AMERICAN WOODMARK CORP
Form DEF 14A
June 29, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant [X]	Filed by a Party other than the Registrant [ ]

Check the appropriate box:
[ ] Preliminary Proxy Statement
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[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to §240.14a-12

American Woodmark 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):
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

561 Shady Elm Road
Winchester, Virginia 22602

Notice of Annual Meeting of Shareholders

TO THE SHAREHOLDERS OF
AMERICAN WOODMARK CORPORATION:

The Annual Meeting of Shareholders ("Annual Meeting") of American Woodmark Corporation (the "Company") will be held at The George Washington Hotel, 103 East Piccadilly Street, Winchester, Virginia, on Thursday, August 23, 2018, at 9:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect as directors the eight nominees listed in the attached proxy statement to serve a one-year term on the Company's Board of Directors;
2. To ratify the selection by the Audit Committee of the Board of Directors of KPMG LLP as the independent registered public accounting firm of the Company for the fiscal year ending April 30, 2019;
3. To approve on an advisory basis the Company's executive compensation; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

Only shareholders of record of shares of the Company's common stock at the close of business on June 22, 2018 will be entitled to vote at the Annual Meeting or any adjournments thereof.

Whether or not you plan to attend the Annual Meeting, please mark, sign and date the enclosed proxy and promptly return it in the enclosed envelope. If for any reason you desire to revoke your proxy, you may do so at any time before it is voted.

All shareholders are cordially invited to attend the Annual Meeting.

By Order of the Board of Directors

M. Scott Culbreth
Secretary

July 9, 2018

AMERICAN WOODMARK CORPORATION
561 Shady Elm Road
Winchester, Virginia 22602

Proxy Statement

PROXY SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider. Please read the entire Proxy Statement carefully before voting. This Proxy Statement will be mailed to shareholders of American Woodmark Corporation (the "Company") on or about July 9, 2018.

Annual Stockholders meeting

Date	August 23, 2018
Time	9:00 a.m. Eastern Daylight Time
Place	The George Washington Hotel 103 East Piccadilly Street Winchester, Virginia 22601
Record date	June 22, 2018
Voting	Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.

Meeting Agenda

- Election of eight directors
- Ratification of KPMG LLP as our independent registered public accounting firm for fiscal year 2019
- Advisory approval of executive compensation
- Transact other business that may properly come before the meeting

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Voting Matter and Vote Recommendation

Item	Board recommendation	Reasons for recommendations	More information
1. Election of eight directors	FOR	The Board and Corporate Governance Committee believe that the eight director nominees possess the skills and experience to effectively monitor performance, provide oversight, and advise management on the Company's long-term strategy.	Page 4
2. Ratification of KPMG LLP as our independent registered public accounting firm for fiscal year 2019	FOR	Based on the Audit Committee's assessment of KPMG's qualifications and performance, it believes that their retention for fiscal year 2019 is in the best interests of the Company.	Page 35
3. Advisory approval of executive compensation	FOR	The Company's executive compensation programs demonstrate the continuing evolution of the Company's pay for performance philosophy.	Page 36

Company Management Profile
The following table provides summary information about each current director.

Name	Age	Director since	Independent	Other public boards	Committee memberships AC	CC	GC	Up for re-election at current Annual Meeting
Martha M. Hayes	67	1995	Yes	0		M	M	Yes
James G. Davis, Jr.	59	2002	Yes	0	M, F		C	Yes
Daniel T. Hendrix	63	2005	Yes	1	M, F			Yes
Carol B. Moerdyk	68	2005	Yes	1	M, F		M	Yes
Andrew B. Cogan	55	2009	Yes	2	C, F			Yes
Vance W. Tang	51	2009	Yes	1		C		Yes
S. Cary Dunston	53	2014	No	0				Yes
David M. Moon	56	2015	Yes	0		M		Yes

AC - Audit Committee C - Chair
CC - Compensation Committee M - Member
GC - Governance Committee F - Financial Expert

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Voting Rights, Procedures and Solicitation

Proxy Solicitation

This Proxy Statement, mailed to shareholders of American Woodmark Corporation (the "Company") on or about July 9, 2018, is furnished in connection with the solicitation of proxies by the Company's Board of Directors in the accompanying form for use at the 2018 Annual Meeting of Shareholders (the "Annual Meeting") to be held at The George Washington Hotel, 103 East Piccadilly Street, Winchester, Virginia, on Thursday, August 23, 2018, at 9:00 a.m., Eastern Daylight Time, and at any adjournments thereof. A copy of the annual report of the Company for the fiscal year ended April 30, 2018 is being mailed to you with this Proxy Statement.

In addition to the solicitation of proxies by mail, the Company's officers and other employees, without additional compensation, may solicit proxies by telephone and personal interview. The Company will bear the cost of all solicitation efforts. The Company also will request brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of the Company's common stock held as of the record date by those parties and will reimburse those parties for their expenses in forwarding soliciting material.

Record Date and Voting Rights

On June 22, 2018, the record date for determining the shareholders entitled to receive notice of and to vote at the Annual Meeting, there were 17,546,622 shares of common stock of the Company outstanding and entitled to vote. Each such share of common stock entitles the owner to one vote on each matter presented.

Revocability and Voting of Proxy

A form of proxy for use at the Annual Meeting and a return envelope for the proxy are enclosed. Any shareholder who provides a proxy may revoke such proxy at any time before it is voted. Proxies may be revoked by:

- filing with the Secretary of the Company written notice of revocation which bears a later date than the date of the proxy;
- duly executing and filing with the Secretary of the Company a later dated proxy relating to the same shares; or
- attending the Annual Meeting and voting in person.

Votes will be tabulated by one or more inspectors of election. A proxy, if properly executed and not revoked, will be voted as specified by the shareholder. If the shareholder does not specify his or her choice but returns a properly executed proxy card, the shares will be voted as follows:

- "FOR" the election of the eight nominees for director named herein;
- "FOR" the ratification of KPMG LLP as the independent registered public accounting firm of the Company for the fiscal year ended April 30, 2019 ("fiscal 2019");
- "FOR" the approval on an advisory basis of the compensation of the Company's named executive officers as disclosed in this Proxy Statement; and
- In the proxies' discretion on any other matters properly coming before the Annual Meeting or any adjournment thereof.

A majority of the total outstanding shares of common stock of the Company entitled to vote on matters to be considered at the Annual Meeting, represented in person or by proxy, constitutes a quorum. Once a share is represented for any purpose at the Annual Meeting, it is deemed to be present for quorum purposes for the remainder of the meeting. Abstentions and shares held of record by a broker or its nominee ("Broker Shares") that are voted on any matter are included in determining the number of votes present or represented at the Annual Meeting. However, Broker Shares that are not voted on any matter at the Annual Meeting will not be included in determining whether a quorum is present at the meeting.

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The Company’s bylaws require that, in uncontested elections, each director receive a majority of the votes cast with respect to that director (the number of shares voted “for” a director nominee must exceed the number of votes cast “against” that nominee). Actions on all other matters to come before the meeting will be approved if the votes cast “for” that action exceed the votes cast “against” it. Abstentions and Broker Shares that are not voted on a particular matter are not considered votes cast and, therefore, will have no effect on the outcome of the election of directors or any other matter.

Participants in the American Woodmark Corporation Retirement Savings Plan will receive a proxy packet from the Company’s transfer agent and registrar, Computershare Shareholder Services, enabling them to provide instructions for voting the shares of the Company’s common stock held in their plan accounts. The Newport Group, the plan’s administrator, will determine the number of shares beneficially owned by each participant and communicate that information to the transfer agent. Each participant’s voting instructions must be properly executed and returned in the envelope provided in order for the participant’s shares to be voted. If a participant does not return voting instructions, then the shares held in the participant’s account will be voted by the Trustee in the same manner as shares voted by other plan participants.

ITEM 1 – ELECTION OF DIRECTORS

The Board is currently comprised of eight members, each of whom have been recommended by the Governance Committee to the Board and nominated by the Board for election at the Annual Meeting to continue to serve on the Board. Unless otherwise specified, if returned and properly executed, the enclosed proxy will be voted for the eight persons named below to serve until the next Annual Meeting and until their successors are elected and duly qualified. Each of the nominees listed below was elected by shareholders at the last annual meeting for a term expiring at the Annual Meeting.

The Governance Committee is responsible for identifying and recommending to the Board nominees for election to the Board. In identifying potential nominees, the Governance Committee considers candidates recommended by shareholders, current members of the Board or management, as well as any other qualified candidates that may come to the Governance Committee’s attention. From time to time, the Governance Committee may engage an independent firm to assist in identifying potential director nominees. The Governance Committee evaluates all potential director nominees in the same manner regardless of the source of the recommendation. Any shareholder wishing to recommend a candidate for consideration by the Governance Committee should send a written statement addressed to the Company’s Secretary at the Company’s principal executive offices identifying the candidate and providing relevant qualifications and biographical information.

The Board believes that the Company’s directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the Company's shareholders. When searching for new directors, the Governance Committee considers a candidate’s managerial experience, as well as business judgment, background, integrity, ethics and conflicts of interest. The Governance Committee does not have a formal policy with respect to diversity; however, the Board and the Governance Committee believe it is essential that Board members represent diverse viewpoints. The Governance Committee considers issues such as diversity of professional experience, skills, viewpoints and education. In considering candidates for the Board, the Governance Committee considers the entirety of each candidate’s credentials in the context of these criteria. With respect to the nomination of continuing directors for re-election, the individual’s contributions to the Board are also considered.

Each nominee listed below has consented to serve as a director, and the Company anticipates all of the nominees named below will be able to serve, if elected. If at the time of the Annual Meeting any nominee is unable or unwilling to serve, then shares represented by properly executed proxies will be voted at the discretion of the persons named therein for such other person as the Board of Directors may designate.

If a nominated director does not receive a majority of the votes cast at the Annual Meeting, Virginia law and the Company's bylaws provide that such director would continue to serve on the Board as a “holdover director.” Under the bylaws, each incumbent director submits an advance, contingent, irrevocable offer of resignation that the Board may accept if the nominee does not receive a majority of the votes cast. In that situation, the Board’s

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Governance Committee would make a recommendation to the Board about whether to accept or reject the offer of resignation. The Board would act on the Governance Committee's recommendation within 90 days after the date that the election results were certified and would promptly publicly disclose its decision and, if applicable, the rationale for rejecting the offer of resignation.

Information Regarding Nominees

The names and ages of the Company's nominees, their business experience, and other information regarding each nominee are set forth below.

Name	Age	Business Experience During the Last Five Years and Directorship(s) in Public Companies	Director of Company Since
Martha M. Hayes	67	Retired from her role as Vice President Customer Development, Sara Lee Corporation (a public company and manufacturer and marketer of consumer products) in 2006. Ms. Hayes's experience with marketing, business development and customer relationships during her 30-year career in the consumer products industry provides the Board with an important perspective on customer issues and opportunities.	1995
James G. Davis, Jr.	59	Company Lead Independent Director since 2018; President and Chief Executive Officer, James G. Davis Construction Corporation (a private commercial general contractor) from 1979 to present; Director, Provident Bankshares Corporation (a public company and financial institution) from October 2006 to July 2009. Mr. Davis's career in the construction industry has been highlighted with leadership roles in operations. Mr. Davis's experience as a chief executive officer of a construction company provides the Board with an important perspective.	2002
Daniel T. Hendrix	63	Chairman of Interface, Inc. (a public company and manufacturer of modular flooring products) from October 2011 to present; President and Chief Executive Officer, from July 2001 to March 2017; Director, Interface, Inc. from 1996 to present. Mr. Hendrix's 34-year career in the building products industry has been highlighted with leadership roles in finance and operations. Mr. Hendrix's experience as a chief executive officer of a publicly traded company in the building products industry provides the Board with an important perspective.	2005
Carol B. Moerdyk	68	Retired; Senior Vice President, International, OfficeMax Incorporated (a public company and office products retailer) from August 2004 to September 2007; Director, Libbey, Inc. (a public company and manufacturer of tableware) from 1998 to present. Ms. Moerdyk's 30-year career in industry has been highlighted with leadership roles in finance and operations. Ms. Moerdyk's experience as a financial executive enables her to provide the Board with a valuable perspective.	2005
Andrew B. Cogan	55	President and Chief Executive Officer, Knoll, Inc. (a public company and manufacturer of furnishings, textiles and fine leathers) from May 2016 to present; Chief Executive Officer, Knoll, Inc. from April 2001 to May 2016; Director, Knoll, Inc. from 1996 to present. Director, Interface, Inc. from 2013 to present. Mr. Cogan's 25-year career in the manufacturing industry has been highlighted with leadership roles in design and marketing. Mr. Cogan's experience as a chief executive officer of a publicly traded company provides the Board with a valuable perspective.	2009

Name	Age	Business Experience During the Last Five Years and Directorship(s) in Public Companies	Director of Company Since
Vance W. Tang	51	Retired; President and Chief Executive Officer of the U.S. subsidiary of KONE Corporation (a Finnish public company and a leading global provider of elevators and escalators) and Executive Vice President of KONE Corporation from 2007 to 2012; Director, Comfort Systems USA (a publicly traded provider of commercial and industrial heating, ventilation and air conditioning and building automation services) from December 2012 to present. Since 2012, Mr. Tang has served as President of VanTegrity Consulting providing leadership and strategy consulting to a range of clients. Mr. Tang’s 28-year career in industry has been highlighted with leadership roles in operations. Mr. Tang’s former experience as a chief executive officer in the construction industry provides the Board with a valuable perspective.	2009
S. Cary Dunston	53	Company Chairman from August 2017 to present; Company Chief Executive Officer and President from August 2015 to present; Company President and Chief Operating Officer from August 2014 to August 2015; Company Executive Vice President and Chief Operating Officer from August 2013 to August 2014; Company Executive Vice President, Operations from September 2012 to August 2013; Company Senior Vice President, Manufacturing and Supply Chain Services from October 2006 to September 2012. Director, Pella Corporation (a manufacturer of windows and doors) from February 2018 to present. Mr. Dunston’s 20-year career in the manufacturing industry has been highlighted with leadership roles in operations. Mr. Dunston’s role as the Company’s Chief Executive Officer will provide the Board with intimate knowledge of the Company’s operational performance.	2014
David W. Moon	56	Former Executive Vice President and President and Chief Operating Officer of Lennox International, Inc.'s (a public company and leading global provider of climate control solutions and manufacturer of products for the heating, ventilation, air conditioning and refrigeration markets) Worldwide Refrigeration Segment since August 2006. Mr. Moon's career has been highlighted with leadership roles in operations. Mr. Moon's operations experience with a publicly traded manufacturing company provides the Board with a valuable perspective.	2015

CORPORATE GOVERNANCE

Codes of Business Conduct and Ethics

Code of Business Conduct and Ethics

The Board of Directors has adopted a Code of Business Conduct and Ethics applicable to all directors, officers and employees of the Company. This code sets forth important Company policies and procedures in conducting the Company’s business in a legal, ethical and responsible manner. The Code of Business Conduct and Ethics encompasses policies addressing employee conduct, conflicts of interest, insider trading and the protection of confidential information, and requires all employees to respect and obey all applicable laws and regulations when conducting the Company’s business.

Code of Ethics for the Chief Executive Officer and Senior Financial Officers

The Board has also adopted an additional Code of Ethics for the Chief Executive Officer and all Senior Financial Officers, including the Chief Financial Officer, Treasurer and Controller of the Company. This code sets forth Company policies and procedures for ensuring that disclosures in the Company’s financial reports and documents that the Company files or furnishes to the Securities and Exchange Commission (“SEC”) and in other public communications are full, fair, accurate, timely and understandable. Additionally, the Chief Executive Officer and Senior Financial Officers are required to report to the Audit Committee any material information that affects financial disclosures, significant deficiencies concerning internal controls, fraud, violations of the Company's Code of Business Conduct and Ethics and Code of Ethics for the Chief Executive Officer and Senior Financial Officers, and violations of securities or other laws or rules and regulations applicable to the operation of the business.

Both of these codes can be found on the Corporate Governance page of the Company's web site at http://investors.americanwoodmark.com/governance. Any amendments to, or waivers from, any code provisions that apply to the Company's directors or executive officers, including the Company's Chief Executive Officer and Chief Financial Officer, as well as the Company's Controller and Treasurer, will be promptly posted on the Corporate Governance page of the Company's web site. No amendments or waivers were requested or granted during the fiscal year ended April 30, 2018.

Board Structure

The Company's Board currently consists of eight directors, all of whom are subject to annual shareholder elections to one-year terms of service. Each of the Company's independent directors sits on at least one of the three Board committees, which include the Audit Committee, the Compensation Committee and the Governance Committee.

Mr. Dunston currently serves as both the Company's Chairman and its Chief Executive Officer. The Board believes that there are a number of important advantages to having the positions of Chairman and Chief Executive Officer held by the same person. The Chief Executive Officer has historically been the director most familiar with the Company's business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. Independent directors and management have different perspectives and roles in strategy development. The Company's independent directors bring experience, oversight and expertise from outside the Company and its industry, while the Chief Executive Officer has historically brought Company-specific experience and expertise. The Board believes that its current leadership structure also enhances its ability to engage in effective risk oversight because Mr. Dunston's insight and understanding of the material risks inherent in the Company's business allows him to identify and raise key risks to the Board and his role as Chairman will ensure that the Board and its committees give attention to areas of concern. From time to time, during managed transitions of leadership of the Company, there may be a period where the positions of Chairman and Chief Executive Officer are held by different people.

Beginning in fiscal 2018, the Board, upon the recommendation of the Governance Committee, has determined that it is in the best interests of the Company and its shareholders to designate an independent lead director. Per the Governance Committee Charter, the lead director shall be the Chair of the Governance Committee unless otherwise determined by the Board. Mr. Davis, the current Chair of the Governance Committee, currently serves as the lead independent director. The Board believes having an independent lead director, among other things, allows Mr. Dunston to focus on the Company's strategy, business and operations, while preserving the benefits of having a single focal point for Company leadership in his current combined role of Chairman and Chief Executive Officer. The lead director's duties include presiding over executive sessions of the Company's independent directors, facilitating information flow and communication among the directors, serving as a point of contact between the independent directors and the Chairman and Chief Executive Officer and performing other duties as requested by the Board. The Independent Lead Director Charter can be found on the Corporate Governance page of the Company's web site at http://investors.americanwoodmark.com/governance.

The Company's independent directors meet in regularly scheduled executive sessions at each of the Company's Board meetings, without management present. During fiscal year 2018, the independent directors met six times to discuss certain Board policies, processes and practices, the performance and compensation of the Company's Chief Executive Officer, management succession and other matters relating to the Company and the functioning of the Board.

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Risk Management Oversight

The Board, both directly and through its committees, has an active role in overseeing management of the Company's risks. The entire Board regularly reviews information concerning the Company's operations, liquidity and competitive position and personnel, as well as the risks associated with each. The Company's Compensation Committee is responsible for overseeing the Company's management of risks relating to the Company's executive and long-term compensation plans and risks related to employee compensation in general. The Audit Committee oversees the Company's management of risks pertaining to internal controls, adherence to generally accepted accounting principles and financial reporting. The Governance Committee oversees the Company's management of risks pertaining to potential conflicts of interest and independence of board members. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports about such risks.

Director Independence

The Board of Directors of the Company is composed of a majority of directors who are independent directors as defined under the NASDAQ Marketplace Rules. The Board's Audit and Compensation Committee members also meet additional independence requirements pursuant to the NASDAQ Marketplace Rules and SEC rules.

To be independent under the NASDAQ Marketplace Rules, the Board must determine that a director has no relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ Marketplace Rules specify certain persons who cannot be considered independent. The Board reviews the independence of all directors at least annually.

Based upon this review, the Board affirmatively determined that seven of its eight current directors are independent as defined by the NASDAQ Marketplace Rules. The independent directors are: Mr. Cogan, Mr. Davis, Ms. Hayes, Mr. Hendrix, Ms. Moerdyk, Mr. Moon and Mr. Tang, each of whom is standing for re-election at the Annual Meeting. In addition, all of the members of the Audit Committee, the Compensation Committee, and the Governance Committee are independent. The members of the Audit and Compensation Committees also meet the additional independence requirements applicable to them under the NASDAQ Marketplace Rules and SEC rules.

Communicating Concerns to the Board of Directors

The Audit Committee and the independent non-management directors have established procedures to enable any shareholder or employee who has a concern about the Company's conduct or policies, or any employee who has a concern about the Company's accounting, internal accounting controls or auditing matters, to communicate that concern directly to the Board, to the independent directors, or to the Audit Committee. Such communications may be confidential or anonymous. Such communications may be submitted in writing by sending a letter to:

Audit Committee
c/o Director, Internal Audit
American Woodmark Corporation
P.O. Box 2252
Winchester, Virginia 22604

The Company's Director, Internal Audit reviews all such written correspondence and forwards to the Audit Committee a summary of all correspondence received. The Audit Committee will review this information and determine a course of action as appropriate based on the information received.

The Audit Committee reviews and regularly provides the Board of Directors with a summary of all communications received from shareholders and employees and the actions taken or recommended to be taken if an action requires approval of the full Board as a result of such communications. Directors may, at any time, review a log of all correspondence received by the Company which is addressed to the Board, members of the Board or the Audit Committee and may request copies of any such correspondence.

Board of Directors and Committees

The Company's Board of Directors presently consists of eight directors. The Board held six meetings during the fiscal year ended April 30, 2018. All of the directors attended at least 75% of the total number of Board meetings and meetings of all committees of the Board held during periods when they were members of the Board or such committees. The Board of Directors believes that attendance at the Company's annual meeting demonstrates a commitment to the Company, responsibility and accountability to shareholders, and support of management and employees. Therefore, it is a policy of the Board that all members attend the annual meeting of shareholders. All members of the Board attended last year's annual meeting.

The Company's bylaws specifically allow for the Board to create one or more committees and to appoint members of the Board to serve on them. Under such authority, the Board created the Audit Committee, the Compensation Committee and the Governance Committee and annually appoints individuals from among its independent members to serve on these three committees. Each committee operates under a written charter adopted by the Board, as amended from time to time. On an annual basis, each committee reviews and reassesses the adequacy of its committee charter. The Audit Committee is scheduled to meet at least quarterly and the Compensation and Governance Committees meet as required, typically two to three times per year. The committees may hold special meetings as necessary. These committees report regularly to the full Board of Directors with respect to their fulfillment of the responsibilities and duties outlined in their respective charters. These charters can be found on the Corporate Governance page of the Company's web site at http://investors.americanwoodmark.com/governance.

Audit Committee

The Audit Committee consists of Mr. Cogan, who chairs the Committee, Mr. Davis, Ms. Moerdyk and Mr. Hendrix. All members have been determined by the Board of Directors to be "independent" as defined under the NASDAQ Marketplace Rules and SEC rules. The Board of Directors has determined that all of the current members of the Audit Committee are "audit committee financial experts" as defined under SEC rules.

Purpose and Duties. The Audit Committee provides oversight for the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independence and qualifications of the Company's independent registered public accounting firm, the performance of the internal audit function and independent registered public accounting firm, and the adequacy and competency of the Company's finance and accounting staff.

The Audit Committee's duties include but are not limited to: (1) selecting and overseeing the performance of the Company's independent registered public accounting firm, (2) reviewing the scope of the audits to be conducted by them, as well as the results of their audits, (3) overseeing the Company's financial reporting activities, including the Company's financial statements included in the Company's Annual Report on Form 10-K, and the accounting standards and principles that are followed, (4) approving audit and non-audit services provided to the Company by the Company's independent registered public accounting firm, (5) reviewing the organization and scope of the Company's internal audit function and internal controls, (6) reviewing and approving or ratifying transactions with related persons required to be disclosed under SEC rules, and (7) conducting other reviews relating to compliance by employees with Company policies and applicable laws.

The Audit Committee met seven times during fiscal year 2018. The Audit Committee is governed by a written charter approved by the Board of Directors, which can be viewed on the Corporate Governance page of the Company's web site at http://investors.americanwoodmark.com/governance. The Report of the Audit Committee is found beginning on page 34.

Compensation Committee

The Compensation Committee is composed of Mr. Tang, who chairs the Committee, Ms. Hayes and Mr. Moon. All members have been determined by the Board of Directors to be “independent” as defined under the NASDAQ Marketplace Rules and SEC rules.

Purpose and Duties. The Compensation Committee is primarily concerned with designing and managing competitive compensation programs to facilitate the attraction and retention of talented senior executives and directors. The activities of the Compensation Committee include reviewing, evaluating, and approving senior executive compensation plans and evaluating and recommending director compensation plans for approval by the Board. The Compensation Committee also provides oversight for all of the Company’s employee benefit plans. The Compensation Committee delegates certain aspects of implementation and day-to-day management of compensation administration to officers of the Company.

The Compensation Committee’s duties include but are not limited to: (1) reviewing, evaluating, and approving corporate goals and objectives relevant to the Chief Executive Officer’s and other senior executive officers’ compensation, (2) evaluating the Chief Executive Officer’s and other senior executive officers’ performance in light of those goals and objectives, (3) determining and approving the Chief Executive Officer’s and other senior executive officers’ compensation levels based on this evaluation, and (4) overseeing the compensation and benefit plans, policies, and programs of the Company.

The Compensation Committee determines the Chief Executive Officer’s compensation after reviewing his performance with the independent directors of the Board and without members of management being present, and shares this information with the full Board. The Compensation Committee determines the compensation of the other senior executives after considering a recommendation from the Chief Executive Officer. The Compensation Committee does not delegate its authority with regard to executive compensation decisions.

The Compensation Committee administers and approves awards under the Company's 2016 Employee Stock Incentive Plan and the Company’s 2015 Non-Employee Directors Restricted Stock Unit Plan.

The Compensation Committee met three times during fiscal year 2018. The Compensation Committee’s charter can be viewed on the Corporate Governance page of the Company’s web site at http://investors.americanwoodmark.com/governance. Additional information on the Company’s philosophy and policies pertaining to executive compensation are addressed in the Compensation Discussion and Analysis beginning on page 11. The Report of the Compensation Committee can be found beginning on page 30.

Governance Committee

The Governance Committee is composed of Mr. Davis, who chairs the Committee, Ms. Moerdyk and Ms. Hayes. All members have been determined by the Board of Directors to be “independent” as defined under the NASDAQ Marketplace Rules.

Purpose and Duties. The Governance Committee is responsible for identifying and recommending to the Board director nominees for the Board, recommending directors for appointment to committees and chairs, and ensuring that the size, composition, and practices of the Board best serve the Company and its shareholders. From time to time, the Committee may engage an independent firm to assist in identifying potential candidates.

In evaluating candidates for nomination to serve on the Board, the Governance Committee will assess the candidate’s character and professional ethics, judgment, business experience, independence, understanding of the Company’s or other related industries, and other factors deemed pertinent in light of the current needs of the Board. Each candidate will be recommended without regard to gender, race, age, religion or national origin. Specific qualities and skills established by the Committee for candidates, which are included in the Governance Committee charter, include:

- each candidate must be an individual that has consistently demonstrated the highest character and integrity;
- each candidate must have demonstrated professional and managerial proficiency, an openness to new and unfamiliar experiences and the ability to work in a team environment;
- each candidate must be free of any conflicts of interest which would violate applicable law or regulation or interfere with the proper performance of the responsibilities of a director;
- each candidate should possess substantial and significant experience which would be of particular relevance to the Company and its shareholders in the performance of the duties of a director; and
- each candidate must demonstrate commitment to the responsibilities of being a director, including the investment of the time, energy and focus required to carry out the duties of a director.

The Governance Committee's responsibilities also include, but are not limited to: (1) regularly assessing the effectiveness of the Board; (2) annually reviewing the performance of each director; (3) determining whether any director conflicts of interest exist; (4) reviewing any director related party transactions; and (5) periodically reviewing the Company's corporate governance policies. The Governance Committee met four times during fiscal year 2018. The Governance Committee's charter can be viewed on the Corporate Governance page of the Company's web site at http://investors.americanwoodmark.com/governance.

Procedures for Shareholder Nominations of Directors

A shareholder of record may nominate a person or persons for election as a director at the 2019 Annual Meeting if any such nomination is submitted in writing to the Secretary of the Company in accordance with the Company's bylaws and is received in the Company's principal executive offices on or before April 25, 2019. The nomination must include the name and address of the director nominee and a description of the director nominee's qualifications for serving as a director and the following information:

- the name and address of the shareholder making the nomination;
- a representation that the shareholder is a record holder of the Company's common stock entitled to vote at the meeting and, if necessary, would appear in person or by proxy at the meeting to nominate the person or persons specified in the nomination;
- a description of all arrangements or understandings between the shareholder and the nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder;
- such other information regarding the nominee as would be required to be included in a proxy statement filed under the proxy rules of the SEC if the director nominee were to be nominated by the Board of Directors;
- information regarding the nominee's independence as defined by applicable NASDAQ listing standards; and
- the consent of the nominee to serve as a director of the Company if elected.

The Governance Committee may subsequently request additional information regarding the director nominee or the shareholder making the nomination. The Chair of the Governance Committee may refuse to acknowledge the nomination of any person not made in compliance with these procedures.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Company's Compensation Program Goal

The goal of the Company's compensation program, as administered by the Compensation Committee, is to facilitate the creation of long-term value for its shareholders by attracting, motivating and retaining qualified senior

management. To this end, the Company has designed and administered the Company's compensation program to appropriately reward its executives for sustained financial and operating performance, to align their interests with those of the Company's shareholders, and to encourage them to remain with the Company for long and productive careers. To achieve alignment with shareholder interests, the Company's compensation program provides significant, but appropriate, rewards for outstanding performance, as well as clear financial consequences for underperformance. The majority of the Company's senior executives' compensation is "at risk" in the form of annual and long-term incentive awards that are paid, if at all, based upon Company performance. While a significant portion of compensation may fluctuate with annual results, the total program is structured to emphasize long-term performance and sustained growth in shareholder value.

Key Considerations in Setting Pay

The following is a summary of the key considerations affecting the determination of compensation by the Compensation Committee for the Company's named executive officers. The Company's named executive officers ("NEOs") for fiscal year 2018 were:

- Mr. S. Cary Dunston, Chairman and Chief Executive Officer;
- Mr. M. Scott Culbreth, Senior Vice President and Chief Financial Officer;
- Mr. R. Perry Campbell, Senior Vice President Sales and Marketing; and
- Mr. Robert J. Adams, Jr., Senior Vice President Value Stream Operations.

Performance-based Compensation. Every employee in the Company has an opportunity to earn an annual bonus, most of which is based upon the Company's attainment of goals related to its operating profitability and other operational performance goals. The majority of the targeted total compensation for the Company's NEOs is performance-based to achieve alignment with shareholder interests. Bonuses are only payable to named executive officers if the Company earns an operating profit in excess of specified threshold levels during its fiscal year. The Company strives to establish challenging Company-wide targets that are appropriate given the expected level of performance given current and anticipated market conditions.

Balance of Future Pay Opportunity versus Current Pay Opportunity. The Compensation Committee strives to provide an optimal balance between current and long-term compensation and cash versus equity compensation for the Company's executive officers. Current compensation is paid in cash in the form of a base salary and an annual bonus, primarily as a reward for recent performance, while long-term compensation is equity-based, to encourage the Company's executive officers to deliver excellent results over a longer period of time and to serve as a retention tool. The Compensation Committee has targeted the mix of performance-based compensation for the Company's senior executive officers to be an equal amount of current year bonus and long-term compensation.

Providing shareholders with an appropriate level of return on their investment is an important objective of the Company, the Board and the Compensation Committee. As a result, performance that rewards the Company's shareholders factors prominently in the Compensation Committee's decisions about the type and amount of long-term compensation paid to the Company's executive officers.

Discretionary Nature of Compensation Programs. The Compensation Committee does not use fixed formulas in determining the amount and mix of compensation to be paid to the Company's executives. The Compensation Committee believes that using only quantitative performance measures would not create the appropriate balance of incentives to build long-term shareholder value. The Compensation Committee uses a broad range of quantitative and qualitative factors to determine compensation. Quantitative factors are determined annually based upon the Company's overall goals and objectives. In general, qualitative factors include the executives' ability to build the organization and to lead the Company's attainment of its "CITE" principles of customer satisfaction, integrity, teamwork and excellence. Additional qualitative factors considered by the Compensation Committee include the executives' contribution to achieving the Company's overall vision, the evaluation of the executives' performance against their stated objectives, their experience, skill sets and the breadth and scope of their responsibilities.

Significance of Company Results. The Compensation Committee believes that the named executive officers' contributions to the Company's overall performance are more important than their individual performance. Accordingly, all of the annual bonus opportunity for Messrs. Dunston, Culbreth, Campbell and Adams is dependent upon the Company's performance in relation to its operating profitability goals.

Consideration of Compensation Risk. The Company's compensation programs are discretionary, balanced and focused on the long-term. Under this structure, the highest amount of compensation can be achieved through consistent superior performance over sustained periods of time. This provides strong incentives to manage the Company for the long term, while avoiding excessive risk in the short term. The elements of the Company's variable compensation program are balanced among current cash payments and longer-term equity awards. The Company uses a mix of quantitative and qualitative performance measures to assess achievement for its performance-based restricted stock unit awards to avoid placing excessive weight on a single performance measure. The Company has also adopted stock ownership guidelines under which its named executive officers are expected to hold a significant amount of Company stock on an ongoing basis, which the Compensation Committee believes helps mitigate compensation-related risk by focusing the officers' attention and efforts on the long-term stock performance of the Company.

Use of Compensation Consultants and Peer Group Data. The Company, at the direction of the Compensation Committee, retains an independent compensation consultant every three to four years to assist the Compensation Committee by collecting compensation data regarding peer group companies, which is used by the Compensation Committee in reviewing and establishing executive compensation guidelines. The Compensation Committee considers this data, among other factors, when it determines the components and amounts of total compensation that are appropriate for the Company's named executive officers. In 2015, the Company retained Pearl Meyer & Partners ("Pearl Meyer") to evaluate the competitiveness of the Company's executive compensation program, the alignment of executive compensation and Company performance and update the Company's Competitive Peer Group for use in the evaluation of the Company's compensation practices. In the summer of 2016, the Company asked Pearl Meyer to update the Company's Competitive Peer Group to reflect the Company's increase in net sales and market capitalization and perform a market study of base compensation versus the market, which was used to establish base pay ranges for our NEOs. Pearl Meyer performs no other services for the Company other than those described in this section. The Compensation Committee has examined Pearl Meyer's relationship with the Compensation Committee members, the Company and the Company's management and has determined that Pearl Meyer's work has not raised any conflict of interest.

The Company's Competitive Peer Group was most recently updated in 2016 at the recommendation of Pearl Meyer and consists primarily of similar-sized companies in the furniture and building products industries that may compete with the Company for executive talent and which investors may consider as investment alternatives to the Company. The Company's Competitive Peer Group includes: Ethan Allen Interiors Inc., Gibraltar Industries, Inc., La-Z-Boy Incorporated, Patrick Industries, Inc., Select Comfort Corporation, Simpson Manufacturing Co., Inc., Herman Miller, Inc., Masonite International Corporation, Ply Gem Holdings, Inc., and Libbey Inc.

Results of 2017 Say on Pay Vote. At the Company's Annual Meeting of Shareholders held on August 24, 2017, 98.4% of votes cast by its shareholders (excluding abstentions and broker non-votes) approved on an advisory basis the Company's executive compensation program as disclosed in its 2017 proxy statement. The Compensation Committee considered the results of the 2017 say-on-pay vote in formulating the Company's executive compensation program for fiscal year 2018 and, partially in light of the overwhelming support that the 2017 say-on-pay proposal received, did not make any specific changes to the fiscal year 2018 executive compensation program in response to the vote.

Stock Ownership Guidelines. The Company has adopted guidelines for stock ownership by its named executive officers. The Company determines the amount of Company stock its named executive officers holds by including all shares of stock owned outright by the individual as well as earned but unvested restricted stock units ("RSUs"), but not unexercised stock options, so that a minimum ownership of Company stock is achieved. For Mr. Dunston, the stock ownership guideline is equivalent to three times his base salary, and for Messrs. Culbreth, Campbell and Adams, the stock ownership guideline is equivalent to their respective base salaries. As of April 30, 2018, all NEOs meet the ownership guideline established by the Company.

Elements of Compensation

The compensation program for executive officers for fiscal year 2018 consisted of the following elements:

Elements available to substantially all salaried employees:
- base salary;
- annual performance-based cash bonus;
- annual employee profit sharing; and
- retirement and health and welfare benefits.

Elements available to the Company's NEOs, key managers and selected employees:
- long-term incentive awards in the form of restricted stock units.

Elements available only to NEOs:
- other benefits, which includes the ability to purchase products at a discounted price, and a medical exam from a nationally recognized medical clinic.

These compensation elements are described below:

Base Salary. Base salary is intended to compensate the Company's executives for:
- the scope of their responsibilities;
- the complexity of the tasks associated with their position within the Company;
- their skill set; and
- their performance.

Base salaries for all executives have been competitively established based on salaries paid for like positions in comparably-sized companies in similar industries. When setting annual base salaries for the executives, the Compensation Committee targets approximately the 45th percentile of annual base salaries for similar positions in comparably sized companies. The companies used for comparison of base salaries may include additional companies from those used in the Company's Competitive Peer Group where other competitive factors or local market conditions warrant. These salaries are obtained by management periodically and reviewed by the Compensation Committee to assure continued competitiveness and are adjusted when necessary.

While the other named executive officers received a salary increase ranging from approximately 5-10% during fiscal year 2018, Mr. Dunston's base salary for fiscal year 2018 was increased by approximately 16%, from $605,000 to $700,000, in recognition of his promotion to Chairman, President and Chief Executive Officer and his expanded responsibilities in that new role. Mr. Culbreth's base salary for fiscal year 2018 was increased by approximately 19%, from $335,500 to $400,000, to align more closely with the average base salary level for the CFO position in comparably sized companies.

Annual Cash Bonus. Annual cash bonus incentive awards are provided as an incentive to executives to achieve the Company's annual financial goals, and reflect the Compensation Committee's belief that a significant portion of the annual compensation of senior executives and other key employees should be contingent upon the financial performance of the Company. Annual bonus levels are established as a percentage of base salary. Jobs with greater spans of control and impact upon the Company's results have higher bonus percentages. For fiscal year 2018, Mr. Dunston was eligible for a maximum potential bonus opportunity equal to 150% of his base salary; and Messrs. Culbreth, Campbell and Adams were eligible for a maximum potential bonus opportunity equal to 100% of their respective base salaries.

The annual bonus for our named executive officers is tied solely to the Company's performance for the fiscal year. For fiscal year 2018, operating income was utilized to measure Company performance for nearly every employee in the Company, including our named executive officers, due to its ease of understanding as a simple, consistent and important indicator of the Company's annual performance.

Company Goals. On an annual basis, the Compensation Committee establishes bonus goals for Company performance based upon a variety of factors including progress achieved towards critical elements of the Company's long-term strategy, prior year performance, and the external economic environment. As a result, Company-wide performance targets vary from fiscal year to fiscal year. The annual performance goals for each of the fiscal years listed below represented the expected range across the following three levels of performance:

- "Threshold" representing the minimum level of achievement in order to qualify for payment;
- "Target" representing performance consistent with demanding expectations to qualify for a payout of 60% of the maximum; and
- "Superior" representing outstanding performance against demanding expectations to achieve 100% of the maximum.

Company performance falling between each performance level results in an interpolated percentage payout based upon a predetermined scale. No annual bonuses are paid if the Company's performance is below the predetermined operating profitability threshold.

Company performance targets are set sufficiently high to require excellent performance. In the last ten years, the Company has achieved superior performance one time, and achieved target performance three times. Annual performance goals for Company performance at the threshold, target and superior performance levels for fiscal year 2018, as well as the actual operating income achieved, are presented in the table below.

(dollar amounts in millions)	Operating Income			
	Goals			Actual*
Fiscal Year	Threshold	Target	Superior	
2018	$111.2	$127.4	$140.4	$110.1

* Operating Income has been adjusted by unbudgeted corporate business development expenses of $11.4 million. Operating Income determined in accordance with GAAP was $98.7 million for the Company and excludes $9.0 million for RSI Home Products, Inc. ("RSI").

The Company's actual performance for fiscal year 2018 fell short of the threshold operating income goal. This performance resulted in a Company performance percentage based upon the predetermined bonus scale of 0% of the maximum. Accordingly, Mr. Dunston earned an annual bonus of 0% (0% of 150%) of his year-end base salary, and Messrs. Culbreth, Campbell, and Adams each earned an annual bonus of 0% (0% of 100%) of their respective year-end base salaries.

Long-Term Incentive Awards. The Compensation Committee has established long-term incentive awards for the Company's executives and key managers with the objective of advancing the longer-term interests of the Company and its shareholders by directly aligning executive compensation with increases in the Company's stock price. These awards complement cash incentives tied to annual performance by providing incentives for executives to increase shareholder value over time. The Company's long-term incentive compensation program utilizes RSUs. RSUs are intended to focus the attention of executives on the achievement of the Company's long-term performance objectives, to align executive management's interests with those of shareholders, and to facilitate executives' accumulation of sustained ownership of Company stock.

In line with recommendations from Pearl Meyer, the Company's named executive officers are targeted to receive long-term incentive awards valued at approximately 150% of base salary for Mr. Dunston and 100% for Messrs. Culbreth, Campbell and Adams. All long-term incentive awards were approved by the Compensation Committee.

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Restricted Stock Units. During fiscal year 2018, Mr. Dunston was awarded 10,710 RSUs, Mr. Culbreth was awarded 3,960 RSUs, Mr. Campbell was awarded 3,710 RSUs, and Mr. Adams was awarded 3,210 RSUs. These RSUs vest upon the satisfaction of certain performance, service and cultural conditions. 35% of each award vests based on the executive's continued employment through the third anniversary of the grant date, 20% of each award vests based on the executive's continued employment through the third anniversary of the grant date and the achievement of certain cultural goals for the period ending with the Company's 2020 fiscal year, and the remaining 45% of each award vests based on the executive's continued employment through the third anniversary of the grant date and the achievement of certain annual performance goals for the Company's 2018, 2019 and 2020 fiscal years. Subject to satisfying the associated vesting conditions, each RSU represents the right to receive one share of the Company's common stock. The Compensation Committee believes that the RSU grants provide a form of long-term compensation that aids retention, encourages long-term value creation and aligns financial interests with the Company's shareholders, while entailing a lower number of Company shares to be issued to employees than stock options and therefore entailing less dilution.

In order to receive the shares of Company stock corresponding to the RSU award, the award recipients must remain continuously employed with the Company through the three-year anniversary date of the RSU grant. Each award is subject to accelerated vesting in certain circumstances, including the executive's retirement, death, disability or qualifying termination in connection with a change in control.

The Company-wide performance criteria upon which the performance-based component of the RSU awards are based are established annually by the Compensation Committee. The Compensation Committee determined the Company-wide performance criteria for fiscal year 2018 when it granted the awards in June 2017 and will determine the Company-wide performance criteria for fiscal years 2019 and 2020 within 90 days after the start of each year based on the Company's annual operating plan for each year. The Company-wide performance criteria which the Compensation Committee established in June 2017 applies to the fiscal 2018 tranche of the performance-based RSU awards granted to the NEOs in fiscal 2017 as well. The Compensation Committee used two performance measures for fiscal year 2018, earnings per share (50% weighting) and return on equity (50% weighting), and established threshold, target and superior performance goals for each measure. 60% of each annual tranche of the fiscal 2018 and fiscal 2017 performance-based RSUs is earned for performance at the target level, the maximum 100% is earned for performance at or above the superior level, and 0% is earned for performance at or below the threshold goal. Specific performance goals for the fiscal year 2018 tranche of the fiscal 2018 and fiscal 2017 performance-based RSUs and the Company's performance against these goals were as follows:

	Goals			Actual
	Threshold	Target	Superior	Performance*
Performance Measure				
Earnings per share	$4.48	$5.18	$5.64	$ 4.74
Return on equity	19.3 %	22.5 %	24.7 %	20.8 %

* Net Income has been adjusted by unbudgeted corporate business development expenses, additional interest income and additional interest expense incurred as a result of increased debt. Weighted average shares outstanding and shareholders' equity were adjusted for shares issued in conjunction with the acquisition of RSI and assumed shares that would have been repurchased if the acquisition did not take place. Earnings per share determined in accordance with GAAP was $3.77. Return on equity determined in accordance with GAAP was 13.5%.

The Compensation Committee assessed the Company's overall achievement of the performance goals for fiscal year 2018 at the threshold level, meaning 25.5% of the fiscal year 2018 tranche of the performance-based RSUs will be eligible to vest subject to each NEO's continued employment through such date.

Cultural-based RSUs may be earned based upon a total of four cultural achievement goals (weighted 20% in total), including (i) employee retention, (ii) compliance with training goals, (iii) succession planning, and (iv) cultural development.

Fiscal 2018 RSUs

Based on achievement of the fiscal year 2018 performance goals at 25.5%, if the fiscal year 2019 and 2020 performance-based RSUs and the cultural-based RSUs are each earned at their target (60%) levels, and if Messrs. Dunston, Culbreth, Campbell and Adams remain continuously employed by the Company through June 2020, they will be eligible to vest in and receive 69% of their total fiscal 2018 RSU award, as calculated below:

	Performance Attainment	Weighting Factor	Weighted Performance
FY18 Performance-Based Goals (Actual)	25.5%	X15%	=3.8%
FY19 Performance-Based Goals (Target)	60%	X15%	=9.0%
FY20 Performance-Based Goals (Target)	60%	X15%	9.0%
Potential Earned and Vested Performance-Based RSUs			21.8%
Potential Earned and Vested Cultural-Based RSUs (Target)	60%	X20%	12.0%
Potential Vested Service-Based RSUs	N/A		35.0%
Total Potential Vested Portion of RSU Awards			68.8%

69% vesting would result in Messrs. Dunston, Culbreth, Campbell and Adams receiving 7,371, 2,725, 2,553 and 2,209 shares, respectively, with respect to their fiscal 2018 RSU awards. If the fiscal year 2019 and 2020 tranches of the fiscal 2018 performance-based RSUs and the fiscal 2018 cultural-based RSUs were to be earned at their maximum (100%) levels, then the NEOs would be eligible to vest in and receive up to 89% of their fiscal 2018 RSU awards, subject to their continued employment through June 2020, or 9,513, 3,517, 3,295 and 2,851 shares for Messrs. Dunston, Culbreth, Campbell and Adams, respectively.

Fiscal 2017 RSUs

Based on achievement of the fiscal year 2017 performance goals at the maximum (100%) level and achievement of the fiscal year 2018 performance goals at 25.5%, if the fiscal year 2019 performance-based RSUs and the cultural-based RSUs are each earned at their target (60%) levels, and if Messrs. Dunston, Culbreth, Campbell and Adams remain continuously employed by the Company through June 2019, they will be eligible to vest in and receive 75% of their total fiscal 2017 RSU award, as calculated below:

	Performance Attainment	Weighting Factor	Weighted Performance
FY17 Performance-Based Goals (Actual)	100%	X 15%	= 15%
FY18 Performance-Based Goals (Actual)	25.5%	X 15%	= 3.8%
FY19 Performance-Based Goals (Target)	60%	X 15%	9%
Potential Earned and Vested Performance-Based RSUs			27.8%
Potential Earned and Vested Cultural-Based RSUs (Target)	60%	X 20%	12.0%
Potential Vested Service-Based RSUs	N/A		35.0%
Total Potential Vested Portion of RSU Awards			74.8%

75% vesting would result in Messrs. Dunston, Culbreth, Campbell and Adams receiving 8,837, 3,098, 3,270 and 2,724 shares, respectively, with respect to their fiscal 2017 RSU awards. If the fiscal year 2019 tranche of the fiscal 2017 performance-based RSUs and the fiscal 2017 cultural-based RSUs were to be earned at their maximum (100%) levels, then the NEOs would be eligible to vest in and receive up to 89% of their fiscal 2017 RSU awards, subject to their continued employment through June 2019, or 10,490, 3,677, 3,882 and 3,233 shares for Messrs. Dunston, Culbreth, Campbell and Adams, respectively.

Pension and Savings Plans

The Company maintains a non-contributory, funded and tax-qualified defined benefit pension plan (the "Salaried Pension Plan"), which was frozen effective April 30, 2012. The Salaried Pension Plan covers many of the Company's employees hired prior to April 30, 2012, including certain of the named executive officers, who are compensated on the basis of a salary and/or a commission, and who meet certain age and service requirements. Funding is determined on an actuarial basis. Benefits are based on 1.25% of a participant's average cash compensation, including bonuses, for the five calendar years in the ten calendar years prior to the earlier of the participant's retirement or the freeze date, that produce the highest average compensation, multiplied by the participant's years of credited service through the earlier of retirement or the freeze date. The annual earnings taken into account in this formula may not exceed an IRS-prescribed limit applicable to tax-qualified plans.

Substantially all employees, including the named executive officers, also participate in the Company's Retirement Savings Plan. This plan has a profit-sharing component and a 401(k) component. The Company makes profit-sharing contributions, whereby (for fiscal year 2018) 5% of the Company's net income is contributed and divided equally among employee 401(k) accounts in the form of Company stock. In addition, all employees may contribute up to 100% of their pay to 401(k) accounts on a pre-tax basis. For fiscal year 2018, the Company provided matching contributions in cash equal to 100% of each employee's 401(k) contributions up to the first 4% of the employee's annual compensation. This is a tax-qualified plan and is subject to IRS compensation and other limitations. Company contributions to these plans to the named executive officers for fiscal year 2018 are included in the All Other

Compensation column in the Summary Compensation Table.

Because the Internal Revenue Code of 1986, as amended (the “Code”), limits the maximum annual benefit that may be accrued under and paid from a tax-qualified plan such as the Company’s Salaried Pension Plan, the Company established a non-tax qualified, non-contributory defined contribution plan (the “Pension Restoration Plan”, or “PRP”) to allow the Company to provide benefits that would restore the level of Company benefits provided to approximately the levels they would have attained had the Code limit not been established. For fiscal year 2018, only Mr. Dunston participated in the PRP. Each participant has an account under the PRP to which the Compensation Committee may, in its discretion, approve Company contributions. The obligation of the Company to make payments under the PRP is an unsecured promise and any property of the Company set aside for the payment of benefits remains subject to the claims of creditors in the unlikely event of the Company’s insolvency until such benefits are distributed to the Plan participants under the provisions of the PRP. There were no Company contributions to the PRP during fiscal year 2018 for any of the NEOs. The Company will not make future contributions to the PRP while its pension plans are frozen.

Other Benefits

All of the NEOs are eligible to purchase the Company’s products at a discounted price.

The Company places a priority on enabling its employees to take advantage of preventive health care. To this end, the Company offers subsidized medical benefits to substantially all of its employees, as well as the ability to take advantage of annual physical exams at low or no cost. The NEOs are eligible to receive a more extensive annual medical exam from a nationally recognized medical clinic at no cost to them.

Severance and Change in Control Agreements

Each of the named executive officers have entered into an employment agreement with the Company that provides for severance benefits under certain termination scenarios, including termination in connection with a change in control. The Company believes these agreements are necessary in order to ensure the continuity of management and to allow executive officers to focus on serving the Company in a change in control situation without the distraction of concern for their employment. These agreements generally provide for severance benefits in the event of involuntary termination of employment without cause at any time during the term of the agreement, and certain enhanced benefits for termination without cause or termination by the executive for good reason within a certain period following a change of control. No payments are made if employment is terminated due to death, disability or cause. Each of these agreements provides that any unvested stock awards shall become fully vested in connection with a change in control of the Company only upon the occurrence of both a change in control and either involuntary termination of employment without cause or termination by the executive for good reason in connection with a change of control.

In developing the parameters for these agreements, the Compensation Committee utilized an independent compensation consultant and an analysis of peer companies. The Compensation Committee established these agreements with a goal of providing terms that are representative of the competitive market for like positions. Mr. Dunston's employment agreement includes a longer severance period and a greater bonus payment percentage due to the greater span of control, accountability and ability to impact the Company’s performance inherent in Mr. Dunston's role as Chief Executive Officer.

The Company does not provide tax gross-ups to its named executive officers for any Section 280G taxes resulting from a change in control. In lieu of receiving a tax gross-up, any golden parachute payments to these named executive officers will be reduced until the excise tax no longer applies (unless the named executive officer would be in a better net after-tax position after paying the excise tax, in which case the payments would not be reduced, but the named executive officer still would not receive any gross-up).

Each NEOs employment agreement also contains restrictive covenants which specify confidentiality, non-solicitation, and non-competition with the Company in the event of termination. Further information regarding the terms and conditions of these agreements is found beginning on page 25, under the heading “Employment Agreements and Post-Employment Compensation Agreements.”

Deductible Compensation of Executive Officers

The Company is subject to Section 162(m) of the Code, which imposes a $1.0 million limit on the amount of compensation that may be deducted by the Company for a taxable year with respect to certain covered executive officers. For fiscal 2018 and prior tax years, the covered executives were the Chief Executive Officer and the next three most highly compensated officers of the Company (excluding the CFO). For fiscal 2018 and prior tax years, performance-based compensation that met certain requirements was not subject to the deduction limit. Historically, including for fiscal 2018, the Company's intent generally has been to design and administer executive compensation programs in a manner that would preserve its flexibility and recognize a full range of performance criteria important to the Company's success, even where the compensation paid under such programs might not be deductible under Section 162(m).

Effective for fiscal 2019 and future tax years, the performance-based compensation exception under Section 162(m) has been eliminated, other than with respect to certain "grandfathered" arrangements in effect prior to November 2, 2017. In addition, the definition of covered executive has been expanded to include the CEO, CFO and the next three most highly compensated officers and status as a covered executive continues for all subsequent tax years, including years after the death of the individual. As a result, non-grandfathered compensation payable to our covered officers that exceeds $1 million per person in a given year will no longer be deductible by the Company, regardless of whether it is performance-based. The Compensation Committee will be assessing the impact of the changes to Section 162(m) to determine what adjustments to our executive compensation practices, if any, it considers appropriate.

Summary Compensation Table

The following table sets forth for fiscal years 2018, 2017, and 2016 the compensation for the Company's Chief Executive Officer, Chief Financial Officer and the Company's two other executive officers (each a "named executive officer" and collectively, the "named executive officers"). The Company did not have any other named executive officers during fiscal year 2018.

Name & Principal Position	Fiscal Year	Salary	Bonus	Stock Awards 1	Option Awards	Non-equity Incentive Plan Compensation 2	Change in Pension Value 3	All Other Compensation 4	Total
S. Cary Dunston	2018	$640,442	$0	$715,407	$0	$0	$3,006	$21,239	$1,358,855
President and	2017	587,311	0	609,868	0	855,773	1,189	17,114	2,071,255
Chief Executive Officer	2016	532,836	0	577,725	252,870	825,000	6,973	17,075	2,212,479
M. Scott Culbreth	2018	362,539	0	264,507	0	0	0	15,075	642,121
Senior Vice President and	2017	320,493	0	213,790	0	316,377	0	14,826	865,486
Chief Financial Officer	2016	292,257	0	185,493	81,811	289,224	0	15,673	864,458
R. Perry Campbell	2018	312,835	0	247,844	0	0	3,414	18,138	582,231
Senior Vice President	2017	311,681	0	225,667	0	296,649	1,356	18,702	854,055
Sales and Marketing	2016	287,711	0	185,493	81,811	305,417	7,855	17,789	886,076
Robert J. Adams	2018	275,038	0	214,447	0	0	1,502	15,192	506,179
Senior Vice President	2017	266,198	0	187,970	0	256,390	577	15,979	727,114