CORVEL CORP
Form DEF 14A
June 22, 2018

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

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 Pursuant to Section 240.14a-11(c) or Section 240.14a-12

CORVEL CORPORATION

(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:

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Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

June 22, 2018

Dear CorVel Stockholder:

We are pleased to invite you to our 2018 Annual Meeting, which will be held at CorVel s principal executive offices at 2010 Main Street, Suite 600, Irvine, California 92614, on Thursday, August 2, 2018, at 1:00 p.m. Pacific Daylight Time. Voting on election of directors and other matters is also scheduled. The items to be voted on at the 2018 Annual Meeting are addressed in the Notice of Annual Meeting of Stockholders and Proxy Statement.

Important Notice Regarding the Availability of Proxy Materials for the Annual Stockholder Meeting to Be Held on August 2, 2018: The Notice of Annual Meeting of Stockholders, Proxy Statement and Annual Report on Form 10-K are available at https://materials.proxyvote.com/221006.

We are pleased to provide proxy materials to our stockholders over the Internet, which we believe will lower the costs of delivering such materials while also reducing the environmental impact of printing and mailing. Consequently, stockholders will not receive paper copies of our proxy materials unless they request them. We will send stockholders a notice with instructions for accessing the proxy materials and voting via the Internet. The notice also provides information on how to receive a paper copy of the Annual Meeting materials, if they so choose.

Your vote is important. Whether or not you plan to attend the 2018 Annual Meeting, please vote as soon as possible to ensure that your shares will be represented and voted at the 2018 Annual Meeting. If you later decide to attend the Annual Meeting and wish to change your vote, you may do so simply by voting in person at the meeting. If you are a beneficial owner of our stock and wish to vote at the 2018 Annual Meeting, you will need to obtain a legal proxy from your bank or broker and bring this legal proxy to the meeting. If you hold your shares in the name of a broker, bank or other nominee, your nominee may determine to vote your shares at its own discretion, absent instructions from you. However, due to voting rules that may prevent your bank or broker from voting your uninstructed shares on a discretionary basis in the election of directors and on other non-routine matters, it is important that you cast your vote. Accordingly, please provide appropriate voting instructions to your broker or bank to ensure your vote will count.

We look forward to seeing you at our 2018 Annual Meeting.

Sincerely,

V. Gordon Clemons,

Chairman of the Board

CorVel Corporation

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held August 2, 2018

To the Stockholders of CorVel Corporation:

NOTICE IS HEREBY GIVEN that the 2018 Annual Meeting of Stockholders of CorVel Corporation, a Delaware corporation, will be held at our principal executive offices, at 2010 Main Street, Suite 600, Irvine, California 92614, on Thursday, August 2, 2018, at 1:00 p.m. Pacific Daylight Time for the following purposes, as more fully described in the Proxy Statement accompanying this Notice:

1. To elect the six directors named in the attached Proxy Statement, each to serve until the 2019 annual meeting of stockholders or until his or her successor has been duly elected and qualified;
2. To approve the amendment and restatement of our Restated Omnibus Incentive Plan (Formerly The Restated 1988 Executive Stock Option Plan) to increase the number of shares of common stock available for grant thereunder over the life of such Plan by 500,000 shares, from 19,365,000 shares to 19,865,000 shares, and to effect various other changes thereunder;
3. To ratify the appointment of Haskell & White LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2019; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Our Board of Directors recommends that stockholders vote **FOR** all of the Proposals listed above. Only stockholders of record at the close of business on June 8, 2018 are entitled to notice of and to vote at the Annual Meeting and any adjournment(s) or postponement(s) thereof. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at our principal executive offices and at our Annual Meeting.

You are cordially invited to attend the Annual Meeting in person. However, to assure your representation at the Annual Meeting, you are urged to vote your shares as soon as possible. As an alternative to voting in person at the Annual Meeting, you may vote via the Internet or, if you receive a paper proxy card in the mail, you also may vote by telephone or by mailing a completed proxy card.

If you are viewing this proxy over the Internet you may vote electronically over the Internet or in person at the Annual Meeting. If you receive a printed proxy card, you may vote over the Internet, by telephone, by mail or in person at the Annual Meeting. Please be aware that if you vote by telephone or over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible.

Voting over the Internet. You can vote via the Internet. The website address for Internet voting is provided on your notice of Internet availability of proxy materials or, if you received one, on your proxy card. To vote via the Internet, you will need to use the control number appearing on your notice of Internet availability of proxy materials or, if you received one, on your proxy card. You can use the Internet to transmit your voting instructions up until 11:59 p.m. Eastern Time on August 1, 2018. Internet voting is available 24 hours a day.

Voting by Telephone. You can vote by telephone by calling the toll-free telephone number provided on your notice of Internet availability of proxy materials or, if you received one, on your proxy card. You will need to use the control number appearing on your proxy card to vote by telephone. You may transmit your voting instructions from any touch-tone telephone up until 11:59 p.m. Eastern Time on August 1, 2018. Telephone voting is available 24 hours a day.

Voting by Mail. If you receive a printed proxy card, you can vote by marking, dating and signing it, and returning it in the postage paid envelope provided. Please promptly mail your proxy card to ensure that it is received prior to the closing of the polls at the Annual Meeting.

Voting in Person at the Meeting. If you attend the Annual Meeting and plan to vote in person, we will provide you with a ballot at the Annual Meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the Annual Meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in street name. As a beneficial owner, if you wish to attend the Annual Meeting and vote at the Annual Meeting, you will need to bring to the Annual Meeting a legal proxy from your broker or other nominee authorizing you to vote those shares.

You may revoke your proxy at any time prior to the closing of the polls at the Annual Meeting. You may revoke your proxy by (i) voting again using the Internet or telephone before the cut off time (your latest Internet or telephone proxy is the one that will be counted), (ii) delivering a written revocation or by presenting another properly signed proxy with a later date to our Secretary at our principal executive offices at 2010 Main Street, Suite 600, Irvine, California 92614, or (iii) attending the Annual Meeting and voting in person at the Annual Meeting by ballot (your proxy will be revoked automatically and only your vote at the Annual Meeting will be counted). If you hold your shares in the name of a broker, bank or other nominee, please provide appropriate voting instructions to that nominee. Absent such instructions, your nominee may determine to vote your shares at its own discretion. However, due to voting rules that may prevent your bank or broker from voting your uninstructed shares on a discretionary basis in the election of directors and on other non-routine matters, it is important that you cast your vote. Accordingly, please provide appropriate voting instructions to your broker or bank to ensure your vote will count. If you wish to attend the Annual Meeting and vote shares held for you by a nominee, please be sure to obtain a legal proxy from that nominee allowing you to cast your vote in person.

The holders of a majority of the outstanding shares of our Common Stock entitled to vote must be present in person or represented by proxy at the Annual Meeting in order to constitute a quorum for the transaction of business. Please vote as soon as possible in order to ensure that a quorum is obtained and to avoid the additional cost to us of adjourning the Annual Meeting until a later time and re-soliciting proxies.

Important Notice Regarding the Availability of Proxy Materials for the Annual Stockholder Meeting to Be Held on August 2, 2018: The Notice of Annual Meeting of Stockholders, Proxy Statement and Annual Report on Form 10-K are available at https://materials.proxyvote.com/221006.

YOUR VOTE IS IMPORTANT. PLEASE READ THE ATTACHED PROXY STATEMENT CAREFULLY.

By order of the Board of Directors,

RICHARD J. SCHWEPPE

Secretary

Irvine, California

June 22, 2018

CorVel Corporation

PROXY STATEMENT

Proxies are being solicited on behalf of our Board of Directors, or the Board, for use at the 2018 Annual Meeting of Stockholders, which will be held at our principal executive offices located at 2010 Main Street, Suite 600, Irvine, California 92614, on Thursday, August 2, 2018, at 1:00 p.m. Pacific Daylight Time, and at any adjournment(s) or postponement(s) thereof. Stockholders of record at the close of business on June 8, 2018 are entitled to notice of and to vote at the Annual Meeting and any adjournment(s) or postponement(s) of that meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at our principal executive offices and at the Annual Meeting.

On June 8, 2018, the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting, there were 18,939,013 shares of our Common Stock outstanding and approximately 1,014 holders of record according to information provided by our transfer agent. No shares of our preferred stock were outstanding as of June 8, 2018. Each stockholder is entitled to one vote on all matters brought before the Annual Meeting for each share of our Common Stock held by such stockholder on the record date. Stockholders may not cumulate votes in the election of directors.

The presence at the Annual Meeting, either in person or by proxy, of holders of a majority of the outstanding shares of our Common Stock entitled to vote will constitute a quorum for the transaction of business. In the election of directors under Proposal One, the six nominees receiving the highest number of affirmative votes shall be elected. Proposal Two will be approved if a majority of the total votes cast on the proposal in person or by proxy are voted in favor of such approval. The affirmative vote of the holders of our Common Stock representing a majority of the voting power present or represented by proxy at the Annual Meeting and entitled to vote is being sought for approval of Proposal Three.

All votes will be tabulated by our inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients (who are the beneficial owners of the shares), brokers have the discretion to vote such shares on routine matters (such as the ratification of the appointment of our independent registered public accounting firm (Proposal Three)), but not on non-routine matters (such as the election of directors (Proposal One)) without specific instructions from their clients. Thus, because the proposals to be acted upon at the meeting consist of both routine and non-routine matters, the broker may turn in a proxy card for uninstructed shares that vote FOR the routine matter, but expressly states that the broker is NOT voting on the non-routine matters. The vote with respect to any non-routine matter is referred to as a broker non-vote. A broker non-vote may also occur with respect to routine matters if the broker expressly instructs on the proxy card that it is not voting on a certain matter. Abstentions and broker non-votes are counted as present for purposes of determining whether a quorum exists for the transaction of business at the Annual Meeting, but broker non-votes will not be counted for purposes of determining the number of votes cast with respect to the particular proposal on which the broker has expressly not voted. With regard to Proposal One, broker non-votes and votes marked withheld will not be counted towards the tabulations of votes cast on such proposal presented to the stockholders, will not have the effect of negative votes, and will not affect the outcome of the election of directors. With regard to Proposal Two, abstentions and broker non-votes will not be counted for purposes of determining whether the proposals have been approved, and will not have the same effect as negative votes. With regard to Proposal Three, brokers have the discretion to vote shares on routine matters such as ratification of the appointment of the independent registered public accounting firm and, therefore, broker non-votes are not expected for Proposal Three; however, if there are broker non-votes for Proposal Three, they will not be counted for purposes of determining whether such proposal has been approved and will not have the effect of negative votes. Abstentions will be counted as present and entitled to vote for purposes of Proposal Three and, therefore, will have the same effect as a vote against Proposal Three.

If your shares are held by a bank or broker in street name, it is important that you cast your vote if you want it to count in the election of directors and any other non-routine matters proposed in this Proxy Statement. Voting rules may prevent your bank or broker from voting your uninstructed shares on a discretionary basis in the election of directors and any other non-routine matters. Accordingly, if your shares are held by a bank or broker in street name and you do not instruct your bank or broker how to vote in the election of directors and any other non-routine matters proposed in this Proxy Statement, no votes will be cast on your behalf. Your bank or broker will, however, continue to have discretion to vote any uninstructed shares on routine matters, such as the ratification of the appointment of our independent registered public accounting firm and other matters determined by the NYSE to be routine.

If a proxy is properly signed and returned, the shares represented thereby will be voted at the Annual Meeting in accordance with the instructions specified thereon. If the proxy does not specify how the shares represented thereby are to be voted, the proxy will be voted **FOR** the election of the directors in Proposal One unless the authority to vote for the election of such directors is withheld and, if no contrary instructions are given, the proxy will be voted as recommended by the Board with respect to Proposals Two and Three described in the accompanying Notice and this Proxy Statement. In their discretion, the proxies named on the proxy will be authorized to vote upon any other matter that may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof. A proxy may be revoked or changed at or prior to the Annual Meeting by (i) voting again using the Internet or telephone, (ii) delivery of a written revocation or by presentation of another properly signed proxy with a later date to our Secretary at our principal executive offices at 2010 Main Street, Suite 600, Irvine, California 92614, or (iii) by attendance at the Annual Meeting and voting in person by ballot. Your attendance at the Annual Meeting will not automatically revoke your proxy unless you affirmatively indicate at the Annual Meeting your intention to vote your shares in person. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote in person at the Annual Meeting, you must obtain from the record holder a legal proxy issued in your name.

Important Notice Regarding the Availability of Proxy Materials for the Annual Stockholder Meeting to Be Held on August 2, 2018: The Notice of Annual Meeting of Stockholders, Proxy Statement and Annual Report on Form 10-K are available at https://materials.proxyvote.com/221006.

Notice regarding the Internet availability of these proxy materials was first sent or given on or about June 22, 2018, to stockholders of record on the record date.

While our proxy solicitation materials are available on the Internet, we will provide, without charge, copies of our annual report on Form 10-K to each stockholder of record as of the Record Date that requests a copy in writing. Any exhibits listed in the annual report on Form 10-K report also will be furnished upon request at the actual expense we incur in furnishing such exhibit. Any such requests should be directed to our Secretary at our executive offices set forth above.

INTERNET AVAILABILITY OF PROXY MATERIALS

In accordance with the rules of the Securities and Exchange Commission (SEC), we are using the Internet as our primary means of furnishing proxy materials to stockholders. Consequently, stockholders will not receive paper copies of our proxy materials unless they request them. We will send stockholders a Notice of Internet Availability of Proxy Materials with instructions for accessing the proxy materials, including our Proxy Statement and Annual Report, and voting via the Internet. The Notice of Internet Availability of Proxy Materials also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. This makes the proxy distribution process more efficient and less costly, and helps conserve natural resources. If you previously elected to receive our proxy materials electronically, these materials will continue to be sent via email unless you change your election.

Our principal executive offices are located at 2010 Main Street, Suite 600, Irvine, California 92614. Our telephone number is (949) 851-1473.

MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

PROPOSAL ONE

ELECTION OF DIRECTORS

Six individuals have been nominated to serve as our directors. Our stockholders are being asked to elect these nominees to the Board at the Annual Meeting. Our Nomination and Governance Committee selected and recommended, and the Board, including its independent directors, approved the nomination of each of the six individuals listed below for election to serve for a one-year term ending on the date of our next annual meeting of stockholders or until his or her successor has been duly elected and qualified. The term may be shorter if such individual resigns, becomes disqualified or disabled, or is otherwise removed. If these nominees are elected, the Board will consist of six persons and there will be one vacancy on the Board. The Board may fill such vacancy at any time during the year.

Unless otherwise instructed or unless the proxy is marked withheld, the proxy holders will vote the proxies received by them FOR the election of each of the nominees named below. Each such nominee is currently serving as a director and has indicated his or her willingness to continue to serve as a director if elected. In the event that any such nominee becomes unable or declines to serve at the time of the Annual Meeting, the proxy holders may exercise discretionary authority to vote for a substitute person selected and recommended by our Nomination and Governance Committee and approved by the Board.

Director Nominees for Term Ending Upon the 2019 Annual Meeting of Stockholders

The names and certain information, as of March 31, 2018, about the nominees for director are set forth below:

Name	Age	Position
V. Gordon Clemons	74	Chairman of the Board
Steven J. Hamerslag (1) (3)	61	Director
Alan R. Hoops (1) (2)	70	Director
R. Judd Jessup (1)	70	Director
Jean H. Macino (2)	75	Director
Jeffrey J. Michael (2) (3)	61	Director

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Nomination and Governance Committee

Mr. Clemons has served as our Chairman of the Board since April 1991. He currently serves as our Chief Executive Officer and Chief Operating Officer. He served as our Chief Executive Officer from January 1988 until August 2007 and as our President from January 1988 until May 2006. He was reappointed as our Chief Executive Officer, President and Chief Operating Officer in April 2012 and served in the role of President until April 2017. Mr. Clemons was President of Caremark, Inc., a home intravenous therapy company, from May 1985 to September 1987, at which time Caremark was purchased by Baxter International, Inc. From 1981 to 1985, Mr. Clemons was President of INTRACORP, a medical management company and subsidiary of CIGNA Corporation. Mr. Clemons has 41 years of experience in the healthcare and insurance industries. The Board believes Mr. Clemons is qualified to serve as Chairman of the Board given his extensive technology, industry, management and operational experience and his substantial understanding of the Company and its operations resulting from his various positions of leadership, including his position as Chief Executive Officer and Chief Operating Officer currently, his position as Chief Executive Officer, President, and Chief Operating Officer from 2012 until April 2017 and from 1988 until 2007 and his position as President from 1988 until 2006.

Mr. Hamerslag has served as one of our directors since May 1991. Mr. Hamerslag has been Managing Partner of TVC Capital, a venture capital firm, since April 2006, and Managing Director of Titan Investment Partners, also a venture capital firm, since November 2002. Mr. Hamerslag served as the President and Chief Executive Officer of J2Global Communications, a publicly held unified communication services company, from June 1999 until January 2001. Mr. Hamerslag served as the CEO of MTI Technology Corporation, a publicly held manufacturer of enterprise storage solutions, from 1987 to 1996. The Board believes Mr. Hamerslag s valuable business, leadership and executive management experience, particularly in the technology industry, qualifies him to serve as a director.

Mr. Hoops has served as one of our directors since May 2003. Mr. Hoops has been Executive Chairman of Health Essentials, a physician medical group specializing in hospice care, pharmacy and durable medical equipment services for medically complex and frail-elderly patients, since 2012. Mr. Hoops was Chairman of the Board and Chief Executive Officer of CareMore California Health Plan, a health maintenance organization, from March 2006 to March 2012. Mr. Hoops was Chairman of Benu, Inc., a regional benefits administration/marketing company, from 2000 to March 2006, and Chairman of Enwisen, Inc., a human resources services software company, from 2001 to March 2006. Mr. Hoops was Chief Executive Officer and a Director of Pacificare Health Systems, Inc., a national health consumer services company, from 1993 to 2000. Mr. Hoops has 44 years of experience in the healthcare and managed care industries. The Board believes Mr. Hoops experience as the Chief Executive Officer and Director of Pacificare Health Systems, Inc., combined with his strong operational and strategic background and extensive public company experience, qualifies him to serve as a director.

Mr. Jessup has served as one of our directors since August 1997. Mr. Jessup was Chief Executive Officer of CombiMatrix Corporation, a molecular diagnostics laboratory, from August 2010 to March 2013. Mr. Jessup was Chief Executive Officer of U.S. LABS, a national laboratory which provides cancer diagnostic and genetic testing services, from 2002 to 2005. Mr. Jessup was President of the HMO Division of FHP International Corporation, a diversified health care services company, from 1994 to 1996. From 1987 to 1994, Mr. Jessup was President of TakeCare, Inc., a publicly held HMO operating in California, Colorado, Illinois and Ohio, until it was acquired by FHP. Mr. Jessup has 42 years of experience in the healthcare and managed care industries. Mr. Jessup was a director of CombiMatrix Corporation from August 2010 to November 2017, a director of Xifin, Inc., a laboratory billing systems company, from January 2006 to August 2013, a director of Superior Vision Services, a national managed vision care plan, from December 2007 to April 2012, and a director of Accentcare from October 2005 to February 2008. The Board believes Mr. Jessup is qualified to serve as a director because he has significant executive experience with the strategic, financial, and operational requirements of large health care services organizations, including serving as an Audit Committee chair, and brings to the Board senior leadership, health industry, and financial experience.

Ms. Macino has served as one of our directors since February 2008. Ms. Macino was Managing Director of Marsh and McLennan Companies, an insurance broker and strategic risk advisor, from 1980 to 1995, and Office Head of the Newport Beach office of Marsh, Inc. from 1995 to 2005. Ms. Macino has served on the Board of Governors of Chapman University for the past ten years and currently serves as Chairman of the Governorship Committee of Chapman University. Ms. Macino has 41 years of experience in the insurance brokerage industry. The Board believes Ms. Macino s executive leadership experience, strong sales and marketing expertise in the insurance brokerage industry qualifies her to serve as a director.

Mr. Michael has served as one of our directors since September 1990. Mr. Michael has been President, Chief Executive Officer and a Director of Corstar Holdings, Inc., one of our significant stockholders and a holding company owning equity interests in CorVel since March 1996. The Board believes Mr. Michael s experience as the President, Chief Executive Officer and Director of Corstar Holdings, Inc., combined with his strong operational and strategic background and extensive public company experience, qualifies him to serve as a director.

There are no family relationships among any of our directors, nominees or executive officers.

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Corporate Governance, Board Composition and Board Committees

Independent Directors

The Board has determined that each of our current directors other than Mr. Clemons qualifies as an independent director in accordance with the published listing requirements of The Nasdaq Stock Market LLC. The Nasdaq independence definition includes a series of objective tests, such as that the director is not also one of our employees and has not engaged in various types of business dealings with us. In addition, as further required by the Nasdaq rules, the Board has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, our directors reviewed and discussed information provided by us and our directors with regard to each director s business and personal activities as they may relate to us and our management.

Board Leadership Structure, Risk Oversight and Diversity

The Board does not have a policy regarding the separation of the roles of the Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interest of the Company to make that determination based on the position and direction of the Company and the membership of the Board from time to time. The Board has determined that having the Company s current Chief Executive Officer serve as the Chairman is currently in the best interest of the Company as this structure provides leadership continuity, makes the best use of the Chairman s extensive knowledge of the Company and its industry, and fosters greater communication between the Company s management and the Board, while facilitating robust director, Board, and CEO evaluation processes.

In determining that we are best served by having Mr. Clemons serve as Chairman of the Board, the Board considered the benefits of having the current Chief Executive Officer serve as a bridge between management and the Board, ensuring that both groups act with a common purpose. The Board also considered Mr. Clemons knowledge regarding our operations and the industries and markets in which we compete and Mr. Clemons ability to promote communication, to synchronize activities between the Board and our senior management and to provide consistent leadership to both the Board and our company in coordinating the strategic objectives of both groups.

The Company does, however, have a policy that if the Chairman of the Board of the Company does not qualify as an independent director, the independent directors of the Board will select one of the independent directors to be the Lead Independent Director. Since the Chairman of the Board/CEO is currently involved in the day-to-day operations of the Company, the Board of Directors has designated Mr. Jessup as the Lead Independent Director. The Lead Independent Director has the following duties and responsibilities: (a) acting as Chair of the meetings of the independent directors; (b) working with the Chairman of the Board/CEO and Corporate Secretary to ensure the Board has adequate resources, especially by way of full, timely and relevant information to support its decision-making requirements; (c) serving as a conduit of information between the independent directors and the Chairman of the Board/CEO and other members of management; (d) reviewing annually the purpose of the Committees of the Board and through the Nomination and Governance Committee, recommending to the Board any changes deemed necessary or desirable to the purpose of the Committees and whether any Committees should be created or discontinued; (e) being available as a resource to consult with other Board members on corporate governance practices and policies; and (f) such other responsibilities and duties as the Board shall designate. The Board believes that this current leadership structure, in which the office of Chairman is held by one individual and an independent director acts as Lead Independent Director, provides for dynamic Board leadership and enhances the Company s ability to execute its business and strategic plans, while maintaining strong independence for Board decisions and oversight.

The board oversees an enterprise-wide approach to risk management that is designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and

enhance stockholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us. In setting our business strategy, the Board assesses the various risks being mitigated by management and determines what constitutes an appropriate level of risk for us.

While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls. Risks related to our compensation programs are reviewed by the compensation committee and legal and regulatory compliance risks are reviewed by the Nomination and Governance Committee. The Board is advised by the committees of significant risks and management s response through periodic updates.

We believe that our compensation policies and practices do not create inappropriate or unintended significant risk to the Company as a whole. We also believe that our incentive compensation arrangements provide incentives that do not encourage risk-taking beyond the organization s ability to effectively identify and manage significant risks; are compatible with effective internal controls and the risk management practices of CorVel; and are supported by the oversight and administration of the compensation committee with regard to executive compensation programs.

We believe that the Board as a whole should encompass a range of talent, skill, diversity and expertise enabling it to provide sound guidance with respect to our operations and interests. In addition to considering a candidate s background and accomplishments, our nomination and governance committee reviews candidates in the context of the current composition of the Board and the evolving needs of our business. The Board has adopted a formal policy with regard to the consideration of diversity in identifying director nominees and as a result, the nomination and governance committee strives to nominate directors with a variety of complementary skills and backgrounds so that as a group, the Board will possess the appropriate talent, skills, insight and expertise to oversee our business. The Board assesses its overall effectiveness through an annual evaluation process. This evaluation includes, among other things, an assessment of the overall composition of the Board, including the diversity of its members.

Board Structure and Committees

The Board has established an audit committee, a compensation committee and a nomination and governance committee. The Board and its committees set schedules to meet throughout the year, and can also hold special meetings and act by written consent from time to time as appropriate. The independent directors of the Board also hold separate regularly scheduled executive session meetings at least twice a year at which only independent directors are present. The Board has delegated various responsibilities and authority to its committees as generally described below. The committees regularly report on their activities and actions to the full Board. Each member of each committee of the Board qualifies as an independent director in accordance with the Nasdaq standards described above. Each committee of the Board has a written charter approved by the Board. A copy of each charter is posted on our website at http://www.corvel.com under the Investor Relations section. The inclusion of any website address in this Proxy Statement does not include or incorporate by reference the information on that website into this Proxy Statement or our Annual Report on Form 10-K.

Audit Committee

The audit committee of the Board reviews and monitors our corporate financial statements and reporting and our internal and external audits, including, among other things, our internal controls and audit functions, the results and scope of the annual audit and other services provided by our independent registered public accounting firm and our compliance with legal matters that have a significant impact on our financial statements. Our audit committee also consults with our management and our independent registered public accounting firm prior to the presentation of financial statements to stockholders and, as appropriate, initiates inquiries into aspects of our financial affairs.

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Our audit committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by our employees of concerns regarding accounting or auditing matters. In addition, our audit committee is directly responsible for the appointment, retention, compensation and oversight of the work of our independent registered public accounting firm, including approving services and fee arrangements. In accordance with the audit committee s charter and policies regarding transactions with related persons, all related person transactions are approved or ratified by our audit committee. Please see the information set forth under the heading Policies and Procedures for Related Person Transactions in this Proxy Statement for additional details about our policies regarding related person transactions. The current members of our audit committee are Messrs. Hamerslag, Hoops and Jessup. The audit committee held four meetings by telephonic conference calls during fiscal year 2018.

In addition to qualifying as independent under the Nasdaq rules described above, each member of our audit committee can read and understand fundamental financial statements, and each member currently qualifies as independent under special standards established by the SEC for members of audit committees. Our audit committee includes at least one member who has been determined by the Board to meet the qualifications of an audit committee financial expert in accordance with SEC rules. Mr. Hamerslag is the independent director who has been determined to be an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended. Stockholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Hamerslag s experience and understanding with respect to certain accounting and auditing matters. In this regard, please refer to the biography of Mr. Hamerslag appearing above. The designation does not impose on Mr. Hamerslag any duties, obligations or liability that are greater than are generally imposed on him as a member of our audit committee and the Board, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of our audit committee or Board.

Compensation Committee

The compensation committee of the Board reviews and approves our general compensation policies and all forms of compensation to be provided to our executive officers and directors, including, among other things, annual salaries, bonuses, and stock option and other incentive compensation arrangements. In addition, our compensation committee administers the CorVel Corporation 1991 Employee Stock Purchase Plan and the CorVel Corporation Restated Omnibus Incentive Plan (Formerly The Restated 1988 Executive Stock Option Plan), including reviewing and granting stock options. Our compensation committee also reviews and approves various other issues related to our compensation policies and matters. The compensation committee may form, and delegate any of its responsibilities to, a subcommittee so long as such subcommittee consists solely of at least two independent members of the compensation committee. The current members of our compensation committee are Messrs. Hoops and Michael and Ms. Macino. The compensation committee held one meeting and acted by unanimous written consent seven times during fiscal year 2018.

Risk Assessment in Compensation Programs. We have assessed our compensation programs and have concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. Our management assessed the Company s executive and broad-based compensation and benefits programs to determine if the programs provisions and operations create undesired or unintentional risk of a material nature. This risk assessment process included a review of program policies and practices; program analysis to identify risk and risk control related to the programs; and determinations as to the sufficiency of risk identification, the balance of potential risk to potential reward, risk control, and the support of the programs and their risks to Company strategy. Although we reviewed all compensation programs, we focused on the programs with variability of payout, with the ability of a participant to directly affect payout and the controls on participant action and payout. Our egalitarian culture supports the use of base salary, performance-based compensation, and retirement plans that are generally uniform in design and operation throughout the Company and with all levels of employees. In most cases, the compensation policies and practices are centrally

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designed and administered, and are substantially identical at each business unit. Field sales personnel are paid a base salary and a sales commission, but all of our executive officers are paid under the programs and plans for non-sales employees. Certain internal groups have different or supplemental compensation programs tailored to their specific operations and goals.

Based on the foregoing, we believe that our compensation policies and practices do not create inappropriate or unintended significant risk to the Company as a whole. We also believe that our incentive compensation arrangements provide incentives that do not encourage risk-taking beyond the organization s ability to effectively identify and manage significant risks; are compatible with effective internal controls and the risk management practices of CorVel; and are supported by the oversight and administration of the compensation committee with regard to executive compensation programs.

Nomination and Governance Committee

The nomination and governance committee of the Board reviews and reports to the Board on a periodic basis with regard to matters of corporate governance, and reviews, assesses and makes recommendations on the effectiveness of our corporate governance policies. In addition, the nomination and governance committee reviews and makes recommendations to the Board regarding the size and composition of the Board and the appropriate qualities and skills required of our directors in the context of the then current make-up of the Board. This includes an assessment of each candidate s independence, personal and professional integrity, diversity, financial literacy or other professional or business experience relevant to an understanding of our business, ability to think and act independently and with sound judgment, and ability to serve us and our stockholders long-term interests. These factors, and others as considered useful by our nomination and governance committee, are reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time. As a result, the priorities and emphasis of the nomination and governance committee and of the Board may change from time to time to take into account changes in business and other trends, and the portfolio of skills and experience of current and prospective directors. The nomination and governance committee has a formal policy with respect to diversity in identifying director nominees and, as indicated above, diversity is one factor in the total mix of information the Board considers when evaluating director candidates.

The nomination and governance committee leads the search for and selects, or recommends that the Board select, candidates for election to the Board (subject to legal rights, if any, of third parties to nominate or appoint directors). Consideration of new director candidates typically involves a series of committee discussions, review of information concerning candidates and interviews with selected candidates. Candidates for nomination to the Board typically have been suggested by other members of the Board or by our executive officers. From time to time, the nomination and governance committee may engage the services of a third-party search firm to identify director candidates. Each of the current nominees is standing for re-election at the Annual Meeting. The nomination and governance committee selected these candidates and recommended their nomination to the Board. The nomination and governance committee has not received any nominations from any stockholders in connection with this Annual Meeting. The current members of our nomination and governance committee are Messrs. Hamerslag and Michael. The nomination and governance committee held one meeting during fiscal year 2018.

Although the nomination and governance committee does not have a formal policy on stockholder nominations, it will consider candidates proposed by stockholders of any outstanding class of our capital stock entitled to vote for the election of directors, provided such proposal is in accordance with the procedures set forth in Article II, Section 12 of our Bylaws and in the charter of the nomination and governance committee. Nominations by eligible stockholders must be preceded by notification in writing addressed to the Chairman of the nomination and governance committee, care of our Secretary, at 2010 Main Street, Suite 600, Irvine, California 92614, not later than (i) with respect to an election to be held at an annual meeting of stockholders, ninety (90) days prior to the anniversary date of the immediately preceding annual meeting, or (ii) with respect to the election to be held at a special meeting of stockholders for the election of directors, the close of business on the tenth day following the

date on which notice of such meeting is first given to stockholders. Our Bylaws and the charter of the nomination and governance committee require that such notification shall contain the written consent of each proposed nominee to serve as a director if so elected and the following information as to each proposed nominee and as to each person, acting alone or in conjunction with one or more other persons as a partnership, limited partnership, syndicate or other group, who participates or is expected to participate in making such nomination or in organizing, directing or financing such nomination or solicitation of proxies to vote for the nominee: (a) the name and address of the nominee; (b) the name and address of the stockholder making the nomination; (c) a representation that the nominating stockholder is a stockholder of record of our stock entitled to vote at the next annual meeting and intends to appear in person or by proxy at such meeting to nominate the person specified in the notice; (d) the nominee s qualifications for membership on the Board of Directors; (e) all of the information that would be required in a proxy statement soliciting proxies for the election of the nominee as a director pursuant to the rules and regulations of the United States Securities and Exchange Commission; (f) a description of all direct or indirect arrangements or understandings between the nominating stockholder and the nominee and any other person or persons (naming such person or persons) pursuant to whose request the nomination is being made by the stockholder; (g) all other companies to which the nominee is being recommended as a nominee for director; and (h) a signed consent of the nominee to cooperate with reasonable background checks and personal interviews, and to serve as one of our directors, if elected.

All such recommendations will be brought to the attention of our nomination and governance committee. Candidates proposed by stockholders will be evaluated by our nomination and governance committee using the same criteria as for all other candidates.

Board and Committee Meetings

The Board held four meetings in person and acted by unanimous written consent one time during fiscal year 2018. Each director attended or participated in 75% or more of the aggregate of (i) the total number of meetings of the Board and (ii) the total number of meetings held by all committees of the Board on which such director served during fiscal year 2018. Although we do not have a formal policy regarding attendance by members of the Board at our annual meetings of stockholders, directors are encouraged and expected to attend each of our annual meetings of stockholders in addition to each meeting of the Board and of the committees on which he or she serves, except where the failure to attend is due to unavoidable circumstances or schedule conflicts. All of our directors attended our 2017 annual meeting of stockholders.

Code of Ethics and Business Conduct

The Board has adopted a code of ethics and business conduct that applies to all of our employees, officers and directors. The full text of our code of ethics and business conduct is posted on our web site at http://www.corvel.com under the Investor Relations section. We intend to disclose future amendments to certain provisions of our code of ethics and business conduct, or waivers of such provisions, applicable to our directors and executive officers, at the same location on our web site identified above. The inclusion of any web site address in this Proxy Statement does not include or incorporate by reference the information on that web site into this Proxy Statement or our Annual Report on Form 10-K.

Communications from Stockholders to the Board

The Board has implemented a process by which stockholders may send written communications to the attention of the Board, any committee of the Board or any individual Board member, care of our Secretary at 2010 Main Street, Suite 600, Irvine, CA 92614. This centralized process assists the Board in reviewing and responding to stockholder communications in an appropriate manner. The name of any specific intended Board recipient should be noted in the communication. Our Secretary, with the assistance of our Vice President of Legal Services, is primarily responsible for collecting, organizing and monitoring communications from stockholders and, where appropriate depending on the facts and circumstances outlined in the communication, providing copies of such communications to the intended recipients. Communications will be forwarded to directors if they relate to appropriate and important substantive corporate or board matters. Communications that are of a commercial or frivolous nature or otherwise inappropriate for the Board s consideration will not be forwarded to the Board. Any communications not forwarded to the Board will be retained for a period of three months and made available to any of our independent directors upon their general request to view such communications. There were no changes in this process in fiscal year 2018.

Stockholder Approval

Directors are elected by a plurality of the votes present or represented by proxy at the Annual Meeting and entitled to vote. The six nominees receiving the highest number of affirmative votes cast at the Annual Meeting will be our elected directors.

The Board recommends a vote FOR each of the nominees named above.

PROPOSAL TWO

APPROVAL OF THE AMENDMENT AND RESTATEMENT OF

THE CORVEL CORPORATION RESTATED OMNIBUS INCENTIVE PLAN

(FORMERLY THE RESTATED 1988 EXECUTIVE STOCK OPTION PLAN) TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK AVAILABLE FOR GRANT THEREUNDER OVER THE LIFE OF SUCH PLAN BY 500,000 SHARES, FROM 19,365,000 SHARES TO 19,865,000 SHARES, AND TO EFFECT VARIOUS OTHER CHANGES THEREUNDER

Overview

We are seeking stockholder approval to amend and restate our Restated Omnibus Incentive Plan (Formerly The Restated 1988 Executive Stock Option Plan) to increase the number of shares of common stock available for grant thereunder over the life of such Omnibus Plan by 500,000 shares, from 19,365,000 shares to 19,865,000 shares, and to effect various other changes thereunder (as proposed to be amended, the Omnibus Plan). On May 3, 2018, subject to stockholder approval, our Board approved the amendment and restatement of the Omnibus Plan to increase the number of shares of common stock available for grant thereunder over the life of such Omnibus Plan by 500,000 shares, from 19,365,000 shares to 19,865,000 shares, and to effect various other changes thereunder, and is seeking stockholder approval of the same. We believe that this amendment is necessary in order to attract and retain talented employees and management.

A copy of the Omnibus Plan is attached to this proxy statement as Appendix A and is incorporated herein by reference. The following summary of the material terms of the Omnibus Plan does not purport to be a complete description of the Omnibus Plan and is qualified in its entirety by reference to the complete copy of the Omnibus Plan in Appendix A.

Structure of the Omnibus Plan

Currently, the Omnibus Plan is divided into two separate components: the Discretionary Option Grant Program and the Other Equity Based Awards Program. Under the Discretionary Option Grant Program and the Other Equity Based Awards Program, options and other equity-based awards may be issued to employees, officers, directors, consultants and advisors of the Company (or its parent or subsidiary companies).

The Discretionary Option Grant Program and the Other Equity Based Awards Program are administered by the Compensation Committee of the Board (the Committee). The Committee has complete discretion (subject to the provisions of the Omnibus Plan) to authorize option grants and other equity-based awards and to determine the terms of these options and other equity-based awards under these two components of the Omnibus Plan. However, the Board may at any time appoint a secondary committee of two or more Board members to have separate but concurrent authority with the Committee to make option grants and other equity-based awards to individuals other than executive officers and non-employee Board members, and only in a manner that would comply with the requirements of Section 162(m) of the Code. The committee administering the Omnibus Plan will have full power and authority to determine when and to whom awards will be granted, and the type, amount, form of payment and other terms and conditions of each award, consistent with the provisions of the Omnibus Plan. Subject to the provisions of the Omnibus Plan, the committee administering the Omnibus Plan may change the terms and conditions, or accelerate the exercisability, of an outstanding award. The committee administering the Omnibus Plan has authority to interpret the Omnibus Plan, and establish rules and regulations for the administration of the Omnibus Plan. In addition, the Board at any time may exercise the powers of the committee administering the Omnibus Plan.

Purpose of the Omnibus Plan

The Omnibus Plan is designed to serve as a comprehensive equity incentive program to attract and retain the services of individuals essential to the Company s long-term growth and success, and to encourage such individuals to put forth maximum efforts for the success of the Company s business. Accordingly, the Company s officers and other employees, non-employee directors and other consultants and advisors will have the opportunity to acquire a meaningful equity interest, or otherwise increase their equity interest, in the Company through their participation in the Omnibus Plan, thereby aligning the interests of such individuals with the Company s stockholders.

Shares Subject to the Omnibus Plan

The total number of shares of Common Stock issuable under all equity-based awards over the term of the Omnibus Plan may not exceed 19,865,000 shares. All such shares will be made available either from authorized but unissued Common Stock or from Common Stock reacquired by the Company.

Shares subject to any outstanding options or other equity-based awards under the Omnibus Plan which expire or otherwise terminate prior to exercise will be available for subsequent issuance. Unvested shares issued under the Omnibus Plan that the Company subsequently purchases, at the option exercise or direct issue price paid per share, pursuant to the Company s purchase rights under the Omnibus Plan will be added back to the number of shares reserved for issuance under the Omnibus Plan and will accordingly be available for subsequent issuance. However, any shares subject to tandem stock appreciation rights that were exercised under the Omnibus Plan will not be available for reissuance.

In the event any change is made to the outstanding shares of Common Stock by reason of any recapitalization, stock dividend, stock split, combination of shares, exchange of shares or other change in corporate structure effected without the Company s receipt of consideration, appropriate adjustments will be made to the class and number of securities issuable (in the aggregate and to each participant) under the Omnibus Plan and to each outstanding option and other equity-based award.

Eligibility

Officers, employees, consultants, advisors, and Board members (including Committee members if this Proposal is approved by stockholders) in the service of the Company or any parent or subsidiary corporation shall be eligible to participate in the Discretionary Option Grant Program and the Other Equity Based Awards Program. Awards under the Omnibus Plan may only be transferred by will or by the laws of descent and distribution, except that options under the Omnibus Plan may also be transferred without consideration to a family member pursuant to the General Instructions to form S-8 under the Securities Act of 1933.

As of May 31, 2018, approximately 3,828 employees, 4 consultants, 7 executive officers and 5 non-employee Board members are eligible to participate in the Discretionary Option Grant Program and the Other Equity Based Awards Program.

Valuation

For purposes of establishing the option exercise price or the price for other equity-based awards, and for all other valuation purposes under the Omnibus Plan, the fair market value per share of Common Stock on any relevant date under the Omnibus Plan is the closing selling price per share on such date, as quoted on the Nasdaq Stock Market and published in The Wall Street Journal. If there is no reported closing selling price for such date, then the closing selling price for the last previous date for which such quotation exists is used as its fair market value. The closing selling price per share of the Common Stock on the Nasdaq Stock Market on March 31, 2018 was $50.55 per share.

Discretionary Option Grant Program

The Committee has complete discretion under the Discretionary Option Grant Program to determine which eligible individuals are to receive option grants, the time or times when those grants are to be made, the number of shares subject to each such grant, the vesting schedule (if any) to be in effect for the option grant and the maximum term for which any granted option is to remain outstanding. Unless otherwise provided in a particular award agreement, the options granted under the Discretionary Option Grant Program generally will have the following terms and conditions:

Price and Exercisability. The exercise price per share for options issued under the Discretionary Option Grant Program may not be less than the fair market value of the Common Stock on the grant date (except in connection with a merger, acquisition or other similar consolidation), and no option may be outstanding for more than ten years. The shares subject to each option will generally vest in one or more installments over a specified period of service measured from the grant date. The Committee determines the methods in which the exercise price of options awarded under the Omnibus Plan may be paid, which may include cash, shares, other awards or other property (including, to the extent permitted by law, loans to participants), net exercise or a cashless exercise procedure.

Upon cessation of service, the optionee will have a limited period of time in which to exercise any outstanding option for the number of shares which were vested at the time service terminated. The Committee will have complete discretion to extend the period following the optionee s cessation of service during which his or her outstanding options may be exercised and/or accelerate the exercisability or vesting of such options in whole or in part. Such discretion may be exercised at any time while the options remain outstanding, whether before or after the optionee s cessation of service.

Acceleration of Options. In the event of an acquisition of the Company by merger or asset sale (Corporate Transaction), each option outstanding under the Discretionary Option Grant Program at the time will automatically become exercisable as to all of the option shares immediately prior to the effective date of the Corporate Transaction. However, no acceleration will occur if and to the extent: (i) such option is either to be assumed by the successor corporation or its parent or replaced by a comparable option to purchase shares of the capital stock of the successor corporation or its parent, (ii) such option is to be replaced with a cash incentive program of the successor corporation designed to preserve the difference between the exercise price and the fair market value of the Common Stock at the time of the Corporate Transaction and incorporating the same vesting schedule applicable to the option or (iii) acceleration of such option is subject to other limitations imposed by the Committee at the time of grant. Upon the consummation of any Corporate Transaction, all outstanding options will, to the extent not previously exercised by the optionees or assumed by the successor corporation (or its parent company), terminate and cease to be outstanding.

The Committee will have the discretion to provide for the automatic acceleration of one or more assumed or replaced options which are not otherwise accelerated in connection with the Corporate Transaction, or to provide for automatic vesting of the optionee s interest in any cash incentive program implemented in replacement of his or her options under the Discretionary Option Grant Program, should the optionee s employment or service with the successor entity terminate within a designated period following the Corporate Transaction.

The acceleration of options in the event of a Corporate Transaction may be seen as an anti-take-over provision and may have the effect of discouraging a merger proposal, a take-over attempt or other efforts to gain control of the Company.

Tandem Stock Appreciation Rights. At the Committee s discretion, options granted under the Discretionary Option Grant Program may be granted with tandem stock appreciation rights. Two types of stock appreciation rights are authorized for issuance: (i) tandem stock appreciation rights which require the option holder to elect between the exercise of the underlying option for shares of Common Stock and the surrender of such option for a share distribution and (ii) prior to July 1, 2006, limited stock appreciation rights which are automatically exercised upon the occurrence of a hostile take-over of the Company.

Tandem stock appreciation rights provide the holders with the right to surrender their option for an appreciation distribution from the Company equal in amount to the excess of (i) the fair market value (on the date of surrender) of the shares of Common Stock in which the optionee is at the time vested under the surrendered option over (ii) the aggregate exercise price payable for such shares. Such appreciation distribution shall be made in shares of Common Stock valued at fair market value on the date of surrender.

Prior to July 1, 2006, one or more officers of the Company subject to the short-swing profit restrictions of the Federal securities laws were, in the Committee s discretion, eligible to be granted a limited stock appreciation right as part of any stock option grant made to such officers. Any option with such a limited stock appreciation right will automatically be canceled upon the occurrence of a hostile take-over, to the extent the option is at such time exercisable for vested shares. In return, the optionee will be entitled to a cash distribution from the Company in an amount equal to the excess of (i) the take-over price per share over (ii) the aggregate exercise price payable for such shares.

Outstanding options granted to executive officers under the Omnibus Plan prior to June 15, 1992 provide such individuals with a different form of limited stock appreciation right in the event of a hostile take-over of the Company. Under this latter right, if the optionee is an officer of the Company at the time of such a hostile take-over, such optionee will have a thirty-day period in which to surrender the underlying option in return for a cash distribution from the Company equal to the excess for the take-over price of the shares subject to the surrendered option over the exercise price payable for such shares.

Other Equity Based Awards Program

Free Standing Stock Appreciation Rights. The holder of a free standing stock appreciation right (SAR) is entitled to receive the excess of the fair market value (calculated as of the exercise date or, at the Committee s discretion, as of any time during a specified period before or after the exercise date) of a specified number of shares of the Company s Common Stock over the grant price of the SAR, as determined by the Committee, paid in shares of Common Stock. SARs vest and become exercisable in accordance with a vesting schedule established by the Committee.

Restricted Stock and Restricted Stock Units. The holder of restricted stock will own shares of the Company s Common Stock subject to restrictions imposed by the Committee (including, for example, restrictions on transferability or on the right to vote the restricted shares or to receive any dividends with respect to the shares) for a specified time period determined by the Committee. The restrictions, if any, may lapse or be waived separately or collectively, in installments or otherwise, as the Committee may determine. The holder of restricted stock units will have the right, subject to any restrictions imposed by the Committee, to receive shares of the Company s Common Stock at some future date determined by the Committee. The Committee also may permit accelerated vesting in the case of a participant s death, disability or retirement, or a change in control. If the participant s employment or service as a director terminates during the vesting period for any other reason, the restricted stock and restricted stock units will be forfeited, unless the Committee determines that it would be in the Company s best interest to waive the remaining restrictions.

Performance Awards. Performance awards give participants the right to receive payments in stock or property based solely upon the achievement of certain performance goals during a specified performance period. Subject to the terms of the Omnibus Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any performance award granted, the amount of any payment or transfer to be made pursuant to any performance award and any other terms and conditions of any performance award is determined by the Committee. Performance goals must be based solely on one or more of the following business criteria: revenue, cash flow, gross profit, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization and net earnings, earnings per share, margins (including one or more of gross, operating and net income margins), returns (including one or more of return on assets, equity, investment, capital and revenue and total stockholder return), stock price, economic value added, working capital, market share, cost reductions, workforce satisfaction and diversity goals, employee retention, customer satisfaction, completion of key projects and strategic plan development and implementation. The measure of performance may be set by reference to an absolute standard or a comparison to specified companies or groups of companies, or other external measures, and may be applied at individual or organizational levels.

Dividend Equivalents. The holder of a dividend equivalent will be entitled to receive payments in shares of the Company s Common Stock, other securities or other property equivalent to the amount of cash dividends paid by the Company to its stockholders, with respect to the number of shares determined by the Committee. Dividend equivalents will be subject to other terms and conditions determined by the Committee.

Stock Awards. The Committee may grant unrestricted shares of the Company s Common Stock, subject to terms and conditions determined by the Committee and the Omnibus Plan limitations.

Acceleration. The Committee may permit accelerated vesting of other equity-based awards upon the occurrence of certain events, including a change in control, regardless of whether the award is assumed, substituted or otherwise continued in effect by the successor corporation. The acceleration of vesting in the event of a change in the ownership or control may be seen as an anti-takeover provision and may have the effect of discouraging a merger proposal, a takeover attempt or other efforts to gain control of the Company.

Special Tax Withholding Election

The Committee may provide participants who hold options or other equity-based awards with the right to have the Company withhold a portion of the shares otherwise issuable to such individuals in satisfaction of the withholding taxes to which such individuals become subject in connection with the exercise of those options or the vesting of those shares. Alternatively, the Committee may allow such individuals to deliver previously acquired shares of Common Stock in payment of such withholding tax liability. To the extent necessary to avoid adverse accounting treatment, the number of shares that may be withheld for this purpose shall not exceed the minimum number needed to satisfy the applicable income and employment tax withholding rules. If Common Stock is used to satisfy the tax withholding obligations, the stock shall be valued at its fair market value when the tax withholding is required to be made.

Financial Assistance

The Committee may assist any award recipient in the exercise of outstanding options or other equity-based awards under the Omnibus Plan by (a) authorizing a full-recourse interest bearing loan from the Company, (b) permitting the award recipient to pay the exercise or purchase price in installments over a period of years or (c) authorizing a guarantee by the Company of a third-party loan to the award recipient, but in any case only to the extent permissible under Section 402 of the Sarbanes-Oxley Act of 2002. The terms and conditions of any such loan or installment payment will be established by the Committee in its sole discretion, but in no event may the maximum credit extended to the award recipient exceed the aggregate exercise price payable for the purchased shares (less the par value), plus any Federal and state income or employment taxes incurred in connection with the purchase.

Amendment and Termination of the Omnibus Plan

The Board may amend or modify the Omnibus Plan, subject to any required stockholder approval and certain other limitations. The Board may terminate the Omnibus Plan at any time, but the Omnibus Plan will in all events terminate on the earliest of (i) June 30, 2026, (ii) the date all shares available for issuance under the Omnibus Plan are issued or canceled pursuant to the exercise or surrender of options or other awards granted under the Omnibus Plan or (iii) the date all outstanding awards are terminated in connection with a Corporate Transaction. Any options or other awards outstanding at the time of termination of the Omnibus Plan will remain in force in accordance with the provisions of the instruments evidencing such grants.

Options Granted

The table below shows, as to the Named Executive Officers (as defined under Executive Compensation) and the other indicated persons and groups, the number of shares of Common Stock subject to options granted under the Omnibus Plan during the period from April 1, 2017 to March 31, 2018, together with the weighted average exercise price per share.

Name and Position	Number of Option Shares Granted 4/1/17-3/31/18	Weighted Average Exercise Price
V. Gordon Clemons Chairman of the Board, CEO & COO		
Michael G. Combs President	52,000	$ 50.48
Diane J. Blaha Chief Marketing Officer	10,000	$ 52.56
Michael D. Saverien EVP, Risk Management Services	16,000	$ 53.45
Maxim Shishin Chief Information Officer	9,000	$ 56.56
Kenneth S. Cragun Chief Financial Officer		
Richard J. Schweppe VP, Finance	350	$ 45.90
Steven J. Hamerslag Nominee for Election as Director	3,000	$ 48.35
Alan R. Hoops Nominee for Election as Director	3,000	$ 48.35
R. Judd Jessup Nominee for Election as Director	3,000	$ 48.35
Jean H. Macino	3,000	$ 48.35

Nominee for Election as Director			
Jeffrey J. Michael	3,000	$	48.35
Nominee for Election as Director			
All current executive officers as a group (7 persons)	87,350	$	51.87
All current directors (other than executive officers) as a group (5 persons)	15,000	$	48.35
All other employees, including current officers who are not executive officers, as a group (350 persons)	231,850	$	53.10

Plan Benefits

The Committee in its sole discretion will determine the number and types of awards that will be granted under the Discretionary Option Grant Program and, accordingly, it is not possible to determine the benefits that will be received by eligible participants at this time. The Company does not have any specific current plans or commitments for any future awards under the Omnibus Plan.

Certain Federal Income Tax Consequences

The following is a summary of the principal U.S. federal income tax consequences generally applicable to awards under the Omnibus Plan.

Grant of Options and SARs. The grant of a stock option or SAR is not expected to result in any taxable income for the recipient.

Exercise of Options and SARs. Upon exercising a non-qualified stock option, the optionee will recognize ordinary income equal to the excess of the fair market value of the shares of the Company s Common Stock acquired on the date of exercise over the exercise price, and the Company will generally be entitled at that time to an income tax deduction for the same amount. Upon exercising a SAR, the recipient of the SAR will recognize ordinary income in an amount equal to the fair market value on the exercise date of any shares of the Company s Common Stock received, and the Company will receive an income tax deduction in the same amount.

Disposition of Shares Acquired Upon Exercise of Options and SARs. The tax consequence upon a disposition of shares acquired through the exercise of an option or SAR will depend on how long the shares have been held and whether the shares were acquired by exercising a non-qualified stock option or SAR. Generally, there will be no tax consequence to the Company in connection with the disposition of shares acquired under an option or SAR.

Awards Other than Options and SARs. As to other awards granted under the Omnibus Plan that are payable in either cash or shares of the Company s Common Stock that are either transferable or not subject to substantial risk of forfeiture, the holder of the award must recognize ordinary income equal to (a) the amount of cash received or, as applicable, (b) the excess of (i) the fair market value of the shares received (determined as of the date of receipt) over (ii) the amount (if any) paid for the shares by the holder of the award. The Company will generally be entitled at that time to an income tax deduction for the same amount. As to an award that is payable in shares of the Company s Common Stock that are restricted from transfer and subject to substantial risk of forfeiture, unless a special election is made by the holder of the award under the Code, the holder must recognize ordinary income equal to the excess of (i) the fair market value of the shares received (determined as of the first time the shares become transferable or not subject to substantial risk of forfeiture, whichever occurs earlier) over (ii) the amount (if any) paid for the shares by the holder of the award. The Company will generally be entitled at that time to an income tax deduction for the same amount.

Income Tax Deduction. Section 162(m) of the Code disallows a tax deduction to public companies for compensation paid in excess of $1.0 million to covered employees as defined under Section 162(m). Prior to its amendment by the Tax Cuts and Jobs Act (the TCJA), which was enacted December 22, 2017, there was an exception to this $1.0 million deduction limitation for performance-based compensation if certain requirements set forth in Section 162(m) and the applicable regulations were met. The TCJA generally amended Section 162(m) to eliminate this exception for performance-based compensation, effective for taxable years following December 31, 2017. The $1.0 million compensation limit was also expanded to apply to a public company s chief financial officer and apply to certain individuals who were covered employees in years other than the then-current taxable year. The Committee maintains a practice of considering the anticipated tax treatment to the Company in its review and establishment of compensation programs and awards. The Committee intends to continue to consider the deductibility of compensation as a factor in assessing whether a particular arrangement is appropriate, taking into account the goals of maintaining a competitive executive compensation system generally, motivating executives to achieve corporate performance objectives and increasing shareholder value.

Application of Section 16. Special rules may apply to individuals subject to Section 16 of the Exchange Act. In particular, unless a special election is made pursuant to the Code, shares received through the exercise of a stock option or SAR may be treated as restricted as to transferability and subject to a substantial risk of forfeiture for a period of up to six months after the date of exercise. Accordingly, the amount of any ordinary income recognized and the amount of the Company s income tax deduction will be determined as of the end of that period.

Accounting Treatment for Stock-Based Compensation

We account for stock-based payments in accordance with FASB ASC Topic 718, Compensation Stock Compensation, or ASC 718, and ASU 2016-09, Improvements to Employee Share-Based Payment Accounting , or ASU 2016-09. For further information regarding ASC 718 and ASU 2016-09, refer to Notes 1 and 2 in the Notes to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 filed with the Securities and Exchange Commission on June 8, 2018.

Vote Sought

The proposal to amend and restate the Omnibus Plan to increase the number of shares of common stock available for grant thereunder over the life of such Omnibus Plan by 500,000 shares, from 19,365,000 shares to 19,865,000 shares, and to effect various other changes thereunder, will be approved if a majority of the total votes cast on the proposal in person or by proxy are voted in favor of the proposal. Should such stockholder approval not be obtained, the Omnibus Plan will remain in full force and effect as it currently operates.

Recommendation of the Board

The Board recommends that stockholders vote FOR the amendment and restatement of the Omnibus Plan to increase the number of shares of common stock available for grant thereunder over the life of such Omnibus Plan by 500,000 shares, from 19,365,000 shares to 19,865,000 shares, and to effect various other changes thereunder.

PROPOSAL THREE

RATIFICATION OF APPOINTMENT OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed Haskell & White LLP to serve as our independent registered public accounting firm for the fiscal year ending March 31, 2019, and our stockholders are being asked to ratify this appointment. Stockholder ratification of the appointment of Haskell & White LLP as our independent registered public accounting firm is not required by our Bylaws or other applicable legal requirement. However, the Board is submitting the Audit Committee s appointment of Haskell & White LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the appointment by an affirmative vote of the holders of a majority of the Common Stock present or represented at the meeting and entitled to vote, the Audit Committee may reconsider whether to retain Haskell & White LLP as our independent registered public accounting firm. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different independent accounting firm at any time during the year if it determines that such a change would be in the best interest of us and our stockholders.

Representatives of Haskell & White LLP attended or participated by telephone in all meetings of the Audit Committee held during fiscal year 2018. We expect that representatives of Haskell & White LLP will attend the Annual Meeting. At the Annual Meeting, the representatives of Haskell & White LLP will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions posed by stockholders.

Principal Accountant Fees and Services

Audit Fees. Audit fees as of March 31, 2018 include the audit of our annual financial statements, review of financial statements included in our Form 10-Q quarterly reports, and services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings or engagements for the relevant fiscal years. Audit fees billed by Haskell & White LLP for services rendered to us in the audit of annual financial statements and the reviews of the financial statements included in our Form 10-Q quarterly reports.

Fiscal year 2018	
Audit Fees of financial statements	$ 522,400
Fiscal year 2017	
Audit Fees of financial statements	$ 515,442

Audit-Related Fees. Audit-related fees consist of assurance and related services provided by Haskell & White LLP that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under Audit Fees .

Fiscal year 2018	
Audit of the financial statements of CorVel Incentive Savings Plan	$ 18,140
Fiscal year 2017	
Audit of the financial statements of CorVel Incentive Savings Plan	$ 18,100

Tax Fees. Tax fees consist of professional services rendered by our independent registered public accounting firm for tax compliance, tax advice and tax planning.

Fiscal year 2018	
Tax consulting services	$ 0
Fiscal year 2017	
Tax consulting services	$ 0

All Other Fees. Fees for a retainer, travel and other miscellaneous expenses billed by Haskell & White LLP were $25,250 during fiscal year 2018 and $28,442 during fiscal year 2017.

Determination of Independence

The Audit Committee has determined that the provision of the above non-audit services by Haskell & White LLP was compatible with their maintenance of accountant independence.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee pre-approves and reviews audit and permissible non-audit services performed by our independent registered public accounting firm as well as the fees charged by our independent registered public accounting firm for such services. In its pre-approval and review of permissible non-audit service fees, the Audit Committee considers, among other factors, the possible effect of the performance of such services on the auditors independence. Under certain de minimis circumstances described in the rules and regulations of the Securities and Exchange Commission, the Audit Committee may approve permissible non-audit services prior to the completion of the audit in lieu of pre-approving such services.

Vote Sought

The affirmative vote of a majority of the shares of the Common Stock present or represented by proxy at the Annual Meeting and entitled to vote is being sought for ratification of the appointment of Haskell & White LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2019.

Recommendation of the Board

The Board recommends a vote <u>FOR</u> ratification of the appointment of Haskell & White LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2019.

OTHER MATTERS

Management does not know of any other matters to be brought before the Annual Meeting. If any other matter is properly presented for consideration at the Annual Meeting, it is intended that the proxies will be voted by the persons named therein in accordance with the Board s recommendation. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy.

AUDIT COMMITTEE REPORT

The information contained in this Audit Committee Report shall not be deemed to be soliciting material or to be filed or incorporated by reference into any filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The Audit Committee carries out its responsibilities pursuant to its written charter, and the members of the fiscal year 2018 Audit Committee have prepared and submitted this Audit Committee report. Each Audit Committee member is considered independent because each member satisfies the independence requirements for board members prescribed by the applicable rules of Nasdaq and Rule 10A-3 of the Securities Exchange Act of 1934, as amended.

Among other things, the Audit Committee oversees CorVel s financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control over financial reporting. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management CorVel s audited financial statements in the Annual Report on Form 10-K for the fiscal year ended March 31, 2018, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements; and management s assessment of CorVel s internal control over financial reporting.

The Audit Committee also reviewed and discussed with the independent registered public accounting firm, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of CorVel s accounting principles and such other matters as are required to be discussed with audit committees by Statement on Auditing Standards No. 61, *Communication With Audit Committees*, as may be amended, modified or supplemented (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, as well as the matters required to be discussed by Auditing Standard No. 1301 as adopted by the Public Company Accounting Oversight Board. In addition, the audit committee discussed with the independent registered public accounting firm their independence from management and CorVel, and has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor s communications with the audit committee concerning independence and has discussed with the independent accountant the accountant s independence. Throughout the year and prior to the performance of any such services the Audit Committee also considered the compatibility of potential non-audit services with the auditors independence.

The Audit Committee discussed with CorVel s independent registered public accounting firm their overall approach, scope and plans for the audit. At the conclusion of the audit, the Audit Committee met with the independent registered public accounting firm, with and without management present, to discuss the results of their examination, their evaluation of CorVel s internal control over financial reporting and the overall quality of CorVel s financial reporting.

In reliance on the reviews and discussions referred to above, the audit committee recommended to the board (and the board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended March 31, 2018, for filing with the Securities and Exchange Commission.

The Audit Committee has also recommended the selection of Haskell & White LLP as the independent registered public accounting firm for the fiscal year ending March 31, 2019.

AUDIT COMMITTEE

R. Judd Jessup, Chair

Steven J. Hamerslag

Alan R. Hoops

EXECUTIVE OFFICERS OF CORVEL

The following table sets forth certain information regarding our executive officers as of June 8, 2018:

Name	Age	Position
V. Gordon Clemons	74	Chairman of the Board, Chief Executive Officer
Michael G. Combs	54	President
Diane J. Blaha	63	Chief Marketing Officer
Michael D. Saverien	47	Executive Vice President, Risk Management Services
Maxim Shishin	43	Chief Information Officer
Kenneth S. Cragun	57	Chief Financial Officer
Richard J. Schweppe	63	Vice President, Finance

The following is a brief description of the capacities in which each of our executive officers who is not also a director has served, and other biographical information. The biography of Mr. Clemons appears earlier in this Proxy Statement under Proposal One: Election of Directors.

Mr. Combs was promoted to President in April 2017 and previously served as our Chief Information Officer from April 2015 to April 2017. Mr. Combs has been with the Company for 25 years, joining the Company initially as a software engineer in October 1991. His prior positions at the Company include Vice President of MedCheck Development and Deputy Chief Information Officer. Prior to joining CorVel, he was with Science Applications International Corporation, a Delaware company, as a Software Engineer where he developed software for the Naval Oceans System Center Anti-Submarine Warfare program. Mr. Combs holds a Bachelor s degree in Computer Science from San Diego State University.

Ms. Blaha was promoted to Chief Marketing Officer in November 2016. She has been with the Company for 24 years and previously was the Senior Vice President of Sales and Marketing from June 3, 2015 to November 2016 and the Senior Vice President, Sales and Account Management from November 2010 to June 2015. From November 2008 to November 2010, Ms. Blaha served as Vice President of Sales. From 1996 to November 2008, Ms. Blaha served as Vice President of Regional Sales. From 1994 to 1996, Ms. Blaha was an Account Executive at the Company in the Upper Midwest Region. Ms. Blaha joined CorVel in October 1992 initially as a Medical Case Manager until she moved into the sales and marketing team in 1994.

Mr. Saverien was promoted to Executive Vice President, Risk Management Services in March 2017 and was previously the Senior Vice President since January 2012. Prior to being a Senior Vice President, Mr. Saverien served as Vice President of the Company. Mr. Saverien joined CorVel in 2003. Prior to CorVel, Mr. Saverien served as the president of Advanced Risk Technologies, a California company, from 2001 to 2003 and worked at Cunningham Lindsey, a global loss adjusting, claims, management and risk solutions firm, as Account Executive from 1998 to 2000. Mr. Saverien has over 20 years of experience in the claims management industry.

Mr. Shishin was promoted to Chief Information Officer in 2017. He has been with CorVel since 2002, holding the positions of Vice President of Information Systems, Director of Software Engineering, Software Development Manager and Senior Software Engineer. Mr. Shishin has over 17 years of technology and systems experience. His background includes vast experience with enterprise software architecture.

Mr. Cragun has been Chief Financial Officer of CorVel since January 2018. He also serves as a Partner of Hardesty, LLC (Hardesty), a national executive services firm. He has been a Partner of Hardesty s Southern California Practice since October 2016. Mr. Cragun has more than 30 years of experience, primarily in the technology industry, and has served as chief financial officer of two Nasdaq-listed companies, Local Corporation, which operated a U.S. top 100 website Local.com, from April 2009 to September 2016, and Modtech Holdings, Inc., a supplier of modular buildings, from June 2006 to March 2009. Mr. Cragun s industry experience is vast and he also has extensive experience in fast-growth environments and building teams in more than 20 countries. Mr. Cragun has led multiple financing transactions, including IPOs, PIPEs, convertible debt, term loans and lines of credit.

Mr. Schweppe resigned from the Chief Financial Officer position effective January 1, 2018 but remains as Vice President of Finance. He has been with the Company for 29 years and was Chief Financial Officer from June 2014 until January 2018, Director of Finance from August 2005 to June 2014 and Chief Financial Officer for the Company from June 1991, when the Company completed its initial public offering, to August 2005, when he first resigned from that position. From March 1988 to June 1991, he was Director of Finance for the Company. Prior to that, he was Manager, Technical Accounting for Caremark, Inc. from May 1983 to February 1988.

Our executive officers are elected by the Board on an annual basis and serve at the discretion of the Board until their successors have been duly elected and qualified or until their earlier resignation or removal.

Executive Compensation

Compensation Discussion and Analysis

The following discussion and analysis of our compensation practices and related compensation information should be read in conjunction with the Summary Compensation table and other tables included in this Proxy Statement, as well as our financial statements and management s discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018. The following discussion includes statements of judgment and forward-looking statements that involve risks and uncertainties. These forward-looking statements are based on our current expectations, estimates and projections about our industry, our business, compensation, management s beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as anticipates, expects, intends, plans, predicts, believes, seeks, estimates, may, will, should, would, could, potential, continue, ongoing, simi variations or negatives of these words and include, but are not limited to, statements regarding projected performance and compensation. Actual results could differ significantly from those projected in the forward-looking statements as a result of certain factors, including, but not limited to, the risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018. We assume no obligation to update the forward-looking statements or such risk factors.

Introduction

It is the responsibility of the compensation committee of the Board to oversee our general compensation policies; to determine the base salary and bonus to be paid each year to each of our executive officers; to oversee our compensation policies and practices as they relate to our risk management; and to determine the compensation to be paid each year to our directors for service on the Board and the various committees of the Board. In addition, the compensation committee administers our Restated Omnibus Incentive Plan (formerly the Restated 1988 Executive Stock Option Plan) with respect to stock option grants or other equity-based awards. The three broad components of our executive officer compensation are base salary, annual cash incentive awards, and long term equity-based incentive awards. The compensation committee periodically reviews total compensation levels and the allocation of compensation among these three components for each of the executive officers in the context of our overall compensation policy. Additionally, the compensation committee, in conjunction with the Board, reviews the relationship of executive compensation to corporate performance and relative stockholder return. The compensation committee believes that our current compensation plans are competitive and reasonable. Below is a description of the general policies and processes that govern the compensation paid to our executive officers, as reflected in the accompanying compensation tables.

General Compensation Philosophy

We operate in the medical cost containment and managed care industry. The compensation committee believes that our compensation programs for executive officers should: (a) be designed to attract, motivate and retain talented executives, (b) be competitive, and (c) reward individuals based on the achievement of designated financial targets, individual contribution, and financial performance relative to that of our competitors and market indices. Our philosophy is to focus more on equity compensation (in particular, to incentivize service within a five-year timeframe for time-vesting stock options) than on annual base compensation because we believe that approach more closely aligns the interests of our executive officers with those of our stockholders. Within this philosophy, the compensation committee s objectives are to:

- Offer a total compensation program that takes into consideration the compensation practices of other managed care companies of similar size with which we compete for executive talent;

- Tie an individual s total compensation to individual and profit center performance as well as our overall financial success;

- Provide annual cash incentive awards that take into account our overall financial performance in terms of designated corporate objectives; and

- Strengthen the alignment of the interests of our executive officers with those of our stockholders by providing significant equity-based, long-term incentive awards.

Compensation Components and Process

The compensation committee s conclusions on the compensation levels for our executive officers are based in large part on input from our chief executive officer, who uses survey data provided by Mercer for companies in the services sector with target revenue for the upcoming fiscal year similar to CorVel. While the survey data reviewed by our chief executive officer includes the market 50th percentile targets for base salary, annual bonus and long-term incentive compensation opportunities for the covered companies, this data is not used as a strict benchmark, but rather as a market check for the recommendations made to our compensation committee. The compensation committee discusses the compensation recommendations made by our chief executive officer prior to their adoption.

The compensation committee considered fiscal year 2018 executive compensation on May 4, 2017, August 3, 2107, November 2, 2017 and February 1, 2018, considered fiscal year 2017 executive compensation on May 5, 2016, June 20, 2016, August 4, 2016, November 3, 2016, December 9, 2016 and February 2, 2017 and considered fiscal year 2016 executive compensation on May 7, 2015, July 1, 2015, August 6, 2015, November 5, 2015 and February 4, 2016. The material considered by the compensation committee also included the historical compensation and stock option awards made to each of our executive officers. As described in more detail below, the results of each executive s annual management by objectives plan, including a comparison of performance and job description relative to achievement and potential, were reviewed and discussed.

The following table sets forth summary compensation information for our named executive officers for the fiscal years ended March 31, 2018, 2017 and 2016:

Summary Compensation Table

Name and Principal Position*	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation (2)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (3)	Total ($)
V. Gordon Clemons	2018	$ 400,000	$	$	$	$	$	$ 1,113	$ 401,113
Chairman of the Board, CEO and COO	2017	$ 400,000	$	$	$	$	$	$ 1,113	$ 401,113
	2016	$ 400,000	$	$	$	$	$	$ 1,495	$ 401,495
Michael G. Combs (4)	2018	$ 335,256	$	$	$ 959,139	$ 155,400	$	$ 2,322	$ 1,452,117
President	2017	$ 216,774	$	$	$ 296,951	$ 80,000	$	$ 2,758	$ 596,483
	2016	$ 187,142	$	$	$ 193,110	$ 28,982	$	$ 1,589	$ 410,823
Diane J. Blaha	2018	$ 325,666	$	$	$ 193,605	$ 160,600	$	$ 2,366	$ 682,237
Chief Marketing Officer	2017	$ 315,833	$	$	$ 158,927	$ 50,000	$	$ 2,744	$ 527,504
	2016	$ 308,931	$	$	$ 113,998	$ 35,404	$	$ 1,589	$ 459,922
Michael D. Saverien (5)	2018	$ 268,818	$	$	$ 318,042	$ 61,702	$	$ 2,261	$ 650,823
E.V.P., Risk Management Services	2017	$	$	$	$	$	$	$	$
	2016	$	$	$	$	$	$	$	$
Maxim Shishin (6)	2018	$ 191,354	$	$	$ 191,332	$ 81,300	$	$ 1,978	$ 465,964
Chief Information Officer	2017	$	$	$	$	$	$	$	$
	2016	$	$	$	$	$	$	$	$
Kenneth S. Cragun (7)	2018	$ 47,450	$	$	$	$	$	$	$ 47,450
Chief Financial Officer	2017	$	$	$	$	$	$	$	$
	2016	$	$	$	$	$	$	$	$
Richard J. Schweppe (8)	2018	$ 180,176	$	$	$ 5,796	$ 35,000	$	$ 2,026	$ 222,998
V.P., Finance	2017	$ 173,056	$	$	$ 52,082	$ 40,000	$	$ 1,465	$ 266,603
	2016	$ 167,609	$	$	$ 57,018	$ 14,405	$	$ 1,474	$ 240,506

* Each of the individuals listed above are referred to in the Proxy Statement as our named executive officers.

(1) The fair value of option awards shown are calculated in accordance with ASC 718 and ASU 2016-09, Compensation-Stock Compensation, and represent the aggregate grant date fair value of option awards granted during the year for awards that are not based on performance conditions. The value of performance awards is based on the probable outcome of the performance conditions as of the grant date. Refer to Note 2, Stock-Based Compensation, in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K filed June 8, 2018 for the relevant assumptions used to determine the valuation of our option awards.

(2) See the discussion under Annual Incentive Awards Plan for a description of our cash-based incentive plan awards.

(3) Includes matching contributions by us under our 401(k) savings plan and annual premiums paid by us for the purchase of group term life insurance in an amount equal to each executive officer s annual salary as follows:

	Fiscal Year	CorVel Contribution to Section 401(k) Plan		CorVel-Paid Life Insurance Premiums	
V. Gordon Clemons	2018	$	800	$	313
	2017	$	799	$	313
	2016	$	799	$	696
Michael G. Combs (4)	2018	$	1,800	$	522
	2017	$	2,400	$	358
	2016	$	1,261	$	328
Diane J. Blaha	2018	$	1,800	$	566
	2017	$	2,058	$	536
	2016	$	2,058	$	536
Michael D. Saverien (5)	2018	$	1,800	$	461
	2017	$		$	
	2016	$		$	
Maxim Shishin (6)	2018	$	1,461	$	517
	2017	$		$	
	2016	$		$	
Kenneth S. Cragun (7)	2018	$		$	
	2017	$		$	
	2016	$		$	
Richard J. Schweppe (8)	2018	$	1,800	$	226
	2017	$	1,164	$	301
	2016	$	1,186	$	288

(4) Mr. Combs was promoted to President on April 1, 2017. Mr. Combs had previously served as Chief Information Officer from April 30, 2015 until March 31, 2017.

(5) Mr. Saverien was promoted to Executive Vice President, Risk Management Services on April 1, 2017, prior to which Mr. Saverien served as Senior Vice President. Due to his promotion to Executive Vice President, Risk Management Services on April 1, 2017, his compensation for fiscal years 2016 and 2017 are not shown.

(6) Mr. Shishin was promoted to Chief Information Officer on April 1, 2017. Due to his promotion to Chief Information Officer on April 1, 2017, his compensation for fiscal years 2016 and 2017 are not shown.

(7) Mr. Cragun joined CorVel Corporation on January 1, 2018. Mr. Cragun does not participate in the Company s 401(k) plan or Life Insurance benefits.
(8) Mr. Schweppe resigned as Chief Financial Officer effective January 1, 2018, but retained his Vice President of Finance position.

Principal Elements of Executive Compensation

Base Salary. In determining executive compensation, we take into account overall expense control. The Board approves initial annual base salary for newly hired executive officers based on comparable survey data as referenced above. Our compensation committee reviews all executive officer base salaries annually in connection with the compensation recommendations made by our chief executive officer, taking into account both updated peer group data in the public domain and individual performance during the previous year. We believe that adjustments should be made to base salary both to reflect market changes and to reward high performance within the confines of overall expense control.

At our 2017 annual meeting of stockholders, our stockholders expressed strong support for our compensation programs and the compensation of our named executive officers, with approximately 91.2% approval rate for our executive officer Say-on-Pay resolution. In light of this support, the Company s continued strong performance and the continuing success of our compensation programs, the compensation committee made no significant changes to the overall design of our compensation program during fiscal years 2018 or 2019. The compensation committee continuously endeavors to ensure that management s interests are aligned with those of our shareholders and support long-term value creation.

Each of our executive officers, other than our chief executive officer, undergoes an annual performance review with our chief executive officer, and during that review develops an individual performance development plan for the upcoming year. In general, these objectives vary for each named executive officer based on his or her individual responsibilities and the business function of the group that he or she manages, and includes one or more quantitative or qualitative financial or strategic measure, including earnings per share, revenue targets, product development and implementation, customer satisfaction and acceptance, strategic planning and development, operations excellence and efficiency and productivity. In reviewing past performance, the chief executive officer and the executive officer will compare actual performance during the review year to the objectives set at the beginning of the year, taking into account other factors that may not have been anticipated when the objectives were first set. In setting objectives for the upcoming year, the chief executive officer and the executive officer will typically consider not only corporate objectives, but also the executive officer s short and long-term career objectives. To assist our compensation committee in reviewing executive officer performance in fiscal year 2017 for fiscal year 2018 compensation purposes, in fiscal year 2016 for fiscal year 2017 compensation purposes, and in fiscal year 2015 for fiscal year 2016 compensation purposes, our chief executive officer provided the compensation committee with his analysis of the performance and potential of each executive officer ranked against each other executive officer, and made recommendations based on how well each executive officer executed on his or her individual performance development plan while also taking into account external market survey data, as discussed above. The compensation committee made the final determination of the compensation paid to executive officers.

Decisions to adjust base salaries during fiscal year 2018 were made by the compensation committee on February 1, 2018, decisions to adjust base salaries during fiscal year 2017 were made by the compensation committee on February 2, 2017, decisions to adjust base salaries during fiscal year 2016 were made by the compensation committee on February 4, 2016, and all such adjustments took effect on each executive officer s respective compensation adjustment anniversary date.

Mr. Clemons base salary was decreased by 6.9% effective March 1, 2012 because of his commitment to ongoing expense control and not as the result of a negative performance review or any benchmarking data. Thereafter, in recognition of his ongoing performance, Mr. Clemons base salary was reinstated on May 2, 2013 to $400,000 during fiscal year 2014. As part of his continued commitment to ongoing expense control, Mr. Clemons declined salary increases for fiscal years 2015, 2016, 2017 and 2018. The other executive officers base salaries increased between 1.3% and 13.3% during the 2016 fiscal year, increased between 2.8% and 20% during fiscal year 2017 and increased between 2.5% and 25% during fiscal year 2018. Mr. Combs base salary increased between 11.3% and 25% during each of the 2016, 2017 and 2018 fiscal years, and Ms. Blaha s base salary increased between 1.3% and 3.2% during each of the 2016, 2017 and 2018 fiscal years. Mr. Schweppe s base salary increased between 13.2% and 2.8% during each of the 2016 and 2017 fiscal years.

Annual Cash Incentive Awards Plan. To reinforce the attainment of our goals, we believe that a substantial portion of the annual compensation of each executive officer should be in the form of variable cash incentive pay. In parallel with its review of base salaries for executive officers, the compensation committee considers the design and structure of the executive officer annual incentive awards plan. We use annual performance-based cash incentive awards to motivate our executives to meet or exceed our company-wide short-term performance objectives Cash incentive amounts for each executive officer are determined by the compensation committee based on the recommendation of our chief executive officer. Although we have a March 31 fiscal year end, we have calendar year budgets and annual cash incentive plans which are based on the calendar year. Cash incentive awards to the Chief Executive Officer and the other named executive officers are shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table above. Annual cash incentive plan awards are designed to reward personal contributions to our success and are earned under a structured formula. Each executive has some portion of his or her annual bonus measured against individual management by objective goals, or MBOs, established for that person, which, depending on the executive officer, include revenue growth, national sales and regional vice president management, implementation, planning and strategy for software development and information technology infrastructure, and adherence to company-wide internal financial reporting and controls. The maximum amount that any executive may earn based on the MBO element is variable, with full achievement of MBOs resulting in an expected 70% payout and increasing up to a 100% payout for achievement exceeding established MBOs. For executive officers with operations

responsibilities, this element comprises a lesser percentage of the annual incentive award for the individual, and for executive officers with corporate staff responsibilities, it comprises a greater percentage of the annual incentive award. We expect that the MBOs for our executive officers will be difficult to achieve. Based on Mr. Clemons own request, there are no MBOs established for him, as our CEO and Chairman of the Board.

Mr. Combs was appointed President of the Company on April 1, 2017. The calendar year 2016 MBOs for Mr. Combs included participation in executive management processes, further development of web services, codification rules for workflow and further development of CareMC intake and return to work. Mr. Combs bonus opportunity, which was targeted at 40% of his base salary with the ability to achieve up to 50%, was 30% dependent on achieving overall financial performance and 70% dependent on his contribution toward achieving his 2016 MBOs. Mr. Combs attained 64% of his calendar year 2016 bonus opportunity and hence, received a bonus of 32% of his base salary in an amount equal to $80,000 in fiscal year 2017.

The calendar year 2017 MBOs for Mr. Combs included continuing succession planning and development of the successor CIO, sales support for large customer opportunities and increasing leadership responsibility within CorVel. Mr. Comb s bonus opportunity with the ability to achieve up to 70%, was 75% dependent on achieving overall financial performance and 25% dependent on his contribution toward achieving his 2017 MBOs. Mr. Combs attained 75% of his calendar year 2017 bonus opportunity and hence, received a bonus of 52% of his base salary in an amount equal to $155,400 in fiscal year 2018.

The calendar year 2018 MBOs for Mr. Combs will include strategic IT projects, large client retention and large sales opportunities, business growth initiative and continuing succession planning. Mr. Combs bonus opportunity will be targeted at 75% of his base salary with the ability to achieve up to 100%, will be 75% dependent on achieving overall financial performance and 25% dependent on his contribution toward achieving his calendar year 2018 MBOs.

The calendar year 2016 MBOs for Ms. Blaha included wholesale network solutions sales, CERiS expansion with MAC s & Top Tier carriers, testing and implementing regional sales coordinators and managing the marketing department. Ms. Blaha s bonus opportunity, which was targeted at 50% of her base salary up to a maximum of 70% of her base salary, was 75% dependent on overall financial performance and 25% dependent on her contribution toward achieving her 2016 MBOs. Ms. Blaha attained 23% of her calendar year 2016 bonus opportunity and hence, received a bonus of 16% of her base salary in an amount equal to $50,000 in fiscal year 2017.

The calendar year 2017 MBOs for Ms. Blaha included expanding network solutions sales to the carrier middle market, supporting the CERiS sales plan, establishing and implementing a large account sales plan, and improving marketing department effectiveness. Ms. Blaha s bonus opportunity, which was targeted at 50% of her base salary up to a maximum of 70% of her base salary, and was 75% dependent on overall financial performance and 25% dependent on her contribution toward achieving her calendar year 2017 MBOs. Ms. Blaha attained 71% of the calendar year 2017 opportunity and hence received a bonus of 50% of her base salary in an amount equal to $160,600 in fiscal year 2018.

The calendar year 2018 MBOs for Ms. Blaha will include creating and developing marketing resources and marketing plans for all three divisions of the Company, training and educating the sales and account management teams, developing selling strategies to improve results, client retention and larger opportunities, and developing talent and growing knowledge base in the sales, marketing and account management teams. Ms. Blaha s bonus opportunity will be targeted at 50% of her base salary up to a maximum of 70% of her base salary, and will be 75% dependent on overall financial performance and 25% dependent on her contribution toward achieving her calendar year 2018 MBOs.

The calendar year 2017 MBOs for Mr. Saverien included development of a succession plan, team development and increase the amount of internal company usage of CareIQ, FCM, TCM systems in order to establish a more

robust operations process. Mr. Saverien s bonus opportunity, which was targeted at 50% of his base salary up to a maximum of 70% of his base salary, and was 70% dependent on field profit and 10% dependent on his contribution toward achieving his calendar year 2017 MBOs. Mr. Saverien attained 34% of the calendar year 2017 opportunity and hence received a bonus of 24% of his base salary in an amount equal to $61,702 in fiscal year 2018.

The calendar year 2018 MBOs for Mr. Saverien will include reviewing and updating contract management systems in order to support regional offices, create a formal communication channel with clients and support internal operations procedures to increase use of CorVel service referrals. Mr. Saverien s bonus opportunity will be targeted at 50% of his base salary up to a maximum of 70% of his base salary, and will be 90% dependent on field profit 10% dependent on his contribution toward achieving his calendar year 2018 MBOs.

The calendar year 2017 MBOs for Mr. Shishin included a continuation of succession planning, Web Services development, codification of Rules for Workflow, CareMC intake improvements and RTW processes and workstation support. Mr. Shishin s bonus opportunity, which was targeted at 40% of his base salary up to a maximum of 50% of his base salary, and was 30% dependent on overall financial performance and 70% dependent on his contribution toward achieving his calendar year 2017 MBOs. Mr. Shishin attained 87% of the calendar year 2017 opportunity and hence received a bonus of 43% of his base salary in an amount equal to $81,300 in fiscal year 2018.

The calendar year 2018 MBOs for Mr. Shishin will include further improvements to the CareMC EDGE system and claim database, an universal claim intake process to support operations, complete Return to Work module, enhanced cloud and overall systems security. Mr. Shishin s bonus opportunity will be targeted at 40% of his base salary up to a maximum of 50% of his base salary, and will be 30% dependent on overall financial performance and 70% dependent on his contribution toward achieving his calendar year 2018 MBOs.

The calendar year 2016 MBOs for Mr. Schweppe included continued staff development to ensure accountability standards, expansion of the operations metrics project to streamline and clarify department goals as well as improving support field accounting processes. Mr. Schweppe s bonus opportunity, which was targeted at 25% of his base salary with the ability to achieve up to 35%, was 30% dependent on achieving overall financial performance and 70% dependent on his contribution toward achieving his 2016 MBOs. Mr. Schweppe attained 63% of his calendar year 2018 bonus opportunity and hence, received a bonus of 22% of his base salary in an amount equal to $40,000 in fiscal year 2017.

In light of Mr. Schweppe s resignation from the CFO position, Mr. Schweppe is no longer eligible for future MBO bonuses.

The calendar year 2017 MBOs for Mr. Schweppe included creating an operations management reporting suite, initiating headcount reporting, improving insurance and benefits vendor management, and assisting with executive officer succession planning. Mr. Schweppe s bonus opportunity, which is targeted at 25% of his base salary with the ability to achieve up to 35%, will be 30% dependent on achieving overall financial performance and 70% dependent on his contribution toward achieving his calendar year 2018 MBOs. Mr. Schweppe attained 78% of his calendar year 2018 bonus opportunity and hence received a bonus opportunity of 19% of his base salary in an amount equal to $35,000 in fiscal year 2018.

Long-Term Equity-Based Incentive Awards. The goal of our long-term, equity-based incentive awards is to serve as a long-term staff retention vehicle by aligning the interests of our executive officers with our stockholders and providing each executive officer with a significant incentive to manage from the perspective of an owner with an equity stake in the business. The compensation committee, in conjunction with recommendations from our chief executive officer, administers our equity-based incentive plans for executive officers and determines the size of long-term, equity-based incentives according to each executive s position, and sets a level it considers appropriate to create a meaningful opportunity for stock ownership. In addition, the compensation committee takes into account an individual s recent performance, his or her potential for future responsibility and promotion, and the number of unvested stock option shares held by each individual at the time of any new grant.

However, there is no set formula for determining the size of a stock option award. Our chief executive officer historically has made recommendations to the Board and compensation committee regarding the amount of stock options and other compensation to grant to our other named executives based upon his assessment of their performance and relevant survey data, and may continue to do so in the future. The Board and compensation committee takes such recommendations into account when it approves stock option grants. Our executive officers, however, do not make any determinations as to when stock options are granted. We do not require a minimum stock ownership by our executive officers, but the compensation committee considers an executive officer s existing stock holdings relative to performance in determining the size of awards.

Under our Restated Omnibus Incentive Plan (Formerly the Restated 1988 Executive Stock Option Plan), we have the ability to grant different forms of equity compensation, including stock options, stock appreciation rights, restricted stock and restricted stock units, performance awards and other stock-based awards. We have chosen to use stock options exclusively for purposes of providing long-term incentives because we believe they best align with our objectives of providing incentives that are commensurate with total stockholder return and employee retention. Stock options provide actual economic value to the executive officer if he or she remains employed by us during the vesting period, and then only if the market price of our shares appreciates over the option term. The fair value amounts shown for stock options in the summary compensation table are calculated in accordance with ASC 718 and ASU 2016-09, Compensation-Stock Compensation, and represent the aggregate grant date fair value of option awards granted during the year for awards that are not based on performance conditions. Upon determination of probable outcome of the performance conditions, we record compensation expense for performance-based stock option awards based on the estimated fair value of the options on the grant date using the Black-Scholes option-pricing model. Consequently, stock options motivate executive officers by providing substantial upside compensation even though the entire amount of potential compensation is at risk. In the future, we may choose to grant different forms of equity compensation particularly if the use of such different forms of compensation become more prevalent at companies with which we compete or from which we intend to recruit personnel. Other factors that may lead us to provide different forms of equity compensation include, but are not limited to, the executives perceived value of one form of equity compensation over another, the potential effect of stockholder dilution, and the financial statement cost of one form of equity compensation over the other.

Under our Restated 1991 Employee Stock Purchase Plan, we also provide eligible employees who work more than 25 hours per week with the ability to purchase shares of common stock, through payroll deduction, at a pre-determined discount to the closing price at the end of a six-month purchase period. For fiscal years 2018, 2017 and 2016, the Board set the maximum permitted payroll deduction for the purposes of the Restated 1991 Employee Stock Purchase Plan at 20% of salary, and set the pre-determined discount at 5% of the closing price at the end of the purchase period.

Stock options provided to executive officers are typically granted pursuant to action by unanimous written consent of the compensation committee executed by the compensation committee members in person on the same day as each regularly scheduled quarterly meeting of the Board in conjunction with ongoing review of each executive officer s individual performance, unless the executive officer is a new hire or other individual performance considerations are brought to the attention of our compensation committee during the course of the year. Such meetings are usually scheduled well in advance of the meeting, without regard to earnings or other major announcements by us. We intend to continue this practice of approving stock-based awards concurrently with regularly scheduled meetings, unless earlier approval is required for new hires, new performance considerations or retention purposes, regardless of whether or not the Board or compensation committee knows material non-public information on such date. We have not timed, nor do we intend to time, our release of material non-public information for the purpose of affecting the value of executive compensation. The grant date of our stock options is the date the Board or compensation committee meets to approve such stock option grants, which also is the date our compensation committee executes its action by unanimous written consent regarding such approval. In accordance with our Restated Omnibus Incentive Plan (Formerly The Restated 1988 Executive Stock Option Plan), the exercise price of all options is set at the closing price of our common stock as reported by the Nasdaq Global Select Market on the day of grant.

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Material terms of options granted to our named executive officers in fiscal years 2018, 2017 and 2016 typically included: (a) exercise price equal to the closing market value as quoted by the Nasdaq Global Select Market on the date of grant; (b) vesting of 25% one year from the grant date and then continued vesting in a series of thirty-six (36) equal monthly installments over the remaining balance of the four-year period, contingent on the executive officer s continued service; (c) a term no longer than five years from the date of grant; and (d) to the extent not already exercisable, the options become exercisable in full on an accelerated basis upon (i) a sale of assets, (ii) a merger in which we do not survive or (iii) a reverse merger in which we survive but ownership of 50% or more of the voting power of our stock is transferred, unless the option is assumed or replaced with a comparable option by the successor corporation. Although stock options granted to our executive officers typically contain time-vesting provisions, on one occasion in fiscal year 2018, our compensation committee awarded stock options with performance vesting provisions to Messrs. Combs, Saverien, Shishin and Ms. Blaha, all of which will vest based on the achievement of certain performance criteria, approved by our Board and compensation committee, relating to earnings growth, and on one occasion in each of the fiscal years 2017 and 2016, our compensation committee awarded stock options with performance vesting provisions to Messrs. Combs and Schweppe and Ms. Blaha, all of which will vest based on the achievement of certain performance criteria, approved by our Board and compensation committee, relating to earnings growth. The calendar year 2017 EPS target was $1.71 for performance options granted on November 3, 2016, $1.925 for performance options granted on November 5, 2015 and $2.06 for performance options granted on November 10, 2014; the calendar year 2016 EPS target was $1.75 for performance options granted on November 5, 2015, $1.87 for performance options granted on November 10, 2014 and $2.09 for performance options granted on November 4, 2013; and the calendar year 2015 EPS target was $1.70 for performance options granted on November 10, 2014, $1.90 for performance options granted on November 4, 2013 and $1.52 for performance options granted on March 1, 2013. On June 6, 2018, our compensation committee, in exercising its discretionary authority pursuant to the terms of all of our outstanding performance stock options, including those held by our officers, amended such stock options granted since 2015 to adjust upward all of the target earnings per share amounts. Our Compensation Committee made such adjustments because it deemed them equitable to recognize the anticipated impact of the changes in tax laws under the Tax Cuts and Jobs Act that was signed into law on December 22, 2017. We do not publicly disclose the other specific performance target levels and related criteria because they constitute highly confidential commercial or financial information. We believe that disclosing such other target levels and related criteria would provide competitors with insights into our operational strategy and would therefore cause us substantial competitive harm. We decided to grant the performance-based stock options as part of our decision to pursue a compensation strategy of aligning equity compensation with our earnings and revenue performance.

In fiscal year 2018, we granted stock options awards for 231,850 shares to all full-time employees, including 87,350 shares to executive officers or less than 1.7% of our outstanding common stock. In fiscal year 2017, we granted stock option awards for 267,950 shares to all full-time employees, including 74,000 shares to executive officers or less than 1.4% of our outstanding common stock. In fiscal year 2016, we granted stock option awards for 276,275 shares to all full-time employees, including 32,150 shares to executive officers or less than 1.4% of our outstanding common stock. Options granted to our executive officers were all approved by unanimous written consent of our compensation committee executed by the compensation committee members in person on the same day as the regularly scheduled Board meeting on such date. Executive officers received stock option grants in each of the fiscal years 2018, 2017, and 2016 for incentive purposes.

As part of their ongoing performance reviews, on February 2, 2017, Messrs. Combs and Schweppe and Ms. Blaha were granted options to purchase 2,000 shares, 350 shares and 1,000 shares, respectively, of our common stock at an exercise price of $43.14. These options vest 25% on the first anniversary of the grant date, and the remaining 75% of the shares vest in 36 successive equal monthly installments upon completion of each month of service after the anniversary of the grant date, and terminate five years from grant.

If the Board determines that an executive officer has engaged in fraudulent or intentional misconduct, and if the misconduct resulted in a significant restatement of our financial results, we expect that we would, among other

disciplinary action, seek reimbursement of any portion of performance-based or incentive compensation paid or awarded to the executive that is greater than would have been paid or awarded if calculated based on the restated financial results. This remedy would be in addition to, and not in lieu of, other disciplinary actions and any actions imposed by law enforcement agencies, regulators or other authorities.

The following table provides information on equity awards granted in fiscal year 2018 to each of our named executive officers:

Grants of Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			**Estimated Future Payouts under Equity Incentive Plan Awards (1)**			**All Other Stock Awards: Number of Shares of Stock or Units**	**All Other Option Awards: Number of Securities Underlying Options**	**Exercise or Base Price of Option Awards**	**Grant Date Fair Value of Option Awards**
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)**	**(#)**	**($) (2)**	**($) (2) (3)**
Michael G. Combs	11/2/2017				0		17,000			$ 57.75	$ 370,770
President	8/3/2017								15,000	48.35	257,181
	5/4/2017								20,000	45.90	331,188
Diane J. Blaha Chief Marketing Officer	11/2/2017				0		5,000			$ 57.75	$ 109,050
	8/3/2017								3,000	48.35	51,436
	5/4/2017								2,000	45.90	33,119
Michael D. Saverien (4)	11/2/2017				0		10,000			$ 57.75	$ 218,100
Executive Vice President, Risk	8/3/2017								1,000	48.35	17,145
Management Services	5/4/2017								5,000	45.90	82,797
Maxim Shishin (5) Chief Information Officer	11/2/2017				0		8,000			$ 57.75	$ 174,480
	8/3/2017								500	48.35	8,573
	5/4/2017								500	45.90	8,280
Richard J. Schweppe	5/4/2017								350	$ 45.90	$ 5,796
Vice President, Finance											

(1) The target for awards granted on 11/2/17 will not be determinable until the completion of calendar year 2020.
(2) See Note 2, Stock-Based Compensation, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed June 8, 2018 for the relevant assumptions used to determine the valuation of our option awards.
(3) The exercise price of the option award is equal to the closing price of our common stock as reported by the Nasdaq Global Select Market on the date of grant.
(4) Mr. Saverien was promoted to Executive Vice President, Risk Management Services on April 1, 2017.
(5) Mr. Shishin was promoted to Chief Information Officer on April 1, 2017, prior to which Mr. Shishin served as Vice President of Information Systems.

The following table sets forth information about the outstanding equity awards held by each of our named executive officers as of March 31, 2018.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable (1)**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date (2)**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
V. Gordon Clemons Chairman of the Board, CEO and COO	20,000	0	0	$ 45.55	2/6/2019				
Michael G. Combs	0	17,000	17,000(3)	$ 57.75	11/2/2022				
President	0	15,000	15,000	48.35	8/3/2022				
	0	20,000	20,000	45.90	5/4/2022				
	6,000	0	20,000(3)	32.10	11/3/2021				
	396	1,000	0	43.32	8/4/2021				
	1,146	2,500	0	45.73	5/5/2021				
	1,042	2,000	0	43.14	2/4/2021				
	972	0	5,772(3)	43.78	11/5/2020				

646	1,000	0	33.16	8/6/2020
1,771	2,500	0	34.67	5/7/2020
625	0	750(3)	34.78	11/10/2019
896	1,000	0	40.57	8/4/2019
719	750	0	44.86	5/8/2019
400	400	0	45.55	2/6/2019
500	500	0	40.24	11/4/2018
400	400	0	34.77	8/1/2018