and has discussed with Ernst & Young LLP their independence in relation to Regions.

The Audit Committee has discussed with Regions' internal auditors and Ernst & Young LLP the overall scope and plans for their respective audits. The Audit Committee regularly meets with Regions' internal auditors and Ernst & Young LLP, with and without management present, to discuss the results of their examinations, their evaluations of Regions' internal accounting and financial reporting controls, and the overall quality of Regions' financial reporting.

In reliance on the reviews and discussions referred to above, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Audit Committee Charter, the Audit Committee approved including the audited financial statements in the Annual Report on Form 10-K for the year ended December 31, 2014, for filing with the SEC.

Submitted by the Audit Committee:

**Carolyn H. Byrd, Chair**

**George W. Bryan**

**Eric C. Fast**

**John E. Maupin, Jr.**

**Lee J. Styslinger III**

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**PROPOSAL 3 NONBINDING STOCKHOLDER APPROVAL OF EXECUTIVE COMPENSATION  
( SAY-ON-PAY )**

**PROPOSAL 3 NONBINDING STOCKHOLDER APPROVAL OF EXECUTIVE COMPENSATION  
( SAY-ON-PAY )**

*What am I voting on?*

The Board is providing stockholders with the opportunity at the 2015 annual meeting to cast an advisory vote on the Company's executive compensation paid to named executive officers ( NEOs ) described in the *Compensation Discussion and Analysis*, the compensation tables, and related disclosures, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act ( Dodd-Frank Act ) and Section 14A of the Exchange Act. This proposal is known as a Say-on-Pay proposal.

At the 2012 annual meeting, the Company asked stockholders to recommend how often they should be given the opportunity to cast this Say-on-Pay advisory vote on executive compensation. The stockholders overwhelmingly voted in favor of an annual advisory vote, and the Board affirmed the recommendation and has currently elected to hold future Say-on-Pay advisory votes on an annual basis.

This proposal gives you as a stockholder the opportunity to vote for or against the following resolution:

**RESOLVED, that the stockholders of Regions Financial Corporation (the Company ) approve the compensation of the Company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and narrative discussion described in the Company's 2015 Proxy Statement.**

Because your vote is advisory, it will not be binding upon the Company, the Board or the Compensation Committee and may not be construed as overruling any decision by the Board or the Compensation Committee. However, the Board and the Compensation Committee values our stockholders' views on executive compensation matters and will take the outcome of the vote into account when considering future executive compensation arrangements for NEOs.

Stockholders are encouraged to carefully review the *Compensation Discussion and Analysis* ( CD&A ) and *Compensation of Executive Officers* sections of this proxy statement for a detailed discussion of the Company's executive compensation program.

Our overall executive compensation policies and procedures are described in the CD&A and the tabular disclosure regarding NEO compensation (together with the accompanying narrative disclosure) in this proxy statement. Our compensation policies and procedures are centered on a pay-for-performance culture and are strongly aligned with the short- and long-term interests of our stockholders, as described in the CD&A.

The Compensation Committee, which is comprised entirely of independent Directors, in consultation with Cook & Co., oversees the Company's executive compensation program and continuously monitors the Company's policies to ensure they emphasize programs that reward executives for results that are consistent with stockholder interests.

The Board and the Compensation Committee believe that Regions' commitment to these reasonable and responsible compensation practices warrants a vote by stockholders FOR the resolution approving the compensation of our NEOs as disclosed in this 2015 proxy statement.

*What vote is required to approve this proposal?*

Approval of this proposal requires the affirmative **FOR** vote of a majority of the votes cast for or against the proposal. Abstentions and broker non-votes have no effect on the vote results.

*What does the Board recommend?*

**The Board unanimously recommends that you vote **FOR** the advisory approval of the compensation of the Company's NEOs.**

*What is the effect of this resolution?*

Because your vote is advisory, it will not be binding upon the Company, the Compensation Committee or the Board. However, the Board and Compensation Committee values our stockholders' views on executive compensation matters and will take the outcome of the vote into account when considering future executive compensation arrangements for NEOs.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**  
**COMPENSATION DISCUSSION AND ANALYSIS****How Pay is Tied to Company Performance**

Our compensation and benefit programs operate under the guidance and oversight of the Compensation Committee of the Board (the Committee). The Committee is responsible to the Board for approving Regions executive compensation objectives and ensuring that the compensation programs and policies of the Company support the business goals and strategic plans approved by the Board including a commitment to a strong risk management culture. Throughout the following pages, we describe our executive compensation philosophy and the decisions we made in 2014. In this *Compensation Discussion and Analysis* ( CD&A ) we focus on the compensation of our Named Executive Officers ( NEOs ) for 2014 who were:

Name	Principal Position
O. B. Grayson Hall, Jr.	Chief Executive Officer
David J. Turner, Jr.	Chief Financial Officer
John B. Owen	Head of Regional Banking Group
Fournier J. Gale, III	General Counsel
C. Matthew Lusco	Chief Risk Officer

One of the central principles of our executive compensation program is tying pay to Company performance. The operating environment during 2014 proved challenging for the banking industry as we experienced modest domestic economic improvement, sustained low market interest rates, global economic weakness, falling oil prices and elevated geopolitical tensions. For Regions particularly, the interest rate environment proved to be the biggest headwind to our financial performance. Despite the difficult operating environment, however, Regions continued to improve performance in a consistent and steady manner demonstrated by both quantitative financial results, as well as a number of qualitative strategic successes. The performance demonstrated in 2014 with respect to our five main strategic initiatives, as subsequently described, both supports our positive momentum and provides a solid foundation for future growth:

**Strengthen Financial Performance**

Net income available to common stockholders increased to \$1.103 billion for 2014 and represents the third best year of performance in our history.

We increased our annual common dividend in 2014 by 80 percent from \$0.10 per share to \$0.18 per share and executed \$256 million in share repurchases. Total stockholder return for the year was 8.63 percent and for the three-year period ending 2014, stockholder return was first in our performance peer group at 154.1 percent.

**Enhance Risk Management**

Credit quality improved significantly in 2014 as net charge-offs declined \$409 million or 57 percent.

Loan loss provision declined from \$138 million to \$69 million as of the end of the year.

Non-performing assets declined by \$309 million or 24 percent and criticized commercial and consumer loans declined \$413 million or 11 percent.

Citing our improved risk profile, we received ratings upgrades from Standard & Poor's, Fitch and DBRS and an outlook upgrade from Moody's during the course of 2014.

### **Focus on the Customer**

Regions' associates have a passion for service as evidenced through retail customer service scores and brand loyalty scores, which were both in the top quartile of companies measured by Gallup.

We were recognized by the Temkin Group as the top rated bank in their 2014 National Customer Experience Rankings, scoring 10 points ahead of the banking average.

In 2014, Regions won the J.D. Power Small Business Banking Satisfaction award for the South Region.

### **Build the Best Team**

For the second consecutive year, associate engagement scores improved. We are building on this positive trend by executing on new initiatives to maximize associate contributions, creating an organizational culture that is more open and transparent and provides opportunities for different opinions and perspectives to be heard.

We reorganized the Company, creating separate divisions devoted to corporate and retail customers and strengthened our teams with important hires in support of these customers. We also increased our emphasis on sound risk management with the addition of experienced and talented associates throughout our risk management disciplines.

### **Manage Performance**

Our commitment to the Regions360™ relationship model has generated improved results in terms of loans, deposits, fees and accounts. Regions360 relationships increased 3 percent for the year, delivering customer account growth across 100 percent of our 19 markets and loan growth across 80 percent of our lending categories.

We also extended our record of prudently managing expenses. We reduced full-year adjusted expenses<sup>1</sup> for the fourth consecutive year in 2014, while continuing to invest in the talent and technology necessary to accelerate our

momentum.

Effective performance management also requires a strong risk management culture. In 2014, we rolled out our Risk Ownership and Awareness ( ROA ) initiative. As a core foundational discipline, execution on ROA, together with Regions360, leads to shared value. Creating shared value is about meeting the financial needs of our customers in a prudent and balanced manner that provides value for all involved. Successful execution creates long-term benefits for customers, stockholders, communities and associates and ultimately produces business success for the Company.

<sup>1</sup> See reconciliation in Regions Annual Report on Form 10-K for the year ended December 31, 2014 on page 42.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Summary of our Pay for Performance Decisions for 2014**

As discussed in more detail on pages 55 and 56, the Committee made some changes to the target compensation levels and structure for our NEOs. NEOs each received an increase in the target value of their long-term incentive grants in addition to modest increases in base pay. Despite that corporate earnings in 2014 were better than 2013, actual short-term incentive payments from our annual incentive plans were lower year-over-year due to the Company's performance against the targets we set at the beginning of the year. After taking into account both corporate and individual performance, the annual incentive payment for our Chief Executive Officer ( CEO ) for 2014 was earned at 117 percent of target as compared to 131 percent for 2013, while the incentives for other NEOs ranged from 115 percent to 117 percent of target compared to 128 percent to 131 percent last year.

The following illustrates a high level review of the compensation program in place for 2014:

Overall, our 2014 performance reflected continued progress in a challenging operating environment. With rigorous focus on the fundamentals of expense management, prudent loan growth, business development, and selective investments in people, processes and technology, we believe we are well positioned to create long-term growth and continue to build stockholder value in 2015 and beyond.



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**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Philosophy and Objectives**

A well-designed executive compensation program serves to attract, motivate and retain talented executives who can lead the Company in achieving strategic objectives that increase stockholder value, as well as protect the safety and soundness of the Company. This section discusses how we look at compensation and make the decisions that we do.

Our philosophy and decisions are founded on a set of five core guiding principles:

- 1. Compensation targets should be set at competitive levels.**
- 2. Actual compensation levels should be related to performance with incentive, or at risk, compensation playing a greater role in the total compensation for more senior officers.**
- 3. Compensation should be aligned with the long-term interests of stockholders and consistent with the safety and soundness of the Company.**
- 4. Compensation programs and levels should not encourage associates to take unreasonable risks that may damage the long-term value of the Company.**
- 5. Compensation programs should align with our corporate values.**

In applying these principles to our executive compensation program, the Committee must be thoughtful about program design. We believe that in order to ensure compensation delivered to our executives is balanced between near-term performance and progress toward our longer-term objectives, the Committee must exercise sound judgment. Therefore, while performance is measured based on objective criteria, a level of discretion and flexibility in the decision making process has been reserved as a critical component of the program.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

The following sets forth some practices we have adopted that we believe are consistent with our compensation principles and some practices we do not engage in because they may be inconsistent with our goals.

**What We Do**

ii	Pay for Performance (pages 55-61)	The majority of executive pay is not guaranteed. For example, more than 87 percent of our CEO's target compensation is performance-based with 77 percent of that pay subject to deferral and future performance conditions.
ii	Evaluate Performance using a Combination of Balanced Performance Metrics (pages 56-58)	We evaluate corporate performance in our annual incentive plans using a number of diverse performance metrics. Using a variety of metrics helps ensure that no single measure can inappropriately impact the level of compensation we pay. We evaluate our performance compared to internal expectations, budgets and plans, but we also balance that evaluation with the results of our performance on a relative basis as compared to other similar financial institutions. Plans also include a degree of discretion allowing for the exercise of sound business judgment by the Committee when assessing performance and corresponding pay decisions.
ii	Mitigate Undue Risk in Compensation Programs (pages 62-65)	Protecting against undue risk is a central pillar of our compensation philosophy and is demonstrated in numerous ways, including our balanced design, the use of multiple and competing performance measures, the adoption of a clawback and other risk-related policies, as well as robust governance and oversight processes to identify and manage risk. We do not believe that any of our compensation programs create risks that are reasonably likely to have a material adverse impact on the Company, as validated through our comprehensive risk assessment of incentive-based compensation plans.
ii	Require Strong Stock Ownership and Retention of Equity (page 66)	Our stock ownership guidelines are robust, and each of our NEOs either meets the ownership requirement or has a strong ownership stake in the Company and is in compliance with the required retention provisions of our guidelines.
ii	Provide for a Strong Clawback Policy (pages 64-65)	In the event previously paid compensation is determined to be based on materially inaccurate performance metrics, or it is determined an executive has engaged in excessively risky or other detrimental conduct, the Committee has wide latitude to cancel or otherwise reduce any current or future compensation as well as potentially recapture compensation that has already been paid if determined to be in the best interests of the Company and our stockholders.
ii	Ensure Perquisites are Reasonable (page 62)	The Committee has eliminated most perquisites and those we continue to provide are monitored to ensure they continue to be based on sound business rationale.
ii	Require Double Trigger Change-in-Control Provisions (page 67)	Our change-in-control agreements as well as our long-term incentive awards require both a change-in-control and termination of employment to trigger vesting and/or payment.
ii	Utilize an Independent Compensation Consultant (page 63)	Our compensation consultant has been determined to be independent under the SEC and NYSE guidelines.
ii		

Listen to and Engage with Our Stockholders (page 64)	We include an annual advisory Say-on-Pay vote as recommended by stockholders and actively consider any stockholder feedback we receive. In 2014, stockholders voiced substantial support for our executive compensation plans and programs, with more than 96 percent of votes cast approving such plans and programs.
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### What We Don't Do

X No Tax Gross-Ups on Perquisites	We do not provide tax gross-ups to our NEOs for any taxable perquisites provided to them. In addition since 2011, we have not entered into any new agreements that permit excise tax gross-ups on change-in-control.
X No Repricing of Underwater Options	We do not reprice stock options that are out-of-the-money.
X No Hedging, Pledging or Short Sales	We do not permit our associates or Directors to hedge Regions securities or sell them short. Additionally, our Directors and executive officers are prohibited from pledging Regions securities.
X No Dividends or Dividend Equivalents on Unearned Grants	We do not pay dividends or dividend equivalents on shares or units that are not earned. We issue dividend and dividend equivalent payments at the end of a performance period only on shares and units that ultimately vest.

### 2014 Compensation Decisions What We Paid and Why

The Committee has designed a balanced compensation program that provides competitive fixed base compensation, as well as incentive compensation opportunities for performance over the short- and long-term. The incentive program rewards achievement against measurable goals and qualitative objectives as compared to expectations for our own performance and also on a relative basis as measured against the performance of other similar financial institutions. In making our decisions each year, we consider market competitive pay and practices in establishing our target pay levels, and we make use of formulaic determinations, as well as discretionary decisions in determining the actual compensation paid for the year.

**Establishment of Compensation Targets.** The first step in our process each year is the determination of compensation targets for our Executive Officers including our NEOs. With the assistance of its independent compensation consultant, the Committee regularly reviews compensation targets against those of the Company's compensation peer group, and the financial services industry in general. In making its determinations, the Committee evaluates the total direct compensation of executives, as well as each component of pay.

At the beginning of 2014, after reviewing the compensation of our NEOs against competitive peer information, the Committee determined that some adjustment to compensation targets was in order for each NEO based on the levels of our executives' pay compared to comparable positions in the market. As the Committee considered each aspect of fixed and target compensation, focus

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was on our core compensation principles that compensation be: (i) performance-based, (ii) aligned with the long-term interests of stockholders, and (iii) consistent with the safety and soundness of the Company. Therefore, in making decisions, the primary change to compensation was in the form of an increase to the long-term incentive opportunity for each NEO. Long-term incentive compensation opportunity is the most compatible with the principles noted above as it is at risk and subject to deferral and sustained performance requirements over a multi-year period; therefore, the Committee chose to approve increases in target compensation primarily in this component of pay. In addition to the changes to long-term incentives, the Committee determined to grant modest increases to base pay for NEOs that followed the policies and practices in place for Regions associates in general.

The changes made at the beginning of 2014 are highlighted in the following table:

Name	Base	Annual Incentive Opportunity	Long-Term
	Salary	as a Percentage of Pay	Incentive Target
O. B. Grayson Hall, Jr.	2.56% Increase	No Change	11% Increase
David J. Turner, Jr.	3.10% Increase	No Change	20% Increase
John B. Owen	3.52% Increase	No Change	20% Increase
Fournier J. Gale, III	3.70% Increase	No Change	20% Increase
C. Matthew Lusco	3.74% Increase	No Change	20% Increase

The resulting 2014 compensation targets are summarized below:

Name	Annualized Base	Annualized Incentive Target	Long-Term	Total Target
	Salary	as a Percentage of Base Pay	Incentive Target	Compensation
O. B. Grayson Hall, Jr.	\$ 1,000,000	150% of Base Pay	\$ 5,000,000	\$ 7,500,000
David J. Turner, Jr.	\$ 632,000	110% of Base Pay	\$ 1,200,000	\$ 2,527,200
John B. Owen	\$ 647,000	110% of Base Pay	\$ 1,200,000	\$ 2,558,700
Fournier J. Gale, III	\$ 560,000	100% of Base Pay	\$ 900,000	\$ 2,020,000
C. Matthew Lusco	\$ 555,000	100% of Base Pay	\$ 900,000	\$ 2,010,000

**Cash Base Salary.** Base salaries are paid primarily to attract the level of talent we need and should be paid at a competitive level. Base salaries are adjusted as needed based on individual position, responsibilities, experience and contribution of the individual executive, as well as internal equity and taking into consideration market competitiveness and cost of living changes. Because base salaries impact other items of compensation such as the value of target annual incentives, as well as benefits such as pension and life insurance, the Committee also considers the impact of changes on these items before approving extraordinary changes in base salaries.

As noted in the previous table, in 2014 after review of all of these considerations, the Committee approved a modest increase in base salary for each of the NEOs.

**Annual Cash Incentive Payments.** Corporate performance must first meet a basic earnings requirement before any incentive is paid. For 2014, the Committee established a minimum threshold of \$500 million in net income in order to fund the incentive pool. Net income for 2014 was \$1.155 billion, and therefore, the potential incentive pool for our NEOs was funded at the maximum incentive opportunity, giving the Committee the latitude to determine actual incentive amounts based on other quantitative and qualitative performance objectives established at the beginning of the year.

Each of our NEOs earned annual cash incentives under a performance plan that considers corporate performance, as well as individual performance. For our NEOs, 80 percent of the annual bonus is based on corporate performance results as subsequently described. The remaining 20 percent is based on a qualitative evaluation of the individual's performance with respect to our five main strategic priorities: Strengthen Financial Performance, Enhance Risk Management, Focus on the Customer, Build the Best Team, and Manage Performance.

Corporate performance is evaluated based on the achievement of goals in the areas of profitability, credit management, and customer service on an absolute basis compared to internal goals and expectations, as well as on a relative basis as compared to the performance of banks within our performance peer group. Seventy-five percent of the bonus determination is based on absolute results while 25 percent of the determination is based on peer comparisons on the same metrics.

Each year, the Committee weights each of the three main performance categories and establishes targets based on our financial plans, budgets and expectations for the year. At the beginning of 2014, the three major categories received performance weights as follows: (1) profitability 50 percent; (2) credit management 25 percent; and (3) customer service 25 percent. Within each major performance category, the Committee also considers various measures that are important to demonstrating our performance within the category and establishes sub-metrics including specific goals and weightings for each.

Threshold, target and superior performance levels are set for each performance metric, and straight line interpolation of performance between points is utilized when measuring performance at the end of the year.

Although specific performance requirements are set at the beginning of the year, the Committee has reserved some discretion in the plan design to consider performance either on a GAAP or a non-GAAP adjusted basis. The Committee believes that blending the clarity provided by predetermined targets and expectations, together with the thoughtful application of discretion to consider items that should be excluded from performance calculations, provides the flexibility and judgment critical to the Committee's ability to deliver incentive compensation that reflects both near-term performance results and progress toward longer-

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term objectives. This combination of fixed formulas combined with latitude in assessing performance based on the Committee's informed judgment, allows for consideration of unanticipated market conditions and events that may impact operating performance. We believe that this latitude is important in mitigating risk as it reduces the potential that our executives may be encouraged to take actions with respect to unanticipated items based on the effect the actions may have on their incentive compensation, rather than based on the merits and impact that the actions may have on achieving our long-term goals and objectives.

Once the Committee makes its assessment of performance, incentive results also are subject to certain safety and soundness hurdles which are established at the beginning of the year. Compensation guidance issued by the Board of Governors of the Federal Reserve System (the Federal Reserve) to all banking institutions instructs companies that compensation plans should consider the full range of current and potential risks including the cost and amount of capital and liquidity needed to support risks. To address this principle, the Committee included two modifiers in the plan design that will reduce bonus payments if important safety and soundness measures are not achieved for the year. In the event Regions does not maintain liquidity and capital at levels determined to be vital to the safety and soundness of the organization, deductions (20 percent for each measurement) will be applied to the measured achievement of goals in the corporate factor performance component of the plan. In other words, even

if overall corporate performance meets the financial, credit management and customer service goals set by the Board, if that performance comes at the expense of capital and/or liquidity requirements, the portion of incentive compensation based on corporate performance may be reduced by up to 40 percent.

Following the end of 2014, the Committee met with members of executive management and its independent compensation consultant to review corporate and individual performance results for the year. In assessing corporate performance, the Committee exercised the discretion afforded in the plan design to review performance based on the financial results of the Company, excluding certain positive and negative Adjusted items, as reported to our stockholders in earnings releases and related annual reports and filings. The Committee believes these results most accurately reflect the performance of the Company as it relates to stockholder value. The Committee believes that excluding these adjusted items provides a more meaningful basis for comparisons to Regions' internal goals as well as to the performance of peers in our performance peer group. The exclusion of these items impacts the Return on Average Assets, Return on Average Tangible Common Equity and Net Income sub-metrics within the profitability category. *Appendix A* to this proxy statement provides more detailed information with respect to the adjustments, including a complete reconciliation of GAAP to non-GAAP measurements.

The following table outlines the performance metrics and goals, as well as the results achieved as the Committee certified corporate performance for 2014 at 112 percent of target:

Performance Metrics and Weightings		Absolute Performance Scores	
Performance Metric	Sub -	Weighted 75% (Customer Service 100%) 2014 Goal Achievements	2014 Performance Achieved

Metric	Weight	Threshold	Target	Superior	Attainment % of Goal	
<b>Key Metrics (1)</b>						
Average Assets (2)	25%	0.83%	0.91%	1.06%	0.93%	114.4%
Average Tangible Equity (2)	25%	9.28%	10.13%	11.83%	9.97%	90.9%
Weighted Assets (2)	16.67%	1.74%	1.82%	1.98%	1.74%	50.0%
(\$ millions) (2)	16.67%	\$ 984.2	\$ 1,074.4	\$ 1,254.9	\$ 1,103	115.9%
Ratio (3)	16.67%	65.9%	64.9%	62.9%	65.5%	69.5%
<b>Other Metrics</b>						
Loans/Loans (4)	37.50%	4.60%	4.29%	3.67%	4.50%	66.2%
Offs/Average Loans (5)	25%	0.67%	0.59%	0.42%	0.40%	200.0%
+ OREO + NPLs Held	37.50%	1.47%	1.35%	1.12%	1.28%	133.2%
<b>Service Metrics</b>						
Score (50% Score)		62nd Percentile	75th Percentile	100th Percentile	85.8th Percentile	165.07%
Quality Score (50% Weight)		62nd Percentile	75th Percentile	100th Percentile	87.6th Percentile	

Metric	Metric Weighting (W)	Absolute Performance (Performance vs. Plan)		Relative Performance (Performance vs. Peers)		Total Calculated Performance	
		Results (APR)	Weighting (APW)	Results (RPR)	Weighting (RPW)	Absolute Performance Results (W)x(APR)x(APW)	Relative Performance Results (RPR)x(RPW)
Profitability	50%	90.6%	75%	68.8%	25%	34.0%	8.6%
Credit	25%	124.8%	75%	70.8%	25%	23.4%	4.4%
Customer Service	25%	165.1%	100%			41.3%	
<b>Sum of Results</b>						<b>112%</b>	

Potential Negative Modifiers	Goal	Result	Negative modifier indicated?
Primary Liquidity Risk Factor	Low Risk or Better	Low Risk	No
Capital Action Status	Monitoring or Deploy	Deploy	No

(1) From continuing operations on an adjusted basis. For Non-GAAP measures see the reconciliation in *Appendix A* unless otherwise indicated.

(2) Non-GAAP measure see reconciliation in *Appendix A*.

(3) Non-GAAP measure see reconciliation in Regions Annual Report on Form 10-K for the year ended December 31, 2014 on page 42.

(4) See reconciliation in *Appendix A*.

(5) See Regions Annual Report on Form 10-K for the year ended December 31, 2014 on page 63 for detail.

(6) See Regions Annual Report on Form 10-K for the year ended December 31, 2014 on page 67 for detail.



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As previously noted, our NEO annual incentives are based 80 percent on corporate performance and 20 percent on a qualitative assessment of individual performance. With respect to our CEO, Regions utilizes a formal process for the assessment of performance through which independent Board members provide a complete evaluation in the areas of leadership, strategic planning, financial performance management, customer relations, and management of personnel, communications and Board relations. In its performance deliberations, the Committee

had access to the input from the full Board and independently assessed the CEO's performance achievement at 135 percent of target. In making their determination, the Committee particularly noted the Company's financial performance in light of the slowness of the economic recovery and the extended and extraordinary low interest rate environment. The Board also cited the CEO's leadership in rebuilding regulatory and investor confidence.

With respect to other NEOs, the Committee conferred with the CEO regarding his assessment of performance and determined that the individual level of achievement for each was as follows:

Name	Individual Performance Rating	Comments
David J. Turner, Jr.	125%	<p>Led the Company's efforts in securing ratings or outlook upgrades from the four major rating agencies.</p> <p>Led the Company in its fourth consecutive year of reducing adjusted non-interest expense.<sup>2</sup></p> <p>Led the team in successfully executing \$256 million in share repurchases.</p> <p>Successfully executed capital planning and liquidity management goals and efforts exceeding requirements and goals in each case.</p>
John B. Owen	135%	Led the business group teams in the growth of average low cost deposits by approximately \$3 billion in 2014 while reducing deposit cost to 11 basis points in the fourth quarter.

Led the business group teams to successfully grow loan balances by \$2.7 billion or 3.6 percent.

Partnered with the Risk Management division to improve the effectiveness of our sales and credit processes.

Successfully led the organization in meeting customer needs through Regions360 growing our customer base in Wealth Management by 19 percent, checking account customers by 1.5 percent, Now Banking customers by 9 percent, credit card customers by 12 percent and Business Banking customers by 1.1 percent.

Fournier J. Gale, III 135%

Led the internal legal team in substantially reducing outside legal fees through continued enhancement of a preferred provider program.

Oversaw a significant de-risking of litigation case load and related exposure:

- i substantial progress in reduction of the litigation case load by more than 25 percent; and

- i substantial progress in reduction of highest risk rated cases by more than 44 percent and next highest risk cases by 38 percent.

Increased the breadth and depth of internal legal talent to strengthen our risk management efforts and help us continue to reduce reliance on outside counsel.

Assumed additional responsibility for managing the Corporate Security and External Affairs functions after the retirement announcement of our Chief Administrative Officer.

C. Matthew Lusco 135%

Led enhancements to the CCAR process, significantly enhancing loss forecasting capabilities in retail, wholesale and operational loss models.

Led efforts to reduce future reliance on outside consultants by hiring key talent in critical risk management functions such as the Anti-money Laundering and Model Development and Validation groups.

Continued strengthening a proactive risk culture by implementing Regions Risk Ownership & Awareness program, a company-wide initiative designed to support Regions' strategic priority to enhance risk management by promoting and instilling heightened awareness, enhancing ownership, and ultimately driving accountability for the risks taken by the Company.

Implemented a program to establish Business Execution Risk Teams across the franchise, and established a global process structure for the Risk Control Self-Assessment Process, each of which will enhance our risk management culture and efforts across the enterprise.

<sup>2</sup> See reconciliation in Regions' Annual Report on Form 10-K for the year ended December 31, 2014 on page 42.

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As a result of the decisions discussed above, the following cash bonuses for our CEO and each of our other NEOs were certified by the Committee and paid in early 2015:

Name	2014 Target Incentive <sup>3</sup>	Total Incentive Received
O. B. Grayson Hall, Jr.	\$ 1,490,625	\$ 1,738,069
David J. Turner, Jr.	\$ 689,975	\$ 790,711
John B. Owen	\$ 705,650	\$ 822,788
Fournier J. Gale, III	\$ 555,000	\$ 647,130
C. Matthew Lusco	\$ 550,000	\$ 641,300

**Long Term Incentive Plan ( LTIP ) Grants.** The Committee understands that deferring a large part of compensation plays an important role in linking incentives to risk outcomes or aspects of performance that become apparent only with the passage of time. The responsibilities of our NEOs are largely strategic in nature and risk outcomes may not be known for extended periods. Therefore, when making compensation decisions for 2014, the Committee made adjustments primarily in this compensation component. In addition to traditional continued service requirements, the Committee also elected to subject these awards to future safety, soundness and performance-based requirements.

The approach is simple and balanced in order to drive long-term performance, enhance retention, create alignment with stockholders and address longer-term risk concerns. Grants to NEOs in 2014 include three vehicles:

(1) performance-based restricted stock unit awards ( PSUs ), (2) performance-based cash awards, and (3) restricted stock unit awards ( RSUs ) subject to vesting hurdles based on adherence to important safety and soundness measures.

The RSUs represent one-third of the entire award and include a three-year time-based vesting requirement, which means that the awards will generally not vest unless the executive remains employed until April 2017, the third anniversary of the grant. In addition, up to 40 percent of the award may be forfeited if Regions does not continually meet standards for liquidity and capital deployment designed to protect the safety and soundness of the Company.

The remaining two-thirds of the award is represented by performance-based awards which include a three-year service-based vesting requirement and are additionally subject to specific performance criteria to determine the ultimate value. The performance-based awards are split equally between PSUs and a performance-based cash award.

As previously noted, the Committee elected to issue the grants that are split equally among RSUs, PSUs and performance-based cash awards. The following table presents the total economic value of the grant (at target) and the division of the grant between each long-term vehicle:

Name	Total Target LTIP Economic Value	Value of PSUs	Value of Performance-Based Cash	Value of Time-vested RSUs
O. B. Grayson Hall, Jr.	\$ 5,000,000	\$ 1,666,666	\$ 1,666,667	\$ 1,666,666

David J. Turner, Jr.	\$ 1,200,000	\$ 400,000	\$ 400,000	\$ 400,000
John B. Owen	\$ 1,200,000	\$ 400,000	\$ 400,000	\$ 400,000
Fournier J. Gale, III	\$ 900,000	\$ 300,000	\$ 300,000	\$ 300,000
C. Matthew Lusco	\$ 900,000	\$ 300,000	\$ 300,000	\$ 300,000

Vesting of both PSUs and performance-based cash is based on two measures: cumulative compounded Diluted Earnings Per Share ( EPS ) growth and Return on Average Tangible Common Equity ( ROATCE ). Each measure carries a 50 percent weight in determining the final value of the performance award. These operating measures were chosen for a number of reasons: (i) they are critical to the long-term success of the Company, (ii) they are transparent to stockholders and the NEOs, and (iii) when used together, they create healthy tension between profitability and the quality of earnings, which is important in protecting the safety and soundness of the organization.

Each metric is weighted equally and is measured based upon both absolute performance against Company goals over the next three years as well as an evaluation of our performance relative to our peers. We do this through the use of the matrix where the X axis represents our performance against the absolute goals

we set for ourselves over the next three years, and the Y axis represents our performance against banks selected as our performance peer group on these same measures. The rationale for this approach is to have a balanced look at performance.

Absolute Diluted EPS and ROATCE goals provide NEOs with a goal to strive for, but given ongoing marketplace volatility and a changing regulatory environment, establishing absolute goals and targets for a multi-year time period is challenging. We set the goals for this portion of the matrix measurement by considering financial and operational expectations set through our strategic planning process over the performance period of January 1, 2014 to December 31, 2016. In the opinion of the Committee, these goals and expectations represent challenging yet achievable levels of performance that both create stockholder value and protect the safety and soundness of the Company.

<sup>3</sup> The target incentive in this table differs from the annualized target incentive on page 56 because actual bonuses are calculated based on year-to-date earnings as reported in the Summary Compensation Table on page 69, while the annualized target on page 56 is based on the annualized rate of pay for the executive.

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In addition to absolute performance, we also chose to consider our Diluted EPS and ROATCE performance relative to other banking competitors. Relative measurement mitigates the problems inherent with setting long-term goals in a volatile and uncertain environment, but if used as the single measurement could allow for the outcome of being the best of the worst. By

establishing absolute goals within a range of outcomes, coupled with performance against banks in our performance peer group, a matrix mitigates some of the challenges associated with setting precise goals that could incent imprudent risk taking on behalf of executives and avoids the best of the worst outcome that is possible with the exclusive use of relative measurement.

The following chart sets forth the matrices used for measuring performance and the ultimate payout level of the PSUs and performance-based cash awards granted in 2014:

**Per Share Growth**

**Return on Average Tangible Common Equity Metric 50%**

**50% Weight**

	Payout Opportunity for EPS Goal						Payout Opportunity for ROATCE			
	Top 3 <sup>rd</sup> of Peer Group	Middle 3 <sup>rd</sup> of Peer Group	Bottom 3 <sup>rd</sup> of Peer Group	Regions	Above	Top 3 <sup>rd</sup> of Peer Group	Middle 3 <sup>rd</sup> of Peer Group	Bottom 3 <sup>rd</sup> of Peer Group	Regions	
	75%	100%	125%	150%		75%	100%	125%		
	50%	75%	100%	125%		50%	75%	100%		
	0 - 25%*	50%	75%	100%		0 - 25%*	50%	75%		
	0%	0%	Target	Target	Target	Below	Target	Target	Target	
		Up to Target Range	Target Range	Target Range	Target Range		Target	Target	Target	
			Range	Range	Range		minus 1%	1% to	Range	
					Relative ROATCE Growth (percentile)				Target	
	Regions	Absolute Diluted EPS Growth					Regions	Absolute ROATCE		
		(3 year cumulative compounded growth rate)						(3 year average)		

\* Award will be zero in the event a minimum level of net income is not earned over the performance period.

We do not disclose the internal targets set for the three-year performance period in the above matrix as such disclosure could be construed as earnings guidance. As previously noted, we believe the target levels set represent challenging yet achievable levels of performance. Additionally, for awards granted in 2014, we subject them to a minimum cumulative Net Income threshold before any payment is made. While we do not disclose the actual threshold level, the requirement is approximately one-half of the cumulative amount we projected for the three-year period ending December 31, 2016 as a part of our strategic planning process.

**Differences in How the Committee Views Compensation and SEC Reporting Requirements.** In order to understand the decisions made by our Committee for 2014 and the value of the compensation granted to executives, it is important to understand the difference between what the Committee considers as current year compensation and what SEC rules and regulations require us to report. The values of 2014 long-term awards as considered by the Committee and shown in the table above differ from the values listed in the Summary Compensation Table on pages 69 through 71 and the Grants of Plan-Based Awards table on page 71 in two important ways.

The first difference is in how cash-based performance awards and equity awards are treated under SEC rules. As previously noted, the Committee elected to divide the total long-term award granted to our NEOs for 2014 into three equal portions including two equity denominated grants (RSUs and PSUs) and one cash-based grant (cash performance award). The value of equity denominated awards

are required to be reported by the SEC in the *Stock Awards* column of the Summary Compensation Table in the year they are granted, which is the same way the Committee considers these awards.

The final one-third of the award granted for 2014, the cash performance award, was awarded to be paid in cash following the end of the performance period in 2016. In accordance with SEC rules, while the grant of these cash-based awards is reported in the Grants of Plan-Based Awards Table in the year of grant (page 71), it is not reported in the Summary Compensation Table until the end of the applicable performance period. At that time, the value of the cash award earned will be reported in the column headed *Non-Equity Incentive Plan Compensation*.

Due to this difference, the Summary Compensation Table on pages 69 through 71 does not include the value of the cash performance award grant made by the Committee in 2014 to our NEOs but does include the final value of the cash performance award grant made to NEOs in 2012. When considering current year compensation, our Committee views long-term cash performance awards as compensation in the year that they are granted just as both the Committee and the SEC consider grants of long-term awards that are equity based.

In 2012, similar to 2014, our Committee awarded our NEOs a long-term incentive grant divided into three portions, one of which was a cash denominated award subject to a three-year performance period that ended at December 31, 2014. The following table sets forth the original value of the 2012 award, the performance metrics

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achieved for the performance period and the ultimate value of the award earned by NEOs as of the end of 2014:

The second difference in how the Committee views compensation and how it is required to be reported relates to the two-thirds of our long-term incentive compensation grants that are made in the form of equity. As noted above, SEC rules require that companies report the value of equity denominated awards in the equity compensation column of the Summary Compensation Table in the year they are granted. This is the

same way the Committee considered these awards. However, there is a difference in the values noted in the previous table and the values noted in the aforementioned tables due to the way we determine the number of shares each NEO will receive after the Committee has established the economic value of an award.

To determine the number of PSUs and RSUs, we divide the award value granted by the 30-day average closing price of Regions common stock for the 30 calendar days preceding the grant date to determine the number of units to be granted. We use this method of averaging stock price over a period of time because it minimizes the potential impact of day-to-day stock price changes on the ultimate number of shares granted. This value for 2014 was \$10.89. The Summary Compensation Table and the Grants of Plan-Based Awards table require us to report the grant date fair value of shares, determined in accordance with applicable accounting standards that require us to use the closing price of Regions common stock on the date of the grant in valuation. For 2014, the grant date value of shares was \$11.25 per share. Because the closing price of shares on the date of the grant was greater than the 30-day average share price used to calculate the number of shares granted, the tables accompanying this CD&A reflect a higher value than considered by the Committee.

For further information, page 12 of this proxy statement includes an alternative compensation table that details the way the Committee views the compensation decisions made for 2014.

**Other Benefits and Perquisites**

In addition to the compensation elements described above, our NEOs participate in other benefit and perquisite programs, many of which are available to all associates.

**Regions Retirement Plans.** Regions sponsors both a defined benefit and a defined contribution (401(k)) retirement program. In addition to the descriptions below, the operation of these benefit plans and the value of the benefits that NEOs accrue under these plans are more fully described in the discussion that accompanies the Pension Benefits and Nonqualified Deferred Compensation tables on pages 73 through 75 of this proxy statement as well as in the Summary Compensation Table on pages 69 through 71.



(1) *Regions Financial Corporation Retirement Plan (the Retirement Plan ) and Supplemental Executive Retirement Plan ( SERP )*. These plans are traditional defined benefit plans. The Retirement Plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and our NEOs participate in this plan on the same basis as all associates. The SERP is a nonqualified plan that provides for benefits using the same general formula for benefit determination as is used in the Retirement Plan with three main differences: (1) the SERP definition of eligible compensation includes compensation that exceeds qualified plan limits and includes annual cash bonus payments that are not included in the qualified plan s definition of compensation, (2) the SERP averages compensation over a consecutive three-year period rather than the consecutive five-year period utilized in the qualified plan, and (3) the SERP counts service up to 35 years while the qualified plan counts service only up to 30 years.

While participation requirements were impacted over time due to several corporate transactions, the Retirement Plan and the SERP generally were closed to new participants following our

last merger. Several of our executives participate in and continue to accrue benefits in these plans.

In addition, a limited number of Executive Officers are eligible for an alternative target retirement formula in the SERP as a result of a previously grandfathered arrangement. The alternative target benefit includes a more generous formula for determining retirement benefits, but was designed to be highly retentive as it includes significant vesting requirements. A participant must work for the Company for a minimum of 10 years and must reach age 60 before the alternative target benefits vest. Any termination of employment (except in the case of death, disability or a change-in-control) prior to reaching age 60 with a minimum of 10 years of service will result in a forfeiture of amounts attributable to the alternative target benefit in excess of the regular benefit.

As noted in the Pension Benefits table on page 74, all of our NEOs with the exception of Mr. Gale are eligible for a pension benefit. Mr. Hall and Mr. Owen are entitled to receive the alternative target benefit under the SERP; however, neither is currently vested in the benefit. Mr. Hall has accrued the minimum years of service required to vest in the benefit, but is not yet age 60. Mr. Owen has neither accrued the minimum number of years of service nor reached the minimum vesting age at this time. SEC rules require us to report the value of the benefit although it may not yet be vested; therefore, the numbers included in the Pension Benefits table (page 74) and in the column of the Summary Compensation Table relating to increases in pension benefits (page 70) include amounts not yet earned for Mr. Hall and Mr. Owen. Although Mr. Hall is not vested in the alternative target benefit, he has accrued vested benefits in the Retirement plan and the SERP utilizing the regular formula. Mr. Owen is only entitled to the alternative target benefit, and will receive no pension type benefit from the Company unless he meets the vesting requirements for the alternative target benefit in the future.

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Mr. Turner participates in both the Retirement plan and the SERP, but is not eligible for the alternative target benefit and his benefits are determined using the regular SERP calculations previously discussed. Mr. Lusco does not participate in the Retirement plan but is a participant in the SERP. His benefit is calculated using the regular SERP calculations previously discussed. In addition, Mr. Lusco's participation in the SERP is subject to important and significant vesting requirements. Mr. Gale was hired after the plans were closed to new associates and after he had already reached full retirement age; therefore he does not participate in either plan and will not receive any pension benefits from the Company.

The Pension Benefits description and table on pages 73 and 74 include a more detailed description of retirement benefits and a calculation of the value of pension benefits for each NEO. In addition, the Summary Compensation Table on pages 69 through 71 provides a figure that represents the change in the lump sum value of pension benefits from 2013 to 2014. Several factors influence the calculation of this change. First, as a result of the limitations of the Troubled Asset Relief Program on base and bonus opportunity, average pay as utilized in each plan's benefit formula has been lower than normal for a portion of the averaging period. After returning to profitability and more normalized pay practices, average pay as calculated for plan benefit purposes increased in 2013 and 2014, therefore increasing the average pay taken into account in calculating the benefit. Further, additional years of service earned, the passage of time, and discount rates lower than historical averages have all played a role in producing a greater change in pension benefit than last year. For our CEO particularly, because pension benefits are calculated based on years of service with the Company, his long and tenured service also impacts the value of the benefit and the increase from year to year.

(2) *Regions Financial Corporation 401(k) Plan (the "401(k) Plan") and Supplemental 401(k) Plan.* These plans are defined contribution plans and generally allow eligible associates to contribute on a pre-tax or Roth basis a portion of their total base and annual incentive compensation into investment accounts that are held and invested on a tax-deferred basis until termination of employment or retirement age. The 401(k) Plan is a tax-qualified 401(k) savings plan under Section 401(a) of the Internal Revenue Code in which all eligible associates can participate, while the Supplemental 401(k) Plan is a nonqualified plan for associates whose participation in the 401(k) Plan is generally limited due to tax-qualified plan wage and contribution limits. The Company makes a contribution to the plans equal to the deferral rate elected by the participant up to a maximum of 4 percent of pay. In addition to the Company matching

contribution, the Company also provides a non-contributory 2 percent allocation to the plan for any associate who does not participate in the Retirement Plan described above. In 2014, all of our NEOs participated in these plans and received the Company matching contribution of 4 percent of pay. In addition, because Mr. Gale is not a participant in the Retirement Plan or SERP previously described, he also was eligible for and received the additional non-contributory 2 percent allocation.

**Perquisites.** Our NEOs are eligible to participate in employee benefit programs generally available to all associates. While we generally do not offer a broad range of perquisites ( "perks" ) to our Executive Officers, we have provided certain personal benefits that are not generally available to the rest of our associates. The Committee periodically reviews the perks available to Executive Officers to determine whether these programs continue to serve the purpose of providing benefit to the Company. The Committee has historically discontinued any program that it determines is not based on sound business rationale.

*In General.* In 2014, NEOs continued to be eligible for financial planning services, Company-provided security coverage for private residences, certain relocation benefits and enhanced coverage for annual physicals. Any special

benefits our NEOs received are included in the Summary Compensation Table on pages 69 through 71 of this proxy statement.

*Use of Corporate Aircraft.* The use of corporate aircraft is subject to a formal policy adopted by the Committee that sets forth the criteria and procedures applicable to any use of the aircraft.

It has long been our policy to require that our CEO use Company-owned or other non-commercial aircraft for business travel when possible. In addition, it is our policy to allow our CEO to travel for personal reasons up to a maximum value of \$100,000 per year. In the event the value of personal use (as measured based on the incremental cost of operating the aircraft) exceeds \$100,000 in any year, our policy requires the CEO to reimburse the Company the full incremental cost of operating the aircraft.

Mr. Hall is subject to an Aircraft Time Sharing Agreement with the Company that governs the terms and conditions of personal use of the aircraft. Although the policy and the agreement allow for personal use without cost up to \$100,000 per year, Mr. Hall's use in 2014 was limited and represented incremental cost to the Company of less than \$30,000. The Board also has authorized the CEO to make corporate-owned aircraft available for the personal travel of other Company associates on a limited basis such as in the event of emergency or when personal use may be in the best interest of the Company due to efficiency and/or safety concerns.

### **Compensation Framework, Policies, Processes and Risk Considerations**

As previously noted, our compensation and benefit programs operate under the guidance and oversight of the Compensation Committee of the Board. The Committee is composed of independent Directors who are not eligible to participate in any of the management compensation programs or other employee benefit or compensation plans of the Company, except for grants of equity compensation under the 2010 Long Term Incentive Plan. Board members who served as members of the Committee in 2014 include:

#### **Members serving the entire year:**

Don DeFosset Chair beginning April 24, 2014

David J. Cooper, Sr.

Susan W. Matlock

Ruth Ann Marshall

Lee J. Styslenger III

#### **Members serving for a partial year:**

James R. Malone Chair until April 24, 2014

Eric C. Fast until April 2014

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**COMPENSATION DISCUSSION AND ANALYSIS**

Each of the Committee members has been determined to be independent as defined by NYSE rules and applicable SEC rules and regulations. The Committee operates under a written charter adopted by the Board. A copy of the charter is available at [www.regions.com](http://www.regions.com) under Investor Relations/Corporate Governance.

**Committee Meetings.** The Committee holds meetings as often as it deems necessary to perform its duties and responsibilities, but in no case less than three times a year. Although many compensation decisions are made in the first quarter of the year, the decision-making process is continuous and neither ends nor begins with any one meeting. During 2014, the Committee met seven times to review, discuss and approve compensation decisions for the Company.

Prior to the start of each calendar year, the Board meets with members of executive management to discuss the business plans and goals for the Company for the coming year. Members of the executive management team advise the Board with respect to business plans, business risks, expected financial results and stockholder return expectations of the Company. Subsequently, there are a series of Committee meetings, including executive sessions (without executive management present), to review and approve all of the compensation plans and performance measures to be used to evaluate the CEO's and other members of executive management's performance for the coming year. The Committee consults with executive management regarding business plans and budgets in establishing performance targets and objectives. The Committee also consults with its independent compensation consultant and then establishes the base pay amount and incentive opportunities for the CEO. For other Executive Officers, the CEO reviews the performance of each officer and makes recommendations on base pay and annual and long-term incentive opportunities considering job performance, scope of responsibilities, and influence as well as internal equity considerations and the competitive market information provided by the consultant. The Committee discusses the CEO's recommendations, usually in executive session, and approves the agreed upon results. The Committee also meets with the Chief Risk Officer (CRO) of the Company at least on an annual basis to review the Company's incentive compensation programs in order to ensure that these programs do not encourage our associates to take unnecessary and excessive risks that may threaten the safety and soundness of Regions.

The Committee asks its independent compensation consultant to attend all regularly scheduled meetings, as well as some of the Committee's special meetings. Other outside advisors, including legal counsel, also may attend meetings when the members feel additional guidance on specific topics is needed. Meetings are typically attended by the Chairman/CEO, the Director of Human Resources, and the Head of Compensation and Benefits for the Company. The Chief Financial Officer attends meetings at which Company budget and performance information is presented and representatives from the risk management function, including the Company's CRO, attend meetings as needed and at least once a year to review risk assessments of the Company's incentive

plans. The Committee also will hear from the heads of business groups of the Company with respect to details about the operation and effectiveness of incentive compensation programs in place within the business groups. From time to time, the Committee also may ask to hear presentations from other Company leaders regarding topics of interest to the Committee. Every Committee meeting, however, includes an executive session without the participation of any member of the executive management team. The independent compensation consultant typically participates in a portion of these executive sessions.

**Independent Compensation Consultants.** During 2014, the Committee engaged the firm of Frederic W. Cook & Co., Inc. (Cook & Co.) to serve as the independent compensation consultant to the Committee and to provide advice relating to Regions' executive compensation programs and practices.

As one of the largest independent compensation consulting firms in the country serving as a consultant to a large number of Fortune 500 companies, the Committee believes that the consultants at Cook & Co. can advise the Committee on best practices for compensation governance, including practices outside of the financial services industry. The Committee has reviewed the independence of Cook & Co. as required under standards adopted by the NYSE as required by the SEC under the Dodd-Frank Act. The Committee discussed these considerations and concluded that the work of the consultant did not create any conflict of interest.

While the independent compensation consultant reports directly to the Committee, the Committee has instructed the consultant to work with Regions management to obtain information and further the goals of the Committee. Cook & Co. performs no work for executive management and provides no other services to Regions.

The scope of services provided by the independent compensation consultant for the Committee during 2014 included:

Attending all Committee meetings;

Providing the Committee with competitive market data to assist in establishing appropriate target levels for compensation components, such as base salary levels, annual incentives, and long-term performance awards, as well as benefit levels for executive management;

Assisting the Committee with the review of and enhancements to existing annual incentive and long-term incentive programs;

Advising the Committee in connection with year-end compensation determinations;

Advising the Committee regarding regulatory and compliance issues and on the development of new best practices and market competitive information with respect to compensation guidelines established by the Federal Reserve and other banking regulatory bodies; and

Providing current trend information on industry and executive compensation issues.

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS****Other Policies and Practices Impacting Compensation Decisions**

**Use of Peer Groups for Benchmarking Purposes.** In determining market competitiveness for compensation, the Committee, with the assistance of its independent compensation consultant, regularly reviews the compensation of our Executive Officers against that of the Company's compensation peer group as well as the financial services industry in general. The compensation peer group used by the Committee for evaluating compensation is not the same as the group of companies that make up the S&P 500 Banks Index, which is the index included in the stock performance chart presented in Regions' Annual Report on Form 10-K for the year ending December 31, 2014. Our compensation peer group represents a smaller group of financial institutions tailored primarily by asset size and core business services. The Committee believes that the companies listed below have executive positions that are most similar in breadth and scope to Regions and represent the financial institutions that primarily compete with us for our top executive talent. Included in our compensation peer group are the following financial institutions:

BB&amp;T Corporation

KeyCorp

Capital One Financial Corporation

M&amp;T Bank Corporation

Comerica Incorporated

The PNC Financial Services Group, Inc.

Fifth Third Bancorp

SunTrust Banks, Inc.

Huntington Bancshares Incorporated

U.S. Bancorp

In addition to annually reviewing specific information with respect to the selected peer group, the Committee's independent compensation consultant also periodically reviews the Company's total compensation program against broader financial services industry survey data compiled by other sources (including compensation surveys prepared for the financial services industry by McLagan, a leading compensation consulting firm focused specifically on the financial services industry).

In addition to our compensation peer group, both our short-term annual incentive plan and our long-term plan use a peer group that we measure our performance against. The banks included in the S&P 500 Banks Index have formed the foundation for our performance peer group for a number of years. In 2013, however, the S&P 500 Banks Index experienced a slight change in make-up when First Horizon National Corporation ( First Horizon ) was dropped from the index. In considering the peer group against which to measure our performance for 2014, we chose to continue to include First Horizon in the performance peer group for a number of reasons, including providing continuity of year-over-year comparisons and because they operate a similar business model and are an in market competitor.

Included in our 2014 performance peer group are the following financial institutions:

BB&T Corporation

M&T Bank Corporation

Comerica Incorporated

People s United Financial, Inc.

First Horizon National Corporation

The PNC Financial Services Group, Inc.

Fifth Third Bancorp

SunTrust Banks, Inc.

Huntington Bancshares Incorporated

U.S. Bancorp

Hudson City Bancorp, Inc.

Wells Fargo & Company

KeyCorp

Zions Bancorporation

**Say-on-Pay.** Regions understands that investors, regulators and other interested parties have a strong interest in executive compensation and attempts to balance the interests of these constituencies. In accordance with the vote of our stockholders, we provide an annual Say-on-Pay advisory vote regarding executive compensation. This year s proposal is included as Proposal 3 on page 51 of this proxy statement.

In last year s Say-on-Pay vote, we received majority approval of our executive compensation programs, with more than 96 percent of the votes cast being in favor of our pay programs. While we made changes to our pay programs in 2014, none were as a direct result of stockholder concerns. We believe these changes promote our continued goal of raising the bar with respect to ensuring that we have a robust pay-for-performance culture. The Committee will monitor the results of future advisory votes and will take them into consideration when assessing compensation matters in the future.

**Clawbacks.** It has long been the Committee s practice to review past awards in light of any material restatement of our financial results, and we continue to review and seek to strengthen our policies with respect to the recoupment of prior



awards and/or adjustment of future awards in these events. A formal clawback policy applies to each of our NEOs as well as a number of other officers of the Company (each a Covered Officer ). The policy provides that in the event the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under either generally accepted accounting principles or federal securities law, or subsequently finds that the financial information or performance metrics used to determine the amount of incentive compensation for a prior period is materially inaccurate, the Company may seek repayment of compensation or require the forfeiture or reduction of outstanding or future compensation as may be determined by the Committee.

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**COMPENSATION DISCUSSION AND ANALYSIS**

In addition to allowing for clawback in the case of financial restatement or materially inaccurate performance metrics, the policy allows the Company to recoup compensation in the case of misconduct of a Covered Officer, whether or not there is an accompanying financial restatement. For purposes of the policy, misconduct is defined as: (i) a knowing violation of federal, state or local law, rule or regulation; (ii) material breach of any written Company policy or covenant between Regions and the Covered Officer; (iii) disclosure of the Company's confidential information or trade secrets; or (iv) commission of an act of fraud, dishonesty or recklessness in the performance of the Covered Officer's duties, which is not in good faith and which subjects the Company to excessive risk, financial loss or materially disrupts, damages, impairs or interferes with the business of the Company and its affiliates.

**Regulatory Oversight.** As a bank holding company, we must comply with various regulatory requirements. On June 21, 2010, the Federal Reserve adopted final guidelines on incentive compensation for financial institutions that include the following three main principles:

Incentive compensation arrangements should balance risk and financial results in a manner that does not provide employees incentives to take excessive risks on behalf of the banking organization.

A banking organization's risk-management processes and internal controls should reinforce and support the development and maintenance of balanced incentive compensation arrangements.

Banking organizations should have strong and effective corporate governance to help ensure sound compensation practices including effective oversight by the Board.

In response to these guidelines, we established a comprehensive governance and oversight process for the design, operation and monitoring of our incentive plans which we believe improves our ability to evaluate and reduce risk or to risk-adjust payouts under the plans. We created an internal cross-functional oversight committee with representation from risk management, finance, human resources, legal and our strategic alignment function to review, consider and approve, as appropriate, certain higher risk plans. This cross-functional oversight committee also works with business group leadership to monitor the performance and effectiveness of all of our incentive plans to ensure that they include features and metrics that are designed to discourage inappropriate risk-taking.

As a part of our oversight process, the internal oversight committee meets on a regular basis and provides a quarterly report to the Compensation Committee with respect to the activities around incentive compensation management. In addition, at least once each year, the Committee meets with our CRO and other members of the risk management team and receives a thorough risk analysis of each of our material incentive plans.

In presenting the risk assessment to the Committee, the CRO noted that the process of limiting risk starts with the Board in setting the risk appetite of the Company, establishing policies, and implementing appropriate limits and continues with management's role in developing the policies and practices to ensure that the Company operates within its risk appetite and to avoid unnecessary or excessive risk. As we shared in our

discussion of *Relationship of Compensation Policies and Practices to Risk Management* on page 41, we believe that the risks arising from our compensation plans, policies and practices are not reasonably likely to have a material adverse effect on the Company. In making this determination, we consider the impact of: (i) the Board's role in the determination of the overall risk profile and appetite; (ii) entity level controls in place; (iii) the incentive policies,

procedures, and governance activities we follow; and (iv) the changes implemented in our compensation programs during 2014.

Management and the Committee acknowledge that compensation practices are important components of our approach to risk management. Therefore, we are committed to working with the Federal Reserve as well as other regulatory bodies to achieve our objectives. We strive for clarity and transparency in our compensation structure and as we continue the ongoing evaluation of our compensation policies and programs, we will take any steps deemed advisable to further strengthen our compensation risk management framework.

**Equity Grant Policies and Practices.** A grant of equity compensation to eligible key associates generally is made on an annual basis. Although the Company does not currently issue stock option grants under the 2010 Long Term Incentive Plan, in the event this practice resumes, the plan requires that the exercise price for options be based on the closing price of Regions common stock on the date of the grant. The Committee has adopted a schedule and process of reviewing the program provisions and grant levels in the first quarter of the year to coincide with the annual performance management compensation review process established by the Company for all associates. As a part of that process each year, the Committee will pre-establish a grant date for grants to eligible associates subject to the needs and business considerations of the Company. The equity grants to all eligible key associates in 2014 occurred in April.

The Committee specifically approves all grants of equity compensation to Executive Officers, as well as other officers covered by Section 16(a) of the Exchange Act, including the determination of the grant date for those awards. The Committee has delegated authority to the CEO to determine and approve annual grants to other key associates within the limits and budgets established each year as part of the Committee's consideration of the annual grant program guidelines.

From time to time, the Company may find it necessary to issue special grants to non-Section 16(a) new hires or key associates outside of the normal grant process. The Committee also has delegated authority to the CEO to determine the need for and value of these grants. For these grants, the Committee's policy provides that grants will be made on the first business day of the calendar quarter following the hire date or the determination for the need to grant an award for retention purposes. This timing was chosen to prevent even an appearance that either management or the recipient could manipulate the pricing date and also to reduce the administrative and accounting burden for Regions personnel that would be created by multiple grant dates. Any grants made by the CEO are reported to the Committee on a regular basis each year.

**Policy on Cash versus Non-Cash and Current versus Future Compensation.** The Committee does not maintain a stated policy that dictates cash versus non-cash compensation or

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

current versus future compensation. However, the allocation of cash and non-cash compensation for each of the NEOs is reviewed by the Committee annually and reflects the Committee's best efforts to balance short- and long-term objectives of the Company.

**Stock Ownership Guidelines and Stock Retention Requirements.** Regions has adopted stock ownership guidelines for its Executive Officers and members of the Board to ensure that they have a meaningful economic stake in Regions. These guidelines are designed to maintain stock ownership levels high enough to ensure our Executive Officers' and Directors' commitment to creating stockholder value.

The equity stake of our NEOs and Directors is reflected in the beneficial ownership information contained in this proxy statement on pages 19 and 20. The table below summarizes the stock ownership guidelines for our CEO and each of the NEOs (including their compliance with the guidelines):

Name	Ownership Requirement	Approximate Stock Value Required to be held	Holds Required Amount	Percent of Guideline Owned
O. B. Grayson Hall, Jr.	5 X Base Pay	\$ 5,000,000	Yes	216%
David J. Turner, Jr.	3 X Base Pay	\$ 1,896,000	Yes	159%
John B. Owen	3 X Base Pay	\$ 1,941,000	Yes	191%
Fournier J. Gale, III	3 X Base Pay	\$ 1,680,000	No*	86%
C. Matthew Lusco	3 X Base Pay	\$ 1,665,000	No*	96%

\*Mr. Gale and Mr. Lusco currently do not hold the required amount of shares in full but still maintain a significant equity stake in the Company and are adhering to the strict retention requirements in place with respect to equity received under compensatory plans of the Company.

For purposes of meeting the guidelines, the following types of stock ownership are counted: shares directly owned by the Executive Officer or Director without restriction, restricted stock, stock units (except for those that may be subject to future performance requirements), stock equivalents allocated through any deferred stock investment plan, as well as an Executive Officer's shares held in a 401(k) Plan account and notionally held in a Supplemental 401(k) Plan account. Any Executive Officer who does not meet the ownership guidelines must retain at least 50 percent of the after-tax value of any compensatory equity grant upon vesting until such time as the ownership guidelines are met.

**Other Policies Related to Stock Ownership (prohibitions against insider trading, hedging and pledging of Regions stock).** The Company has long maintained a General Policy on Insider Trading to guard against improper securities trading by our associates using material nonpublic information and to help avoid the severe consequences associated with violations of the insider trading laws. Under the policy, no Director, officer or other associate of Regions who is aware of material nonpublic information relating to the Company may, directly or through family members or other persons or entities, buy or sell securities of the Company (other than pursuant to a pre-approved

trading plan that complies with SEC Rule 10b5-1), or engage in any other action to take personal advantage of the material nonpublic information.

In addition, our insider trading policy prohibits all associates from speculative trading in our equity securities including prohibitions

on short-selling stock, buying call options and selling put options or from entering into hedging strategies that protect against downside risk of Regions stock ownership. Our policies also prohibit Directors and Section 16 Officers from purchasing Company securities on margin or holding them in a margin account, and prohibit borrowing against any account in which any Company equity securities are held, or pledging Company equity securities as collateral for a loan.

**Accounting for Stock-Based Compensation.** Regions accounts and reports for stock-based compensation under its long term incentive plans in accordance with the requirements of Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 718, Compensation—Stock Compensation. For further disclosure of Regions' accounting for stock-based compensation, refer to Note 16—Share-Based Payments to the consolidated financial statements included in Regions' Annual Report on Form 10-K for the year ending December 31, 2014.

**Internal Revenue Code Section 162(m) ( IRC 162(m) ).** As part of its role, the Committee has historically reviewed and considered the deductibility of executive compensation under IRC 162(m), which provides that public companies generally may not deduct compensation of more than \$1,000,000 of non-performance-based compensation paid to certain NEOs. While the Committee believes that compensation awarded in 2014 meets the requirements of IRC 162(m), it has reserved the right to pay executives compensation that is not deductible under IRC 162(m).

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**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****Change-in-Control, Post-Termination and Other Employment Arrangements**

Due to continuing consolidation in the financial services industry and for competitive and fairness reasons, we believe it is important to protect key associates (including the NEOs) in the event of certain terminations of employment during a transition period following a change-in-control of Regions. We believe that stockholders will be best served if the interests of our key associates are aligned with them. The occurrence or potential occurrence of a change-in-control could create uncertainty regarding the continued employment of our NEOs and providing employment protection should eliminate, or at least significantly reduce, any potential reluctance of our executives to pursue potential transactions that may be in the best interests of stockholders. As a result, we have entered into agreements with all NEOs that govern some of the terms of their employment and compensation in the event of a qualifying termination after a change-in-control of Regions.

**Change-in-Control Agreements.** The change-in-control agreements entered into with NEOs generally provide that during the two-year period following a change-in-control of Regions, if the NEO's employment is terminated other than for cause, or if the NEO resigns for good reason, he would be paid accrued compensation and benefits, plus an amount equal to a specified multiple of base salary and average annual bonus during the three years preceding the year in which the change-in-control occurs.

Mr. Hall, Mr. Owen and Mr. Gale all are entitled to a three times multiple of pay, while Mr. Turner and Mr. Lusco are entitled to a two times multiple of pay upon termination following a change-in-control. If employment is terminated for cause, or due to death, disability or resignation other than for good reason, payments would be limited to accrued compensation and benefits. New agreements issued after February 2011 do not include any income tax gross up payments under the excise tax provisions of IRC Section 4999. Mr. Hall, Mr. Owen and Mr. Turner have change-in-control agreements issued in 2007 that provide in the event any payment or benefit would cause the NEO to become subject to the excise tax imposed under IRC Section 4999, then additional payments may become due to the extent necessary to avoid a negative tax consequence to the executive. Mr. Gale and Mr. Lusco entered into agreements after February 2011, and therefore, are not entitled to receive a payment to compensate for excise taxes. None of the NEOs' agreements provide any type of severance benefits in connection with termination of employment at any other time. For additional information, including definitions of cause, good reason and change-in-control, see the section entitled *Potential Payments by Regions Upon Termination or Change-in-Control* on pages 76 through 79 of this proxy statement.

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**COMPENSATION COMMITTEE REPORT**

**COMPENSATION COMMITTEE REPORT**

**Compensation Discussion and Analysis**

Regions has the primary responsibility for the Compensation Discussion and Analysis ( CD&A ) which is included in this proxy statement.

On behalf of the Board of Directors, the Compensation Committee oversees the development and administration of Regions' compensation program for officers and key associates of senior management. As part of this responsibility, the Compensation Committee has reviewed and discussed with

Regions' management the contents of the CD&A. Based on its review and discussion, and subject to the limitations on the role and responsibility of the Compensation Committee, the Compensation Committee recommended to the Board of Directors that the CD&A be included in this proxy statement and incorporated into Regions' Annual Report on Form 10-K for the year ended December 31, 2014.

THE COMPENSATION COMMITTEE

**Don DeFosset** Chair

**David J. Cooper, Sr.**

**Ruth Ann Marshall**

**Susan W. Matlock**

**Lee J. Styslinger III**

Table of Contents**COMPENSATION OF EXECUTIVE OFFICERS****COMPENSATION OF EXECUTIVE OFFICERS**

The following tables, narratives and footnotes contain compensation information about our Chairman, President and Chief Executive Officer, our Chief Financial Officer and our three other most highly paid executive officers for the year ended December 31, 2014.

**Summary Compensation Table**

The Summary Compensation Table that follows contains information with respect to our NEOs. Based on the amounts for 2014 in the following table, salary accounted for approximately 11.9 percent of total compensation (excluding the change in pension value and nonqualified deferred compensation amounts) for our CEO and 23.2 percent on average among all other NEOs, reflecting our performance-based pay philosophy.

In the **Salary** column, the amount represents base salaries paid to each of the NEOs for the fiscal year indicated. Because Regions does not generally issue nonperformance-based or discretionary bonuses, the **Bonus** column does not include any such payment made in 2014.

Equity awards granted in 2014 were composed of PSUs and RSUs and are reported in the **Stock Awards** column as the grant date fair value of the awards. The grant date fair value amounts for the awards made in 2014 do not correspond with the amounts that may be eventually realized relative to these awards. Any benefit from these awards depends on the future value of Regions stock. For more detail regarding the stock awards for NEOs, see pages 59 and 60 of the CD&A and the **Grants of Plan-Based Awards** table on page 71 of this proxy statement.

The amounts in the **Non-Equity Incentive Plan Compensation** column represent annual bonuses earned for 2014 performance by each of the NEOs as approved by the Compensation Committee and described in the annual income section of the CD&A beginning on page 56. Also included in this amount is the

2012 Performance Cash Grant that vested December 31, 2014 and will be released effective June 1, 2015. In the **Change in Pension Value and Nonqualified Deferred Compensation Earnings** column, the change in pension value for each NEO is the difference in the total present value of accrued benefit on December 31, 2014, minus the total present value of accrued benefit on December 31, 2013. For additional information about pension benefits, refer to pages 61 and 62 in the CD&A and to the *Pension Benefits* section and table on pages 73 and 74. As for nonqualified deferred compensation earnings, none of the NEOs receive above-market or preferential earnings on their nonqualified deferred compensation accounts. More information regarding the provisions of the nonqualified deferred compensation plans in which the NEOs participate can be found on page 75.

The amount in the **All Other Compensation** column represents the aggregate dollar amount for each NEO for perquisites and other personal benefits. Items may include the value of: excess group liability insurance coverage, group term life insurance coverage, financial planning services, personal use of corporate aircraft, an enhanced executive physical, home security, as well as matching charitable gift contributions for all of our NEOs. It also includes the value of Company contributions to the 401(k) Plan and the Supplemental 401(k) Plan.



Finally, the Total column amount represents the sum of all columns for each of the NEOs, which includes amounts paid and amounts deferred.

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Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-Equity Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
O. B. Grayson Hall, Jr. Chief Executive Officer	2014	993,750	3,443,535	3,708,902	6,056,343	218,717	14,421,247		
	2013	975,000	2,930,572	1,918,800	4,328,165	161,888	10,314,425		
	2012	922,917	4,726,367	1,437,750	4,714,352	95,698	11,897,084		
David J. Turner, Jr. Chief Financial Officer	2014	627,250	826,448	1,249,044	1,079,650	106,704	3,889,096		
	2013	607,250	651,240	863,024	261,825	85,515	2,468,854		
	2012	583,750	1,253,688	640,705	522,080	53,620	3,053,843		
John B. Owen Head of Regional Banking Group	2014	641,500	826,448	1,281,121	1,847,754	95,254	4,692,077		
	2013	618,750	651,240	879,368	1,142,999	87,144	3,379,501		
	2012	581,250	1,090,553	666,586	787,391	58,888	3,184,668		
Fournier J. Gale, III General Counsel	2014	555,000	619,830	990,880	N/A	117,695	2,283,405		
	2013	533,750	488,434	700,280	N/A	92,866	1,815,330		
	2012	508,750	600,933	515,342	N/A	67,826	1,692,851		
C. Matthew Lusco Chief Risk Officer	2014	550,000	619,830	985,050	1,102,519	98,570	3,355,969		
	2013 (1)								
	2012 (1)								

(1) Mr. Lusco was not an NEO in 2012 or 2013.

(2) As reflected in the following table, amounts in this column are the grant date fair value of awards computed in accordance with FASB ASC Topic 718. The value of stock awards made as PSUs is at target and can range from 0% to 150% of target based on performance metrics of absolute and relative Diluted EPS growth and ROATCE established at grant. These amounts also include the grant date fair value RSUs that cliff vest at the end of the three-year vesting period ending April 2017.

Name	2014 Annual Equity Grant (PSUs & RSUs)				
	PSUs (\$/units) (a)		RSUs (\$/units) (b)		Total Stock Awards Value (\$)
	Performance Stock (\$)	Performance Stock (#)	Restricted Stock (\$)	Restricted Stock (#)	
O. B. Grayson Hall, Jr.	1,721,768	153,046	1,721,768	153,046	3,443,535
David J. Turner, Jr.	413,224	36,731	413,224	36,731	826,448
John B. Owen	413,224	36,731	413,224	36,731	826,448

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Fournier J. Gale, III	309,915	27,548	309,915	27,548	619,830
C. Matthew Lusco	309,915	27,548	309,915	27,548	619,830

- (3) This amount represents annual cash incentives for 2014 performance as approved by the Compensation Committee plus the value of the 2012 Performance Cash Grant that vested at December 31, 2014 and will be released effective June 1, 2015 as detailed in the following table:

Name	Nonequity Incentive Plan Compensation		
	2014 Annual Cash Incentive (\$)	Value of 2012 Performance Cash Grant at 12/31/14 (\$) (a)	Total (\$)
O. B. Grayson Hall, Jr.	1,738,069	1,970,833	3,708,902
David J. Turner, Jr.	790,711	458,333	1,249,044
John B. Owen	822,788	458,333	1,281,121
Fournier J. Gale, III	647,130	343,750	990,880
C. Matthew Lusco	641,300	343,750	985,050

- (a) The value of 2012 Performance Cash Grant at 12/31/14 column reflects 137.5% of target earned at December 31, 2014. Mr. Turner, Mr. Owen and Mr. Lusco remain subject to forfeiture of this amount until June 1, 2015 (the 3<sup>rd</sup> anniversary of the date of grant) should they separate from the Company.

- (4) This amount includes benefits for Mr. Hall, Mr. Owen and Mr. Lusco described on pages 61, 62 and 73 through 75, which are subject to significant vesting requirements not yet met. Therefore, while accrued, neither part of the change in benefit for Mr. Hall nor all of the change in benefit for Mr. Owen and Mr. Lusco has been earned and would not be payable at the present time if they left the Company.

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(5) All other compensation consists of the following:

Name	Matching Contributions		Matching Contributions		Total All Other Compensation (\$)
	Life Insurance, Perquisites, and Other Personal Benefits (a) (\$)	Qualified Savings Plans (b) (\$)	Nonqualified Savings Plans (b) (\$)	Non-Elective Contributions (b) (\$)	
O. B. Grayson Hall, Jr.	70,163	10,400	138,154		218,717
David J. Turner, Jr.	36,642	10,400	59,662		106,704
John B. Owen	17,719	10,400	61,935	5,200	95,254
Fournier J. Gale, III	30,242	10,400	47,902	29,151	117,695
C. Matthew Lusco	27,388	10,400	55,582	5,200	98,570

(a) The 2014 amount includes the value of items such as group term life insurance premiums, excess group liability coverage, financial planning services, personal use of the corporate aircraft, an enhanced executive physical, home security, matching charitable gift contributions, and Healthmiles Reward. The total value for personal use of the corporate aircraft by Mr. Hall in 2014 was \$28,000.

(b) These amounts include the value of Company contributions to the 401(k) Plan and the Supplemental 401(k) Plan as follows: Mr. Hall \$148,554, Mr. Turner \$70,062, Mr. Owen \$77,535, Mr. Gale \$87,453, and Mr. Lusco \$71,182.

**Grants of Plan-Based Awards**

Equity grants issued during 2014 were issued under the Regions Financial Corporation 2010 Long Term Incentive Plan ( Regions 2010 LTIP ). The Regions 2010 LTIP was approved by stockholders at the 2010 annual meeting and permits grants of awards in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance-based awards, dividend equivalents, or other stock-based awards, or any other right or interest relating to stock or cash. Awards under the Regions 2010 LTIP may vest over time or upon the achievement of pre-established performance goals. In addition, awards generally vest on termination of employment within 24 months after a change-in-control of Regions (as defined in the Regions 2010 LTIP to exclude certain merger-of-equals transactions).

The Grants of Plan-Based Awards table provides details on incentive plan awards made in 2014 for the 2013 performance

year to the NEOs, which include performance-based cash, PSUs and RSUs. The performance-based cash and PSUs will be issued based on the Company's absolute and relative Diluted EPS and ROATCE over the three-year period from January 1, 2014, through December 31, 2016. The value at vesting can be reduced to zero in the event achievement of certain performance requirements are not met. The RSUs vest three years from the date of grant subject to up to 40 percent forfeiture if capital and liquidity performance thresholds are not met. Dividends and dividend equivalents accrued on both the PSUs and RSUs will be paid out in cash at vesting based on the number of units actually earned.

For more detail regarding the grants of plan-based awards for NEOs, see pages 59 and 60 of the CD&A.

The following table sets forth equity awards in the Summary Compensation Table and non-equity plan based awards granted to each of the NEOs in 2014:

Name	Threshold Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Awards:		Grant Date Fair Value of Stock and Option Awards
		Target	Maximum	Target	Maximum	All Other Awards	Exercise Price of Securities of the Company		
	(\$)	(\$)	(\$)	(#)	(#)	(#)	(#)	(\$/sh)	(\$)
O. B. Grayson Hall, Jr.	04/01/14	1,666,667	2,500,001	153,046	229,569	153,046			3,443,535
David J. Turner, Jr.	04/01/14	400,000	600,000	36,731	55,097	36,731			826,448
John B. Owen	04/01/14	400,000	600,000	36,731	55,097	36,731			826,448
Fournier J. Gale, III	04/01/14	300,000	450,000	27,548	41,322	27,548			619,830
C. Matthew Lusco	04/01/14	300,000	450,000	27,548	41,322	27,548			619,830

(1) The performance cash awards and PSUs included in this column have equally weighted performance requirements based on absolute and relative Diluted EPS growth and ROATCE. In addition, in the event the achievement of the performance criteria for Diluted EPS growth is less than 0 percent on an absolute basis and is in the bottom one-third of the peer group on a relative basis, or the achievement of the performance criteria for ROATCE is less than 8 percent on an absolute basis and is in the bottom one-third of the peer group on a relative basis, the payout will be zero if cumulative net income from continuing operations is less than a number that is one-half of the projection for the three-year performance period. The performance period for these awards is January 1, 2014, through December 31, 2016, with a vest date of April 1, 2017.

Notwithstanding the achievement of the performance requirements, in order to be eligible to receive any cash payout or shares of stock under this award, employment must continue through the third anniversary of the grant date, which is April 1, 2017.

- (2) In addition to service vesting requirements, the RSUs included in this column have performance-vesting requirements based on satisfying the Company's achievement of certain capital and liquidity performance thresholds during each of the periods from January 1, 2014, to December 31, 2014; January 1, 2015, to December 31, 2015; and January 1, 2016, to December 31, 2016. To the extent that the capital performance threshold

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and/or the liquidity performance threshold has not been satisfied for each performance threshold period, 20 percent for each requirement (up to a maximum of 40 percent total) of the RSUs awarded will be forfeited. For purposes of this award, the Company's performance will be measured relative to the following capital and liquidity performance thresholds as certified by the Committee:

- (i) Capital Performance Threshold : Capital Action Decision Tree Status as defined in the Capital Policy must remain in either Monitor Capital or Capital Deployment status; and
- (ii) Liquidity Performance Threshold : Risk for Primary Liquidity Level must remain at Moderate or better as established in the Market & Liquidity Risk Framework document.

Notwithstanding the achievement of the Capital and Liquidity Performance Thresholds, in order to be eligible to receive any shares of stock under this award, employment must continue through the third anniversary of the grant date, which is April 1, 2017.

**Outstanding Equity Awards at December 31, 2014**

Awards in this table include:

Grants of stock options made over time that are exercisable and unexercisable.

Grants of restricted stock and RSUs.

Grants of PSUs made in 2012, 2013 and 2014 that may pay out if Regions achieves specific performance criteria as measured on an absolute and relative basis.

Grants of restricted stock units made in 2013 and 2014 that will pay out in full only if Regions meets certain capital and liquidity thresholds. If the capital and/or liquidity performance thresholds are not satisfied for any year of the three years of the performance threshold periods, 20 percent of the restricted stock units awarded will be forfeited for either or both of those measures up to a maximum of 40 percent.

The following table sets forth outstanding equity-based awards held by each of the NEOs as of December 31, 2014:

Name	Option Awards					Stock Awards			
	Grant Date	Exercise Price (\$)	Number of Securities Underlying Options (#)	Option Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (a) (#)	Market Value of Shares or Units of Stock That Have Not Vested (a) (#)	Equity Incentive Plan Awards: # of Shares, Units or Other Rights That Have Not Vested (b) (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (b) (\$)
O. B. Grayson Hall, Jr.	02/08/05		115,065	32.02	02/08/15				
	04/03/06		83,966	34.46	04/03/16				
	04/24/07		85,715	35.07	04/23/17				
	02/28/08		282,019	21.94	02/27/18				
	02/22/12					241,810	2,553,514		
	06/01/12					221,878	2,343,032	305,082	3,221,669
	04/01/13					182,704	1,929,354	182,704	1,929,354
	04/01/14					153,046	1,616,166	153,046	1,616,166
David J. Turner, Jr.	05/02/05		27,590	33.21	05/02/15				
	04/03/06		33,810	34.46	04/03/16				
	04/24/07		20,000	35.07	04/23/17				
	02/28/08		59,822	21.94	02/27/18				
	02/22/12					78,845	832,603		
	06/01/12					51,599	544,885	70,949	749,217
	04/01/13					40,601	428,747	40,601	428,747
	04/01/14					36,731	387,879	36,731	387,879
John B. Owen	02/28/08		128,191	21.94	02/27/18				
	02/22/12					51,724	546,205		
	06/01/12					51,599	544,885	70,949	749,217
	04/01/13					40,601	428,747	40,601	428,747
	04/01/14					36,731	387,879	36,731	387,879
Fournier J. Gale, III	03/01/11		114,065	7.43	02/28/21				
	06/01/12					38,699	408,661	53,211	561,909
	04/01/13					30,451	321,563	30,451	321,563
	04/01/14					27,548	290,907	27,548	290,907
	06/01/12					38,699	408,661	53,211	561,909



C.						
Matthew						
Lusco						
	04/01/13		30,451	321,563	30,451	321,563
	04/01/14		27,548	290,907	27,548	290,907

(1) All outstanding stock options were granted to vest in equal annual installments on each of the first three anniversaries of the date of grant and, as of December 31, 2014, are all fully vested.

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(2) The vesting of unvested restricted stock and RSUs is as follows:

Grant Date	Vesting Schedule	Restrictions
February 22, 2012	3 <sup>rd</sup> anniversary of grant date	(a) Time vested restricted stock
June 1, 2012	3 <sup>rd</sup> anniversary of grant date	(a) Time vested RSUs
		(b) Performance vested RSUs set to be earned between 0 percent and 200 percent subject to absolute and relative equally weighted Diluted EPS growth and ROATCE for the period January 1, 2012, through December 31, 2014 that have been earned at 137.5 percent and continue to be subject to release on June 1, 2015, the third anniversary of the grant date.
April 1, 2013	3 <sup>rd</sup> anniversary of grant date	(a) Time vested RSUs, vesting of which is also subject to meeting capital and liquidity thresholds.
April 1, 2014		(b) PSUs may be earned between 0 percent and 150 percent subject to achieving required performance levels of equally weighted absolute and relative Diluted EPS growth and ROATCE for the period January 1, 2013, through December 31, 2015 for the grant made April 1, 2013 and the period January 1, 2014, through December 31, 2016 for the grant made April 1, 2014.

**Option Exercises and Stock Vested**

The following table sets forth the amounts realized by each of the NEOs in the Summary Compensation Table as a result of the exercise of options and vesting of stock awards in 2014:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)	(\$)(1)	(#)	(\$)
O. B. Grayson Hall, Jr.	363,278	2,499,134	156,504	1,602,601
David J. Turner, Jr.			51,030	522,547
John B. Owen	171,598	1,186,703	56,152	574,996

Fournier J. Gale, III	38,021	404,543
C. Matthew Lusco	80,370	818,970

(1) The value realized on exercise is based on the difference between the fair value of a share of stock on the date of exercise and the fair value of a share of stock on the date of grant, and is not consistent with the amount required to be expensed by the Company under FASB ASC Topic 718. These amounts are not reported in the Summary Compensation Table.

### Pension Benefits

The Retirement Plan is a tax-qualified non-contributory defined benefit plan providing for a lifetime monthly annuity following retirement. Benefits earned by our NEOs under the Retirement Plan are generally based on the following formula:

$$\begin{array}{r}
 \text{1.3 Percent of} \\
 \text{Average} \\
 \text{Monthly} \\
 \text{Earnings up to} \\
 \text{Covered} \\
 \text{Compensation}
 \end{array}
 +
 \begin{array}{r}
 \text{1.8 Percent of} \\
 \text{Average} \\
 \text{Monthly} \\
 \text{Earnings in} \\
 \text{excess of} \\
 \text{Covered} \\
 \text{Compensation}
 \end{array}
 \times
 \begin{array}{r}
 \text{Years of} \\
 \text{Service up to a} \\
 \text{maximum of 30} \\
 \text{total years}
 \end{array}$$

Average Monthly Earnings is defined as the average of the highest five consecutive years of base compensation within the last 10 years of service, and Covered Compensation is defined as the estimated average maximum amount of a participant's earnings on which Social Security benefits will be based assuming that in each year of the participant's working career the participant's wages equaled the Social Security Taxable Wage Base.

The SERP provides benefits that would otherwise be denied participants under the qualified Retirement Plan because of tax code limitations on qualified plan benefits, as well as additional benefits that serve to attract and retain high quality senior executive talent for the Company. There are two types of retirement benefits in the SERP: a regular benefit and a targeted benefit.

The regular benefit is available to all eligible SERP participants, and calculates benefits using the same formula as the Retirement Plan with the following differences: (1) instead of averaging earnings over five years of service, it is averaged over the highest three consecutive years of service out of the last 10 years of service; (2) in addition to base pay, it includes annual cash incentives as well as 50 percent of any salary stock and restricted stock granted during the period of TARP participation; and (3) the maximum years of service used in the calculation of the regular benefit is 35 years of service instead of 30.

The targeted SERP retirement benefit is available only to a select group of senior officers as a result of a previously



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grandfathered arrangement. This targeted SERP benefit provides a benefit using the following formula:

$$\begin{aligned}
 & 4 \text{ Percent of Average Monthly} \\
 & \text{Earnings for the first} \quad + \quad 1 \text{ Percent of Average Monthly} \\
 & 10 \text{ years of service} \quad \quad \quad \text{Earnings for every year in} \\
 & \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \text{excess of 10 years of} \\
 & \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \text{service up to a maximum of} \\
 & \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \text{an additional 25 years of} \\
 & \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \text{service (for a maximum} \\
 & \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \text{benefit of 65 Percent of Average} \\
 & \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \text{Monthly Earnings with} \\
 & \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \text{35 years of service)}
 \end{aligned}$$

For purposes of this formula, Average Monthly Earnings has the same definition as the regular SERP benefit.

Regions targeted benefit is offset by both the benefit under the Retirement Plan as well as Social Security. The targeted benefit is subject to significant retentive vesting requirements. Participants will receive the benefit following termination of employment after reaching age 60 and completing a minimum of 10 years of service, except in the case of death, disability or change-in-control. Termination of employment for any other reason prior to age 60 and completion of 10 years of service will result in forfeiture of the targeted benefit. If a participant who is eligible for both the regular benefit and the targeted benefit retires prior to meeting these vesting requirements, he or she will receive a regular benefit.

The following Pension Benefits table reflects the actuarial present value benefit from the Retirement Plan and the SERP:

Name	Plan Name	Number of Years Credited Service	Pension Benefits	
			Present Value of Accumulated	Payments During Last Fiscal Year

		(#) (1)	Benefit (\$ (2))	(\$)
O. B. Grayson Hall, Jr.	Retirement Plan	30	1,497,196	
	SERP	33	24,566,471	
David J. Turner, Jr.	Retirement Plan	9	336,676	
	SERP	9	2,065,206	
John B. Owen	NA	NA	NA	NA
	SERP	7	4,826,233	
Fournier J. Gale, III	NA	NA	NA	NA
	NA	NA	NA	NA
C. Matthew Lusco	NA	NA	NA	NA
	SERP	4	1,102,519	

(1) The Retirement Plan (a tax-qualified pension plan) caps the number of years of participant service for purposes of benefit accrual at 30 years. The SERP (a nonqualified plan) caps participant service at 35 years. Mr. Owen and Mr. Lusco do not participate in the qualified pension plan and Mr. Gale does not participate in the qualified or nonqualified pension plans of the Company.

(2) In 2009, future benefit accruals under the Retirement Plan and SERP were suspended for all participants. Even during the suspension, participants continued to earn service toward vesting and eligibility for early retirement benefits. Effective January 1, 2010, benefit accruals were restarted for Retirement Plan and SERP participants.

The present value of the accumulated Retirement Plan benefits reflects the present value as of December 31, 2014, and was determined using a 4.2 percent discount rate for the qualified plan and the MRP-2007 employee and retiree mortality tables for males and females, no collar with generational projection based on scale MSS-2007. The present value of the accumulated SERP benefits reflects the present value as of December 31, 2014, and was determined using a 3.75 percent discount rate, (4.00 percent to calculate expected lump sum distribution) and the 2015 Pension Protection Act lump sum mortality table. For purposes of the present value calculation, no pre-retirement mortality was assumed and the payment date was assumed to be the earliest unreduced retirement date under the Plan. The payment age of 62 (life only) was assumed for the Retirement Plan and the payment age was assumed to be age 60 for the SERP for Mr. Hall and Mr. Owen and age 62 for Mr. Turner and Mr. Lusco.

Table of Contents**COMPENSATION OF EXECUTIVE OFFICERS****Nonqualified Deferred Compensation**

Regions maintains the following nonqualified deferred compensation plans in which our NEOs participate.

**Regions Financial Corporation Supplemental 401(k) Plan.** Regions sponsors an excess contribution plan for certain executives and other 401(k) Plan participants whose compensation exceeds the annual tax code limit on compensation that can be taken into account for purposes of contributions to the 401(k) Plan. Under this Plan, participants

may continue to make contributions on a nonqualified basis. In 2014, Regions contributed up to 4 percent of base and incentive compensation, provided the executive had elected a deferral rate on his or her base or annual incentive compensation of at least 4 percent for the year. All of the NEOs participated in the Supplemental 401(k) Plan during 2014. Mr. Gale is also eligible for a nonqualified 2 percent non-elective Company contribution.

The following table sets forth the NEOs' contributions, Regions' contributions and the aggregate earnings, withdrawals and balances during 2014 under the nonqualified deferred compensation plans maintained by Regions:

Name		Nonqualified Deferred Compensation			Aggregate Balance at December 31, 2014 (\$) <sup>(4)</sup>
		Executive Contributions in 2014 (\$) <sup>(1)</sup>	Company Contributions in 2014 (\$) <sup>(2)</sup>	Aggregate Earnings in 2014 (\$) <sup>(3)</sup>	
O. B. Grayson Hall, Jr.	Supplemental 401(k)	150,003	138,154	104,610	2,461,283
David J. Turner, Jr.	Supplemental 401(k)	73,806	59,662	37,580	662,546
John B. Owen	Supplemental 401(k)	133,007	61,935	41,211	788,906
Fournier J. Gale, III	Supplemental 401(k)	47,511	71,853	3,658	214,384
C. Matthew Lusco	Supplemental 401(k)	46,927	55,582	9,611	209,888

(1) This column represents amounts deferred from the applicable NEO's base salary and annual bonus (if applicable) and are reported in the Salary and Non-Equity Incentive Plan Compensation (if applicable) columns of the Summary Compensation Table.

- (2) This column includes Company contributions under the Supplemental 401(k) Plan plus the 2 percent non-elective contribution for Mr. Gale. These amounts are also reflected in the All Other Compensation column of the Summary Compensation Table.
- (3) This column includes earnings/losses from the Supplemental 401(k) Plan.
- (4) The December 31, 2014, balances do not include true-up Company contributions that were made in early 2015 based on executive deferral elections from 2014 pay. These contributions are included, however, in the column Company Contributions in 2014. The aggregate balance at December 31, 2014, includes the balance in the Supplemental 401(k) Plan.



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**Table of Contents****COMPENSATION OF EXECUTIVE OFFICERS****Potential Payments by Regions Upon Termination or Change-in-Control**

Regions maintains certain arrangements, plans and programs under which our NEOs would be eligible to receive severance payments and other benefits upon termination of employment or a change-in-control of Regions.

**Change-in-Control Agreements.** All of our NEOs hold a change-in-control agreement. Under the change-in-control agreements, certain severance benefits are due if, during the two-year period following a change-in-control, Regions terminates employment without cause or the NEO terminates employment with good reason.

For Mr. Hall, Mr. Owen and Mr. Gale, if Regions terminates their employment other than for cause, or if they resign for good reason during the two-year period, they are entitled to receive accrued compensation and benefits, plus severance in an amount equal to three times base salary and average annual bonus during the three years prior to the year in which the change-in-control occurred and benefit continuation for three years following termination. Mr. Turner and Mr. Lusco are covered by a similar change-in-control agreement, but their severance multiple is equal to two times and their benefit continuation period is two years following termination. If a NEO's employment is terminated by Regions for cause, or by reason of death, disability or resignation other than for good reason during the two-year period, Regions' liability is limited to accrued but unpaid compensation and benefits.

If any payment under the change-in-control agreement causes an NEO, with the exception of Mr. Gale and Mr. Lusco, to become subject to the excise tax imposed under Section 4999 of the IRC, then Regions would also make an additional payment covering the excise tax, any income tax on the excise tax payment and any penalty and interest. However, if the payments and benefits provided following a change-in-control do not exceed 110 percent of the greatest amount that could be paid without triggering the excise tax (the Safe Harbor Amount), then those payments and benefits will be reduced to that amount. Mr. Gale's and Mr. Lusco's agreements stipulate that in the event they would be subject to the excise tax, amounts payable to them (under their change-in-control agreements or otherwise) would be reduced to the Safe Harbor Amount if that reduction would result in them receiving a greater after tax amount.

**Equity-Based Award Plans.** Under the terms of the 2010 Long Term Incentive Plan, equity-based awards generally vest at retirement, death, disability and if employment is terminated without cause or for good reason within the 24-month period following a change-in-control.

Under the terms of performance-based equity grant award agreements, the performance period lapses at death and release/payment is equal to the target performance value. At retirement and disability, the award continues to vest on schedule and is released/paid subject to performance at the end of the performance period. For involuntary termination without cause, the award continues to vest on schedule and is released/paid subject to performance at the end of the performance period and is prorated for the portion of the performance period between the grant date and the date employment terminated. Upon the occurrence of a change-in-control, the award is fixed at the target value and releases/pays at the end of the original service vesting period assuming employment continues. If upon the occurrence of a change-in-control, employment is terminated within a 24-month period following the change-in-control, vesting and release/payment are immediate.

**Pension and Deferred Compensation Plans.** As described previously in the CD&A and under the *Pension Benefits* and *Nonqualified Deferred Compensation* sections, Regions maintains a number of tax-qualified and nonqualified retirement and deferred compensation plans under which certain associates, including certain of the NEOs, may receive benefits upon retirement or other terminations of employment. Upon termination of employment for any reason, each NEO would be entitled to receive the amounts set forth under the Aggregate Balance at December 31, 2014 column of the Nonqualified Deferred Compensation table on page 75 as well as the full value of the pension benefit in the Present Value of Accumulated Benefit column of the Pension Benefits table on page 74 of this proxy statement. If Mr. Hall leaves the Company prior to being fully vested in his targeted benefit, he is not eligible for the portion that is an enhancement as a result of a change-in-control.

**Welfare and Other Insurance Benefits.** Regions sponsors a number of broad-based health, life and disability benefit programs for its associates, in which NEOs also participate, such as short and long-term disability coverage and group term life insurance coverage.

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The following table quantifies certain amounts that would be payable to NEOs upon various types of separation circumstances and that are described previously. The table also quantifies certain additional payments and benefits not described previously that are payable on certain terminations of employment. The amounts reflected in the table assume a December 31, 2014 termination of employment:

Name	Voluntary (\$)	Involuntary Without Cause (\$)	Early For RetirementCause (\$) (\$)	Following a Change-in- Control (without Cause or for Good Reason) (\$) (8)	Death (\$) (9)	Disability (\$)
<b>O. B. Grayson Hall, Jr.</b> (1)						
<i>Compensation:</i>						
Cash Severance				7,500,000		
Long Term Incentive Restricted Stock/Units (2)	4,470,344	4,470,344	4,470,344	8,442,065	8,442,065	7,023,857
Performance Stock Units (2)				6,767,189	6,767,189	
Performance Cash				5,137,500	5,137,500	
<i>Perquisites:</i>						
Financial Planning (3)	29,310	29,310	29,310	29,310	29,310	29,310
Outplacement (4)				60,000		
280G Tax Gross-up (5)				13,016,844		
<i>Benefits:</i>						
Value of Continued Welfare Benefits (6)				27,308		
Value of Additional Retirement Benefits (7)				7,508,312		
<b>Total:</b>	<b>4,499,654</b>	<b>4,499,654</b>	<b>4,499,654</b>	<b>48,488,528</b>	<b>20,376,064</b>	<b>7,053,167</b>
<b>David J. Turner, Jr.</b>						
<i>Compensation:</i>						
Cash Severance				2,654,400		
Long Term Incentive Restricted Stock/Units (2)		677,450		2,194,115	2,194,115	1,867,464
Performance Stock Units (2)				1,565,843	1,565,843	
Performance Cash				1,191,666	1,191,666	

*Perquisites:*

Financial Planning (3)	29,310	NA	29,310	29,310	29,310
Outplacement (4)			60,000		
280G Tax Gross-up (5)			3,159,776		

*Benefits:*

Value of Continued Welfare Benefits (6)			18,096		
Value of Additional Retirement Benefits (7)			832,557		

<i>Total:</i>	706,760	NA	11,705,763	4,980,934	1,896,774
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*John B. Owen**Compensation:*

Cash Severance			4,076,100		
Long Term Incentive Restricted Stock/Units (2)	677,450		1,907,717	1,907,717	1,581,066
Performance Stock Units (2)			1,565,843	1,565,843	
Performance Cash			1,191,666	1,191,666	

*Perquisites:*

Financial Planning (3)	29,310	NA	29,310	29,310	29,310
Outplacement (4)			60,000		
280G Tax Gross-up (5)			7,822,886		

*Benefits:*

Value of Continued Welfare Benefits (6)			27,308		
Value of Additional Retirement Benefits (7)			7,386,302		

<i>Total:</i>	706,760	NA	24,067,132	4,694,536	1,610,376
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**Table of Contents****COMPENSATION OF EXECUTIVE OFFICERS**

Name	Voluntary (\$)	Involuntary Without Cause (\$)	Early Retirement Cause (\$)	For Cause (\$)	Following a Change-in- Control (without Cause or for Good Reason) (\$) (8)	Death (\$) (9)	Disability (\$)
<b>Fournier J. Gale, III (1)</b>							
<i>Compensation:</i>							
Cash Severance					3,395,622		
Long Term Incentive							
Restricted Stock/Units (2)	776,143	776,143	776,143		1,021,131	1,021,131	776,143
Performance Stock Units (2)					1,174,379	1,174,379	
Performance Cash					893,750	893,750	
<i>Perquisites:</i>							
Financial Planning (3)	29,310	29,310	29,310		29,310	29,310	29,310
Outplacement (4)					60,000		
<i>Benefits:</i>							
Value of Continued Welfare Benefits (6)					20,601		
Value of Additional Retirement Benefits (7)							
<b>Total:</b>	<b>805,453</b>	<b>805,453</b>	<b>805,453</b>		<b>6,594,793</b>	<b>3,118,570</b>	<b>805,453</b>
<b>C. Matthew Lusco</b>							
<i>Compensation:</i>							
Cash Severance					2,225,429		
Long Term Incentive							
Restricted Stock/Units (2)		508,086			1,021,131	1,021,131	776,143
Performance Stock Units (2)					1,174,379	1,174,379	
Performance Cash					893,750	893,750	
<i>Perquisites:</i>							
Financial Planning (3)		29,310	NA		29,310	29,310	29,310
Outplacement (4)					60,000		
<i>Benefits:</i>							
Value of Continued Welfare Benefits (6)					18,079		
Value of Additional Retirement Benefits (7)					1,932,966		
<b>Total:</b>		<b>537,396</b>			<b>7,355,044</b>	<b>3,118,570</b>	<b>805,453</b>

(1) Mr. Hall is eligible for early retirement and Mr. Gale is eligible for normal retirement. For purposes of the various termination columns in the table, with the exception of the For Cause column, they were assumed to have taken early/normal retirement and therefore are entitled to receive the benefits shown.

- (2) Based on a fair market value of Regions common stock of \$10.56 per share on December 31, 2014.
- (3) The service agreement with Regions financial planning provider allows for continuation of service for two years following termination due to retirement, death, disability, change-in-control and involuntary termination without cause.
- (4) The change-in-control agreement provides for reasonable outplacement services for up to two years based on a termination date of December 31, 2014.
- (5) 280G tax gross-up represents the amount of the excise tax and related gross-up for excise taxes levied under Section 4999 of the IRC on payment and benefits following a change-in-control (otherwise referred to as excess parachute payments under Section 280G of the IRC).
- (6) The change-in-control agreement provides for continuation of medical and dental coverage equal to what is provided in accordance with Regions employee benefit plans for a period of three years for Mr. Hall, Mr. Owen and Mr. Gale and for a period of two years for Mr. Turner and Mr. Lusco.
- (7) Mr. Hall, Mr. Turner, Mr. Owen and Mr. Lusco participate in the Retirement Plan and/or the SERP. The change-in-control agreement provides for additional years credit for age and service under the Retirement Plan and the SERP that the NEO would have accrued had they remained employed through the second anniversary of the change-in-control. In addition, Mr. Hall and Mr. Owen are each eligible for the alternative target benefit under the SERP, which would normally require the executive to reach age 60 and have a minimum of 10 years of service. Mr. Lusco is eligible for the regular SERP, which would normally require service to age 62. Under the SERP, in the event of an involuntary termination of employment without cause (or termination for good reason) within 24-months following a change-in-control, unvested benefits become fully vested. Because these benefits are already accrued, they are reflected in the Pension Benefits table on page 74 and do not represent additional expense to the Company. The following chart details the value of the benefit attributable to the additional years of age and service as well as the amounts already accrued that will vest upon involuntary termination of employment without cause (or termination with good reason) within 24-months of a change-in-control:

	Value for Targeted/Regular Years of Age and Service Credit (\$)	Value for Vesting in Targeted/Regular Benefit (\$)	Total Additional Value (\$)
O. B. Grayson Hall, Jr.	2,949,429	4,558,883	7,508,312
David J. Turner, Jr.	832,557	NA	832,557
John B. Owen	2,096,892	5,289,410	7,386,302
Fournier J. Gale, III	NA	NA	NA
C. Matthew Lusco	744,917	1,188,049	1,932,966

**Table of Contents****COMPENSATION OF EXECUTIVE OFFICERS**

(8) The following chart summarizes the meaning of cause, good reason/without cause and change-in-control under the change-in-control agreements of the NEOs:

cause	(i) willful and continued failure to substantially perform reasonably assigned duties, (ii) breach of fiduciary duty involving personal profit or commission of a felony or a crime involving fraud or moral turpitude, material breach of the agreement, (iii) engaging in illegal conduct or gross misconduct that materially injures Regions, (iv) failure to materially cooperate with an investigation authorized by the Board, a regulatory body, or a governmental department or agency, or (v) disqualification or bar by any governmental or regulatory authority from carrying out duties and responsibilities, or loss of any required licenses.
good reason and without cause	(i) an adverse change in responsibilities as in effect immediately before the change-in-control, (ii) a material diminution in the budget over which the executive has control, (iii) a material breach of the compensation provisions of the agreement or (iv) requiring the executive to move his principal place of work by more than 50 miles.
change-in-control	(i) an acquisition of 20 percent or more of the combined voting power of Regions voting securities, (ii) a change in a majority of the members of the Board, (iii) the consummation of a merger (unless voting securities of Regions outstanding immediately prior to the merger continued to represent at least 55 percent of the combined voting power of the voting securities of the surviving company outstanding immediately after such merger), or (iv) stockholder approval of a complete liquidation or dissolution of Regions.

(9) Death would result in vesting in the enhanced portion of the benefit for Mr. Hall, Mr. Owen and Mr. Lusco as is displayed in the chart in footnote (7) above.

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**PROPOSAL 4 APPROVAL OF THE REGIONS FINANCIAL CORPORATION 2015 LONG TERM INCENTIVE PLAN**

**PROPOSAL 4 APPROVAL OF THE REGIONS FINANCIAL CORPORATION 2015 LONG TERM INCENTIVE PLAN**

*What am I voting on?*

You are voting on a proposal to approve the new Regions Financial Corporation 2015 Long Term Incentive Plan (the 2015 Plan ). In order to provide a sufficient pool of shares of common stock for Regions to continue using equity awards in its compensation program, Regions proposes the adoption of the 2015 Plan, subject to the approval of our stockholders. The 2015 Plan will be effective on April 23, 2015, if it is approved by the stockholders of the Company at the 2015 annual meeting (the Effective Date ). If the 2015 Plan is not approved by our stockholders, the Effective Date will not occur and no awards will be made under the 2015 Plan.

This proposal gives you as a stockholder the opportunity to vote for or against the following resolution:

**RESOLVED, that the stockholders of Regions Financial Corporation (the Company ) approve the Regions Financial Corporation 2015 Long Term Incentive Plan, as disclosed in Appendix B to the Company s 2015 Proxy Statement.**

The 2015 Plan will apply only to awards granted on or after the Effective Date and will replace the Regions Financial Corporation 2010 Long Term Incentive Plan (the 2010 Plan ) for all awards granted on or after the Effective Date. The terms and conditions of awards granted under the 2010 Plan prior to the Effective Date will not be affected by the adoption or approval of the 2015 Plan, and the 2010 Plan will remain effective with respect to such awards. No new grants will be made under the 2010 Plan after the Effective Date and the remaining shares of common stock authorized for grant under the 2010 Plan but not yet granted will be cancelled effective as of stockholder approval of the 2015 Plan. If stockholders do not approve the 2015 Plan, it will not be implemented and any future awards will be made from the 2010 Plan. However, Regions ability to grant awards under the 2010 Plan will be limited and could interfere with the Company s ability to attract, motivate or retain associates and Directors.

*What vote is required to approve this proposal?*

Approval of this proposal requires the affirmative FOR vote of a majority of the votes cast. Abstentions have the same effect as a vote cast Against this proposal. Broker non-votes have no effect on the voting results for this proposal.

*What does the Board recommend?*

**The Board unanimously recommends that you vote FOR approval of the 2015 Plan.**

*What is the purpose of the 2015 Plan?*



The purpose of the 2015 Plan is to align associates' and Directors' interests with the long-term interests of stockholders through the grant of equity-based awards and to grant awards designed to comply with Section 162(m) of the Internal Revenue Code. Regions recognizes that its ultimate success is measured by the financial well-being of its stockholders. Accordingly, one of the central principles of Regions' executive compensation program is tying compensation to Company performance. The Company believes that granting awards in the form of stock-based incentives and incentives that are related to the achievement of performance goals motivates associates and Directors to achieve certain strategic objectives that increase stockholder value.

*Does the 2015 Plan reflect best practices?*

The 2015 Plan includes several features designed to protect stockholder interests and appropriately reflect our compensation philosophy and developments in our compensation practices in recent years, including: no stock option or stock appreciation right grants with an exercise or reference price below 100 percent of fair market value; no evergreen provision; double trigger change-in-control provisions; no repricing of underwater stock options or stock appreciation rights; no dividends or dividend equivalents paid on performance awards unless goals are satisfied; annual limit on awards to Directors; and clawback of certain awards in accordance with Regions' clawback policy.

*What are the features of the 2015 Plan?*

The 2015 Plan was designed after taking into consideration Regions' regulatory environment, competitive pay practices, investor perspectives toward equity compensation and plan cost.

**Table of Contents****PROPOSAL 4 APPROVAL OF THE REGIONS FINANCIAL CORPORATION 2015 LONG TERM INCENTIVE PLAN**

The following is a summary of the material terms of the 2015 Plan. It is qualified in its entirety by reference to the terms of the 2015 Plan, a copy of which is attached to this proxy statement as *Appendix B*.

**Number of Shares Available for Awards**

If stockholders approve the 2015 Plan, the number of shares of Regions common stock available for issuance under the 2015 Plan will be 60 million shares, minus one share for every share subject to awards granted after December 31, 2014 under the 2010 Plan, plus shares subject to an outstanding award under the 2010 Plan that for any reason are cancelled, terminate, lapse, expire, are forfeited, become unexercisable for any other reason or are settled for cash (in whole or in part), plus any shares with respect to which the Company becomes obligated to make awards through the assumption of, or in substitution for, outstanding awards previously granted by an acquired entity. The closing market price of the common stock of the Company as reported by the NYSE was \$9.70 per share on March 5, 2015. Shares of Regions common stock that may be awarded may consist, in whole or in part, of authorized and unissued shares or treasury shares.

In determining the number of shares available for issuance under the 2015 Plan, the Compensation Committee worked closely with its independent compensation consultant and considered the number of shares that remain available for issuance under the 2010 Plan, historical equity grant practices and expected dilution to stockholders. If stockholders approve the 2015 Plan, any shares that remain available for grant under the 2010 Plan will be cancelled and no longer available for issuance. However, awards that are outstanding under the 2010 Plan will continue to be governed by the terms of the 2010 Plan and the applicable award agreements.

The Compensation Committee also sought to strike a balance between limiting dilution to stockholders and sufficiently aligning associates and Directors interests with the long-term interests of stockholders. Accordingly, the Compensation Committee reviewed historic share usage, also known as the burn rate, as well as overhang as compared to our competitors.

Burn rate reflects the percentage of common stock outstanding that is granted in the form of equity-based compensation in a given year. On a quarterly basis, the Compensation Committee reviews the rate at which Regions uses shares available under its equity compensation plans to ensure its burn rate is in line with our competitors. Regions average burn rate under the 2010 Plan for the past three years was 0.48 percent, which is considered favorably as a low burn rate.

Year	Rate
2012	0.61%
2013	0.46%
2014	0.39%
<i>Average</i>	<i>0.48%</i>

Overhang measures the total shares allocated for compensatory purposes as a percentage of total common stock outstanding. Again, on a quarterly basis, the Compensation Committee reviews overhang to assess the potential dilution to stockholders as a result of Regions use of equity to compensate associates and Directors. If the 2015 Plan is approved by stockholders, the potential overhang is estimated to be approximately 7 percent, which is considered

reasonable in the financial services industry.

### **Plan Features that Promote Sound Corporate Governance**

The 2015 Plan includes many features that are consistent with sound corporate governance practices.

*No Discounted Stock Options or Stock Appreciation Rights ( SARs ):* The 2015 Plan prohibits the grant of a stock option or SAR with an exercise price less than the fair market value of Regions common stock on the date of grant.

*No Re-Pricing of Stock Options or SARs:* The 2015 Plan prohibits the re-pricing of stock options or SARs either by reducing the exercise or reference price or by substituting or exchanging a new option or SAR at a lower price. The only exception is for exercise price adjustments to reflect mergers, changes in control, stock splits or other changes in capitalization.

*Vesting:* Under the 2015 Plan, options and SARs that are conditioned only on future employment (rather than the attainment of performance goals) must be subject to at least a one-year vesting period after the date of grant. The only exception applies in cases of death, disability and certain terminations of employment within 24 months following a change-in-control.

*Shares Not Available for Reissuance:* The 2015 Plan limits the circumstances under which a share that is subject to an award but not ultimately delivered to the award recipient may become available for reissuance under a new award. The following shares of common stock will not become available for reissuance under the 2015 Plan: (1) stock withheld or tendered as full or partial payment upon exercise of a stock option; (2) stock reserved for issuance upon grant of SARs, to the extent the number of reserved shares exceeds the number of shares issued upon exercise of the SARs; and (3) stock withheld or remitted to satisfy withholding obligations upon exercise of a stock option or SAR or any other payment or issuance of shares.

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**PROPOSAL 4 APPROVAL OF THE REGIONS FINANCIAL CORPORATION 2015 LONG TERM INCENTIVE PLAN**

*Dividends and Dividend Equivalent Rights on Restricted Stock, Restricted Stock Units ( RSUs ) and Performance Awards:* The 2015 Plan provides that to the extent an award of restricted stock or RSUs or an award that is subject to attainment of performance goals entitles the award recipient to dividends or dividend equivalent rights, those dividends or dividend equivalents, as applicable, only become payable if the award vests and is paid. If the restricted stock, RSU or performance award is forfeited without vesting, the applicable dividends or dividend equivalent rights also are forfeited. Dividend equivalents are not granted in conjunction with the grant of stock options or SARs.

*Clawback Policy:* Certain awards granted under the 2015 Plan may be forfeited, reduced or repaid to the Company upon the occurrence of specified events after the awards have been deemed earned, distributed or paid to the award recipient, in accordance with Regions' clawback policy.

*Annual Limit on Awards to Non-Employee Directors:* The 2015 Plan establishes a \$500,000 annual limit on the amount of awards that may be granted to a non-employee Director in a calendar year, which is based on the aggregate fair market value of stock-based awards, determined as of the date of grant.

*Double Trigger Vesting Following a Change-in-Control:* Awards under the 2015 Plan generally become fully vested if there is a change-in-control of Regions (as defined in the 2015 Plan) and the award recipient terminates for good reason (as defined in the 2015 Plan) or is terminated by Regions without cause (as defined in the 2015 Plan) within 24 months following the change-in-control. To the extent an award is subject to performance-based vesting, the performance goals will be deemed to have been earned based on the greater of targeted performance and actual performance attained as of the effective date of the change-in-control and the awards will remain subject to time-based vesting for the remainder of the applicable performance period (subject to accelerated vesting as described above). The Compensation Committee also may determine that all outstanding awards will be cancelled upon a change-in-control, and the value of those awards, as determined by the Compensation Committee in accordance with the terms of the 2015 Plan and the applicable award agreement, will be paid in cash, shares of common stock or other property within a reasonable time subsequent to the change-in-control. Further, in the event of a change-in-control of Regions, the Compensation Committee may, in its sole discretion, terminate stock options and SARs for which the exercise price or reference price is equal to or exceeds the per share value of the consideration to be paid in the change-in-control transaction without payment of consideration.

**Eligibility**

Associates and non-employee Directors of Regions and its subsidiaries and affiliates are eligible to receive awards under the 2015 Plan. As of December 31, 2014, there were approximately 23,723 associates and 12 non-employee Directors of the Company and its subsidiaries and affiliates. The Compensation Committee selects individuals to whom awards are granted and determines the type and number of awards. Certain consultants also are eligible to receive awards under the 2015 Plan; however, the Compensation Committee does not typically grant awards to consultants.

**Types of Awards**

The 2015 Plan provides that awards may be granted in any one or a combination of the following forms:

*Stock Options:* The 2015 Plan authorizes the granting of two types of stock options to purchase Regions common stock: incentive stock options ( ISOs ) and non-qualified stock options ( NQSOs ). ISOs may be granted only to associates and provide for special tax treatment (as described below) in accordance with Section 422 of the Internal Revenue Code.

No stock options may be granted under the 2015 Plan after the tenth anniversary of the Effective Date, expected to be April 23, 2025. The option price per share of an ISO or an NQSO will not be less than 100 percent of the fair market value of the common stock on the date of grant. Options may be exercised by payment in cash, or in the discretion of the Compensation Committee, by delivery of shares having a market value equal to the option price, or in any combination of cash and shares. An option may be exercised only subject to such terms as the Compensation Committee may impose at the time the option is granted. In general, an option will be subject to a minimum vesting period of one year and will terminate not later than ten years after the date of grant.

*SARs:* SARs may be granted under the 2015 Plan in connection with all or any part of NQSOs or independent of stock options. SARs permit the recipient to receive from the Company an amount determinable in relation to any increase in fair market value of the Company's common stock over the SAR's reference price. The reference price per share of SARs will not be less than 100 percent of the fair market value of the common stock on the date of grant. The amount payable upon exercise of a SAR for each share covered by the exercise is equal to the difference between the exercise price and the fair market value of the share on the date of exercise. The Compensation Committee has the discretion to establish the terms of a SAR at the time of grant, including the method of exercise, method of settlement, form of consideration payable in settlement and any other terms and conditions of the award. Any SAR and its terms and conditions must be evidenced by an award agreement between Regions and the recipient. The aggregate amount due on exercise of a SAR may be paid wholly or partly in cash or in common stock, at the discretion of the

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Compensation Committee. In general, a SAR will be subject to a minimum vesting period of one year and will terminate not later than ten years after the date of the grant.

*Restricted Stock:* A restricted stock award under the 2015 Plan consists generally of a grant of the Company's common stock to the recipient subject to conditions determined by the Compensation Committee. The terms determinable by the Compensation Committee in each restricted stock award include the number of shares, the price, if any, to be paid by the recipient, the time within which the award may be subject to forfeiture, the nature of the restrictions, including performance criteria, if any, and the circumstances upon which restrictions will lapse. The recipient of restricted stock may not sell or transfer such shares during the restriction period, and the certificates representing such shares remain in the custody of the Company until the conditions of restriction are satisfied. Upon lapse or removal of the restrictions, the recipient will have unrestricted ownership of the covered shares.

*RSUs:* An RSU is a right to receive a share of Regions common stock, or cash equal to the fair market value of a share, at a designated date or in defined circumstances, which may be the date when the RSU becomes vested or a later date, or the occurrence of a specified event such as termination of employment. The right to receive the share under an RSU is typically conditioned on continued employment or achievement of performance goals.

*Performance Shares, Performance Share Units and Performance Units:* The 2015 Plan provides for the grant of awards in the form of performance shares or performance share units and performance units. The Compensation Committee selects recipients of performance share and performance unit awards and establishes performance objectives, the performance period and the amount and form of the award, which may consist of stock or cash. A performance goal may be established as it relates to the individual recipient, for the Company alone or on a consolidated basis, and/or for specified subsidiaries or affiliates or other business units of the Company. Performance awards may also be payable when performance is measured on an absolute or relative basis, as compared to one or more peer companies, or one or more market, sector or business indices, or when the recipient meets or exceeds an objective criterion established by the Committee. At the end of the performance period, the Compensation Committee certifies the extent to which the performance objectives have been satisfied and determines the level of payout of each award. See the section that follows entitled *Description of Section 162(m) of the Internal Revenue Code Performance Criteria* for a list of the performance criteria applicable to performance awards that are intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code.

*Other Stock-Based Awards:* The 2015 Plan also grants discretion to the Compensation Committee to make stock-based awards in other forms and to establish the terms and conditions of the award at the time of grant. In general, any other form of stock-based award under the 2015 Plan will be payable in, valued in whole or in part by reference to, or be otherwise based on or related to common stock of the Company. Any such award must be determined by the Compensation Committee to be consistent with the purposes of the 2015 Plan.

**Award Limits**

The following limits apply to grants of awards under the 2015 Plan:

*Limit on Grants of Options and SARs:* The maximum number of shares of common stock with respect to which stock options and SARs may be granted to any associate during any one calendar year is 950,000 shares. The maximum number of shares of common stock with respect to which ISOs may be granted under the 2015 Plan is 30 million. These limits are subject to adjustment for stock splits and other capital changes.

*Limit on Grants of Stock-Based Performance Awards:* The maximum number of shares of common stock with respect to which any stock-based awards that are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code (other than stock options, SARs and cash-based performance units) that may be granted in any one calendar year to any associate is 950,000 shares. This limit is subject to adjustment for stock splits and other capital changes.

*Limit on Grants of Cash-Based Performance Awards:* The maximum payment under any performance award denominated in cash that is intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code that may be granted during any 12-month period to any recipient is \$4,000,000 for each calendar year period contained in the performance period for that award.

*Limit on Grants to Non-Employee Directors:* A non-employee Director may not be granted awards under the 2015 Plan in one calendar year valued at more than \$500,000 determined as of the date of grant based on the aggregate fair market value of stock-based awards.

#### **Administration**

The 2015 Plan is administered by the Compensation Committee, which is composed of non-employee Directors who are independent within the meaning of the NYSE listing standards and who are outside directors within the meaning of Section 162(m) of the Internal Revenue Code. The Board may, without further approval of the stockholders, suspend, terminate, or amend the 2015 Plan. However, no such action may be taken without stockholder approval if it would (a) increase the total number of shares of common stock that may be issued under the 2015 Plan, (b) increase the benefits accruing to a recipient under an outstanding award, (c) change the

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requirements for eligibility to receive awards under the 2015 Plan, (d) amend the 2015 Plan to allow for repricing of stock options or SARs, or (e) make any other change for which stockholder approval is required under any applicable law, regulation or exchange requirement. Also, no action may generally be taken without a recipient's consent, if it would materially impair any then outstanding award.

**Description of Section 162(m) of the Internal Revenue Code Performance Criteria**

Awards under the 2015 Plan may be granted subject to the satisfaction or performance objectives, and, if designated by the Compensation Committee at the time of grant, as awards intended to comply with the requirements of Section 162(m) of Internal Revenue Code applicable to performance-based compensation. See the section that follows entitled *Limitation on Corporate Tax Deductions for Covered Employees' Compensation* for a general summary of the key provisions of Section 162(m) of the Internal Revenue Code. For performance-based awards intended to satisfy the performance-based compensation requirements, the performance goal or goals must be based on one or more of the following performance criteria: earnings per share, net earnings, operating earnings, unit volume, market share, balance sheet measurements, revenue, economic profit, cash flow, cash return on assets, stockholder return, return on equity and return on capital. A performance goal may be established as it relates to the individual recipient, for the Company alone or on a consolidated basis, and/or for specified subsidiaries or affiliates or other business units of the Company. Performance awards also may be payable when performance, as measured by one or more of the above performance criteria, is measured on an absolute or relative basis, as compared to one or more peer companies, or one or more market, sector or business indices, or when the recipient meets or exceeds an objective criterion established by the Committee. Performance awards that are intended to satisfy the requirements for deductibility under Section 162(m) of the Internal Revenue Code may not be adjusted upward. The Compensation Committee has the discretion to adjust such performance awards downward, on either a formula or discretionary basis or both a formula and discretionary basis.

**Dividend Equivalent Rights**

As described above, the 2015 Plan permits the grant of dividend equivalents on awards, other than awards of stock options and SARs. Generally, a dividend equivalent entitles the recipient to receive an amount equal to the cash dividends declared on Regions common stock over a specified period. The Compensation Committee has the discretion to set the terms and conditions of a dividend equivalent award at the time of grant, including the number of shares referable to the award, the time period, the form of consideration in which an award is to be settled and the method of settlement.

***What are the federal income tax consequences of participating in the 2015 Plan?***

The following description of the tax consequences of awards under the 2015 Plan is based on federal income tax laws currently in effect and does not purport to be a complete description of the federal income tax consequences, nor does it address foreign, state, or local tax consequences. Tax laws governing awards are complex and subject to frequent changes, and award recipients are strongly encouraged to consult with a tax advisor regarding the taxation of awards granted under the 2015 Plan.

*Stock Options.* There are no federal income tax consequences either to the option holder or Regions upon the grant of an ISO or a NQSO. If shares are purchased under an ISO (an ISO is exercised) during employment or within three



months thereafter, the option holder will not recognize any income and Regions will not be entitled to a deduction in respect of the option exercise. However, the excess of the fair market value of the shares on the date of exercise over the purchase price of the shares under the option will be includible in the option holder's alternative minimum taxable income if the option holder does not dispose of the shares in the same calendar year in which the option holder acquired the shares under the ISO, which may give rise to alternative minimum tax liability for the option holder. Generally, if the option holder disposes of shares purchased under an ISO within two years of the date of grant or one year of the date of exercise, the option holder will recognize ordinary income, and Regions will be entitled to a deduction, equal to the excess of the fair market value of the shares on the date of exercise over the purchase price of such shares (but not more than the actual gain realized by the option holder on the disposition of the shares). The current position of the Internal Revenue Service is that income tax withholding and FICA and FUTA taxes do not apply upon the exercise of an ISO or upon any subsequent disposition, including a disqualifying disposition, of shares acquired pursuant to the exercise of the ISO. Any gain after the date on which the option holder purchased the shares will be treated as capital gain to the option holder and will not be deductible by Regions. If the shares are disposed of after the two year and one year periods mentioned above, Regions will not be entitled to any deduction, and the entire gain or loss realized by the option holder will be treated as capital gain or loss.

When shares are purchased under a NQSO, the excess of the fair market value of the shares on the date of purchase over the purchase price of such shares under the option will generally be taxable to the option holder as ordinary income and deductible by Regions. The disposition of shares purchased under a NQSO generally will result in a capital gain or loss for the option holder but will have no tax consequences for Regions.

*SARs, Performance Share, Performance Unit, RSU and Other Awards.* There are no federal income tax consequences either to the recipient or Regions upon the grant of SARs, performance share units, performance units, RSUs and other awards. If and when money is paid or shares of stock are issued pursuant to the exercise of a SAR or pursuant to a performance share unit, performance unit, RSU

**Table of Contents****PROPOSAL 4 APPROVAL OF THE REGIONS FINANCIAL CORPORATION 2015 LONG TERM INCENTIVE PLAN**

or other award, the recipient generally will recognize ordinary income, and Regions generally will be entitled to a tax deduction equal to the fair market value of the shares on the date on which the shares are issued (or the amount of cash received if the award is settled in cash) less any amount paid for them by the recipient or netted out to reflect the reference price for SARs.

*Restricted Stock and Performance Share Awards.* The recipient of a restricted stock or performance share award will not recognize taxable income at the time the restricted stock or performance shares are issued unless the recipient makes a special election in accordance with Section 83(b) of the Internal Revenue Code to be taxed (at ordinary income rates) on the fair market value of the shares at that time, in which case Regions would be entitled to a deduction at the same time equal to the amount of income recognized by the recipient but would not be entitled to deduct any dividends thereafter paid on the shares. Absent such an election, the recipient of a restricted stock or performance share award will not recognize taxable income until the shares become transferable or cease to be subject to a substantial risk of forfeiture, at which time the recipient will recognize ordinary income, and Regions generally will be entitled to a corresponding deduction equal to the excess of the fair market value of the shares at that time over the amount (if any) paid by the recipient for the shares. Dividends paid to the recipient on the restricted shares prior to that time will be ordinary compensation income to the recipient and deductible by Regions.

*Limitation on Corporate Tax Deductions for Covered Employees' Compensation.* Under Section 162(m) of the Internal Revenue Code, the amount that Regions may deduct on its federal income tax returns for compensation paid to the chief executive officer and its three other highest paid executive officers other than the chief executive officer and the chief financial officer (covered employees) in any taxable year is limited to \$1,000,000 per individual. However, compensation that qualifies as performance-based compensation is not subject to the \$1,000,000 deduction limit.

Performance-based compensation is defined as (i) compensation that is payable on account of the attainment of one or more pre-established, objective performance goals, (ii) the performance goals are determined by a compensation committee of the board of directors, which consists of two or more outside directors, (iii) the material terms of the plan under which the compensation is to be paid are disclosed to stockholders and approved by a majority vote in a separate stockholder vote and (iv) before any payment of compensation, the compensation committee certifies that the performance goals have been satisfied.

The 2015 Plan authorizes the Compensation Committee to grant awards that qualify as performance-based compensation as well as awards that do not. As a result, Regions may not be entitled to any deduction if the individual in question is the chief executive officer or another covered employee, the compensation does not qualify as performance-based compensation, and the compensation, when added to the covered employee's other taxable compensation that is not performance-based in the same taxable year, exceeds \$1,000,000. Regions reserves the right to grant compensation that is not deductible.

*Section 409A of the Internal Revenue Code.* Certain types of awards under the 2015 Plan may constitute, or provide for, a deferral of compensation subject to Section 409A of the Internal Revenue Code. If an award constitutes deferred compensation and certain requirements set forth in Section 409A of the Internal Revenue Code are not satisfied, the recipient may have to include in income an amount determined in accordance with Section 409A of the Internal Revenue Code and pay an additional 20 percent tax on the amount and possibly interest penalties.

***What are the 2015 Plan benefits?***

The type and number of awards that may be granted under the 2015 Plan are subject to the Compensation Committee's discretion, and accordingly, it is not possible to determine at this time the amount of the awards that may be granted under the 2015 Plan, assuming stockholder approval is obtained. However, for illustrative purposes, the following table sets forth amounts granted to each of our NEOs, all Executive Officers, all non-employee Directors, and all other associates in 2014 from the 2010 Plan. The Company expects to make future grants under the 2015 Plan in a manner consistent with its past practices.

Participant	Stock-Based Awards		Cash-Based	Total Awards
	Dollar Value	Number of Shares/Units	Awards	
	(\$)	(#)	(\$)	(\$)
O. B. Grayson Hall, Jr., Chief Executive Officer	3,333,333	306,092	1,666,667	5,000,000
David J. Turner, Jr., Chief Financial Officer	800,000	73,462	400,000	1,200,000
John B. Owen, Head of Regional Banking Group	800,000	73,462	400,000	1,200,000
Fournier J. Gale, III, General Counsel	600,000	55,096	300,000	900,000
C. Matthew Lusco, Chief Risk Officer	600,000	55,096	300,000	900,000
All Executive Officers as a group	5,000,000	459,126	2,500,000	7,500,000
All non-employee Directors as a group	1,140,000	112,980		1,140,000
All other associates as a group	45,412,500	4,169,879	1,705,000	47,117,500

**Table of Contents****PROPOSAL 4 APPROVAL OF THE REGIONS FINANCIAL CORPORATION 2015 LONG TERM INCENTIVE PLAN***Equity Compensation Plan Information*

The following table sets forth information about the common stock that may be issued upon the exercise of options, warrants and rights under all of Regions' existing equity compensation plans as of December 31, 2014, exclusive of shares that may be authorized for issuance under the proposed 2015 Plan.

Plan Category	Number of Securities to be Issued Upon Exercise of	Weighted Average Exercise Price of	Number of Securities Remaining Available for	
			Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)	
Equity Compensation Plans Approved by Stockholders	9,412,113	\$ 12.96	41,909,410 (b)	
Equity Compensation Plans Not Approved by Stockholders	15,904,563 (c)	\$ 29.05		
<b>Total</b>	<b>25,316,676 (d)</b>	<b>\$ 23.07</b>	<b>41,909,410</b>	

(a) Does not include outstanding restricted stock awards. As of December 31, 2014, the number of shares to be issued under outstanding restricted stock awards and performance stock awards was 18,427,409 shares.

(b) Consists of shares available for future issuance under the Regions Financial Corporation 2010 Long Term Incentive Plan. In 2010, all prior long-term incentive plans were closed to new grants.

(c) Consists of outstanding stock options issued under plans assumed in connection with the Regions-AmSouth merger, which were previously approved by AmSouth stockholders but not pre-merger Regions stockholders. In each instance, the number of shares subject to option and the exercise price of outstanding options have been adjusted to reflect the applicable exchange ratio. See Note 16 Share-Based Payments to the consolidated financial statements included in Regions' Annual Report on Form 10-K for the year ended December 31, 2014. Does not include 91,388 shares issuable pursuant to outstanding rights under AmSouth deferred compensation plans assumed by Regions.

(d) As of December 31, 2014, the weighted average remaining contractual term of the outstanding stock options was 2.83 years.

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**OTHER MATTERS**

**OTHER MATTERS**

**Important Notice Regarding Delivery of Security Holder Documents**

The SEC has issued rules regarding the delivery of proxy statements and information statements to households. These rules spell out the conditions under which annual reports, information statements, proxy statements, prospectuses and other disclosure documents of a particular company that would otherwise be mailed in separate envelopes to more than one person at a shared address may be mailed as one copy in one envelope addressed to all holders at that address (i.e., householding ). However, stockholders who participate in householding will receive separate proxy cards.

Because we are using the SEC's Notice and Access rule again this year, we are not householding our proxy materials. This means that stockholders of record who share an address will each be mailed a separate Notice of Internet Availability of Proxy Materials.

However, certain brokerage firms, banks, or similar entities holding our common stock for their customers may household proxy materials or notices. Stockholders sharing an address whose shares of our common stock are held in street name should contact their broker if they now receive (1) multiple copies of our proxy materials or notices and wish to receive only one copy of these materials per household in the future, or (2) a single copy of our proxy materials or notices and wish to receive separate copies of these materials in the future.

If at any time you would like to receive a paper copy of the annual report or proxy statement, please email [investors@regions.com](mailto:investors@regions.com), write to Investor Relations, Regions Financial Corporation, 1900 Fifth Avenue North, Birmingham, Alabama 35203, or call 205-326-5807.

**Cost of Proxy Solicitation**

We will bear the entire cost of soliciting your proxy, including the cost of preparing, assembling, printing, mailing or otherwise distributing the Notice of Internet Availability of Proxy Materials and these proxy materials, as well as soliciting your vote. In addition to solicitation of proxies by mail, we will request that banks, brokers and other record holders send proxies and proxy materials or Notice of Internet Availability of Proxy Materials to the beneficial owners of Regions common stock and secure their voting instructions. We will reimburse the record holders for their reasonable expenses in taking those actions.

We also have made arrangements with Innisfree M&A Incorporated to assist us in soliciting proxies and have agreed to pay \$15,000 plus reasonable and customary expenses for these services. If necessary, we may also use several of our regular employees, without additional compensation, to solicit proxies from our stockholders, either personally or by telephone, facsimile, e-mail or letter on Regions' behalf.

This is the first distribution of proxy solicitation materials to stockholders.

### **Submission of Stockholder Proposals or Nominations for 2016 Annual Meeting of Stockholders**

Stockholder proposals submitted for inclusion in our 2016 proxy statement pursuant to Rule 14a-8 of the Exchange Act must be received by us by November 12, 2015.

The By-Laws of Regions include provisions requiring advance notice of a stockholder's nomination of persons for election to the Board of Directors or the proposal of other business to be considered by the stockholders even if not to be included in our 2016 proxy statement. To be timely outside of Rule 14a-8 of the Exchange Act, such notice must be delivered no earlier than November 12, 2015 and no later than December 11, 2015 for our 2016 Annual Meeting. However, in the event that: (a) the number of Directors to be elected to the Board at the 2016 Annual Meeting is increased by virtue of an increase in the size of the Board, and (b) the Company has not publicly disclosed by January 14, 2016, either (i) all of the nominees for Director at the 2016 Annual Meeting or (ii) the size of the increased Board, then such notice shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it has been delivered no later than the close of business on the 10th day following the first date all of such nominees or the size of the increased Board of Directors has been publicly announced or disclosed.

Pursuant to our By-Laws, a stockholder's notice regarding nomination for election as a Director shall set forth the following information as to each proposed nominee:

All information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act.

A statement signed by the candidate confirming that the candidate will serve if nominated by the Board and elected by the stockholders, consents to being named in the proxy statement as a nominee, will comply with the Company's Code of Business Conduct and Ethics, General Policy on Insider Trading, Corporate Governance Principles and any other rule, regulation, policy or standard of conduct applicable to the Directors, and will provide any information required or requested by the Company or its subsidiaries, or banking or other regulators, including, without limitation, all information requested by the form of Directors questionnaire used by the Company.



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**OTHER MATTERS**

Whether each nominee is eligible for consideration as an independent director under the relevant standards contemplated by Item 407(a) of Regulation S-K under the Securities Act of 1933, as amended, (or the corresponding provisions of any successor regulation) and the relevant listing standards of any exchange where the Company's equity securities are listed.

As to the proposal of business that the stockholder proposes to bring forth before the meeting (other than nominations of persons for election to the Board of Directors), such stockholder's notice must include:

The text of the proposal to be presented, including the text of any resolutions to be proposed for consideration by stockholders.

A brief written statement of the reasons why such stockholder favors the proposal.

Any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made.

Any notice regarding nominations for Director or other proposal of business must include the following information:

- (a) As to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made:

The name and address of such stockholder, as they appear on the Company's books, and of such beneficial owner.

A representation that the stockholder is a holder of the Company's voting stock (including the number and class or series of shares held).

With respect to nominations, a disclosure of any hedging or other arrangement with respect to any share of the Company's stock (including any short position on or any borrowing or lending of shares of stock) made by or on behalf of the stockholder (A) to mitigate loss to or manage risk of stock price changes for the stockholder or (B) to increase or decrease the voting power of the stockholder.

With respect to nominations, a description of all arrangements or understandings among the stockholder and the candidate and any other person or persons (naming such person or persons and including any person that may be deemed to be acting in concert with such stockholder under applicable federal or state securities or banking laws) pursuant to which the proposal is made by the stockholder.

- (b) The names and addresses of any other stockholders or beneficial owners known to be supporting such nomination or proposal of business by the proposing stockholder on whose behalf the nomination or proposal is made.



Proposals should be addressed to the Secretary as follows: Regions Financial Corporation, 1900 Fifth Avenue North, Birmingham, Alabama 35203, and Attention: Fournier J. Gale, III, Corporate Secretary.

## **Other Business**

Regions does not know of any business to be presented for action at the annual meeting other than those items listed in the *Notice of 2015 Annual Meeting of Stockholders* on page 1 and referred to herein. If any other matters properly come before the annual meeting or any adjournment or postponement thereof, it is intended that the proxies will be voted in respect thereof by and at the discretion of the persons named as proxies on the electronic proxy or proxy card.

**March 10, 2015**

By Order of the Board of Directors

**Fournier J. Gale, III**

*Corporate Secretary*

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**Table of Contents****APPENDIX A****APPENDIX A****GAAP TO NON-GAAP AND OTHER RECONCILIATIONS****Adjusted Returns on Average Assets and Tangible Common Equity (Non-GAAP)**

The table that follows presents a reconciliation of net income from continuing operations available to common stockholders (GAAP) to adjusted income from continuing operations available to common stockholders for incentive purposes (non-GAAP). Adjusted income from continuing operations available to common stockholders for incentive purposes excludes the items listed in the table. Regions believes that their exclusion from income from continuing operations available to common stockholders provides a meaningful base for period-to-period comparisons, which management believes will assist stakeholders in analyzing the operating results of the Company and predicting future performance. These non-GAAP financial measures are also used by management to assess the performance of Regions' business. It is possible that the activities related to the adjustments may recur; however, management does not consider the activities related to the adjustments to be indications of ongoing operations. Management and the Compensation Committee utilize these non-GAAP financial measures for the evaluation of performance. Regions believes that presenting these non-GAAP financial measures will permit stakeholders to assess the performance of the Company on the same basis as that applied by management and the Board. Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. Although these non-GAAP financial measures are frequently used by stakeholders in the evaluation of a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP. In particular, a measure of earnings that excludes these selected items does not represent the amount that effectively accrues directly to stockholders.

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The following table also provides a calculation of Adjusted return on average assets (non-GAAP) and Adjusted return on average tangible common equity (non-GAAP), as well as a reconciliation of average stockholders' equity (GAAP) to average tangible common stockholders' equity (non-GAAP). Tangible common stockholders' equity ratios have become a focus of some investors and management believes they may assist investors in analyzing the capital position of the Company absent the effects of intangible assets and preferred stock. Because tangible common stockholders' common equity and the related ratio are not formally defined by GAAP, these measures are considered to be non-GAAP financial measures and other entities may calculate them differently than Regions' disclosed calculations. Because analysts, banking regulators and the Compensation Committee may assess Regions' capital adequacy using tangible common stockholders' equity, management believes that it is useful to provide investors the ability to assess Regions' capital adequacy on these same bases.

(Unaudited)

(\$ amounts in millions)		Year Ended December 31, 2014
Net income from continuing operations available to common stockholders (GAAP)	A	\$ 1,090
Adjustments:		
Gain on sale of TDRs held for sale, net of tax		(21)
Branch consolidation and property and equipment charges, net of tax <sup>(1)</sup>		6
Professional, legal and regulatory expenses, net of tax <sup>(2)</sup>		58
Securities gains, net of tax		(17)
Loss on early extinguishment of long-term debt, net of tax <sup>(3)</sup>		(13)
Adjusted income from continuing operations available to common stockholders for incentive purposes (non-GAAP)	B	\$ 1,103
Average assets	C	\$ 118,468
Adjusted return on average assets (non-GAAP)	B/C	0.93%
Average stockholders' equity (GAAP)		\$ 16,735
Adjustments:		
Average intangible assets (GAAP)		(5,103)
Average deferred tax liability related to intangibles (GAAP)		182
Average preferred equity (GAAP)		(754)
Average tangible common stockholders' equity (non-GAAP)	D	\$ 11,060
Adjusted return on average tangible common stockholders' equity (non-GAAP)	B/D	9.97%

(1) Certain branch consolidation and property and equipment charges were included in the 2014 target. This adjustment reflects the portion of the charges recorded in actual, but not included in the target.

(2) Regions recorded \$100 million of contingent legal and regulatory accruals during the fourth quarter of 2014 related to previously disclosed matters. In the fourth quarter of 2013, Regions recorded a non-tax deductible charge of \$58 million related to previously disclosed inquiries from government authorities. The 2013 matters were settled in the second quarter of 2014 for \$7 million less than originally estimated and a corresponding recovery was recognized.

- (3) Loss on early extinguishment of long-term debt that was included in the 2014 target but not recorded in actual. Adjustment has been made to the actual amounts as if this transaction occurred in 2014 in order to neutralize the impact.

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## APPENDIX A

**Adjusted Pre-Tax Pre-Provision Income From Continuing Operations to Risk-Weighted Assets (Non-GAAP)**

The Adjusted Pre-Tax Pre-Provision Income from Continuing Operations to Risk-Weighted Assets table below presents computations of pre-tax pre-provision income (PPI) from continuing operations excluding certain adjustments (non-GAAP). Regions believes that the presentation of PPI and the exclusion of certain items from PPI provides a meaningful base for period-to-period comparisons, which management believes will assist stakeholders and the Compensation Committee in analyzing the operating results of the Company and predicting future performance. These non-GAAP financial measures are also used by management to assess the performance of Regions' business. It is possible that the activities related to the adjustments may recur; however, management does not consider the activities related to the adjustments to be indications of ongoing operations. Regions believes that presentation of these non-GAAP financial measures will permit stakeholders and the Compensation Committee to assess the performance of the Company on the same basis as that applied by management. Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. Although these non-GAAP financial measures are frequently used by stakeholders in the evaluation of a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP. In particular, a measure of income that excludes certain adjustments does not represent the amount that effectively accrues directly to stockholders.

Under the risk-based capital framework, a company's balance sheet assets and credit equivalent amounts of off-balance sheet items are assigned to one of four broad risk categories. The aggregated dollar amount in each category is then multiplied by the risk-weighted category. The resulting weighted values from each of the four categories are added together and this sum is the risk-weighted assets total that, as adjusted, comprises the denominator of certain risk-based capital ratios. The amount disclosed as risk-weighted assets was calculated consistent with banking regulatory requirements.

(Unaudited)

(\$ amounts in millions)	Year Ended December 31, 2014	
Net income from continuing operations available to common stockholders (GAAP)	\$	1,090
Preferred dividends (GAAP)		52
Income tax expense (GAAP)		457
Income from continuing operations before income taxes (GAAP)		1,599
Provision for loan losses (GAAP)		69
Pre-tax pre-provision income from continuing operations (non-GAAP)		1,668
Other adjustments:		
Gain on sale of TDRs held for sale, net		(35)
Branch consolidation and property and equipment charges		16
Professional, legal and regulatory expenses <sup>(1)</sup>		93
Securities gains, net		(27)
Leveraged lease termination gains, net		(10)
Adjusted pre-tax pre-provision income from continuing operations (non-GAAP)	A	\$ 1,705

Risk weighted assets - average of the four quarters in 2014 (regulatory) <sup>(2)</sup>	B	\$	98,171
Adjusted pre-tax pre-provision income as a percentage of risk weighted assets (non-GAAP)	A/B		1.74%

(1) Regions recorded \$100 million of contingent legal and regulatory accruals during the fourth quarter of 2014 related to previously disclosed matters. In the fourth quarter of 2013, Regions recorded a non-tax deductible charge of \$58 million related to previously disclosed inquiries from government authorities. The 2013 matters were settled in the second quarter of 2014 for \$7 million less than originally estimated and a corresponding recovery was recognized.

(2) Based on average of quarter-end risk-weighted assets determined as follows:

March 31		\$	97,418
June 30			98,098
September 30			98,381
December 31 (estimated)			98,787
Average		\$	98,171

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(\$ amounts in millions)		Year Ended December 31, 2014
Total commercial <sup>(1)</sup>		\$ 2,098
Total investor real estate <sup>(1)</sup>		601
Total consumer <sup>(2)</sup>		778
Total criticized and classified loans	A	\$ 3,477
Total loans, net of unearned income	B	77,307
Criticized loans/loans	A/B	4.50%

(1) Amount can be obtained from page 122 of Regions Annual Report on Form 10-K for the year ended December 31, 2014 as the sum of the applicable subtotals of the special mention, substandard accrual and non-accrual columns.

(2) Amount is from internal management reports.

**Table of Contents****APPENDIX B****APPENDIX B****REGIONS FINANCIAL CORPORATION****2015 LONG TERM INCENTIVE PLAN****1. GENERAL PURPOSE**

The purpose of the Regions Financial Corporation 2015 Long Term Incentive Plan (the *Plan*) is to promote the success, and enhance the value, of Regions Financial Corporation and its Subsidiaries, by linking the personal interests of their employees, officers and directors to those of Company stockholders and by providing such persons with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company by increasing its ability to motivate, attract, and retain the services of employees, officers and directors upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent. Accordingly, the Plan permits the grant of incentive awards from time to time to selected employees, officers and directors. If approved by stockholders of Regions Financial Corporation, the Plan will replace the Regions Financial Corporation 2010 Long Term Incentive Plan ( *2010 Plan* ) for Awards granted after the Effective Date. Beginning on the Effective Date, no further awards will be made under the 2010 Plan, but this Plan will not affect the terms or conditions of any awards made under the 2010 Plan before the Effective Date.

**2. DEFINITIONS & INTERPRETATION**

(a) For purposes of the Plan, the following terms have the meanings assigned below:

*Acquisition Awards* has the meaning assigned in Section 4(c).

*Affiliate* means any entity other than the Company and its Subsidiaries that is designated by the Board as a participating employer under the Plan, *provided* that the Company directly or indirectly owns at least 20% of the combined voting power of all classes of shares of such entity or at least 20% of the ownership interests in such entity.

*Award* means an award of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Awards or Other Awards under the Plan, which Awards may be issued in consideration of service rendered to the Company, its Subsidiaries and or its Affiliates.

*Award Agreement* means any written or electronic agreement, contract or other instrument or document evidencing any Award, and which may, but need not be (as determined by the Committee) executed or acknowledged by a Grantee as a condition to receiving an Award or the benefits under an Award, and which sets forth the terms and provisions applicable to Awards granted under the Plan to such Grantee.

*Beneficial Owner* (and all variations thereof) will have the meaning set forth in Rule 13d-3 under the Exchange Act.

*Board* means the Board of Directors of the Company.



*Cause* means (i) termination of the Grantee's employment by the Company or a Subsidiary due to a material violation of (A) the Company's Code of Business Conduct and Ethics, (B) the Grantee's fiduciary duties to the Company, or (C) any law, provided such violation has materially harmed the Company, (ii) the willful and continued failure of the Grantee to perform substantially the Grantee's duties with the Company or a Subsidiary (other than any such failure resulting from the Grantee's incapacity due to physical or mental illness), or (iii) the occurrence of any event constituting *cause* within the meaning of a Grantee's then-applicable employment agreement with the Company or one of its Subsidiaries.

*Change in Control* with respect to any Award has the meaning assigned to the term in the change in control agreement, if any, between the Grantee and the Company, provided, however that if there is no such change in control agreement, it shall mean any of the following events:

- (i) the acquisition by any Person (as the term *person* is used for the purposes of Section 13(d) or 14(d) of the Exchange Act) of direct or indirect beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% of the combined voting power of the then-outstanding securities of the Company entitled to vote in the election of directors (the *Voting Securities*); or
- (ii) individuals who, as of the date hereof, constitute the Board (the *Incumbent Directors*) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election, was approved by a vote of at least a majority of the Incumbent Directors then on the Board, or the Nominating and Corporate Governance Committee of the Board, shall be an Incumbent Director, unless such individual is initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors (*Election Contest*) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (*Proxy Contest*), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

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**APPENDIX B**

(iii) the consummation of a merger, consolidation, reorganization, statutory share exchange, or similar form of corporate transaction involving the Company, the sale or other disposition of all or substantially all of the Company's assets, or the acquisition of assets or stock of another entity by the Company (each a Business Combination), unless such Business Combination is a Non-Control Transaction. A Non-Control Transaction is a Business Combination immediately following which the following conditions are met:

(A) the stockholders of the Company immediately before such Business Combination own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then-outstanding voting securities entitled to vote in the election of directors of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such Business Combination owns the Company or substantially all of the Company's assets or stock either directly or through one or more subsidiaries) (the Surviving Corporation) in substantially the same proportion as their ownership of the Company Voting Securities immediately before such Business Combination;

(B) at least a majority of the members of the board of directors of the Surviving Corporation were Incumbent Directors at the time of the Board's approval of the execution of the initial Business Combination agreement; and

(C) no person other than (1) the Company or any of its subsidiaries, (2) the Surviving Corporation or its ultimate parent corporation, or (3) any employee benefit plan (or related trust) sponsored or maintained by the Company immediately prior to such Business Combination beneficially owns, directly or indirectly, fifty percent (50%) or more of the combined voting power of the Surviving Corporation's then-outstanding voting securities entitled to vote in the election of directors; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the Subject Person) acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) and after such acquisition of Voting Securities by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities, then a Change in Control shall occur.

Notwithstanding the foregoing provisions of this definition, with respect to any Award (or portion of an Award) that provides for a deferral of compensation that is subject to Code Section 409A, to the extent necessary to prevent such compensation from being includible in gross income pursuant to subparagraph (a)(1)(A) of that Code Section (and only to that extent), a Change in Control shall be deemed to have occurred only if and when (i) any one or more of the conditions set forth in paragraph (i), (ii), (iii) or (iv) above of this definition shall have been satisfied, and (ii) as to the Grantee to whom the Award was granted, the event in question also constitutes a change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation within the meaning of subparagraph (a)(2)(A) of Code Section 409A.

*Code* means the Internal Revenue Code of 1986, as amended.

*Committee* means the Compensation Committee of the Board, as constituted at any time, or any successor to such committee, or any other committee of the Board appointed or designated by the Board, as described in Section 3 or as otherwise provided in Section 3.

*Company* means Regions Financial Corporation, a Delaware corporation, or any successor corporation.

*Disability* means, unless the applicable Award Agreement provides otherwise, a physical or mental condition which is expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months and which renders the Grantee incapable of performing the work for which he is employed or similar work, as evidenced, if applicable, by eligibility for and actual receipt of benefits payable under a group long-term disability plan or policy maintained by the Company or any of its Subsidiaries that is by its terms applicable to the Grantee. Notwithstanding the foregoing, with respect to any Award (or portion of an Award) that provides for a deferral of compensation that is subject to Code Section 409A, to the extent necessary to prevent such compensation from being includible in gross income pursuant to subparagraph (a)(1)(A) of that Code Section (and only to that extent), *Disability* means a disability as defined above that also qualifies the Grantee as *Disabled* within the meaning of subparagraph (a)(2)(C) of Code Section 409A.

*Effective Date* has the meaning assigned in Section 17.

*Eligible Recipient* means any full time or part time employee (including an officer or director who is also an employee) of the Company or any Subsidiary or Affiliate, any individual to whom an offer of employment has been extended, a member of the Board or a member of the board of directors of a Subsidiary, or a consultant or other individual providing services to the Company or any Subsidiary or Affiliate as selected by the Committee. References to *employment* and related terms in the Plan will include the provision of services in any capacity.

*Exchange Act* means the U.S. Securities Exchange Act of 1934.

*Fair Market Value* means, as of any given date, the closing sale price of a share of Stock on the date in question as reported by the principal consolidated transactions reporting system for securities listed on the principal securities exchange on which the Stock is traded or, if there is no such sale on the relevant date, then on the last previous day on which a sale was reported.

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*Good Reason* means the occurrence of one or more of the following after a Change in Control:

- (i) a material reduction in the Grantee's base salary and annual bonus opportunity, in each case, as in effect immediately before the Change in Control; or
- (ii) the Company requiring the Grantee to be based at any location that is more than 50 miles from his or her regular place of employment immediately before the Change in Control, except to the extent that such change in work location results in a commute from the Grantee's primary residence that is the same or reduced as compared to the Grantee's commute prior to such change.

Notwithstanding the foregoing, no termination of the Grantee's employment shall be for Good Reason unless (i) termination of the Grantee's employment (or notice of the Grantee's intent to terminate employment) occurs during the 24 month period following the Change in Control, and (ii) the Grantee gives the Company written notice within 90 days of the Grantee obtaining knowledge of circumstances giving rise to Good Reason (describing in reasonable detail the circumstances and the Good Reason event that has occurred) and the Company does not remedy these circumstances within 30 days of receipt of such notice. In addition, an event will not give rise to Good Reason if it is made with the Grantee's express written consent. Further, if a Grantee is a party to an employment agreement or change in control severance agreement or plan that includes a definition of "good reason", then Good Reason for purposes of Awards granted to such Grantee shall have the same meaning as set forth in such employment agreement or change in control severance agreement or plan.

*Grantee* means a person who has been granted an Award under the Plan that remains outstanding, even if such person is no longer an Eligible Recipient.

*Immediate Family* means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, and will include adoptive relationships of the Grantee and family limited partnerships, trusts or similar entities which are primarily for the benefit of the Grantee and his or her Immediate Family.

*Incentive Stock Option* means any Stock Option that is intended to be designated as an "incentive stock option" within the meaning of Sections 421 and 422 of the Code and that is designated as an "Incentive Stock Option" in the applicable Award Agreement. Unless a Stock Option is specifically designated as an Incentive Stock Option, it will not be considered an Incentive Stock Option.

*Non-Qualified Stock Option* means any Stock Option that is not an Incentive Stock Option, including any Stock Option that provides (as of the time such Stock Option is granted) that it will not be treated as an Incentive Stock Option.

*Other Awards* means an award granted pursuant to Section 12.

*Parent* means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations in the chain (other than the Company) owns shares possessing a majority of the combined voting power of all classes of shares in one of the other corporations in the chain.

*Performance Award* means an Award granted under Section 11.

*Performance Criteria* has the meaning assigned in Section 11.

*Plan* has the meaning assigned in Section 1.

*Restricted Period* has the meaning assigned in Section 9.

*Restricted Stock* means shares of Stock subject to restrictions granted pursuant to Section 9.

*Restricted Stock Units* means the right pursuant to an Award granted under Section 10.

*Retirement* means, except as otherwise provided in an Award Agreement, that a Grantee experiences a separation from service (other than for Cause) at a time when the Grantee is (i) at least sixty five (65) years old or (ii) at least fifty five (55) years old and has at least 10 years of service with the Company or any of its Subsidiaries.

*Securities Act* means the U.S. Securities Act of 1933.

*Stock* means a share of Common Stock of the Company, par value \$.01 per share.

*Stock Appreciation Right* or *SAR* means the right pursuant to an Award granted under Section 8.

*Stock Option* or *Option* means an option to purchase Stock granted pursuant to Section 7.

*Subsidiary* means a corporation or other entity in which the Company has a direct or indirect ownership or other equity interest.

(b) References in this Plan (i) to Sections are to sections of this Plan unless otherwise stated; (ii) to any contract (including any Award) are to the contract as amended, modified, supplemented or replaced from time to time; (iii) to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes,

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include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section; and (iv) to any governmental authority include any successor to the governmental authority. The various headings in this Plan are for convenience of reference only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Plan. Unless the context requires otherwise, words describing the singular number include the plural and vice versa, words denoting any gender include all genders and the words include , includes and including will be deemed to be followed by the words without limitation.

**3. ADMINISTRATION**

(a) The Plan will be administered by the Committee, which will consist of at least three members of the Board who will be appointed by, and will serve at the pleasure of, the Board. Except as otherwise determined by the Board, the members of the Committee will be non-employee directors to the extent required by Rule 16b-3 of the Exchange Act, independent directors within the meaning of Section 303A.02 of the New York Stock Exchange Listed Company Manual, and outside directors to the extent required by Section 162(m) of the Code (however, the failure of the Committee to be so comprised will not cause any Award to be invalid). The Committee may delegate any of its powers under the Plan to a subcommittee of the Committee (which hereinafter will also be referred to as the Committee). The Committee may also delegate to any person who is not a member of the Committee or to any administrative group within the Company, any of its powers, responsibilities or duties. In delegating its authority, the Committee will consider the extent to which any delegation may cause Awards to fail to be deductible under Section 162(m) of the Code or to fail to meet the requirements of Rule 16(b)-3(d)(1) or Rule 16(b)-3(e) under the Exchange Act. Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, grant Awards (including grants to directors) or administer the Plan, in which case the Board will have all of the authority and responsibility granted to the Committee herein. If so determined by the Committee, any Award made to any Grantee who is an officer within the meaning of Rule 16a-1(f) under the Exchange Act or member of the Board will be made by the full Board or a committee or subcommittee of the Board composed of at least two non-employee directors within the meaning of Rule 16b-3 under the Exchange Act.

(b) The Committee will have the power and authority to grant Awards under the Plan to Eligible Recipients pursuant to the terms of the Plan and to exercise all other powers granted to it under the Plan, subject to the terms of the Plan. In particular, but without limitation, the Committee will have the authority:

- (i) to select those Eligible Recipients who will be Grantees;
- (ii) to determine whether, to what extent, and which Awards are to be granted to Grantees under the Plan;
- (iii) to determine the number of shares of Stock to be covered by each Award granted under the Plan;
- (iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of each Award granted under the Plan, including the waiver or modification of any such terms or conditions;
- (v) to determine the terms and conditions, not inconsistent with the terms of the Plan, which will govern all written instruments evidencing Awards granted under the Plan, including Award Agreements relating hereto, as well as the waiver or modification of any such terms or conditions;
- (vi) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it will from time to time deem advisable;

- (vii) to construe, interpret and implement the terms and provisions of the Plan and any Award issued under the Plan (and any Award Agreements relating thereto) and to otherwise supervise the administration of the Plan;
  - (viii) to determine the dates on which Awards may be exercised and on which the risk of forfeiture or deferral period relating to Awards will lapse or terminate, and the acceleration of any such dates;
  - (ix) to determine the expiration date of any Award;
  - (x) to determine, at any time, whether, to what extent, and under what circumstances an Award may be settled, or the option or reference price of an Award may be paid, in cash, shares of Stock, other Awards, or other property or canceled, forfeited or suspended and the method or methods by which an Award may be settled, canceled, forfeited or suspended;
  - (xi) to determine whether a termination of employment has occurred with respect to any Grantee for purposes of the Plan and any Awards;
  - (xii) to establish any blackout period that it deems necessary or advisable;
  - (xiii) to prescribe Award Agreements (such Award Agreements need not be identical for each Grantee) and amendments thereto;
  - (xiv) to correct any defect, supply any omission and reconcile any inconsistency in the Plan; and
  - (xv) to make all other determinations necessary or advisable for administering the Plan.
- (c) Without limiting the foregoing, the Committee may, in its absolute discretion, without amendment to the Plan, extend the period to exercise an Award (but not beyond its original term) or waive any condition imposed under the Plan, with respect to any

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Award, and/or waive or amend the operation of Plan provisions respecting exercise after termination of employment or otherwise adjust any of the terms of any Award.

(d) All decisions made in good faith by the Committee pursuant to the provisions of the Plan will be final, conclusive and binding on all persons, including the Company and the Grantees.

(e) No member of the Board or the Committee or any employee of the Company or any of its Affiliates (each such person a Covered Person ) will have any liability to any person (including, without limitation, any Grantee) for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award. Each Covered Person will be indemnified and held harmless by the Company against and from any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan and against and from any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; provided that, the Company will have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company will have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification will not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case, not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or dishonesty or willful criminal act or omission. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's Certificate of Incorporation, Memorandum of Association (or other foundational document) or By-Laws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

**4. SHARES OF STOCK AVAILABLE UNDER THE PLAN; SHARE COUNTING**

(a) The Committee may make Awards under this Plan for up to a total of: (1) sixty (60) million shares of Stock (reduced by one share for every share subject to awards granted after December 31, 2014 under the 2010 Plan, provided that no awards may be granted under the 2010 Plan after the Effective Date of this Plan), plus (2) any shares of Stock subject to an outstanding award under the 2010 Plan that for any reason is cancelled, terminate, lapse, expire, are forfeited, become unexercisable for any other reason or are settled for cash (in whole or in part) to the extent of such cancellation, termination, lapse, expiration, forfeiture, unexercisability or cash settlement, plus (3) any additional shares that become available for issuance under this Plan in accordance with Section 4(c), which may be either treasury shares, authorized but unissued shares or shares purchased by the Company in the open market or otherwise. Effective as of the Effective Date of this Plan, the portion of the share authorization under the 2010 Plan for any shares of Stock thereunder that are not issuable under an outstanding award under the 2010 Plan shall be cancelled and no longer available for grant. The number of shares of Stock that may be issued under this Plan shall be adjusted by the Committee as appropriate to account for the events provided for in Section 5. Awards payable only in cash or property other than shares of Stock will not reduce the total remaining number of shares of Stock available under the Plan, and shares of Stock relating to any other Awards that are settled in cash or property other than shares, when settled, will be added back to the number of shares of Stock available under the Plan. To the extent that (i) an Award under this Plan will be exchanged or will expire, lapse, terminate or be cancelled for any reason without the issuance



of shares of Stock, or (ii) Restricted Stock under this Plan will revert back to the Company prior to the lapse of the applicable restrictions, then the Committee may also grant Awards with respect to such shares of Stock or Restricted Stock.

(b) Each share of Stock underlying an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award or Other Award will count as one share of Stock.

(c) Any shares of Stock with respect to which the Company becomes obligated to make Awards through the assumption of, or in substitution for, outstanding awards previously granted by an acquired entity ( *Acquisition Awards* ), will not count against the shares of Stock available to be delivered pursuant to Awards under this Plan.

(d) The total number of shares of Stock as to which Awards of Stock Options and Stock Appreciation Rights may be granted to any individual Grantee who is an employee during any calendar year may not, subject to adjustment as provided in Section 5, exceed Nine Hundred and Fifty Thousand (950,000) shares in the aggregate. The total number of shares of Stock as to which Awards of Incentive Stock Options may be granted under this Plan may not, subject to adjustment as provided in Section 5, exceed Thirty Million (30,000,000) shares in the aggregate.

(e) The total number of shares of Stock subject to Awards (other than Stock Options and Stock Appreciation Rights) granted to any Grantee during any calendar year may not, subject to adjustment as provided in Section 5, exceed Nine Hundred and Fifty Thousand (950,000) shares. The maximum payment under any Award denominated in cash under the Plan that may be granted during any 12-month period to any Grantee shall be \$4,000,000 for each calendar year period contained in the performance period for such Award. The foregoing grant limits will (i) apply to an Award other than a Stock Option or Stock Appreciation Right only if the Award is intended to be performance-based compensation as that term is used in Section 162(m) of the Code and (ii) be adjusted upward or downward, as applicable, on a pro rata basis for each full or partial fiscal year of the Company in the applicable performance period.

(f) In order to retain and compensate non-employee directors for their services, and to strengthen the alignment of their interests with those of the stockholders of the Company, the Plan permits the grant of cash-based and stock-based awards to non-employee

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directors. The aggregate value of Awards that may be granted to any one non-employee director during any calendar year, solely with respect to his or her service as a non-employee director, may not exceed \$500,000, based on the aggregate Fair Market Value of stock-based Awards, determined as of the date of grant.

(g) From and after the Effective Date, the following shall not reduce the number of authorized shares of Stock available for issuance under this Plan:

- (1) Stock reserved for issuance upon exercise or settlement, as applicable, of Awards granted under the Plan to the extent the Awards expire or are canceled or surrendered;
- (2) Restricted Stock granted under the Plan, to the extent such Restricted Stock is forfeited or is otherwise surrendered to the Company before the restricted period expires; and
- (3) Awards, to the extent the payment is actually made in cash.

(h) From and after the Effective Date, the following shares of Stock shall not become available for issuance under the Plan:

- (1) Stock withheld or tendered by Participants as full or partial payment to the Company upon exercise of a Stock Option granted under this Plan;
- (2) Stock reserved for issuance upon grant of stock-settled SARs, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the SARs; and
- (3) Stock withheld by, or otherwise remitted to, the Company to satisfy a Participant's tax withholding obligations upon the exercise of Stock Options or SARs granted under the Plan or upon any other payment or issuance of shares under the Plan.

**5. EQUITABLE ADJUSTMENTS**

In the event of any change in the number of issued shares of Stock (or issuance of shares other than shares of Stock) by reason of any forward or reverse stock split, subdivision or consolidation, or share dividend or bonus issue, recapitalization, reclassification, merger, amalgamation, consolidation, split-up, spin-off, reorganization, combination, exchange of shares of Stock, the issuance of warrants or other rights to purchase shares of Stock or other securities, or any other change in corporate structure or in the event of any extraordinary distribution (whether in the form of cash, shares of Stock, other securities or other property) (each, an *Adjustment Event*), then the Committee shall equitably adjust the number or kind of shares that may be issued under the Plan, and any or all of the terms of an outstanding Award (including the number of shares of Stock covered by such outstanding Award, the type of property to which the Award is subject and the exercise or reference price of such Award), and such adjustments will be final, conclusive and binding for all purposes of the Plan. In determining adjustments to be made under this Section 5, the Committee may take into account such factors as it determines to be appropriate, including (i) the provisions of applicable law, (ii) the potential tax or accounting consequences of an adjustment (including, as applicable, under Section 162(m) of the Code and/or Section 409A of the Code) and (iii) the preservation of the benefits or potential benefits intended to be made pursuant to Awards and, in light of such factors or others, may make adjustments that are not uniform or proportionate among outstanding Awards; *provided* that no such adjustment shall be made if or to the extent that it would cause any outstanding Award to fail to comply with Section 409A of the Code. In connection with

any adjustment pursuant to this Section 5, the Committee may provide, in its sole discretion, for the cancellation of any outstanding Awards in exchange for payment in cash or other property equal to the Fair Market Value of the shares of Stock covered by such Awards, reduced by the option or reference price, if any. After any adjustment made pursuant to this Section 5, the number of shares subject to each outstanding Award will be rounded down to the nearest whole number.

## **6. ELIGIBILITY**

Eligible Recipients will be eligible to be granted any Award or any combination of Awards under the Plan at the same or different times, except that Incentive Stock Options will only be granted to Eligible Recipients who are employees of the Company or one of its Subsidiaries.

## **7. STOCK OPTIONS**

Stock Options may be granted alone or in addition to other Awards granted under the Plan. Any Stock Option granted under the Plan will be in such form as the Committee may from time to time approve, and the provisions of Stock Option awards need not be the same with respect to each Grantee. If requested by the Committee, Grantees who are granted Stock Options will enter into an Award Agreement with the Company, in such form as the Committee will determine. The Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Non-Qualified Stock Options. To the extent that any Stock Option that is intended to be an Incentive Stock Option does not qualify as an Incentive Stock Option, it will constitute a Non-Qualified Stock Option. Stock Options granted under the Plan will be subject to the following terms and conditions and to the relevant Award Agreement:

(a) *Option Price.* The option price per share of Stock purchasable under a Stock Option will be determined by the Committee in its sole discretion at the time of grant but, except as otherwise permitted by Section 5 or in the case of an Acquisition Award, will not be less than 100% of the Fair Market Value of a share of Stock on such date (or in the case of Incentive Stock Options, 110% of the Fair Market Value per share on such date if, on such date, the Eligible Recipient owns, or is deemed to own under the Code, shares possessing more than ten percent of the total combined voting power of all classes of Company Voting Securities (a *Ten Percent Owner*)).

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- (b) *Option Term.* The term of each Stock Option will be fixed by the Committee, but no Stock Option will be exercisable more than ten years (or in the case of Incentive Stock Options granted to a Ten Percent Owner (as determined on the date of grant), five years) after the date such Stock Option is granted.
- (c) *Minimum Vesting; Other Terms and Conditions.* Stock Options granted under the Plan shall be subject to a minimum of one year of vesting, except in the event of death, Disability or Change in Control (in each such case, the minimum vesting requirement may not apply). The form, terms and conditions of each Stock Option will be determined by the Committee and will be set forth in the Award Agreement. Such additional terms and conditions may include provisions relating to the vesting and exercisability of such Stock Options as well as the conditions or circumstances upon which such Stock Options may be accelerated, extended, forfeited or otherwise modified. The Committee will specify in the applicable Award Agreement the circumstances in which Stock Options will vest, remain exercisable or be forfeited in the event of a Grantee's termination of employment; *provided* that with respect to Incentive Stock Options, a Grantee will not be deemed to have terminated employment if the Grantee is on a bona fide leave of absence for not longer than three months or has a right to re-employment that is guaranteed by statute or contract.
- (d) *Method of Exercise.* Subject to any vesting conditions established under Section 7(c), Stock Options may be exercised in whole or in part at any time during the option term, by giving written notice of exercise to the Company specifying the number of shares of Stock to be purchased, accompanied by payment in full of the option price in cash (by certified check or as otherwise permitted by the Committee). As determined by the Committee, in its sole discretion, payment in whole or in part may also be made (i) in the form of unrestricted shares of Stock already owned by the Grantee that have a Fair Market Value on the date of tender equal to the aggregate option price of the shares of Stock as to which such Stock Option will be exercised (in the case of an Incentive Stock Option, the right to make payment in shares of Stock must be authorized only at the time of grant); (ii) any other form of consideration approved by the Committee and permitted by applicable law; or (iii) any combination of the foregoing.
- (e) *Annual Limit on Incentive Stock Options; Time Limit to Exercise.* In addition to the limitation applicable to Incentive Stock Options in Section 4(c), to the extent that the aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of shares of Stock with respect to which Incentive Stock Options granted to a Grantee under this Plan and all other option plans of the Company or of any Parent or Subsidiary become exercisable for the first time by the Grantee during any calendar year exceeds \$100,000 (or, if different, the maximum limitation in effect at the time of grant under Section 422 of the Code, or any successor provision), the portion of such Incentive Stock Options in excess of \$100,000 (or, if different, such maximum limitation) will be treated as Non-Qualified Stock Options. The portion of any Incentive Stock Option not exercised within 90 days after termination of employment will be treated as a Non-Qualified Stock Option.
- (f) *Settlement of an Option.* When a Stock Option is exercised pursuant to paragraph (d), the Committee, in its sole discretion, may elect, in lieu of issuing shares of Stock pursuant to the terms of the Stock Option, to settle the Stock Option by paying the Grantee an amount equal to the product obtained by multiplying (i) the excess of the Fair Market Value of one share of Stock on the date the Stock Option is exercised over the option price of the Stock Option (the *Option Spread* ) by (ii) the number of shares of Stock with respect to which the Stock Option is exercised. The amount payable to the Grantee in these circumstances will be paid by the Company either in cash or a combination of cash and Stock, as the Committee will determine at the time the Stock Option is exercised and/or at the time the Stock Option is granted.

(g) *No Repricing*. Except as otherwise permitted by Section 5, the Committee shall not, without the approval of the Company's stockholders (a) lower the exercise price per share of an Option after it is granted, (b) cancel an Option when the exercise price per share of Stock exceeds the Fair Market Value of one Share in exchange for cash or another Award (other than in connection with a Change in Control), or (c) take any other action with respect to an Option that would be treated as a repricing under the rules and regulations of the New York Stock Exchange.

## **8. STOCK APPRECIATION RIGHTS**

Stock Appreciation Rights may be granted alone or in addition to other Awards granted under the Plan. Any SAR granted under the Plan will be in such form as the Committee may from time to time approve, and the provisions of SAR Awards need not be the same with respect to each Grantee. If requested by the Committee, Grantees who are granted SARs will enter into an Award Agreement with the Company, in such form as the Committee will determine. Stock Appreciation Rights granted under the Plan will be subject to the following terms and conditions and to the relevant Award Agreement:

- (a) *Reference Price*. The reference price per share of Stock underlying each SAR will be determined by the Committee in its sole discretion at the time of grant but, except as otherwise permitted by Section 5 or in the case of an Acquisition Award, will not be less than 100% of the Fair Market Value of a share of Stock on such date.
- (b) *SAR Term*. The term of each SAR will be fixed by the Committee, but no SAR will be exercisable more than ten years after the date such SAR is granted.
- (c) *Minimum Vesting; Terms and Conditions*. Stock Appreciation Rights granted under the Plan shall be subject to a minimum of one year of vesting, except in the event of death, Disability or Change in Control (in each such case, the minimum vesting requirement may not apply). The form, terms and conditions of each SAR will be determined by the Committee and will be set forth in an Award Agreement. Such additional terms and conditions may include, without limitation, provisions relating to the vesting and exercisability of such Stock Appreciation Rights as well as the conditions or circumstances upon which such

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Stock Appreciation Rights may be accelerated, extended, forfeited or otherwise modified. Settlement of each Stock Appreciation Right will be in cash, shares of Stock, other Awards or other property, or any combination of the foregoing, in the sole discretion of the Committee. The Committee will specify in the applicable Award Agreement the circumstances in which Stock Appreciation Rights will vest, remain exercisable or be forfeited in the event of a Grantee's termination of employment.

(d) *Method of Exercise.* Upon the exercise of a SAR, the Grantee will be entitled to receive up to, but not more than, an amount in cash or that number of shares of Stock (or any combination of cash and shares of Stock, as determined by the Committee) equal in value to the excess of the Fair Market Value of one share of Stock as of the date of exercise over the reference price per share of Stock specified in the SAR Award Agreement, with the Committee having the right to determine the form of payment.

(e) *No Repricing.* Except as otherwise permitted by Section 5, the Committee shall not without the approval of the Company's stockholders (a) lower the reference price per share of Stock underlying a SAR after it is granted, (b) cancel a SAR when the reference price per share of Stock exceeds the Fair Market Value of one share of Stock in exchange for cash or another Award (other than in connection with a Change in Control), or (c) take any other action with respect to a SAR that would be treated as a repricing under the rules and regulations of the New York Stock Exchange.

**9. RESTRICTED STOCK**

Restricted Stock may be granted alone or in addition to other Awards granted under the Plan. Any Award of Restricted Stock granted under the Plan will be in such form as the Committee may from time to time approve, and the provisions of Restricted Stock Awards need not be the same with respect to each Grantee. If requested by the Committee, Grantees who are granted Restricted Stock will enter into an Award Agreement with the Company, in such form as the Committee will determine. Restricted Stock granted under the Plan will be subject to the following terms and conditions and to the relevant Award Agreement:

(a) *Purchase Price.* The price per share of Restricted Stock, if any, that a Grantee must pay for Restricted Stock purchasable under an Award will be determined by the Committee in its sole discretion at the time of grant.

(b) *Terms and Conditions.* The form, terms and conditions applicable to each share of Restricted Stock will be determined by the Committee and will be set forth in an Award Agreement. Such terms and conditions may include the restrictions upon such Restricted Stock, the dates as of which restrictions upon such Restricted Stock will lapse (any period prior to such lapse with respect to a share of Restricted Stock, the *Restricted Period*), and the conditions or circumstances upon which such Restricted Stock will be forfeited or the otherwise modified with respect to the applicable terms. The Committee will specify in the applicable Award Agreement the circumstances in which Restricted Stock will vest or be forfeited in the event of a Grantee's termination of employment.

(c) *Awards and Certificates.* In the event that a stock certificate is issued in respect of Restricted Stock, such certificate will be registered in the name of the Grantee and will bear an appropriate legend referring to the terms, conditions, and restrictions applicable to any such Award; *provided* that, unless the Committee will determine otherwise, the stock certificates evidencing Restricted Stock granted under the Plan will be held in the custody of the Company until the restrictions thereon will have lapsed, and, as a condition of any Restricted Stock Award, the Grantee will be required to deliver a stock power or stock transfer form, endorsed in blank, relating to the Restricted Stock covered by such Award.

(d) *Forfeiture of Restricted Stock.* In the event that any Restricted Stock should be forfeited by the Grantee, any stock certificate or certificates representing such Restricted Stock will be cancelled and the shares of Restricted Stock will either be cancelled or returned to the Company and belong thereafter to the Company. Upon the reversion of such shares of Restricted Stock to the Company, the Company will repay to the employee or (in the case of death) to the representative of the employee's estate, the full cash amount paid, if any, to the Company by the employee for such Restricted Stock pursuant to Section 9(a).

(e) *Right to Vote and Receive Dividends on Restricted Stock.* Each Grantee will, during the Restricted Period, be the beneficial and record owner of such shares of Restricted Stock and will have full voting rights with respect thereto. Unless the Committee determines otherwise in an Award Agreement, during the Restricted Period, all ordinary cash dividends (as determined by the Committee in its sole discretion) paid upon any share of Restricted Stock will be retained by the Company for the account of the relevant Grantee. Such dividends will revert back to the Company if for any reason the Restricted Stock upon which such dividends were paid reverts back to the Company. Upon the expiration of the Restricted Period, all such dividends paid on such Restricted Stock and retained by the Company will be paid to the relevant Grantee. Unless the applicable Award Agreement provides otherwise, additional shares of Stock or other property distributed to the Grantee in respect of Restricted Stock, as dividends or otherwise, will be subject to the same restrictions applicable to such Restricted Stock. Notwithstanding anything herein or in an Award Agreement to the contrary, dividends on Restricted Stock awards that vest based on the achievement of performance goals shall only be paid at the time and only to the extent that the underlying Restricted Stock is earned.

## **10. RESTRICTED STOCK UNITS**

Restricted Stock Units may be granted alone or in addition to other Awards granted under the Plan. Any Restricted Stock Units granted under the Plan will be in such form as the Committee may from time to time approve, and the provisions of Restricted Stock Unit Awards need not be the same with respect to each Grantee. If requested by the Committee, Grantees who are granted Restricted

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Stock Units will enter into an Award Agreement with the Company, in such form as the Committee will determine. Restricted Stock Units granted under the Plan will be subject to the following terms and conditions and to the relevant Award Agreement:

- (a) *Terms and Conditions.* The form, terms and conditions of each Restricted Stock Unit will be determined by the Committee and will be set forth in an Award Agreement. Such terms and conditions may include, the conditions or circumstances upon which such Restricted Stock Unit will vest, be forfeited or otherwise modified, and the date or dates upon which any shares of Stock, cash or other property will be delivered to the Grantee in respect of the Restricted Stock Units. The Committee will specify in the applicable Award Agreement the circumstances in which Restricted Stock Units will be paid or forfeited in the event of a Grantee's termination of employment.
- (b) *Settlement of Restricted Stock Units.* The Committee, in its sole discretion, may instruct the Company to pay on the date when shares of Stock would otherwise be issued pursuant to a Restricted Stock Unit, in lieu of such shares of Stock, a cash amount equal to the number of such shares multiplied by the Fair Market Value of a share of Stock on the date when shares would otherwise have been issued. If a Grantee is entitled to receive other shares, securities or other property as a result of an adjustment, pursuant to Section 5, the Committee, in its sole discretion, may instruct the Company to pay, in lieu of such other shares, securities or other property, cash equal to the fair market value thereof as determined in good faith by the Committee. Until the delivery of such shares of Stock, cash, securities or other property, the rights of a Grantee with respect to a Restricted Stock Unit will be only those of a general unsecured creditor of the Company.
- (c) *Right to Receive Dividend Equivalents on Restricted Stock Units.* If provided for in the applicable Award Agreement, during the period prior to payment of the Restricted Stock Unit, all ordinary cash dividends (as determined by the Committee in its sole discretion) that would have been paid upon any share of Stock underlying a Restricted Stock Unit had such shares of Stock been issued will be paid only at the time and to the extent such Restricted Stock Unit is vested. Notwithstanding anything herein or in an Award Agreement to the contrary, dividend equivalents on Restricted Stock Unit awards that vest based on the achievement of performance goals shall only be paid at the time and only to the extent that the underlying Restricted Stock Unit is earned.

**11. PERFORMANCE AWARDS**

Performance Awards may be granted alone or in addition to other Awards granted under the Plan. Any Performance Award granted under the Plan will be in such form as the Committee may from time to time approve, and the provisions of Performance Awards need not be the same with respect to each Grantee. If requested by the Committee, Grantees who are granted Performance Awards will enter into an Award Agreement with the Company, in such form as the Committee will determine. Performance Awards granted under the Plan will be subject to the following terms and conditions and to the relevant Award Agreement:

- (a) *General.* Performance Awards may be denominated as a cash amount, a number of shares of Restricted Stock, a number of Restricted Stock Units, Other Awards or a combination thereof and are awards which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award, will constitute a Performance Award by conditioning the right of a Grantee to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. Except as described in Section 11(b) below, the Committee may use such



business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions. In the event that a stock certificate is issued in respect of Performance Awards, such certificates will be registered in the name of the Grantee but will be held by the Company until the time such Performance Awards are earned. The performance conditions and the performance period applicable to each Performance Award will be determined by the Committee and set forth in an Award Agreement.

(b) *Certain Performance Awards.* To the extent a Performance Award is intended to satisfy the requirements for deductibility under Section 162(m) of the Code, the Committee will establish written performance goals (i) while the outcome for that performance period is substantially uncertain and (ii) no more than 90 days after the commencement of the performance period to which the performance goal relates or, if less, the number of days which is equal to 25% of the relevant performance period. At the same time as the performance goals are established, the Committee will prescribe a formula to determine the amount of the Qualified Performance-Based Award that may be payable based upon the level of attainment of the performance goals during the performance period. A performance goal may be established as it relates to the individual Grantee, for the Company alone or on a consolidated basis, and/or for specified Subsidiaries or Affiliates or other business units of the Company and will be comprised of specified levels of one or more of the following performance criteria as the Committee may deem appropriate: earnings per share, net earnings, operating earnings, unit volume, market share, balance sheet measurements, revenue, economic profit, cash flow, cash return on assets, stockholder return, return on equity and return on capital ( *Performance Criteria* ). Performance Awards may also be payable when performance, as measured by one or more of the above Performance Criteria, is measured on an absolute or relative basis, as compared to one or more peer companies, or one or more market, sector or business indices, meets or exceeds an objective criterion established by the Committee. Performance Awards that are intended to satisfy the requirements for deductibility under Section 162(m) of the Code may not be adjusted upward. The Committee has the discretion to adjust such Performance Awards downward, either on a formula or discretionary basis or any combination, as the Committee determines.

(c) *Adjustment.* The Committee may disregard or offset the effect of any special charges or gains or cumulative effect of a change in accounting in determining the attainment of Performance Criteria. In addition, the Committee is authorized to make

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adjustments in the terms and conditions of Performance Awards, including to any applicable Performance Criteria, in recognition of unusual or nonrecurring events (including Adjustment Events, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any Subsidiary or Affiliate, or any business unit of the Company, or the financial statements of the Company, any Subsidiary or Affiliate, or any business unit, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any Subsidiary or Affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Grantee, and any other circumstances deemed relevant; provided that the Committee will consider the extent to which any such adjustment may cause Awards to fail to be deductible under Section 162(m) of the Code.

(d) *Settlement of Performance Awards; Other Terms.* Settlement of Performance Awards will be in cash, shares of Stock, other Awards or other property, or any combination of the foregoing, in the sole discretion of the Committee. The Committee will specify in the applicable Award Agreement the circumstances in which Performance Awards will be paid or forfeited in the event of a Grantee's termination of employment. Any payment of a Performance Award intended to satisfy the requirements for deductibility under Section 162(m) of the Code will be conditioned on the written certification of the Committee in each case that the Performance Criteria and any other material conditions were satisfied.

**12. OTHER AWARDS**

The Committee may grant other types of equity-based or equity-related Awards (including unrestricted shares of Stock) in such amounts and subject to such terms and conditions as the Committee will determine and may include, without limitation, Awards that upon grant are fully vested and non-forfeitable. Such Other Awards may entail the issue or transfer of actual shares of Stock or otherwise of amounts based on the value of shares of Stock. The terms and conditions applicable to Other Awards will be as determined by the Committee and set forth in an Award Agreement.

**13. CHANGE IN CONTROL**

(a) Except as otherwise provided in an applicable Award Agreement, in the event of a Change in Control, unless otherwise specifically prohibited under law or by the rules and regulations of a national security exchange applicable to the Company, if the employment of the Grantee is terminated by the Company without Cause or by the Grantee for Good Reason within the twenty-four (24) month period following such Change in Control:

(i) any and all Stock Options and Stock Appreciation Rights granted under the Plan will become both vested and immediately exercisable as of the date of such termination of employment;

(ii) any Restricted Period and other restrictions imposed on Restricted Stock or Restricted Stock Units will lapse, and Restricted Stock Units will become both vested and immediately payable as of the date of such termination of employment;

(iii) any outstanding Performance Awards (including Awards intended to be qualify for deductibility under Section 162(m) of the Code) will become both vested and immediately payable as of the date of such termination of employment; and

(iv) any Other Awards will become both vested and immediately payable as of the date of such termination of employment.

(b) In the event of a Change in Control, the payout opportunities attainable under all outstanding Performance Awards (including Awards intended to be qualify for deductibility under Section 162(m) of the Code) will be deemed to have been earned based on the greater of targeted performance and actual performance being attained as of the effective date of the Change in Control and such Performance Awards will remain subject to time-based vesting for the remainder of the applicable performance period, subject to accelerated vesting in accordance with Section 13(a).

(c) In the event of a Change in Control, the Committee may determine that all outstanding Awards will be cancelled upon a Change in Control, and the value of such Awards, as determined by the Committee in accordance with the terms of the Plan and the Award Agreement, will be paid out in cash, shares of Stock or other property within a reasonable time subsequent to the Change in Control; *provided*, that (i) no such payment will be made on account of an Incentive Stock Option using a value higher than the Fair Market Value of a share of Stock on the date of settlement and (ii) prior to the occurrence of a Change in Control, the Committee may determine to cancel without any payment or other consideration any Stock Options and SARs having, as applicable, an exercise price or reference price per share at the time of the Change in Control that is equal to or greater than the value of the consideration received by stockholders of the Company in respect of a share of Stock in connection with the Change in Control.

#### **14. AMENDMENT AND TERMINATION**

The Committee or the Board may at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan in whole or in part; *provided* that, except as provided at Section 5 hereof, no amendment by the Committee or the Board will (a) increase the total number of shares of Stock which may be issued subject to the Plan, (b) increase the benefits accruing to a Grantee under an outstanding Award, (c) change the requirements for Plan eligibility, (d) amend Sections 7(g) or 8(e) to allow for repricing of Stock Options or SARs, respectively, or (e) make any other change for which stockholder approval is required under any applicable law, regulation or exchange requirement, in each case, unless such change is approved by the stockholders of the Company in accordance with applicable law, regulation, or exchange requirement. Except as provided in Section 16(h), no action taken pursuant to this Section 14 of the Plan will, without the consent of the Grantee, be effective with respect to any Award which has been previously

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granted to a Grantee if it materially impairs such Award, *except* that the Committee and the Board have full discretion to amend the Plan to the extent necessary to preserve equity accounting treatment with respect to any Award and any outstanding Award Agreement will be deemed to be so amended without obtaining the consent of any Grantee. For purposes of the Plan, any action of the Board or the Committee that alters or affects the tax treatment of any Award will not be considered to materially impair the rights of any Grantee.

**15. UNFUNDED STATUS OF PLAN**

The Plan is intended to constitute an unfunded plan for incentive compensation. With respect to any payments not yet made to a Grantee by the Company, nothing contained herein will give any such Grantee any rights that are greater than those of a general creditor of the Company.

**16. GENERAL PROVISIONS**

(a) *Compliance with Applicable Law.* Stock will not be issued (and no payment in any other form will be made) pursuant to the exercise or settlement of any Award granted under the Plan unless the exercise or settlement of such Award and the issuance and delivery of such Stock or other payment pursuant thereto will comply with all relevant provisions of applicable law, including, without limitation, the Securities Act, the Exchange Act, and the requirements of any stock exchange upon which the Stock may then be listed (collectively, *Applicable Law*), and will be further subject to the approval of counsel for the Company with respect to such compliance. The Committee may require any Grantee to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations. This Plan and each Award and Award Agreement are subject to and shall be, to the fullest extent possible, interpreted to be consistent with *Applicable Law*. In the event of any conflict, the provisions of *Applicable Law* control over the terms of this Plan and any Award or Award Agreement. Notwithstanding anything in this Plan or any Award Agreement to the contrary, in no event shall any Award, payment or benefit under this Plan or any Award Agreement vest or be settled, paid or accrued, if any such vesting, settlement, payment or accrual would be in violation of *Applicable Law*. In the event of any such violation, the Company and any Award recipient will cooperate in good faith to endeavor to meet the requirements of *Applicable Law* in a manner which preserves to the greatest extent possible the intent and purposes of this Plan and the applicable Award, payment or benefit.

(b) *Certificate Legends.* The certificates for shares of Stock may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. All certificates for Stock issued or delivered under the Plan will be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is are then listed, and any applicable foreign, federal or state securities law, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.

(c) *No Right to Employment.* The adoption of the Plan will not confer upon any Eligible Recipient any right to continued employment or service with the Company or any Parent or Subsidiary, as the case may be, nor will it interfere in any way with the right of the Company or any Parent or Subsidiary to terminate the employment or service of any of its Eligible Recipients at any time.

(d) *No Rights as a Stockholder.* Except as otherwise provided in an Award Agreement, no Grantee (or other person having rights pursuant to such Award) will have any of the rights of a stockholder of the Company with respect to Stock subject to such Award until such Stock is issued to such person, and, if requested by the Company, until such person has given the representation described in Section 16(a). Except as otherwise provided in an Award Agreement or pursuant to Section 5, no adjustment will be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate is issued.

(e) *Non-Transferability.* Except as otherwise provided by the Committee or in a Grantee's Award Agreement, Awards may not be sold, pledged, assigned, encumbered, hypothecated, transferred, or disposed of in any manner other than by will, by the laws of descent or distribution, and as applicable, may be exercised, during the lifetime of the Grantee, only by the Grantee or the Grantee's legal representative. Any attempt to dispose of any Awards in contravention of any such restrictions will be null and void and without effect. Notwithstanding the foregoing, the Committee in its discretion may permit a Grantee to transfer a Non-Qualified Stock Option by instrument to an *inter vivos* or testamentary trust in which the Stock Options are to be passed to beneficiaries upon the death of the Grantee, or by gift to Immediate Family. Notwithstanding anything herein or in an Award Agreement to the contrary, any permitted transfer of an Award shall be for no consideration.

(f) *Payment of Taxes/Right of Offset.* As a condition to the receipt of any shares of Stock pursuant to any Award or the lifting of restrictions on any Award, or in connection with any other event that gives rise to a withholding obligation on the part of the Company relating to an Award (including, without limitation, for FICA taxes and any other federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such Award), the Company will require that the Grantee remit to the Company, or make arrangements satisfactory to the Committee regarding payment of, an amount sufficient in the opinion of the Committee to satisfy such withholding obligation. If the event giving rise to the withholding obligation involves the issue or transfer of shares of Stock, then, unless the applicable Award Agreement provides otherwise, the Committee may permit the Grantee to satisfy the withholding obligation by electing to have the Company withhold shares of Stock or by tendering previously owned shares of Stock, in each case having a Fair Market Value equal to the minimum statutory amount of tax to be withheld (or by any other mechanism as may be required or appropriate to conform with local tax and other rules). For this purpose, Fair Market Value will be determined as of the date on which the amount of tax to be withheld is determined (and the Company may cause any fractional share amount to be settled in cash). The

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obligations of the Company under the Plan will be conditional on the making of such payments or arrangements, and the Company will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Grantee.

(g) *Tax Notifications.* Each Grantee will promptly notify the Company of any election the Grantee makes under Section 83(b) of the Code or any disposition of shares of Stock delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions).

(h) *Section 409A.* Notwithstanding anything to the contrary in this Plan or an Award Agreement, if a Grantee is a specified employee as determined pursuant to Section 409A of the Code as of the date of his or her separation from service (within the meaning of Final Treasury Regulation 1.409A-1(h)) and if any Award or payment or settlement of an Award provided hereunder both (i) constitutes a deferral of compensation within the meaning of Section 409A and (ii) cannot be paid or provided in the manner otherwise provided without subjecting the Grantee to additional tax, interest or penalties under Section 409A, then any such payment or settlement that is payable or that would be settled during the first six months following Grantee's separation from service shall be paid or provided to Grantee on the first business day of the seventh calendar month following the month in which his or her separation from service occurs or, if earlier, at Grantee's death. In addition, any payment or benefit due upon a termination of Grantee's employment that represents a deferral of compensation within the meaning of Section 409A shall only be paid or provided to Grantee upon a separation from service. For the purposes of this Agreement, each Award made pursuant hereto shall be deemed to be a separate payment. This provision does not prohibit the vesting of any Award or the vesting of any right to eventual payment or distribution of any amount or benefit under the Plan or any Award Agreement. In the event a Grantee is subject to income inclusion, additional interest or taxes, or any other adverse consequences under Section 409A of the Code, neither the Company, the Board, the Committee, nor its or their employees, designees, agents or contractors shall be liable to any Grantee or other persons in connection with any adverse consequences under Section 409A of the Code.

(i) *Lapse or Forfeiture at or Following Termination of Employment.* Unless otherwise provided in an Award Agreement or as determined by the Committee in its discretion:

(i) Any Award, including, without limitation, Awards that are unvested, vested and unexercised, or subject or not subject to restrictions, shall automatically and immediately lapse and be forfeited if the Grantee's employment is terminated by the Company for Cause.

(ii) In the case of a Stock Option or Stock Appreciation Right, the following shall determine the date such Stock Option or Stock Appreciation Right shall lapse on account of termination of employment, provided that in no case shall an Stock Option or Stock Appreciation Right extend beyond the original expiration date specified in the grant thereof:

(A) Except as provided below, any Stock Option or Stock Appreciation Right that is not vested and fully exercisable on the date a Grantee's employment terminates shall lapse.

(B) If the Grantee's employment is terminated for reasons other than (I) by reason of Disability or death or Retirement, or (II) by the Company for Cause, for that Grantee and with respect to any Stock Option or Stock Appreciation Right that is vested and fully exercisable on the date of termination of employment, the period for exercising that Stock Option or Stock Appreciation Right shall end 90 days after the date of the Grantee's termination of employment and any unexercised Stock Option or Stock Appreciation Right shall lapse at the end of such 90-day

period.

(C) If the Grantee's employment terminates by reason of Disability, for that Grantee and with respect to any Stock Option or Stock Appreciation Right that is vested and fully exercisable on the date of termination of employment, the period for exercising that Stock Option or Stock Appreciation Right shall end one year after the date of the Grantee's termination of employment and any unexercised Stock Option or Stock Appreciation Right shall lapse at the end of such one-year period.

(D) If the Grantee's employment terminates by reason of death, or if the Grantee dies during the applicable 90-day or one-year period described above, respectively, for that Grantee and with respect to any Stock Option or Stock Appreciation Right that is vested and fully exercisable on the date of termination of employment, the period for exercising such Stock Option or Stock Appreciation Right shall end one year after the date of the Grantee's death and any unexercised Stock Option or Stock Appreciation Right shall lapse at the end of such one-year period. Upon the Grantee's death, the Stock Option or Stock Appreciation Right may be exercised by the Grantee's beneficiary.

(E) If the Grantee's employment is terminated by reason of Retirement, then each of that Grantee's then outstanding Stock Options and Stock Appreciation Rights shall immediately vest and remain exercisable for the original term of each such Stock Option and Stock Appreciation Right.

(iii) In the case of any Restricted Stock or Restricted Stock Unit as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or any Other Award that is subject to any transfer restriction hereunder:

(A) If the Grantee's employment is terminated by reason of death, Disability or Retirement, then the restrictions will lapse, and the unearned or unvested portion of the Award will become immediately vested, earned and nonforfeitable.

(B) If the Grantee's employment is terminated for any reason other than by reason of death, Disability, or Retirement, then the restricted or unearned portion of the Award shall automatically and immediately be cancelled and forfeited.

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(iv) In the case of any Performance Award as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, such Performance Award shall be payable as set forth in Section 11 above and the applicable Award Agreement.

(v) Whether military, government or other service or other leave of absence shall constitute a termination of employment shall be determined in each case by the Committee at its discretion, and any determination by the Committee shall be final and conclusive; provided that a Grantee's employment shall be deemed to be terminated upon the first date following the passage of six months of leave unless the Grantee has a statutory or contractual right to reemployment. A termination of employment shall not occur in a circumstance in which a Grantee transfers from the Company to one of its Parents or Subsidiaries, transfers from a Parent or Subsidiary to the Company, transfers from one Parent or Subsidiary to another Parent or Subsidiary or, in the discretion of the Committee as specified at or prior to such occurrence, in the case of a spin-off, sale or disposition of the Grantee's employer from or by the Company. The Committee may in its sole discretion take any further action that it deems to be equitable under the circumstances or in the best interests of the Company, including, without limitation, waiving or modifying any limitation or requirement with respect to any Award under this Plan. A Grantee shall not be considered retired if and so long as he or she continues to serve as a director of the Company or a Subsidiary of the Company.

(vi) Without limiting in any way the generality of the Committee's power to specify any terms and conditions of an Award consistent with applicable law, the Committee may specify in an Award Agreement that the Grantee's rights, payments, and benefits with respect to an Award will be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, without limitation, the Grantee's failure to accept the terms of the Award Agreement, termination of employment under certain or all circumstances, violation of material Company policies, breach of noncompetition, confidentiality, nonsolicitation, noninterference, corporate property protection, or any supplementary policy or agreement that may apply to the Grantee, or other conduct by the Grantee that is detrimental to the business or reputation of the Company and its Affiliates.

(j) *Deferral of Awards; Dividend Equivalent Rights.* The Committee will be authorized to establish procedures pursuant to which the payment of any Award may be deferred at the election of a Grantee. Subject to the provisions of the Plan and any Award Agreement, the recipient of an Award (including, without limitation, any deferred Award), other than Awards of Stock Options and SARs, may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, cash dividends, or cash payments in amounts equivalent to other dividends or distributions on shares of Stock, with respect to the number of shares of Stock covered by the Award, as determined by the Committee, in its sole discretion; provided, however, that the recipient of a Performance Award shall only be paid any dividends or dividend equivalent rights upon vesting of the applicable Performance Award. The Committee may provide that such amounts (if any) will be deemed to have been reinvested in additional shares of Stock or otherwise reinvested.

(k) *Nature of Payments; Other Payments or Awards.* Any and all grants of Awards and issuances of Stock under the Plan will constitute a special incentive payment to the Grantee and will not be taken into account in computing the amount of salary or compensation of the Grantee for the purpose of determining any benefits under any pension, retirement, profit-sharing, bonus, life insurance or other benefit plan of the Company or under any Agreement with the Grantee, unless such plan or Agreement specifically provides otherwise. Nothing contained in the Plan will be deemed in any way to limit or restrict the Company from making any Award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.



(l) *Binding on Successors.* The terms of this Plan will be binding upon and inure to the benefit of the Company and its successors and assigns.

(m) *Non-Uniform Treatment.* The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Committee will be entitled, among other things, to make non-uniform and selective determinations, amendments and adjustments, and to enter into non-uniform and selective Award Agreements, as to the persons to receive Awards under the Plan, and the terms and provisions of Awards under the Plan.

(n) *Severability.* If any of the provisions of this Plan or any Award Agreement is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision will be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions will not be affected thereby; provided that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision will be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable under the Plan.

(o) *Waiver of Claims; Clawback.* Before being selected by the Committee to receive an Award, no Eligible Recipient has any right to any benefits under the Plan. Accordingly, in consideration of the Grantee's receipt of any Award hereunder, he or she expressly waives any right to contest the amount of any Award, the terms of any Award Agreement, any determination, action or omission hereunder or under any Award Agreement by the Committee, the Company or the Board, or any amendment to the Plan or any Award Agreement (other than an amendment to the Plan or an Award Agreement to which his or her consent is expressly required by the express terms of the Plan or an Award Agreement). Awards under the Plan shall be subject to the clawback, recapture or recoupment policy, if any, that the Company may adopt from time to time to the extent provided in such policy and, in accordance with such policy, as in effect from time to time, may be subject to the requirement that the Awards be forfeited, reduced, or repaid to the Company after they have been distributed or paid to the Grantee.

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(p) *Right of Offset.* Except with respect to Awards that are intended to be deferred compensation subject to Section 409A, the Company will have the right to offset against its obligation to deliver shares of Stock (or cash, other securities or other property) under the Plan or any Award Agreement any outstanding amounts (including, without limitation, travel and entertainment or advance account balances, loans, repayment obligations under any Awards, or amounts repayable to the Company pursuant to tax equalization, housing, automobile or other employee programs) that the Grantee then owes to the Company as determined by the Committee.

(q) *No Third Party Beneficiaries.* Except as expressly provided therein, neither the Plan nor any Award Agreement will confer on any person other than the Company and the Grantee of any Award any rights or remedies thereunder. The exculpation and indemnification provisions of Section 3(e) will inure to the benefit of a Covered Person's estate and beneficiaries and legatees.

**17. EFFECTIVE DATE OF PLAN**

The Plan will become effective on the date it is initially approved by the Company's stockholders (the *Effective Date*).

**18. TERM OF PLAN**

No Award will be granted pursuant to the Plan on or after the tenth anniversary of the Effective Date (or, in the case of Incentive Stock Options, the tenth anniversary of the earlier of the Effective Date and Board approval of the Plan) or any earlier termination of the Plan as provided in Section 14, but Awards granted before the earlier of such dates may extend beyond that date.

**19. GOVERNING LAW**

The Plan and all determinations made and actions taken pursuant hereto will be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflict of laws.

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**REGIONS FINANCIAL CORPORATION**

**ATTN: INVESTOR RELATIONS**

**1900 5TH AVENUE NORTH**

**BIRMINGHAM, AL 35203**

**VOTE BY INTERNET - [www.proxymvote.com](http://www.proxymvote.com) or scan the QR Barcode above**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M81792-P60108      KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**REGIONS FINANCIAL CORPORATION**

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

The Board of Directors recommends you vote FOR the following proposals:

Election of Directors  
Proposal 1. Nominees:

For    Against    Abstain

Edgar Filing: DIAMOND HILL INVESTMENT GROUP INC - Form DEF 14A

1a.	George W. Bryan	..	..	..				
					<b>The Board of Directors recommends you vote</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
1b.	Carolyn H. Byrd	..	..	..	<b>FOR the following proposal:</b>			
1c.	David J. Cooper, Sr.	..	..	..	Proposal 2. Ratification of Selection of Ernst & Young LLP as the Independent Registered Public Accounting Firm	..	..	..
1d.	Don DeFosset	..	..	..	for 2015.			
1e.	Eric C. Fast	..	..	..	<b>The Board of Directors recommends you vote FOR the following proposal:</b>			
1f.	O. B. Grayson Hall, Jr.	..	..	..	Proposal 3. Nonbinding Stockholder Approval of Executive Compensation.	..	..	..
1g.	John D. Johns	..	..	..	<b>The Board of Directors recommends you vote FOR the following proposal:</b>			
1h.	Ruth Ann Marshall	..	..	..	Proposal 4. Approval of the Regions Financial Corporation 2015 Long Term Incentive Plan.	..	..	..
1i.	Susan W. Matlock	..	..	..				
1j.	John E. Maupin, Jr.	..	..	..				
1k.	Charles D. McCrary	..	..	..				
1l.	Lee J. Styslinger III	..	..	..				

For address changes and/or comments, please check this box and write them on the back where indicated. ..

Please indicate if you plan to attend this meeting. ..

**Yes    No**

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date

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**REGIONS FINANCIAL CORPORATION**

Annual Meeting of Stockholders

April 23, 2015

9:00 A.M. Central Time

Upper Lobby Auditorium of Regions Bank

1901 Sixth Avenue North

Birmingham, AL 35203

**Admission Ticket**

**to the**

**Regions Financial Corporation 2015 Annual Meeting of Stockholders**

PLEASE BRING THIS ADMISSION TICKET AND A VALID GOVERNMENT-ISSUED PHOTO IDENTIFICATION FOR ADMISSION TO THE MEETING.

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

The Notice and Proxy Statement, Annual Report on Form 10-K and Chairman's Letter are available at [www.proxyvote.com](http://www.proxyvote.com).

M81793-P60108

**PROXY CARD**

**REGIONS FINANCIAL CORPORATION**

**This proxy is solicited by the Board of Directors**

## Edgar Filing: DIAMOND HILL INVESTMENT GROUP INC - Form DEF 14A

The undersigned hereby appoints Fournier J. Gale, III and Jeffrey A. Lee, and each of them, proxies with full power of substitution, to vote all of the shares of common stock of Regions Financial Corporation held of record by the undersigned at the Annual Meeting of Stockholders to be held on Thursday, April 23, 2015, and at any adjournments thereof. This card also provides voting instructions for shares held in the Regions Financial Corporation 401(k) Plan or the Computershare Investment Plan for Regions Financial Corporation and held of record by the trustees or agents of such plans. **This proxy, when properly executed, will be voted in the manner directed by you. If you sign and return this proxy but do not give any directions, then the proxies will vote FOR Proposal 1, Election of all Director Nominees, FOR Proposal 2, Ratification of Selection of Ernst & Young LLP as the Independent Registered Public Accounting Firm for 2015, FOR Proposal 3, Nonbinding Stockholder Approval of Executive Compensation, and FOR Proposal 4, Approval of the Regions Financial Corporation 2015 Long Term Incentive Plan.** The proxies, in their discretion, are further authorized to vote (i) for the election of a person to the Board of Directors, if any nominee named herein becomes unable or unwilling to serve and (ii) on any other matter that may properly come before the meeting.

### Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**(Continued and to be signed on reverse side)**