

STAG Industrial, Inc.  
Form DEF 14A  
March 22, 2017

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**STAG Industrial, Inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Edgar Filing: STAG Industrial, Inc. - Form DEF 14A

- (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:
-

---

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON MAY 1, 2017**

---

To our stockholders:

You are cordially invited to attend the 2017 annual meeting of the stockholders of STAG Industrial, Inc., a Maryland corporation, at the offices of DLA Piper LLP (US) at 33 Arch Street, 26th Floor, in Boston, Massachusetts, on May 1, 2017, at 1:30 p.m., local time. At the meeting, stockholders will consider and vote on the following matters:

1. the election of seven directors to hold office until our 2018 annual meeting of stockholders and until his successor has been duly elected and qualifies;
2. the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2017; and
3. the approval, by non-binding vote, of our executive compensation.

In addition, stockholders will consider and vote on such other business as may properly come before the annual meeting, including any adjournments or postponements of the meeting.

If you own shares of our common stock as of the close of business on March 6, 2017, you can vote those shares by proxy or at the meeting.

## Edgar Filing: STAG Industrial, Inc. - Form DEF 14A

Pursuant to rules promulgated by the Securities and Exchange Commission, we are providing access to our proxy materials over the internet. On or about March 22, 2017, we expect to mail our stockholders either (i) a copy of this proxy statement, the accompanying proxy card, our annual report and the notice of internet availability of proxy materials (the Notice ) or (ii) the Notice only, each in connection with the solicitation of proxies by the board of directors for use at the annual meeting and any adjournments or postponements thereof. If you received only the Notice by mail, you will not receive a printed copy of the proxy materials other than as described herein. The Notice contains instructions for your use of this process, including how to access our proxy statement and annual report over the internet, how to authorize your proxy to vote online and how to request a paper copy of the proxy statement and annual report.

If you are unable to attend the meeting in person, it is very important that your shares be represented and voted at the annual meeting. You may authorize your proxy to vote your shares over the internet as described in the Notice. Alternatively, if you received a paper copy of the proxy card by mail, please complete, date, sign and promptly return the proxy card in the self-addressed stamped envelope provided. You also may vote by telephone as described in your proxy card. If you vote your shares over the internet, by mail or by telephone before the annual meeting, you may nevertheless revoke your proxy and cast your vote personally at the meeting.

By order of the board of directors:

**JEFFREY M. SULLIVAN**  
*Executive Vice President, General Counsel and Secretary*

Boston, Massachusetts

March 22, 2017

---

**STAG INDUSTRIAL, INC.**

**One Federal Street, 23rd Floor**

**Boston, Massachusetts 02110**

---

**2017 ANNUAL MEETING OF STOCKHOLDERS**

**PROXY STATEMENT**

---

**QUESTIONS AND ANSWERS**

***Q: Why did I receive a notice of internet availability of proxy materials?***

**A:** The board of directors is soliciting proxies to be voted at our annual meeting. The annual meeting will be held at the offices of DLA Piper LLP (US) at 33 Arch Street, 26th Floor, in Boston, Massachusetts, on Monday, May 1, 2017, at 1:30 p.m., local time. Pursuant to rules promulgated by the Securities and Exchange Commission ( SEC ), we are providing access to our proxy materials over the internet. On or about March 22, 2017, we are mailing to our stockholders of record on March 6, 2017, either (i) a copy of this proxy statement, the accompanying proxy card, our annual report and the notice of internet availability of proxy materials (the Notice ), or (ii) the Notice only. The Notice and this proxy statement summarize the information you need to know to vote by proxy or in person at the annual meeting. You do not need to attend the annual meeting in person in order to vote.

***Q: When was the Notice mailed?***

**A:** The Notice was mailed to stockholders beginning on or about March 22, 2017.

***Q: Who is entitled to vote?***

A: All common stockholders of record as of the close of business on March 6, 2017, the record date, are entitled to vote at the annual meeting.

**Q: *What is the quorum for the meeting?***

A: A quorum at the annual meeting will consist of a majority of the votes entitled to be cast by the holders of all shares of common stock outstanding. No business may be conducted at the meeting if a quorum is not present. As of the record date, 82,186,530 shares of common stock were issued and outstanding. If less than a majority of outstanding shares entitled to vote are represented at the annual meeting, the chairman of the meeting may adjourn the annual meeting to another date, time or place, not later than 120 days after the original record date of March 6, 2017. Notice need not be given of the new date, time or place if announced at the meeting before an adjournment is taken.

**Q: *How many votes do I have?***

A: You are entitled to one vote for each whole share of common stock you held as of the record date. Our stockholders do not have the right to cumulate their votes for directors.

**Q: *What is the difference between holding shares as a stockholder of record and as a beneficial owner?***

A: If your shares are registered in your name with our transfer agent, Continental Stock Transfer & Trust Company, LLC, you are the stockholder of record of those shares.

---

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of those shares. The Notice and proxy statement and any accompanying documents have been forwarded to you by your broker, bank or other holder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote your shares by using the voting instruction card or by following their instructions for voting by telephone or on the internet.

**Q:** *How do I vote?*

**A:** Whether or not you plan to attend the annual meeting, we urge you to authorize your proxy to vote your shares over the internet as described in the Notice. Alternatively, if you received a paper copy of the proxy card by mail, please complete, date, sign and promptly return the proxy card in the self-addressed stamped envelope provided. You also may authorize your proxy to vote your shares by telephone as described in your proxy card. Authorizing your proxy over the internet, by mailing a proxy card or by telephone, will not limit your right to attend the annual meeting and vote your shares in person. Your proxy (the individual named in your proxy card) will vote your shares per your instructions.

**Q:** *How do I vote my shares that are held by my broker?*

**A:** If you have shares held by a broker, you may instruct your broker to vote your shares by following the instructions that the broker provides to you. Most brokers allow you to authorize your proxy by mail, telephone and on the internet. If you have shares held by a broker, you must obtain a written proxy executed in your favor, from the broker holding your shares in order to vote your shares in person at the annual meeting.

**Q:** *What am I voting on?*

**A:** You will be voting on:

- Proposal 1: the election of seven directors to hold office until our 2018 annual meeting of stockholders and until his successor has been elected and qualifies;
- Proposal 2: the ratification of the appointment of PricewaterhouseCoopers LLP to act as our independent registered public accounting firm for year ending December 31, 2017; and

- Proposal 3: the approval, by non-binding vote, of our executive compensation.

In addition, you will be voting on such other business as may properly come before the annual meeting, including any adjournments or postponements thereof.

***Q: What vote is required to approve the proposals assuming that a quorum is present at the annual meeting?***

A: Proposal 1: Election of Directors	The election of the director nominees must be approved by a plurality of the votes cast. However, any nominee for director must submit a written resignation offer to the board of directors within two weeks after our certification of the stockholder vote, if the nominee received a greater number of votes withheld from his or her election than votes for his or her election. See Majority Vote Policy below.
Proposal 2: Ratification of Independent Auditors	Ratification of the appointment of auditors requires a majority of the votes cast.
Proposal 3: Advisory Vote on Executive Compensation	Advisory vote approving executive compensation requires a majority of the votes cast.



**Q: *How are abstentions and broker non-votes treated?***

A: If you are a beneficial owner whose shares are held of record by a broker, you must instruct the broker how to vote your shares. A broker non-vote occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item (such as the election of directors and the approval of our executive compensation) and has not received instructions from the beneficial owner.

If you are a beneficial owner whose shares are held of record by a broker, your broker has discretionary voting authority under New York Stock Exchange ( NYSE ) rules to vote your shares on the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm even if the broker does not receive voting instructions from you. However, your broker does not have discretionary authority to vote on the election of directors or on the advisory vote approving our executive compensation, in which case a broker non-vote will occur and your shares will not be voted on these matters.

Pursuant to Maryland law, abstentions and broker non-votes are counted as present for purposes of determining the presence of a quorum. For purposes of the election of directors and the vote on Proposal 3, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote. For purposes of the vote on Proposal 2, abstentions will not be counted as votes cast and will have no effect on the result of the vote.

***Important: Beneficial owners of shares held in broker accounts are advised that, if they do not timely provide instructions to their broker, pursuant to NYSE Rule 452, their shares will not be voted in connection with the election of directors or the proposal on our executive compensation. Accordingly, it is particularly important that beneficial owners instruct their brokers how they wish to vote their shares.***

**Q: *Will there be any other items of business on the agenda?***

A: The board of directors does not know of any other matters that may be brought before the annual meeting nor does it foresee or have reason to believe that proxy holders will have to vote for substitute or alternate nominees for election to the board of directors. If any other matter should come before the annual meeting or any nominee is not available for election, the persons named in the enclosed proxy will have discretionary authority to vote all proxies with respect to such matters in accordance with their discretion.

**Q: *What happens if I submit my proxy without providing voting instructions on all proposals?***

A: Proxies properly submitted via the internet, mail or telephone will be voted at the annual meeting in accordance with your directions. If the properly-submitted proxy does not provide voting instructions on a proposal, the proxy will be voted as follows:

- if you are a stockholder of record, to elect (FOR) each of the director nominees listed in Proposal 1 Election of Directors; if you are a beneficial owner whose shares are held of record by a broker, a broker non-vote will occur;
- if you are a stockholder of record or if you are a beneficial owner whose shares are held of record by a broker, in favor of (FOR) Proposal 2 Ratification of Appointment of Independent Registered Public Accounting Firm; and
- if you are a stockholder of record, in favor of (FOR) Proposal 3 Advisory (Non-Binding) Vote Approving Executive Compensation; if you are a beneficial owner whose shares are held of record by a broker, a broker non-vote will occur.

**Q: *Will anyone contact me regarding this vote?***

A: No arrangements or contracts have been made with any solicitors as of the date of this proxy statement, although we reserve the right to engage solicitors at any time if we deem them necessary. Such solicitations may be made by mail, telephone, facsimile, e-mail or personal interviews.

**Q: *Who has paid for this proxy solicitation?***

A: We have paid the entire expense of preparing, printing and mailing the Notice and, to the extent requested by our stockholders, the proxy materials and any additional materials furnished to stockholders. Proxies may be solicited by our directors, officers or employees personally or by telephone without additional compensation for such activities. We also will request persons, firms and corporations holding shares in their names or in the names of their nominees, which are beneficially owned by others, to send appropriate solicitation materials to such beneficial owners. We will reimburse such holders for their reasonable expenses.

**Q: *May stockholders ask questions at the annual meeting?***

A: Yes. There will be time allotted at the end of the meeting when our representatives will answer questions from the floor.

**Q: *How many copies should I receive if I share an address with another stockholder?***

The SEC has adopted rules that permit companies and intermediaries, such as a broker, bank or other agent, to implement a delivery procedure called householding. Under this procedure, multiple stockholders who reside at the same address may receive a single copy of our proxy materials, unless the affected stockholder has provided us with contrary instructions. This procedure provides extra convenience for stockholders and cost savings for companies.

Our company and some brokers, banks or other agents may be householding our proxy materials. A single Notice and, if applicable, a single set of our proxy materials, including the proxy statement, the accompanying proxy card, our annual report and the Notice, will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker, bank or other agent that it will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If you did not respond that you did not want to participate in householding, you were deemed to have consented to the process. Stockholders may revoke their consent at any time by contacting Broadridge ICS, either by calling toll-free (800) 542-1061 or by writing to Broadridge ICS, Householding Department, 51 Mercedes Way, Edgewood, New York, 11717.

## Edgar Filing: STAG Industrial, Inc. - Form DEF 14A

Upon written or oral request, we will promptly deliver a separate copy of the Notice and, if applicable, a single set of our proxy materials, to any stockholder at a shared address to which a single copy of any of those documents was delivered. To receive a separate copy of the Notice and, if applicable, our proxy materials, you may send a written request to STAG Industrial, Inc., One Federal Street, 23rd Floor, Boston, Massachusetts, 02110, Attention: Jeffrey M. Sullivan, Corporate Secretary. In addition, if you are receiving multiple copies of the Notice and, if applicable, our proxy materials, you can request householding by contacting our Corporate Secretary in the same manner.

***Q: What does it mean if I receive more than one Notice?***

**A:** It means that you have multiple accounts at the transfer agent or with brokers. Please submit all of your proxies over the internet, following the instructions provided in the Notice, by mail or by telephone to ensure that all of your shares are voted.

**Q:** *Can I change my vote after I have voted?*

A: Yes. Proxies properly submitted over the internet, by mail or by telephone do not preclude a stockholder from voting in person at the meeting. A stockholder may revoke a proxy at any time prior to its exercise by filing with our corporate secretary a duly executed revocation of proxy, by properly submitting, either by internet, mail or telephone, a proxy bearing a later date or by appearing at the meeting and voting in person. Attendance at the meeting will not by itself constitute revocation of a proxy. If you have shares held by a broker, you must obtain a written proxy executed in your favor, from the broker holding your shares in order to vote your shares in person at the annual meeting.

**Q:** *Can I find additional information on the company's website?*

A: Yes. Our website is [www.stagindustrial.com](http://www.stagindustrial.com). Although the information contained on our website is not part of this proxy statement, you can view additional information on the website, such as our corporate governance guidelines, our code of business conduct and ethics, our stock ownership guidelines, charters of our board committees and reports that we file with the SEC. A copy of our corporate governance guidelines, our code of business conduct and ethics, our stock ownership guidelines and each of the charters of our board committees may be obtained free of charge by writing to STAG Industrial, Inc., One Federal Street, 23rd Floor, Boston, Massachusetts, 02110, Attention: Jeffrey M. Sullivan, Corporate Secretary.

**PROPOSAL 1: ELECTION OF DIRECTORS**

The board of directors currently consists of seven members with directors serving one-year terms and until their successors are duly elected and qualified. The term for each director expires at each annual meeting of stockholders. At the 2017 annual meeting, seven directors will be elected to serve until the 2018 annual meeting and until their successors are duly elected and qualified. The board of directors has nominated the following current directors (the Nominees ) to serve as directors: Benjamin S. Butcher, Virgis W. Colbert, Jeffrey D. Furber, Larry T. Guillemette, Francis X. Jacoby III, Christopher P. Marr and Hans S. Weger. The board of directors anticipates that each Nominee will serve, if elected, as a director. However, if anyone nominated by the board of directors is unable to accept election, the proxies will be voted for the election of such other person or persons as the board of directors may recommend.

**The board of directors recommends a vote FOR each Nominee.**

**Snapshot of Board Composition**

The table below presents a snapshot of the expected composition of the board of directors.

Total number of directors	7
Percentage of independent directors	86%
Average age of independent directors	59
Average tenure of directors (years)	5.6
Lead independent director	Yes
Percentage of directors with CEO experience	57%
Percentage of directors with CFO experience	57%
Percentage of audit committee members designated as audit committee financial experts	100%

**Snapshot of Corporate Governance Practices**

The table below presents a snapshot of other corporate governance policies.

Annual election of directors	Yes
Majority voting for the election of directors	Yes
Regular executive sessions of independent directors	Yes
Annual board and committee self-evaluations, assisted by outside counsel	Yes
Code of Business Conduct and Ethics for employees and directors	Yes
Stock ownership guidelines for executive officers	Yes
Stock ownership guidelines for directors	Yes
Anti-hedging and anti-pledging policies	Yes
No stockholder rights plan without shareholder approval or ratification	Yes



**Director Nominees for Election to Term Expiring 2018**

The following tables and biographical descriptions set forth certain information with respect to each Nominee for election as a director at the annual meeting.

Director Nominees	Age	Principal Occupation	Director Since
Benjamin S. Butcher	63	Chief Executive Officer, President and Chairman	2010
Virgis W. Colbert	77	Former Executive Vice President of Miller Brewing Company	2014
Jeffrey D. Furber	58	Chief Executive Officer of AEW Capital Management	2011
Larry T. Guillemette	61	Chairman, Chief Executive Officer and President of Amtrol Inc.	2011
Francis X. Jacoby III	55	Chief Financial Officer of Leggat McCall Properties, LLC	2011
Christopher P. Marr	52	Chief Executive Officer and Trustee of CubeSmart	2012
Hans S. Weger	53	Former Chief Financial Officer of Focus Brands Inc.	2011

**Benjamin S. Butcher**

*Chief Executive Officer, President  
and Chairman of the Board*

*Committees:*

- *Investment  
(Chair)*

Mr. Butcher has served as our chief executive officer, president and chairman of the board of directors since 2010. Prior to the formation of our company, Mr. Butcher oversaw the growth of our predecessor business, serving as a member of the board of managers of STAG Capital Partners, LLC, STAG Capital Partners III, LLC, and their affiliates from 2003 to 2011. From 1999 to 2003, Mr. Butcher was engaged as a private equity investor in real estate and technology. From 1997 to 1998, Mr. Butcher served as a director at Credit Suisse First Boston, where he sourced and executed transactions for the principal transactions group (real estate debt and equity). Prior to that, he served as a director at Nomura Asset Capital from 1993 to 1997, where he focused on marketing and business development for its commercial mortgage-backed securities group. Mr. Butcher serves as a member of the board of trustees and a member of the audit committee and compensation committee of Washington Real Estate Investment Trust (NYSE:WRE), an owner of office, multi-family and retail properties in the greater Washington, D.C. metropolitan area. Mr. Butcher holds a Bachelor of Arts degree from Bowdoin College and a Master of Business Administration degree from the Tuck School of Business at Dartmouth. In light of his extensive company-specific operational, finance and market experience, his leadership abilities, and his expertise in the acquisition, ownership and management of single-tenant industrial properties, the board of directors believes that it is in the best interests of our company and our stockholders for Mr. Butcher to continue to serve as a director on the board of directors, subject to stockholder approval at the annual meeting.



**Virgis W. Colbert**

*Independent Director*

*Committees:*

- *Compensation*
- *Nominating and Corporate Governance*

Mr. Colbert served in a variety of key leadership positions with Miller Brewing Company from 1979 until his retirement in 2005, including executive vice president of worldwide operations from 1997 to 2005 and senior vice president of operations from 1993 to 1997. As executive vice president, Mr. Colbert was responsible for plant operations, international operations, brewing, research and quality assurance, engineering, procurement, order production/planning and logistics. Since his retirement, he continues to serve as a senior advisor to MillerCoors LLC. In addition, Mr. Colbert currently serves on the board of New Senior Investment Group Inc. (NYSE: SNR), a senior housing real estate investment trust, and on the boards of The Nasdaq Stock Market LLC and several affiliates. Mr. Colbert also serves on the board of the Hutchins Center for African & African American Research at Harvard University (since 2013). He previously served on the boards of Lorillard, Inc. from 2008 to 2015 (including as lead director from 2013 to 2015), The Hillshire Brands Company (formerly known as Sara Lee Corporation) from 2006 to 2013, Bank of America Corp. (NYSE:BAC) from 2008 to 2013, Merrill Lynch & Co., Inc. from 2006 to 2008, Stanley Black & Decker from 2003 to 2012 and The Manitowoc Company, Inc. from 2002 to 2012. He is the former chairman and current chairman emeritus of the board for the Thurgood Marshall College Fund, and the former chairman of the board for Fisk University. Mr. Colbert received Honorary Doctor of Humane Letters degrees from Fisk University in 2005 and from Kentucky State University in 2001. He holds a Bachelor of Science degree from Central Michigan University. In light of his extensive public company board and corporate governance experience and his significant operational experience including addressing logistics, plant operations and other issues common to our tenants, the board of directors believes that it is in the best interests of our company and our stockholders for Mr. Colbert to continue to serve as a director on the board of directors, subject to stockholder approval at the annual meeting.

**Jeffrey D. Furber**

*Independent Director*

*Committees:*

- *Compensation (Chair)*
- *Investment*

Mr. Furber serves as the chief executive officer of AEW Capital Management ( AEW ), a real estate investment management company, and the chairman of AEW Europe, where he has oversight responsibility for all of AEW 's operating business units in the United States, Europe and Asia. Mr. Furber also chairs AEW 's management committee, which is responsible for the firm 's strategic direction and for managing the firm 's resources, and is a member of the firm 's investment committees and investment policy group. Prior to joining AEW in 1997, Mr. Furber served as managing director of Winthrop Financial Associates, a wholly-owned subsidiary of Apollo Advisors, and served as president of Winthrop Management. In these capacities, he was responsible for acquisitions, asset management and capital markets activity, including the sourcing of equity and mezzanine debt investments. In addition, Mr. Furber currently serves on the board of The Howard Hughes Corporation (NYSE: HHC). Mr. Furber holds a Bachelor of Arts degree from Dartmouth College and a Master of Business Administration degree from Harvard Business School. In light of his significant leadership, corporate governance, capital markets and real estate industry experience, the board of directors believes that it is in the best interests of our company and our stockholders for Mr. Furber to continue to serve as a director on the board of directors, subject to stockholder approval at the annual meeting.

**Larry T. Guillemette**

*Lead Independent Director*

*Committees:*

- *Audit*
- *Compensation*

Mr. Guillemette has served as chairman of the board of directors, chief executive officer and president of Amtrol Inc., a multi-national pressure vessel manufacturer ( Amtrol ), since 2006. Mr. Guillemette also served as executive vice president and chief financial officer of Amtrol from 2000 to 2006 and as executive vice president of marketing and business development from 1998 to 2000. Prior to joining Amtrol, Mr. Guillemette served as chief executive officer and president of Balcrank Products, Inc., a manufacturer of lubrication equipment for the automotive service market and other industrial product lines from 1991 to 1998. From 1990 to 1991, he served as senior vice president and senior financial officer of The O Connor Group, a real estate investment, management and development firm. Prior to that, from 1986 to 1990, Mr. Guillemette served as a vice president for Hampton Partners/G.M. Cypres & Co., Inc., an investment banking partnership. From 1979 to 1986, Mr. Guillemette served in various management positions with units of the Henley Group and its predecessors, including Allied-Signal, The Signal Companies and Wheelabrator-Frye. Mr. Guillemette holds a Bachelor of Arts degree from Dartmouth College and a Master of Business Administration degree from the Tuck School of Business at Dartmouth. In light of his extensive leadership experience through his senior officer and director positions and his accounting and real estate experience, the board of directors believes that it is in the best interests of our company and our stockholders for Mr. Guillemette to continue to serve as a director on the board of directors, subject to stockholder approval at the annual meeting.

**Francis X. Jacoby III**

*Independent Director*

*Committees:*

- *Investment*
- *Nominating and Corporate Governance*

Since 2016, and from 1995 to 2001, Mr. Jacoby has served as executive vice president and chief financial officer of Leggat McCall Properties, LLC, a real estate project and development manager. From 2013 to 2016, Mr. Jacoby served as an independent consultant providing real estate finance, development and disposition related services. From 2008 to 2013, he served as president of Kensington Investment Company, Inc., the wealth management office for a family that owns travel-related businesses and passenger ships and makes investments in real estate, private equity and venture capital. In addition, in 2012, Mr. Jacoby served as the chief financial officer of Grand Circle Corporation, an affiliate of Kensington Investment Company, Inc. From 2001 to 2008, Mr. Jacoby served as the senior vice president and chief financial officer for GID Investment Advisers LLC, a family wealth management office whose primary focus is developing, acquiring and managing apartment communities, suburban office properties and flex industrial business parks throughout the United States for its own account and for joint ventures with institutional investors. From 1983 to 1995, Mr. Jacoby held a variety of senior management positions in the acquisitions, asset management and finance departments of Winthrop Financial Associates, a real estate investment company which owned and managed multiple property types. Mr. Jacoby holds a Bachelor of Arts degree from Dartmouth College and a Master of Business Administration degree from Boston University. In light of his extensive investment and capital markets experience and his significant financial and real estate investment experience, including structuring, negotiating and closing complex transactions, the board of directors believes that it is in the best interests of our company and our stockholders for Mr. Jacoby to continue to serve as a director on the board of directors, subject to stockholder approval at the annual meeting.

**Christopher P. Marr**

*Independent Director*

*Committees:*

- *Audit*
  
- *Nominating and Corporate Governance (Chair)*

Mr. Marr has served as chief executive officer and member of the board of trustees of CubeSmart (NYSE: CUBE), a real estate company that acquires, owns, operates and develops self-storage facilities in the United States, since 2014 and as president of CubeSmart since 2008. Previously, he served as chief operating officer of CubeSmart from 2012 to 2014 and as chief financial officer from June 2006 to November 2008 and as treasurer from 2006 to 2012. From 2002 to 2006, Mr. Marr served as senior vice president and chief financial officer of Brandywine Realty Trust (NYSE: BDN), an office real estate investment trust. Prior to joining Brandywine Realty Trust, Mr. Marr served as chief financial officer of Storage USA, Inc., a publicly-traded self-storage real estate investment trust, from 1998 to 2002. Mr. Marr holds a Bachelor of Arts degree from Loyola University. In light of his public company leadership, financial reporting and operations experience as the executive officer of two publicly-traded real estate investment trusts, the board of directors believes that it is in the best interests of our company and our stockholders for Mr. Marr to continue to serve as a director on the board of directors, subject to stockholder approval at the annual meeting.

**Hans S. Weger**

*Independent Director*

*Committees:*

- *Audit (Chair)*
  
- *Compensation*
  
- *Investment*

Mr. Weger served as chief financial officer of Focus Brands Inc., the franchisor and operator of restaurants and cafes in the United States, Puerto Rico and 63 foreign countries, from 2014 to 2016. From 2012 to 2014, Mr. Weger served as chief financial officer of Outrigger Enterprises Group, a privately-held leisure lodging and hospitality company. From 1998 to 2011, Mr. Weger served as chief financial officer, executive vice president and treasurer of LaSalle Hotel Properties (NYSE: LHO), a real estate investment trust focused on the acquisition, ownership, redevelopment and leasing of primarily upscale and luxury full-service hotels. In addition, Mr. Weger served as secretary of LaSalle Hotel Properties from 1999 to 2011. Mr. Weger was responsible for all of the company's financial, accounting, human resources and information technology activities. Prior to joining LaSalle Hotel Properties, Mr. Weger served as vice president and treasurer for La Quinta Inns, Inc. where he was responsible for all financing activities. From 1992 until 1997, Mr. Weger served in various management roles with Harrah's Entertainment, Inc. where he was responsible for strategic planning, mergers and acquisitions and project financing. Mr. Weger holds a Bachelor of Science degree from the University of Southern Mississippi and a Master of Business Administration degree from the University of Chicago. In light of his real estate and real estate financing knowledge and his financial reporting and operations experience as the chief financial officer of a publicly-traded real estate investment trust and a privately held company, the board of directors believes that it is in the best interests of our company and our stockholders for Mr. Weger to continue to serve as a director on the board of directors, subject to stockholder approval at the annual meeting.

**Biographical Information Regarding Executive Officers Who Are Not Directors**

The biographical descriptions below set forth certain information with respect to each of our executive officers other than Mr. Butcher, whose information appears above.

**William R. Crooker**

*Executive Vice President, Chief  
Financial Officer and Treasurer*

Mr. Crooker has served as our chief financial officer, executive vice president and treasurer since 2016. Previously, Mr. Crooker served as our chief accounting officer from 2011 to 2016 and senior vice president of capital markets from 2015 to 2016. Prior to the formation of our company, Mr. Crooker served as chief accounting officer for STAG Capital Partners, LLC from 2010 to 2011, where he was responsible for the company's accounting, tax, and financial reporting. From 2002 to 2010, Mr. Crooker worked for KPMG LLP in its real estate practice, focusing primarily on publicly-traded real estate investment trusts. He held various positions with KPMG LLP, including most recently as senior manager. Mr. Crooker is a certified public accountant and received his Bachelor of Science degree from Bentley University.

Age: 37

**Stephen C. Mecke**

*Executive Vice President and Chief  
Operating Officer*

Mr. Mecke has served as our chief operating officer and executive vice president since 2011. Prior to the formation of our company, Mr. Mecke served as chief investment officer for STAG Capital Partners, LLC and STAG Capital Partners III, LLC from 2004 to 2011, where he was responsible for all asset acquisition and asset management activities. Prior to joining our predecessor business, Mr. Mecke ran the acquisitions groups for MIPIA, a private real estate fund that represented a large east coast endowment fund, from 2001 to 2004. Mr. Mecke also worked at Meditrust Corporation, a publicly-traded real estate investment trust, as vice president of acquisitions and various other positions from 1992 to 2000. Mr. Mecke holds a Bachelor of Arts degree from Hobart College and a Master of Business Administration degree from Northeastern University.

Age: 54

**Jeffrey M. Sullivan**

*Executive Vice President, General  
Counsel and Secretary*

Mr. Sullivan has served as our executive vice president, general counsel and secretary since 2015. From 2012 to 2014, Mr. Sullivan was a partner in the corporate group of Hunton & Williams LLP, and from 2005 to 2012, Mr. Sullivan was a partner in the finance group of DLA Piper LLP (US). Before joining DLA Piper LLP (US), Mr. Sullivan was an associate and then partner in the corporate transactions and securities group of Alston & Bird LLP from 1998 to 2005. While in private practice, Mr. Sullivan focused on securities law, mergers and acquisitions, corporate governance matters and general corporate law, primarily involving real estate investment trusts and other real estate companies, private equity funds and underwriters. Mr. Sullivan holds a Bachelor of Arts degree from University of North Carolina at Chapel Hill and a Juris Doctor degree from Vanderbilt University Law School.

Age: 48

**David G. King**

*Executive Vice President and  
Director of Real Estate Operations*

Mr. King has served as our executive vice president and director of real estate operations since 2011. Prior to the formation of our company, Mr. King served as a managing director for STAG Capital Partners, LLC and STAG Capital Partners III, LLC from 2005 to 2011, where he was responsible for portfolio management for the company. From 1997 to 2005, Mr. King worked for AMB Property Corporation, a publicly-traded real estate investment trust, as regional management officer, where he had primary responsibility for leasing, management, development, acquisition sourcing and dispositions of the firm's industrial and office portfolios in the Mid-Atlantic region and in various other positions. Mr. King holds a Bachelor of Arts degree from the University of Vermont and a Master of Public Administration degree from Indiana University.

Age: 49



**Peter S. Fearey**

*Executive Vice President and Chief  
Technology Officer*

*Age: 48*

Mr. Fearey has served as our executive vice president and chief technology officer since 2016. From 2015 to 2016, Mr. Fearey served as our vice president and then senior vice president of information technology. From 2014 to 2015, Mr. Fearey was an independent contractor for the company, advising on and building custom business applications. From 2010 until 2014, Mr. Fearey served as director of technology and then director of innovation for Fay School, a private school in Massachusetts. From 2003 until 2010, Mr. Fearey worked for Intuit Inc., the maker of Quicken, TurboTax and QuickBooks, as an engineering manager and then as a business leader directing a team of sales, marketing and support professionals focused on Intuit's QuickBase product. From 1991 until 2003, Mr. Fearey worked in a variety of positions at different technology companies, including as a quality assurance manager at Apple Computer, Inc. Mr. Fearey holds a Bachelor of Science degree from Dartmouth College.

**Corporate Governance Profile**

**Overview**

We have structured our corporate governance in a manner we believe closely aligns our interests with those of our stockholders. Notable features of our corporate governance structure include the following:

- the board of directors is not staggered; instead, each of our directors is subject to re-election annually;
- we have majority voting procedures for the election of directors;
- of the seven persons who serve on the board of directors, the board of directors has determined that six of our directors, or approximately 86%, satisfy the listing standards for independence of the NYSE and Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act );
- all three members of our audit committee qualify as an audit committee financial expert as defined by the SEC;
- we opted out of the control share acquisition statute and the business combination provisions in the Maryland General Corporation Law and we may not opt back in to these provisions without stockholder approval;

- we do not have a stockholder rights plan and do not intend to adopt a stockholder rights plan unless our stockholders approve in advance the adoption of a plan or, if the board of directors adopts a plan for our company, we submit the stockholder rights plan to our stockholders for a ratification vote within 12 months of adoption, without which the plan will terminate;
- the nominating and corporate governance committee of the board of directors evaluates annually the effectiveness of the board as a whole, of each of our committees and of each individual director, and the committee engages outside counsel to conduct individual interviews of the directors to assist the committee in its evaluations, which are designed, among other matters, to identify areas in which the board would be better served by adding new members with different skills, backgrounds or areas of experience;
- we have stock ownership guidelines for our non-management members of our board of directors and our executive officers;

- we have a lead independent director whose authority and responsibilities are described below under Board Leadership; and
- our insider trading policy prohibits our directors and all of our officers and other employees from engaging in any hedging transactions with respect to our securities, and from pledging our securities as collateral for a loan or otherwise using our securities to secure debt.

Our directors stay informed about our business by attending meetings of the board of directors and its committees and through supplemental reports and communications. Our independent directors meet regularly in executive sessions without the presence of our corporate officers or non-independent directors.

#### *Stockholder Ability to Amend our Bylaws*

Currently, as permitted by the Maryland General Corporation Law (the "MGCL"), our charter and bylaws provide that, with the exception of provisions in our bylaws relating to the business combination and control share provisions of the MGCL, which provisions may not be amended without stockholder approval, the board of directors has the exclusive power to adopt, alter or repeal any provision of the bylaws and to make new bylaws. In response to updated voting guidelines recently issued by a proxy advisory firm, and in conjunction with a recent corporate governance review by the board of directors, the board of directors has determined to amend our charter and bylaws to remove the restrictions on the ability of the stockholders to amend the bylaws. However, because our charter expressly reserves the right to amend the bylaws to the board of directors, a charter amendment is required to implement the change, adoption of which requires a preliminary proxy statement filing with the SEC at least 50 days prior to the stockholder meeting and an affirmative vote of a majority of stockholders at the meeting. Because of these requirements and the timing of the upcoming annual meeting, we will present the proposal at our 2018 annual meeting of stockholders and, if our stockholders approve the proposed charter amendment, we will file articles of amendment with Maryland's State Department of Assessments and Taxation promptly thereafter, at which time the charter amendment will become effective.

#### *Enhancing Board Diversity*

We acknowledge the importance of gender diversity in the board room and, over the last year, the board has increased its focus on adding a woman to the board of directors. The board of directors is committed to enhancing gender diversity and has started an initiative, led by the nominating and corporate governance committee, to determine the needed skill set and experience for an additional director and identify qualified nominees with a focus on identifying female candidates.

#### **Board of Directors**

Our business is managed through the oversight and direction of the board of directors. A majority of the board of directors is independent, as determined by the board of directors, consistent with the rules of the NYSE. The one member of the board of directors who is not independent is an employee of the company. For more detail, please see Nomination of Directors.



**Board Leadership**

The board recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure to provide independent oversight of management. The board understands that there is no single, generally accepted approach to providing board leadership and the right board leadership structure may vary as circumstances warrant. Consistent with this understanding, our independent directors consider the board's leadership structure on an annual basis.

The board of directors annually will elect a chairman of the board, who may or may not be the chief executive officer of our company. Since our formation in 2010, Benjamin S. Butcher has served as our chairman of the board and chief executive officer. Mr. Butcher is involved in both our day-to-day operations and the strategic decision making at the board level. Based on its most recent review of our leadership structure and the needs of the

company, the board continues to believe that having Mr. Butcher serving in these positions is optimal for us because it provides our company with strong, effective and consistent leadership.

If the chairman of the board and chief executive officer are the same person, our board of directors will annually elect a non-management and independent director to serve in a lead capacity to coordinate the activities of the other non-management and independent directors, and to perform any other duties and responsibilities that the board of directors may determine. Although annually elected, it is generally expected that he or she will serve for more than one year. Mr. Guillemette has served as our lead independent director since 2015. The responsibilities of the lead independent director include (i) serving as liaison between the chairman and the independent directors, (ii) reviewing the type of information sent to the board, (iii) reviewing, in consultation with the chairman and others, agendas and board meeting schedules to determine whether sufficient time is allocated to agenda items, and (iv) wielding the authority to call meetings of the independent directors.

In considering its leadership structure, the board has taken a number of factors into account. The board, which consists of a majority of independent directors, exercises a strong, independent oversight function. This oversight function is enhanced by the audit, compensation and nominating and corporate governance committees being comprised entirely of independent directors. A number of board and committee processes and procedures, including regular executive sessions of independent directors and a regular review of our executive officers performance, provide substantial independent oversight of our management's performance. Finally, under our bylaws and corporate governance guidelines, the board has the ability to change its structure, should that be deemed appropriate and in the best interest of our company and our stockholders. The board believes that these factors provide the appropriate balance between the authority of those who oversee our company and those who manage it on a day-to-day basis.

The chairman of the board presides at all meetings of the stockholders and of the board as a whole. The chairman performs such other duties, and exercises such powers, as from time to time shall be prescribed in our bylaws or by the board of directors.

Our lead independent director presides at all meetings of our board of directors where the chairman is not present, including executive sessions of the independent directors.

### **Director Independence**

Under the enhanced corporate governance standards of the NYSE, at least a majority of our directors, and all of the members of the audit committee, compensation committee and nominating and corporate governance committee, must meet the test of independence. The NYSE standards provide that, to qualify as an independent director, in addition to satisfying certain bright-line criteria, the board of directors must affirmatively determine that a director has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with the company). The board of directors considered a relationship between an affiliate of the company and one of the directors and determined that the relationship does not affect the director's independence. The board of directors has affirmatively determined that each of Messrs. Colbert, Furber, Guillemette, Jacoby, Marr and Weger satisfies the bright-line independence criteria of the NYSE and that none has a relationship with us that would interfere with such person's ability to exercise independent judgment as a member of the board of directors. Therefore, we believe that all of these directors, who constitute a majority of the board of directors, are independent under the NYSE rules.

We have implemented procedures for interested parties, including stockholders, to communicate directly with our independent directors. We believe that providing a method for interested parties to communicate directly with our independent directors, rather than with the full board of directors, would provide a more confidential, candid and efficient method of relaying any interested party's concerns or comments. See

Edgar Filing: STAG Industrial, Inc. - Form DEF 14A

Communication with the Board of Directors, Independent Directors and the Audit Committee.

## **Board Meetings**

In 2016, the board of directors held seven meetings, the audit committee held four meetings, the compensation committee held seven meetings, the nominating and corporate governance committee held three meetings and the investment committee held two meetings. Each director attended more than 75% of the board meetings and each director's respective committee meetings in 2016. The board of directors does not have a policy with respect to directors' attendance at annual meetings of stockholders. Nevertheless, all seven of our directors attended the 2016 annual meeting of stockholders.

As required by the NYSE rules, the independent directors of our board regularly meet in executive session, without management present. Generally, these executive sessions follow after each quarterly meeting. In 2016, the independent directors of the board and the audit, compensation and the nominating and corporate governance committees met in executive session without management present at each quarterly meeting. Our lead independent director presides over such independent, non-management sessions of the board.

## **Board Committees**

The board of directors has established an investment committee, an audit committee, a compensation committee and a nominating and corporate governance committee and has adopted a written charter for each of these committees. The audit committee and nominating and corporate governance committee have three members and the compensation committee has four members. Each of the audit committee, compensation committee and nominating and corporate governance committee is composed exclusively of independent directors, as required by and defined in the rules and listing qualifications of the NYSE and, with respect to the members of the audit committee, Rule 10A-3 promulgated pursuant to the Exchange Act. Moreover, the compensation committee is composed exclusively of individuals intended to be, to the extent required by Rule 16b-3 of the Exchange Act, non-employee directors and will qualify as outside directors for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The investment committee has four directors and is composed of three independent directors and one non-independent director. The board of directors may from time to time establish other committees to facilitate the management of our company. Matters put to a vote at any one of these four committees must be approved by a majority of the directors on the committee who are present at a meeting at which there is a quorum or by unanimous written consent of the directors on that committee.

### ***Investment Committee***

The board of directors has established an investment committee, which is composed of four of our directors, at least three of whom must be independent directors. The current members of our investment committee are Messrs. Butcher, Furber, Jacoby and Weger. Mr. Butcher chairs the committee. The investment committee's primary function is to review, evaluate and ultimately vote to approve all acquisitions or dispositions individually more than \$50 million and up to \$100 million and all development and redevelopment projects with an individual cost of more than \$10 million and up to \$50 million. Proposed acquisitions or dispositions individually in excess of \$100 million and proposed development or redevelopment projects individually in excess of \$50 million require approval by the board of directors. The board of directors in its discretion may change the committee's dollar thresholds.

### ***Audit Committee***

## Edgar Filing: STAG Industrial, Inc. - Form DEF 14A

The board of directors has established an audit committee, which is composed of three of our independent directors. The current members of the audit committee are Messrs. Guillemette, Marr and Weger. Mr. Weger chairs the committee, and each member qualifies as an audit committee financial expert, as that term is defined by the SEC. Each member of the audit committee is financially literate and able to read and understand fundamental financial statements. The audit committee assists the board in overseeing, among other things:

- our system of internal controls;
- our accounting and financial reporting processes;

- the integrity and audits of our consolidated financial statements;
- our compliance with legal and regulatory requirements;
- the qualifications and independence of our independent auditors; and
- the performance of our independent auditors and any internal auditors.

The audit committee also is responsible for engaging independent public accountants, reviewing with the independent certified public accountants the plans and results of the audit engagement, approving professional services provided by the independent public accountants, reviewing the independence of the independent public accountants, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. The audit committee has the power to investigate any matter brought to its attention within the scope of its duties and to retain counsel for this purpose where appropriate.

#### *Compensation Committee*

The board of directors has established a compensation committee, which is composed of four of our independent directors. The current members of the compensation committee are Messrs. Colbert, Guillemette, Furber and Weger. Mr. Furber chairs the committee. The principal functions of the compensation committee are to:

- evaluate the performance and compensation of our chief executive officer;
- review and approve the compensation and benefits of our executive officers and members of the board of directors;
- administer our 2011 Equity Incentive Plan, as amended (the "Equity Incentive Plan"), as well as any other compensation, stock option, stock purchase, incentive or other benefit plans; and
- produce an annual report on executive compensation for inclusion in our proxy statement after reviewing our compensation discussion and analysis.

## Edgar Filing: STAG Industrial, Inc. - Form DEF 14A

Our compensation committee is primarily responsible for establishing and implementing our compensation program and policies. To fulfill its responsibilities, the compensation committee may engage, oversee and provide appropriate funding for advisors and consultants to advise the committee on executive compensation matters.

### *Nominating and Corporate Governance Committee*

The board of directors has established a nominating and corporate governance committee, which is composed of three of our independent directors. The current members of the nominating and corporate governance committee are Messrs. Colbert, Jacoby and Marr. Mr. Marr chairs the committee. The principal functions of the nominating and corporate governance committee include:

- seeking, considering and recommending to the full board of directors qualified candidates for election as directors;
- recommending a slate of nominees for election as directors at the annual meeting of stockholders;
- periodically preparing and submitting to the board for adoption the committee's selection criteria for director nominees;
- reviewing and making recommendations on matters involving general operation of the board and our corporate governance;

- annually recommending to the board nominees for each committee of the board; and
- annually facilitating the assessment of the board of directors performance as a whole and of the individual directors and reports thereon to the board.

The board of directors has adopted a policy for the review and approval of related person transactions requiring disclosure under Rule 404(a) of Regulation S-K. The policy provides that the nominating and corporate governance committee is responsible for reviewing and approving or disapproving all related party transactions, including any transaction, arrangement or relationship in which (i) the amount involved may be expected to exceed \$120,000 in any fiscal year, (ii) we will be a participant and (iii) a related person has a direct or indirect material interest. A related person is defined as an executive officer, director or nominee for election as director, or a greater than 5% beneficial owner of our common stock, or an immediate family member of the foregoing.

In addition, our written code of business conduct and ethics expressly prohibits the continuation of any conflict of interest by an employee, officer or director except under guidelines approved by the board of directors. Our policies provide that any transaction involving us in which any of our directors or officers has a material interest must be approved by a vote of a majority of our disinterested directors. Our code of business conduct and ethics requires any employee, officer or director to report any actual conflict of interest to our compliance officer, who will then seek guidance from the board of directors. In addition, our corporate governance guidelines require that each member of the board of directors consult the chairman of the board in advance of accepting an invitation to serve on another company's board should there be a possible conflict and notify the nominating and corporate governance committee in writing of the outcome. Because the facts and circumstances regarding potential conflicts are difficult to predict, the board of directors has not adopted a written policy for evaluating conflicts of interests. If a conflict of interest arises, the board will review, among other things, the facts and circumstances of the conflict, our applicable corporate governance policies, the effects of any potential waivers of those policies, applicable state law, and the NYSE continued listing rules and regulations, and will consider the advice of counsel before making any decisions regarding the conflict.

### **Role of the Board in Risk Oversight**

One of the key functions of the board of directors is informed oversight of our risk management process. The board of directors administers this oversight function directly, with support from the audit committee, the compensation committee and the nominating and corporate governance committee, each of which addresses risks specific to their respective areas of oversight. In particular, the audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The audit committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. The compensation committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking. The nominating and corporate governance committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct.

### **Self-Evaluation and Nomination of Directors**

The nominating and corporate governance committee evaluates annually the effectiveness of the board as a whole, of each of our committees and of each individual director. We also engage outside counsel to conduct one-on-one interviews of each director to assist the committee in its evaluations, which are designed, among other matters, to identify any areas in which the board would be better served by adding new members



## Edgar Filing: STAG Industrial, Inc. - Form DEF 14A

with different skills, backgrounds or areas of experience. We believe using outside counsel fosters candor, facilitates participation in the evaluation process and enables individual assessments of each director.

Before each annual meeting of stockholders, the nominating and corporate governance committee considers the nomination of all directors whose terms expire at the next annual meeting of stockholders and also considers new candidates whenever there is a vacancy on the board or whenever a vacancy is anticipated due to a change in the size or composition of the board, a retirement of a director or for any other reasons. In addition to considering

incumbent directors, the nominating and corporate governance committee may identify director candidates based on recommendations from the directors and executive officers. The committee may in the future engage the services of third-party search firms to assist in identifying or evaluating director candidates. No such firm was engaged in 2016.

The board of directors considers director candidates based on a number of factors including:

- whether the board member will be independent, as such term is defined by the NYSE listing standards;
- whether the candidate possesses the highest personal and professional ethics, integrity and values;
- whether the candidate has demonstrated leadership ability, with broad experience, diverse perspectives, and the ability to exercise sound business judgment;
- whether the candidate has experience in areas important to the operations of our company;
- whether the candidate has an inquisitive and objective perspective, practical wisdom and mature judgment;  
and
- whether the candidate provides a diversity of viewpoints, background, experience and demographics as compared the current members of the board.

Candidates also are evaluated based on their understanding of our business and willingness to devote adequate time to carrying out their duties. The nominating and corporate governance committee monitors the mix of skills, experience and background to assure that the board has the necessary composition to effectively perform its oversight function. As noted above, diversity characteristics of a candidate are just one of several factors considered by the committee when evaluating director candidates. A candidate will neither be included nor excluded from consideration solely based on his or her diversity traits. The nominating and corporate governance committee conducts regular reviews of current directors in light of the considerations described above and their past contributions to the board of directors. The board reviews the effectiveness of its director candidate nominating policies annually.

The nominating and corporate governance committee will consider appropriate nominees for directors whose names are submitted in writing by a stockholder of our company. Director candidates submitted by our stockholders will be evaluated by the nominating and corporate governance committee on the same basis as any other director candidates. We did not receive any nominations of directors by stockholders for the 2017 annual meeting.

Nominations must be addressed to STAG Industrial, Inc., One Federal Street, 23rd Floor, Boston, Massachusetts, 02110, Attention: Jeffrey M. Sullivan, Corporate Secretary, indicating the nominee's qualifications and other relevant biographical information and providing confirmation of the nominee's consent to serve as director, if elected. To be considered for the next annual election of directors, any such written request must comply with the requirements set forth in our bylaws and below under Stockholder Proposals.

#### **Majority Vote Policy**

Pursuant to our majority vote policy, in an uncontested election of directors, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election will, within two weeks after our certification of the voting results, submit to the board of directors a written offer to resign from the board. The nominating and corporate governance committee will consider the resignation offer and, within 60 days after our certification of the voting results, make a recommendation to the board of directors concerning the acceptance or rejection of the resignation offer.

In determining its recommendation to the board of directors, the nominating and corporate governance committee will consider all factors it deems relevant, which may include:

- the stated reason or reasons why stockholders cast withheld votes for the director;
- the qualifications of the director; and
- whether the director's resignation from the board of directors would be in our best interests and the best interests of our stockholders.

The nominating and corporate governance committee also will consider alternatives concerning the resignation offer as the nominating and corporate governance committee members deem appropriate, which may include:

- accepting the resignation offer;
- rejection of the resignation offer; or
- rejection of the resignation offer coupled with a commitment to seek to address the underlying cause or causes of the majority-withheld vote.

The board of directors will act on the nominating and corporate governance committee's recommendation no later than 90 days after our certification of the voting results. In considering the recommendation, the board of directors will consider the information, factors and alternatives considered by the nominating and corporate governance committee and such additional information, factors and alternatives the board of directors deems relevant. Any director who tenders his or her resignation offer will not participate in the nominating and corporate governance committee recommendation or board action regarding whether to accept the resignation offer. If a majority of the members of the nominating and corporate governance committee were required to offer their resignations as described above, the independent directors of the board of directors who were not required to offer their resignations shall appoint a special committee amongst themselves to consider the resignation offers as described above. However, if each independent director received a majority-withheld vote in the same election, all directors may participate in the action regarding whether to accept the resignation offers. We will publicly disclose, in a current report on Form 8-K furnished to the SEC, the decision-making process and decision regarding whether to accept the resignation offer or, if applicable, the reasons for rejecting the offer.

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

None of the members of the compensation committee is or has been employed by us. None of our executive officers currently serves, or in the past three years has served, as a member of the board of directors or compensation committee of another entity that has one or more executive officers serving on the board of directors or compensation committee. No member of the compensation committee has any other business relationship or affiliation with us other than his service as a director.

#### **Board Compensation for 2016**

In 2016, we paid an annual cash fee of \$50,000 to each of our non-management directors for services as a director, as well as an annual grant of equity with a value of approximately \$65,000 at the time of grant. We pay an additional annual cash fee of \$15,000 to the lead independent director, an additional annual cash fee of \$15,000 to the chair of the audit committee, an additional annual cash fee of \$10,000 to the chair of the compensation committee and an additional annual cash fee of \$7,500 to the chair of the nominating and corporate governance committee and any other committee of the board of directors. All members of the board of directors are reimbursed for their costs and expenses in attending our board meetings. Our directors have the option to receive fees in shares of common stock rather than in cash. The value of such shares of common stock is based on the 10-day average of the closing price of our common stock determined three days prior to the quarterly fee payment date. All of our independent directors elected to receive shares of our common stock in lieu of cash for payment of the fees payable

to them in 2016. If a director is also one of our officers, we will not pay any compensation for services rendered as a director.

As mentioned above, we grant annual equity awards to our non-management directors, and in January 2016, each received an annual grant of 3,744 LTIP units. In addition, any non-management director who joins the board of directors in the future receives an initial grant of LTIP units upon the commencement of his or her service. The LTIP units granted annually vest on January 1 of the following year, subject to the recipient's continued service as a director. LTIP units can be converted to common units of our operating partnership, STAG Industrial Operating Partnership, L.P. (our operating partnership), on a one-for-one basis once a material equity transaction has occurred that results in the accretion of the member's capital account to the economic equivalent of the common unit.

The board of directors (or a duly formed committee thereof) may revise our non-management directors' compensation in its discretion.

The following table summarizes the compensation that we paid to our non-management directors in 2016:

**2016 Director Compensation Table**

Name	Fees Earned(1)	Stock Awards(2)(3)	Total
Virgis W. Colbert	\$ 50,000	\$ 64,996	\$ 114,996
Jeffrey D. Furber	\$ 60,000	\$ 64,996	\$ 124,996
Larry T. Guillemette	\$ 65,000	\$ 64,996	\$ 129,996
Francis X. Jacoby III	\$ 50,000	\$ 64,996	\$ 114,996
Christopher P. Marr	\$ 57,500	\$ 64,996	\$ 122,496
Hans S. Weger	\$ 65,000	\$ 64,996	\$ 129,996

(1) All of our independent directors elected to receive shares of our common stock in lieu of cash for payment of the fees payable to them for their service in 2016. The aggregate numbers of shares of common stock earned by the independent directors for their service in 2016 were as follows: Mr. Colbert, 2,213; Mr. Furber, 2,657; Mr. Guillemette, 2,877; Mr. Jacoby, 2,213; Mr. Marr, 2,545; and Mr. Weger, 2,877. These shares were issued based on the calculation previously disclosed in this proxy statement and are not indicative of the fair market value on the date the members received the shares.

(2) As of December 31, 2016, the aggregate number of unvested LTIP units held by each independent director was as follows: Mr. Colbert, 5,304; Mr. Furber, 5,682; Mr. Guillemette, 5,682; Mr. Jacoby, 5,682; Mr. Marr, 6,204; and Mr. Weger, 5,682. As of December 31, 2016, the aggregate number of LTIP units held by each independent director was as follows: Mr. Colbert, 10,292; Mr. Furber, 25,433; Mr. Guillemette, 25,433; Mr. Jacoby, 25,433; Mr. Marr, 18,023; and Mr. Weger, 25,433.

(3) Represents 3,744 LTIP units granted to each of Messrs. Colbert, Furber, Guillemette, Jacoby, Marr

and Weger pursuant to the Equity Incentive Plan on January 6, 2016. The dollar value is computed in accordance with the Financial Accounting Standards Board's Accounting Standards Codification 718, *Compensation - Stock Compensation* (ASC Topic 718). See Note 7 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2016, for a discussion of our accounting of LTIP units and the assumptions used. The grant date fair value of each award was \$17.36 per LTIP unit.

#### **Stock Ownership Guidelines for Directors**

We have adopted stock ownership guidelines that apply to all non-management members of the board of directors. The stock ownership guidelines require that the non-management members own qualified securities equal to five times their annual cash retainer. Qualified securities include the company's common stock, preferred stock, common units and LTIP units, whether owned directly or indirectly. Newly appointed non-management members of the board of directors have up to five years to comply with the stock ownership guidelines. All of our non-management members of the board of directors are in compliance with our stock ownership guidelines.

## Corporate Governance Matters

We have adopted corporate governance guidelines and a code of business conduct and ethics that apply to all our executive officers, employees and each member of the board of directors. Within the time period required by the SEC, we will post on our website any amendment to the code of business conduct and ethics and any waiver applicable to any director, executive officer or senior financial officer.

The following documents are available at our website at [www.stagindustrial.com](http://www.stagindustrial.com) in the [Corporate Overview](#) [Governance Documents](#) area of the [Investor Relations](#) section:

- investment committee charter;
- audit committee charter;
- compensation committee charter;
- nominating and corporate governance committee charter;
- code of business conduct and ethics;
- corporate governance guidelines;
- stock ownership policy; and
- whistleblower policy.

Each committee reviews its written charter annually. Copies of the documents listed above are available in print to any stockholder who requests them. Requests should be sent STAG Industrial, Inc., One Federal Street, 23rd Floor, Boston, Massachusetts, 02110, Attention: Jeffrey M. Sullivan, Corporate Secretary.



**Communication with the Board of Directors, Independent Directors and the Audit Committee**

The board of directors may be contacted by any party via mail or e-mail at the addresses listed below.

Board of Directors

STAG Industrial, Inc.

One Federal Street, 23rd Floor

Boston, Massachusetts 02110

boardofdirectors@stagindustrial.com

We believe that providing a method for interested parties to communicate directly with our independent directors, rather than to the full board, would provide a more confidential, candid and efficient method of relaying any interested party's concerns or comments. The presiding director of independent executive sessions of directors is the lead independent director, and the lead independent director may be contacted by any party via mail or e-mail at the addresses listed below.

Lead Independent Director

STAG Industrial, Inc.

One Federal Street, 23rd Floor

Boston, Massachusetts 02110

leadindependentdirector@stagindustrial.com

The audit committee has adopted a process for anyone to send communications to the audit committee with concerns or complaints concerning our company's regulatory compliance, accounting, audit or internal controls issues. The audit committee may be contacted by any party via mail or e-mail at the addresses listed below:

Chairman

Audit Committee

STAG Industrial, Inc.

One Federal Street, 23rd Floor

Boston, Massachusetts 02110

[auditcommittee@stagindustrial.com](mailto:auditcommittee@stagindustrial.com)

Alternatively, anyone may call our toll-free whistleblower hotline toll-free at (877) 472-2110.

Relevant communications are distributed to the board, or to any individual director or directors, as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, the board of directors has requested that certain items that are unrelated to the duties and responsibilities of the board should be excluded or redirected, as appropriate, such as: business solicitations or advertisements; junk mail and mass mailings; resumes and other forms of job inquiries; spam; and surveys.

In addition, material that is unduly hostile, threatening, potentially illegal or similarly unsuitable will be excluded; however, any communication that is excluded will be made available to any outside director upon request.

**PROPOSAL 2: RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of the board of directors has selected the accounting firm of PricewaterhouseCoopers LLP to serve as our independent registered public accountants for the year ending December 31, 2017, and the board of directors is asking stockholders to ratify this appointment. Although current law, rules and regulations, as well as the audit committee charter, require the company's independent auditor to be engaged, retained and supervised by the audit committee, the board of directors considers the selection of the independent auditor to be an important matter of stockholder concern and is submitting the selection of PricewaterhouseCoopers LLP for ratification by stockholders as a matter of good corporate practice. PricewaterhouseCoopers LLP has served as our independent registered public accountants since our formation in July 2010 and is considered by our management to be well qualified.

A representative of PricewaterhouseCoopers LLP will be present at the annual meeting, will be given the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

**The board of directors recommends a vote FOR the ratification of the appointment of the independent registered public accountants.**

**Fee Disclosure**

The following is a summary of the fees incurred or billed by PricewaterhouseCoopers LLP for professional services rendered for our company for the years ended December 31, 2016, and December 31, 2015:

	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015</b>
Audit Fees	\$ 891,617	\$ 791,710
Tax Fees	468,160	440,200
Audit-Related Fees		
All Other Fees	1,800	1,800
<b>Total</b>	<b>\$ 1,361,577</b>	<b>\$ 1,233,710</b>

***Audit Fees***

Audit Fees consist of fees and related expenses incurred for professional services rendered for the audit of the financial statements and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements. For example, audit fees include fees for professional services rendered in connection with quarterly and annual reports, and the issuance of consents by PricewaterhouseCoopers LLP to be named in our registration statements and to the use of their audit report in the registration statements.

***Tax Fees***

Tax Fees consist of fees and related expenses incurred or billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal and state tax compliance and tax planning and structuring.

***Audit-Related Fees and All Other Fees***

Audit-Related Fees and All Other Fees consist of fees and related expenses for products and services other than services described under Audit Fees and Tax Fees.

*Pre-Approval Policy*

All audit, tax and other services provided to us were reviewed and pre-approved by the audit committee or a member of the audit committee designated by the full committee to pre-approve such services. The audit committee or designated member concluded that the provision of such services by PricewaterhouseCoopers LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

## AUDIT COMMITTEE REPORT

*The following is a report by the audit committee regarding the responsibilities and functions of the audit committee.*

The audit committee oversees the company's financial reporting process on behalf of the board of directors, in accordance with the audit committee charter. Management is responsible for the company's financial statements and the financial reporting process, including implementing and maintaining effective internal control over financial reporting and for the assessment of, and reporting on, the effectiveness of internal control over financial reporting. The company's independent registered public accounting firm, PricewaterhouseCoopers LLP, is responsible for expressing opinions on the conformity of the company's audited financial statements with accounting principles generally accepted in the United States of America and on the effectiveness of the company's internal control over financial reporting.

In fulfilling its oversight responsibilities, the audit committee reviewed with management and PricewaterhouseCoopers LLP the audited financial statements for the year ended December 31, 2016, and the reports on the effectiveness of the company's internal control over financial reporting as of December 31, 2016, contained in the company's annual report on Form 10-K for the year ended December 31, 2016, and discussed with management the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The audit committee also reviewed and discussed with management and PricewaterhouseCoopers LLP the disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations and Controls and Procedures included in the annual report on Form 10-K for the year ended December 31, 2016.

In addition, the audit committee received and discussed the written disclosures and the letter from PricewaterhouseCoopers LLP that are required by applicable requirements of the Public Company Accounting Oversight Board regarding the firm's communications with the audit committee concerning independence, discussed with PricewaterhouseCoopers LLP the firm's independence from management and the audit committee, and discussed with PricewaterhouseCoopers LLP the matters required to be discussed by the PCAOB Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

In reliance on the reviews and discussions referred to above, prior to the filing of the company's annual report on Form 10-K for the year ended December 31, 2016, with the SEC, the audit committee recommended to the board of directors (and the board approved) that the audited financial statements be included in such annual report for filing with the SEC.

The members of the audit committee are not professionally engaged in the practice of auditing or accounting. Members of the audit committee rely, without independent verification, on the information provided to them and on the representations made by management and the independent registered public accountants. Accordingly, the audit committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the audit committee's considerations and discussions referred to above do not assure that the audit of the company's financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that PricewaterhouseCoopers LLP is in fact independent.

*Submitted by the Audit Committee of the Board of Directors*

Hans S. Weger

Larry T. Guillemette

Christopher P. Marr

**COMPENSATION COMMITTEE REPORT**

*The following is a report by the compensation committee regarding our executive officer compensation program.*

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement ( CD&A ) with management of the company. Based on the compensation committee s review of the CD&A and the compensation committee s discussions regarding the CD&A with management, the compensation committee recommended to the board of directors (and the board has approved) that the CD&A be included in the company s proxy statement on Schedule 14A prepared in connection with the annual meeting.

*Submitted by the Compensation Committee of the Board of Directors*

Jeffrey D. Furber

Virgis W. Colbert

Larry T. Guillemette

Hans S. Weger



## EXECUTIVE OFFICER COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

The executive officers named in the Summary Compensation Table for 2016 are Benjamin S. Butcher, our chief executive officer, president and chairman of the board of directors; William R. Crooker, our executive vice president, chief financial officer and treasurer; Geoffrey G. Jervis, our former executive vice president, chief financial officer and treasurer; Stephen C. Mecke, our executive vice president and chief operating officer; Jeffrey M. Sullivan, our executive vice president, general counsel and secretary; and David G. King, our executive vice president and director of real estate operations (collectively, the named executive officers). The compensation committee is responsible for establishing our executive officer compensation program. The program sets the structure and levels of executive officer compensation and establishes the performance-based metrics and individual goals against which the officers' performances are evaluated by the compensation committee. In establishing its executive compensation program, the compensation committee considered, among other things, analyses prepared by and the advice of FPL Associates, L.P. ( FPL ), an independent compensation consultant engaged by the compensation committee.

The principles underlying the key elements of our executive compensation program and factors relevant to an analysis of the compensation program are discussed below. The key elements are designed to be flexible and complementary and to serve, collectively, the objectives of our executive compensation program.

Below are certain features of our current executive compensation program, which reflect our commitment to a pay-for-performance compensation structure:

- A substantial majority of executive officer pay is tied to our performance and not guaranteed. The compensation committee sets clear goals for company performance and differentiates certain elements of compensation based on individual achievement.
- Two of the primary components of our executive compensation program are annual cash incentive bonuses and long-term equity awards, which consist approximately one half of grant date value in LTIP units subject to multi-year vesting and one half of grant date value in performance units.
- *Annual cash incentive bonuses* The annual cash incentive bonuses vary according to performance and are not guaranteed.
- *LTIP units* In the absence of stock price appreciation, LTIP units will not have value beyond distributions actually paid. Unlike common stock, LTIP units lack an immediate liquidation value upon grant.

- *Performance units* The ultimate value of the performance units depends on our TSR (as defined below) over a three-year period compared to both relative return (TSR vs. three benchmarks) and, as a condition for higher levels of value, an absolute return. The performance units are intended as an additional long-term incentive designed to align the executive officers' interests more closely with those of the stockholders.
- Our heavy reliance on corporate performance as a performance metric reflects the committee's belief that the company should require a uniform commitment to corporate success from all of its senior officers, irrespective of their office. A relatively small portion of pay is not dependent on company performance. Annual base salaries for our executive officers are intended to be approximately 25% of total compensation.
- The ability to measure the company's performance against sensible standards is essential, and the committee considers the comparison of the company's total stockholder return, defined as common stock price appreciation plus dividends, assuming reinvestment of dividends into

additional shares of common stock ( TSR ), to the TSR of our peers to be the best indicator of performance.

- We measure performance against multiple indices to avoid the risk of poor correlation of performance and reward that is inherent in reliance on a single peer index.

Below are additional features of our current executive compensation practices both the practices we believe drive performance and the practices we have not implemented because we do not believe they would serve the stockholders' long-term interests:

**What We Do**

ü We mitigate undue risk, including utilizing retention provisions, multiple performance targets, and robust board and management processes to identify risk.

ü The Equity Incentive Plan generally requires a minimum three-year vesting period for stock options and stock appreciation rights.

ü We have reasonable post-employment and change of control provisions. Our employment agreements with the named executive officers generally provide for cash payments after a change of control only if an employee is also terminated within one year of the change of control (a double-trigger).

ü We provide only modest perquisites that have a sound benefit to our business.

ü The compensation committee benefits from its utilization of an independent compensation consulting firm. The reports prepared by the compensation consulting firms are used by the compensation committee to set executive compensation at levels that are competitive with our peers.

**What We Don't Do**

We do not believe the executive compensation program creates risks that are reasonably likely to pose a material adverse impact to our company.

The Equity Incentive Plan prohibits recycling of stock options and stock appreciation rights.

We do not reprice underwater stock options.

Our employment agreements with the executive officers do not include tax gross-up provisions with respect to payments contingent upon a change of control.

The named executive officers do not receive dividends on unearned performance awards.

We do not have pension plans.

The independent compensation consulting firm, FPL, did not provide any other services to us.

ii We have adopted stock ownership guidelines for executive officers and directors.

Our insider trading policy prohibits hedging and pledging of our common stock by executive officers and directors.

#### **Executive Compensation Program Goals and Objectives**

The compensation committee's overarching goal is to attract and maintain an excellent executive management team that enhances stockholder value over the long term. The executive compensation program is, therefore, designed to provide substantial incentives to focus executive management's efforts accordingly. The compensation program also is designed to encourage and reward executives who contribute to TSR by successfully executing the company's business strategy, providing thoughtful and creative stewardship and exhibiting outstanding performance. Specific objectives of the compensation program are to:

- align the interests of executive officers with the interests of stockholders;

- encourage and maintain a performance-driven company culture;
- provide the compensation committee with the flexibility and discretion to reflect appropriately both individual circumstances and variable business conditions; and
- attract and retain talented and experienced officers.

Consistent with these objectives, executive compensation is heavily weighted toward (i) TSR-based metrics for bonuses and (ii) long term equity incentives. We believe that the executive compensation program supports these objectives by providing the named executive officers with a multi-faceted compensation package, comprising a base salary, the opportunity to earn an annual cash bonus and awards under the Equity Incentive Plan.

#### **How We Determine Executive Compensation**

The compensation committee determines compensation for the named executive officers and currently has four independent directors, Messrs. Colbert, Furber, Guillemette and Weger. The compensation committee exercises independent discretion with respect to executive compensation matters and administers our equity incentive programs, including reviewing and approving equity grants to the named executive officers pursuant to the Equity Incentive Plan. The compensation committee operates under a written charter adopted by the board of directors, a copy of which is available on our website at [www.stagindustrial.com](http://www.stagindustrial.com). Information contained on our website is not incorporated by reference into this proxy statement and you should not consider information contained on our website to be part of this proxy statement.

The initial compensation arrangements with the named executive officers were determined in negotiations with each individual executive officer and were formalized in the executive officers' employment agreements, as described below in Potential Payments Upon Termination or Change in Control Employment Agreements. In making compensation decisions for 2016, the compensation committee evaluated the performance of our chief executive officer and, together with our chief executive officer, assessed the individual performance of the other named executive officers. The compensation committee also reviewed market-based compensation data provided by FPL and from data publicly available from other sources such as the National Association of Real Estate Investment Trusts.

#### **Compensation Committee Consideration of the 2016 Vote on Executive Compensation**

In determining our executive compensation program for the remainder of 2016 and 2017, the compensation committee generally considered the results of the 2016 advisory vote of our stockholders on executive compensation presented in our 2016 proxy statement. The compensation committee noted that an influential proxy advisory firm recommended voting against our executive compensation in 2016 and that approximately 74% of the votes cast approved the compensation. While the compensation committee considered these voting results as supportive of the committee's general executive compensation practices, the committee also observed that 74% was meaningfully less than the historical approval rating, which had been approximately 96% each year from 2012 (the company's first annual meeting) through 2015. In the period before the 2016 annual meeting and after the negative recommendation of the proxy advisory firm, we contacted our largest stockholders to solicit their views on the company's compensation and corporate governance practices, and the company's lead independent director

## Edgar Filing: STAG Industrial, Inc. - Form DEF 14A

participated in several of the discussions. The stockholders contacted generally expressed favorable views of the company's compensation and governance practices, although a few indicated less support for the one-time retention grant awarded in 2015 to our chief executive officer, president and chairman of the board of directors in connection with his entering into a new three-year employment agreement.

The graph below illustrates our long-term pay-for-performance alignment by comparing our chief executive officer's total direct compensation to our TSR (indexed to a base date of December 31, 2011) for the past five years.

The compensation reported in this graph differs from compensation reported in the summary compensation table. The graph above aligns the value of equity incentive awards with the performance year for which they were earned, rather than the year in which they were granted. For example, compensation earned in any given year includes the fair value, as of the vesting date, of LTIP units that vested during the year, rather than the fair value, as of the grant date, of LTIP units granted in the year. As another example, compensation in 2014 includes the fair value of the LTIP units issued in satisfaction of the outperformance plan interests granted in 2011.

#### **Engagement of Compensation Consultant**

The compensation committee is authorized to retain the services of one or more executive compensation consultants, in its discretion, to assist with the establishment and review of our compensation programs and related policies. The compensation committee has sole authority to hire, terminate and set the terms of future engagement FPL or any other compensation consultant.

For compensation advice in 2016, the compensation committee engaged FPL, an independent compensation consulting firm, to provide market-based compensation data to assist the committee in the implementation of our comprehensive executive compensation program. In

connection with these efforts, FPL prepared for the compensation committee reports that included compensation analyses for each executive position, an analysis of a recommended peer group for the company, description of the methodology used to provide the compensation analyses and an analysis of board compensation. FPL researched competitive market practices, reviewed the proxy statements of its recommended peer group and checked its own proprietary information data bases. The compensation committee reviewed the peer group compensation analyses and methodology to the company and it approved the 2016 executive compensation program.

### **Peer Groups**

Our focus on single tenant industrial properties that represent relative value is uncommon, making the identification of directly comparable companies difficult. For 2016, FPL recommended 15 publicly-traded real estate investment trusts ( REIT ) with a diverse investment focus, including industrial, lodging, health care,



shopping center, multi-family, office and free-standing REITs and with implied equity market capitalizations and, as of June 30, 2016, with median and average equity market capitalizations comparable to our equity market capitalization (the size-based peer group). The companies in the size-based peer group are listed below:

CoreSite Realty Corporation	Lexington Realty Trust
DCT Industrial Trust, Inc.	Pennsylvania Real Estate Investment Trust
EastGroup Properties, Inc.	Physicians Realty Trust
Education Realty Trust, Inc.	PS Business Parks, Inc.
FelCor Lodging Trust Incorporated	QTS Realty Trust, Inc.
First Industrial Realty Trust, Inc.	Ramco-Gershenson Properties Trust
First Potomac Realty Trust	Ryman Hospitality Properties, Inc.
Hersha Hospitality Trust	

For 2016 annual cash bonuses, the compensation committee also used a group of 11 companies that primarily own industrial and/or single-tenant real estate (the industry peer group). The companies in the industry peer group are listed below:

DCT Industrial Trust, Inc.	Liberty Property Trust
Duke Realty Corporation	Monmouth Real Estate Investment Corporation
EastGroup Properties, Inc.	PS Business Parks, Inc.
First Industrial Realty Trust, Inc.	STORE Capital Corporation
Gramercy Property Trust	Terreno Realty Corporation
Lexington Realty Trust	

### Company Accomplishments

Below are certain of our achievements for 2016:

- achieved TSR of 38.0% for the year ended December 31, 2016, which significantly exceeded the 8.6% return of the MSCI US REIT index;
- acquired 47 buildings with approximately 10.3 million square feet for approximately \$472 million, representing approximately 21.8% growth of our total assets on a real estate cost basis from year-end 2015;
- achieved an occupancy rate of approximately 94.7% at year-end 2016;
- achieved a retention rate of approximately 69.5% for leases expiring in 2016;

- achieved, as of December 31, 2016, a ratio of net debt to total real estate cost basis of approximately 41.0% and a ratio of total long-term indebtedness to total enterprise value of approximately 32.6%;
- raised gross equity capital of approximately \$282.7 million through our at-the-market common stock offering programs and \$75.0 million through our preferred stock offering in March 2016;
- maintained an investment grade rating from a nationally recognized statistical rating agency;
- paid a monthly dividend of \$0.115833 per share for an annualized rate of \$1.389996 per share, which represents a dividend yield of approximately 5.8% based on the year-end closing stock price of \$23.87; and
- for 2016 compared to 2015, increased our funds from operations attributable to common stockholders and unitholders by approximately 8.0% and our net operating income by approximately 14.6%.

For purposes of the above, we define:

- net debt as our total long-term indebtedness outstanding less cash and cash equivalents on hand;
- long-term indebtedness as the principal outstanding on our unsecured credit facility, unsecured term loans, unsecured notes and mortgage notes;
- real estate cost basis as the book value of rental property and deferred leasing intangibles, exclusive of the related accumulated depreciation and amortization; and
- enterprise value as the market value of our common stock (based on the period-end closing price on the NYSE) plus the liquidation value of our preferred stock and amounts outstanding on our long-term indebtedness.

Funds from operations and net operating income meet the definition of non-GAAP financial measures as set forth in Item 10(e) of Regulation S-K promulgated by the SEC. Please refer to [Appendix A](#) attached hereto for an explanation of why our management considers these measures, the historical amounts of these two measures and a reconciliation of the measures to the nearest measure under generally accepted accounting principles.

### Key Elements of Executive Compensation

The following table summarizes the key elements of our executive compensation program for the named executive officers and each element's program objectives, including annual cash compensation and equity awards. A more detailed discussion of each element of our executive compensation program follows this table.

Element	Description	Objectives
<b>Annual Cash Compensation</b>		
Annual Base Salary	Fixed cash compensation. Reviewed and adjusted periodically. Salaries should generally constitute no more than 25% of total annual compensation. Salaries plus cash incentive bonuses are targeted at the 50th percentile of the cash compensation for similar officer positions in the compensation peer group, before adjustment of the bonus for company under- or	<ul style="list-style-type: none"> <li>• Attract and retain executives</li> <li>• Provide steady source of income sufficient to permit executives to focus effectively on their professional responsibilities</li> <li>• Help ensure that total cash compensation is competitive but not</li> </ul>

<p>Annual Cash Incentive Compensation Program</p>	<p>over-performance based on TSR. At risk variable cash compensation based on the company's TSR. Bonuses should generally constitute approximately 25% of total annual compensation.</p>	<p>in excess of market</p> <ul style="list-style-type: none"> <li>• Encourage executives to achieve annual company and individual performance goals</li> <li>• Align executives' interests with the stockholders' interests</li> </ul>
<p><b>Equity Incentive Compensation Program</b> LTIP Units</p>	<p>Awards vest in equal installments over multi-year periods, subject to continued service. Value of the award is at risk as (i), in the absence of sufficient stock price appreciation, the award may never have any liquidation value, and (ii) the value fluctuates with the company's common stock price. LTIP unit awards should generally constitute approximately 25% of total annual compensation.</p>	<ul style="list-style-type: none"> <li>• Promote long-term equity ownership by executives</li> <li>• Encourage the retention of our executives</li> <li>• Align executives' interests with the stockholders' interests</li> </ul>
<p>Performance Units</p>	<p>At risk variable equity compensation based on company performance over three-year performance period. Awards are paid in common stock. Performance units should generally constitute approximately 25% of total annual compensation.</p>	<ul style="list-style-type: none"> <li>• Encourage executives to achieve long-term company performance goals</li> <li>• Align executives' interests with the stockholders' interests</li> <li>• Attract and retain executives</li> </ul>

***Annual Base Salary***

Annual base salary provides a minimum level of compensation commensurate with an experienced and motivated individual of the appropriate caliber and background to perform an executive officer's job. It should be benchmarked to current market rates to ensure that we are able to attract new executive officers, if necessary. Base salary levels are intended to provide a steady source of income sufficient to permit these officers to focus effectively on their professional responsibilities. Base salaries of the named executive officers are reviewed and may be adjusted periodically by the compensation committee. No formulaic base salary increases are provided to the named executive officers. The compensation committee has determined that executive officers' salaries should generally constitute no more than 25% of total annual compensation. The compensation committee also determined that it was in the best interests of the company to maintain a conservative approach to base salaries in 2016 and, as a result, approved salaries that, for most of our executives, were around the 50th percentile of the company's size-based peer group.

Annual base salaries for the named executive officers for 2016 and 2017 are set forth in the table below:

<b>Executive</b>	<b>2016 Base Salary</b>		<b>2017 Base Salary</b>		<b>Percent Change</b>
Benjamin S. Butcher	\$	525,000	\$	525,000	0%
William R. Crooker	\$	300,000	\$	300,000	0%
Stephen C. Mecke	\$	309,000	\$	309,000	0%
Jeffrey M. Sullivan	\$	300,000	\$	300,000	0%
David G. King	\$	300,000	\$	300,000	0%

***Annual Cash***