

ENSIGN GROUP, INC  
Form DEF 14A  
April 16, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission only (as permitted by Rule 14a- 6(e)(2))
- Definitive Proxy Statement
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Soliciting Material Pursuant to §240.14a-2

THE ENSIGN GROUP, INC.

(Name of Registrant as Specified in Its Charter)

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

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THE ENSIGN GROUP, INC.  
27101 Puerta Real, Suite 450  
Mission Viejo, California 92691

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 29, 2014

TO THE STOCKHOLDERS OF THE ENSIGN GROUP, INC.:

The annual meeting of the stockholders (the "Annual Meeting") of The Ensign Group, Inc. (the "Company") will be held at the Company's Southland Care Center and Home facility, located at 11701 Studebaker Road in Norwalk, California 90650 on Thursday, May 29, 2014. The Annual Meeting will convene at 10:00 a.m. PDT, to consider and take action on the following proposals:

- (1) to elect the following three nominees, Mr. Roy E. Christensen, Dr. John G. Nackel and Mr. Barry M. Smith, to the Board of Directors to serve until the annual meeting of the Company in 2017 or until a successor has been appointed and is qualified ;
- (2) to ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2014;
- (3) to conduct an advisory vote on executive compensation;
- (4) to re-approve the Company's 2007 Omnibus Incentive Plan to preserve the Company's ability to deduct compensation that qualifies as performance-based compensation under section 162(m) of the Internal Revenue Code;
- (5) to amend the Company's articles of incorporation and bylaws to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of the shareholders in uncontested director elections, with a plurality vote standard retained for contested director elections, when the number of director nominees exceeds the number of board seats; and
- (6) to transact such other business as may properly come before the meeting.

The accompanying Notice of Meeting and Proxy Statement describe these matters. We urge you to read this information carefully. The Board of Directors recommends a vote "FOR" the election of each of the three nominees for director in Proposal 1, and "FOR" the approval of each of Proposals 2, 3, 4 and 5. In addition to the business to be transacted as described above, management will speak on our developments of the past year and respond to questions of general interest to stockholders.

**ONLY OWNERS OF RECORD OF THE COMPANY'S ISSUED AND OUTSTANDING COMMON STOCK AS OF THE CLOSE OF BUSINESS ON APRIL 7, 2014 (THE "RECORD DATE") WILL BE ENTITLED TO NOTICE OF AND TO VOTE AT THE ANNUAL MEETING. EACH SHARE OF COMMON STOCK IS ENTITLED TO ONE VOTE.**

Your vote is important. In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission, we have elected to furnish our proxy materials to stockholders by providing access to the materials on the Internet. Accordingly, a Notice of Internet Availability of Proxy Materials (the "Internet Availability Notice") has been mailed to the majority of our stockholders, while other stockholders have instead received paper copies of the documents accessible on the Internet. It is important that your shares be represented and voted whether or not you plan to attend the annual meeting in person. If you are the registered holder of your shares and are viewing the proxy statement on the Internet, you may grant your proxy electronically via the Internet by following the instructions on the Internet Availability Notice previously mailed to you and the instructions listed on the Internet site. If you are receiving a paper copy of the proxy statement, you may vote by completing and mailing the proxy card enclosed with the proxy statement, or you may grant your proxy electronically via the Internet or by telephone by following the instructions on the proxy card. If your shares are held in "street name," which means your shares are held of record by a

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broker, bank or other nominee, you should review the Notice of Internet Availability of Proxy Materials used by that firm to determine whether and how you will be able to submit your proxy by telephone or over the Internet. Submitting a proxy over the Internet, by telephone or by mailing a proxy card will ensure your shares are represented at the annual meeting.

THE ENSIGN GROUP, INC.  
BY ORDER OF THE BOARD OF DIRECTORS  
CHRISTOPHER R. CHRISTENSEN  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
Mission Viejo, California  
Dated: April 16, 2014

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THE ENSIGN GROUP, INC.  
27101 Puerta Real, Suite 450  
Mission Viejo, California 92691

#### Proxy Statement

For the Annual Meeting of Stockholders  
to be Held on May 29, 2014

#### General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board of Directors” or the “Board”) of The Ensign Group, Inc., a Delaware corporation, for use at the annual meeting of stockholders to be held at the Company's Southland Care Center and Home facility, located at 11701 Studebaker Road, Norwalk, California 90650 at 10:00 a.m. PDT, on Thursday, May 29, 2014 (the “Annual Meeting”). Directions to the facility in order to attend the Annual Meeting may be obtained by calling (949) 487-9500. When used in this Proxy Statement, the terms “we,” “us,” “our,” or the “Company” refer to The Ensign Group, Inc. and its subsidiaries; however, The Ensign Group, Inc. is a holding company and each of the facilities and operations referenced herein is operated by a separate, wholly-owned independent operating subsidiary that has its own management, employees and assets. The use of “we,” “us,” “our” and similar words in this Proxy Statement is not meant to imply that any or all of these facilities are operated by the same entity.

We intend to mail the Notice of Internet Availability of Proxy Materials, or Internet Availability Notice, to certain of our stockholders, and, alternatively, a paper copy of this proxy statement and accompanying proxy card to all other stockholders on or about April 17, 2014.

At the Annual Meeting, the stockholders of the Company will be asked to vote on five proposals. Proposal 1 is the annual election of directors to serve on our Board of Directors. Proposal 2 is to ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2014. Proposal 3 is an advisory vote on executive compensation. Proposal 4 is to re-approve the Company's 2007 Omnibus Incentive Plan. Proposal 5 is a shareholder proposal to amend the Company's articles of incorporation and bylaws to provide that director nominees in an uncontested director election shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of the shareholders, with a plurality vote standard retained for contested director elections, when the number of director nominees exceeds the number of board seats.

Your vote is very important. Accordingly, whether or not you plan to attend the annual meeting in person, you should vote by using one of the methods described in the proxy materials. You may vote your shares at the annual meeting by attending and voting in person, by voting via the Internet or by telephone as described in the proxy materials, or by having your shares represented at the annual meeting by a valid proxy. If your shares are not registered directly in your name (e.g. you hold your shares in a stock brokerage account or through a bank or other holder of record), you may vote by following the instructions detailed on the notice or voting instruction form you receive from your broker or other nominee.

Any stockholder who executes and delivers a proxy has the right to revoke it any time before it is exercised by delivering to the Secretary of the Company an instrument revoking it or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. Subject to revocation, the proxy holders will vote all shares represented by a properly executed proxy received in time for the Annual Meeting in accordance with the instructions on the proxy. If no instruction is specified with respect to a matter to be acted upon, the shares represented by the proxy will be voted FOR the proposal in accordance with the recommendation of the Board of Directors.

The expenses of preparing, assembling, printing and mailing the Internet Availability Notice, this Proxy Statement and the materials used in the solicitation of proxies will be borne by the Company. Proxies will be solicited through

the Internet and the mail and may be solicited by our officers, directors and employees in person or by telephone, email or facsimile. They will not receive additional compensation for this effort. We do not anticipate paying any compensation to any other party for the solicitation of proxies, but may reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to beneficial owners. The Company may retain the services of a proxy solicitation firm if, in the Board's view, it is deemed necessary or advisable. Although the Company does not currently expect to retain such a firm, it estimates that the fees of such firm could be up to \$20,000 plus out-of-pocket expenses, all of which would be paid by the Company.

## Record Date and Quorum Requirements

April 7, 2014 has been fixed as the record date (the “Record Date”) for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. As of the Record Date, 22,426,008 shares of the Company's common stock, par value \$0.001 per share (the “Common Stock”), were issued and outstanding. Each outstanding share of Common Stock will be entitled to one vote. The Common Stock will vote as a single class with respect to all matters submitted to a vote of the stockholders at the Annual Meeting.

In order to constitute a quorum for the conduct of business at the Annual Meeting, a majority of the issued and outstanding shares of the Common Stock entitled to vote at the Annual Meeting must be represented, either in person or by proxy, at the Annual Meeting. Under Delaware law, shares represented by proxies that reflect abstentions or broker non-votes will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

### Required Vote

Directors will be elected by a favorable vote of a plurality of the shares of Common Stock present and entitled to vote, in person or by proxy, at the Annual Meeting. Ratification of Deloitte & Touche LLP as our independent registered public accounting firm and approval of Proposals 3,4 and 5 will require the affirmative vote of a majority of the outstanding shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote. Abstentions and broker non-votes as to the election of directors will not affect the election of the candidates receiving the plurality of votes. 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 and has not received instructions from the beneficial owner. In determining whether Proposals 2, 3, 4 and 5 have received the requisite number of affirmative votes, abstentions will be counted as shares entitled to vote and will have the same effect as votes against the proposals. Broker non-votes, however, will be treated as not entitled to vote for purposes of determining approval of Proposals 2, 3, 4 and 5 and will not be counted as votes for or against Proposal 2, 3, 4 or 5. Unless instructed to the contrary, the shares represented by proxies will be voted FOR the election of the nominees. Properly executed, unrevoked proxies will be voted FOR Proposals 2, 3, 4 and 5 unless a vote against such proposal or abstention is specifically indicated in the proxy.

### Additional Information Regarding the Internet Availability of Our Proxy Materials

We are pleased to take advantage of SEC rules that allow companies to furnish their proxy materials over the Internet. Accordingly, we sent to the majority of our stockholders a Internet Availability Notice regarding Internet availability of the proxy materials for this year's annual meeting. Other stockholders were instead sent paper copies of the proxy materials accessible on the Internet. Instructions on how to access the proxy materials over the Internet or to request a paper copy can be found in the Internet Availability Notice. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis by going to [www.proxyvote.com](http://www.proxyvote.com) and following the instructions. A stockholder's election to receive proxy materials by mail or e-mail will remain in effect until the stockholder terminates it.

Please note that you cannot vote your shares by filling out and returning the Internet Availability Notice. The Internet Availability Notice does, however, include instructions on how to vote your shares.

If your shares are registered directly in your name with our transfer agent, you are considered, with respect to those shares, the “stockholder of record.” In that case, either the Internet Availability Notice or the Notice of Annual Meeting, this proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 have been sent directly to you.



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 shares held in street name. In such case, either a notice similar to the Internet Availability Notice or the Notice of Annual Meeting, this proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 should have been provided (or otherwise made available) to you by your broker, bank or other holder of record who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record on how to vote your shares by following their instructions for voting.

## PROPOSAL 1: ELECTION OF THREE DIRECTORS

## General

Our amended and restated certificate of incorporation provides for a classified Board of Directors consisting of three classes of directors, each serving staggered three-year terms and each class as nearly equal in number as possible as determined by our Board of Directors. As a result, a portion of our Board of Directors will be elected each year.

Mr. Roy E. Christensen and Dr. John G. Nackel have been designated Class I directors, and their term expires at this Annual Meeting. Messrs. Christopher R. Christensen and Daren J. Shaw have been designated Class II directors, and their term expires at the annual meeting of the stockholders to be held following the 2014 fiscal year. Dr. Antoinette Hubenette, Dr. Clayton M. Christensen and Mr. Lee A. Daniels have been designated Class III directors, and their term expires at the annual meeting of the stockholders to be held following the 2015 fiscal year.

As discussed on our Form 8-K dated March 4, 2014, Dr. Clayton M. Christensen informed the Company that he intends to resign from the Company's Board of Directors at the close of the Company's 2014 Annual Meeting of Shareholders. Dr. Christensen's decision to resign was based on his desire to focus on his many research and teaching interests as a faculty member at the Harvard Business School and to pursue his other interests and obligations. Dr. Christensen has served as a member of the Company's Board since 2013 and is currently serving as a member of the Nomination and Corporate Governance Committee. The Board will nominate a replacement for the vacancy created by Dr. Christensen's departure for election to the Board at the Company's 2014 Annual Meeting of the Shareholders. Dr. Christensen is not related to the Company's Chairman, Roy E. Christensen or its President and Chief Executive Officer, Christopher R. Christensen.

On the recommendation of the nomination and corporate governance committee, our Board of Directors, including its independent directors, selected and approved Mr. Roy E. Christensen, Dr. John G. Nackel and Mr. Barry M. Smith as nominees for election in Class I, the class being elected at the Annual Meeting, to serve for a term of three years, expiring at the annual meeting of the stockholders to be held following the 2015 fiscal year or until his or her successor is duly elected and qualified or until his or her earlier resignation or removal.

Mr. Roy E. Christensen and John G. Nackel currently serve as members of our Board of Directors, and have agreed to serve if elected. Mr. Barry M. Smith will be a new member of the Board of Directors and has agreed to serve if elected. Management has no reason to believe that any of these nominees will be unavailable to serve. In the event the nominees named herein are unable to serve or decline to serve at the time of the Annual Meeting, the persons named in the enclosed proxy will exercise discretionary authority to vote for substitutes. Unless otherwise instructed, the proxy holders will vote the proxies received by them FOR the nominees. This proxy cannot be voted for a greater number of persons than three.

## Directors and Nominees

The following table and biographical information sets forth certain information with respect to the nominees for election as well as the continuing directors whose terms expire at the annual meeting of stockholders in 2015 and 2016. The information is current as of March 31, 2014. The information presented below for each director includes the specific experience, qualifications, attributes and skills that led us to the conclusion that such director should be nominated to serve on our Board of Directors in light of our business.

Name	Position with the Company	Age	Director Since
Roy E. Christensen	Chairman of the Board	80	1999
Christopher R. Christensen	President, Chief Executive Officer and Director	45	1999
Dr. Antoinette T. Hubenette	Director	65	2003

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Dr. John G. Nackel	Director	62	2008
Daren J. Shaw	Director	57	2012
Lee A. Daniels	Director	57	2013
Barry M. Smith	Director Nominee	60	N/A

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Nominees for Election to the Board of Directors

Roy E. Christensen has served as our Chairman of the Board since 1999 and currently serves on the Board's quality assurance and compliance committee. He served as our Chief Executive Officer from 1999 to April 2006. He is a 50-year veteran of the long-term care industry, and was founder and Chairman of both Beverly Enterprises, Inc., a healthcare company, and GranCare, Inc. (which later merged into Mariner Post-Acute Network, Inc.) a healthcare company. In 1994, he founded Covenant Care, Inc., a successful long-term care company, and served as its Chairman and Chief Executive Officer from 1994 to 1997. He was Chairman of GranCare, Inc. from 1988 to 1993, and Chief Executive Officer of GranCare, Inc. from 1988 to 1991. He was a member of President Nixon's Healthcare Advisory Task Force on Medicare and Medicaid, and spent four years as a member of the Secretary of Health, Education and Welfare's Advisory Task Force during the Nixon Administration. We believe that Mr. Christensen's extensive experience in the skilled nursing industry and his proven leadership and business skills support the conclusion that he should serve as one of our directors. Mr. Christensen is the father of our CEO, Christopher R. Christensen.

John G. Nackel, Ph.D. has served as a member of our Board of Directors since his election to the Board in June 2008. He currently serves as Chairman of the Board's compensation committee and Co-Chairman of the special investigation committee, and also serves on the Board's audit committee and quality assurance and compliance committee. Dr. Nackel is currently the Founder and Chairman of Three-Sixty Advisory Group, LLC, a business accelerator, to help emerging health care services and medical technology companies address growth, performance and capital challenges. He recently served as Chief Executive Officer of Ingenix Consulting (now Optum), a division of United Health Group. Optum serves the payer, provider, life science and government sectors with strategy, performance improvement, clinical performance and information technology and capital services. Dr. Nackel is a 35-year veteran of the health care industry, where he advised health care companies in his role as a global managing director of Ernst & Young LLP's Healthcare business unit and New Ventures unit. Dr. Nackel was President and Chief Executive Officer of Salick Cardiovascular Centers, Inc. and Executive Vice President of U.S. Technology. During his career, Dr. Nackel has also served as an executive, board member or chairman of several privately held early-stage companies, including Bios, HealthTask, ConnectedHealth, NetStrike, and Sertan, Inc. He earned his bachelor's degree at Tufts University, master's degrees in public health and industrial engineering at the University of Missouri, and a Ph.D. in industrial engineering (health systems design) at the University of Missouri. He is a fellow of the American College of Healthcare Executives (FACHE) and the Healthcare Information and Management Systems Society (HIMSS). He is a senior member of the Institute of Industrial Engineers (IIE). We believe that Dr. Nackel's extensive experience as a consultant and an advisor to healthcare companies, his extensive board and management experience and his valuable leadership and management insights support the conclusion that he should serve as one of our directors.

Barry M. Smith has served as the Chief Executive Officer of Magellan Health Services, Inc., the nation's largest provider of behavioral health services, a leading national provider of radiology benefit management services, specialty pharmacy and prescription benefit management services, since 2013. He founded and served as chairman, president and CEO of VistaCare, Inc., a national provider of hospice services, from 1996 to 2002, and he served as chairman of VistaCare in 2003. From 1990 through 1995, Mr. Smith served as Chairman and CEO of Value Rx, Inc., which was then one of the country's largest pharmacy benefit management companies, and, prior to that, served as vice president of operations for PCS Health Systems, also a pharmacy benefit management firm. Within the past five years Mr. Smith also served on the board of directors of Inpatient Consultants, Inc., the nation's largest provider of hospital services delivering patient care in acute care hospitals. We believe Mr. Smith's extensive experience as a proven and experienced leader in many healthcare businesses that are closely related to our businesses as well as his valuable strategic and other management insights support the conclusion that he should serve as one of our directors.

Continuing Directors for Term Ending Upon the 2015 Annual Meeting of Stockholders

Christopher R. Christensen has served as our President since 1999 and our Chief Executive Officer since April 2006. Mr. Christensen has concurrently served as a member of our Board of Directors since 1999 and currently sits on the

Board's quality assurance and compliance committee. Prior to joining Ensign, Mr. Christensen served as acting Chief Operating Officer of Covenant Care, Inc., a California-based provider of long-term care. Mr. Christensen has overseen our company and its growth since our inception in 1999. We believe that Mr. Christensen's important role in the history and management of our company and its affiliates and his leadership and business skills, including his current position as Chief Executive Officer, support the conclusion that he should serve as one of our directors. Mr. Christensen is the son of our Chairman of the Board, Mr. Roy E. Christensen.

Daren J. Shaw has served as a member of our Board of Directors since his appointment by the Board of Directors to the Board in March 2012. He currently serves as Chairman of the Board's audit committee and also serves on the Board's nominating and corporate governance and compensation committees. Mr. Shaw has served for more than 33 years in leadership capacities with several financial services firms. He currently serves in the Investment Banking Group at D.A. Davidson & Co., a middle-market full-service investment banking firm as the Managing Director. During his term as Managing Director at D.A. Davidson & Co., Mr. Shaw has served on the Senior Management Committee and Board of Directors and as the lead investment banker in a wide variety of transactions including public stock offerings, private placements, and mergers and acquisitions. Mr. Shaw also served for 12 years with Pacific Crest Securities (formerly known as Gallagher Capital Corp.), in various roles, including Managing Director. Mr. Shaw is also serving as a member of the board of directors of Profire Energy, Inc., a NASDAQ company, and Cadet Manufacturing. We believe that Mr. Shaw's extensive experience and leadership in the financial services industry supports the conclusion that he should serve as one of our directors.

#### Continuing Directors for Term Ending Upon the 2016 Annual Meeting of Stockholders

Antoinette T. Hubenette, M.D. has served as a member of our Board of Directors since June 2003. She currently serves as Chairperson of the Board's quality assurance and compliance committee, and also serves on the Board's compensation and special investigation committees. Dr. Hubenette is a practicing physician and the former President of Cedars-Sinai Medical Group in Beverly Hills, California. She has been on the staff at Cedars-Sinai Medical Center since 1982. She has served as a director of First California Bank, and its predecessor, Mercantile National Bank, since 1998, and she has served on the board of directors of Cedars-Sinai Medical Care Foundation and GranCare, Inc. (which was later merged into Mariner Post-Acute Network, Inc.). She is a member of numerous medical associations and organizations. We believe that Dr. Hubenette's extensive board experience, management experience in the healthcare industry and her proven leadership and business capabilities support the conclusion that she should serve as one of our directors.

Lee A. Daniels is currently a professor of International Business and Marketing at the Marriott School of Management at Brigham Young University where he has been teaching since 2004. Prior to joining the faculty at BYU, Mr. Daniels spent 25 years in international business where he worked in over 30 countries. Mr. Daniels served as the Chief Executive Officer and Managing Partner of Daniels Capital, LLC, an investment company that made private equity investments and other investments. Mr. Daniels has also served as the Chief Executive Officer of Telecom 5, a Utah-based telecommunications company from 2004 to 2005, President of Newbridge Capital, Japan from 2001 to 2004, President and Representative Director of Jupiter Telecommunications Co., Ltd. from its merger with Titus Communications to 2000 and Titus Communications from 1998 to 2000. Mr. Daniels spent the majority of his career at AT&T where he served as President and Chief Executive Officer of AT&T Japan Ltd. from 1994 to 1998 and concurrently served as the Chairman of JENS, one of the first Internet Service Providers in Japan. Mr. Daniels has also served on numerous boards in Japan and the U.S., including Raser Technologies and Pro Image. Mr. Daniels received a B.S. degree in Business Management from Brigham Young University, a Masters Degree in International Business from Sophia University in Japan and completed the Executive Development Program at the J.L. Kellogg School of Management at Northwestern University. We believe that Mr. Daniels' extensive management and board experience and his proven leadership and business capabilities support the conclusion that he should serve as one of our directors.

#### Affirmative Determinations Regarding Director and Nominee Independence

Our Board of Directors has determined each of the following directors to be an "independent director" as such term is defined in Rule 5605(a)(2) of the NASDAQ Stock Market Rules: Dr. Antoinette T. Hubenette and Messrs. John G. Nackel, Daren J. Shaw, Clayton M. Christensen and Lee A. Daniels. In addition, our Board of Directors has determined that Mr. Barry M. Smith, who is a director nominee, would be independent under the NASDAQ Stock

Market Rules.

In this Proxy Statement, the aforementioned directors are referred to individually as an “Independent Director” and collectively as the “Independent Directors.” The Independent Directors intend to meet in executive sessions at which only Independent Directors will be present in conjunction with each regularly scheduled meeting of the Board of Directors.

Board Leadership Structure

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interests of the Company to make that determination based upon the position and direction of the Company and the membership of the Board. The Board has determined that having the Company's Chief Executive Officer not serve as Chairman is in the best interest of the Company's stockholders at this time. However, the Board has determined that having the Company's former Chief Executive Officer serve as the Chairman makes the best use of the former Chief Executive Officer's extensive knowledge of the Company and its industry, as well as fostering greater communication between the Company's management and the Board.

## Meetings and Committees of the Board of Directors

During the year ended December 31, 2013, our Board of Directors met six times. Except for Clayton M. Christensen, a majority of the Board attended at least 75 percent of the meetings of our Board and the meetings of any of our Board committees on which they served. Our Board of Directors and its committees also acted by way of various unanimous written consents during the year ended December 31, 2013.

Although we do not have a formal policy regarding attendance by members of our Board of Directors at our Annual Meeting of Stockholders, we encourage our directors to attend. At the 2013 Annual Meeting, all of the seven members of the Board of Directors were in attendance and we expect that at least a majority of our Board of Directors will attend the 2014 Annual Meeting.

Our Board of Directors has an audit committee, a compensation committee, a nomination and corporate governance committee, a quality assurance and compliance committee and a special investigation committee. Each committee, other than the special investigation committee, has a written charter. Copies of the charters for the audit committee, the compensation committee and the nomination and corporate governance committee are posted on our web site at <http://www.ensigngroup.net> under the Investor Relations section. In addition, the compensation committee, the audit committee and the Board of Directors meet, at times, without management present. Mr. Barry M. Smith will be appointed to committees of the board at the board meeting immediately following his election to the board at the annual stockholders meeting.

**Compensation Committee.** Our compensation committee currently consists of Messrs. John G. Nackel, Daren J. Shaw and Lee A. Daniels and Dr. Antoinette T. Hubenette. Dr. Nackel serves as chairman of the compensation committee. All members of the compensation committee are independent directors, as defined in the NASDAQ Stock Market listing standards. Our compensation committee held four meetings in 2013. The primary functions of this committee include:

- developing and reviewing policies relating to compensation and benefits;
- determining or recommending to our Board of Directors the cash and non-cash compensation of our executive officers;
- evaluating the performance of our executive officers and overseeing management succession planning;
- administering or making recommendations to our Board of Directors with respect to the administration of our equity-based and other incentive compensation plans; and
- overseeing the preparation of the Compensation Discussion and Analysis and the related Compensation Committee Report for inclusion in our annual proxy statement.

The compensation committee has not delegated any powers or authority to the Chief Executive Officer or any other executive officer of the Company in determining executive officer compensation. Our compensation committee did not retain the services of a consulting firm in 2013. For a discussion of the processes and procedures for determining executive and director compensation and the role of compensation consultants in recommending the amount or form of compensation, see the “Compensation Discussion and Analysis” section below.

**Audit Committee.** Our audit committee currently consists of Messrs. Daren J. Shaw, John G. Nackel and Lee A. Daniels. Mr. Shaw serves as chairman of the audit committee. All members of the audit committee are and will be independent directors, as defined in the NASDAQ Stock Market listing standards and Rule 10A-3 of the Securities



Exchange Act of 1934, as amended. Our audit committee held six meetings in 2013. Each member of our audit committee can read, and has an understanding of, fundamental financial statements. Our Board of Directors has determined that Mr. Shaw qualifies as an “audit committee financial expert” as that term is defined in the rules and regulations established by the Securities and Exchange Commission. This designation is a disclosure requirement of the Securities and Exchange Commission related to Mr. Shaw's experience and understanding with respect to certain accounting and auditing matters. The designation does not impose on Mr. Shaw any duties, obligations or liability that are greater than those generally imposed on him as a member of our audit committee and our board of directors, and his designation as an audit committee financial expert pursuant to this Securities and Exchange Commission requirement does not affect the duties, obligations or liability of any other member of our audit committee or board of directors. The primary functions of this committee include overseeing:

the conduct of our financial reporting process and the integrity of our financial statements and other financial information provided by us to the public or any governmental or regulatory body;

the functioning of our internal controls;

procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;

the approval of our transactions with related persons;

pre-approving audit and permissible non-audit services to be performed by our independent accountants, if any, and the fees to be paid in connection therewith;

the engagement, replacement, compensation, qualifications, independence and performance of our independent auditors, and the conduct of the annual independent audit of our financial statements;

the company's legal compliance programs and any legal or regulatory matters that may have a material impact on the Company's financial statements; and

the portions of our code of ethics and business conduct that relate to the integrity of our financial reports.

Both representatives of our independent registered public accounting firm and internal financial personnel regularly meet privately with the audit committee and have unrestricted access to this committee.

**Nomination and Corporate Governance Committee.** Our nomination and corporate governance committee currently consists of Messrs. Lee A. Daniels, Daren J. Shaw and Clayton M. Christensen. Mr. Daniels serves as the chairman of the nomination and corporate governance committee. All members of the nomination and corporate governance committee are independent directors, as defined in the NASDAQ Stock Market listing standards. Our nomination and corporate governance committee held two meetings in 2013. The primary functions of this committee include:

assisting the Board of Directors in establishing the minimum qualifications for a director nominee, including the qualities and skills that members of our Board are expected to possess;

identifying and evaluating individuals qualified to become members of our Board, consistent with criteria approved by our Board and our nomination and corporate governance committee;

selecting, or recommending that our Board selects, the director nominees for election at the next annual meeting of stockholders, or to fill vacancies on our Board occurring between annual meetings of stockholders;

management succession planning; and

developing, recommending to our Board, and assessing corporate governance policies for us.

**Quality Assurance and Compliance Committee.** Our quality assurance and compliance committee is currently comprised of Messrs. Roy E. Christensen, Christopher R. Christensen, John G. Nackel and Dr. Antoinette T. Hubenette. Dr. Hubenette currently serves as the chairperson of this committee. Our quality assurance and compliance committee held four meetings in 2013. The functions of this committee include:

overseeing the promulgation, and the updating from time to time as appropriate, of a written corporate compliance program that substantially conforms to the Office of the Inspector General Program Guidance for Nursing Facilities, including written policies, procedures and standards of conduct, as well as disciplinary guidelines to assist officers and employees charged with direct enforcement responsibility;

- designating a corporate compliance officer, and functioning as the compliance committee to which such compliance officer reports;

- ensuring that means exist for the delivery of appropriate compliance training and education to the officers and employees of our several subsidiaries;

- establishing lines of communication for escalating compliance and quality control issues to our quality assurance and compliance committee and our Board;

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establishing a system for internal monitoring and auditing of compliance and quality control issues; and causing our officers to respond, as appropriate, to compliance and quality control issues and to take effective corrective action.

Special Investigation Committee. In September 2010, the Board of Directors appointed a special committee consisting solely of “independent directors” as such term is defined in Rule 5605(a)(2) of the NASDAQ Stock Market Rules. The membership of the special committee includes Messrs. John G. Nackel and Daren J. Shaw and Dr. Antoinette T. Hubenette. Dr. Nackel serves as chairman of the special committee. The special committee was formed to represent the Board's, the Company's and the stockholders' interests in addressing allegations and related matters arising from or in connection with the investigation previously conducted by the Department of Justice (DOJ). The special committee has been empowered to act on behalf of the Board of Directors with respect to these matters, and has, among other things, retained independent legal counsel and other third-party consultants to facilitate its work. The special committee will dissolve at the time the Board of Directors determines that it is no longer necessary.

#### Board Role in Risk Oversight

Our Board of Directors is responsible for overseeing the Company's management of risk. The Board strives to effectively oversee the Company's enterprise-wide risk management in a way that balances managing risks while enhancing the long-term value of the Company for the benefit of the stockholders. The Board of Directors understands that its focus on effective risk oversight is critical to setting the Company's tone and culture towards effective risk management. To administer its oversight function, the Board seeks to understand the Company's risk philosophy by having discussions with management to establish a mutual understanding of the Company's overall appetite for risk. Our Board of Directors maintains an active dialogue with management about existing risk management processes and how management identifies, assesses and manages the Company's most significant risk exposures. Our Board expects frequent updates from management about the Company's most significant risks so as to enable it to evaluate whether management is responding appropriately.

Our Board relies on each of its committees to help oversee the risk management responsibilities relating to the functions performed by such committees. Our audit committee periodically discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. Our compensation committee helps the Board to identify the Company's exposure to any risks potentially created by our compensation programs and practices. For a further discussion of how the compensation committee helps mitigate this risk, see Compensation Discussion and Analysis - Compensation Policy and Objectives. Our nomination and corporate governance and quality assurance and compliance committees oversee risks relating to the Company's corporate compliance programs and assist the Board and management in promoting an organizational culture that encourages commitment to ethical conduct and a commitment to compliance with the law. Each of these committees is required to make regular reports of its actions and any recommendations to the Board, including recommendations to assist the Board with its overall risk oversight function.

#### The Company's Director Nomination Process

As indicated above, our nomination and corporate governance committee oversees the director nomination process. This committee is responsible for assisting the Board of Directors in establishing minimum qualifications for director nominees, including qualities and skills that members of our Board of Directors are expected to possess. Under our nomination and corporate governance committee charter, which is available at our website at [www.ensigngroup.net](http://www.ensigngroup.net), these criteria include the candidate's personal and professional integrity, the candidate's financial literacy or other professional or business experience relevant to an understanding of the Company and its business, the candidate's demonstrated ability to think and act independently and with sound judgment, and the candidate's ability to be

effective, in conjunction with other members or nominees of the Board of Directors in collectively serving the long-term interests of the Company and its stockholders. Our nomination and corporate governance committee identifies and evaluates individuals qualified to become members of our Board of Directors. Our nomination and corporate governance committee then recommends that our Board of Directors select the director nominees for the election at the next annual meeting of stockholders, or to fill vacancies on our Board of Directors occurring between annual meetings of the stockholders.

We believe it is important to have an appropriate mix of diversity for the optimal functionality of the Board of Directors. Our nomination and corporate governance committee charter requires that the governance committee consider each candidate's qualities and skills and our nomination and corporate governance committee considers each candidate's background, diversity, ability, judgment, skills and experience in the context of the needs and current make up of the Board of Directors when evaluating director nominees. The Board of Directors believes it is important for each member of the Board of Directors to possess skills and knowledge in the areas of leadership of large, complex organizations, finance, strategic planning, legal, government relations and relevant industries, especially the healthcare and skilled nursing industries. These considerations help the Board of Directors as a whole to have the appropriate mix of diversity, characteristics, skills and experiences for the optimal functioning of the Board of Directors in its oversight of our Company. As part of its periodic self-assessment process, the nomination and corporate governance committee annually reviews and evaluates its performance, including overall composition of the Board of Directors and the criteria that it uses for selecting nominees in light of the specific skills and characteristics necessary for the optimal functioning of the Board of Directors in its oversight of our Company. Although we do not have a formal diversity policy relating to the identification and evaluation of nominees for director, the nomination and corporate governance committee considers all of the criteria described above in identifying and selecting nominees and in the future may establish additional minimum criteria for nominees.

The nomination and corporate governance committee will consider nominees for the Board recommended by stockholders who meet the eligibility requirements for submitting stockholder proposals for inclusion in the Company's next proxy statement. If an eligible stockholder wishes to recommend a nominee, he or she should submit such recommendation in writing to the Chair, Nomination and Corporate Governance Committee, care of the Corporate Secretary of the Company, by the deadline for stockholder proposals set forth in the Company's last proxy statement, specifying the information set forth in the nomination and corporate governance committee charter. All such recommendations will be brought to the attention of the nomination and corporate governance committee, and the nomination and corporate governance committee shall evaluate such director nominees in accordance with the same criteria applicable to the evaluation of all director nominees. After conducting a search for qualified candidates and with the assistance of management, the nomination and corporate governance committee met with and interviewed Mr. Barry M. Smith and recommended him to the board of directors. Mr. Barry M. Smith was nominated by the board of directors.

**General Nomination Right of All Stockholders.** Any stockholder may nominate one or more persons for election as a director at an annual meeting of stockholders if the stockholder complies with the notice, information and consent provisions contained in our amended and restated bylaws. In order for a stockholder's director nomination to be timely, the stockholder must deliver written notice to our secretary not later than the close of business on the 60th day, nor earlier than the 90th day, prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is called for on a date that is not within 30 days of such anniversary date, notice by the stockholder must be so received no earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the 60th day prior to such annual meeting, or not later than the close of business on the 10th day following the date on which public disclosure of the date of the meeting was made by the corporation, whichever occurs first. Such notification must contain the written consent of each proposed nominee to serve as a director if so elected and all other information required in Section 3.02 of our amended and restated bylaws.

**Director Compensation**

In fiscal year 2013, our Chairman of the Board received an annual retainer of \$100,000; and each of our non-employee directors received an annual retainer of \$30,000. In addition, each member of the individual committees of the Board of Directors received the following retainers:

	Chairman	Member
Committee	Retainer	Retainer

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Audit	\$30,000	\$10,000
Quality Assurance and Compliance	30,000	6,000
Special Investigation	12,000	4,500
Nominating and Corporate Governance	5,000	1,500
Compensation	5,000	2,500

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Each non-employee director first elected to a three-year term prior to March 1, 2012 received an automatic stock grant for 900 shares of common stock, on the date he or she is appointed, elected or re-elected (Automatic Stock Grant Program). In addition, on a quarterly basis, each non-employee director first elected to a three-year term prior to March 1, 2012 received an automatic stock grant of 900 shares on the 15th day of the month subsequent to quarter end. Further, under the terms of our 2007 Omnibus Incentive Plan, each non-employee director first elected to a three-year term subsequent to March 1, 2012 will receive a restricted stock grant of 750 shares on the 15th day of the month subsequent to quarter end, which vest over a three-year period, beginning with the first anniversary of the grant date. Directors elected to fill less than a three-year term will receive a pro rata stock award. All unvested restricted stock grants will become fully vested on the date any such non-employee directors ceases serving on the board unless such director is removed for cause. Pursuant to the Automatic Stock Grant Program, Board members receiving stock grants must maintain ownership of a minimum of thirty-three percent (33%) of the cumulative shares granted to him or her.

The following table sets forth a summary of the compensation earned by our non-employee directors and Chairman in 2013. Our Chief Executive Officer, who currently serves as a director, does not receive any additional compensation for such service.

#### Director Compensation - 2013

Name	Fees Earned (\$)	Stock Awards (\$)(1)	All Other Compensation (\$)	Total (\$)
Roy E. Christensen	100,000	—	1,236	(2) 101,236
Antoinette T. Hubenette	67,000	128,133	—	195,133
Thomas A. Maloof <sup>(3)</sup>	20,700	55,665	—	76,365
John G. Nackel	60,300	128,133	—	188,433
Van R. Johnson <sup>(3)</sup>	21,150	55,665	—	76,815
Daren J. Shaw	66,475	89,693	—	156,168
Clayton M. Christensen <sup>(3)</sup>	17,325	50,727	—	68,052
Lee A. Daniels	26,125	50,727	—	76,852

This column reflects the total dollar amount to be recognized for financial statement reporting purposes with respect to the fair value of the stock awards granted to each of the directors during the 2013 fiscal year in accordance with Accounting Standard Codification (ASC) 718, Stock Compensation. Dr. John G. Nackel and Dr. Antoinette T. Hubenette each received grants of 900 stock awards on January 15, 2013, April 15, 2013, July 15, 2013 and October 15, 2013. Messrs. Van R. Johnson and Thomas A. Maloof received grants of 900 stock awards on January 15, 2013 and April 15, 2013 prior to their retirement from the Company's board of directors at the annual meeting of the stockholders in 2013. Mr. Daren J. Shaw received grants of 750 restricted awards on January 15, 2013, April 15, 2013, July 15, 2013 and October 15, 2013. Messrs. Clayton M. Christensen and Lee A. Daniels received grants of 750 restricted awards on July 15, 2013 and October 15, 2013. The fair value of these stock awards on the grant dates were \$27.98 on January 15, 2013, \$33.87 on April 15, 2013, \$38.61 on July 15, 2013 and \$41.91 on October 15, 2013. Stock awards granted to Messrs. Nackel, Maloof, Johnson and Dr. Hubenette are immediately vested upon the grant date and therefore, compensation expense was recognized in full on the date these awards were granted. Awards granted to Messrs. Shaw, Christensen and Daniels vest over a three-year period beginning on the first anniversary of the grant date and therefore, compensation expense is recognized ratably over the vesting period. As of December 31, 2013, Dr. Hubenette and Mr. Maloof each held options to purchase 12,000 shares of common stock and Dr. Nackel held stock options to purchase 24,000 shares of common stock. In addition, as of December 31, 2013, Mr. Shaw and Mr. Daniels held 4,000 and 1,500 unvested restricted awards, respectively.



- (2) Consists of term life insurance and accidental death and dismemberment insurance payments of \$1,236.

- (3) Dr. Clayton M. Christensen informed the Company that he intends to resign from the Company's Board of Directors at the close of the Company's 2014 Annual Meeting of Shareholders. In addition, Messrs. Thomas A. Maloof and Van R. Johnson retired from the Company's Board of Directors at the close of the Company's 2013 Annual Meeting of the Shareholders.

#### Communications with Directors

Stockholders who would like to send communications to our Board may do so by submitting such communications to Chad A. Keetch at The Ensign Group, Inc., 27101 Puerta Real, Suite 450, Mission Viejo, California 92691. We suggest, but do not require, that such submissions include the name and contact information of the stockholder making the submission and a description of the matter that is the subject of the communication. Mr. Keetch will then distribute such information to our Board of Directors for review.

#### Code of Conduct and Ethics

We have adopted a code of ethics and business conduct that applies to all employees, including employees of our subsidiaries, as well as each member of our Board of Directors. The code of ethics and business conduct is available at our website at [www.ensigngroup.net](http://www.ensigngroup.net) under the Investor Relations section.

We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address specified above.

#### Recommendation of the Board of Directors

Our Board of Directors unanimously recommends that the stockholders vote FOR the election of the nominees listed above.

## PROPOSAL 2: APPROVAL OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We are asking the stockholders to ratify the selection of Deloitte & Touche LLP (“Deloitte”) as our independent registered public accounting firm for the year ending December 31, 2014. The affirmative vote of a majority of the common stock having voting power present in person or represented by proxy and entitled to vote will be required to ratify the selection of Deloitte.

Stockholders are not required to ratify the appointment of Deloitte as our independent registered public accounting firm. However, we are submitting the appointment for ratification as a matter of good corporate practice. If stockholders fail to ratify the appointment, the audit committee will consider whether or not to retain Deloitte. Even if the appointment is ratified, the audit committee may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders.

Representatives of Deloitte will be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

### Principal Accountant Fees and Services

The following table presents fees for professional services rendered by Deloitte for the years ended December 31, 2013 and 2012:

	2013	2012
Audit Fees <sup>(1)</sup>	\$1,548,761	\$953,250
Audit Related Fees	—	—
Tax Fees	—	—
All Other Fees <sup>(2)</sup>	2,200	2,200
Total	\$1,550,961	\$955,450

Audit Fees consist principally of fees for the audit of our financial statements and internal controls under the Sarbanes-Oxley Act of 2002, and review of our financial statements included in our Quarterly Reports on Form 10-Q, as well as fees incurred in connection with the preparation and filing of registration statements with (1) the Securities and Exchange Commission. Included in this amount in 2013 are fees of \$619,411 related to the audit of annual financial statements, reviews of quarterly financial information and reviews of registration statements related to the Company's proposed spin-off of its real estate assets into a separate publicly traded real estate investment trust ("REIT").

(2) This amount represent subscription fees paid to Deloitte for use of an accounting research tool during the years ended December 31, 2013 and 2012.

### Pre-Approval Policies

Our audit committee approved all audit, audit-related, tax and other services performed by our independent registered public accounting firm during the years presented. The audit committee has adopted an Audit and Non-Audit Services Pre-Approval Policy. This policy provides for general pre-approval for a specified range of fees for certain categories of routine services to be provided during a given calendar year. This general pre-approval is automatically renewed at the beginning of each calendar year, unless otherwise determined by the audit committee. If the cost of any proposed service exceeds the amount for which general pre-approval has been established, specific pre-approval by the audit committee is required. Specific pre-approval of services is considered at the regular meetings of the audit committee.

The policy delegates authority to the Chairman of the audit committee to grant specific pre-approval between regularly scheduled audit committee meetings for audit services not to exceed \$75,000 and non-audit services not to exceed \$50,000. The policy also establishes a list of prohibited non-audit services. In making all of its pre-approval determinations, the audit committee considers, among other things, whether such services are consistent with the rules promulgated by the Public Company Accounting Oversight Board (PCAOB) and the Securities and Exchange Commission (SEC) regarding auditor independence, whether the independent auditor is best positioned to provide the most effective and efficient service, and whether the service might enhance the Company's ability to manage and control risk or improve audit quality. These and other factors are considered as a whole and no one factor is necessarily determinative.

## Audit Committee Report

Our audit committee has reviewed and discussed with our management our audited consolidated financial statements and the establishment and maintenance of internal controls over financial reporting and has discussed with our independent registered public accounting firm the matters required to be discussed by Professional Standards Vol. 1. AU Section 380, as adopted by the Public Company Accounting Oversight Board in Rule 3200T, and Rule 2-07 of Regulation S-X (Communication with Audit Committees).

Our audit committee has received the written disclosures and the letter from our independent registered public accounting firm required by PCAOB Ethics and Independence Rule 3526 (Communication with Audit Committees Concerning Independence).

Our audit committee has also considered whether the provision of non-audit services provided to us by our independent registered public accounting firm is compatible with maintaining its independence and has discussed with the auditors such auditors' independence.

Based on its review, our audit committee recommended to our Board of Directors that the audited financial statements for the Company's year ended December 31, 2013 be included in our Annual Report on Form 10-K for its year ended December 31, 2013, which was filed on February 13, 2014.

Submitted by:

Daren J. Shaw (Chair)  
John G. Nackel  
Lee A. Daniels  
Members of the Audit Committee

## Recommendation of the Board of Directors

Our Board of Directors unanimously recommends that the stockholders vote FOR the ratification of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2014.

## EXECUTIVE OFFICERS

The following table presents information regarding our current executive officers. The information is current as of March 31, 2014:

Name	Age	Position
Christopher R. Christensen	45	President, Chief Executive Officer and Director
Suzanne D. Snapper	40	Chief Financial Officer
Gregory K. Stapley	54	Executive Vice President and Secretary
Beverly B. Wittekind	49	Vice President and General Counsel
Barry R. Port	39	Chief Operating Officer, Ensign Services, Inc.

Information on the business background of Christopher Christensen is set forth above under “Directors and Nominees.”

Suzanne D. Snapper has served as our Chief Financial Officer since August 2009, and previously served as our Vice President of Finance since joining Ensign in 2007. As Vice President of Finance, Ms. Snapper played a key role in taking the company public in 2007. She also oversaw the implementation of Ensign's internal controls over financial reporting. Prior to joining the Company, she worked from 1996 to April 2007 as an accountant with KPMG LLP, where her practice included providing audit services for public companies in the technology, transportation and quick serve restaurant industries. Ms. Snapper is a certified public accountant. She holds a B.A. in Accounting from California State University, Fullerton.

Gregory K. Stapley has served as our Executive Vice President and Secretary since November 2009, and as our Secretary since January 2006. He also served as our Vice President, General Counsel and Assistant Secretary since joining Ensign shortly after our inception in 1999. Mr. Stapley previously served as General Counsel for the Sedgwick Companies, an Orange County-based manufacturer, wholesaler and retailer with 192 retail outlets across the United States, where he was responsible for all of that company's legal affairs, site acquisitions and developer relations. Prior to that, Mr. Stapley was a member of the Phoenix law firm of Jennings, Strouss & Salmon PLC, where his practice emphasized real estate and business transactions, and federal, state and local government relations.

Beverly B. Wittekind has served as our Vice President and General Counsel since November 2009 and previously served as our Corporate Compliance Officer and as Vice President and General Counsel of our wholly-owned subsidiary, Ensign Services, Inc., which operates our Service Center, since 2002. Prior to joining the Company, she worked at Vista Hospital Systems, a non-profit hospital system based in Corona, California, where she served as General Counsel, Chief Compliance Officer and Vice-President of Risk and Litigation Management. Ms. Wittekind is a graduate of the University of Notre Dame Law School and began her career in private practice at Snell & Wilmer and was a partner in the firm Doyle, Winthrop, Oberbillig and West, both in Phoenix, Arizona, where she specialized in the defense of healthcare providers in medical malpractice litigation.

Barry R. Port has served as the Chief Operating Officer of our wholly-owned subsidiary, Ensign Services, Inc., which oversees our skilled nursing and assisted living services, since January 2012. He previously served as the President of our subsidiary, Keystone Care, Inc., which supervised the operations of twenty-three facilities in Texas, from March 2006 to December 2011. Prior to 2006, he served as the Executive Director and in other capacities at our Bella Vita Health and Rehabilitation Center (formerly Desert Sky Health and Rehabilitation Center) skilled nursing and assisted living campus in Glendale, Arizona, from March 2004 to March 2006. Before joining Ensign in March 2004, Mr. Port served as Manager of Corporate Agreements for Sprint Corporation from 2001 to March 2004.



## COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis provides information regarding our executive compensation objectives and principles, procedures, practices and decisions, and is provided to help give perspective to the numbers and narratives that follow in the tables in this section. This discussion will focus on our objectives, principles, practices and decisions with regards to the compensation of Christopher R. Christensen, Suzanne D. Snapper, Gregory K. Stapley, Beverly B. Wittekind and Barry R. Port (“Named Executive Officers”).

### Say on Pay

In 2013, we submitted our executive compensation program to a vote, on an advisory basis, of our stockholders and received the support of approximately 90% of the shares of common stock present and eligible to vote at our 2013 annual meeting of the stockholders. The compensation committee considered the results of this stockholder advisory vote as one of many factors in structuring its compensation practices in 2013. We pay careful attention to any feedback we received from our stockholders regarding our executive compensation, including the say on pay vote. Given the support for the advisory vote on 2012 executive compensation, the compensation committee determined the fundamental characteristics of the program should remain intact for 2013.

In consideration of the stockholder vote at our 2011 annual meeting, the Board of Directors has determined that the Company will hold an advisory vote on executive compensation every year in connection with its annual meeting of stockholders. Accordingly, the Company will conduct an advisory vote on executive compensation each year through 2017, when the next stockholder vote on the frequency of say-on-pay votes is required under Section 14A of the Securities Exchange Act of 1934, as amended, or until the Board of Directors otherwise determines that a different frequency for such votes is in the best interests of the Company’s stockholders.

### Compensation Policy and Objectives

We believe that compensation paid to our executive officers should be closely aligned with our performance and the performance of each individual executive officer on both a short-term and a long-term basis, should be based upon the value each executive officer provides to our company, and should be designed to assist us in attracting and retaining the best possible executive talent, which we believe is critical to our long-term success. Because we believe that compensation should be structured to ensure that a significant portion of compensation earned by executives will be directly related to factors that directly and indirectly influence stockholder value, the “at risk” compensation of our executive officers generally constitutes a large portion of their total compensation potential. In addition, commensurate with our belief that those of our employees who act like owners should have the opportunity to become owners, many of our executive officers have a significant level of stock ownership, which we believe aligns the incentives of the executive officers with the priorities of our stockholders. To that end, it is the view of our Board of Directors and compensation committee that the total compensation program for executive officers should consist of the following:

• Base salary;

• Annual and other short-term cash bonuses;

• Long-term incentive compensation; and

• Certain other benefits.

The compensation committee believes that our executive compensation program has been appropriately designed to provide a level of incentives that do not encourage our executive officers to take unnecessary risks in managing their respective functions. As discussed above, a substantial portion of our executive officers' compensation is



performance-based, consistent with our approach to executive compensation. Our annual incentive compensation program is designed to reward annual financial and/or strategic performance in areas considered critical to our short- and long-term success. In addition, we measure performance on a variety of bonus criteria other than our profit to determine an executive's annual incentive compensation award, such as positive survey results, clinical quality standards, positive patient feedback and feedback from other employees regarding such executives' performance. We believe this discourages risk-taking that focuses excessively on short-term profits at the sacrifice of our long-term health. Likewise, our long-term equity incentive awards are directly aligned with long-term stockholder interests through their link to our stock price and multi-year ratable vesting schedules. In combination, the compensation committee believes that the various elements of our executive compensation program sufficiently tie our executives' compensation opportunities to our focus on sustained long-term growth and performance.

In establishing our executive compensation packages, the compensation committee has historically reviewed compensation packages of executives of companies in the skilled nursing industry based on publicly available information. Our compensation committee has the sole authority to retain and terminate the services of a compensation consultant who reports to the compensation committee. In 2009, our compensation committee engaged Steven Hall & Partners, a national consulting firm, to assist it in assessing industry comparability and competitiveness of our executive compensation packages to assist the compensation committee in establishing, developing and validating our executive compensation and incentive programs. The compensation committee determined that it had sufficient information to make its own assessments regarding industry comparability and competitiveness of our executive compensation packages for 2013 and elected not to engage a compensation consultant in 2013. The compensation committee may determine to engage a compensation consultant in the future.

### Principal Economic Elements of Executive Compensation

**Base Salary.** We believe it is important to pay our executives' salaries within a competitive market range in order to attract and retain highly talented executives. Although historically we have not set executive salaries based upon any particular benchmarks, we may from time to time generally review relevant market data to assist us in our compensation decision process. We have historically validated our compensation decisions by comparing the compensation of executives at other public companies in the skilled nursing industry to the compensation of our executives. Our compensation committee reviewed the published compensation of the named executive officers of National Healthcare Corporation, Sun Healthcare Group, Inc., Kindred Healthcare, Inc. and Skilled Healthcare Group, Inc. We believe that the base salaries and the total compensation of our executives are comparable to the lower end of base salaries and median total compensation of executives with similar positions at comparable companies. Each of our executive's base salary is generally determined based upon job responsibilities, individual experience and the value the executive provides to our company. The compensation committee considered each of these factors in determining the compensation each executive would be paid in 2013. We may elect to change this practice in future years, and the compensation committee employed a compensation consultant to examine the company's compensation practices in 2009. The decision, if any, to materially increase or decrease an executive's base salary in subsequent years will likely be based upon these same factors and others recommended by a compensation consultants, if any. Our compensation committee makes decisions regarding base salary at the time the executive is hired, and makes decisions regarding any changes to base salary on an annual basis.

**Annual Cash Bonuses.** We establish an executive incentive program each year, pursuant to which certain executives may earn annual bonuses based upon our performance. Historically, in the first quarter of each year, our compensation committee identifies the plan's participants for the year and establishes an objective formula by which the amount, if any, of the plan's bonus pool will be determined. The committee also has the discretion to allocate the bonus pool among the individual executives prior to the end of the year and any such early allocation will remain subject to further adjustments upon the final determination of the bonus pool calculations during the first quarter of each year. This formula is based upon adjusted annual income before provision for income taxes. Our compensation committee established the following formula for the 2013 bonus pool:

Adjusted Annual Income Before Provision for Income Taxes ("EBT") in 2013	Bonus Pool
For EBT up to \$46.2 million	\$—
For EBT greater than \$46.2 million, but less than \$51.2 million	EBT between \$46.2 million and \$51.2 million * 2.5%
For EBT greater than \$51.2 million, but less than \$56.2 million	\$0.125 million + (amount of EBT between \$51.2 million and \$56.2 million * 5.0%)

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For EBT greater than \$56.2 million, but less than \$61.2 million	\$0.375 million + (amount of EBT between \$56.2 million and \$61.2 million * 7.5%)
For EBT greater than \$61.2 million, but less than \$71.2 million	\$0.75 million + (amount of EBT between \$61.2 million and \$71.2 million * 10.0%)
For EBT greater than \$71.2 million, but less than \$89.2 million	\$1.75 million + (amount of EBT between \$71.2 million and \$89.2 million * 12.5%)
For EBT greater than \$89.2 million, but less than \$104.2 million	\$4.00 million + (amount of EBT between \$89.2 million and \$104.2 million * 15.0%)
For EBT greater than \$100 million	\$6.25 million + (amount of EBT over \$100 million * 20%)

Historically, in the first quarter of the subsequent year, our compensation committee subjectively allocates the bonus pool among the individual executives based upon the recommendations of our Chief Executive Officer and the compensation committee's perceptions of each participating executive's contribution to our financial, clinical and governance performance during the preceding year, and value to the organization going forward. The committee also has the discretion to allocate the bonus pool among the individual executives prior to the end of the year and any such early allocation will remain subject to further adjustments upon the final determination of the bonus pool calculations during the first quarter of each year. The financial measure that our compensation committee considers is our adjusted annual income before provision for income taxes. The clinical measures that our compensation committee considers include our success in achieving positive survey results and the extent of positive patient and resident feedback. The governance measure that our compensation committee considers includes succession planning and establishing a team made up of members of the Board of Directors and management with the goal of creating a strategy for the Board of Directors which emulates the culture of the organization. Our compensation committee also reviews and considers feedback from other employees regarding the executive's performance. Our compensation committee exercises discretion in the allocation of the bonus pool among the individual executives and has, at times, awarded bonuses that, collectively, were less than the bonus pool resulting from the predetermined formula. For 2013, the compensation committee did not cap the executive bonus pool. Based upon the predetermined formula, taking into account negative adjustments of \$1,228,141 for the Company's clinical and governance performance and the negative impact of the settlement of the investigation into some of our subsidiaries conducted by the Department of Justice (DOJ), the bonus pool for 2013 was \$1,291,446. Bonuses for 2013 performance were allocated to the Named Executive Officers who participated in the executive incentive program as follows: Christopher Christensen, \$441,446, Suzanne Snapper, \$275,000, Gregory Stapley, \$100,000 and Barry Port, \$375,000. Beginning in 2011, we implemented a policy for allocating executive bonus compensation between cash and non-cash compensation, such that if the total executive pool is greater than \$2.0 million, for every dollar greater than \$2.0 million, half of the incentive will be paid in cash and half will be paid in fully vested restricted stock awards. This amount increased to \$2.5 million in 2013. As the bonus pool was not greater than \$2.5 million in 2013, the bonuses paid to the Named Executive Officers were paid only in cash.

Each year, our compensation committee reviews our financial performance goals and may adjust the bonus pool formula at its discretion to better align the amount available for annual executive bonuses with our objectives. Historically, the compensation committee has increased the amount of adjusted annual income before provision for income taxes that must be achieved in order to create the same bonus pool as the preceding year in order to increase the difficulty of receiving the same bonus. The allocation of this bonus pool to the participating executives remains discretionary based upon the compensation committee's determination of each participating executive's contribution to our annual performance and value to the organization going forward. The 2014 financial performance goals and bonus pool formula have been established by the compensation committee consistent with historical practices. The 2014 plan includes specific governance performance goals, which include succession planning and establishing a team made up of members of the Board of Directors and management with the goal of creating a strategy for the Board of Directors which emulates the culture of the organization. In addition, the compensation committee has continued the "clawback" policy previously established, that allows our Board to recover performance-based compensation paid to our executives under our executive incentive plan in certain circumstances where there has been a restatement of the Company's financial results or where subsequent events diminish the performance metrics, including clinical results, upon which the prior incentive payments were based.

**Long-Term Incentive Compensation.** We believe that long-term performance is achieved through an ownership culture. Accordingly, we encourage long-term performance by our executives and other key personnel throughout the organization through the use of stock-based awards, and to this end, our Board of Directors has in the past administered our incentive plans consistently in terms of frequency and number of grants. We have adopted the 2001 Stock Option, Deferred Stock and Restricted Stock Plan, the 2005 Stock Incentive Plan and the 2007 Omnibus Incentive Plan. These plans permit the grant of stock, stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, and other stock-based awards. Historically, we have generally issued stock

options and restricted stock.

Although we do not have formal stock ownership guidelines for our executives, in order to preserve the linkage between the interests of executives and other key personnel and those of stockholders, we focus on granting stock options to those executives and others who do not already have a significant level of stock ownership. Our executives who have significant levels of stock ownership are not permitted to hedge the economic risk of such ownership. We intend to continue to provide long-term awards through the granting of stock based awards. Beginning in 2011, we implemented a policy for allocating executive bonus compensation between cash and non-cash compensation, whereas if the total executive pool is greater than \$2.0 million, for every dollar greater than \$2.0 million, half of the incentive will be paid in cash and half will be paid in fully vested restricted stock awards. This amount increased to \$2.2 million in 2012 and to \$2.5 million in 2013. The individuals receiving these awards will be required to hold them for two years from the end of the calendar year for which they are earned. The ownership and restriction on the restricted stock awards will not terminate upon separation of the individual from the Company.

Except with respect to grants to our directors and other stock grants issued pursuant to the executive incentive plan, the stock options and restricted stock awards that we grant generally vest as to 20% of the shares of common stock underlying the option or restricted stock award on each anniversary of the grant date. If a recipient's employment with us terminates, then the restricted stock that remains unvested as of the date of the termination of the recipient's employment will be forfeited without compensation. Until vested, the restricted stock may not be transferred, and vested shares shall be subject to our insider trading policy. Stock options generally have a maximum term of ten years. The grant dates of our stock options and restricted stock awards are generally the date our Board of Directors or compensation committee meets to approve such stock option grants or restricted stock awards. Our Board of Directors or compensation committee historically has approved stock-based awards at regularly scheduled meetings. Our Board of Directors and compensation committee intend to continue this practice of approving the majority of stock-based awards at regularly scheduled meetings on a quarterly basis, unless earlier approval is required for a new-hire inducement or position change grant; regardless of whether or not our Board of Directors or compensation committee knows material non-public information on such date. The exercise price of our stock options is the fair market value of our common stock on the date of grant as determined by the closing price of our common stock on the NASDAQ Global Select Market on the date of grant. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares of common stock underlying the option, including voting rights and the right to receive dividends or dividend equivalents. However, the recipients of restricted stock will have the right to vote and to receive any dividends or other distributions paid with respect to their shares of restricted stock, whether vested or unvested.

Mr. Christopher Christensen historically has made recommendations to our compensation committee and Board of Directors regarding the amount of stock options and other compensation to grant to our other executives based upon his assessment of their performance, and may continue to do so in the future. Our executive officers, however, do not have any role in determining the timing of our stock option grants.

Although we do not have any formal policy for determining the amount of stock-based awards or the timing of our stock-based awards, we have historically granted stock options or restricted stock to high-performing employees (i) in recognition of their individual achievements and contributions to our company, and (ii) in anticipation of their future service and achievements.

**Other Compensation.** Our executives are eligible to receive the same benefits that are available to all employees. In addition, we pay the premiums to provide life insurance equal to each executive's annual salary and the premiums to provide accidental death and dismemberment insurance. For 2013, Christopher Christensen and Barry Port received automobile allowances of \$15,900 and \$11,000, respectively.

#### Principal Elements of Director Compensation

We do not compensate our non-employee directors other than for their service on our Board of Directors or its committees. Historically, we have compensated our non-employee board members based upon what we considered to be fair compensation. Compensation for board and committee service is now partially based upon relevant market data that we obtain by reviewing director compensation by public companies in the skilled nursing industry. To establish board compensation, our compensation committee reviews the published director compensation information of other skilled nursing companies, including National Healthcare Corporation, Sun Healthcare Group, Inc., Kindred Healthcare, Inc. and Skilled Healthcare Group, Inc. Based on these reviews, the compensation committee set its annual retainers for outside directors and the chairman of the board, payments for board and committee meeting attendance, and retainers to the chairpersons of each committee at levels that we believe are comparable to the median cash compensation paid to directors of these companies, except that we believe that (i) the cash compensation payable to the chairperson of our audit committee is more than the median compensation paid to audit committee chairpersons of these other companies, and (ii) the cash compensation payable to the chairman of our board is approximately equal to or less than the median cash compensation paid to the chairpersons of the boards of directors of these other

companies who receive compensation for their role as chairpersons of the board and who are not also serving as the chief executive officers of such companies. We have employed this methodology to set compensation for our non-employee directors for 2013.

Prior to completing our initial public offering in 2007 we made only two stock option grants to our non-employee directors, which vested immediately upon the grant date. In addition, Thomas Maloof purchased 100,000 shares of restricted stock for \$6,250 on August 3, 2000. Our 2007 Omnibus Incentive Plan contains an automatic stock grant program for our directors. Each non-employee director first elected to a three-year term prior to March 1, 2012 received an automatic stock grant for 900 shares of common stock, on the date he or she was appointed, elected or re-elected (Automatic Stock Grant Program). In addition, on a quarterly basis, each non-employee director first elected to a three-year term prior to March 1, 2012 received an automatic stock grant of 900 shares on the 15th day of the month subsequent to quarter end. Further, under the terms of our 2007 Omnibus Incentive Plan, each non-employee director first elected to a three-year term subsequent to March 1, 2012 will receive a restricted stock grant of 750 shares on the 15th day of the month subsequent to quarter end, which vest over a three-year period, beginning with the first anniversary of the grant date. Directors elected to fill less than a three-year term will receive a pro rata award. Our

Board of Directors and compensation committee considered the total compensation paid to directors of the companies named above in deciding to award these automatic stock awards. However, our Board of Directors and compensation committee determined the amount of stock awards based upon what they considered to be an appropriate incentive for board service to our company, and they did not attempt to base this number upon the number awarded to directors of these other companies. Our Board has also determined that it may be necessary to provide additional incentives to prospective directors in order to recruit talented leaders to serve on the board.

#### Tax Treatment of Compensation

Internal Revenue Code Section 162(m) limits the amount that we may deduct for compensation paid to our principal executive officer and to each of our three most highly compensated officers (other than our principal financial officer) to \$1.0 million per person, unless certain exemption requirements are met. Exemptions to this deductibility limit may be made for various forms of performance-based compensation. To maintain flexibility in compensating executive officers in a manner designed to promote evolving corporate goals, the compensation committee reserves the right to recommend and award compensation that is not deductible under Section 162(m). We believe the majority of our payments in fiscal 2013 would be considered qualified performance-based compensation under Section 162(m).

In addition to salary and bonus compensation, upon the exercise of stock options that are not treated as incentive stock options, the excess of the current market price over the option price, or option spread, is treated as compensation and accordingly, in any year, such exercise may cause an officer's total compensation to exceed \$1.0 million. Under certain regulations, option spread compensation from options that meet certain requirements will not be subject to the \$1.0 million cap on deductibility. While the compensation committee cannot predict how the deductibility limit may impact our compensation program in future years, the compensation committee intends to maintain an approach to executive compensation that strongly links pay to performance.

#### COMPENSATION COMMITTEE REPORT

Our compensation committee has reviewed the foregoing Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K and discussed the Compensation Discussion and Analysis with our management. Based on such review and discussions with management, the compensation committee recommended to our Board that the foregoing Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Submitted by:

John G. Nackel (Chair)  
Daren J. Shaw  
Lee A. Daniels  
Dr. Antoinette T. Hubenette  
Members of the Compensation Committee



## Executive Compensation

The following table shows information regarding the compensation earned during the fiscal year ended December 31, 2013 by our Named Executive Officers. We have not entered into any employment agreements with our executive officers. For a discussion of the compensation of our directors, see “Director Compensation” described in Proposal 1 above.

## Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Option Awards(2)	Stock Awards (3)	Non-Equity Incentive Plan Compensation (\$)	Other Compensation (\$)	Total (\$)
Christopher R. Christensen Chief Executive Officer and President	2013	437,914	441,446	—	—	—	18,242	(4 ) 897,602
	2012	425,159	848,500	—	126,280	—	18,000	1,417,939
	2011	425,159	905,256	—	235,133	—	17,610	1,583,158
Suzanne D. Snapper Chief Financial Officer	2013	265,225	275,000	114,264	91,402	—	1,352	(5 ) 747,243
	2012	257,500	521,565	28,440	100,951	—	2,113	910,569
	2011	257,500	602,937	29,147	259,870	—	1,344	1,150,798
Gregory K. Stapley Executive Vice President and Secretary	2013	364,928	100,000	—	—	—	2,655	(6 ) 467,583
	2012	354,299	488,140	—	72,649	—	2,612	917,700
	2011	354,299	905,256	—	235,133	—	1,811	1,496,499
Beverly B. Wittekind Vice President and General Counsel	2013	382,890	—	21,530	16,852	110,000	2,557	(7 ) 533,829
	2012	319,300	—	34,980	28,848	100,000	2,896	486,024
	2011	319,300	—	23,317	18,808	100,000	2,099	463,524
Barry R. Port Chief Operating Officer, Ensign Services, Inc.	2013	309,000	375,000	403,141	821,250	—	12,417	(8 ) 1,920,808
	2012	300,000	726,464	98,340	189,086	—	12,413	1,326,303
	2011	—	—	—	—	—	—	—

The amounts shown in this column constitute the cash bonuses made to certain Named Executive Officers.

- (1) Christopher Christensen, Suzanne Snapper, Gregory Stapley and Barry Port participated in our executive incentive program. These awards are discussed in further detail under the heading “Principal Elements of Executive Compensation” in the Compensation Discussion and Analysis section of this Proxy Statement.
- (2) The amounts shown are the amounts of compensation cost to be recognized by us related to options to purchase common stock which were granted during fiscal year 2013, as a result of the adoption of ASC 718. These amounts disregard the estimated forfeiture rate which is considered when recognizing the ASC 718 expense in the consolidated financial statements. For a discussion of valuation and forfeiture assumptions, see Note 17 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31,

2013.

- The amounts shown are the amounts of compensation cost to be recognized by us related to restricted stock awards which were granted during fiscal year 2013, as a result of the adoption of ASC 718. These amounts disregard the estimated forfeiture rate which is considered when recognizing the ASC 718 expense in the consolidated financial statements. For a discussion of valuation and forfeiture assumptions, see Note 18 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. In addition, a portion of the bonuses paid to Christopher Christensen and Gregory Stapley in 2013, 2012 and 2011, Suzanne Snapper in 2013, 2012, 2011 and 2010 and Barry Port in 2013 and 2012, was in the form of stock awards. See further discussion under "Principal Economic Elements of Executive Compensation - Annual Cash Bonus".
- (3) Consists of term life insurance and accidental death and dismemberment insurance payments of \$692, a matching contribution to The Ensign Group, Inc. 401(k) retirement plan of \$1,650, and a car allowance of \$15,900.
  - (4) Consists of term life insurance and accidental death and dismemberment insurance payments of \$247 and a matching contribution to The Ensign Group, Inc. 401(k) retirement plan of \$1,105.
  - (5) Consists of term life and accidental death and dismemberment insurance payments of \$862 and a matching contribution to The Ensign Group, Inc. 401(k) retirement program of \$1,793.
  - (6) Consists of term life and accidental death and dismemberment insurance payments of \$556 and a matching contribution to The Ensign Group, Inc. 401(k) retirement program of \$2,001.
  - (7) Consists of term life insurance and accidental death and dismemberment insurance payments of \$277, a matching contribution to The Ensign Group, Inc. 401(k) retirement plan of \$1,140 and a car allowance of \$11,000.
  - (8)

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## Grants of Plan-Based Awards - 2013

The following table sets forth information regarding grants of plan-based awards made to our Named Executive Officers during 2013.

Name	Grant Date	Threshold (\$)	Target (\$)	Maximum (\$)	All Other Stock Awards: Number of Shares or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Options or Stock Awards (\$)	
Christopher R. Christensen Chief Executive Officer and President	3/14/2013	—	—	—	3,844	—	—	126,280	(3)
Suzanne D. Snapper Chief Financial Officer	3/14/2013	—	—	—	2,363	—	—	77,623	(4)
	6/12/2013	—	—	—	1,000	—	—	35,720	(1)
	6/12/2013	—	—	—	—	2,500	17.67	44,166	(2)
	8/1/2013	—	—	—	1,000	—	—	38,830	(1)
	8/1/2013	—	—	—	—	2,500	19.43	48,568	(2)
	10/29/2013	—	—	—	400	—	—	16,852	(1)
	10/29/2013	—	—	—	—	1,000	21.53	21,530	(2)
Gregory K. Stapley Executive Vice President and Secretary	3/14/2013	—	—	—	2,212	—	—	72,649	(5)