

OIL STATES INTERNATIONAL, INC  
Form DEF 14A  
April 08, 2014  
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**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

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

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

**OIL STATES INTERNATIONAL, INC.**

**(Name of Registrant as Specified in its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**OIL STATES INTERNATIONAL, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on May 15, 2014**

To the Stockholders of

Oil States International, Inc.:

NOTICE IS HEREBY GIVEN THAT the 2014 Annual Meeting of Stockholders of Oil States International, Inc., a Delaware corporation (the Company), will be held at the Hotel Granduca at 1080 Uptown Park Boulevard, Houston, Texas, 77056 on the 15th day of May, 2014 at 9:00 a.m. central time (the Annual Meeting), for the following purposes:

- (1) To elect three (3) Class I members of the Board of Directors to serve until the 2017 Annual Meeting of Stockholders (see page 3);
- (2) To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ended December 31, 2014 (see page 40);
- (3) To conduct an advisory vote to approve executive compensation (see page 43); and
- (4) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Company has fixed the close of business on March 26, 2014 as the record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. Stockholders who execute proxies solicited by the Board of Directors of the Company retain the right to revoke them at any time; unless so revoked, the shares of common stock represented by such proxies will be voted at the Annual Meeting in accordance with the directions given therein. If a stockholder does not specify a choice on such stockholder's proxy, the proxy will be voted FOR the nominees for director named in the attached Proxy Statement, and FOR the ratification of the appointment of the independent registered public accounting firm for the Company named in such Proxy Statement, and FOR the approval of executive compensation. A copy of the list of stockholders entitled to vote at the Annual Meeting will be available for inspection by qualified stockholders for proper purposes at the offices of the Company during normal business hours after May 5, 2014 and will be available through the conclusion of the Annual Meeting.

Further information regarding the Annual Meeting is set forth in the attached Proxy Statement.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS MEETING TO BE HELD ON MAY 15, 2014: A COPY OF THIS PROXY STATEMENT, PROXY VOTING CARD AND THE COMPANY'S 2013 ANNUAL SHAREHOLDERS REPORT ARE AVAILABLE AT [HTTP://WWW.IR.OILSTATESINTL.COM/PROXY.CFM](http://www.ir.oilstatesintl.com/proxy.cfm)**

By Order of the Board of Directors

Sincerely,

Robert W. Hampton  
*Corporate Secretary*

Houston, Texas

April 11, 2014

**YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. HOWEVER, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE COMPLETE, DATE, SIGN AND MAIL PROMPTLY THE ENCLOSED PROXY IN THE ENCLOSED POSTAGE PAID ENVELOPE. THE PROXY IS REVOCABLE AND WILL NOT BE USED IF YOU ARE PRESENT AT THE ANNUAL MEETING AND VOTE YOUR SHARES IN PERSON.**

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**OIL STATES INTERNATIONAL, INC.**  
**PROXY STATEMENT**  
**FOR THE ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held on Wednesday, May 15, 2014**

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**OIL STATES INTERNATIONAL, INC.**

**Three Allen Center**

**333 Clay Street, Suite 4620**

**Houston, Texas 77002**

**PROXY STATEMENT**

**FOR THE**

**ANNUAL MEETING OF STOCKHOLDERS**

**SOLICITATION**

The following information is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Oil States International, Inc., a Delaware corporation (the Company), regarding matters to be voted on at the 2014 annual meeting of stockholders of the Company (the Annual Meeting), which will be held at the Hotel Granduca at 1080 Uptown Park Boulevard, Houston, Texas, 77056, on the 15th day of May, 2014, at 9:00 a.m. central time, for the following purposes:

- (1) To elect three (3) Class I members of the Board of Directors to serve until the 2017 Annual Meeting of Stockholders;
- (2) To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ended December 31, 2014;
- (3) To conduct an advisory vote to approve executive compensation;
- (4) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

If you are a stockholder of record, you may revoke your proxy at any time before it is exercised by: (1) sending a written statement revoking your proxy to Robert W. Hampton, Oil States International, Inc., Three Allen Center, 333 Clay Street, Suite 4620, Houston, Texas 77002; (2) submitting a properly signed proxy with new voting instructions with a later date; or (3) voting in person at the Annual Meeting. If your shares are held in street name and you vote by proxy, you may change your vote by submitting new voting instructions to your bank, banker or nominee in accordance with the entity's procedures. If you return your signed proxy to us before the Annual Meeting, we will vote your shares as you direct. If you do not specify on your proxy card how you want to vote your shares, we will vote them for the election of all nominees for director as set forth under Proposal 1: Election of Directors on page 3; for the ratification of the appointment of Ernst & Young LLP as independent registered public accounting firm as set forth under Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm on page 40; and for the approval of executive compensation set forth under Proposal 3: Advisory Vote on Executive Compensation on

page 43. If any other business is brought before the meeting, any unspecified proxies will be voted in accordance with the judgment of the persons voting those shares.

The cost of soliciting proxies will be paid by the Company. In addition to the use of the mail, proxies may be solicited by the directors, officers and employees of the Company without additional compensation, by personal interview, telephone, telegram, or other means of electronic communication. Arrangements also may be made with brokerage firms and other custodians, dealers, banks and trustees, or their nominees who hold the voting securities of record, for sending proxy materials to beneficial owners. Upon request, the Company will reimburse the brokers, custodians, dealers, banks, or their nominees for their reasonable out-of-pocket expenses. In addition, the Company has retained Morrow & Co., LLC to assist in the solicitation of proxies for which the Company will pay an estimated fee of \$7,000. Computershare, the Company's transfer agent, will serve as the inspector of election for the Annual Meeting.

The Company's Annual Report on Form 10-K for the year ended December 31, 2013, is being mailed with this Proxy Statement to all stockholders entitled to vote at the Annual Meeting but does not constitute a part of the proxy soliciting material.

This Proxy Statement and the enclosed form of proxy were mailed to stockholders beginning April 11, 2014.



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**OUTSTANDING VOTING SECURITIES AND VOTING RIGHTS**

Oil States International, Inc., a Delaware corporation, ( Company, Oil States, we, us, and our refer to Oil States International, Inc. and its subsidiaries), has one outstanding class of security that entitle holders to vote at meetings of the Company s stockholders, its common stock, par value \$.01 per share. Each share of common stock outstanding on the record date is entitled to one vote. Stockholders may not cumulate their votes. There are no matters that require a supermajority vote under our certificate of incorporation. Our by-laws permit amendment by a majority vote of stockholders. The record date for the stockholders entitled to notice of and to vote at the Annual Meeting was the close of business on March 26, 2014. At the record date, 53,153,088 shares of common stock were outstanding and entitled to be voted at the Annual Meeting.

The presence, in person or by proxy, of the holders of a majority of the voting power of all outstanding shares of the Company entitled to vote generally in the election of directors is necessary to constitute a quorum at the Annual Meeting. If a quorum is not present, the stockholders entitled to vote who are present in person or by proxy at the Annual Meeting have the power to adjourn the Annual Meeting from time to time, without notice other than an announcement at the Annual Meeting, until a quorum is present. At any adjourned Annual Meeting at which a quorum is present, any business may be transacted that might have been transacted at the Annual Meeting as originally notified.

Directors will be elected by a plurality of the votes cast. However, in accordance with the Company s corporate governance guidelines, which were last amended on February 19, 2014, any director who does not receive a majority of votes cast in an uncontested election is required to tender his or her resignation for consideration by the Nominating and Corporate Governance Committee following certification of the stockholders vote. The Nominating and Corporate Governance Committee shall promptly consider the resignation offer and make a recommendation to the Board as to whether the resignation should be accepted. The Board will render its decision on the tendered resignation with the affected director abstaining. Ratification of the selection of the Company s auditors and approval of the advisory vote on executive compensation each require the affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to be voted at the Annual Meeting. An automated system that the Company s transfer agent administers will tabulate the votes. Brokers who hold shares in street name for customers are required to vote shares in accordance with instructions received from the beneficial owners. Under the applicable rules of the New York Stock Exchange, (the NYSE ), brokers are permitted to vote on discretionary items if they have not received instructions from the beneficial owners, but they are not permitted to vote (a broker non-vote ) on non-discretionary items absent instructions from the beneficial owner. If you hold your shares in street name and you do not give voting instructions to your broker, pursuant to NYSE Rule 452, your broker will not be permitted to vote your shares with respect to Proposal 1: Election of Directors , or Proposal 3: Advisory Vote on Executive Compensation, and your shares will be considered broker non-votes with respect to these proposals. If you are a street name stockholder, and you do not give voting instructions, your broker will nevertheless be entitled to vote your shares with respect to Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm in the discretion of the broker. Abstentions occur when stockholders are present at the Annual Meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the stockholders are voting. Abstentions and broker non-votes will count in determining whether a quorum is present at the Annual Meeting. Both abstentions and broker non-votes will not have any effect on the outcome of voting on director elections. For purposes of voting on the ratification of the selection of auditors, abstentions will have the same effect as a vote against the proposal. For purposes of the advisory vote on executive compensation, broker non-votes are not counted as votes with respect to the proposal and therefore will not affect the outcome of the vote on this proposal, and abstentions will have the same effect as a vote against the proposal.

A proxy in the accompanying form that is properly signed and returned will be voted at the Annual Meeting in accordance with the instructions on the proxy. Any properly executed proxy on which no contrary instructions have been indicated about a proposal will be voted as follows with respect to the proposal: FOR the election of the three persons named in this Proxy Statement as the Board of Directors' nominees for election to the Board of Directors; FOR the ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm; FOR the approval of the advisory vote on executive compensation; and in accordance with the discretion of the holders of the proxy with respect to any other business that properly comes before the stockholders at the Annual Meeting. The Board of Directors knows of no matters, other than those previously stated, to be presented for consideration at the Annual Meeting. The persons named in the accompanying proxy may also, in their discretion, vote the proxy to adjourn the Annual Meeting from time to time.

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**PROPOSAL 1:**

**ELECTION OF DIRECTORS**

The Board of Directors is currently comprised of nine members. The nine members are divided into three classes having three members in each of Class I, Class II and Class III. Each class is elected for a term of three years, so that the term of one class of directors expires at each annual meeting of stockholders. The term of the three current Class I directors will expire at the Annual Meeting. The term of the Class II directors will expire at the Annual Meeting of stockholders to be held in 2015, and the term of the Class III directors will expire at the Annual Meeting of stockholders to be held in 2016.

**Nominees**

Three directors are to be elected to serve as Class I directors at the Annual Meeting. Based on the recommendation of our Nominating & Corporate Governance Committee, the Board of Directors has nominated Cindy B. Taylor, Christopher T. Seaver, and Lawrence R. Dickerson to fill the three expiring Class I positions on the Board of Directors, to hold office for three-year terms expiring at the Annual Meeting of Stockholders in 2017, and until their respective successors have been duly elected and qualified, or until their earlier death, resignation or removal. Douglas E. Swanson will not run for re-election to the board in 2014 and his term will end at the May 15, 2014 Annual Meeting. Two of the director nominees, Mrs. Taylor and Messrs. Seaver presently serve as Class I directors. Mr. Dickerson will be a new member of the Board, if elected. Stockholder nominations will not be accepted for filling Board of Directors seats at the Annual Meeting because our bylaws require advance notice for such a nomination, the time for which has passed. Our Board of Directors has determined that Messrs. Seaver and Dickerson are independent as that term is defined by the applicable NYSE listing standards. See **Director Independence** below for a discussion of director independence determinations. The enclosed proxy (unless otherwise directed, revoked or suspended) will be voted FOR the election of the three nominees for director.

A plurality of votes cast is required for the election of directors. Our Corporate Governance Guidelines require any director who does not receive a majority of the votes cast in an uncontested election to tender their resignation for the consideration by the Nominating and Corporate Governance Committee, which will then make a recommendation concerning the tendered resignation to the Board of Directors. Each of the nominees has consented to serve as director if so elected. If any nominee should be unable to serve as a director, the shares represented by proxies will be voted for the election of a substitute nominated by the Board of Directors to replace such nominee.

**The Board of Directors recommends that stockholders vote FOR the election of each of the director nominees.**

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Set forth below are the names of, and certain information with respect to, the Company's executive officers and directors, including the three nominees for election to the Class I positions on the Board of Directors.

<b>Names</b>	<b>Director Class</b>	<b>Age</b>	<b>Position(s)</b>
Stephen A. Wells	III	70	Chairman of the Board
Cindy B. Taylor*	I	52	Director, Chief Executive Officer and President
Lloyd A. Hajdik		48	Senior Vice President, Chief Financial Officer and Treasurer
Bradley J. Dodson		40	Executive Vice President, Accommodations
Robert W. Hampton		62	Senior Vice President, Accounting and Corporate Secretary
Christopher E. Cragg		53	Senior Vice President, Operations
Charles J. Moses		69	Senior Vice President, Offshore Products and President, Oil States Industries, Inc.
Ron R. Green		64	Senior Vice President, Accommodations and President and Chief Executive Officer, PTI Group, Inc.
Lias J. Steen		55	Senior Vice President, Human Resources and Legal
Lawrence R. Dickerson*	I	62	Director
Martin A. Lambert	III	58	Director
S. James Nelson	II	72	Director
Mark G. Papa	III	67	Director
Gary L. Rosenthal	II	64	Director
Christopher T. Seaver*	I	65	Director
Douglas E. Swanson**	I	75	Director
William T. Van Kleef	II	62	Director

\* Nominee for election as Class I director at the Annual Meeting.

\*\* Mr. Swanson is not nominated as a director in 2014 and will cease service as a director on May 15, 2014.

*Stephen A. Wells* has served as a Director of our Company since April 1996 and as Chairman since May 2006.

Mr. Wells is the President of Wells Resources, Inc., a privately owned oil, gas and ranching company, and has served in that position since 1983. From October 1993 to February 1996, he was a director and Chief Executive Officer of

Coastwide Energy Services, Inc., a Gulf Coast marine terminal operator. From March 1992 to September 1994, he was a director and Chief Executive Officer of Grasso Corporation, an oil and gas production management services company. Mr. Wells served as a director and a member of the audit and executive committees of Pogo Producing Company (NYSE: PPP), an oil and gas exploration and production company until it was acquired in November 2007.

*Cindy B. Taylor* is the Chief Executive Officer and President of our Company and is a member of the Company's Board of Directors. She has held these positions since May 2007. From May 2006 until May 2007, Mrs. Taylor served as President and Chief Operating Officer of our Company. From May 2000 until May 2006, Mrs. Taylor was the Senior Vice President Chief Financial Officer and Treasurer of our Company. From August 1999 to May 2000, Mrs. Taylor was the Chief Financial Officer of L.E. Simmons & Associates, Incorporated. Mrs. Taylor served as the Vice President Controller of Cliffs Drilling Company from July 1992 to August 1999 and held various management positions with Ernst & Young LLP, a public accounting firm, from January 1984 to July 1992. She received a B.B.A. degree from Texas A&M University and is a Certified Public Accountant. Mrs. Taylor is currently a director of Tidewater Inc. (NYSE: TDW), a global provider of vessels serving the offshore energy industry and is Chairman of the Tidewater finance committee and a member of its audit committee. She also serves on the board of AT&T (NYSE: T), a global technology and telecommunications company, and is a member of its audit committee.

*Lloyd A. Hajdik* joined the Company in December 2013 as Senior Vice President, Chief Financial Officer and Treasurer. Prior to joining the Company, he served as the Chief Financial Officer of GR Energy Services, LLC, a privately-held oilfield services entity, from September to November 2013, and Senior Vice President Finance and Chief Accounting Officer of Helix Energy Solutions Group, Inc. ( Helix ) from November 2008 to April 2013. Mr. Hajdik pursued personal interests from May 2013 to October 2013. Mr. Hajdik joined Helix in December 2003 as Vice President and Corporate Controller and was named Chief Accounting Officer in February 2004 and continued in that role until April 2013. Prior to joining Helix, Mr. Hajdik served in a variety of accounting and finance-related roles of increasing responsibility with Houston-based companies, including NL Industries, Inc., Compaq Computer Corporation (now Hewlett Packard),

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Halliburton's Baroid Drilling Fluids and Zonal Isolation product service lines, Cliffs Drilling Company and Shell Oil Company. Mr. Hajdik was with Ernst & Young LLP in the audit practice from 1989 to 1995. Mr. Hajdik graduated Cum Laude from Texas State University receiving a Bachelor of Business Administration degree. Mr. Hajdik is a Certified Public Accountant and a member of the Texas Society of CPAs, the American Institute of Certified Public Accountants and Financial Executives International.

*Bradley J. Dodson* is the Executive Vice President, Accommodations of our Company until the completion of the proposed spin-off of its accommodations business, at which point he will serve as President and Chief Executive Officer of the new public company. He has held this position since December 2013. Mr. Dodson has held several positions with our Company since joining in March 2001, most recently serving as Senior Vice President, Chief Financial Officer and Treasurer. From June 1998 to March 2001, Mr. Dodson served in several positions for L.E. Simmons & Associates, Incorporated, a private equity firm specializing in oilfield service investments. From July 1996 to June 1998, Mr. Dodson worked in the mergers and acquisitions group of Merrill Lynch & Co. He holds a M.B.A. degree from the University of Texas at Austin and a B.A. degree in economics from Duke University.

*Robert W. Hampton* is the Senior Vice President, Accounting and Corporate Secretary of our Company. He has held this position since May 2006. From February 2001 until May 2006, Mr. Hampton was the Vice President Finance and Accounting and Secretary of our Company. From February 1998 to February 2001, Mr. Hampton served as Vice President and Chief Financial Officer of HWC Energy Services, Inc., a predecessor of our Company ( HWC ). Mr. Hampton joined HWC from Tidewater Inc., an offshore service vessel operator, where he was based in Aberdeen and was Area Manager for the North Sea Operations from March 1996 to February 1998. He served as Vice President, Treasurer and Chief Financial Officer of Hornbeck Offshore, an offshore service vessel operator, from 1990 to March 1996, when it was acquired by Tidewater. Mr. Hampton worked at Price Waterhouse, a public accounting firm, from 1973 to 1986. Mr. Hampton is a Certified Public Accountant and received his B.S. degree from Pennsylvania State University.

*Christopher E. Cragg* is the Senior Vice President, Operations of our Company. He has held this position since May 2006. From February 2001 until May 2006, Mr. Cragg was the Vice President Tubular Services of our Company. Mr. Cragg was Executive Vice President Chief Financial Officer of Sooner Inc., a predecessor of our Company ( Sooner ), from December 1999 to February 2001. Mr. Cragg also served as President of Sooner from October 2003 until May 2006. From April 1994 to June 1999, he was Vice President and Controller of Ocean Energy, Inc., an independent oil and gas exploration and production company, and its predecessor companies. Mr. Cragg served as Manager Internal Audit with Cooper Industries, a manufacturer of diversified products, from April 1993 to April 1994 and as a senior manager with Price Waterhouse, a public accounting firm, from August 1983 to April 1993. Mr. Cragg is a director and serves on the audit and compensation committees and, beginning in February 2011, as Chairman of the compensation committee of Powell Industries, Inc. (NASDAQ: POWL), a company that manufactures and services electrical energy systems. He received a B.B.A. degree from Southwestern University and is a Certified Public Accountant.

*Lias J. Steen* has served as the Senior Vice President, Human Resources and Legal for our Company since February 2011. From June 2008 to January 2011 he was the Vice President, Human Resources and Legal of our Company. A native of Cuero, Texas, Mr. Steen has been involved in the energy service business in various capacities since 1978, starting his career as a petroleum landman. Mr. Steen spent 10 years with Camco International Inc. as Assistant General Counsel and General Counsel. Following his tenure at Camco, Mr. Steen served for five years as the General Counsel for North America for Schlumberger, then, from December 2002 to April 2008, he served as Vice President of Legal and Human Resources at Grant Prideco. Mr. Steen is a graduate of Texas A&M University with a B.S. in Agricultural Economics and received his Juris Doctor from South Texas College of Law.

*Charles J. Moses* has been the Company's Senior Vice President, Offshore Products business since January 2010. Mr. Moses also serves as President of Oil States Industries, Inc., a wholly owned subsidiary of the Company. Mr. Moses has served various positions during his career at the Company's offshore products business spanning the past 40 years. He was the Senior Vice President of Oil States Industries, Inc., the Company's offshore products subsidiary from 1996 to December 2009.

*Ron R. Green* is the Senior Vice President, Accommodations and President and Chief Executive Officer PTI Group Inc. ( PTI ), a wholly owned subsidiary of our Company. He has held this position since April 2006. From December 2005 to March 2006 he was Senior Vice President and Chief Operating Officer of PTI. From November 2004 to November 2005, Mr. Green served as Vice President, Premium Camp Services for PTI. Prior to joining PTI, Mr. Green served as Vice President and General Manager of ESS Remote Site Services, a division of Compass Group PLC from October 1995 to August 2003. From 1975 to 1995, Mr. Green held various senior executive positions in the accommodations industry.

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*Lawrence R. Dickerson*, a nominee for initial election to the Board at the Annual Meeting, served as the President and a director of Diamond Offshore Drilling, Inc. (NYSE: DO) ( Diamond Offshore ) from March 1998 and as Chief Executive Officer of Diamond Offshore Drilling, Inc. from May 2008 until his retirement in March 2014.

Mr. Dickerson served as a director of Global Industries, Ltd. Global from March 2007 to November 2011.

Mr. Dickerson served as Chairman of the audit committee of Global from May 2009 to May 2010; and Chairman of the compensation committee from May 2010 to November 2011. Mr. Dickerson served on the United States Commission on Ocean Policy from 2001 to 2004. Mr. Dickerson held a variety of senior executive positions with Diamond Offshore, including Chief Financial Officer and Chief Operating Officer.

*Martin A. Lambert* has served as a Director of our Company since February 2001. Mr. Lambert's principal occupation since November 1, 2008 has been as Chief Executive Officer of Swan Hills Synfuels LP, an energy conversion company. Prior thereto, Mr. Lambert served as a founder and managing director of Matco Capital Ltd., a private equity firm focused in the energy sector, since mid-2002. Mr. Lambert was a partner in the Canadian law firm Bennett Jones LLP from March 1987 to March 2007 and served as the Chief Executive Officer of that firm from 1996 to 2000. He served as a Director of Calfrac Well Services Ltd., from March 2004 to May 2010. Mr. Lambert currently is a director of Zedi, Inc. (CN: ZED), a public company involved in Canadian, U.S. and other international oilfield services. He presently serves on the compensation committee and is Chairman of the Governance and Nominating Committee of Zedi, Inc. Mr. Lambert received his LLB degree from the University of Alberta in 1979.

*S. James Nelson* has served as a Director of our Company and as a member of our Audit Committee since July 2004. In 2004, he retired, after 15 years of service, from Cal Dive International, Inc. (NASDAQ:CDIS now known as Helix Energy Solutions Group, Inc.), a marine contractor and operator of offshore oil and natural gas properties and production facilities, where he was a founding shareholder and director from 1990 to 2004, Chief Financial Officer from 1990 to 2000, and Vice Chairman from 2000 to 2004. From 1985 to 1988, Mr. Nelson was a Senior Vice President and Chief Financial Officer of Diversified Energies, Inc., (NYSE: DEI). From 1980 to 1985, Mr. Nelson served as Chief Financial Officer of Apache Corporation (NYSE: APA), an oil and gas exploration and production company. From 1966 to 1980, Mr. Nelson was employed with Arthur Andersen L.L.P., where, from 1976 to 1980, he was a partner serving on the firm's worldwide oil and gas industry team. He received a B.S. in Accounting from Holy Cross College and a M.B.A. degree from Harvard University. Mr. Nelson is also a Certified Public Accountant. Mr. Nelson is a director and a member of the audit committee of ION Geophysical Corp. (NYSE: IO), a seismic services provider; and W&T Offshore, Inc. (NYSE: WTI), an oil and gas exploration and production company where he is a member of the audit committee. From 2010 to 2012 he was a member of the board of directors and audit and compensation committees of Genesis Energy LP (NYSE: GEL), a U.S. based mid-stream pipeline transportation, refinery services, industrial gases and supply and logistics master limited partnership. From 2005 to 2008, he was a member of the board of directors and audit and compensation committees of Quintana Maritime Ltd. (NASDAQ: QMAR), an international provider of dry bulk cargo marine transportation services.

*Mark G. Papa* has served as a Director of our Company since February 2001. Mr. Papa served as Chairman of the Board and Chief Executive Officer of EOG Resources, Inc. (NYSE: EOG), an oil and gas exploration and production company, from August 1999 until December 2013. He is currently a member of EOG's Board of Directors. From February 1994 to August 1999, he held a number of management positions with EOG Resources, Inc. He has a petroleum engineering degree from the University of Pittsburgh and a M.B.A. degree from the University of Houston.

*Gary L. Rosenthal* has served as a Director of our Company since February 2001. Mr. Rosenthal has been a partner in The Sterling Group, L.P., a private equity firm since January 2005. Mr. Rosenthal served as Chairman of the Board of Hydrochem Holdings, Inc. from May 2003 until December 2004. From August 1998 to April 2001, he served as Chief Executive Officer of AXIA Incorporated, a diversified manufacturing company. He holds J.D. and A.B. degrees from Harvard University.



*Christopher T. Seaver* has served as Director of our Company since May 2008. Mr. Seaver served as the President and Chief Executive Officer and a director of Hydril Co. ( Hydril ) from February 1997 until Hydril was acquired in May 2007, at which point he retired. Mr. Seaver served as Chairman of Hydril from November 2006 to May 2007. From 1993 until 1997, Mr. Seaver served as President of Hydril. Mr. Seaver joined Hydril in 1985 and served as Executive Vice President in charge of Hydril's premium connection and pressure control businesses prior to February 1993. Prior to joining Hydril, Mr. Seaver was a corporate and securities attorney for Paul, Hastings, Janofsky & Walker, and was a Foreign Service Officer in the U.S. Department of State with postings in Kinshasa, Republic of Congo and Bogota, Colombia. He holds a B.A. in economics from Yale University and M.B.A. and J.D. degrees from Stanford University. Mr. Seaver is a director and member of the audit committee of Exterran Holdings, Inc. (NYSE: EXH), a company that sells, operates and maintains compression equipment used in the oil and gas industry worldwide. Mr. Seaver is on the board of directors and is a member of the audit committee of McCoy Corporation (TSX: MCB), a company that manufactures drilling and completion equipment

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and designs and manufactures heavy-duty trailers for the oil and gas sector in Canada and internationally. Mr. Seaver served on the board of directors of Innovative Wireline Solutions, a start-up wireline services business serving oil and gas operators in western Canada, from June 2010 until October 2011.

*Douglas E. Swanson* has served as a Director of our Company since February 2001 and served as our Chief Executive Officer from February 2001 until he retired in April 2007. From January 1992 to August 1999, Mr. Swanson served as President and Chief Executive Officer of Cliffs Drilling Company, a contract drilling company. He holds a B.A. degree from Cornell College and is a Certified Public Accountant. Mr. Swanson was a director and member of the compensation committee of Flint Energy Services, Ltd., (Toronto: FEX: TO) a Canadian integrated midstream oil and gas production services provider from April 2000 to May 2010. He was Chairman of the Board of Directors of Boots and Coots International Well Control, Inc. (AMEX: WEL), an oilfield services company that provided integrated pressure control and related services worldwide from March 2006 to September 2010.

*William T. Van Kleef* has served as a Director of our Company since May 2006. Mr. Van Kleef has served in executive management positions at Tesoro Corporation ( Tesoro ) (NYSE: TSO) from 1993 until he retired in March 2005, most recently serving as Tesoro's Executive Vice President and Chief Operating Officer. During his tenure at Tesoro, Mr. Van Kleef held various positions, including President, Tesoro Refining and Marketing, and Executive Vice President and Chief Financial Officer. Before joining Tesoro, Mr. Van Kleef, a Certified Public Accountant, served in various financial and accounting positions with Damson Oil from 1982 to 1991, most recently as Senior Vice President and Chief Financial Officer. Mr. Van Kleef serves on the board of directors and the audit committee of Noble Energy (NYSE: NBL), an independent oil and gas company.

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**CORPORATE GOVERNANCE**

**Corporate Governance Guidelines**

The Company has adopted corporate governance guidelines entitled Corporate Governance Guidelines, which are available at [www.oilstatesintl.com](http://www.oilstatesintl.com) by first clicking Corporate Governance and then Corporate Governance Guidelines. These guidelines were adopted by the Board of Directors to best ensure that the Board of Directors has the necessary authority and practices in place to make decisions that are independent from management, that the Board of Directors adequately performs its function as the overseer of management and to help ensure that the interests of the Board of Directors and management are aligned with the interests of the stockholders.

**Board of Directors Leadership**

Since the Company's initial public offering in 2001, the Chairman of the Board and Chief Executive Officer roles have been split with the Chairman of the Board role being filled by a non-executive member of the Board of Directors. We believe the separation of these two positions leads to a strong independent leadership structure.

**Corporate Code of Business Conduct & Ethics**

All directors, officers and employees of Oil States must act ethically at all times and in accordance with the policies comprising Oil States ethics policy entitled Corporate Code of Business Conduct and Ethics ( Business Conduct and Ethics Code ). This policy is available at the Company's web site [www.oilstatesintl.com](http://www.oilstatesintl.com) by first clicking Corporate Governance and then Corporate Code of Business Conduct and Ethics. Substantially all of our employees are required to complete online training on a regular basis which includes a review of the Business Conduct & Ethics Code policy and an acknowledgement that the employee has read and understands the policy. The Company has a Compliance Committee composed of key employees that meets periodically to assess efforts and processes to ensure compliance with laws and regulations to which the Company is subject.

**Financial Code of Ethics for Senior Officers**

The Company's Financial Code of Ethics for Senior Officers applies to the chief executive officer, chief financial officer, principal accounting officer and other senior accounting and financial officers ( Senior Officers ).

Senior Officers must also comply with the Company's Business Conduct and Ethics Code. Ethical principles set forth in this policy include, among other principles, matters such as:

Acting ethically with honesty and integrity

Avoiding conflicts of interest

Complying with disclosure and reporting obligations with full, fair, accurate, timely and understandable disclosures

Complying with applicable laws, rules and regulations

Acting in good faith, responsibly with due care, competence and diligence

Promoting honest and ethical behavior by others

Respecting confidentiality of information

Responsibly using and maintaining assets and resources

### **Director Resignation Policy**

If in an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election (a Majority Withheld Vote ) shall promptly tender his or her resignation for consideration by the Nominating and Corporate Governance Committee following certification of the stockholder vote.

The Nominating and Corporate Governance committee shall promptly consider the resignation offer and make a recommendation to the Board as to whether the resignation should be accepted. In making this recommendation, the Committee will consider all factors deemed relevant by its members including, without limitation, (1) the underlying reasons why stockholders may have withheld votes for election from such director, if known; (2) the length of service and qualifications of the director whose resignation has been tendered; (3) the director's past and potential future contributions to the Company; (4) the current mix of skills and attributes of directors on the Board; (5) whether, by accepting the resignation, the Company will no longer be in compliance with any applicable law, rule, regulation, or governing instrument; and (6) whether accepting the resignation would be in the best interests of the Company and its stockholders.

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Any director who changes his or her employer or otherwise has a significant change in job responsibilities shall give written notice to the Nominating and Corporate Governance Committee, specifying the details, as soon as feasible. Any director who changes his or her employer or otherwise has a significant change in job responsibilities shall also proffer his or her resignation to the Board. The Board, through the Nominating and Corporate Governance Committee, shall review the matter in order to evaluate the continued appropriateness of such director's membership on the Board and each applicable Board committee under these circumstances, taking into account all relevant factors and may accept or reject a proffered resignation.

## **Director Independence**

To qualify as independent under the NYSE listing standards, a director must meet objective criteria set forth in the NYSE listing standards, and the Board of Directors must affirmatively determine that the director has no material relationship with us (either directly or as a stockholder or officer of an organization that has a relationship with us) that would interfere with his or her exercise of independent judgment in carrying out his or her responsibilities as a director.

The Board of Directors reviews all direct or indirect business relationships between each director (including his or her immediate family) and our Company, as well as each director's relationships with charitable organizations, to assess director independence as defined in the listing standards of the NYSE. The NYSE listing standards include a series of objective tests, such as the director is not an employee of our Company and has not engaged in various types of business dealings with our Company. In addition, as further required by the NYSE, the Board of Directors has made a subjective determination as to each independent director that no material relationships exist which, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director. When assessing the materiality of a director's relationship with us, the Board of Directors considers the issue not merely from the standpoint of the director, but also from the standpoint of the persons or organizations with which the director has an affiliation.

The Board of Directors has determined that all of our directors, except for Cindy Taylor, our current President and Chief Executive Officer, qualify as independent in accordance with NYSE listing standards. In reaching this determination, in 2013, the Board of Directors evaluated Mark Papa's position as Chairman and Chief Executive Officer of EOG Resources, Inc. ( EOG ). EOG purchased products and services from us in 2013 in an amount totaling \$19.1 million which was less than 1% of EOG's 2013 revenues and which we believe were on terms no more or less favorable than a comparable transaction with an unaffiliated party. Our Board of Directors has determined that our relationship with EOG is not material to the independence of Mr. Papa. Furthermore, Mr. Papa retired from EOG at the end of 2013.

## **Policies and Procedures with Respect to Related Party Transactions and Conflicts of Interest**

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

Our Business Conduct & Ethics Code prohibits conflicts of interest. Any waivers of these guidelines must be approved by the Nominating & Corporate Governance Committee of the Board of Directors. Under the Business Conduct & Ethics Code, conflicts of interest occur when private or family interests interfere in any way, or even appear to interfere, with the interests of our Company. Our prohibition on conflicts of interest under the Business Conduct & Ethics Code includes related person transactions.

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We have multiple processes for reporting conflicts of interests, including related party transactions. Under the Business Conduct & Ethics Code, all directors and employees are required to report any actual or apparent conflict of interest, or potential conflict of interest, to their supervisors. Any transaction involving related persons must be reported in writing by our division executives as part of their quarterly representation letter. This information is then reviewed by disinterested members of our Nominating & Corporate Governance Committee, our Board of Directors or our independent registered public accounting firm, as deemed appropriate, and discussed with management. As part of this review, the following factors are generally considered:

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

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

the importance of the transaction to the related person;

the importance of the transaction to us;

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

whether the transaction might affect the status of a director as independent under the independence standards of the NYSE; and

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

Ultimately, all material related party transactions must be approved or ratified by the Nominating & Corporate Governance Committee of our Board of Directors. Any member of the Nominating & Corporate Governance Committee who is a related person with respect to a transaction is recused from the review of the transaction.

In addition, we annually distribute a questionnaire to our executive officers and members of our Board of Directors requesting certain information regarding, among other things, their immediate family members, employment and beneficial ownership interests. This information is then reviewed for any conflicts of interest under the Business Conduct & Ethics Code.

We also have other policies and procedures to prevent conflicts of interest, including related person transactions. For example, the charter of our Nominating & Governance Committee requires that the members of such committee assess the independence of the non-management directors at least annually, including a requirement that it determine whether or not any such directors have a material relationship with us, either directly or indirectly, as defined therein and as further described above under **Director Independence**.

To establish restrictions with regard to corporate participation in the political system as imposed by law, the following guidelines are contained in our Business Conduct and Ethics Code:

No funds, assets, or services of the Company will be used for political contributions, directly or indirectly, unless allowed by applicable foreign and U.S. law and approved in advance by the Board of Directors. There have been no such approvals required in the Company's history.

Company contributions to support or oppose public referenda or similar ballot issues are only permitted with advance approval of the Board of Directors. There have been no such approvals required in the Company's history.

Employees, if eligible under applicable foreign and U.S. law, may make political contributions through legally established Company sponsored and approved political action committees. Any such personal contribution is not a deductible expense for federal or other applicable income tax purposes and is not eligible for reimbursement by the Company as a business expense. To the extent permitted by law, the Company's resources may be used to establish and administer a political action committee or separate segregated fund. All proposed activities shall be submitted for the review of, and approval by, the Board of Directors prior to their implementation. There have been no such approvals required in the Company's history.

### **Committees and Meetings**

The Board of Directors has established three standing committees: the Audit Committee, the Compensation Committee and the Nominating & Corporate Governance Committee.



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### ***Audit Committee***

The Company's Audit Committee presently consists of Messrs. Van Kleef, Nelson and Seaver each of whom is independent, as such term is defined in Section 10A of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in the applicable NYSE listing standards. The Audit Committee operates under a written charter as amended and restated by the Board of Directors effective as of May 15, 2012. A copy of the charter is available on our website, [www.oilstatesintl.com](http://www.oilstatesintl.com), by first clicking Corporate Governance and then Audit Committee and then proceeding to the Committee Charters heading on the right side of the page. The Audit Committee, which is chaired by Mr. Van Kleef, meets separately with representatives of the Company's independent auditors, the Company's internal audit personnel and with representatives of senior management in performing its functions. The Audit Committee reviews the general scope of audit coverage, the fees charged by the independent auditors, matters relating to internal control systems and other matters related to accounting and reporting functions. The Board of Directors has determined that all of the members of the Audit Committee are financially literate and have accounting or related financial management expertise, each as required by the applicable NYSE listing standards. The Board of Directors has also determined that all members of the Audit Committee qualify as audit committee financial experts under the applicable rules of the Exchange Act.

### ***Compensation Committee***

The Company's Compensation Committee consists of Messrs. Rosenthal, Papa and Wells, each of whom is independent, as defined in the applicable NYSE listing standards, and is a non-employee director. The Compensation Committee operates under a written charter approved by the Board of Directors as amended and restated on May 15, 2012. A copy of the charter is available on our website, [www.oilstatesintl.com](http://www.oilstatesintl.com), by first clicking Corporate Governance and then Compensation Committee and then proceeding to the Committee Charters heading on the right side of the page. The Compensation Committee, which is chaired by Mr. Rosenthal, administers the 2001 Equity Participation Plan, and in this capacity makes a recommendation to the full Board of Directors concerning all option grants or stock awards to employees, including executive officers, under the 2001 Equity Participation Plan. In addition, the Compensation Committee is responsible for (i) making recommendations to the Board of Directors with respect to the compensation of the Company's Chief Executive Officer and its other executive officers, (ii) monitoring compensation and employee benefit policies and (iii) reviewing and discussing with our management the Compensation Discussion and Analysis and related disclosure included in our annual proxy statement.

### ***Nominating & Corporate Governance Committee***

Our Nominating & Corporate Governance Committee consists of Messrs. Papa, Lambert and Wells, each of whom is independent, as such term is defined in the applicable NYSE listing standards. The Nominating & Corporate Governance Committee operates under a written charter adopted by the Board of Directors as amended and restated as of May 15, 2012. A copy of the charter is available on our website, [www.oilstatesintl.com](http://www.oilstatesintl.com), by first clicking Corporate Governance and then Nominating and Corporate Governance Committee and then proceeding to the Committee Charters heading on the right side of the page. The Nominating & Corporate Governance Committee, which is chaired by Mr. Papa, makes proposals to the Board of Directors for candidates to be nominated by the Board of Directors to fill vacancies or for new directorship positions, if any, which may be created from time to time. The Nominating & Corporate Governance Committee will consider suggestions from any source, particularly from stockholders, regarding possible candidates for director. To submit a recommendation to the committee, a stockholder should send a written request to the attention of the Company's Secretary at Oil States International, Inc., Three Allen Center, 333 Clay Street, Suite 4620, Houston, Texas 77002. The written request must include the nominee's name, contact information, biographical information and qualifications, as well as the nominee's written consent to serve, if elected. The request must also disclose the number of shares of common stock beneficially owned by the person or group

making the request, the period of time such person or group has owned those shares and the nature of any arrangement or agreement between the stockholder making a nomination and other parties with respect to the nomination. The request must be received by the Company no later than the 120th day before the anniversary of the date of the mailing of the prior year's proxy, or January 14, 2015, for the 2015 Annual Shareholders Meeting. These procedures do not preclude a stockholder from making nominations in accordance with the process described below under Stockholder Proposals.

**Table of Contents*****Committee Composition***

Below is a summary of our committee structure and membership information.

Chairperson	Member	Financial Expert		
			<b>Audit Committee</b>	<b>Compensation Committee</b>
				<b>Nominating &amp; Corporate Governance Committee</b>
<b>Lawrence R. Dickerson (1)</b>				
<b>Martin A. Lambert</b>				
<b>S. James Nelson</b>				
<b>Mark G. Papa</b>				
<b>Gary L. Rosenthal</b>				
<b>Christopher T. Seaver</b>				
<b>Douglas E. Swanson</b>				
<b>Stephen A. Wells</b>				
<b>William T. Van Kleeff</b>				

(1) Mr. Dickerson is a nominee to join the Board at the Annual Meeting  
***Board of Directors and Committee Meetings***

During 2013, the entire Board of Directors held eleven meetings, the Audit Committee held nine meetings, the Compensation Committee held six meetings and the Nominating & Corporate Governance Committee held two meetings. Each of the directors attended at least 75% of the meetings of the Board of Directors and the committees of the Board of Directors on which they served. All of our directors attended last year's annual meeting. While we understand that scheduling conflicts may arise, we expect directors to make reasonable efforts to attend the annual meeting of stockholders and meetings of the Board of Directors and the committees on which they serve.

Our Corporate Governance Guidelines provide that our non-employee directors shall meet separately in executive session at least annually. The director who presides at these sessions is the Chairman of the Board, assuming such person is a non-management director. Otherwise, the presiding director will be chosen by a vote of the non-management directors. In addition to the executive sessions of our non-management directors, our independent directors (as defined in the applicable NYSE listing standards) are required to meet in executive session at least annually. In the past year, our independent directors met in executive session six times. Our Chairman of the Board, who is an independent director, presided at these sessions.

***Board of Directors Oversight of Enterprise Risk***

The Board of Directors utilizes our Enterprise Risk Management (ERM) process to assist in fulfilling its oversight of our risks. Management and all employees are responsible for day-to-day risk management, and management conducts a risk assessment of Oil States' business annually. The risk assessment process is global in nature and has been developed to identify and assess the Company's risks, including the nature, materiality and velocity of the risk, as well as to identify steps to mitigate and manage each risk. Our key business leaders, functional heads and other managers are surveyed and/or interviewed to develop this information.

Risk oversight is a responsibility of the Board of Directors. The Board of Directors has delegated responsibility for monitoring certain enterprise risks to its standing committees.

The results of the risk assessment are reviewed with the full Board of Directors annually. The centerpiece of the assessment is the discussion of the key risks of the Company, which includes the potential magnitude, likelihood of each risk occurring and the speed with which the risk could impact the Company. As part of the process for evaluating each risk, a senior manager is identified to manage the risk, monitor potential impact of the risk and execute initiatives to mitigate the risk.

The results of the risk assessment are considered in the Board of Directors processes. Risk discussions are integral to the Board of Directors and its committees deliberations.

**Table of Contents****Qualifications of Directors**

When identifying director nominees, the Nominating & Corporate Governance Committee will consider the following:

the person's reputation, integrity and independence;

the person's qualifications as an independent, disinterested, non-employee or outside director;

the person's skills and business, government or other professional experience and acumen, bearing in mind the composition of the Board of Directors and the current state of the Company and the oilfield services industry generally at the time of determination;

the number of other public companies for which the person serves as a director and the availability of the person's time and commitment to the Company; and

the person's knowledge of areas and businesses in which the Company operates.

The Nominating & Corporate Governance Committee and the Board of Directors believe the above mentioned attributes, along with the leadership skills and other experience of its Board of Directors described below, provide the Company with the perspectives and judgment necessary to guide the Company's strategies and monitor their execution.

The following table notes the breadth and variety of business experience that each of our directors and director nominee brings to the Company.

	Executive Leadership	Financial	Energy/Oil Field Services	International Operations	Past or Present CEO	Director Role
Stephen A. Wells	ü	ü	ü	ü	ü	ü
Cindy B. Taylor	ü	ü	ü	ü	ü	ü
Lawrence R. Dickerson	ü	ü	ü	ü	ü	ü
Martin A. Lambert	ü	ü	ü	ü	ü	ü
S. James Nelson	ü	ü	ü	ü		ü
Mark E. Papa	ü	ü	ü	ü	ü	ü
Gary L. Rosenthal	ü	ü	ü	ü	ü	ü
Christopher T. Seaver	ü	ü	ü	ü	ü	ü
Douglas E. Swanson	ü	ü	ü	ü	ü	ü
William T. Van Kleef	ü	ü	ü	ü		ü

In selecting nominees for the Board of Directors, the Nominating & Corporate Governance Committee considers, among other things, the diversity of the Board of Directors in terms of educational background, business and industry experience, and knowledge of different geographic markets and oilfield services and products. In the case of current

directors being considered for renomination, the Nominating & Corporate Governance Committee took into account the director's history of attendance at Board of Directors and committee meetings, the director's tenure as a member of the Board of Directors and the director's preparation for and participation in such meetings.

### **Director Nomination Process**

Our director nomination process for new Board of Directors members is as follows:

The Nominating & Corporate Governance Committee, the Chairman of the Board, or another member of the Board identifies a need to add a new Board member who meets specific criteria or to fill a vacancy on the Board of Directors.

The Nominating & Corporate Governance Committee initiates a search by working with staff support, seeking input from members of the Board and senior management and hiring a search firm, if deemed necessary.

The Nominating & Corporate Governance Committee considers recommendations for nominees for directorships submitted by stockholders.

The initial slate of candidates that will satisfy specific criteria and otherwise qualify for membership on the Board of Directors is identified and presented to the Nominating & Corporate Governance Committee, which ranks the candidates.

The Chairman of the Board and at least one member of the Nominating & Corporate Governance Committee interview prospective candidate(s).

The full Board of Directors is kept informed of progress.

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The Nominating & Corporate Governance Committee offers other directors the opportunity to interview the candidate(s) and then meets to consider and approve the final candidate(s).

The Nominating & Corporate Governance Committee seeks the endorsement of the Board of Directors of the final candidate(s).

The final candidate(s) are nominated by the Board of Directors or elected to fill a vacancy.

## **Communications with Directors**

Stockholders or other interested parties may send communications, directly and confidentially, to the Board of Directors, to any committee of the Board of Directors, to non-management directors or to any director in particular by sending an envelope marked **confidential** to such person or persons c/o Oil States International, Inc., Three Allen Center, 333 Clay Street, Suite 4620, Houston, Texas 77002. Any such correspondence will be forwarded by the Secretary of the Company to the addressee without review by management.

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

During 2013, the Company's Compensation Committee consisted of Messrs. Rosenthal, Papa and Wells, each of whom is an independent, non-employee director. There were no compensation committee interlock relationships nor any insider participation in compensation arrangements for the year ended December 31, 2013.

## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis provides information about the compensation objectives and policies for our principal executive officer, both individuals who served as our principal financial officer during 2013 and our three other most highly compensated executive officers (our **Named Executive Officers**) during the last completed fiscal year, and is intended to place in perspective the information contained in the executive compensation tables that follow this discussion. Throughout this discussion, the following individuals are referred to as our **Named Executive Officers** and are included in the Summary Compensation Table below:

Cindy B. Taylor Chief Executive Officer

Lloyd A. Hajdik Senior Vice President, Chief Financial Officer and Treasurer

Bradley J. Dodson Executive Vice President, Accommodations

Ron R. Green Senior Vice President, Accommodations and President, PTI Group, Inc.

Christopher E. Cragg Senior Vice President, Operations

Lias J. Steen Senior Vice President, Human Resources and Legal

The Compensation Committee of the Board of Directors provides overall guidance to the Company's executive compensation program and administers incentive compensation plans.

The executive compensation program includes three primary elements which are generally performance oriented and, taken together, constitute a flexible and balanced method of establishing total compensation for the Company's executive officers. The three major elements consist of a) base salary, b) annual incentive compensation, and c) long-term incentive awards. The design of this compensation program supports the Company's philosophy governing executive total compensation.

### **Executive Total Compensation Philosophy**

The Company's philosophy regarding the executive compensation program for our named executive officers and other senior managers has been to design a compensation package that provides competitive base salary levels and compensation incentives that (i) attract and retain individuals of outstanding ability in these key positions, (ii) recognize corporate performance relative to established goals and the performance of the Company relative to the performance of other companies of comparable size, complexity and quality and against budget goals and (iii) support both the short-term and long-term strategic goals of the Company. The Committee believes this approach closely links the compensation of the Company's executives to the execution of the Company's strategy and the accomplishment of Company goals that coincide with stockholder objectives.



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### **2013 Advisory Vote on Executive Compensation**

At our 2013 annual meeting of stockholders, our stockholders expressed their continued support for the compensation program for our named executive officers by approving the non-binding advisory vote on our executive compensation. A total of 94% of the votes cast supported our executive compensation policies and practices for our named executive officers as described in our 2013 proxy statement. In reviewing our executive compensation program, our Compensation Committee evaluated the results of last year's advisory vote on executive compensation and the support expressed by stockholders. Given the support expressed by stockholders for our executive compensation programs, our Compensation Committee generally elected to apply the same principles in determining the types and amounts of compensation to be paid to our named executive officers in 2013 and to date in 2014.

As recommended by our Board of Directors, a majority of stockholders expressed their preference for an advisory vote on executive compensation occurring every year, and we have implemented their recommendation.

### **Compensation Program Objectives:**

Attract, motivate, reward and retain key employees and executive talent required to achieve corporate strategic plans;

Reinforce the relationship between strong individual performance of executives and business results;

Align the interests of executives with the long-term interests of stockholders; and

Design a compensation program that neither promotes overly conservative actions or excessive risk taking. The compensation program is designed to reward executives for long-term strategic management and the enhancement of stockholder value. We believe that the compensation program design and policies contribute to achievement of the Company's objectives.

### **Compensation Benchmarking Relative to Market**

The Compensation Committee establishes executive compensation primarily based on a review of the executive's performance and compensation history and takes into account corporate performance. In the exercise of its duties, the Compensation Committee periodically benchmarks the Company's executive compensation against that of comparable companies; however, the Compensation Committee does not set percentile goals against benchmark data for purposes of determining executive compensation levels. The Compensation Committee considers the market to consist of both the oilfield services industry and geographic markets in which the Company competes for executive talent. Benchmark data is periodically obtained for a selected peer group approved by the Compensation Committee (the peer group) as well as for industry companies of comparable size and business complexity. The Company currently uses the following peer group companies:

Carbo Ceramics, Inc.;

Cameron International Corporation;

Core Laboratories N.V.;

Dresser Rand Group, Inc.;

Dril-Quip, Inc.;

Exterran Holdings, Inc.;

FMC Technologies, Inc.;

Helix Energy Solutions Group, Inc.;

Helmerich & Payne, Inc.;

Key Energy Services, Inc.;

McDermott International, Inc.;

Oceaneering International, Inc.;

RPC, Inc.;

Superior Energy Services, Inc.; and

Tidewater, Inc.

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In selecting benchmark companies, the Committee considered each company's participation in the energy services sector as well as market capitalization, annual revenues, business complexity, profitability, returns on equity and assets, the number of divisions/segments, countries in which they operate and total number of employees. The benchmarked companies change from time to time to ensure their continued appropriateness for comparative purposes.

The Compensation Committee reviews the compensation programs for comparable positions at similar corporations with which the Company competes for executive talent, and also considers relative internal equity within its executive pay structure. This approach allows the Compensation Committee to respond to changing business conditions, manage salaries and incentives more evenly over an individual's career as well as minimize the potential for the automatic ratcheting-up of salaries and incentives that could occur with an inflexible and more narrowly defined approach.

In evaluating the peer group and other comparison data for compensation purposes, the Compensation Committee neither bases its decisions on quantitative relative weights of various factors, nor follows mathematical formulas. Rather, the Compensation Committee exercises its discretion and makes its judgment after considering the factors it deems relevant.

## **Compensation Practices as They Relate to Risk Management**

Our compensation policies and practices are designed to provide rewards for the short-term and long-term performance, both on an individual basis and at the entity level. In general, optimal financial and operational performance, particularly in a competitive business, requires some degree of risk-taking. Our compensation strategies are designed to encourage company growth and appropriate risk taking but not to encourage excessive risk taking. Our Compensation Committee retains discretion with respect to the compensation packages of our named executive officers. Our compensation strategies are designed so as not to encourage management to take actions that could have a material adverse effect on us in the long-run to simply achieve a specific short-term goal. We also attempt to design the compensation program for our larger general employee population so that it does not inappropriately incentivize our employees to take unnecessary risks in their day to day activities. We recognize, however, that there are trade-offs and that it can be difficult in specific situations to maintain the appropriate balance. As such, we continue to evaluate our programs with a view to ensuring they do not become materially imbalanced one way or the other.

Our compensation arrangements contain certain design elements that are intended to minimize the incentive for taking unwarranted risk to achieve short-term, unsustainable results. Those elements include a maximum amount that can be earned under the annual incentive cash compensation and performance based equity award programs.

In combination with our risk management practices, we do not believe that risks arising from our compensation policies and practices for our employees, including our named executive officers, are reasonably likely to have a material adverse effect on us.

## **Elements of Compensation:**

### *Base Salary*

Base salary is the guaranteed element of an executive's direct compensation and is intended to provide a foundation for a competitive overall compensation opportunity for the executive. The Compensation Committee reviews each executive's base salary annually. Executive officer base salaries are determined after an evaluation that considers the executive's prior experience and breadth of knowledge and which also considers benchmark data from the peer group companies and other similarly sized companies in businesses comparable to the Company's, the Company's and the

executive's performance, and any significant changes in the executive's responsibilities. The Compensation Committee considers all these factors together plus overall industry conditions and retention risks and makes a subjective determination on base salary adjustments. In establishing Mr. Hajdik's base salary, the Compensation Committee considered Mr. Hajdik's prior experience and breadth of knowledge and which also considered benchmark data from the peer group companies. Effective February 25, 2013, the Compensation Committee approved certain changes to the base salary rates of the Named Executive Officers. Specifically, Mrs. Taylor's base salary was increased 6.7% to \$750,000; Mr. Dodson's base salary was increased 3.8% to \$415,000; Mr. Cragg's base salary was increased 7.2% to \$350,000; and Mr. Steen's base salary was increased 9.4% to \$350,000. Mr. Green received a 4.6% raise effective March 1, 2013, which increased his base salary to Canadian \$460,000. Base salaries were increased in 2013 based on a number of factors including inflationary trends, the growth of the Company, retention risks, individual performance and in recognition of the strong performance of the Company's stock which was in excess of one year, three year and ten year comparative performance of the industry peer group. Mr. Dodson received a raise of 12.1% to \$465,000 effective December 9, 2013 in connection with his promotion to Executive Vice President, Accommodations.

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Mrs. Taylor provides the Compensation Committee with input regarding the performance of other Company executives and makes compensation recommendations with respect to these individuals. While considering her recommendations, the Committee makes an independent judgment with respect to compensation levels for each of Mrs. Taylor's direct reports.

*Annual Cash Incentive Compensation*

The Company's Annual Incentive Compensation Plan (AICP) is performance based and provides executives with direct financial incentives in the form of annual cash bonuses based on total Company and business unit performance. Annual incentive awards are linked to the achievement of pre-determined Company-wide and business unit quantitative performance goals and are designed to place a significant portion of the executive's total compensation at risk. The purpose of the AICP is to:

create stockholder value;

provide focus on the attainment of annual goals that lead to long-term success of the Company;

provide annual performance-based cash incentive compensation;

motivate achievement of critical annual operating performance metrics; and

motivate employees to continually improve Company-wide and business unit performance.

The AICP is flexible and provides the Compensation Committee the discretion annually to set goals and objectives with input from management that it believes are consistent with creating stockholder value. The goals and objectives generally include growth objectives, operating objectives, safety goals and other measures that Management and the Board believes will drive financial performance. Under the AICP, an incentive target percentage is established for each executive officer based upon, among other factors, the Compensation Committee's review of publically available competitive compensation data for that position, level of responsibility and ability to impact the Company's success. The AICP recognizes market differences in incentive award opportunities between organizational levels. Achieving results which exceed a minimum, or threshold, level of performance triggers an AICP payout. Performance results at or below the threshold (i.e. achieving a percentage ranging from 75% to 85% of the related AICP performance objective or less) will result in no AICP award. Targeted performance is earned when an executive achieves 100% of their AICP performance objective(s). Overachievement (i.e. achieving a percentage ranging from 120% to 125% of the related AICP performance objective) is the performance level at which incentive compensation is maximized. If the performance results fall between the threshold level and the target level, 0-100% of the AICP target amount will be paid out proportionately to the distance such performance results fall between the two levels. If the performance results fall between the target level and the overachieve level, 100-200% of the AICP target amount will be paid out proportionately to the distance such performance results fall between the two levels. The 2013 award opportunities, expressed as a percentage of eligible AICP earnings (i.e. annual base salary), for the Named Executive Officers are outlined below:

	<b>Threshold</b>	<b>Target</b>	<b>Overachievement</b>
Cindy B. Taylor	0%	100%	200%
Lloyd A. Hajdik (1)			
Bradley J. Dodson	0%	65%	130%
Ron R. Green	0%	75%	150%
Christopher E. Cragg	0%	70%	140%
Lias J. Steen	0%	60%	120%

(1) Mr. Hajdik did not participate in the AICP in 2013. His 2014 AICP target and overachievement level will be 60% and 120%, respectively.

As shown in the table above, the maximum AICP overachievement percentage is limited to twice the target level percentage which helps mitigate the potential for excessive risk taking. In addition, targets and goals are adjusted to incorporate material acquisitions which also limits excessive risk taking. During 2013, Mrs. Taylor's target AICP percentage was increased from 90% to 100%; Mr. Dodson's AICP target percentage increased from 60% to 65%; Mr. Green's AICP target percentage increased from 60% to 75%; Mr. Cragg's AICP target percentage increased from 60% to 70%; and Mr. Steen's AICP target percentage increased from 50% to 60% in 2013 as a result of individual performance and an analysis of target bonus potentials of similarly-situated executives in peer group and benchmark companies.

At the beginning of each year, the Compensation Committee is responsible for approving the AICP performance objectives based on recommendations by the Chief Executive Officer. The Compensation Committee sets performance goals that are measurable, achievable and quantifiable. At the end of each year, the Compensation Committee reviews the performance results of the Company and the incentive awards to be paid to each executive officer and to all participants in

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the AICP, as a group. In its discretion, the Compensation Committee will interpret the AICP and has authority to make adjustments in individual, business unit or Company-wide results. The Compensation Committee did not make any discretionary changes to the 2013 calculated incentive payouts to the Named Executive Officers.

Performance measures are selected and weighted by management and the Compensation Committee annually to give emphasis to performance criteria for which participants have influence. The Compensation Committee has established earnings before interest, taxes, depreciation and amortization ( EBITDA ) as the primary corporate financial performance objective for each executive officer. In addition, a portion of the incentive potential for certain participants was based on return on investment ( ROI ) and, for certain of the executives, none of whom were Named Executive Officers, other strategic goals as determined appropriate for the executives' areas of responsibilities. Other strategic goals and objectives varied and included measures such as safety performance. Performance goals may be similar for all executives or may be different to reflect more appropriate measures of corporate and business unit performance. The EBITDA and ROI targets are generally set based on the Company or business unit annual budgeted financial statements which are approved by the Board of Directors. The relative percentages of EBITDA and ROI used to evaluate our executives are based upon the nature of each executive's role in the Company and how that role relates to overall goals and performance of the Company. For example, for those divisions which have ROI criteria, executives responsible for the operation of those specific divisions or who have a significant impact over investment decisions with respect to such businesses have business-based or Company ROI as part of their performance measure if achievement of such measure is material to the Company's performance. Executives who have less control over segment-based or Company ROI, have performance measures more heavily weighted towards EBITDA. We believe the use of tailored performance goals, which are closely aligned with drivers of the Company's success, furthers our compensation objective of reinforcing the relationship between strong individual performance of executives and overall business performance. Individual objectives are tailored to match areas of direct responsibility and impact on company performance.

For the Named Executive Officers, only EBITDA and ROI performance measures were used to determine AICP bonuses. For 2013, Messrs. Dodson and Steen and Mrs. Taylor had 90% of their incentive compensation based on the Company's EBITDA and 10% of their incentive compensation based on the Company's ROI. Mr. Green's incentive compensation was based 10% on the Company's EBITDA with the remainder tied to Accommodations' EBITDA. Mr. Cragg's incentive compensation was based on 40% on the Company's EBITDA and 60% on the total of Tubular Services and Well Site Services EBITDA. The Company's EBITDA and pretax ROI targets, established in February 2013, based on the Company's annual operating plan, were \$870 million and 15.4%, respectively. The EBITDA target for 2013 represented a 7.1% increase over 2012 actual results and the pre-tax ROI target decreased from 16.5% in 2012 to 15.4% in 2013.

At the end of each year, the Compensation Committee reviews the performance results of the Company and the total incentive awards to be paid to each executive officer based on such officer's success in achieving the AICP performance objectives.

On a consolidated basis, the Company achieved 167% of its targets for 2013. As a result, all executive officers, including Mrs. Taylor, received incentive plan payments for 2013 performance, reflecting, in large part, the Company's and most of its businesses' strong overall performance versus budget. These incentive plan payments under the AICP varied based upon the level of Company and business unit achievement of the related goals and objectives. Seven of ten AICP target groupings of the Company, for AICP calculation purposes, including the consolidated group, exceeded their 2013 target EBITDA objectives, and all of the Company's executive officers except Mr. Green received bonuses for 2013 in excess of target. Each of the Named Executive Officers for the fiscal year ended December 31, 2013, received the following payments in February 2014 under the AICP for fiscal 2013 performance.

	<b>AICP Award (\$)</b>	<b>% of Eligible AICP Earnings</b>
Cindy B. Taylor	\$ 1,232,725	166%
Lloyd A. Hajdik (1)		
Bradley J. Dodson	\$ 447,047	108%
Ron R. Green	\$ 269,685	59%
Christopher E. Cragg	\$ 447,290	130%
Lias J. Steen	\$ 343,882	100%

(1) Mr. Hajdik did not participate in the AICP in 2013.



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*Long-term Incentives* The Company makes certain stock-based awards under the 2001 Equity Participation Plan, which has been approved by stockholders, to better align the interests of executive officers with those of stockholders and to provide retention incentives. Specifically, the plan's purposes are to:

provide an additional incentive for executives to further the growth, development and financial success of the Company by personally benefiting through ownership of Company stock and/or rights; and

enable the Company to obtain and retain the services of executives considered essential to the long term success of the Company by offering them an opportunity to own stock in the Company and/or rights which will reflect the growth, development and financial success of the Company.

The 2001 Equity Participation Plan provides for the grant of any combination of:

stock options;

restricted stock;

performance awards;

dividend equivalents;

deferred stock; and

stock payments or phantom stock awards.

The 2001 Equity Participation Plan provides for minimum vesting periods of one year for performance based awards and three years for tenure based awards, except for a small percentage of the authorized shares available for awards under the 2001 Equity Participation Plan. Vesting may occur earlier than the minimum vesting periods with respect to no more than 10% of shares cumulatively authorized under the 2001 Equity Participation Plan. A total of 99% of the options granted by the Compensation Committee vest at a rate of 25% per year over four years. Option lives range from six to ten years. Options are awarded at the NYSE's closing price of the Company's common stock on the date of the grant, or the last preceding trading day if the award date is a date when markets are closed ( NYSE Closing Price ). Restricted stock awards, which are valued at the NYSE Closing Price on the date of grant generally vest over a four year period at a rate of 25% per year; however, in special situations the Compensation Committee has approved awards with shorter vesting periods. The Compensation Committee has never granted options with an exercise price that is less than the NYSE Closing Price on the grant date.

The Compensation Committee has never repriced outstanding options, and the 2001 Equity Participation Plan has been amended to prohibit repricing or replacing underwater stock options or canceling or effecting a cash buyout of stock options without the approval of the Company's stockholders.

In determining appropriate awards, the Compensation Committee annually reviews each executive's past performance and experience, his or her position and ability to contribute to the future success and growth of the Company, time in the current job, base compensation and competitive market data. The Compensation Committee also takes into account the risk of losing the executive to other employment opportunities and the value and potential for appreciation in the Company's stock. The Compensation Committee also takes into consideration that, unlike some benchmark companies, the Company has no defined benefit retirement plan nor any supplemental executive retirement benefits or similar arrangements. The Compensation Committee believes that stock options, restricted stock grants and, beginning in 2012, performance based and phantom stock, along with significant vesting requirements, are an effective method of reinforcing the long-term nature of the Company's business and creating retention incentives. In addition, grants of stock options, restricted stock and performance based and phantom stock awards reinforce alignment with stockholder interests. The Compensation Committee considers the foregoing factors and any other relevant factors and makes a subjective determination with respect to awarding equity based compensation to its executive officers.

Higher-level positions will generally have a greater percentage of their total compensation based on longer-term incentives which are performance based. The size of long-term incentive grants will vary from year to year and reflects a variety of factors including, among others, competitive market practices, retention priorities, total previous grants, current stock valuation, estimated future charges to earnings, and individual, business unit and company-wide performance. The Compensation Committee determines the award level for executives, if any, on an annual basis usually at its February meeting each year.

For 2013, the Company incorporated a combination of nonqualified stock options, restricted stock awards, performance based awards and phantom stock awards as the primary executive long-term incentive and retention tool for the Named Executive Officers. Restricted stock awards offers the additional advantages of potentially reducing overall Company stock

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dilution relative to other awards, while improving the Company's executive retention prospects in a very competitive labor market. We recognize that options alone may not have adequate retention value in an industry that has historically been cyclical in nature. We believe the introduction of performance based and phantom stock equity awards will add an incentive for continued outstanding performance, enhance the Company's ability to attract and retain talented executives in an increasingly competitive marketplace and benefit stockholder returns. The Compensation Committee weighs the cost of these grants with their potential benefit as an incentive, retention and compensation tool.

In administering the long-term incentive equity plan, the Compensation Committee is sensitive to the potential for dilution of future earnings per share. For this reason and because of other compensation design considerations, the Compensation Committee focuses the long-term incentive plan on employees who will have the greatest impact on the strategic direction and long-term results of the Company by virtue of their senior roles and responsibilities. In 2013, stock options granted to named executive officers represented 17% of the total number of stock options awarded to all employees; restricted stock awards granted to named executive officers represented 11% of the total number of restricted stock awards issued to all employees and directors and performance based awards granted to named executive officers represented 90% of the total of performance based awards issued to all employees.

*Performance Based Awards.* The performance based awards represent the right to receive shares of the Company's common stock, subject to forfeiture conditions and achieving performance objectives. The performance based awards do not entitle their recipient to the right to vote, receive dividends or to any other privileges or rights of a stockholder of the Company until such time as shares of Company common stock are delivered to the recipient following vesting of the performance based awards and achievement of the performance criteria.

The performance based awards will vest contingent upon the Named Executive Officer's continued employment with us through the specified vesting date, and our achievement of specified performance objectives during the performance period commencing on January 1<sup>st</sup> of the three year performance period and ending December 31<sup>st</sup> of the third year in the three year performance period. Depending on the level of performance achieved, Named Executive Officers may earn between 0% and 200% of the target number of shares of our stock covered by the award, and the number of earned shares will typically be paid to the Named Executive Officer within two and a half months following the end of the performance period. The performance based awards made in February 2012 and February 2013 have a performance criteria that will be measured based upon the Company's achievement level of after-tax return on invested capital (ROIC) for the applicable three year performance period.

If the after-tax ROIC over the three year performance period is less than or equal to 6% (the Entry Level), 100% of the performance awards will be forfeited. If the performance measure is equal to 9.5% (the Target Level), 100% of the performance awards will vest. If the performance measure is equal to or greater than 13%, (the Over-Achieve Level), 200% of the performance awards will vest. If the performance measure falls between the Entry Level and the Target Level, 0-100% of the performance awards will vest proportionately to the distance such performance measure falls between the two levels. If the performance measure falls between the Target Level and the Over-Achieve Level, 100-200% of the performance awards will vest proportionately to the distance such performance measure falls between the two levels. As of December 31, 2013, the 2012 performance awards are at a 191% achievement level versus target and the 2013 performance awards are at a 163% achievement level versus target. Upon the occurrence of certain events, such as a change in control or specified employment termination scenarios, the vesting of the performance awards may be accelerated.

*Phantom Stock Awards.* The Company began awarding phantom stock awards in 2012 to certain executives in Canada because these awards were more tax efficient for the Company and executive. Phantom stock awards made on February 19, 2013 totaled 71,500 shares and will vest 33.3% per year on the first, second and third anniversary of the

award date. Each phantom stock award entitles the holder to the cash equivalent amount equal to a share of the Company's stock on the vesting date. Phantom stock awards granted to Mr. Green, the only named executive officer who received phantom stock, represented 21% of the total of phantom stock awards issued to all employees in 2013.

*Restricted Stock and Option Awards.* Restricted stock awards were made to Mrs. Taylor and Messrs. Dodson, Cragg and Steen on February 19, 2013 at the then fair market value of \$80.25 per restricted share. Stock option awards were made to Mrs. Taylor and Messrs. Dodson, Cragg and Steen on February 19, 2013 that had an exercise price of \$80.25 per share based on the NYSE Closing Price and that had a Black Scholes fair market value on the date of grant of \$28.31 per option award. These awards have a life of ten years and will vest in four equal installments on each annual anniversary of the grant date (so that the awards will be 100% vested on February 19, 2017), provided the named executive officer remains an employee continuously from the date of grant through the applicable vesting date.

Vesting of the awards may be accelerated upon the occurrence of certain events, as described in detail below under

Potential Payments Upon Termination or Change in Control. While a Named Executive Officer holds unvested restricted shares, he or she is entitled to all the rights of ownership with respect to the shares, including the right to vote the shares and receive dividends thereon (except that any dividends or other distributions paid in any form other than cash shall be subject to forfeiture restrictions applicable to the underlying award).

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Other than Mr. Green, who received a grant of 15,000 shares of phantom stock in February 2013, each of the Named Executive Officers received a combination of grants of stock options, restricted stock awards and performance based awards in 2013. During 2013, a total of 25,202 stock options, 34,357 shares of restricted stock and 26,214 performance based awards were granted to the Named Executive Officers.

Stock option grants, restricted stock awards and performance based and phantom stock awards are expensed to comply with Financial Accounting Standards Board, Accounting Standards Codification, Topic 718, *Compensation Stock Compensation* ( FASB ASC Topic 718 Stock Compensation ). There is no program, plan or practice to time the grant of stock options or award restricted stock to executives in coordination with the release of material non-public information. Except in special circumstances, equity grants are made to employees annually at the time of the Board of Directors February meeting. Executive officers and directors are prohibited from trading options or any derivative type of contract related to the Company s stock.

## **Benefits**

Employee benefits are designed to be broad based, competitive and to attract and retain employees. From time to time the Compensation Committee reviews plan updates and recommends that the Company implement certain changes to existing plans or adopt new benefit plans.

## **Health and Welfare Benefits**

The Company offers a standard range of health and welfare benefits to all employees including executives. These benefits include: medical, prescription drug, vision and dental coverages, life insurance, accidental death and dismemberment, long-term disability insurance, flexible spending accounts, employee assistance, business travel accident insurance and 529 college savings plans. Executive officers make the same contributions for the same type of coverage and receive the same level of benefit as any other employee for each form of coverage /benefit.

## **Retirement Plans**

The Company does not offer a defined benefit retirement plan. The Company does offer a defined contribution 401(k) retirement plan to substantially all of its U.S. employees. Participants may contribute from 1% to 75% of their base pay and cash incentive compensation (subject to Internal Revenue Service ( IRS ) limitations), and the Company makes matching contributions under this plan on the first 6% of the participant s compensation (100% match of the first 4% employee contribution and 50% match on the next 2% contribution). Company matching contributions vest at a rate of 20% per year for each of the employee s first five years of service and then are immediately vested thereafter. A similar defined contribution retirement plan is in place and available to our Canadian employees, including Mr. Green. See Canadian Retirement Savings Plan below.

## **Deferred Compensation Plan**

The Company maintains a nonqualified deferred compensation plan (the Deferred Compensation Plan ) that permits eligible employees and directors to elect to defer all or a part of their cash compensation (base and/or incentives) from the Company until the termination of their status as an employee or director. Employees that participate in the Deferred Compensation Plan do not receive any additional compensation other than the employer match on compensation deferred equivalent to what would have been matched in the Company s 401(k) plan, absent certain IRS limitations. A deferral election may provide for deferring different forms or levels of compensation (base salary and/or incentive compensation) during the year. The Compensation Committee administers the Deferred Compensation Plan. Participating employees are eligible to receive from the Company a matching deferral under the Deferred

Compensation Plan that is intended to compensate them for contributions they could not receive from the Company under the 401(k) plan due to the various limits imposed on 401(k) plans by U.S. federal income tax laws. Directors who elect to participate in the Deferred Compensation Plan do not receive any matching contributions.

Participants in the Deferred Compensation Plan are able to invest contributions made to the Deferred Compensation Plan in investment funds approved by a Retirement Plan Compensation Committee, which also mirror the 401(k) plan investment funds. The Company percentage match on employee contributions vests in the same manner as in the Company's 401(k) plan. Employee contributions into the Deferred Compensation Plan are automatically vested and an employee can defer up to 75% of their salary and bonus compensation. Since the investment choices under the Deferred Compensation Plan

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are identical to the choices available under our 401(k) Plan, no above market or preferential earnings are provided under the Deferred Compensation Plan. As such, no earnings on Deferred Compensation Plan amounts are reported in the Summary Compensation table. The Retirement Plan Compensation Committee is composed of employees of the Company. The Compensation Committee has established a grantor trust to hold the amounts deferred under the Deferred Compensation Plan by the Company's officers, and directors and other employees. All amounts deferred under the Deferred Compensation Plan remain subject to the claims of the Company's creditors.

Allocation of net income (or net loss) in each participant's account is divided into sub accounts to reflect each participant's deemed investment designation in a particular fund(s). As of each valuation date, the net income (or net loss) of each fund is allocated among the corresponding sub accounts of the participants. Each sub account is credited with (or debited for) that portion of such net income (or net loss) due to the change in the value of each corresponding sub account from the prior valuation date.

Generally, each participant in the Deferred Compensation Plan will receive (i) a lump sum distribution or installment payments (at the participant's election) upon termination of the participant's service with the Company and its affiliates or (ii) a lump sum distribution upon a change of control (as defined in the 2001 Equity Participation Plan). For Key Employees, as defined in IRS regulations, distributions of deferrals made after 2004 are delayed at least six months. Any other withdrawals by the participant will be made in compliance with limitations imposed under Section 409A of the Internal Revenue Code.

## **Canadian Retirement Savings Plans**

As described under the Retirement Plans the Company offers a defined contribution retirement plan to its Canadian employees, including Mr. Green. In Canada, the Company contributes, on a matched basis, an amount up to 5% of each Canadian based, salaried employee's (including Mr. Green) earnings (base salary plus annual incentive compensation) to the legislated maximum for a Deferred Profit Sharing Plan (DPSP - Maximum for 2013 - \$12,135). DPSP is a form of defined contribution retirement savings plan governed by Federal Tax legislation which provides for deferral of tax on deposit and investment return until removed from the plan to support retirement income. Employer contributions vest once two years of service are completed. Employee contributions are required in order to be eligible for the DPSP employer matching. Maximum employer matching (5% noted above) is attained with (6%) employee contribution which would go into a Group Registered Retirement Savings Plan (GRRSP). The two plans work in tandem.

Contributions to the Retirement Savings Plan for Mr. Green (as with all of the Canadian based salaried employees) is subject to the annual maximum total registered savings limit of \$23,820 in 2013 as set out in the Canadian Tax Act.

Participation in the plan is voluntary and matching contributions start after 90 days of employment. Funds are paid by the company to the third party plan administrator and the funds are invested by the administrator on behalf of the employee in accordance with the employee's investment direction from within a broad range of investment options. Apart from the annual contributions, any growth in the member's account is dependent upon the investment decisions made by that individual. The Company makes no investment decisions on behalf of the employee and has no obligations under the Retirement Savings Plan other than to remit the defined contributions to the plan administrator for subsequent deposit into member accounts and to periodically assess the roles and execution of services by the plan administrator.

The matching contributions noted above (5% employer based upon 6% from employee) are first directed into the tax deferred or registered plans as described above up to Revenue Canada annual limits. For certain employees who by virtue of compensation level would exceed these limits, including Mr. Green, contributions are then allocated to

employee and employer accounts in a Non Registered Savings Plan (NRSP). This plan functions in a manner similar to the Company's Deferred Compensation Plan. The same basic principles of design and provision apply with the primary difference that the NRSP is annually taxable in regards to investment return.

**Other Perquisites and Personal Benefits**

The Company does not offer any perquisites or other personal benefits to any executive with an aggregate value over \$10,000 other than to Mr. Green, which was temporary and offered in connection with his assignment in Australia, as detailed in the Summary Compensation Table and described below under Foreign Assignment Agreement. Some executives do have Company paid club memberships, which are used for personal and business purposes.



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### **Compensation Consultant**

In 2013, the Committee engaged Frederic W. Cook & Co., Inc. (the Consultant) to provide independent advice on executive compensation matters. In 2013, the Consultant confirmed to the chair of the Committee certain industry compensation data provided by management and provided feedback regarding proposed compensation terms to the Committee. The Committee Chairman pre-approved the scope of the work to be performed by the Consultant and the fee arrangement with the Consultant was based on agreed upon rates per hour. The Consultant's engagement was limited to executive compensation projects requested by the Committee, and no other services were provided to the Company or management. Fees paid to the Consultant in 2013 did not exceed \$120,000.

### **Executive Compensation Policies**

*Repricing Stock Options* The Company's practice is to price awards at the market price on the date of award. The Company's 2001 Equity Participation Plan prohibits any repricing of options without stockholders approval.

*Securities Trading Policy* The Company prohibits directors, officers and certain other managers from trading the Company's securities on the basis of material, non-public information or tipping others who may so trade on such information. In addition, the policy prohibits trading in the Company's securities without obtaining prior approval from the Company's Compliance Officer. Executive officers and directors are prohibited from trading options or any derivative type of contract related to the Company's stock.

*Tax Deductibility of Compensation* Section 162(m) of the Internal Revenue Code, enacted in 1993, imposes a limit of \$1 million on the amount that a publicly held corporation may deduct in any year for the compensation paid or accrued with respect to its Chief Executive Officer, Chief Financial Officer and each of its three other most highly compensated executive officers (other than the Chief Executive Officer and the Chief Financial Officer), unless compensation is performance based. While the Company cannot predict with certainty how the compensation of our Named Executive Officers might be affected in the future by Section 162(m), or applicable tax regulations issued hereunder, the Company considers the tax deductibility of executive compensation when designing and making decisions with respect to maintaining the executive compensation program as described herein.

*Clawback Policy* To date, we have not adopted a formal clawback policy to recoup incentive based compensation upon the occurrence of a financial restatement, misconduct or other specified events. However, the performance based awards granted to our named executive officers as part of our long-term incentive compensation program do include language providing that the award may be cancelled and the officer may be required to repay us for any realized gains to the extent required by applicable law. The Compensation Committee is currently evaluating the practical, administrative, and other implications of implementing and enforcing a clawback policy, and intends to adopt a clawback policy in compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 once additional guidance is promulgated by the Securities and Exchange Commission.

*Executive Stock Ownership Guidelines and Holding Period* Effective February 16, 2007, Executive Stock Ownership Guidelines were adopted by the Compensation Committee of the Board of Directors of the Company to further align the interests of executives with the interests of stockholders and further promote the Company's commitment to sound corporate governance. During 2013, as described below, this guideline was increased for our Chief Executive Officer.

The Executive Stock Ownership Guidelines are calculated based on a multiple of the executive's base salary, which is then converted to a fixed number of shares. Once the ownership guideline is established for an executive and communicated, the executive has four years to attain the targeted level of ownership. An executive's ownership guideline does not automatically change as a result of changes in his or her base salary or fluctuations in the Company's common stock price. However, the Committee may, from time to time, reevaluate and revise participants' guidelines to incorporate these types of events. An executive's stock ownership guideline may also increase because of a change in title. Mrs. Taylor's ownership guideline was increased from a multiple of three times salary to five times salary in 2013. The ownership guidelines for the senior executives are as follows:

#### **Stock Ownership Level**

<b>Position</b>	<b>Multiple of Salary</b>
Chief Executive Officer	5X
Executive Officers (Section 16)	2X
Corporate Administrative Vice Presidents	1X

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Stock that counts toward satisfaction of the Executive Stock Ownership Guidelines includes:

Company shares owned outright (i.e. open market purchases) by the executive or his or her immediate family members residing in the same household;

Vested Company restricted stock awards that are issued as part of the executive's long-term compensation;

Company shares acquired upon option exercise that the executive continues to hold;

Company shares held in the Company's Deferred Compensation Plan; and

Company shares beneficially owned through a trust.

Covered executives are required to achieve their Stock Ownership Guideline within four years from inclusion in the program and continue to maintain and hold the level of stock ownership as long as they are executive officers of the Company. All covered executives are in compliance with the Stock Ownership Guidelines except for Mr. Green for whom the deadline has been extended due to the tax inefficiencies of issuing restricted stock in Canada. Once achieved, ownership of the guideline amount must be maintained for a holding period as long as the individual is subject to Executive Stock Ownership Guidelines.

## **Executive and Change of Control Agreements**

The Company maintains Executive Agreements with eight executive officers subject to Section 16 of the Securities and Exchange Commission regulations. The Executive Agreements are not considered employment agreements and the executives are employed at will by the Company. These agreements provide protection in the event of a qualified termination, which is defined as an (i) involuntary termination of the executive officer by the Company other than for Cause or (ii) either an involuntary termination other than for Cause or a voluntary termination by the executive for Good Reason, in each case, during a specified period of time after a corporate Change of Control (as defined in each Executive Agreement) of the Company. The triggering events were selected due to the executive not having complete control of their circumstances. Executives are exercising control over their circumstances when they resign voluntarily without Good Reason or are terminated for Cause. As a result, these events do not trigger any payments.

If a qualified termination occurs other than during the 24-month period following a corporate Change of Control, the Executive Agreements provide (i) for payments based on the executive officer's base salary and target annual bonus amount, (ii) that all restrictions on restricted stock and phantom stock units will lapse and (iii) for continued health benefits for 24 months. Any vested, non-qualified stock options would expire after 3 months of the date of termination if not exercised prior to their expiration.

The Change of Control provision in the Executive Agreement is intended to encourage continued employment by the Company of its executive officers and to allow such executive to be in a position to provide assessment and advice to the Board of Directors regarding any proposed Change of Control without concern that such executive might be unduly distracted by the uncertainties and risks created by a proposed Change of Control. Unlike single trigger plans that pay out immediately upon a change of control, the Company's agreement requires a double trigger (i.e. a change

of control along with an involuntary loss of employment). If a qualified termination occurs during the 24-month period following a corporate Change of Control, the agreements provide for a lump sum payment to the executive officer based on the executive officer's base salary and target annual incentive amount. In addition, with respect to such a qualified termination, the agreements provide that all restricted stock, performance based stock, phantom stock and options will become vested, that all restrictions on such awards will lapse and that outstanding stock options will remain exercisable for the remainder of their terms. The executive officer will also be entitled to (A) health benefits until the earlier of (i) 36 months and (ii) the date the executive begins receiving comparable benefits from a subsequent employer, (B) vesting of all contributions to our 401(k) plan and Deferred Compensation Plan to the extent not already vested and (C) outplacement services equal to a maximum of 15% of the executive's salary at the time of termination until the earliest to occur of (i) December 31 of the second calendar year following the year of termination and (ii) the date the executive accepts subsequent employment. Executive agreements entered into with Mrs. Taylor and Messrs. Dodson, Cragg and Steen entitle the executive to be made whole for any excise taxes incurred with respect to severance payments that are in excess of the limits set forth under the Internal Revenue Code. Executive agreements entered into with Messrs. Hajdik and Green do not contain excise tax gross up protection. See Potential Payments Under Termination or Change of Control in this Proxy Statement for additional disclosures of severance and Change of Control payments for Named Executive Officers.

The Executive Agreements have a term of three years and are extended automatically for one additional day on a daily basis for a period of three years, unless notice of non-extension is given by the Board of Directors of the Company, in which case the agreement will terminate on the third anniversary of the date notice is given. To receive benefits under the Executive Agreement, the executive officer will be required to execute a release of all claims against the Company. Certain terms of the Executive Agreements are summarized below.

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Cindy B. Taylor. Under the terms of Mrs. Taylor's Executive Agreement, she will be entitled to receive a lump sum payment equal to two and a half times her base salary and target annual incentive amount if a qualified termination occurs during the 24-month period following a corporate Change of Control. If a qualified termination occurs other than during the 24-month period following a corporate Change of Control, Mrs. Taylor will be entitled to receive a lump sum payment equal to one and a half times her base salary and target annual incentive amount as well as other benefits described above.

All Other Section 16 Executive Officers. Under the terms of each of their Executive Agreements, the executive officer will be entitled to receive a lump sum payment equal to two times his base salary and target annual incentive amount if a qualified termination occurs during the 24-month period following a corporate Change of Control. If a qualified termination occurs other than during the 24-month period following a Change of Control, the executive officer will be entitled to receive a lump sum payment equal to his base salary and target annual incentive amount as well as other benefits described above.

## **Foreign Assignment Agreement**

On May 3, 2011, the Company entered into an assignment letter with Mr. Green setting forth certain terms and conditions governing his temporary assignment in Sydney, Australia in connection with the integration of an acquisition and the expansion of the Company's accommodations business in Australia. Mr. Green's assignment ended in June 2012. During the term, the assignment letter provided that Mr. Green's base salary may be paid in either Canadian or Australian currency, and that Mr. Green would be provided health, welfare, retirement plan, and workers compensation benefits that are comparable to the benefits he received prior to his temporary assignment. The assignment letter also provided Mr. Green with the following payments and allowances in addition to his base salary: (i) a monthly cost of living adjustment if the cost-of-living in Australia is determined to be higher than in Canada, including \$810 per month to compensate him for additional food costs; (ii) payment for furnished rental housing in Australia within established guidelines; (iii) payment of reasonable expenses associated with maintaining Mr. Green's residence in Canada, including association fees, property management, security, lawn care, routine house-keeping services and similar items; (iv) payment for the reasonable cost of utilities in Australia, including gas, water and electric; (v) tax equalization benefits to ensure Mr. Green does not pay more in taxes than he would if not on assignment, including the cost of an external tax consultant to assist in the preparation and processing of tax returns in both countries; (vi) payment of costs associated with obtaining necessary passports, visas and work permits; (vii) reimbursement of up to \$5,000 to cover incidental relocation expenses; (viii) payment of costs for air shipment of personal effects and belongings; (ix) payment for business class airfare for Mr. Green to travel to Australia and for related meals, incidentals and excess baggage fees; (x) payment of temporary living expenses in Australia for up to 30 days, including meals and incidental expenses; (xi) use of a Company vehicle and payment of expenses associated with fuel and operating costs; (xii) provision of business class airfare to Canada and related travel expenses in the event of a death or serious illness in Mr. Green's immediate family; and (xiii) repatriation benefits, including business-class airfare to Canada, reimbursement of relocation expenses up to \$5,000 and a completion bonus. Severance benefits for Mr. Green are addressed in his Executive Agreement; however, upon termination of Mr. Green's assignment in June 2012, all allowances and benefits provided for in the assignment letter ceased, and the Company paid for the cost of airfare and reasonable expenses for him to return to Canada. During 2013, Mr. Green was paid a completion bonus of \$240,509 as a result of his foreign assignment.

## **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis filed in this document. The Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our

Annual Report on Form 10-K for the year ended December 31, 2013.

THE COMPENSATION COMMITTEE

Gary L. Rosenthal, Chairman

Mark G. Papa

Stephen A. Wells

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The table below summarizes the total compensation paid or earned by the Named Executive Officers for each fiscal year in the three year period ended December 31, 2013. The Company has not entered into any employment agreements with any of the Named Executive Officers. When setting total compensation for each of the Named Executive Officers, the Committee reviews tally sheets which show the executive's compensation over the last several years, including equity and non-equity based compensation.

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive Plan	All Other	Total (\$)
					Compensation (\$)(3)	Compensation (\$)(4)	
Cindy B. Taylor President & Chief Executive Officer	2013	740,385	2,493,448	373,749	1,232,725	91,924	4,932,229
	2012	695,192	5,726,489	598,880	1,086,497	91,403	8,198,461
	2011	656,731	1,508,200	498,870	1,050,769	79,548	3,794,118
Lloyd A. Hajdik Senior Vice President, Chief Financial Officer & Treasurer (5)	2013	7,234					7,234
Bradley J. Dodson Executive Vice President, Accommodations	2013	413,077	842,625	113,240	447,047	45,414	1,861,403
	2012	395,192	846,300	187,150	411,757	56,748	1,897,147
	2011	365,385	565,575	99,774	438,462	22,803	1,491,998
Ron R. Green (2) Senior Vice President, Accommodations and President, PTI Group, Inc.	2013	429,134	1,203,750		253,426	286,156	2,172,466
	2012	435,697	846,300		515,183	513,137	2,310,317
	2011	411,149	754,100		448,312	781,861	2,395,422
Christopher E. Cragg Senior Vice President, Operations	2013	345,192	762,375	113,240	447,290	32,153	1,700,251
	2012	322,115	550,095	168,435	240,793	38,321	1,319,759
	2011	302,308	452,460	83,145	362,769	36,977	1,237,659
Lias J. Steen Senior Vice President, Human Resources & Legal (5)	2013	344,231	762,375	113,240	343,882	4,458	1,568,186

- (1) These columns represent the dollar amounts for the years shown of the aggregate grant date fair value of restricted stock awards, performance based awards and phantom stock awards and option awards, as applicable, granted in those years computed in accordance with FASB ASC Topic 718 Stock Compensation. Generally, the aggregate grant date fair value is the aggregate amount that the Company expects to expense in its financial statements over the award's vesting schedule (generally four years) and, for performance based awards, is based upon the probable outcome of the applicable performance conditions. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. These amounts reflect the Company's future accounting expense for these awards and options, and do not necessarily correspond to the actual value that will be recognized by

the named executive officers. All options awarded were priced at the date of the award. See Note 15 to our consolidated financial statements on Form 10-K for the year ended December 31, 2013 for additional detail regarding assumptions underlying the value of these awards. The performance based stock awards can potentially achieve a maximum number of shares equal to 200% of the target level of shares, depending on the Company's performance.

- (2) Compensation reported for Mr. Green, other than stock awards, was made in Canadian dollars and is reflected in this table in U.S. dollars using the average exchange rate for each year. U.S. dollar to Canadian dollar exchange rates used are as follows: 2013 \$0.94, 2012 \$1.00 and 2011 \$1.01,
- (3) Amounts of Non-Equity Incentive Plan Compensation paid to each of the Named Executive Officers were made pursuant to the Company's Annual Incentive Compensation Plan. For a description of this plan please see Compensation Discussion and Analysis Elements of Compensation Annual Cash Incentive Compensation.



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- (4) The 2013 amount shown in All Other Compensation column reflects the following for each Named Executive Officer:
- (5) No amounts are reflected with respect to Messrs. Hajdik or Steen for years prior to 2013, as Mr. Hajdik commenced employment in 2013 and Mr. Steen was not a named executive officer of the Company during 2012 or 2011.

	<b>Retirement Plan Match (\$)(a)</b>	<b>Deferred Compensation Plan Match (\$)(a)</b>	<b>Other (\$)(b)</b>	<b>Total (\$)</b>
Cindy B. Taylor	3,231	84,950	3,743	91,924
Lloyd A. Hajdik				
Bradley J. Dodson	14,872	28,533	2,009	45,414
Ron R. Green	9,206	36,441	240,509	286,156
Christopher E. Cragg	10,217	19,082	2,854	32,153
Lias J. Steen			4,458	4,458

- (a) Represents the matching contributions made by the Company to each of the Named Executive Officers, except Mr. Green, pursuant to the 401(k) Retirement Plan and the Deferred Compensation Plan as more fully described in Compensation Discussion and Analysis Retirement Plans, included herein. Mr. Green received similar contributions in the Canadian Retirement Savings Plan and Canadian Non-Registered Savings Plan.
- (b) The amounts shown in the Other column in the table above include club dues and the imputed income attributable to term life insurance benefits provided for Messrs. Dodson, Cragg and Steen and Mrs. Taylor. Mr. Green's other compensation includes a \$240,509 completion bonus paid in connection with his foreign assignment.

Each of the Named Executive Officers is party to an Executive Agreement, which agreements are not considered employment agreements. For a description of these agreements, please see Compensation Discussion and Analysis Executive and Change of Control Agreements. For a description of Mr. Green's Assignment Letter, please see Compensation Discussion and Analysis Foreign Assignment Agreement. The compensation amounts described in the preceding table were determined as described under Compensation Discussion and Analysis Elements of Compensation. The material terms of the awards reported in the Grants of Plan Based Awards Table below are described in the Compensation Discussion and Analysis Elements of Compensation Annual Cash Incentive Compensation and Long-Term Incentives.

**GRANTS OF PLAN BASED AWARDS**

The following table provides information about equity and non-equity awards granted to Named Executive Officers in 2013, including the following: (1) the grant date; (2) the estimated future payouts under the non-equity incentive plan, which is discussed in Compensation Discussion and Analysis Elements of Compensation Annual Cash Incentive Compensation, included herein; (3) the number of performance based awards pursuant to the Company's 2001 Equity Participation Plan; (4) the number of restricted stock and phantom stock awards pursuant to the Company's 2001 Equity Participation Plan; (5) the number of stock option awards, which consist of the number of shares underlying stock options awarded, pursuant to the Company's 2001 Equity Participation Plan; (6) the exercise price of the stock option awards, which reflects the NYSE Closing Price on the grant date; and (7) the fair value of each equity award computed in accordance with FASB ASC Topic 718 Stock Compensation as of the grant date.



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Name	Plan	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		Estimated Future Payouts Under Performance Based Stock Awards(2)		All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	All Other Exercise or Options Awards: Number of Underlying Options (#)(3)	Base Price of Stock and Options (\$/SH)	Grant Date Fair Value of Stock and Option Awards (\$)(4)
			Target (\$)	Maximum (\$)	Target	Maximum				
Cindy B. Taylor	AICP		750,000	1,500,000						
	2001 Plan	2/19/2013			13,214	26,428			80.25	1,060,424
	2001 Plan	2/19/2013					17,857		80.25	1,433,024
	2001 Plan	2/19/2013						13,202	80.25	373,749
Lloyd A. Hajdik (5)	AICP									
Bradley J. Dodson	AICP		302,250	604,500						
	2001 Plan	2/19/2013			5,000	10,000			80.25	401,250
	2001 Plan	2/19/2013					5,500		80.25	441,375
	2001 Plan	2/19/2013						4,000	80.25	113,240
Ron R. Green (6)	AICP		345,000	690,000						
	2001 Plan	2/19/2013					15,000		80.25	1,203,750
Christopher E. Cragg	AICP		245,000	490,000						
	2001 Plan	2/19/2013			4,000	8,000			80.25	321,000
	2001 Plan	2/19/2013					5,500		80.25	441,375
	2001 Plan	2/19/2013						4,000	80.25	113,240
Lias J. Steen	AICP		210,000	420,000						
	2001 Plan	2/19/2013			4,000	8,000			80.25	321,000
	2001 Plan	2/19/2013					5,500		80.25	441,375
	2001 Plan	2/19/2013						4,000	80.25	113,240

- (1) The amounts shown in the column "Target" reflect the target level of bonus payable under the Company's AICP (see discussion in "Compensation Discussion and Analysis - Elements of Compensation - Annual Cash Incentive Compensation", included herein) which is based on an executive's base salary paid during the year multiplied by the executive's bonus percentage. The base salary used in this table is the base salary in effect as of December 31, 2013; however, actual awards are calculated based on a participant's eligible AICP earnings paid in the year. The amount shown in the "Maximum" column represents 200% of the target amount. Performance results at or below the entry level percentage of performance targets established under the AICP will result in no payments being made under the AICP. The entry level percentage ranged from 75% to 85% in 2013, depending on the business unit involved. If the performance results fall between the entry level and the target level, 0 - 100% of the target level bonus will be paid out proportionately to the distance such performance results fall between the two levels. If the performance results fall between the target level and the maximum level, 100 - 200% of the target level

- bonus will be paid out proportionately to the distance such performance results fall between the two levels.
- (2) The amounts shown under Estimated Future Payouts Under Equity Plan Awards include performance based awards as described as Elements of Compensation Long-Term Incentives in this proxy statement. Target level of performance is based on the Company's stock cumulative pre-tax ROI performance for the three-year period beginning January 1, 2013 to December 31, 2015 of 9.5% and the over-achieve performance level is based on an pre-tax ROI of 13% for the same period.
  - (3) The amounts shown in All Other Stock Awards and All Other Option Awards columns reflect the number of restricted stock awards and stock options, respectively, granted in 2013 pursuant to the Company's 2001 Equity Participation Plan or in the case of Mr. Green, phantom stock awards. See Compensation Discussion and Analysis Elements of Compensation Long-Term Incentives, included herein.
  - (4) This column shows the full grant date fair value of restricted stock awards, performance based stock awards, phantom stock awards and stock options computed under FASB ASC Topic 718 Stock Compensation which were granted to the Named Executive Officers during 2013. Generally, the full grant date fair value is the amount that the Company would expense in its financial statements over the award or option vesting schedule and, for performance based awards, is based upon the probable outcome of the applicable performance conditions. Stock options granted in 2013 were valued at award date at a fair value of \$28.31 per option.
  - (5) Mr. Hajdik did not receive any plan based awards in 2013.
  - (6) Mr. Green's AICP award amounts were made in Canadian dollars and are reflected in this table in U.S. dollars using the average exchange rate for 2013 of \$0.94 U.S. dollar per Canadian dollar. Mr. Green's equity incentive plan award in 2013 consisted of 15,000 phantom share awards that are payable in cash at each vesting date based on the Company's stock price on the vesting date. Vesting will occur annually at a rate of 33 1/3 % per year on the first, second, and third anniversaries of the grant date.

#### **OUTSTANDING EQUITY AWARDS AT 2013 FISCAL YEAR END**

The following table provides information on the holdings of stock options and stock awards by the Named Executive Officers as of December 31, 2013. This table includes unexercised and unvested option awards and unvested stock awards, including restricted stock awards, performance based awards and phantom stock awards. Each equity grant is shown separately for each Named Executive Officer. The vesting schedule for each grant is shown following this table, based on the option or stock award grant date or other factors, as discussed. Accelerated vesting provisions applicable to the outstanding

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awards are described below under Potential Payments Upon Termination or Change in Control. The market value of the stock awards is based on the closing market price of the Company's common stock as of December 31, 2013, which was \$101.72. The number of performance awards shown in the table below reflect a theoretical achievement level of performance assuming December 31, 2013 was the end of the performance period. The actual performance period for the 2012 and 2013 awards will end on December 31, 2014 and December 31, 2015, respectively. For additional information about the option awards and stock awards, see the description of equity incentive compensation in Compensation Discussion and Analysis, included herein.

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Name	Option Awards				Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested (\$)	Stock Awards	Equity	Equity
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date			Awards: Number of Unearned Performance Shares, or Other Rights that Have Not Vested (#)	Plan Awards: Number of Unearned Performance Shares, or Other Rights that Have Not Vested (#)	Plan Awards: Market or Payout Value of Unearned Performance Shares, or Other Rights that Have Not Vested (\$)
Cindy B. Taylor	75,000(1)		16.65	2/19/2015					
	32,500(2)		24.52	6/19/2015					
	30,000(3)	10,000(3)	37.67	2/19/2016					
	7,500(5)	7,500(5)	75.41	2/17/2021					
	4,000(7)	12,000(7)	84.63	2/16/2022					
		13,202(12)	80.25	2/19/2023					
					5,625(4)	572,175			
					10,000(6)	1,017,200			
					10,875(8)	1,106,205			
					23,625(9)	2,403,135			
					17,857(13)	1,816,414			
							56,540(10)	5,751,204	
							21,526(14)	2,189,585	
Lloyd A. Hajdik (16)									
Bradley J. Dodson	15,000(1)		16.65	2/19/2015					
	21,700(2)		24.52	6/19/2015					
	7,500(3)	2,500(3)	37.67	2/19/2016					
	1,500(5)	1,500(5)	75.41	2/17/2021					
	1,250(7)	3,750(7)	84.63	2/16/2022					
		4,000(12)	80.25	2/19/2023					
					2,125(4)	216,155			
					3,750(6)	381,450			
					3,750(8)	381,450			
					5,500(13)	559,460			
							9,570(10)	973,460	
							8,145(14)	828,509	

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Ron R. Green	30,000(1)		16.65	2/19/2015		
	24,375(3)	8,125(3)	37.67	2/19/2016		
					5,000(6)	508,600
					6,700(11)	678,472
					15,000(15)	1,525,800
Christopher E. Cragg	22,500(1)		16.65	2/19/2015		
	7,500(3)	2,500(3)	37.67	2/19/2016		
	1,250(5)	1,250(5)	75.41	2/17/2021		
	1,125(7)	2,875(7)	84.63	2/16/2022		
		4,000(12)	80.25	2/19/2023		