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for review. In addition to the PM&P benchmarking analysis, information from these tally sheets was also considered by the Committee in making compensation decisions for the Named Executive Officers, as well as guiding the design of cash and non-cash compensation and benefit programs. The Committee specifically used tally sheets in the following contexts for each Named Executive Officer:

To determine the historical value of compensation paid;

To determine the value of restricted stock awards forfeited in the event of a voluntary termination when making decisions regarding grants to encourage retention;

To understand total compensation potentially payable to the Named Executive Officers under all possible scenarios, including death/disability, retirement, voluntary termination, termination with and without cause and changes of control; and

To ensure that the structure of pay at different levels is fair and appropriate.

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## 2013 Compensation Discussion and Analysis

### Compensation Components

Our compensation program for executive officers includes annual cash compensation and long-term equity-based compensation. Annual cash compensation consists of annual base salary and payments under our annual cash incentive plan. From time to time, as circumstances may warrant, the Committee may also elect to make discretionary cash bonus awards to executive officers. Our long-term equity-based compensation consists of equity awards made under our long term incentive plan.

In addition, our Named Executive Officers are eligible to (i) participate in our health and welfare plans, our Employee Stock Purchase Plan and our retirement plans (401(k) Savings Plan and Deferred Compensation Plan), (ii) receive a vehicle allowance and/or demonstrator vehicle(s), depending on the position held, and (iii) receive perquisites and other personal benefits as described under "Other Benefits" below.

#### *Base Salary*

*Design.* We provide our Named Executive Officers with an annual base salary to compensate them for services rendered during the year. Our goal is to set base salaries for our Named Executive Officers at levels that are competitive with comparable companies for the skills, experience and requirements of similar positions, using benchmarking as previously discussed, in order to attract and retain top talent. In order to achieve this goal, we have generally sought to provide base salaries that fall near the 50th percentile of our Peer Companies. We believe that this range supports competitive compensation and ensures retention. In order to ensure that each officer is appropriately compensated, the Committee, when setting base salaries, considers individual performance, tenure and experience and our financial performance in addition to the compensation review of the Peer Companies. Individual base salary levels are generally reviewed each November and are adjusted as appropriate based on an analysis of current market salary levels at the Peer Companies, individual

performance and experience and our financial performance.

*Results.* Effective January 1, 2013, the base salaries for Messrs. Rickel, Burman, DeLongchamps and O'Hara were \$550,000, \$415,000, \$430,000 and \$300,200, respectively, which was approximately a 4% increase for Messrs. Burman, DeLongchamps and O'Hara, and approximately a 5% increase for Mr. Rickel from the prior year. In determining the base salaries for 2013, the Committee reviewed their salaries using the criteria described above and determined to make the increases to position them closer to the 50<sup>th</sup> percentile of the Named Executive Officers of our Peer Companies. Mr. Hesterberg's base salary of \$1,000,000 has not been increased since he joined us in April 2005.

*Compensation Changes for Fiscal 2014.* In November 2013, the Committee elected to increase base salaries for Messrs. Rickel, Burman, DeLongchamps and O'Hara, effective January 1, 2014. In determining the base salaries for 2014, the Committee reviewed their salaries using the criteria described above in an effort to position them closer to the 50<sup>th</sup> percentile of the Named Executive Officers of our Peer Companies. Accordingly, the 2014 base salaries of Messrs. Rickel, Burman, DeLongchamps and O'Hara were increased by approximately 3% to \$566,500, \$427,500, \$443,000 and \$309,200 respectively. No adjustment was made to the base salary of Mr. Hesterberg.

#### *Discretionary Bonus Awards*

In recognition of his individual efforts in connection with our record setting financial results in 2013, the Committee approved a special, one-time \$50,000 bonus to Mr. DeLongchamps, which was paid in February 2014. The size of this bonus was not determined by a financial performance metric, but related to superior performance relative to our finance and insurance product sales and profit growth for 2013, and was based on the judgment of the Committee.



Table of Contents**2013 Compensation Discussion and Analysis*****Annual Incentive Compensation Plan***

Annual cash incentive awards are intended to align our annual performance and results with the compensation paid to persons who are most responsible for such performance, and to motivate and reward achievement of Company and individual or departmental performance objectives. Meaningful, performance-related goals are established so that attaining or exceeding the performance targets is not assured, requires significant effort by each of our Named Executive Officers, and if accomplished, contributes to the ongoing overall improvement and success of the Company.

For 2013, the annual incentive compensation plan was based upon achievement of financial and individual, or departmental, goals approved at the beginning of the year by the Committee. The financial and mission-based portions of the annual incentive awards could be awarded independently so that achievement of one was not predicated on the achievement of the other. There is, however, a minimum earnings per share goal established by the Committee at the beginning of each year which has to be achieved before any incentive award is paid.

The following is a description of the 2013 performance metrics under the plan:

***Financial Goal.*** For 2013, the financial goal portion of our annual cash incentive plan was based on achievement of diluted earnings per share ("EPS") in relation to total new vehicles sold in the United States as reported by J.D. Power and Associates. Diluted earnings per share is generally defined as our net income divided by the sum of the weighted average number of common shares outstanding during the period plus all dilutive potential common stock. Under the 2013 annual incentive compensation plan, the Committee could, in its sole discretion, adjust the Company's EPS when determining achievement of the financial goal metric for extraordinary or unusual items that would be included in our annual operating results,

but not typically considered at the time the targets were set, such as stock repurchases, certain asset impairments or extraordinary dilutive events which materially affect EPS.

The Committee believed that EPS was the best metric for our financial goal portion of the plan because it incentivizes our executive officers to maximize stockholder return and only rewards executive officers if our stockholders are rewarded. Further, no payments would be made under the financial goal portion of the award unless a threshold level of EPS was achieved. In addition, and as detailed more fully in the table below, if total new vehicle sales in the United States were above 15 million in 2013, the level of EPS achieved by the Company would need to increase in order for the financial goal portion of the award to be earned by executive officers. The threshold, target and maximum levels of performance for the EPS metric set by the Committee for 2013 were as follows:

					<b>&amp;zwsp;</b>	
					<b>&amp;zwsp;</b>	
Less than 15.0 million	\$	4.81	\$	4.93	\$	5.04
Greater than 15.0 million but less than 15.5 million	\$	4.93	\$	5.04	\$	5.15
Greater than or equal to 15.5 million	\$	5.04	\$	5.15	\$	5.27

***Mission-based Goals.*** Mission-based goals typically include four to six specific goals that are normally related to the individual's functional area and are established at the beginning of each fiscal year jointly by the executive officer and our Chief Executive Officer and reviewed by the Committee, or in the case of the Chief Executive Officer, by the Chief Executive Officer, the Committee and the Board. These goals are integral toward achieving key business objectives, such as those listed on page 43 which help improve our financial performance, promote corporate efficiencies and contribute to the growth of our Company. In 2013, the following mission-based goals were assigned to each of our Named Executive Officers:



Table of Contents**2013 Compensation Discussion and Analysis**

&amp;zwsp;

Earl J. Hesterberg	Continue significant external growth domestically and abroad Integrate Brazil acquisition into Company operations Continue to leverage technology and processes
John C. Rickel	Achieve Same Store Selling, General & Administrative target Integrate Brazil acquisition into Group 1 Accounting and Reporting Systems Contain 2013 "capital expenditure" spending within approved levels Complete accounting standardization and consolidation Expand the Company's Credit Facility to meet near term growth needs
Darryl M. Burman	Achieve Same Store Selling, General & Administrative target Analyze costs and establish procedures to reduce risks associated with Texas Workers' Compensation claims Develop segregated Company real estate department Integrate international legal matters into existing legal reporting Complete significant domestic and international acquisitions of dealership franchises and real estate and integrate international legal reporting into reporting requirements of ultimate parent entity
Peter C. DeLongchamps	Achieve Same Store Selling, General & Administrative target Continued focus on relationships with manufacturers and investment community Maintain capital expenditure projects within budget Maintain minimum vehicle service contract penetration rate Finalize contracts with extended service agreement company to grow the vehicle service contract penetration Achieve F&I growth target per retail unit
J. Brooks O'Hara	Achieve Same Store Selling, General & Administrative target Implement recruiting initiatives with field Human Resources to fill dealership level positions Select and implement enhanced employee benefit administration system Streamline field payroll structure and processes to reduce expense and improve efficiency Achieve Same Store Selling, General & Administrative target

For 2013, the Committee decided that at achievement of threshold or target performance for EPS, each of the performance metrics – financial and mission-based – should be weighted 50%, with the award payout based on 100% of base salary for Messrs. Hesterberg and Rickel and 60% of base salary for Messrs. Burman, DeLongchamps and O'Hara. The Committee also determined that: (i) if the threshold EPS goal was attained, the executive officers would receive one-third of the financial goal portion of their award; and (ii) if the

target EPS goal was attained, the executive officers would receive two-thirds of the financial goal portion of their award. In addition, the Committee decided that for 2013 as long as earnings per share was at least \$4.09, the mission-based portion of the award would be payable from 0% to 100%.

The Committee also decided that at achievement of maximum level of performance for EPS, the total possible cash incentive plan payout for each





degree to which each officer had achieved his

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Table of Contents**2013 Compensation Discussion and Analysis**

goals and the following amounts of incentive compensation were paid:

&zwsp;

&zwsp;

Earl J. Hesterberg	500,000	166,667	67	666,667
John C. Rickel	275,000	91,667	67	366,667
Darryl M. Burman	124,500	41,500	40	166,000
Peter C. DeLongchamps	129,000	43,000	40	172,000
J. Brooks O'Hara	76,551	30,020	36	106,571

***Long-Term Equity Incentive Compensation***

**Design.** To align the compensation of our corporate officers with the attainment of our business goals and an increase in stockholder value, we award long-term equity incentive grants to our executive officers as part of our total compensation package. These awards have been made pursuant to the Group 1 Automotive, Inc. 2007 Long Term Incentive Plan.

We believe that restricted stock or restricted stock units, subject to time-based vesting requirements, appropriately aligns management's interests with those of our Company and our stockholders, while helping to motivate and retain key members of our management team.

When determining the size of the awards, we typically consider amounts that would provide our executive officers with long-term incentive opportunities that, when combined with base salary and annual cash incentive opportunities, result in total direct compensation within the 50th to 75th percentile of our Peer Companies. We then take into account individual performance, the position and value of the Named Executive Officer to our Company, experience and length of service to us, our desire to incentivize the officer to remain with our Company, and the amount of equity previously awarded to the officer.

Vesting of these awards is intended to facilitate retention, and the shares vest over a five-year period with the restrictions relating to the awards lapsing 40% after two years and 20% in each year thereafter. Since 2008, our vesting provisions have been based on the passage of time. Under the terms of the current award agreements, in the event of death or disability of any employee with unvested awards, all granted but unvested awards will automatically vest.

In addition, in the event of a "qualified retirement", which is a retirement after a minimum of ten years of service with our Company and the executive attaining the age of 63, upon satisfaction of a two year non-compete and certain non-disclosure covenants, all unvested shares of restricted stock or restricted stock units held by the executive officer as of his retirement date will vest.

**2013 Awards.** In February 2013, the Committee reviewed the tally sheets and the competitive analysis prepared by PM&P to determine how each Named Executive Officer's base and total compensation compared to their peers and in order to assess all elements of each executive's pay relative to total compensation. The Committee also considered each executive's current equity position for purposes of reward and retention and considered other factors, such as size of previous awards, contribution to corporate results, leadership and Company performance during the year when making the decision as to the size of the equity award for each Named Executive Officer. Based on the analysis and review described above, on February 27, 2013, the Committee granted the following restricted stock awards to the Named Executive Officers: Mr. Hesterberg (45,000 shares), Mr. Rickel (15,000 shares), Mr. Burman (10,000 shares), Mr. DeLongchamps (11,000 shares) and Mr. O'Hara (9,000 shares).

For more information on the 2013 equity awards, please see the section entitled "Executive Compensation Grants of Plan Based Awards".

*Compensation Changes for Fiscal 2014.* The Committee has made no material changes to our long-term incentive compensation strategy for fiscal 2014.

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## 2013 Compensation Discussion and Analysis

### *401(k) Plan*

We maintain the Group 1 Automotive, Inc. 401(k) Savings Plan (the "401(k) Savings Plan") to assist all employees in providing for their retirement. Matching contributions may be in the form of cash or shares of our common stock or a combination of both, as determined by the Committee. All of our matches have been in cash for all employees. Amounts that we contributed to each Named Executive Officer's 401(k) Savings Plan account are disclosed within the Summary Compensation Table below.

### *Employee Stock Purchase Plan*

Generally, under the Group 1 Automotive, Inc. Employee Stock Purchase Plan, all employees, including our Named Executive Officers, are offered the opportunity to purchase up to \$25,000 annually of our common stock at a 15% discount to market, provided that the maximum number of shares that may be purchased by an employee shall not exceed 3,000 shares of common stock per quarter. This is an additional equity incentive we offer to all of our employees to further promote their interest in enhancing stockholder value. These shares may not be sold by the employee for a minimum of six months following purchase.

### *Deferred Compensation Plan*

The Group 1 Automotive, Inc. Deferred Compensation Plan ("Deferred Compensation Plan") is designed as a retention tool for our corporate and regional officers, dealership general managers, other key employees and non-employee directors. It allows participants the opportunity to accumulate additional savings for retirement on a tax-deferred basis. Participants can choose from various defined investment options in which the deferred compensation is notionally invested. Pursuant to the Deferred Compensation Plan, certain corporate officers, including our Named Executive Officers, may defer up to 50% of their base salary and up to 100% of their incentive compensation. For a more detailed discussion of the Deferred Compensation Plan, please see the section entitled "Executive Compensation – Nonqualified Deferred Compensation."

### *Other Benefits*

***Health and Welfare Benefits.*** Our Named Executive Officers are eligible to participate in our standard medical, dental, vision, disability insurance and life insurance plans to meet their health and welfare needs. These benefits are provided so as to assure that we are able to maintain a competitive position in terms of attracting and retaining executive officers and other employees. This is a fixed component of compensation and the benefits are provided on a non-discriminatory basis to all of our full-time employees.

***Vehicle Allowance.*** Our Chief Executive Officer, under his employment agreement, is provided with two vehicles for his use. Our senior vice president and Chief Financial Officer receives a vehicle allowance of \$15,000 per year and the use of one vehicle. Vice presidents are provided with a vehicle allowance of \$11,300 per year, a vehicle, or in certain limited cases, both. While our Committee reviews the vehicle allowances periodically, we have not modified these amounts since 2005.

***Other Perquisites and Personal Benefits.*** We provide certain Named Executive Officers with perquisites and other personal benefits that the Committee believes are reasonable and consistent with our overall compensation programs and philosophy. These benefits are provided in order to enable us to attract and retain these executives. For example, we pay for club membership privileges that are used primarily for business but also for occasional personal purposes by our Chief Executive Officer, Mr. Hesterberg. In addition, we own a fractional interest in an aircraft which is primarily used for business purposes. However, we make a portion of our time available to Mr. Hesterberg for personal use during the year. In 2013, Mr. Hesterberg was allowed a maximum of 40 flight hours for personal use; however, his actual personal usage was 30.7 hours. Mr. Hesterberg reimburses us for his personal use based on the published standard industry fare level valuation method. We provide this benefit to Mr. Hesterberg because it optimizes the use of his time and is consistent with similar benefits provided by our Peer Companies.



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## 2013 Compensation Discussion and Analysis

### Employment Agreements, Severance Benefits and Change in Control Provisions

We maintain employment and other compensatory agreements with certain Named Executive Officers to ensure they will perform their roles for an extended period of time. Certain provisions contained in these agreements, such as non-competition and non-solicitation provisions, as well as change in control payments, are essential to retaining our talent and protecting our stockholders. We believe that it is appropriate to compensate individuals to refrain from working with competitors following termination, and that compensation enhances the enforceability of such agreements. These agreements and our severance terminology are described in more detail elsewhere in this proxy statement. Please read "Executive Compensation Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment, Incentive Compensation and Non-Compete Agreements." These agreements provide for severance compensation to be paid if the officer's employment is terminated under certain conditions, such as following a corporate change, involuntary termination, termination by us for "cause," death or disability, each as defined in the applicable executive's agreement.

The employment and other compensatory agreements between our Company and our Named Executive Officers and the related severance provisions are designed to meet the following objectives:

**Corporate Change.** In certain limited scenarios, the potential for merger or being acquired may be in the best interests of our stockholders. As a result, we provide severance compensation to certain Named Executive Officers if the officer's employment is terminated following a corporate change transaction. Our intent is to promote the ability of the officer to act in the best interests of our stockholders even though his or her employment could be terminated as a result of the transaction. However, as previously discussed, we do not provide any excise tax gross-ups to any of our Named Executive Officers.

**Termination without Cause.** If we terminate the employment of certain corporate officers "without cause" as defined in the applicable agreement, we are obligated to pay the officer certain compensation and other benefits as described in greater detail in "Potential Payments Upon Termination or Change in Control" below. We believe these payments are appropriate because the terminated officer is bound by confidentiality, non-solicitation and non-compete provisions ranging from one to two years after termination. Both parties have mutually agreed to a severance package that would be in place prior to any termination event. This provides us with more flexibility to make a change in senior management if such a change is in the best interests of our Company and its stockholders.

### Hedging and Pledging Prohibitions

Our Directors and Named Executive Officers are prohibited from engaging in "short sales" of our stock or otherwise hedging the risk of ownership of our stock. We have also adopted a policy that

prohibits our directors and officers from pledging their Company stock, or engaging in any other transaction of a similar nature that has the effect of using Group 1 securities as collateral.



Table of Contents**2013 Compensation Discussion and Analysis****Policy on Payment or Recoupment of Performance-Based Cash Bonuses and Performance-Based Stock Bonuses in the Event of Certain Restatements ("Clawbacks")**

The Committee has adopted a policy on payment or recoupment of performance-based cash bonuses and performance-based stock bonuses in the event of certain restatements, excluding those required by a change in generally accepted accounting principles, which provides that we will require the payment or reimbursement (to the extent permitted by governing law) of all or a portion of any performance-based cash or performance-based stock bonus where: (a) the payment was predicated upon the achievement of certain financial results that were subsequently the subject of a material restatement and (b) a higher or lower payment would have been made to the

employee based upon the restated financial results. In each of these instances, we will, to the extent practicable: (a) either make a payment of, or seek to recover, the cash amount by which the individual employee's annual performance-based bonus was recalculated based on the restated financial results; provided that we will not pay or seek to recover bonuses paid more than three years prior to the date the applicable restatement is disclosed; (b) cause the award or cancellation of any performance-based stock awards; and (c) seek reimbursement of any unearned gains realized on the vesting of performance-based stock attributable to such awards.

**Stock Ownership Guidelines**

Our Board has adopted Stock Ownership Guidelines that apply to our Named Executive Officers, as well as other officers within our Company. The guidelines require our Named Executive Officers to maintain a minimum number of shares of our common stock while they are employed by us. The guidelines reinforce the

importance of aligning the longer-term interests of our executive officers with the interests of our stockholders and are expressed in terms of the dollar value of their equity holdings as a multiple of each Named Executive Officer's base salary. In February 2014, the Board increased the Stock Ownership Guidelines, as follows:

Earl J. Hesterberg	4 × annual base salary	6 × annual base salary	<b>&amp;zwsp;</b>
John C. Rickel	2 × annual base salary	3 × annual base salary	
Darryl M. Burman	1 × annual base salary	2 × annual base salary	
Peter C. DeLongchamps	1 × annual base salary	2 × annual base salary	
J. Brooks O'Hara	1 × annual base salary	2 × annual base salary	

The dollar value of stock ownership is based on base salary times a multiple divided by the previous 36-month average stock price as calculated on December 31st of each year. Unvested restricted stock awards are counted towards each Named Executive Officer's ownership

requirement. Stock ownership levels should be achieved by each officer within five years of the adoption of these guidelines, or within five years of the individual's appointment as an officer. Each of our Named Executive Officers is in compliance with current guidelines.



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## **2013 Compensation Discussion and Analysis**

### **Tax Deductions for Compensation**

In conducting our executive compensation programs, the Committee considers the effects of Section 162(m) of the Internal Revenue Code, which denies publicly held companies a tax deduction for annual compensation in excess of \$1 million paid to their chief executive officer or any of their three other most highly compensated corporate officers, other than the chief financial officer, who are employed on the last day of a given year, unless their compensation is based on performance criteria that are established by a compensation committee which is made up of outside directors and approved, as to their material terms, by their stockholders. The Committee

considers its primary goal to design compensation strategies that further the best interests of our stockholders. In certain cases, it may determine that the amount of tax deductions lost is not significant when compared to the potential opportunity a compensation program provides for creating long-term stockholder value. The Committee therefore retains the ability to evaluate the performance of our executive officers and to pay appropriate compensation, even if some of it may be non-deductible, to ensure competitive levels of total compensation is paid to certain individuals.

### **Risk Assessment**

We have reviewed our compensation policies and practices for all employees, including executive officers, and determined that our compensation programs are not reasonably likely to cause behaviors that would have a material adverse effect on our Company. Moreover, we believe that several design features of our compensation programs and policies reduce the likelihood of excessive risk-taking:

The program design provides a balanced mix of cash and equity, annual and longer-term incentives, and performance metrics.

We currently do not grant stock options.

The Compensation Committee has discretion over incentive program payouts.

The compensation recovery policy allows our Company to "claw back" payments made using materially inaccurate financial results.

Executive officers are subject to stock ownership guidelines.

Compliance and ethical behaviors are integral factors considered in all performance assessments.

We set the proper ethical and moral expectations through our policies and procedures and provide various mechanisms for reporting issues.

We maintain an evaluation program, utilizing internal and third-party resources, which enables us to verify that our compensation policies and practices are aligned with expectations, including periodic reviews and audits of our dealership sales and finance departments.

We believe that, for all employees, our compensation programs do not encourage excessive risk and instead encourage behaviors that support sustainable value creation.

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## **Report of the Compensation Committee**

During the last fiscal year, and this year in preparation for the filing of this proxy statement with the SEC, the Committee:

reviewed and discussed the disclosure set forth under the heading "Compensation Discussion and Analysis" with management; and

based on the reviews and discussions referred to above, recommended to the Board of Directors that the disclosure set forth under the heading "Compensation Discussion and Analysis" be included in this proxy statement and incorporated by reference into Group 1 Automotive, Inc.'s Annual Report on Form 10-K, for the fiscal year ended December 31, 2013.

Respectfully submitted by the Compensation Committee of the Board of Directors,

Max P. Watson, Jr. (Chairman)  
John L. Adams  
Louis E. Lataif  
Beryl Raff  
J. Terry Strange

Table of Contents**Executive Compensation****2013 Summary Compensation Table**

The following table summarizes, with respect to our Named Executive Officers, information relating to the compensation earned for services rendered in all capacities. Our Named Executive Officers consist of our five current executive officers, including our Chief Executive Officer and our Chief Financial Officer.

									&zwsp;
Earl J. Hesterberg	2013	1,000,000		2,583,900	666,667	135,860	259,173	4,645,600	
President and Chief Executive Officer	2012	1,000,000		2,467,350	1,250,000	108,611	242,084	5,068,045	
	2011	1,000,000		2,015,750	1,000,000	78,285	243,145	4,337,180	
John C. Rickel	2013	550,000		861,300	366,667	160,859	27,039	1,965,865	
Senior Vice President and Chief Financial Officer	2012	525,000	50,000	822,450	603,750	165,333	25,262	2,191,795	
	2011	500,000	20,000	564,410	500,000	78,389	24,983	1,687,782	
Darryl M. Burman	2013	415,000		574,200	166,000	14,950	28,667	1,198,817	
Vice President and General Counsel	2012	400,000	50,000	548,300	300,000	7,964	29,307	1,335,571	
	2011	380,000	10,000	362,835	228,000	1,342	27,086	1,009,263	
Peter C. DeLongchamps	2013	430,000	50,000	631,620	172,000	44,871	27,076	1,355,566	
Vice President, Financial Services, Manufacturer Relations and Public Affairs	2012	417,000		548,300	312,750	34,869	25,097	1,338,016	
	2011	402,000	20,000	362,835	241,200	25,366	24,108	1,075,509	
J. Brooks O'Hara	2013	300,200		516,780	106,571	25,336	18,862	967,749	
Vice	2012	290,206		493,470	217,650	26,479	18,800	1,046,599	

President, Human Resources	2011	280,200	5,000	362,835	168,120	19,196	18,650	854,001
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(1) Mr. Hesterberg's salary has not increased since 2005.

(2) The amounts in the "Stock Awards" column reflect the required accounting expense for these awards and do not correspond to the actual value that may be recognized by our Named Executive Officers. These amounts represent the grant date fair value of awards computed in accordance with FASB ASC Topic 718 in connection with restricted stock awards granted under the Group 1 Automotive, Inc. 2007 Long Term Incentive Plan. Assumptions made in the calculation of these amounts in fiscal years 2011, 2012 and 2013 are included in Note 5 to the audited financial statements included in our Annual Reports on Form 10-K for the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013, respectively. Certain of these awards have no intrinsic value to the recipient until the performance or vesting schedule is met. For example: As of December 31, 2013, our Named Executive Officers had not realized any value from their 2013 awards because vesting will not begin until 2015, when forfeiture restrictions will lapse as to 40% of the awards. Forfeiture restrictions will lapse as to the remaining 60% of the 2013 awards in 20% increments in 2016, 2017 and 2018. Vesting schedules for equity awards can be found in the footnotes to the "Outstanding Equity Awards as of December 31, 2013" table.

(3) Amounts reflect above-market earnings on the Deferred Compensation Plan. Amounts are reflective of earnings in excess of 120% of the applicable federal long-term rate, with compounding, of 2.85%.

(4) The following table contains a breakdown of the compensation and benefits included under "All Other Compensation" for 2013:

								<b>&amp;zwsp;</b>
Earl J. Hesterberg	2013	7,650		20,851	220,504.30	10,132.32	259,173	
John C. Rickel	2013	7,650	15,000	4,389			27,039	
Darryl M. Burman	2013	7,540	11,300	9,828			28,667	
Peter C. DeLongchamps	2013	7,650	11,300	8,125			27,076	
J. Brooks O'Hara	2013	7,562	11,300				18,862	

(a) Represents the incremental cost for personal use of one or more Company demonstrator vehicles. The incremental cost is determined by multiplying the annual lease value of the vehicle by the percentage of personal use, which we track through travel logs.

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Table of Contents**Executive Compensation**

(b)

Represents the difference between the amount paid by the executive for the use of our leased airplane under the standard industry fare level ("SIFL") method and the lease cost to us for such use. The SIFL method calculates the executive's use by multiplying the SIFL cents-per-mile rates applicable for the period during which the flight was taken by the appropriate aircraft multiple (a factor that is determined by using the weight of the aircraft being used, and is also dependent upon whether Mr. Hesterberg is considered a "control employee," or an officer of our Company, which he is) and then adding the applicable terminal charge. The SIFL cents-per-mile rates in the formula and the terminal charge are calculated by the Department of Transportation and are revised semi-annually.

**Grants of Plan-Based Awards in 2013**

The following table provides information concerning each grant of an award made to our Named Executive Officers under our annual incentive compensation plan and 2007 Long Term Incentive Plan, including awards that have been transferred, during 2013:

								&zwsp;
								&zwsp;
Earl J. Hesterberg			833,333	1,250,000				
	02/27/2013	02/27/2013			45,000		2,583,900	
John C. Rickel			458,333	632,500				
	02/27/2013	02/27/2013			15,000		861,300	
Darryl M. Burman			207,500	311,250				
	02/27/2013	02/27/2013			10,000		574,200	
Peter C. DeLongchamps			215,000	322,500				
	02/27/2013	02/27/2013			11,000		631,620	
J. Brooks O'Hara			150,100	225,150				
	02/27/2013	02/27/2013			9,000		516,780	

(1)

Estimated possible payouts under the 2013 annual incentive compensation plan. The "Threshold" column shows dashes because the ultimate value of the annual incentive compensation payouts could be reduced to effectively zero. The amounts shown in the "Target" and "Maximum" columns assume achievement of 100% of the mission-based goals for each Named Executive Officer. See the "Non-Equity Incentive Plan Compensation" column of the 2013 Summary Compensation Table for actual amounts paid to Named Executive Officers under the annual incentive compensation plan for 2013 and "Compensation Discussion and Analysis Compensation Components Annual Incentive Compensation Plan" beginning on page 46 of this proxy statement for a description of the annual incentive compensation plan and how the payouts were determined.

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

The following is a discussion of material factors we believe are necessary to an understanding of the information disclosed in the Summary Compensation Table and the Grants of Plan-Based Awards Table for 2013.

*Employment, Incentive Compensation and Non-Compete Agreements*

*Earl J. Hesterberg.* Effective September 8, 2010, we entered into an employment agreement with Mr. Hesterberg. Mr. Hesterberg's annual base salary under the employment agreement is \$1,000,000, subject to increase by the Compensation Committee from time to time. Subject to the terms and conditions of the

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## Executive Compensation

agreement, we have agreed to employ Mr. Hesterberg through December 31, 2015. At that time, the employment agreement will automatically convert to a month-to-month relationship terminable at any time by either employer or employee for any reason upon 180 days advance written notice.

*John C. Rickel.* Effective January 1, 2009, we entered into an employment agreement with Mr. Rickel. Subject to the terms and conditions of the agreement, we agreed to employ Mr. Rickel through December 31, 2010. Mr. Rickel's employment agreement automatically renews for successive one-year periods unless either party prior to the expiration of the term provides 60 days prior written notice of termination to the other party. Provisions of Mr. Rickel's employment agreement related to termination and change in control are discussed in "Potential Payments on Termination or Change in Control" beginning on page 61 of this proxy statement.

*Darryl M. Burman.* Effective December 1, 2009, we entered into an employment agreement with Mr. Burman. Subject to the terms and conditions of the agreement, we agreed to employ Mr. Burman through November 30, 2011. Mr. Burman's employment agreement automatically renews for successive one-year periods unless either party prior to the expiration of the term provides 60 days prior written notice of termination to the other

party. Provisions of Mr. Burman's employment agreement related to termination and change in control are discussed in "Potential Payments on Termination or Change in Control" beginning on page 61 of this proxy statement.

Messrs. Hesterberg, Rickel and Burman are also entitled to participate, on the same basis generally as our other employees, in all general employee benefit plans and programs that are made available to all or substantially all of our employees. In addition, Mr. Hesterberg is entitled to the use of two demonstrator vehicles of his choice, Mr. Rickel is entitled to one demonstrator vehicle of his choice and a vehicle allowance totaling \$1,250 per month, and Mr. Burman is entitled to one demonstrator vehicle of his choice and a vehicle allowance totaling \$941.66 per month.

All incentive compensation awards payable to Messrs. Hesterberg, Rickel and Burman will be determined by the Committee in its sole discretion in accordance with the terms of our annual incentive compensation program, and all payments pursuant to this program shall be made on or before March 15th of the year following the year of service to which the incentive compensation relates.

We have not entered into an employment or non-compete agreement with Mr. DeLongchamps or Mr. O'Hara.





Table of Contents**Executive Compensation****2013 Restricted Stock Vested**

The following table provides information relating to the vesting of restricted stock during 2013 on an aggregated basis for each of our Named Executive Officers. Our Named Executive Officers currently do not have stock options.

			&zwsp;
			&zwsp;
Earl J. Hesterberg	92,000	6,218,440	
John C. Rickel	29,000	1,839,500	
Darryl M. Burman	14,600	930,756	
Peter C. DeLongchamps	12,000	762,600	
J. Brooks O'Hara	12,000	762,600	

- (1) Represents the gross number of shares acquired upon vesting of restricted stock, without taking into account any shares withheld to satisfy applicable tax obligations.
- (2) Represents the value of the vested restricted stock, calculated by multiplying (a) the number of vested shares of restricted stock by (b) the average of the high and low sales prices of our common stock on the vesting date.

**Nonqualified Deferred Compensation**

The following table sets forth our Named Executive Officers' information regarding the Deferred Compensation Plan, including, with respect to each officer, (1) the aggregate contributions made by the officer, (2) the aggregate interest or other earnings accrued, (3) the employer contribution and (4) the total balance of the officer's account.

					&zwsp;
Earl J. Hesterberg	66,667	1,177	209,697	2,758,726	
John C. Rickel	385,000	1,077	248,037	3,342,974	
Darryl M. Burman	54,780	1,072	20,627	253,803	
Peter C. DeLongchamps	44,400	1,158	68,943	910,961	
J. Brooks O'Hara	21,314	1,121	52,015	686,702	

- (1) Reported as compensation to the Named Executive Officer in the Summary Compensation Table, (including any non-equity incentive plan compensation earned during 2013, but paid in 2014).
- (2)

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Represents portion of Company 401(k) savings plan matching contributions that could not be contributed into the 401(k) savings plan for the individuals due to Code restrictions. The 401(k) Savings Plan matching contributions are reported as "All Other Compensation" in the Summary Compensation Table.

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## Executive Compensation

(3) The following portions of the aggregate earnings in the last fiscal year were reported in the 2013 "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the 2013 Summary Compensation Table because they were above-market earnings: Mr. Hesterberg (\$135,860), Mr. Rickel (\$160,859), Mr. Burman (\$14,950), Mr. DeLongchamps (\$44,871) and Mr. O'Hara (\$25,336).

(4) The following portions of the aggregate balance amounts for each of the following Named Executive Officers were reported as compensation to the officer in the Summary Compensation Table in 2011 and 2012: Mr. Hesterberg \$125,000 for 2012 and \$100,000 for 2011; Mr. Rickel \$215,938 for 2012 and \$462,000 for 2011; Mr. Burman \$87,500 for 2012 and \$59,500 for 2011; Mr. DeLongchamps \$62,550 for 2012 and \$25,120 for 2011; and Mr. O'Hara \$43,530 for 2012 and \$34,624 for 2011. Does not include non-equity incentive plan compensation earned in 2013, but paid in 2014.

Pursuant to the Deferred Compensation Plan, certain corporate officers, including Named Executive Officers, may defer up to 50% of their base salary and up to 100% of their incentive compensation. Deferral elections are to be made no later than the last day of the calendar year immediately preceding the calendar year in which such compensation is earned. At the plan administrative committee's discretion, deferral elections with respect to certain performance-based compensation may be made not later than six months prior to the end of the performance period in which such compensation is earned. In addition, for each calendar year, we contribute an amount on behalf of each executive equal to the amount of the employer match the executive forfeited under the 401(k) Savings Plan in order for the 401(k) Savings Plan to comply with the nondiscrimination requirements of the Internal Revenue Code. Currently, 100% of each Named Executive Officer's account is vested. We may also make discretionary credits to an officer's account from time to time, which credits will be subject to a vesting schedule established by us at the time of such credit. We did not make any discretionary contribution credits during the 2013 year. If no vesting schedule is established, the officer will be vested in a percentage of the discretionary employer deferral equal to the officer's vested interest in his "employer contribution account" under the 401(k) Savings Plan. If we undergo a corporate change, the officer will become fully vested in his account under the Deferred Compensation Plan.

Benefits under the Deferred Compensation Plan will be paid no earlier than upon the executive's termination of service, or, upon a certain date elected by the officer. Benefits will be paid, at the participant's election, in a lump sum or in annual installments, although all distributions will be paid in cash. Payments upon an executive's termination of service may be delayed for six months to the extent necessary to comply with the requirements of Section 409A of the Internal Revenue Code. Except in the event of unforeseeable financial emergencies, in-service withdrawals are generally not permitted in the Deferred Compensation Plan, although the necessary portion of a participant's vested account balance may be distributed in order to satisfy certain employment, federal or state taxes. An unforeseeable financial emergency shall allow a participant to access vested funds in his accounts upon the occurrence of: (1) a severe financial hardship of the participant that results from an illness or accident of the participant, or the participant's beneficiary, spouse or dependent; (2) loss of the participant's or the beneficiary's property due to casualty; or (3) a similar extraordinary and unforeseeable circumstance as described in Section 409A of the Internal Revenue Code arising as a result of events beyond the participant's control.

Deferred amounts will be deemed to be notionally invested in such fund as the participants shall designate. Most of the funds are also available in the Group 1 401(k) Savings Plan except for the Group 1 Guaranteed Crediting Rate investment option which is the default investment option. The Group 1 Guaranteed Crediting Rate investment



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## Executive Compensation

option is a declared interest rate, which was set by the Committee at 8% for 2013.

### Potential Payments upon Termination or Change in Control

We believe providing certain executive officers with severance payments and accelerating the vesting of equity awards in certain circumstances are important retention tools. In addition, we believe that providing for double-trigger payments and equity award vesting to certain key executives in connection with a change in corporate control helps maximize stockholder value by encouraging our executives to objectively review any proposed transaction, whether or not that executive will continue to be employed. Executive officers at other companies in the general market against which we compete for executive talent commonly have equity compensation plans that provide for accelerated vesting upon a corporate change and post-termination payments, and we have consistently provided this benefit to certain executive officers in order to remain competitive in attracting and retaining skilled professionals.

The discussion below discloses the amount of compensation and/or other benefits that would be payable to each of our Named Executive Officers in the event of termination of their employment under the following scenarios: death, disability, with and without cause, for certain constructive termination events, and following a corporate change. All potential payments to the executive officers upon termination of their employment or upon a corporate change are governed by the 2007 Long Term Incentive Plan pursuant to which various equity incentive awards were issued and, with respect to Messrs. Hesterberg, Rickel and Burman, the terms of employment agreements as described below. None of our Named Executive Officers is entitled to an excise tax gross-up payment. For additional information regarding the employment agreements, see "Compensation Discussion and Analysis – Employment Agreements, Severance Benefits and Change in Control Provisions."

### Employment Agreements

We currently have employment agreements with Messrs. Hesterberg, Rickel and Burman. Each agreement provides that in the event the executive is terminated due to an Involuntary Termination or the executive terminates his employment following a Constructive Termination Event, the executive will be entitled to the following:

- a lump sum payment equal to the executive's base salary divided by 12 and multiplied by a severance multiplier. The "severance multiplier" in the case of Mr. Hesterberg is the lesser of 24 months or the remaining months in the term of the employment agreement, and, in the case of Mr. Rickel or Mr. Burman, is the greater of 12 months or the remaining months in the term of the employment agreement. The payment will be made on the first day of the seventh month following the termination of employment;

- a pro rata bonus calculated in accordance with our Annual Incentive Compensation Plan, paid in a single lump sum payment at the later of (1) the first day of the seventh month following the executive's separation from service, or (2) March 15th of the year following the release of earnings for the year in which the separation of service occurred;

- immediate vesting of all unvested restricted stock awards or stock options, which will be exercisable as if the executive had continued to be employed by us for the full term of his employment agreement;

- the use of a demonstrator vehicle for a period of six months; and

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in the case of Mr. Hesterberg, continued medical coverage for Mr. Hesterberg and his spouse until (1) Mr. Hesterberg receives comparable coverage at a new employer, (2) Mr. Hesterberg's death, or (3) a period of 36 months has passed.

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## Executive Compensation

In the event that the executive terminates employment following an involuntary reduction of his salary or incentive compensation targets within six months after a Corporate Change, the executive will be entitled to the same payments and benefits as described in the first three bullets above, except the severance multiplier will be 30 months for each of the executive officers.

Each agreement further provides that if the executive's employment is terminated due to death or Disability, then the executive is entitled to:

his pro rata salary through the date of such termination and a pro rata bonus (based on his termination date), calculated in accordance with our Annual Incentive Compensation Plan, paid in a single lump sum payment at the later of (1) the first day of the seventh month following the executive's separation from service, or (2) March 15th of the year following the release of earnings for the year in which the separation of service occurred;

immediate vesting of all unvested restricted stock awards or stock options, which will be exercisable as if the executive had continued to be employed by us for the full term of his employment agreement;

in the case of Disability, the use of a demonstrator vehicle for a period of six month, or in the event of the executive's Death, for Messrs. Hesterberg and Rickel, the use of the vehicle would go to the surviving spouse, if any, for a period of twelve months; and

in the case of Mr. Hesterberg, continued medical coverage for Mr. Hesterberg and his spouse until (1) Mr. Hesterberg receives comparable coverage at a new employer, (2) Mr. Hesterberg's death, or (3) a period of 36 months has passed.

Mr. Hesterberg's agreement also provides that if he resigns at any time after December 31, 2015, all unvested equity awards held by Mr. Hesterberg will vest upon satisfaction of certain post-termination employment obligations set forth in his non-compete agreement (discussed below). In addition, if Mr. Hesterberg's employment is

terminated for any reason after December 15, 2013, he will receive his pro rata bonus through the date of his termination, calculated in accordance with the annual incentive compensation plan and paid in a single lump sum payment.

In the event of a termination by the Company for Cause or a Voluntary Termination by the executive, all compensation and benefits will cease as of the respective date of termination. In these circumstances, the executive officers would only receive base salary earned but not yet paid.

The employment agreements contain a covenant that the executives will not sue or lodge any claim against us based upon an Involuntary Termination for any payments in addition to those described above. In the event that the executive breaches this covenant, we will be entitled to recover from that executive all sums we or any of our subsidiaries or affiliates have expended in relation to such action. We will also be entitled to offset any amounts expended in relation to defending such claim against any amounts owed to the executive prior to a final determination of the arbitration provisions provided for in the employment agreement.

The executives have agreed not to disclose, during or at any time after their employment with us, any of our confidential information or trade secrets. The executives will return all proprietary materials, and all copies thereof, to us upon a termination of employment for any reason, and all copyrighted works that the executive may have created during his employment relating to us or our business in any manner shall remain our property.

These agreements generally contain the following terms, except where noted otherwise below, and the following provisions that could impact the amount of compensation that the executives receive at or following their separation from service from us:

"Cause" shall mean any of the following: (1) conviction or plea of nolo contendere to a felony or a crime involving moral turpitude; (2) breach of any material provision of either an agreement with us or our Code of Conduct;

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## Executive Compensation

(3) the use, for his own benefit, of any confidential or proprietary information of ours, or willfully divulging for his benefit such information; (4) fraud or misappropriation or theft of any of our funds or property; (5) willful refusal to perform his duties or (6) gross negligence; provided, however, that we, before terminating the executive under (2) or (5), must first give written notice to him of the nature of the alleged breach or refusal and must provide him with a minimum of fifteen days to correct the problem. Before terminating him for purported gross negligence we must give written notice that explains the alleged gross negligence in detail and must provide him with a minimum of 20 days to correct the problem, unless correction is inherently impossible.

**"Corporate Change"** shall mean the first to occur of any of the following events: (1) any person acquires 50% or more of our common stock or voting securities, other than (a) any acquisition directly from or resulting from an acquisition of our shares by us, (b) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by us or any entity controlled by us, or (c) any acquisition by any entity pursuant to a transaction which complies with clauses (a) or (b); (2) the occurrence of a merger, reorganization, consolidation or disposition of all or substantially all of our assets, unless our stockholders prior to such transaction hold more than 50% of the equity and voting power of the resulting entity or entity holding such assets, no person (other than benefit plans of such entity) holds 50% or more of the equity or voting power of such entity and at least a majority of the board of directors of such entity were members of the Incumbent Board; or (3) our stockholders approve our complete liquidation or dissolution.

**"Constructive Termination Event"** shall occur upon: (1) the failure by us to pay the executive's compensation as provided in the applicable agreement; (2) relocation without his consent of his primary employment location of more than 50 miles; (3) our request that the executive perform any illegal activity or sign-off on any

inappropriate financial statement or acknowledgement; (4) a material diminution in the executive's position, duties, responsibilities, reporting status, or authority; or (5) a material negative reduction in base salary or incentive compensation targets within six months after a Corporate Change, except that before exercising his right to terminate the employment relationship pursuant to any of the previous provisions, he must first give written notice to our Board of the circumstances purportedly giving rise to his right to terminate and must provide us with a minimum of thirty days to correct the problem, unless correction is inherently impossible.

**"Disability"** shall mean the executive's becoming incapacitated by accident, sickness or other circumstance that in the reasonable opinion of a qualified doctor approved by our Board, renders him mentally or physically incapable of performing the essential functions of the executive's position, with or without reasonable accommodation, and that will continue, in the reasonable opinion of the doctor, for a period of no less than 180 days.

**"Involuntary Termination"** shall mean a termination by the executive due to a Constructive Termination Event by itself or in relation to a Corporate Change, or by us for any reason without Cause, at the discretion of our Board; an "Involuntary Termination" also includes the nonrenewal of the executive's employment agreement by the Board.

**"Voluntary Termination"** shall mean a termination by the executive other than for a Constructive Termination Event.

### ***Group 1 Automotive 2007 Long Term Incentive Plan***

The 2007 Long Term Incentive Plan provides that, upon a Corporate Change (as defined below), the Compensation Committee may accelerate the vesting and exercise date of options and stock appreciation rights, cancel options and stock appreciation rights and make payments in respect thereof in cash, adjust the outstanding options and

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## Executive Compensation

stock appreciation rights as appropriate to reflect the Corporate Change, or provide that each option and stock appreciation right is exercisable for the number and class of securities or property that the optionee would have been entitled to had the option or stock appreciation right already been exercised. Upon the occurrence of a Corporate Change, the Compensation Committee may fully vest any restricted stock awards then outstanding and, upon such vesting, all restrictions applicable to the restricted stock will terminate. Further, if the Corporate Change constitutes a change in the ownership or effective control of us or of a substantial portion of our assets, within the meaning of Section 409A of the Code, the Committee may require the mandatory surrender of phantom stock awards upon payment of the maximum value of such awards to their holders.

The 2007 Long Term Incentive Plan provides that a Corporate Change occurs if (1) we are dissolved and liquidated; (2) if we are not the surviving entity in any merger or consolidation (or we survive only as a subsidiary of an entity); (3) if we sell, lease or exchange or agree to sell, lease or exchange all or substantially all of our assets; (4) any person, entity or group acquires or gains ownership or control of more than 50% of the outstanding shares of our voting stock; or (5) after a contested election of directors, the persons who were directors before such election cease to constitute a majority of our Board of Directors.

Our Named Executive Officers do not currently, and at December 31, 2013 did not, hold any unvested stock options or phantom stock awards, and therefore there are no amounts to report with respect to acceleration of stock option awards or payment of phantom stock awards by the Compensation Committee in connection with a Corporate Change.

The award agreements for restricted stock under the Company's 2007 Long Term Incentive Plan also establish vesting provisions applicable to termination of employment. The award agreement for all grants of restricted stock to our executive officers, except restricted stock granted to Mr. O'Hara in February 2014, provides for accelerated vesting if the executive officer's

employment is terminated due to death or disability. The award agreement for the restricted stock granted to Mr. O'Hara in February 2014 provides for accelerated vesting in the case of death or disability and in the case of a qualified retirement. A "qualified retirement" is the termination of employment on a date that is on or after the employee's attainment of age 63 and following the employee's completion of a least ten years of service with the Company and upon satisfaction of a two year non-compete and certain non-disclosure covenants. Mr. O'Hara will be eligible for a qualified retirement in January 2019.

### *Non-Competition Agreements*

Along with their respective employment agreements, Mr. Hesterberg has entered into a non-compete and Messrs. Rickel and Burman have entered into Incentive Compensation and Non-Compete agreements with us, each of which provide that for a period of two years with respect to Messrs. Hesterberg and Rickel, and one year with respect to Mr. Burman following the executive's termination of employment, the executive will not compete with us or induce any of our employees to leave his or her employment with us or hire any of our employees. However, upon such termination, Mr. Burman shall not be prohibited from immediately engaging in the practice of law, independently or with a law firm, or from performing legal services on our behalf or any business competitive with any line of business conducted by us or any of our subsidiaries or affiliates (including, without limitation, any public or private auto retailer), regardless of termination for Cause, Voluntary Termination, Involuntary Termination, or expiration of his agreement.

If Mr. Hesterberg violates this agreement, he will also forfeit his rights to any restricted stock and stock options granted pursuant to his employment agreement, and we will have the right to refrain from making any further payments under that agreement, as well as to receive back from Mr. Hesterberg the full value of any payments which were made to him in the previous twelve months as well as the value of any restricted stock or stock options that may have vested during the





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As of December 31, 2013, Mr. Rickel had a total of 52,200 unvested shares of restricted stock and no unvested stock

options. The amount in the table was calculated by multiplying \$71.02 by the 52,200 shares of restricted stock Mr. Rickel held on December 31, 2013 that we assume for purposes of this calculation would be subject to accelerated vesting, to equal \$3,707,244.

**Darryl M. Burman**

					<b>&amp;zwsp;</b>
Salary and Bonus	581,000	581,000	684,750	166,000	
Equity Compensation(1)	2,159,008	2,159,008	2,159,008	2,159,008	
Use of Vehicle	4,914	4,914		4,914	
Total	2,744,922	2,744,922	2,843,758	2,329,922	

(1)

As of December 31, 2013, Mr. Burman had a total of 30,400 unvested shares of restricted stock and no unvested stock options. The amount in the table was calculated by multiplying \$71.02 by the 30,400 shares of restricted stock Mr. Burman held on December 31, 2013 that we have assumed for purposes of this calculation would be subject to accelerated vesting, to equal \$2,159,008.

**Peter C. DeLongchamps**

					<b>&amp;zwsp;</b>
Equity Compensation(1)			2,187,416	2,187,416	
Total			2,187,416	2,187,416	

(1)

As of December 31, 2013, Mr. DeLongchamps had a total of 30,800 unvested shares of restricted stock and no unvested stock options. The amount in the table was calculated by multiplying \$71.02 by the 30,800 shares of restricted stock Mr. DeLongchamps held on December 31, 2013 that we have assumed for purposes of this calculation would be subject to accelerated vesting, to equal \$2,187,416.

(2)

Assumes Compensation Committee determines to accelerate vesting in connection with a Corporate Change.

**J. Brooks O'Hara**

					<b>&amp;zwsp;</b>
Equity Compensation(1)			1,974,356	1,974,356	
Total			1,974,356	1,974,356	

(1)

As of December 31, 2013, Mr. O'Hara had a total of 27,800 unvested shares of restricted stock and no unvested stock options. The amount in the table was calculated by multiplying \$71.02 by the 27,800 shares of restricted stock Mr. O'Hara held on December 31, 2013 that we have assumed for purposes of this calculation would be subject to accelerated vesting, to equal \$1,974,356.

(2)

Assumes Compensation Committee determines to accelerate vesting in connection with a Corporate Change.





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## Director Compensation

### Retainers and Fees

The table below sets forth the compensation we pay to our non-employee directors:

	<b>&amp;zws;</b>
Annual Retainer	
Annual Cash Retainer	45,000
Equity Retainer(2)	110,000
Committee Chair Retainer	
Non-Executive Chairman of the Board	100,000
Audit Committee Chair	25,000
Compensation Committee Chair	15,000
Finance/Risk Management Committee Chair	15,000
Nominating/Governance Committee Chair	10,000
Board and Committee Meeting Fees	
Board Meetings	2,500
Audit Committee Meetings	2,500
Non-Audit Committee Meetings	1,500
Vehicle Stipend(3)	17,600

- (1) All cash retainer amounts and meeting fees are paid quarterly.
- (2) The equity portion of the retainer is paid annually in restricted stock or restricted stock units valued at approximately \$110,000 at the time of the grant pursuant to the 2007 Long Term Incentive Plan.
- (3) The use of one vehicle, or the economic equivalent

The equity portion of the annual retainer is paid annually. Abbreviated meetings, as determined at the discretion of the chair, result in the payment of one-half of the regular fees for the meeting.

### Equity-Based Compensation

The equity portion of non-employee directors' retainers is paid annually in restricted stock or restricted stock units valued at approximately \$110,000 at the time of the grant pursuant to the 2007 Long Term Incentive Plan. Directors can elect whether to receive the equity retainer in restricted stock or restricted stock units. In 2013, all of our Directors elected to receive their annual retainer in restricted stock. The grant was effective January 2, 2013 and was determined based on the average of the high and low market price of our common stock on that date. Accordingly, each non-employee director received 1,756 shares of

restricted stock in payment of the equity portion of the 2013 annual retainer.

The restricted stock or restricted stock units vest fully after six months. All unvested restricted stock or restricted stock units held by a director vest upon the retirement, death or disability of the director. The vested restricted stock units held by a director are settled in shares of our common stock upon the termination of the director's membership on our Board of Directors. In the event that a director's membership on our Board of Directors is terminated for any reason other than retirement, death or disability, the director, for no consideration, forfeits to us all of

his unvested shares of restricted

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## Director Compensation

stock or restricted stock units. Any unvested restricted stock and any restricted stock units may not be sold or otherwise transferred.

### Stock Ownership Guidelines

Our Board has adopted Stock Ownership Guidelines that apply to our non-employee directors. The guidelines currently require our non-employee directors to own and hold 10,000 shares of our common stock. The holding requirement was determined based on competitive market practice. Stock ownership levels should be achieved by each director within five years of first appointment to the Board.

Stock that applies toward satisfaction of these guidelines includes: (1) shares of common stock owned outright by the director and his or her immediate family members who share the same household, whether held individually or jointly and (2) awarded restricted stock and RSU shares. Each of our directors is in compliance with these guidelines.

### Nonqualified Deferred Compensation

Messrs. Adams, Lataif, Quinn and Strange and Ms. Raff have elected to participate in the Deferred Compensation Plan, described in greater detail above. The plan provides those directors who elect to participate an opportunity to accumulate additional savings for retirement on a tax-deferred basis. The non-employee directors may defer any portion of the cash compensation (annual retainer

or meeting fees) that he or she receives with respect to the services provided to our Board, including any committee services, and the director will be 100% vested in his account at all times. We have complete discretion over how the deferred funds are utilized and they represent our unsecured obligation to the participants.

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## Certain Relationships and Related Transactions

### Transactions

During fiscal year 2013 we were not, and we are not currently, a party to a transaction or series of transactions in which the amount involved did or may exceed \$120,000, in which any of our directors, executive officers, any holder of more than 5% of our common stock or any member of the immediate family of any of these persons had or will have a direct or indirect material interest, except as described below and the compensation arrangements (including with respect to equity compensation) described in "2013 Compensation Discussion and Analysis," "Executive Compensation and "Director Compensation."

Information below pertains to certain related party transactions related to the operations of our subsidiary UAB, which we acquired in February 2013. All of the operations of UAB are in Brazil. The conversion of amounts expressed in Brazilian Reais to U.S. Dollars was calculated by using the average currency exchange for 2013, as provided by Oanda. The applicable exchange rates are: R\$2.1624 = USD\$1.00.

#### *Lincoln Pereira and UAB*

During 2013 we paid Mr. Pereira R\$786,621 (USD\$363,772) for his services as our Regional Vice President, Brazil and as Chairman of UAB. Mr. Pereira's compensation includes R\$747,126 (USD\$345,508) of cash compensation and R\$39,495 (USD\$18,264) for health insurance from March through September.

Mr. Pereira's brother, Ricardo Ribeiro da Cunha Pereira, serves as Commercial Vice President, Paraná (Premium Brands). During 2013 we paid Mr. Ricardo Pereira R\$363,931 (USD\$168,300) in total compensation, consisting of R\$361,753 (USD\$167,292) of cash compensation and R\$2,178 (USD\$1,007) for health insurance.

UAB leases office and retail space at market rates from Santorini Negócios Imobiliários Ltda. ("Santorini"), a real estate company which was co-founded by Mr. Pereira. The lease provides for monthly payments of R\$126,700.33 (USD\$58,592.45) and is adjusted annually pursuant to the IGP-M/FGV index. The lease

expires in February 2029, but can be terminated with one month prior notice, subject to a three month early-termination penalty payment. Current owners of Santorini include Mr. Pereira's wife, Anna Luiza Flecha de Lima da Cunha Pereira, who also manages the property, Irene Maria Flecha de Lima, Mr. Pereira's mother-in-law, and Andrea Maria Flecha da Lima, Mr. Pereira's sister-in-law. Total payments to Santorini since January 1, 2013 are R\$1,510,708.23 (USD\$698,625.70). Mr. Pereira holds no ownership interest in Santorini.

UAB also leases office space at market rates from Irene Maria Flecha de Lima, Mr. Pereira's mother-in-law. The lease provides for monthly payments of R\$13,780.59 (USD\$6,372.28) and is adjusted annually pursuant to the IGP-M/FGV index. The lease expires in October 2015, but can be terminated at any time with one month prior notice. Total payments to Irene Maria Flecha de Lima since January 1, 2013 are R\$165,367.15 (USD\$76,473.89).

UAB is represented in legal matters by Cunha Pereira Law Firm. Cunha Pereira Law Firm is controlled by Mr. Pereira and his father. Mr. Pereira's cousin, Joao Candido Cunha Pereira, also represents UAB in legal court cases solely relating to the State of Paraná, but is not associated with the Cunha Pereira Law Firm. These legal services are governed by a contractual relationship signed in January 2012 for an undetermined term, and can be terminated at any time with 90 days' notice. All legal rates are at or below the current market rate for such legal services. Total payments to the Cunha Pereira Law Firm since January 1, 2013 are R\$290,578.74 (USD\$134,377.88), and total payments to Joao Candido Cunha Pereira since January 1, 2013 are R\$191,036.87 (USD\$88,344.83).

UAB purchases newspaper and radio advertising space from RPC Comunicações ("RPC"), a communications group in the state of Parana owned by Therezinha Cunha Pereira, Guilherme Cunha Pereira and Ana Amelia Cunha Pereira, Mr. Pereira's aunt and two cousins, respectively. The prices are negotiated based on a price list

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## Certain Relationships and Related Transactions

published by RPC. UAB's marketing department purchases the advertising space directly from RPC without any involvement from Mr. Pereira, at or below current market rates for such services, on an "as-needed" basis. Total payments to RPC since January 1, 2013 are R\$151,638.87 (USD\$70,125.64).

UAB has entered into a R\$28,000,000 revolving loan agreement with Banco Alfa SA ("BASA") for vehicle inventory financing for its Land Rover dealerships. Mr. Pereira's mother-in-law, Irene Maria Flecha de Lima is a passive investor in BASA, and owns 141,600 preferential, non-voting shares.

### Policies and Procedures

We review all relationships and transactions in which we and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Our General Counsel's office is primarily responsible for the development and implementation of procedures and controls to obtain information from the directors and executive officers with respect to related person transactions and for subsequently determining, based on the facts and circumstances disclosed to them, whether we or a related person has a direct or indirect material interest in the transaction. As required under the SEC's rules, transactions that are determined to be directly or indirectly material to us or a related person are filed with the SEC when required, and disclosed in our proxy statement.

Our Code of Conduct discourages all conflicts of interest and provides guidance on handling conflicts of interest. Under the Code of Conduct, conflicts of interest occur when private or family interests interfere in any way, or even appear to interfere, with the interests of our Company. Our restrictions on conflicts of interest under the Code of Conduct include related person transactions.

We have multiple processes for reporting conflicts of interests, including related person transactions. Under the Code of Conduct, all employees are required to report any actual or apparent conflict of interest, or potential conflict of interest, to their supervisors and all related person transactions involving our regional or market executives must be communicated in writing as part of their quarterly representation letter. This information is then reviewed by our General Counsel, Audit Committee, our Board or our independent

registered public accounting firm, as deemed necessary, and discussed with management. As part of this review, the following factors are generally considered:

the nature of the related person's interest in the transaction;

the material terms of the transaction, including, without limitation, the amount and type of transaction;

the importance of the transaction to the related person;

the importance of the transaction to a third party;

the importance of the transaction to us;

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whether the transaction would impair the judgment of a director, executive officer or employee to act in the best interest of our Company;

whether the transaction might affect the status of a director as independent under the independence standards of the New York Stock Exchange; and

any other matters deemed appropriate with respect to the particular transaction.

Ultimately, all such transactions must be approved or ratified by our Board. Any member of our Board who is a related person with respect to a transaction is recused from the review of the transaction.

In addition, our legal staff annually distributes a questionnaire to our executive officers and members of our Board requesting certain information regarding, among other things, their immediate family members, employment and

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## **Certain Relationships and Related Transactions**

beneficial ownership interests. This information is then reviewed for any conflicts of interest under the Code of Conduct. At the completion of the annual audit, our Audit Committee and the independent registered public accounting firm review with management, insider and related person transactions and potential conflicts of interest. In addition, our internal audit function has processes in place, under its written procedure policies, to identify related person transactions and potential conflicts of interest and report them to senior management and the Audit Committee.

We also have other policies and procedures to prevent conflicts of interest, including related person transactions. For example, our Corporate Governance Guidelines require that our Board assess the independence of the non-management directors at least annually, including a requirement that it determine whether or not any such directors have a material relationship with us, either directly or indirectly, as defined therein and as further described under "Information about our Board and Committees Independence of the Members of our Board."

Table of Contents**Security Ownership Information****Security Ownership of Certain Beneficial Owners and Management**

The following table shows the amount of our common stock beneficially owned (unless otherwise indicated) by our directors, our Named Executive Officers, our current directors and Named Executive Officers as a group, and any stockholders with over 5% of our common stock. Under SEC rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of, or to direct the disposition of, such security. A person is also deemed to be the beneficial owner of any security of which that person has a right to acquire beneficial ownership (such as by exercise of options) within 60 days. Under such rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may disclaim any beneficial interest. Except as otherwise indicated, directors and executive officers possessed sole voting and investment power with respect to all shares of common stock in the table. In addition, except as otherwise indicated, all information is as of March 24, 2014.

		&zwsp;
Earl J. Hesterberg	462,332(3)	1.9%
John C. Rickel	175,969(3)	*
Darryl M. Burman	71,564(3)	*
Peter C. DeLongchamps	57,308(3)	*
J. Brooks O'Hara	40,445(3)	*
John L. Adams	63,788(3)	*
Louis E. Lataif	26,057(3)	*
Lincoln Pereira	688,987(4)	2.8%
Stephen D. Quinn	34,770(3)	*
Beryl Raff	24,666(3)	*
J. Terry Strange	48,246(3)	*
Max P. Watson, Jr.	48,440(3)	*
All directors and Named Executive Officers as a group (12 persons)	1,742,572(5)	7.2%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	1,886,849(6)	7.8%
Dimensional Fund Advisors LP. Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	1,628,780(7)	6.7%
Franklin Resources, Inc. One Franklin Parkway San Mateo, CA 94403	1,514,478(8)	6.3%

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Eminence Capital, LLC 65 East 55th Street, 25th Floor New York, NY 10022	1,499,088(9)	6.2%
Allianz Global Investors U.S. Holdings LLC 680 Newport Center Drive Suite 250 Newport Beach, CA 92660	1,372,968(10)	5.7%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	1,306,071(11)	5.4%

\*

Represents less than 1% of the outstanding common stock

(1) Except as otherwise indicated, the mailing address of each person or entity named in the table is Group 1 Automotive, Inc., 800 Gessner, Suite 500, Houston, Texas 77024.

(2) Based on total shares outstanding of 24,184,978 at March 24, 2014.

(3) Includes restricted shares as to which the individual has voting, but not dispositive, power, as follows: Mr. Hesterberg (193,000 shares), Mr. Rickel (54,900 shares), Mr. Burman (34,600 shares), Mr. DeLongchamps (36,000 shares), Mr. O'Hara (30,700 shares). Also includes the 2014 annual retainer of 1,756 shares granted to each of Mr. Adams, Mr. Lataif, Mr. Quinn, Ms. Raff, Mr. Strange and Mr. Watson on January 2, 2014. The Board's retainer shares will vest on July 2, 2014, except in the case of Mr. Lataif, whose retainer shares will vest upon his retirement from the Board on May 20, 2014 following the Annual Meeting.

(4) Mr. Pereira has shared voting, but no dispositive, power with respect to 155,706 shares, and shared voting and dispositive power with respect to 77,853 shares, all such shares are owned by Abbe Investments, Ltd., a British Virgin Islands company, owned 98% by Mr. Pereira and 2% by his spouse. In addition, Mr. Pereira has shared voting, but no dispositive, power with respect to 455,428 shares held in escrow for the benefit of Mr. Pereira and João Alberto Gross Figueiró, André Ribeiro da Cunha Pereira, and Maurício Vaz Rodrigues, pursuant to a Stockholders' Agreement dated February 28, 2013. Mr. Pereira has been designated the Stockholder Representative for those shares and directs voting of the shares.

(5) Includes 970,870 restricted shares as to which the executive officers and directors currently have voting, but not dispositive, power.

(6) As reported on Amendment No. 4 to Schedule 13G as of December 31, 2013 and filed with the SEC on February 10, 2014. BlackRock, Inc., as a parent holding company or control person, has sole voting power over 1,813,474 shares and sole dispositive power over, and aggregate beneficial ownership of, 1,886,849 shares. The subsidiaries of BlackRock, Inc. that acquired the shares reported by BlackRock, Inc. are as follows: BlackRock Advisors, LLC, BlackRock Fund Management Ireland Limited, BlackRock Investment Management, LLC, BlackRock Investment Management (Australia) Limited, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Advisors (UK) Limited, BlackRock Fund Advisors, BlackRock International Limited, BlackRock Institutional Trust Company, N.A., and BlackRock Investment Management, (UK) Limited. Various persons have the right to receive or the power to direct the receipt of dividends from, or the

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proceeds from the sale of the Company's common stock, and no one person's interest in the common stock is more than five percent of the total outstanding common shares.

- (7) As reported on Amendment No. 8 to Schedule 13G dated as of December 31, 2013 and filed with the SEC on February 10, 2014. Dimensional Fund Advisors LP, or certain of its subsidiaries (collectively, "Dimensional") serve as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the "Funds"). In its role as investment advisor, sub-adviser and/or manager, Dimensional possesses voting and/or investment power over the securities of the Issuer that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Issuer held by the Funds. Dimensional has sole voting power as to 1,590,545 shares and sole dispositive power as to 1,628,780 shares. Dimensional disclaims beneficial ownership of all such shares.
- (8) As reported on Amendment No. 5 to Schedule 13G dated as of December 31, 2013 and filed with the SEC on February 11, 2014 by Franklin Resources, Inc. ("FRI"), Charles B. Johnson, Rupert H. Johnson, Jr. and Franklin Advisory Services, LLC, a subsidiary of FRI. Shares are beneficially owned by one or more open or closed-end investment companies or other managed accounts that are investment managed clients of investment managers that are direct and indirect subsidiaries (each an "Investment Management Subsidiary" and, collectively, the "Investment Management Subsidiaries") of FRI. The Investment Management Subsidiaries have sole investment discretion and voting authority over the reported shares pursuant to an investment management agreement, subject to certain exceptions. Charles B. Johnson and Rupert H. Johnson, Jr. (the "Principal Shareholders") each own in excess of 10% of the outstanding common stock of FRI and are the principal stockholders of FRI, and, as a result, may be deemed to beneficially own 1,514,478 shares. Franklin Advisory Services, LLC has sole power to vote or to direct the vote of 1,413,778 shares, and sole power to dispose or to direct the disposition of 11,514,478 shares. The Principal Shareholders, FRI and the FRI affiliates, as applicable, disclaim beneficial ownership of such shares. The address for Franklin Advisory Services, LLC is One Parker Plaza, Ninth Floor, Fort Lee, NJ 07024.
- (9) As reported on Amendment No. 1 to Schedule 13G dated as of December 31, 2013 and filed with the SEC on February 14, 2014 by Eminence Capital, LLC, Eminence GP, LLC, and Ricky C. Sandler. The foregoing entities and person beneficially own 1,499,088 shares of common stock. Eminence Capital LLC has shared voting power and shared dispositive power with respect to 1,498,853 shares of common stock; Eminence GP, LLC has shared voting power and shared dispositive power with respect to 1,346,266 shares of common stock; and Ricky C. Sandler has sole voting power and sole dispositive power with respect to 235 shares of common stock and shared voting power and shared dispositive power with respect to 1,498,853 shares of common stock.
- (10) As reported on Amendment No. 2 to Schedule 13G dated as of December 31, 2013 and filed with the SEC on February 12, 2014. Allianz Global Investors U.S. Holdings LLC ("AGI") is a parent holding company deemed to beneficially own 1,372,968 shares of common stock with respect to which certain of AGI's subsidiaries and affiliates (collectively, the "AGI Advisors") have voting and dispositive power as follows: NFJ Investment Group LLC has sole voting power over 1,192,897 shares, sole dispositive power over 1,206,197 shares and aggregate beneficial ownership of 1,372,968 shares; Allianz Global Investors Europe GmbH has sole voting power over 141,436 shares and sole dispositive power over 157,157; Allianz Global Investors France S.A. has sole power to vote or direct the vote, and sole power to dispose or direct the disposition of 9,526 shares; and Allianz Global Investors U.S. LLC has sole power to vote or direct the vote and sole power to dispose or direct the disposition of 88 shares. The shares are held by investment advisory clients or discretionary accounts of which an AGI Adviser is the investment adviser. Investment advisory contracts with these clients or



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## Security Ownership Information

accounts grant to each of the AGI Advisors voting and/or investment power over the shares held by each of their respective clients or in accounts that each of them manages. As a result, each may be deemed to beneficially own the shares held by its clients or accounts within the meaning of Rule 13d-3 under the Act. Because AGI is the parent holding company of the AGI Advisors that are its subsidiaries, it may be deemed to beneficially own securities held by those AGI Advisors' clients or accounts. Each of AGI and the AGI Advisors also disclaims beneficial ownership of these securities except to the extent of that filer's pecuniary interest therein.

(11)

As reported on Amendment No. 2 to Schedule 13G dated as of December 31, 2013 and filed with the SEC on February 11, 2014. The Vanguard Group, Inc. has sole voting power as to 34,370 shares, sole dispositive power over 1,273,701 shares, shared dispositive power over 32,370 shares and aggregate beneficial ownership of 1,306,071 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 32,370 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 2,000 shares as a result of its serving as investment manager of Australian investment offerings.

### Section 16(a) Beneficial Ownership Reporting Compliance

Our executive officers, directors and any person who owns more than 10% of our common stock are required by Section 16(a) of the Exchange Act to file reports regarding their ownership of our stock. To our knowledge, based solely on a review of the copies of these reports furnished to us and written representations from these individuals that no other reports were required, all filing requirements were met with the following exceptions: a Form 4 for Mr. Pereira which was due on December 31, 2013, reporting the transfer of 233,559 shares of Group 1 common stock held directly by Mr. Pereira to Abbe Investments Ltd., a BVI Company, owned and managed by Mr. Pereira and his spouse, was filed late on January 22, 2014.

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## Equity Compensation Plan Information

The following table sets forth certain information regarding our equity compensation plans as of December 31, 2013.

Equity compensation plans approved by security holders	1,393,138*
Equity compensation plans not approved by security holders	
<b>Total</b>	<b>1,393,138</b>

\*

Includes 619,964 shares available under the Group 1 Automotive, Inc. Employee Stock Purchase Plan, and 773,174 shares available under the Group 1 Automotive, Inc. 2007 Long Term Incentive Plan.

## Stockholder Proposals for 2015 Annual Meeting

Pursuant to the various rules promulgated by the SEC, stockholders interested in submitting a proposal for inclusion in our proxy materials and for presentation at the 2015 Annual Meeting of Stockholders may do so by following the procedures set forth in Rule 14a-8 under the Exchange Act. In general, to be eligible for inclusion in our proxy materials, stockholder proposals must be received by our Corporate Secretary no later than December 11, 2014. No stockholder proposal was received for inclusion in this proxy statement.

In addition to the requirements of Rule 14a-8, and as more specifically provided for in our Amended and Restated Bylaws, in order for a nomination of persons for election to our Board or a proposal of business to be properly brought before our Annual Meeting of stockholders, it must be either specified in the notice of the meeting given by our Corporate Secretary or otherwise brought before the meeting by or at the direction of our Board or by a stockholder entitled to vote and who complies with the notice procedures set forth in our Amended and Restated Bylaws. Subject to the exception described below, a stockholder making a nomination for election to our Board or a proposal of business for the 2015 Annual Meeting of Stockholders must deliver proper notice to our Corporate Secretary at least 70 days but not more than 90 days prior to the anniversary date of the 2014 Annual Meeting of Stockholders. In other words, for a stockholder nomination for election to our Board or a proposal of business to be considered at the 2015 Annual Meeting of Stockholders, it should be properly submitted to our Corporate Secretary no earlier than February 19, 2015 and no later than March 11, 2015.

If we increase the number of directors to be elected at an Annual Meeting and do not make a public announcement naming all of the nominees for director and specifying the size of the increased Board at least 80 days prior to the first anniversary of the preceding year's Annual Meeting, a stockholder's notice regarding the nominees for the new positions created by the increase will be considered timely if it is delivered to our Corporate Secretary not later than the close of business on the 10th day following the day on which the public announcement is first made.



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For each individual that a stockholder proposes to nominate as a director, the stockholder's written notice to our Corporate Secretary must include the candidate's name, contact information, biographical information and qualifications. The request must also include the potential candidate's written consent to being named in our proxy statement as a nominee and to serving as a director if nominated and elected. From time to time, the Nominating/Governance Committee may request additional information from the nominee or the stockholder. For any other business that a stockholder desires to bring before an Annual Meeting, the stockholder notice must provide a brief description of such business, the reasons for conducting the business and any material interest in the business of the stockholder and any beneficial owner on whose behalf the stockholder has made the proposal. Finally, if a stockholder provides notice for either event described above, the notice must also include the following information in addition to any other information required by Rule 14a-8:

the name and address of the stockholder as it appears on our books;

the name and address of the beneficial owner, if any, as it appears on our books; and

the class or series and the number of shares of our stock that are owned beneficially and of record by the stockholder and the beneficial owner.

## 2013 Annual Report

**A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, including the financial statements and the financial statement schedules, if any, but not including exhibits, will be furnished at no charge to each person to whom a proxy statement is delivered upon the written request of such person addressed to 800 Gessner, Suite 500, Houston, TX 77024, Attn: Corporate Secretary.**

## Householding

We may send a single Notice of Internet Availability or set of proxy materials, as applicable, and other stockholder communications to any household at which two or more stockholders with the same last name reside, unless we have received contrary instructions from those stockholders. This process is called "householding." This reduces duplicate mailings and saves printing and postage costs as well as natural resources. The Notice of Internet Availability, proxy materials and other stockholder communications may be householded based on your prior express or implied consent. Stockholders who participate in householding will continue to have access to and utilize separate proxy voting instructions.

If you wish to opt out of householding, and would like to have separate copies of the Notice of Internet Availability or proxy materials, as applicable, mailed to each stockholder sharing your address, or if you are receiving multiple copies and would like to receive a single copy, please contact Broadridge Financial Solutions, Inc., by calling 1-800-542-1061 or by writing Broadridge Financial Solutions, Inc., Householding Department, 51 Mercedes Way, Edgewood, NY 11717. Broadridge will promptly deliver the requested materials. Beneficial owners (street name stockholders) sharing an address who are receiving multiple copies of the Notice of Internet Availability or proxy materials, as applicable, and other stockholder communications and who wish to receive a single copy of such materials in the future will need to contact their broker, bank or other nominee to request that only a single copy of such materials be mailed to all stockholders at the shared address in the future.

However, please note that if you want to receive a paper proxy card or vote instruction form or other proxy materials for purposes of this year's meeting, you should follow the instructions included in the information that was sent to you.



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## Other Matters

As of the date of filing this proxy statement, our Board is not aware of any other business or nominee to be presented or voted upon at the Annual Meeting. If any other business or nominee is properly presented, the proxies solicited by our Board will provide the proxy holders with the authority to vote on those matters and nominees in accordance with such persons' discretion. Where a stockholder has appropriately specified how a proxy is to be voted, it will be voted by the proxy holders in accordance with the specification.

By Order of the Board of  
Directors

Beth Sibley  
Corporate Secretary

## **Group 1 Automotive, Inc. 2014 Long Term Incentive Plan**

### **I. Purpose of the Plan**

The purpose of the **GROUP 1 AUTOMOTIVE, INC. 2014 LONG TERM INCENTIVE PLAN** (the "Plan") is to provide a means through which **GROUP 1 AUTOMOTIVE, INC.**, a Delaware corporation (the "Company"), and its Affiliates may attract qualified persons to serve as Directors or Consultants or to enter into or remain in the employ of the Company and its Affiliates and to provide a means whereby those individuals upon whom the responsibilities of the successful administration and management of the Company and its Affiliates rest, and whose present and potential contributions to the Company and its Affiliates are of importance, can acquire and maintain stock ownership, thereby strengthening their concern for the welfare of the Company and its Affiliates. Accordingly, the Plan provides for granting Incentive Stock Options, Options that do not constitute Incentive Stock Options, Restricted Stock Awards, Performance Awards, Phantom Stock Awards, Bonus Stock Awards, or any combination of the foregoing, as suited to the circumstances of the particular employee, Consultant, or Director as provided herein.

### **II. Definitions**

The following definitions shall be applicable throughout the Plan unless specifically modified by any paragraph:

- (a) "**Affiliate**" means any corporation, partnership, limited liability company or partnership, association, trust, or other organization which, directly or indirectly, controls, is controlled by, or is under common control with, the Company. For purposes of the preceding sentence, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any entity or organization, shall mean the possession, directly or indirectly, of the power (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of the controlled entity or organization or (ii) to direct or cause the direction of the management and policies of the controlled entity or organization, whether through the ownership of voting securities or by contract or otherwise.
- (b) "**Award**" means, individually or collectively, any Option, Restricted Stock Award, Performance Award, Phantom Stock Award, or Bonus Stock Award.
- (c) "**Board**" means the Board of Directors of the Company.
- (d) "**Bonus Stock Award**" means an Award granted under Paragraph XI of the Plan.
- (e) "**Code**" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations under such section.
- (f) "**Committee**" means a committee of the Board that is selected by the Board as provided in Subparagraph IV(a).
- (g) "**Common Stock**" means the common stock, par value \$0.01 per share, of the Company, or any security into which such common stock may be changed by reason of any transaction or event of the type described in Paragraph XII.
- (h) "**Company**" means **Group 1 Automotive, Inc.**, a Delaware corporation.

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- (i) "**Consultant**" means any person who is not an employee or a Director and who is providing advisory or consulting services to the Company or any Affiliate (provided that such person satisfies the Form S-8 definition of an "employee").
- (j) "**Corporate Change**" shall have the meaning assigned to such term in Subparagraph XII(c) of the Plan.
- (k) "**Director**" means an individual who is a member of the Board.
- (l) "**Effective Date**" has the meaning set forth in Paragraph III.
- (m) An "**employee**" means any person (including a Director) in an employment relationship with the Company or any Affiliate.
- (n) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.
- (o) "**Fair Market Value**" means, as of any specified date, (i) the mean of the high and low sales prices of the Common Stock reported on the New York Stock Exchange on that date or, if the Common Stock is not then listed on the New York Stock Exchange, on any other national securities exchange on which the Common Stock is listed, or, if there shall have been no such sales so reported on that date, on the last preceding date on which such a sale was so reported or (ii) if the Common Stock is traded over the counter at the time a determination of its fair market value is required to be made hereunder, the average between the reported high and low or closing bid and asked prices of Common Stock on the most recent date on which Common Stock was publicly traded. In the event Common Stock is not publicly traded at the time a determination of its value is required to be made hereunder, the determination of its fair market value shall be made by the Committee in such manner as it deems appropriate and as is consistent with the requirements of section 409A of the Code.
- (p) "**Incentive Stock Option**" means an incentive stock option within the meaning of section 422 of the Code.
- (q) "**Option**" means an Award granted under Paragraph VII of the Plan and includes both Incentive Stock Options to purchase Common Stock and Options that do not constitute Incentive Stock Options to purchase Common Stock.
- (r) "**Option Agreement**" means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee that sets forth the terms and conditions of an Option, which Option Agreement may be in an electronic medium, may be limited to notation on the books and records of the Company and, unless otherwise determined by the Committee, need not be signed by a representative of the Company or a Participant.
- (s) "**Participant**" means an employee, Consultant, or Director who has been granted an Award under the Plan.
- (t) "**Performance Award**" means an Award granted under Paragraph IX of the Plan.
- (u) "**Performance Award Agreement**" means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee that sets forth the terms and conditions of a Performance Award, which Performance Award Agreement may be in an electronic medium, may be limited to notation on the books and records of the Company and, unless otherwise determined by the Committee, need not be signed by a representative of the Company or a Participant.
- (v) "**Phantom Stock Award**" means an Award granted under Paragraph X of the Plan.
- (w) "**Phantom Stock Award Agreement**" means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee that sets forth the terms and conditions of a Performance Stock Award, which Performance Stock Award Agreement may be in an electronic medium,



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may be limited to notation on the books and records of the Company and, unless otherwise determined by the Committee, need not be signed by a representative of the Company or a Participant.

(x) "**Plan**" means the **Group 1 Automotive, Inc.** 2014 Long Term Incentive Plan, as amended from time to time.

(y) "**Prior Plan**" means the Group 1 Automotive, Inc. 2007 Long Term Incentive Plan (as amended and restated effective as of March 11, 2010).

(z) "**Qualified Performance-Based Award**" means any Performance Award, or portion of such award, granted to a "covered employee" (within the meaning of section 162(m) of the Code) that is intended to satisfy the requirements for "qualified performance-based compensation" under section 162(m) of the Code.

(aa) "**Restricted Stock Agreement**" means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee that sets forth the terms and conditions of a Restricted Stock Award, which Restricted Stock Agreement may be in an electronic medium, may be limited to notation on the books and records of the Company and, unless otherwise determined by the Committee, need not be signed by a representative of the Company or a Participant.

(bb) "**Restricted Stock Award**" means an Award granted under Paragraph VIII of the Plan.

(cc) "**Rule 16b-3**" means SEC Rule 16b-3 promulgated under the Exchange Act, as such may be amended from time to time, and any successor rule, regulation, or statute fulfilling the same or a similar function.

(dd) "**Stock Appreciation Right**" means a right to acquire, upon exercise of the right, Common Stock and/or, in the sole discretion of the Committee, cash having an aggregate value equal to the then excess of the Fair Market Value of the shares with respect to which the right is exercised over the exercise price therefor.

### III. Effective Date and Duration of the Plan

(a) **Effective Date.** The Plan was approved by the Board on March 25, 2014, subject to approval by the stockholders of the Company. The Plan shall be adopted upon stockholder approval and shall become effective as of the date of stockholder approval of the Plan (the "**Effective Date**").

(b) **Duration.** Unless sooner terminated as provided herein, the Plan shall terminate on the calendar day immediately preceding the 10<sup>th</sup> anniversary of the Effective Date. After the Plan is terminated, no Awards may be granted under the Plan but Awards previously granted under the Plan shall remain outstanding in accordance with their applicable terms and conditions and the Plan's terms and conditions.

(c) **Prior Plan.** No further grants shall be made under the Prior Plan from and after the Effective Date of the Plan.

### IV. Administration

(a) **Composition of Committee.** The Plan shall be administered by a committee of, and appointed by, the Board that shall be comprised solely of two or more outside Directors (within the meaning of the term "outside directors" as used in section 162(m) of the Code and applicable interpretive authority thereunder and within the meaning of the term "Non-Employee Director" as defined in Rule 16b-3).

(b) **Powers.** Subject to the express provisions of the Plan, the Committee shall have authority, in its discretion, to determine which employees, Consultants, or Directors shall receive an Award, the time or times when such Award shall be made, the type of Award that shall be made, the number of shares to be

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subject to each Option, Restricted Stock Award, or Bonus Stock Award, and the number of shares subject to or the value of each Performance Award or Phantom Stock Award. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, Consultants, or Directors, their present and potential contribution to the Company's success, and such other factors as the Committee in its sole discretion shall deem relevant.

**(c) Additional Powers.** The Committee shall have such additional powers as are delegated to it by the other provisions of the Plan. Subject to the express provisions of the Plan, this shall include the power to construe the Plan and the terms governing Awards granted hereunder, to prescribe rules and regulations relating to the Plan, to determine the terms, restrictions, and provisions of the agreement or other evidence relating to each Award, including such terms, restrictions, and provisions as shall be requisite in the judgment of the Committee to cause designated Options to qualify as Incentive Stock Options, and to make all other determinations necessary or advisable for administering the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any agreement or other evidence relating to an Award in the manner and to the extent the Committee shall deem expedient to carry the Plan or any such agreement or other evidence into effect. The determinations of the Committee on the matters referred to in this Paragraph IV shall be conclusive and binding on all persons having an interest under the Plan.

**(d) Non-U.S. Participants.** In order to facilitate the making of any grant or combination of grants under the Plan, the Committee may provide for such special terms for awards to Participants who are foreign nationals or who are employed by the Company or any Affiliate outside of the United States of America or who provide services to the Company under an agreement with a foreign nation or agency, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to or amendments, restatements or alternative versions of the Plan (including, without limitation, sub-plans) as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of the Plan as in effect for any other purpose, and the Secretary of the Company or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Plan. No such special terms, supplements, amendments or restatements, however, will include any provisions that are inconsistent with the terms of the Plan as then in effect unless the Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

## **V. Shares Subject to the Plan; Award Limits; Grant of Awards**

**(a) Shares Subject to the Plan and Award Limits.**

(i) Subject to adjustment in the manner as provided in Subparagraph XII(b), the aggregate maximum number of shares of Common Stock that may be issued or transferred under the Plan shall equal the sum of:

(A) 1,200,000 shares, plus

(B) the number of shares that remained available for issuance for future award grants under the Prior Plan as of the Effective Date, plus

(C) the number of shares subject to outstanding awards as of the Effective Date that were granted under the Prior Plan to the extent that any such award lapses or the rights of its holder terminate without all shares of Common Stock underlying such award being issued or transferred to the holder thereof or without any such holder receiving a cash settlement under any such award.



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(ii) For purposes of Subparagraph V(a)(i) above, shares of Common Stock shall be deemed to have been issued under the Plan only to the extent actually issued and delivered pursuant to an Award (and, with respect to an Award pursuant to which any shares of Common Stock have been issued or delivered subject to a forfeiture restriction, only to the extent such forfeiture restriction lapses). To the extent that an Award lapses or the rights of its holder terminate, any shares of Common Stock subject to such Award (or portion thereof that lapses, terminates or is forfeited), will again be available for the grant of an Award under the Plan; *provided, however*, that the following shares of Common Stock will not be added to the aggregate maximum number of shares of Common Stock available for issuance or transfer under Subparagraph V(a)(i) above: (A) shares of Common Stock tendered or otherwise used in payment of the option price of an Option (or the purchase price or exercise price of an option granted under the Prior Plan); (B) Common Stock withheld by the Company to satisfy a tax withholding obligation; (C) shares of Common Stock subject to a Stock Appreciation Right (or a stock appreciation right granted under the Prior Plan) that are not actually issued in connection with its Common Stock settlement on exercise thereof; and (D) shares of Common Stock reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of an Option (or options granted under the Prior Plan).

(iii) Notwithstanding any provision in the Plan to the contrary, (A) the aggregate maximum number of shares of Common Stock that may be issued under the Plan through Incentive Stock Options may not exceed 1,200,000 shares of Common Stock (subject to adjustment in the manner as provided in Subparagraph XII(b)), (B) the maximum number of shares of Common Stock that may be subject to Awards denominated in shares of Common Stock that may be granted to any one individual during any calendar year may not exceed 300,000 shares of Common Stock (subject to adjustment in the manner as provided in Subparagraph XII(b)), and (C) the maximum cash value of all Performance Awards denominated in cash that may be granted to any one individual during any calendar year may not exceed \$7,500,000 (with the cash value of each Performance Award to be determined on the date of grant). The limitations set forth in clauses (B) and (C) of the preceding sentence shall be applied in a manner that will permit *Qualified Performance-Based Awards* to satisfy the requirements under section 162(m) of the Code.

**(b) Grant of Awards.** The Committee may from time to time grant Awards to one or more employees, Consultants, or Directors determined by it to be eligible for participation in the Plan in accordance with the terms of the Plan.

**(c) Stock Offered.** Subject to the limitations set forth in Subparagraph V(a), the stock to be offered pursuant to the grant of an Award may be authorized but unissued Common Stock or Common Stock previously issued and outstanding and reacquired by the Company. Any of such shares which remain unissued and which are not subject to outstanding Awards at the termination of the Plan shall cease to be subject to the Plan but, until termination of the Plan, the Company shall at all times make available a sufficient number of shares to meet the requirements of the Plan.

## VI. Eligibility

Awards may be granted only to persons who, at the time of grant, are employees, Consultants, or Directors. An Award may be granted on more than one occasion to the same person, and, subject to the limitations set forth in the Plan, such Award may include an Incentive Stock Option, an Option that does not constitute an Incentive Stock Option, a Restricted Stock Award, a Performance Award, a Phantom Stock Award, a Bonus Stock Award, or any combination thereof.

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## VII. Stock Options

**(a) Option Period.** The term of each Option shall be as specified by the Committee at the date of grant, but in no event shall an Option be exercisable after the expiration of 10 years from the date of grant.

**(b) Exercise of Option or Stock Appreciation Right.** An Option or Stock Appreciation Right shall be exercisable in whole or in such installments and at such times as determined by the Committee. An Option or Stock Appreciation Right may provide for the early exercise of such Option or Stock Appreciation Right, including (x) in the event of the retirement, death or disability of a Participant, or (y) in the event of a Corporate Change where either (A) within a specified period the Participant is involuntarily terminated for reasons other than for cause or terminates his or her employment for good reason or (B) such Option or Stock Appreciation Right is not assumed or converted into a replacement award in a manner described in the Option Agreement.

**(c) Special Limitations on Incentive Stock Options.** An Incentive Stock Option may be granted only to an individual who is employed by the Company or any parent or subsidiary corporation (as defined in section 424 of the Code) at the time the Option is granted. To the extent that the aggregate fair market value (determined at the time the respective Incentive Stock Option is granted) of stock with respect to which Incentive Stock Options are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of the Company and its parent and subsidiary corporations exceeds \$100,000, such Incentive Stock Options shall be treated as Options that do not constitute Incentive Stock Options. The Committee shall determine, in accordance with applicable provisions of the Code, Treasury Regulations, and other administrative pronouncements, which of a Participant's Incentive Stock Options will not constitute Incentive Stock Options because of such limitation and shall notify the Participant of such determination as soon as practicable after such determination. No Incentive Stock Option shall be granted to an individual if, at the time the Option is granted, such individual owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its parent or subsidiary corporation, within the meaning of section 422(b)(6) of the Code, unless (i) at the time such Option is granted, the option price is at least 110% of the Fair Market Value of the Common Stock subject to the Option and (ii) such Option by its terms is not exercisable after the expiration of five years from the date of grant. Except as otherwise provided in sections 421 or 422 of the Code, an Incentive Stock Option shall not be transferable otherwise than by will or the laws of descent and distribution and shall be exercisable during the Participant's lifetime only by such Participant or the Participant's guardian or legal representative

**(d) Option Agreement.** Each Option shall be evidenced by an Option Agreement in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve, including, as applicable, provisions to qualify an Option as an Incentive Stock Option under section 422 of the Code. Each Option Agreement shall specify the effect of termination of (i) employment, (ii) the consulting or advisory relationship, or (iii) membership on the Board, as applicable, on the exercisability of the Option. Further, an Option Agreement may provide, on such terms and conditions as the Committee in its sole discretion may prescribe, for the grant of a Stock Appreciation Right in connection with the grant of an Option and, in such case, the exercise of the Stock Appreciation Right shall result in the surrender of the right to purchase a number of shares under the Option equal to the number of shares with respect to which the Stock Appreciation Right is exercised (and vice versa). In no event shall a Stock Appreciation Right be exercisable after the expiration of 10 years from the date of grant. In the case of any Stock Appreciation Right that is granted in connection with an Incentive Stock Option, such right shall be exercisable only when the Fair Market Value of the Common Stock exceeds the price specified therefor in the Option or the portion thereof to be surrendered. The terms and conditions of the respective Option Agreements need not be identical.

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**(e) Option Price and Payment.** The price at which a share of Common Stock may be purchased upon exercise of an Option shall be determined by the Committee but, subject to adjustment as provided in Paragraph XII and subject to Subparagraph XIV(g), such purchase price shall not be less than the Fair Market Value of a share of Common Stock on the date such Option is granted. The Option or portion thereof may be exercised by delivery of an irrevocable notice of exercise to the Company, as specified by the Committee. The purchase price of the Option or portion thereof will be payable (i) in cash or by check acceptable to the Company or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Company of Common Stock owned by the Participant having a value at the time of exercise equal to the total option price, (iii) subject to any conditions or limitations established by the Committee, the Company's withholding of Common Stock otherwise issuable upon exercise of an Option pursuant to a "net exercise" arrangement (it being understood that, solely for purposes of determining the number of treasury shares held by the Company, the Common Stock so withheld will not be treated as issued and acquired by the Company upon such exercise), (iv) by a combination of such methods of payment, or (v) to the extent permitted by law, by such other methods as may be approved by the Committee (including, but not limited to, a "cashless exercise" pursuant to procedures established by the Committee). Separate stock certificates shall be issued, or separate electronic recordkeeping entries shall be maintained with respect to shares of Common Stock delivered electronically, by the Company for those shares acquired pursuant to the exercise of an Incentive Stock Option and for those shares acquired pursuant to the exercise of any Option that does not constitute an Incentive Stock Option.

**(f) Restrictions on Repricing of Options and Stock Appreciation Rights.** Except as provided in Paragraph XII, the Committee may not, without approval of the stockholders of the Company, (i) amend any outstanding Option Agreement to lower the purchase price or exercise price, as applicable, for any Option or Stock Appreciation Right granted under such agreement or (ii) cancel any outstanding Option or Stock Appreciation Right in exchange for cash, other Awards or other Options or Stock Appreciation Rights that have an option price or exercise price, as applicable, that is less than the option price or exercise price of the original Option or Stock Appreciation Right, as applicable. This Subparagraph VII(f) is intended to prohibit the repricing of "underwater" Options and Stock Appreciation Rights and will not be construed to prohibit the adjustments provided for in Paragraph XII.

**(g) Stockholder Rights and Privileges.** The Participant shall be entitled to all the privileges and rights of a stockholder only with respect to such shares of Common Stock as have been purchased under the Option or Stock Appreciation Right and for which certificates of stock have been registered in the Participant's name or a book entry is made in such Participant's name. Options and Stock Appreciation Rights granted under the Plan may not provide for any dividends or dividend equivalents thereon.

## VIII. Restricted Stock Awards

**(a) Forfeiture Restrictions to Be Established by the Committee.** Shares of Common Stock that are the subject of a Restricted Stock Award shall be subject to restrictions on disposition by the Participant and an obligation of the Participant to forfeit and surrender the shares to the Company under certain circumstances (the "Forfeiture Restrictions"). The Forfeiture Restrictions shall be determined by the Committee in its sole discretion, and the Committee may provide that the Forfeiture Restrictions shall lapse upon (i) the attainment of one or more performance measures established by the Committee, (ii) the Participant's continued employment with the Company or continued service as a Consultant or Director for a specified period of time, (iii) the occurrence of any event or the satisfaction of any other condition specified by the Committee in its sole discretion, or (iv) a combination of any of the foregoing. Each Restricted Stock Award may have different Forfeiture Restrictions in the discretion of the Committee. Any Restricted Stock Award may provide for the early termination of the Forfeiture Restrictions on such Restricted Stock Award, including (x) in the event of the retirement, death or disability of a Participant or (y) in the event of a Corporate Change where either (A) within a specified period the Participant is involuntarily terminated for reasons other than for cause or terminates his or her employment for good

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reason or (B) such Restricted Stock Award is not assumed or converted into a replacement award in a manner described in the Restricted Stock Agreement; *provided, however*, that no Restricted Stock Award intended to be a Qualified Performance-Based Award will provide for such early termination of restrictions (other than in connection with the death or disability of the Participant or a Corporate Change) to the extent such provisions would cause such award to fail to be a Qualified Performance-Based Award.

**(b) Other Terms and Conditions.** Common Stock awarded pursuant to a Restricted Stock Award shall be represented by a stock certificate registered in the name of the Participant or restricted shares of Common Stock electronically delivered to a brokerage account established in the name of the Participant. Unless provided otherwise in a Restricted Stock Agreement, the Participant shall have the right to receive dividends with respect to Common Stock subject to a Restricted Stock Award, to vote Common Stock subject thereto, and to enjoy all other stockholder rights, except that (i) the Participant shall not be entitled to delivery of the stock certificate or unrestricted electronic delivery of the stock until the Forfeiture Restrictions have expired, (ii) the Company shall retain custody of the stock until the Forfeiture Restrictions have expired, (iii) the Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of the stock until the Forfeiture Restrictions have expired, (iv) a breach of the terms and conditions established by the Committee pursuant to the Restricted Stock Agreement shall cause a forfeiture of the Restricted Stock Award, and (v) with respect to the payment of any dividend with respect to shares of Common Stock subject to a Restricted Stock Award that is subject to performance-vesting measures, each such dividend shall in all cases be deferred until and paid contingent upon the achievement of the performance measures applicable to the underlying Restricted Stock Award.

**(c) Payment for Restricted Stock.** The Committee shall determine the amount and form of any payment for Common Stock received pursuant to a Restricted Stock Award, provided that in the absence of such a determination, a Participant shall not be required to make any payment for Common Stock received pursuant to a Restricted Stock Award, except to the extent otherwise required by law.

**(d) Restricted Stock Agreements.** At the time any Award is made under this Paragraph VIII, the Company and the Participant shall document the terms of such Restricted Stock Award pursuant to a Restricted Stock Agreement setting forth each of the matters contemplated hereby and such other matters as the Committee may determine to be appropriate. The terms and provisions of the respective Restricted Stock Agreements need not be identical.

## **IX. Performance Awards**

**(a) Performance Period; Dividend Equivalents.** The Committee shall establish, with respect to and at the time of each Performance Award, the number of shares of Common Stock subject to, or the maximum value of, the Performance Award and the performance period over which the performance applicable to the Performance Award shall be measured. Performance Awards may include Qualified Performance-Based Awards, as well as Performance Awards that are not intended to so qualify. The Committee may, at the time of a Performance Award (other than a Restricted Stock Award that is granted as a Performance Award), provide for the payment of dividend equivalents to the holder thereof either in cash or in additional Common Stock, subject in all cases to deferral and payment on a contingent basis based on the Participant's earning of the shares of Common Stock underlying such Performance Award with respect to which such dividend equivalents are paid.

**(b) Performance Measures.** A Performance Award shall be awarded to a Participant contingent upon future performance of the Company or any Affiliate, division, or department thereof during the performance period. The Committee shall establish the performance measures applicable to such performance, which performance measures shall be established for a Qualified Performance-Based Award either (i) prior to the beginning of the performance period or (ii) within 90 days after the beginning of the performance period if the outcome of the performance targets is substantially uncertain at the time such targets are established, but not later than the date that 25% of the performance period has elapsed. Such performance measures

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(x) may be made subject to adjustment for specified significant extraordinary items or events, provided that no such adjustment will be made in the case of a Qualified Performance-Based Award (other than in connection with the death or disability of the Participant or a Corporate Change) where such action would result in the loss of the otherwise available exemption of the Award under section 162(m) of the Code, (y) may be absolute, relative to one or more other companies, relative to one or more indexes and (z) may be contingent upon future performance of the Company or any Affiliate, division, or department thereof. The performance measures established by the Committee for any Qualified Performance-Based Award will be based upon one or more, or a combination of, the following metrics (including relative or growth achievement regarding such metrics): (1) the price of a share of Common Stock, (2) the Company's earnings per share, (3) the Company's market share, (4) the market share of a business unit of the Company designated by the Committee, (5) the Company's sales, (6) the sales of a business unit of the Company designated by the Committee, (7) the profit margins of the Company or any business unit of the Company designated by the Committee, (8) the net income (before or after taxes) of the Company or any business unit of the Company designated by the Committee or any component of such net income calculation (including but not limited to sales, general and administrative expenses), (9) the cash flow or return on investment of the Company or any business unit of the Company designated by the Committee, (10) the earnings before or after interest, taxes, depreciation, and/or amortization of the Company or any business unit of the Company designated by the Committee, (11) economic value added, (12) the return on capital, assets, or stockholders' equity achieved by the Company, (13) the total stockholders' return achieved by the Company, or (14) a combination of any of the foregoing. In the case of a Qualified Performance-Based Award, each performance measure will be objectively determinable to the extent required under section 162(m) of the Code, and, unless otherwise determined by the Committee and to the extent consistent with section 162(m) of the Code, will exclude the effects of certain designated items identified at the time of grant. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the performance objectives unsuitable, the Committee may in its discretion modify such performance objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable, except in the case of a Qualified Performance-Based Award (other than in connection with a Corporate Change) where such action would result in the loss of the otherwise available exemption of the Award under section 162(m) of the Code. In such case, the Committee will not make any modification of the performance objectives or minimum acceptable level of achievement with respect to such Award.

**(c) Awards Criteria.** In determining the value of Performance Awards, the Committee may take into account a Participant's responsibility level, performance, potential, other Awards, and such other considerations as it deems appropriate. The Committee, in its sole discretion, may provide for a reduction in the value of a Participant's Performance Award during the performance period.

**(d) Payment.** Following the end of the performance period (or at such other time as the applicable Performance Award Agreement may provide), the holder of a Performance Award shall be entitled to receive an amount not exceeding the number of shares of Common Stock subject to, or the maximum value of, the Performance Award, based on the achievement of the performance measures for such performance period, as determined and certified in writing by the Committee with respect to any Qualified Performance-Based Award. Payment of a Performance Award may be made in cash, Common Stock, or a combination thereof, as determined by the Committee. Payment may be made in a lump sum or in installments as prescribed by the Committee in the Performance Award Agreement. If a Performance Award denominated in shares of Common Stock is to be paid in cash, such payment shall be based on the Fair Market Value of the Common Stock on the payment date or such other date as may be specified by the Committee in the Performance Award Agreement.

**(e) Performance Award Agreements.** At the time any Award is made under this Paragraph IX, the Company shall document the terms of the Performance Award pursuant to a Performance Award Agreement setting forth each of the matters contemplated hereby and such additional matters as the

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Committee may determine to be appropriate. Any Performance Award may provide for the early lapse of the performance period or other modification with respect to the performance period, including (i) in the event of the retirement, death or debility of a Participant or (ii) in the event of a Corporate Change where either (A) within a specified period the Participant is involuntarily terminated for reasons other than for cause or terminates his or her employment for good reason or (B) such Performance Award is not assumed or converted into a replacement award in a manner described in the Performance Award Agreement; *provided, however*, that no Performance Award intended to be a Qualified Performance-Based Award will provide for such early lapse or modification of the performance period (other than in connection with the death or disability of the Participant or a Corporate Change) to the extent such provisions would cause such award to fail to be a Qualified Performance-Based Award. The terms and provisions of the respective Performance Award Agreements need not be identical.

## X. Phantom Stock Awards

**(a) Phantom Stock Awards; Dividend Equivalents.** Phantom Stock Awards are rights to receive shares of Common Stock (or the Fair Market Value thereof), or rights to receive an amount equal to any appreciation or increase in the Fair Market Value of Common Stock over a specified period of time, which vest over a period of time, as established by the Committee, without satisfaction of any performance criteria or objectives. The Committee may, in its discretion, require payment or other conditions of the Participant respecting any Phantom Stock Award. A

Phantom Stock Award may include, without limitation, a Stock Appreciation Right that is granted independently of an Option; *provided, however*, that the exercise price per share of Common Stock subject to the Stock Appreciation Right shall be determined by the Committee but, subject to adjustment as provided in Paragraph XII and subject to Subparagraph XIV(g), such exercise price shall not be less than the Fair Market Value of a share of Common Stock on the date such Stock Appreciation Right is granted. The Committee may, at the time of a Phantom Stock Award (other than a Stock Appreciation Right), provide for the payment of dividend equivalents to the holder thereof either in cash or in additional Common Stock, with any such dividend equivalents to become payable in compliance with section 409A of the Code, as applicable.

**(b) Award Period.** The Committee shall establish, with respect to and at the time of each Phantom Stock Award, a period over which the Award shall vest with respect to the Participant. Any Phantom Stock Award may provide for the early lapse of the service period or other modification of the service period, including (i) in the event of the retirement, death or disability of a Participant or (ii) in the event of a Corporate Change where either (A) within a specified period the Participant is involuntarily terminated for reasons other than for cause or terminates his or her employment for good reason or (B) such Phantom Stock Award is not assumed or converted into a replacement award in a manner described in the Phantom Stock Award Agreement.

**(c) Awards Criteria.** In determining the value of Phantom Stock Awards, the Committee may take into account a Participant's responsibility level, performance, potential, other Awards, and such other considerations as it deems appropriate.

**(d) Payment.** Following the end of the vesting period for a Phantom Stock Award (or at such other time as the applicable Phantom Stock Award Agreement may provide), the holder of a Phantom Stock Award shall be entitled to receive payment of an amount, not exceeding the maximum value of the Phantom Stock Award, based on the then vested value of the Award. Payment of a Phantom Stock Award may be made in cash, Common Stock, or a combination thereof, as determined by the Committee. If a Phantom Stock Award that is denominated in shares of Common Stock is to be paid in cash, such payment shall be based on the Fair Market Value of the Common Stock on the payment date or such other date as may be specified by the Committee in the Performance Award Agreement.

**(e) Termination of Award.** A Phantom Stock Award shall terminate if the Participant does not remain continuously in the employ of the Company and its Affiliates or does not continue to perform services as a

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Consultant or a Director for the Company and its Affiliates at all times during the applicable vesting period, except as may be otherwise determined by the Committee).

**(f) Phantom Stock Award Agreements.** At the time any Award is made under this Paragraph X, the Company shall document the terms of such Phantom Stock Award pursuant to a Phantom Stock Award Agreement setting forth each of the matters contemplated hereby and such additional matters as the Committee may determine to be appropriate. The terms and provisions of the respective Phantom Stock Award Agreements need not be identical.

## **XI. Bonus Stock Awards**

Each Bonus Stock Award granted to a Participant shall constitute a transfer of unrestricted shares of Common Stock on such terms and conditions as the Committee shall determine. Bonus Stock Awards shall be made in shares of Common Stock and need not be subject to performance criteria or objectives or to forfeiture. The purchase price, if any, for shares of Common Stock issued in connection with a Bonus Stock Award shall be determined by the Committee in its sole discretion.

## **XII. Recapitalization or Reorganization**

**(a) No Effect on Right or Power.** The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization, or other change in the Company's or any Affiliate's capital structure or its business, any merger or consolidation of the Company or any Affiliate, any issue of debt or equity securities ahead of or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any Affiliate, any sale, lease, exchange, or other disposition of all or any part of its or any of its Affiliates' assets or business, or any other corporate act or proceeding.

**(b) Adjustments.** In the event of any corporate event or transaction (including, but not limited to, a change in the Common Stock or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, special cash dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of shares of Common Stock, exchange of shares of Common Stock, dividend in-kind, or other like change in capital structure, number of outstanding shares of Common Stock or distribution (other than normal cash dividends) to stockholders of the Company, or any similar corporate event or transaction, the Committee shall, in order to prevent dilution or enlargement of Participants' rights under the Plan and outstanding awards, substitute or adjust, as applicable, the number and kind of shares of Common Stock (or other securities) that may be issued under the Plan or under particular forms of Awards, the number and kind of shares of Common Stock (or other securities) subject to outstanding Awards, the option price or exercise price applicable to outstanding Awards, the Award limits set forth in Subparagraph V(a) (provided that the Incentive Stock Option limit shall be adjusted if and to the extent such adjustment would not cause any Option intended to qualify as an Incentive Stock Option to fail to so qualify) and the terms and conditions of outstanding Awards. Notwithstanding anything herein to the contrary, the Committee may not take any such action as described in this Subparagraph XII(b) that would cause an Award that is otherwise exempt from section 409A of the Code to become subject to section 409A of the Code, or cause an Award that is subject to the requirements of section 409A of the Code to fail to comply with such requirements, or cause a Qualified Performance-Based Award to fail to satisfy the requirements under section 162(m) of the Code. The determination of the Committee as to the foregoing adjustments, if any, shall be final, conclusive and binding on the Company and all Participants and other parties having any interest in an Award under the Plan.

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**(c) Corporate Changes.** For purposes of the Plan, except as may be otherwise prescribed by the Committee in the terms governing an Award granted under the Plan, a "Corporate Change" will be deemed to have occurred upon any of the following events: (i) the Company shall not be the surviving entity in any merger or consolidation (or survives only as a subsidiary of an entity), (ii) the Company sells, leases, or exchanges all or substantially all of its assets to any other person or entity, (iii) the Company is to be dissolved and liquidated, (iv) any person or entity, including a "group" as contemplated by section 13(d)(3) of the Exchange Act, acquires or gains ownership or control (including, without limitation, power to vote) of more than 50% of the outstanding shares of the Company's voting stock (based upon voting power), or (v) as a result of or in connection with a contested election of Directors, the persons who were Directors of the Company before such election shall cease to constitute a majority of the Board.

**(d) Stockholder Action.** Any adjustment provided for in the above Subparagraphs shall be subject to any required stockholder action.

**(e) No Adjustments Unless Otherwise Provided.** Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Common Stock subject to Awards theretofore granted or the purchase price per share or exercise price per share, if applicable.

## **XIII. Amendment and Termination of the Plan; Amendment of Awards**

**(a) Plan.** The Board in its discretion may terminate the Plan at any time with respect to any shares of Common Stock for which Awards have not theretofore been granted. The Board shall have the right to alter or amend the Plan or any part thereof from time to time; provided that no change in the Plan may be made that would impair the rights of a Participant with respect to an Award theretofore granted without the consent of the Participant; and provided, further, that the Board may not, without approval of the stockholders of the Company, (i) amend the Plan to increase the maximum aggregate number of shares that may be issued under the Plan or the benefits otherwise accrued to Participants under the Plan, (ii) increase the maximum number of shares that may be issued under the Plan through Incentive Stock Options, (iii) change the class of individuals eligible to receive Awards under the Plan, or (iv) amend or delete Subparagraph VII(f). Further, to the extent stockholder approval of an amendment to the Plan is necessary to satisfy (1) the requirements of Rule 16b-3 or (2) any securities exchange listing requirements of the New York Stock Exchange or other securities exchange on which the Common Stock is then listed, no such amendment shall be effective unless and until so approved by the stockholders of the Company.

**(b) Awards.** If permitted by section 409A of the Code and section 162(m) of the Code, including in the case of termination of employment by reason of death, disability or retirement, or in the event of a Corporate Change, to the extent a Participant holds an Option or Stock Appreciation Right not immediately exercisable in full, or any Restricted Stock Award as to which the Forfeiture Restrictions have not lapsed, or any Performance Award or Phantom Stock Award as to which the performance period or service period, as applicable, has not been completed, the Committee may, in its sole discretion, accelerate the time at which such Option, Stock Appreciation Right or other award may be exercised or the time at which such Forfeiture Restrictions will lapse or the time when such performance period or service period will end or may waive any other limitation or requirement under any such Award, except in the case of a Qualified Performance-Based Award where such action would result in the loss of the otherwise available exemption of the Award under Section 162(m) of the Code. The Committee may

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amend the terms of any Award theretofore granted under the Plan prospectively or retroactively, except in the case of a Qualified Performance-Based Award (other than in connection with the Participant's death or disability, or a Corporate Change) where such action would result in the loss of the otherwise available exemption of the award under section 162(m) of the Code. In such case, the Committee will not make any modification of the performance metrics or the level or levels of achievement with respect to such Qualified Performance-Based Award. Subject to Paragraph XII, no such amendment will impair the rights of any Participant without his or her consent.

## **XIV. Miscellaneous**

**(a) No Right to an Award.** Neither the adoption of the Plan nor any action of the Board or of the Committee shall be deemed to give any individual any right to be granted an Option, a right to a Restricted Stock Award, a right to a Performance Award, a right to a Phantom Stock Award, a right to a Bonus Stock Award, or any other rights hereunder except as may be evidenced by an Award agreement duly executed on behalf of the Company, and then only to the extent and on the terms and conditions expressly set forth therein. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to assure the performance of its obligations under any Award.

**(b) No Employment/Membership Rights Conferred.** Nothing contained in the Plan shall (i) confer upon any employee or Consultant any right with respect to continuation of employment or of a consulting or advisory relationship with the Company or any Affiliate or (ii) interfere in any way with the right of the Company or any Affiliate to terminate his or her employment or consulting or advisory relationship at any time. Nothing contained in the Plan shall confer upon any Director any right with respect to continuation of membership on the Board.

**(c) Other Laws; Withholding.** The Company shall not be obligated to issue any Common Stock pursuant to any Award granted under the Plan at any time when the shares covered by such Award have not been registered under the Securities Act of 1933, as amended, and such other state and federal laws, rules, and regulations as the Company or the Committee deems applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration requirements of such laws, rules, and regulations available for the issuance and sale of such shares. No fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid. To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under the Plan, and the amounts available to the Company for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld, which arrangements (in the discretion of the Committee) may include relinquishment of a portion of such benefit. If a Participant's benefit is to be received in the form of Common Stock, and such Participant fails to make arrangements for the payment of tax, then, unless otherwise determined by the Committee, the Company will withhold shares of Common Stock having a value equal to the amount required to be withheld. Notwithstanding the foregoing, when a Participant is required to pay the Company an amount required to be withheld under applicable income and employment tax laws, the Participant may elect, unless otherwise determined by the Committee, to satisfy the obligation, in whole or in part, by having withheld, from the shares required to be delivered to the Participant, shares of Common Stock having a value equal to the amount required to be withheld (except in the case of a Restricted Stock Award where an election under section 83(b) of the Code has been made), or by delivering to the Company other shares of Common Stock held by such Participant. The shares used for tax withholding will be valued at an amount equal to the market value of such Common Stock on the date the benefit is to be included in Participant's income. In no event will the market value of the Common Stock to be withheld and delivered pursuant to this Section to satisfy applicable withholding taxes in connection with the benefit exceed the minimum amount of taxes required

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to be withheld. Participants will also make such arrangements as the Company may require for the payment of any withholding tax obligation that may arise in connection with the disposition of Common Stock acquired upon the exercise of Options or Stock Appreciation Rights.

**(d) No Restriction on Corporate Action.** Nothing contained in the Plan shall be construed to prevent the Company or any Affiliate from taking any action which is deemed by the Company or such Affiliate to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any Award made under the Plan. No Participant, beneficiary or other person shall have any claim against the Company or any Affiliate as a result of any such action.

**(e) Restrictions on Transfer.** An Award (other than an Incentive Stock Option, which shall be subject to the transfer restrictions set forth in Subparagraph VII(c)) shall not be transferable otherwise than (i) by will or the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder, or (iii) with the consent of the Committee; *provided, however*, that in no event shall a transfer of an Award in exchange for consideration to be paid or provided to the holder of such Award (including, without limitation, a Participant) be approved by the Committee pursuant to this paragraph.

**(f) Compliance with Section 409A of the Code**

(i) To the extent applicable, it is intended that the Plan and any grants made hereunder comply with the provisions of section 409A of the Code, so that the income inclusion provisions of section 409A(a)(1) of the Code do not apply to the Participants. The Plan and any grants made hereunder will be administered in a manner consistent with this intent. Any reference in the Plan to section 409A of the Code will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

(ii) Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of section 409A of the Code) payable under the Plan and grants hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under section 409A of the Code, any deferred compensation (within the meaning of section 409A of the Code) payable to a Participant or for a Participant's benefit under the Plan and grants hereunder may not be reduced by, or offset against, any amount owing by a Participant to the Company or any of its subsidiaries.

(iii) If, at the time of a Participant's separation from service (within the meaning of section 409A of the Code), (i) the Participant will be a specified employee (within the meaning of section 409A of the Code and using the identification methodology selected by the Company from time to time) and (ii) the Company makes a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in section 409A of the Code in order to avoid taxes or penalties under section 409A of the Code, then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it, without interest, on the tenth business day of the seventh month after such separation from service.

(iv) Notwithstanding any provision of the Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of section 409A of the Code, the Company reserves the right to make amendments to the Plan and grants hereunder as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under section 409A of the Code. In any case, a Participant will be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with the Plan and grants hereunder (including any taxes and penalties under section 409A of the Code), and neither the Company nor any of its affiliates will have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.



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**(g) Stock-Based Awards in Substitution for Option Rights or Awards Granted by Other Company.** Notwithstanding anything in the Plan to the contrary:

(i) Awards may be granted under the Plan in substitution for or in conversion of, or in connection with an assumption of, stock options, stock appreciation rights, restricted stock, restricted stock units or other stock or stock-based awards held by awardees of an entity engaging in a corporate acquisition or merger transaction with the Company or any subsidiary of the Company. Any conversion, substitution or assumption will be effective as of the close of the merger or acquisition, and, to the extent applicable, will be conducted in a manner that complies with section 409A of the Code. The awards so granted may reflect the original terms of the awards being assumed or substituted or converted for and need not comply with other specific terms of the Plan, and may account for Common Stock substituted for the securities covered by the original awards and the number of shares subject to the original awards, as well as any exercise or purchase prices applicable to the original awards, adjusted to account for differences in stock prices in connection with the transaction.

(ii) In the event that a company acquired by the Company or any subsidiary of the Company or with which the Company or any subsidiary of the Company merges has shares available under a pre-existing plan previously approved by stockholders and not adopted in contemplation of such acquisition or merger, the shares available for grant pursuant to the terms of such plan (as adjusted, to the extent appropriate, to reflect such acquisition or merger) may be used for awards made after such acquisition or merger under the Plan; *provided, however*, that awards using such available shares may not be made after the date awards or grants could have been made under the terms of the pre-existing plan absent the acquisition or merger, and may only be made to individuals who were not employees or directors of the Company or any Subsidiary prior to such acquisition or merger.

(iii) Any shares of Common Stock that are issued or transferred by, or that are subject to any awards that are granted by, or become obligations of, the Company under Subparagraphs XIV(g)(i)-(ii) above will not reduce the Common Stock available for issuance or transfer under the Plan or otherwise count against the limits contained in Paragraph V of the Plan. In addition, no shares of Common Stock that are issued or transferred by, or that are subject to any awards that are granted by, or become obligations of, the Company under Subparagraphs XIV(g)(i)-(ii) above will be added to the aggregate plan limit contained in Paragraph V of the Plan.

**(h) Detrimental Activity and Recapture Provisions.** Any Option Agreement, Phantom Award Agreement, Performance Award Agreement or Restricted Stock Agreement may provide for the cancellation or forfeiture of an Award or the forfeiture and repayment to the Company of any gain related to an Award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the Committee from time to time, if a Participant, either (i) during employment or other service with the Company or an Affiliate thereof or (ii) within a specified period after termination of such employment or service, shall engage in any detrimental activity. In addition, notwithstanding anything in the Plan to the contrary, any Option Agreement, Phantom Award Agreement, Performance Award Agreement or Restricted Stock Agreement may also provide for the cancellation or forfeiture of an award or the forfeiture and repayment to the Company of any gain related to an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be required by the Committee or under Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded.

**(i) Governing Law.** The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to conflicts of laws principles thereof.

















