

PATRICK INDUSTRIES INC  
Form DEF 14A  
April 24, 2015

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**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 Sections 240.14a-11(c) or Section 240.14a-12

**PATRICK INDUSTRIES, INC.**

(Name of Registrant as Specified In Its Charter)

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

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No fee required

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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**PATRICK INDUSTRIES, INC.**  
**107 West Franklin Street**  
**P.O. Box 638**  
**Elkhart, Indiana 46515-0638**  
**(574) 294-7511**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**To Be Held May 19, 2015**

TO OUR SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Patrick Industries, Inc., an Indiana corporation, will be held at the Company's corporate office, 107 West Franklin Street, Elkhart, Indiana, on Tuesday, May 19, 2015 at 10:00 A.M., Eastern time, for the following purposes:

1. To elect nine directors to the Board of Directors to serve until the 2016 Annual Meeting of Shareholders;
2. To ratify the appointment of Crowe Horwath LLP as our independent registered public accounting firm for fiscal year 2015; and
3. To consider and transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 26, 2015 as the record date for the determination of the holders of shares of our outstanding common stock entitled to notice of and to vote at the Annual Meeting of Shareholders. Each shareholder is entitled to one vote per share on all matters to be voted on at the meeting.

Your vote is important. Whether or not you expect to attend the meeting, please vote your shares using the Internet, by telephone, or by mail by signing, dating, and returning the enclosed proxy in the enclosed envelope. Your shares will then be represented at the meeting, if you are unable to attend. You may, of course, revoke your proxy and vote in person at the meeting, if you desire. If you hold shares through a broker or other custodian, please check the voting instructions used by that broker or custodian. **Please note that brokers may not vote your shares on the election of directors, on compensation matters or on other shareholder proposals to be considered at the Annual Meeting (except on the ratification of the independent accountants) in the absence of your specific instructions as to how to vote. Please return your proxy card so your vote can be counted.**

By Order of the Board of Directors,

/s/ Andy L. Nemeth

Andy L. Nemeth

*Secretary*

April 28, 2015

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held On May 19, 2015.**

Our Proxy Statement and Annual Report to Shareholders for fiscal 2014 are available on Patrick Industries, Inc.'s website at [www.patrickind.com](http://www.patrickind.com) under "Investor Relations". You may also request hard copies of these documents free of charge by writing to us at the address above, Attention: Office of the Secretary.

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**107 West Franklin Street**

**P.O. Box 638**

**Elkhart, Indiana 46515-0638**

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**PROXY STATEMENT**

**Annual Meeting of Shareholders**

**To Be Held May 19, 2015**

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This Proxy Statement and the accompanying Proxy Card are being mailed to shareholders of Patrick Industries, Inc. (the "Company" or "Patrick") on or about April 28, 2015, and are furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") for the Annual Meeting of Shareholders to be held on May 19, 2015 (the "Annual Meeting") for the purpose of considering and acting upon the matters specified in the Notice of Annual Meeting of Shareholders accompanying this Proxy Statement. If the form of proxy which accompanies this Proxy Statement is executed and returned, or is voted by Internet or by telephone, it may be revoked by the person giving it at any time prior to the voting thereof by written notice to the Secretary, by delivery of a later dated proxy, or by requesting to vote in person at the Annual Meeting.

If the form of proxy is signed, dated and returned without specifying choices on one or more matters presented to the shareholders, the shares will be voted on the matter or matters listed on the proxy card as recommended by the Company's Board.

Additional solicitations, in person or by telephone or otherwise, may be made by certain directors, officers and employees of the Company without additional compensation. Expenses incurred in the solicitation of proxies,

including postage, printing and handling, and actual expenses incurred by brokerage houses, custodians, nominees and fiduciaries in forwarding documents to beneficial owners, will be paid by the Company.

Patrick's Annual Report to Shareholders, which contains Patrick's Annual Report on Form 10-K for the year ended December 31, 2014, accompanies this Proxy Statement. Requests for additional copies of the Annual Report on Form 10-K should be submitted to the Office of the Secretary, Patrick Industries, Inc., 107 West Franklin Street, P.O. Box 638, Elkhart, Indiana 46515-0638. Annual Meeting materials may also be viewed online through our website, [www.patrickind.com](http://www.patrickind.com).

## **VOTING INFORMATION**

Each shareholder is entitled to one vote for each share of our common stock held as of the record date. For purposes of the meeting, a quorum means a majority of the outstanding shares. Abstentions and withheld votes are counted as shares represented at the meeting for purposes of determining a quorum. As of the close of business on March 26, 2015, the record date for shareholders entitled to vote at the Annual Meeting, there were outstanding 10,293,016 shares of common stock entitled to one vote each. In determining whether a quorum exists at the meeting, all shares represented in person or by proxy will be counted. Proxies properly executed and received by us prior to the meeting and not revoked will be voted as directed therein on all matters presented at the meeting.

A shareholder may, with respect to the election of directors, (i) vote for the election of each named director nominee, or (ii) withhold authority to vote for each named director nominee. With respect to Proposal 2, a

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shareholder may vote for, against or abstain. **Please note that brokers may not vote your shares on the election of directors, on compensation matters or on other shareholder proposals to be considered at the Annual Meeting (except on the ratification of the independent accountants) in the absence of your specific instructions as to how to vote. Please return your proxy card so your vote can be counted.**

If a shareholder's shares are held by a broker or other financial institution (the "broker") on the shareholder's behalf (that is, in "street name") and the shareholder does not instruct the broker as to how to vote the shareholder's shares, the broker may vote the shares in its discretion on matters designated as routine under the rules of NASDAQ. However, a broker cannot vote shares held in street name on matters designated as non-routine by NASDAQ, unless the broker receives voting instructions from the beneficial owner. If a shareholder's shares are held in street name and the shareholder does not provide voting instructions to the broker, the broker will have discretion to vote those shares only on Proposal 2 because the ratification of the appointment of the Company's independent registered public accounting firm is considered a routine matter. Each of the other items to be submitted for a vote of shareholders at the Annual Meeting is considered non-routine under applicable NASDAQ rules. "Broker non-votes" occur when brokerage firms return proxies for which no voting instructions have been received from beneficial owners and the broker does not have discretionary authority to vote on the proposal. Broker non-votes and abstentions will be included in the determination of the number of shares of common stock present at our Annual Meeting for quorum purposes, but will not be counted as votes cast on any matter presented at our Annual Meeting that is a non-routine matter.

Under Proposal 1, the directors are elected by a plurality of the votes cast by shares present in person or by proxy at the Annual Meeting and entitled to vote. Therefore, broker non-votes and abstentions will have no effect on Proposal 1, except to the extent that they will count as votes not cast. Proposal 2 in this Proxy Statement requires the affirmative vote of a majority of the votes cast. Broker non-votes and abstentions will have no effect on Proposal 2.

If you hold your shares through a broker, for your vote to be counted, you will need to communicate your voting decisions to your broker before the date of the Annual Meeting. A street name shareholder who wishes to vote at the Annual Meeting will need to obtain a legal proxy from his or her broker or other nominee and present that proxy and proof of identification at the Annual Meeting to hand in with his or her ballot.

The Board knows of no other matter which may come up for action at the Annual Meeting. However, if any other matter properly comes before the Annual Meeting, the persons named in the proxy form enclosed will vote in accordance with their judgment upon such matter.

## **PROPOSALS OF SHAREHOLDERS**

Proposals Included in the Proxy Statement

Shareholder proposals for inclusion in proxy materials for the next Annual Meeting should be addressed to the Office of the Secretary, 107 West Franklin Street, P.O. Box 638, Elkhart, Indiana 46515-0638, and must be received no later than December 29, 2015.

Proposals Not Included in the Proxy Statement

Our By-laws require notice of any other business to be brought by a shareholder before the 2016 annual meeting of shareholders (but not included in the proxy statement) to be delivered, in writing, to the Company's Secretary, together with certain prescribed information, on or after March 29, 2016 and no later than April 28, 2016. Likewise, the Articles of Incorporation and By-laws require that shareholder nominations to the Board for the election of directors to occur at the 2016 annual meeting of shareholders be delivered to the Secretary, together with certain prescribed information, in accordance with the procedures for bringing business before an annual meeting at which directors are to be elected.

## PROPOSAL 1

### ELECTION OF DIRECTORS

There are nine nominees for election to the Board, all of which are current members of our Board. The individuals elected as directors at the 2015 Annual Meeting will be elected to hold office until the 2016 Annual Meeting or until their successors are duly elected and qualified.

It is intended that the proxies will be voted for the nominees listed below, unless otherwise indicated on the proxy form. It is expected that these nominees will serve, but, if for any unforeseen cause any such nominee should decline or be unable to serve, the proxies will be voted to fill any vacancy so arising in accordance with the discretionary authority of the persons named in the proxies. The Board does not anticipate that any nominee will be unable or unwilling to serve.

The information provided below has been furnished by the director nominees, and sets forth (as of March 31, 2015) the names, ages, principal occupations, recent professional experience, certain specific qualifications identified as part of the Board's determination that each such individual should serve on the Board, and other directorships at other public companies for at least the past five years, if any. Each of the following nominees was elected to his present term of office at the Annual Meeting of Shareholders held on May 22, 2014 with the exception of M. Scott Welch, who was appointed to the Board on April 1, 2015 to fill an open director position.

**Paul E. Hassler**, age 67, has been our Chairman of the Board since May 2008. Mr. Hassler was Chief Executive Officer of the Company from April 2004 to January 2009 (retired) and President from April 2004 to May 2008. Mr. Hassler held the position of Vice President Operations and Distribution - West of the Company from December 2003 through the first quarter of 2004; Executive Director of West Coast Operations from 1994 to 2003; and General Manager of California Operations from 1986 to 1994. Mr. Hassler has over 41 years of recreational vehicle, manufactured housing and industrial experience in various capacities and has demonstrated leadership as Non-Executive Chairman of the Board. He has served as a director of the Company since 2005.

**Joseph M. Cerulli**, age 55, has been employed by Tontine Associates, LLC, an affiliate of Tontine Capital Partners, LP, and Tontine Capital Management, LLC (collectively, with their affiliates, "Tontine"), since January 2007. Prior to that, Mr. Cerulli was an independent financial consultant from 2002 to 2006. As an employee of Tontine, the largest shareholder of the Company's common stock as of the March 26, 2015 record date, Mr. Cerulli has particular knowledge of our Company and the industries in which we operate and possesses extensive knowledge with respect to financial and investment matters. Mr. Cerulli currently serves as a member of the Company's Corporate Governance and Nominations Committee. He has served as a director of the Company since 2008.

**Todd M. Cleveland**, age 47, has been our President and Chief Executive Officer since February 2009. Mr. Cleveland assumed the position of President and Chief Operating Officer of the Company in May 2008. Prior to that, he served as Executive Vice President of Operations and Sales and Chief Operating Officer of the Company from August 2007 to May 2008. Mr. Cleveland also spent 17 years with Adorn Holdings, Inc. (“Adorn”) serving as President and Chief Executive Officer from 2004 to 2007; President and Chief Operating Officer from 1998 to 2004; and Vice President of Operations and Chief Operating Officer from 1994 to 1998. Mr. Cleveland was a director of Stag-Parkway, Inc., from 2013 to 2014. Mr. Cleveland has over 24 years of recreational vehicle, manufactured housing and industrial experience in various operating capacities. He also has extensive knowledge of our Company and the industries to which we sell our products, and experience with management development and leadership, acquisitions, strategic planning, manufacturing, and sales of our products. He has served as a director of the Company since 2008.

**John A. Forbes**, age 55, has been the President of Utilimaster Corporation, a subsidiary of Spartan Motors, Inc., since July 2010. Prior to that, he was the Chief Financial Officer of Utilimaster from May 2009 to July 2010, the Chief Financial Officer of Nautic Global Group LLC from 2007 to 2009, and the Chief Financial Officer of Adorn LLC from 2003 to 2007. Mr. Forbes has over 28 years of experience in serving various manufacturing industries having held senior financial leadership roles including Trimas Corporation/Masco Tech, Inc., both with

Fulton Performance Products and Reese Products. Mr. Forbes also has extensive experience with operations management, acquisitions, strategic planning, risk management, and banking relations. He has been determined to be an “audit committee financial expert” under the SEC’s rules and regulations by our Board. Mr. Forbes currently serves as the Chairman of the Company’s Corporate Governance and Nominations Committee, and as a member of the Company’s Audit Committee and Compensation Committee. He has served as a director of the Company since 2011.

**Michael A. Kitson**, age 56, has been the Chief Executive Officer of SharpShooter Imaging, a leading provider of photographic concession services to resorts and attractions, since March 2015. Prior to that, he was the Chief Executive Officer of Nautic Global Group from March 2011 to October 2013, the Chief Financial Officer of Nautic from August 2010 to March 2011, the President and Chief Executive Officer of Utilimaster Corporation, a subsidiary of Spartan Motors, Inc., from 2007 to 2010, and the Chief Financial Officer of Utilimaster from 1999 to 2007. Mr. Kitson has over 27 years of experience in serving various manufacturing industries having also held senior financial leadership roles with Lilly Industries, Inc. Mr. Kitson also has extensive experience with corporate and operations management, strategic planning, and risk management. He has been determined to be an “audit committee financial expert” under the SEC’s rules and regulations by our Board. Mr. Kitson currently serves as the Chairman of the Company’s Audit Committee, and as a member of the Company’s Corporate Governance and Nominations Committee and Compensation Committee. He has served as a director of the Company since 2013.

**Andy L. Nemeth**, age 46, has been the Company’s Executive Vice President of Finance, Secretary-Treasurer, and Chief Financial Officer since May 2004. Mr. Nemeth was Vice President-Finance, Chief Financial Officer, and Secretary-Treasurer from 2003 to 2004, and Secretary-Treasurer from 2002 to 2003. Mr. Nemeth was a Division Controller from 1996 to 2002 and prior to that, he spent five years in public accounting. Mr. Nemeth has over 23 years of recreational vehicle, manufactured housing, and industrial experience in various financial capacities. Mr. Nemeth also has particular knowledge of our Company and the industries to which we sell our products, and has extensive experience with corporate management, acquisitions, strategic planning, risk management, and banking and finance relations. He has served as a director of the Company since 2006.

**Larry D. Renbarger**, age 76, was the Chief Executive Officer of Shelter Components, a manufacturer and supplier of products to the manufactured housing and recreational vehicle industries, from 1984 to 1998 (retired). Mr. Renbarger is a director of Thermolite, Inc and of Universal Precision Instruments, Inc. He has particular knowledge of our Company and the industries to which we sell our products, experience in corporate management and leadership, and strategic planning. He has been determined to be an “audit committee financial expert” under the SEC’s rules and regulations by our Board. Mr. Renbarger currently serves as a member of the Company’s Corporate Governance and Nominations Committee and Audit Committee. He has served as a director of the Company since 2002.

**M. Scott Welch**, age 55, has been the President and Chief Executive Officer of Welch Packaging Group, a large independently owned corrugated packaging company, since 1985. Prior to establishing Welch Packaging, he worked at Northern Box, Performance Packaging, and Elkhart Container. Mr. Welch has been the lead director and a member of the compensation committee at Lakeland Financial Corporation since 2013, and has served as a director from 1998 to present. He has also served as a trustee at DePauw University since 2005. Mr. Welch has over 33 years of

experience in the packaging industry, and has extensive experience in sales, marketing and strategy. He has served as a director of the Company since his appointment to the Board on April 1, 2015.

**Walter E. Wells**, age 76, was the President and Chief Executive Officer of Schult Homes Corporation, a leading builder of manufactured and modular housing, from 1970 to 1998 (retired). Mr. Wells is a director and a member of the compensation committee of Woodland Foundation. Mr. Wells has particular knowledge of our Company and the industries to which we sell our products, experience in corporate management and leadership, and strategic planning. He has been determined to be an “audit committee financial expert” under the SEC’s rules and regulations by our Board. Mr. Wells currently serves as the Chairman of the Company’s Compensation Committee, and as a member of the Company’s Corporate Governance and Nominations Committee and the Audit Committee. He has served as a director of the Company since 2001.

**The Board of Directors unanimously recommends a vote FOR the nominated directors.**

**2014 NON-EMPLOYEE DIRECTOR COMPENSATION**

The 2014 Non-Employee Director Compensation Plan remained unchanged from the 2013 plan in both the plan structure and compensation composition. The components of the plan are detailed below:

1. Non-employee directors are compensated with a flat annual retainer fee of \$40,000 per year;
2. Committee Chairpersons and the Chairman of the Board continue to receive an additional \$4,000 annual retainer; and
3. Non-employee directors receive an annual restricted stock grant with a targeted value of \$50,000 in May of each year, which will vest upon such director's continued service as a member of the Board for one year or earlier upon certain events.

Non-employee directors receive an annual restricted stock grant with a targeted value of \$50,000 in May of each year, which will vest upon such director's continued service as a member of the Board for one year or earlier upon certain events.

Employee directors receive no compensation as such. In addition to total direct compensation, the Company reimburses the non-employee directors' expenses, including travel, accommodations and meals, for attending Board and Board Committee meetings and our Annual Shareholders Meeting and any other activities related to our business.

The following table sets forth a summary of the compensation paid to non-employee directors in the year ended December 31, 2014:

| <u>Name</u>             | <b>Fees<br/>Earned<br/>or<br/>Paid in<br/>Cash</b> | <b>Stock<br/>Awards<br/>(1)</b> | <b>Payments<br/>under the<br/>Company's<br/>Executive<br/>Retirement<br/>Plan and<br/>Deferred<br/>Compensation<br/>Plan (2)</b> | <b>Total</b> |
|-------------------------|--|---------------------------------|--|--------------|
| Terrence D. Brennan (3) | \$30,000   | \$62,554                        | \$ -   | \$92,554     |
| Joseph M. Cerulli       | 40,000   | 50,015                          | -  | 90,015       |
| John A. Forbes          | 44,000   | 50,015                          | -  | 94,015       |
| Paul E. Hassler         | 44,000   | 50,015                          | 125,996  | 220,011      |
| Keith V. Kankel (4)     | 22,000   | 50,015                          | -  | 72,015       |
| Michael A. Kitson (5)   | 42,000   | 50,015                          | -  | 92,015       |
| Larry D. Renbarger      | 40,000   | 50,015                          | -  | 90,015       |

|                    |        |        |   |        |
|--------------------|--------|--------|---|--------|
| M. Scott Welch (6) | -      | -      | - | -      |
| Walter E. Wells    | 44,000 | 50,015 | - | 94,015 |

(1) Amounts shown do not represent compensation actually received, with the exception of that for Mr. Kankel and Mr. Brennan. Such amounts reflect the aggregate grant date fair value of 1,320 shares of restricted stock granted to each non-employee director, at a closing stock price of \$37.89 on May 22, 2014. The aggregate grant date fair value was computed in accordance with ASC 718.

(2) Represents payments under the Company's Executive Retirement Plan and Deferred Compensation Plan based on prior employment with the Company.

(3) Mr. Brennan retired from the Board effective September 30, 2014. In addition to the annual share grant of 1,320 shares as discussed in footnote (1) above, stock awards for Mr. Brennan reflect an additional grant date fair value of 296 shares of unrestricted stock granted, for which Mr. Brennan was 100% vested on the date of grant, at a closing stock price of \$42.36. The aggregate grant date fair value was computed in accordance with ASC 718.

(4) Mr. Kankel retired from the Board effective May 21, 2014. Stock awards for Mr. Kankel reflect a grant date fair value of 1,320 shares of unrestricted stock granted in recognition of his years of service, for which Mr. Kankel was 100% vested on the date of grant, at a closing stock price of \$37.89. The aggregate grant date fair value was computed in accordance with ASC 718.



Mr. Kitson became the Chairman of the Audit Committee effective May 22, 2014 upon the retirement of Mr. (5) Kankel. In addition to his flat annual retainer fee as a non-employee director, fees earned or paid in cash in 2014 include a retainer for his role as committee chairman in the second half of 2014.

Since Mr. Welch was appointed to the Board in April 2015, he was not granted shares of restricted stock nor did he (6) receive the annual retainer fee in 2014. Mr. Welch began receiving compensation for his service on the Board beginning in April 2015.

## **PROPOSAL 2**

### **RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Crowe Horwath LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015. Crowe Horwath LLP has been the Company's independent registered public accounting firm since June 2009. The Board and the Audit Committee recommend that shareholders ratify the appointment of Crowe Horwath LLP as our independent registered public accounting firm for our fiscal year 2015. Although we are not required to do so, we believe that it is appropriate to request that shareholders ratify this appointment. If shareholders do not ratify the appointment, the Audit Committee will investigate the reasons for the shareholders' rejection and reconsider the appointment. Representatives of Crowe Horwath LLP will be at the Annual Meeting, will be given the opportunity to make a statement, and will be available to respond to questions.

Unless otherwise instructed, the proxy holders will vote the proxies received by them **"FOR"** approval of the ratification of the appointment of Crowe Horwath LLP. The ratification of the appointment will be approved by our shareholders if, at the Annual Meeting, a quorum is present and the vote of a majority of the votes cast are voted in favor of the proposal.

**The Board of Directors unanimously recommends a vote FOR approval of the ratification of the appointment of Crowe Horwath LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015.**

### **INDEPENDENT PUBLIC ACCOUNTANTS**

As noted above in Proposal 2, the Audit Committee has appointed Crowe Horwath LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015.

### **Audit Fees**

The following table presents fees for professional audit and tax services rendered by Crowe Horwath LLP for the years ended December 31, 2014 and 2013:

|                        | 2014      | 2013      |
|------------------------|-----------|-----------|
| Audit Fees (1)         | \$455,000 | \$292,000 |
| Audit-Related Fees (2) | 111,100   | 26,200    |
| Tax Fees (3)           | 19,100    | 31,300    |
| All Other Fees         | -         | -         |
| Total Fees             | \$585,200 | \$349,500 |

Audit fees consist of fees for professional services rendered for the annual audit of the Company's financial (1) statements, including in 2014 and 2013, the audit of the Company's internal control over financial reporting, and for the reviews of the interim financial statements included in the Company's quarterly reports.

(2) Audit-related fees consist primarily of fees for services normally provided by the independent auditor in connection with statutory and regulatory filings or engagements and other audit-related services and filings. In addition, audit-related fees include the reviews of various SEC filings and due diligence services related to potential business acquisitions.

(3) Tax fees consist of the preparation and/or review of Federal and State tax returns, assistance with preparation of tax inquiries, primarily from state and local tax authorities, enterprise zone property tax filings, and preparation and review of employee benefit plan filings. Tax fees in 2014 and 2013 were related to the review by Crowe Horwath LLP of the 2013 and 2012 tax returns, respectively.

In addition to the fees listed in the table above pertaining to audit and tax services rendered by the Company's current independent registered public accounting firm, Crowe Horwath LLP, there were additional audit and audit-related fees incurred in 2014 and 2013 for professional services rendered by a former independent registered public accounting firm for the fiscal years ended December 31, 2014 and 2013. Total audit and audit-related fees for professional services rendered were \$44,100 and \$56,100 in 2014 and 2013, respectively. There were no additional tax fees, other than those listed in the table above, pertaining to 2014 and 2013.

The Audit Committee has advised us that it has determined that the non-audit services rendered by our independent auditors during our most recent fiscal year are compatible with maintaining the independence of such auditors.

The Audit Committee has adopted a Pre-Approval Policy for Audit and Non-Audit Services pursuant to which it pre-approves all audit and non-audit services provided by the independent auditors prior to each particular engagement. The Committee has delegated authority to its Chairman to approve certain proposed services other than the annual audit, tax and quarterly review services, and the Chairman must report any approvals to the balance of the Committee at the next scheduled meeting.

## **AUDIT COMMITTEE REPORT**

The responsibilities of the Audit Committee, which are set forth in the Audit Committee Charter adopted by the Board, include providing oversight of our financial reporting process through periodic meetings with our independent auditors, principal accounting officer and management to review accounting, auditing, internal controls and financial reporting matters. Our management is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The Audit Committee, in carrying out its role, relies on senior management, including senior financial management, and the independent auditors.

The Committee has met and held discussions with management and Crowe Horwath LLP. Management represented to the Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Committee has reviewed and discussed with management their assessment of the effectiveness of the Company's internal controls over financial reporting. The Committee reviewed and discussed with Crowe Horwath LLP the consolidated financial statements, and Crowe Horwath LLP's evaluation of the Company's internal controls over financial reporting. The Committee also discussed with Crowe Horwath LLP the matters required to be discussed by Auditing Standards No. 16 (Communications with Audit Committees), as adopted by the Public Company Accounting Oversight Board (PCAOB).

We have received from Crowe Horwath LLP a letter providing the disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) with respect to any relationships between us and Crowe Horwath LLP that in their professional judgment may reasonably be thought to bear on independence. Crowe Horwath LLP has discussed its independence with us, and has confirmed in such letter that, in its professional judgment, it is independent from us within the meaning of the federal securities laws. The Committee concluded that non-audit services provided by Crowe Horwath LLP during the year ended December 31, 2014, which consisted of tax planning and compliance, due diligence and other accounting and audit-related services, were compatible with Crowe Horwath LLP's independence.

Based on the review and discussions described above, with respect to our audited financial statements included in our 2014 Annual Report to Shareholders, we have recommended to the Board of Directors that such financial statements be included in our Annual Report on Form 10-K for filing with the SEC.

As specified in the Audit Committee Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that our financial statements are complete and accurate and in accordance with generally accepted accounting principles. That is the responsibility of management and our independent auditors. In giving our recommendation to the Board of Directors, we have relied on (i) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles and (ii) the report of our independent auditors with respect to such financial statements. This report was adopted by the Audit Committee on March 31, 2015.

The Audit Committee:

Michael A. Kitson (Chairman)

John A. Forbes

Larry D. Renbarger

Walter E. Wells

*The foregoing report of the Audit Committee does not constitute soliciting material and shall not be deemed incorporated by reference by any general statement incorporating by reference the proxy statement into any filing by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.*

## **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of March 26, 2015 (the record date), information concerning shareholders known to us as having beneficial ownership of more than five percent of our outstanding common stock and information with respect to the stock ownership of all of our directors, named executive officers, and all of our directors and executive officers as a group. The address of each director and named executive officer listed below is 107 West Franklin Street, P.O. Box 638, Elkhart, Indiana, 46515-0638, except as otherwise provided.

| <u>Name and Address of Beneficial Owner</u>  | <b>Aggregate<br/>Number of<br/>Shares of<br/>Common<br/>Stock<br/>Beneficially<br/>Owned</b> | <b>Percent<br/>of<br/>Class</b> |
|--|--|---------------------------------|
| <i><b>Five Percent Shareholders:</b></i>   |  |                                 |
| Jeffrey L. Gendell   |  |                                 |
| C/o Tontine Capital Management, L.L.C.<br>One Sound Shore Drive Suite 304<br>Greenwich, CT 06830     | 1,802,680  | (1)(2) 17.5 %                   |
| RBC Global Asset Management (U.S.) Inc.<br>50 South Sixth Street Suite 2350<br>Minneapolis, MN 55402 | 983,207  | (3) 9.6 %                       |
| <i><b>Directors:</b></i>   |  |                                 |
| Walter E. Wells  | 37,755   | *                               |
| Paul E. Hassler  | 34,512   | *                               |
| Larry D. Renbarger   | 24,865   | *                               |
| Joseph M. Cerulli (4)  | 17,755   | *                               |
| John A. Forbes   | 11,071   | *                               |
| Michael A. Kitson  | 6,755  | *                               |
| M. Scott Welch (5)   | -  | *                               |

**Named Executive Officers:**

|  |                |             |
|--|----------------|-------------|
| Todd M. Cleveland (6)  | 429,791        | 4.2%        |
| Jeffrey M. Rodino  | 50,991         | *           |
| Andy L. Nemeth   | 46,300         | *           |
| Courtney A. Blosser  | 20,240         | *           |
| <b>All Directors, Named Executive Officers and other executive officers as a group (11 persons)(6)</b> | <b>680,035</b> | <b>6.6%</b> |

\* Less than 1%.

(1) Information based on the Schedule 13D/A filed jointly by Tontine Capital Management, L.L.C. (“TCM”), Tontine Capital Partners, L.P. (“TCP”), Tontine Capital Overseas Master Fund II, L.P. (“TCP 2”), Tontine Associates, L.L.C. (“TA”), Tontine Asset Associates, L.L.C. (“TAA”) and Jeffrey L. Gendell on March 20, 2015. Includes 1,655,835 shares owned directly by TCP, 78,459 shares owned directly by TCM, and 68,386 shares owned directly by TA.

Mr. Gendell is the managing member of TCM and TAA, the general partners of TCP and TCP 2, respectively, and of TA, which serves as the fund manager of certain investment funds affiliated with the reporting person, and has shared voting and dispositive power over these shares. All of these shares may be deemed to be beneficially owned by Mr. Gendell. He disclaims beneficial ownership of the shares owned by Tontine, except to the extent of his pecuniary interest therein.

(2) Based on information contained in a Form 4 filed by Tontine on April 3, 2015 (subsequent to the record date), the aggregate number of shares of the Company’s common stock beneficially owned by Tontine decreased to 1,776,636 as of April 1, 2015 or 17.3% of the Company’s common stock outstanding, reflecting the distribution on April 1, 2015 of 26,044 shares to investors that are not directly or indirectly controlled by Mr. Gendell in connection with the redemption of ownership interests in TCP 2 held by those investors.

(3) Information based on the Schedule 13G filed by RBC Global Asset Management (U.S.) Inc. on February 4, 2015.

(4) Mr. Cerulli is employed by TA. He disclaims beneficial ownership of the shares beneficially owned by Tontine, except to the extent of his pecuniary interest therein.

(5) Based on information filed in a Form 3 on behalf of Mr. Welch on April 9, 2015 (subsequent to the record date), the aggregate number of shares of the Company’s common stock beneficially owned by Mr. Welch was 200 shares as of April 1, 2015. These shares reflect a non-employee restricted stock grant awarded to Mr. Welch on April 1, 2015, the date of his appointment to the Board, for which he will become 100% vested on July 1, 2015.

(6) Includes 66,667 stock options and 27,017 stock appreciation rights which are exercisable within 60 days of the record date.

## **CORPORATE GOVERNANCE**

The Board believes that fundamental corporate governance is important to ensure that we are managed for the long-term benefit of our shareholders. The Board expects to review its corporate governance practices and policies as set forth in its Corporate Governance Guidelines, Code of Ethics, and various Committee Charters, all of which were updated in accordance with the listing standards of the NASDAQ Stock Market and the SEC rules, at least every two years or as it deems appropriate.

### Board Membership

As of the date of this Proxy Statement, the Board has nine members. Except for Mr. Cleveland, our President and Chief Executive Officer, and Mr. Nemeth, our Executive Vice President-Finance and Chief Financial Officer, no director is an employee.



Mr. Cerulli has been employed by TA since January 2007. As such, Mr. Cerulli has an indirect interest in the Company's transactions with Tontine. Mr. Cerulli began receiving compensation for his service as a member of the Board beginning in January 2009. As of April 1, 2015, Tontine beneficially owned approximately 17.3% of the Company's outstanding common stock.

In connection with the financing of its acquisition of Adorn in May 2007, the Company entered into a Securities Purchase Agreement with Tontine, dated April 10, 2007 (the "2007 Securities Purchase Agreement"), which provided that, among other things, so long as Tontine (i) holds between 7.5% and 14.9% of the Company's common stock then outstanding, Tontine has the right to appoint one nominee to the Board; or (ii) holds at least 15% of the Company's common stock then outstanding, Tontine has the right to appoint two nominees to the Board. The Company also agreed to limit the number of directors serving on its Board to no more than nine directors for so long as Tontine has the right to appoint a director to the Board. Subsequently, Tontine agreed to waive the Company's obligation to limit the size of its Board in connection with the increase of the Board to 10 persons in order to allow the appointment of Michael A. Kitson as a director in March 2013. Mr. Cerulli's appointment to the Board in July 2008 was made pursuant to Tontine's right to appoint directors as described above. As of the date hereof, Tontine has not exercised its right to appoint a second nominee to the Board.

#### Election of Directors and Length of Board Term

Directors are currently elected for a one-year term at the Annual Meeting of Shareholders.

#### Board Committees

The Board has three standing committees: the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominations Committee. Each Committee has a committee chairman and a written charter.

#### Shareholder Communications

Shareholders may send communications to members of the Board by sending a communication to the Board and/or a particular member c/o Andy L. Nemeth-Secretary, Patrick Industries, Inc., 107 West Franklin Street, P.O. Box 638, Elkhart, Indiana 46515-0638. Communications intended for independent directors should be directed to the Chairman of the Corporate Governance and Nominations Committee.

Code of Ethics

We have a code of ethics that applies to all of our employees, officers and directors.

Access to Corporate Governance Documents

The charters of our Audit, Compensation, and Corporate Governance and Nominations Committees, our Corporate Governance Guidelines, and our Code of Ethics are all available on our website at [www.patrickind.com](http://www.patrickind.com), or by writing to:

Patrick Industries, Inc.  
Attn: Andy L. Nemeth, Secretary  
107 West Franklin Street  
P.O. Box 638  
Elkhart, Indiana 46515-0638

Board Meetings and Attendance

The Board and Board Committees hold regular meetings on a set schedule and may hold special meetings and act by written consent from time to time as necessary or appropriate. The Board had four regular meetings in 2014. Additionally, the Board participated in 13 special meetings in 2014 which included periodic update calls with the Chief Executive Officer and Chief Financial Officer. In 2014, each director attended at least 75% of the meetings of the Board and the Board Committees on which he served. All directors attended the most recent Annual Meeting of Shareholders which was held on May 22, 2014. We expect all Board members to attend the 2015 Annual Meeting, but from time to time, other commitments may prevent all directors from attending each meeting.

### Executive Sessions of Independent Directors

The Board and Board committees regularly meet in executive session without the presence of any management directors or representatives. There was no lead independent director designated to preside over the executive sessions of the Board in 2014. Any independent director can request additional executive sessions. The independent directors met in executive sessions four times in 2014.

Six of the nine members of the Board have been designated by the Board as independent directors. In general, the Board determines whether a director is independent by following the guidelines of the NASDAQ Stock Market and the SEC rules and regulations. The Board has determined that the independent directors are Joseph M. Cerulli (except for purposes of the Audit Committee and the Compensation Committee), John A. Forbes, Michael A. Kitson, Larry D. Renbarger, M. Scott Welch (upon his appointment to the Board on April 1, 2015) and Walter E. Wells.

### Board Leadership Structure and Risk Oversight

The Company maintains separate positions for the Chairman of the Board (“Chairman”) and for the Chief Executive Officer. The Board believes this leadership structure has enhanced the Board’s oversight of and independence from our management, the ability of the Board to carry out its roles and responsibilities on behalf of our shareholders, and our overall corporate governance. Mr. Hassler serves as Chairman and Mr. Cleveland is the Chief Executive Officer.

The Board has delegated its risk oversight responsibilities to the Audit Committee, as described below under the heading “Audit Committee.” In accordance with the Audit Committee’s Charter, each of our senior financial and accounting professionals reports directly to the Audit Committee regarding material risks to our business, among other matters, and the Audit Committee meets in executive sessions with each professional and with representatives of our independent registered public accounting firm. The Audit Committee Chairman reports to the full Board regarding material risks as deemed appropriate.

### Director Qualifications and Director Diversity

The Board seeks a diverse group of candidates who possess the background, skills and expertise and the highest level of personal and professional ethics, integrity, judgment and values to represent the long-term interests of our Company and its shareholders. To be considered for membership on the Board, a candidate should possess some or all of the following major attributes:

Breadth of knowledge about issues affecting the Company and the industries/markets in which it operates;

Significant experience in leadership positions or at senior policy-making levels and an established reputation in the business community;

Expertise in key areas of corporate management and in strategic planning;

Financial literacy and financial and accounting expertise; and

Independence and a willingness to devote sufficient time to carry out his or her duties and responsibilities effectively and assume broad fiduciary responsibility.

The Corporate Governance and Nominations Committee does not have a formal policy specifying how diversity of background and personal experience should be applied in identifying or evaluating director candidates. However, as part of its annual self-evaluation under our Corporate Governance Guidelines, the Board considers whether the level of diversity of its members is appropriate, and the Corporate Governance and Nominations Committee takes the outcome into account when identifying and evaluating director candidates.

#### Consideration of Director Candidates - Corporate Governance and Nominations Committee Processes

The Corporate Governance and Nominations Committee will consider board nominees recommended by shareholders. Those recommendations should be sent to the Chairman of the Corporate Governance and Nominations Committee, c/o of the Secretary of Patrick Industries, Inc., 107 West Franklin Street, P.O. Box 638,

Elkhart, Indiana 46515-0638. In order for a shareholder to nominate a candidate for director, under our By-laws, timely notice of the nomination must be given in writing to the Secretary of the Company. To be timely, such notice must be received at our principal executive office not less than 20 days or more than 50 days prior to the next Annual Meeting of Shareholders. Notice of nomination must include the name, address and number of shares owned by the person submitting the nomination; the name, age, business address, residence address and principal occupation of the nominee; and the number of shares beneficially owned by the nominee. It must also include the information that would be required to be disclosed in the solicitation of proxies for election of directors under the federal securities laws, as well as whether the individual can understand basic financial statements and the candidate's other board memberships (if any). The nominee's consent to be elected and serve must be submitted. The Corporate Governance and Nominations Committee may require any nominee to furnish any other information, within reason, that may be needed to determine the eligibility of the nominee.

As provided in its Charter, the Corporate Governance and Nominations Committee will follow procedures which the committee deems reasonable and appropriate in the identification of candidates for election to the Board and evaluating the background and qualification of those candidates. Those processes include consideration of nominees suggested by an outside search firm, by incumbent board members, and by shareholders. The Committee will seek candidates having experience and abilities relevant to serving as a director of the Company, and who represent the best interests of shareholders as a whole and not any specific group or constituency.

The Committee will consider a candidate's qualifications and background, including responsibility for operating a public company or a division of a public company, international business experience, a candidate's technical and financial background or professional qualification, diversity of background and personal experience, and any other public company boards on which the candidate is a director. The Committee will also consider whether the candidate would be "independent" for purposes of the NASDAQ Stock Market and the SEC rules and regulations by our Board. The Committee may, from time to time, engage the services of a professional search firm to identify and evaluate potential nominees.

#### Board Committee Responsibilities and Related Matters

The Board has delegated certain responsibilities and authority to each Board Committee as described below. At each regularly scheduled Board meeting, each Board Committee Chairman (or other designated Board Committee member) reports to the full Board on his Board Committee's activities.

#### *Audit Committee*

The Board has an Audit Committee, which from January 1, 2014 to May 21, 2014, was comprised of Keith V. Kankel (Chairman), Terrence D. Brennan, John A. Forbes, Michael A. Kitson, Larry D. Renbarger and Walter E. Wells. Mr. Kankel retired from the Board effective May 21, 2014 and Mr. Brennan retired from the Board effective September 30, 2014. Effective October 1, 2014, the Audit Committee was comprised of Michael A. Kitson (Chairman), John A. Forbes, Larry D. Renbarger and Walter E. Wells.

The Audit Committee's responsibilities include oversight responsibilities related to potential material risks to our business including, but not limited to, credit, liquidity and operational risks. In addition, its responsibilities include recommending to the Board the independent accountants to be employed for the purpose of conducting the annual audit of our financial statements, discussing with the independent accountants the scope of their examination, reviewing our financial statements and the independent accountants' report thereon with our personnel and the independent accountants, and inviting the recommendations of the independent accountants regarding internal controls and other matters. Additionally, the Audit Committee is responsible for approving all non-audit services provided by the independent accountants and reviews these engagements on a per occurrence basis. The Audit Committee's report is provided on pages 7 and 8 of this Proxy Statement.

The Board has determined that each of the members of the Audit Committee is independent as defined in the NASDAQ listing standards and relevant SEC rules, and meets both the qualifications required to be an audit committee financial expert and the financial sophistication requirements contained in the NASDAQ listing standards. The Audit Committee met 12 times in 2014. These meetings included conference calls with management to review quarterly earnings releases and SEC filings prior to their issuance.

For a more detailed list of the roles and responsibilities of the Audit Committee, please see the Audit Committee Charter located in the “Corporate Governance” section of our website at [www.patrickind.com](http://www.patrickind.com).

### **Compensation Committee**

The Board has a Compensation Committee, which from January 1, 2014 to May 21, 2014, was comprised of Walter E. Wells (Chairman), Terrence D. Brennan, John A. Forbes, Keith V. Kankel and Michael A. Kitson. Mr. Kankel retired from the Board effective May 21, 2014 and Mr. Brennan retired from the Board effective September 30, 2014. Effective October 1, 2014, the Compensation Committee was comprised of Walter E. Wells (Chairman), John A. Forbes and Michael A. Kitson.

The Compensation Committee met five times in 2014. The primary responsibilities of this Committee include:

Reviewing and recommending to the independent members of the Board the overall compensation programs for the officers of the Company;

Oversight authority to attract, develop, promote and retain qualified senior executive management; and

Oversight authority for the stock-based compensation programs.

In its oversight of executive officer compensation, the Compensation Committee seeks assistance from our management and our independent compensation consultant, Towers Watson, as further described below under the heading “Compensation Discussion and Analysis - Compensation of Executive Officers and Directors”. Towers Watson’s fees are approved by the Compensation Committee. Towers Watson provides the Compensation Committee with data about the compensation paid by our peer group and industry benchmark groups, updates the Compensation Committee on new developments in areas that fall within the Compensation Committee’s jurisdiction, and is available to advise the Compensation Committee regarding all of its responsibilities, including best practices and market trends in executive compensation. Our Compensation Committee has assessed the independence of Towers Watson pursuant to SEC and NASDAQ listing rules and determined that their work did not give rise to any conflicts of interest. The Compensation Committee’s report is provided on page 31 of this Proxy Statement.

The Board has determined that each of the current members of the Compensation Committee is independent as defined in the NASDAQ listing standards and our Corporate Governance Guidelines. For a more detailed list of the roles and responsibilities of the Compensation Committee, please see the Compensation Committee Charter located in

the “Corporate Governance” section of our website at [www.patrickind.com](http://www.patrickind.com).

*Compensation Committee Interlocks and Director Participation*

During 2014, no executive officer served on the Board or compensation committee of any other corporation with respect to which any member of the Compensation Committee was engaged as an executive officer. No member of the Compensation Committee was an officer or employee of the Company during 2014. Keith V. Kankel was formerly an officer of the Company from 1974-2004 and was a member of the Compensation Committee from 2008 until his retirement from the Board effective May 21, 2014.

**Corporate Governance and Nominations Committee**

The Board has a Corporate Governance and Nominations Committee, which from January 1, 2014 to May 21, 2014, was comprised of John A. Forbes (Chairman), Terrence D. Brennan, Joseph M. Cerulli, Keith V. Kankel, Michael A. Kitson, Larry D. Renbarger and Walter E. Wells. Mr. Kankel retired from the Board effective May 21, 2014 and Mr. Brennan retired from the Board effective September 30, 2014. Effective October 1, 2014, the Corporate Governance and Nominations Committee was comprised of John A. Forbes (Chairman), Joseph M. Cerulli, Michael A. Kitson, Larry D. Renbarger and Walter E. Wells. This Committee met four times in 2014. The primary responsibilities of this committee include:

Assist the Board in identifying, screening, and recommending qualified candidates to serve as directors;

Recommend nominees to the Board to fill new positions or vacancies as they occur;



Review and recommend to the Board the compensation of directors;

Recommend to the Board nominees for election by shareholders at the annual meeting; and

Review and monitor corporate governance compliance as well as recommend appropriate changes.

The Board has determined that each of the current members of the Corporate Governance and Nominations Committee is independent as defined in the listing standards of the NASDAQ stock exchange and our Corporate Governance Guidelines. For a more detailed list of the roles and responsibilities of the Corporate Governance and Nominations Committee, please see the Corporate Governance and Nominations Committee Charter located in the “Corporate Governance” section of our website at [www.patrickind.com](http://www.patrickind.com).

### **Rights Agreement Termination**

On April 16, 2015, the Board unanimously voted to terminate the Rights Agreement between the Company and National City Bank, as Rights Agent, dated March 21, 2006. In connection with its periodic review, the independent directors determined that the protections offered against unsolicited offers was no longer required.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires that certain of our officers, directors and 10% shareholders file with the SEC an initial statement of beneficial ownership and certain statements of changes in beneficial ownership of our common stock. Based solely on our review of such forms and written representation from the directors and officers that no other reports were required, we are unaware of any instances of noncompliance or late compliance with such filings during the fiscal year ended December 31, 2014, except with respect to the late filing of one Form 4 on March 13, 2014 for Mr. Jeffrey M. Rodino, our Chief Operating Officer.

## **EXECUTIVE COMPENSATION**

The following Compensation Discussion and Analysis should be read in conjunction with the executive compensation tables and corresponding footnotes that follow. The discussion focuses on the compensation program in effect for the

2014 fiscal year and compensation decisions made with respect to the compensation program.

## **Compensation Discussion and Analysis**

### **Compensation of Executive Officers and Directors**

#### Summary

We believe that the compensation plan as it relates to our Named Executive Officers - Todd M. Cleveland (“Chief Executive Officer” or “CEO”), Jeffrey M. Rodino (“Chief Operating Officer” or “COO”), Andy L. Nemeth (“Chief Financial Officer” or “CFO”), Courtney A. Blosser (“Vice President, Human Resources” or “VP HR”) - and other executives, should be aligned with the Company’s short-term and long-term organizational strategic agenda and its operating performance and cash flows, and assure appropriate management ownership in the Company. Messrs. Cleveland, Rodino, Nemeth and Blosser comprise our “Named Executive Officers” or “NEOs”, as such term is used under SEC rules. Our objective is to provide a comprehensive market competitive compensation program designed to attract, retain and motivate the best qualified talents from inside and outside the industry and to align the interests of our senior management team with the interests of our shareholders. We utilize a performance management system which is designed to drive decisions by senior management to facilitate a ‘Customer 1st Performance-Based’ culture. Our performance management system links compensation to achieving or exceeding certain objectives based on our short-term and long-term goals. In order to meet these objectives, the Compensation Committee has met numerous times over the past year and has conducted independent benchmark studies and analyses to develop a comprehensive performance and rewards compensation strategy as it relates to our NEOs and other executives. See “Plan Components” discussion below.

## Executive Compensation Decisions –

### Participants and Roles, Plan Factors, Plan Components and Benchmark Sources

#### Participants and Roles

Reviews and approves, with input from our management team and external advisors, the Company's executive compensation and benefits programs, including the NEOs.

COMPENSATION

COMMITTEE

Provides annual and ongoing review, discussion, analysis and recommendations regarding the evaluation of the execution of the performance plan for the NEOs against defined business objectives.

Provides published survey data, peer group proxy data and analysis and consultation to the Compensation Committee on executive and non-employee director compensation.

INDEPENDENT  
COMMITTEE

CONSULTANT

Establishes and maintains an independent perspective to avoid any conflicts of interests while working directly for the Compensation Committee unless the Committee has pre-approved any work to be conducted with management for review by the Committee and approval by the Board.

CHIEF EXECUTIVE  
OFFICER

and VICE PRESIDENT  
OF HUMAN  
RESOURCES

When requested by the Compensation Committee, provides executive compensation and benefit plan input related to the performance management structure and provides support on compensation and benefit program design and implementation, and compliance and disclosure requirements.

Evaluates the performance plans of the COO, CFO, VP HR and other executives in accordance with the Board approved plan.

#### Plan Factors

There are several key factors the Compensation Committee considers when recommending plan-year executive compensation decisions:

NEOs' roles, position scope, experience, skill set, and performance history;

The external market for comparable roles;

The current and expected business climate; and

The Company's financial position and operating results.

#### Plan Components

The Compensation Committee utilizes its own judgment in approving the components of compensation, benefits, and plan targets for the NEOs. The committee further reviews and approves compensation including base compensation, targets, thresholds, and maximums of short-term and long-term incentive compensation. In addition, the Compensation Committee utilizes a third party compensation consulting firm, Towers Watson, to provide relevant compensation benchmarks for the NEOs and other key leadership roles as well as plan design review and input. The most recent shareholder advisory vote taken in connection with our Annual Meeting of Shareholders that was held on May 23, 2013, is taken into consideration by the Company's Compensation Committee with respect to the acceptability of the plan. In the case of the latest vote in 2013, the plan decisions were approved thereby

providing further validation to the executive compensation decisions and policies. The Compensation Committee takes the shareholder advisory voting results, along with any other shareholder input on executive compensation, into consideration as one of several decision points in its executive compensation decision making process for each plan year.

#### Fiscal Year 2014 Peer Group

As described under “Plan Components,” an important factor in establishing executive compensation is the external market for comparable roles. Patrick’s benchmark peer group for the period ended December 31, 2014 consisted of the following companies: Accuride Corporation, American Woodmark Corporation, Cavco Industries, Inc., Commercial Vehicle Group Inc., Drew Industries Incorporated, Flexsteel Industries, Inc., Haynes International, Inc., PGT, Inc., Shiloh Industries, Inc., Spartan Motors, Inc., Stoneridge, Inc., Twin Disc, Incorporated, and Winnebago Industries, Inc. In addition, Patrick utilized data from an index of Durable Goods Manufacturing companies provided by Towers Watson, our independent compensation committee consultant.

#### **Fiscal Year 2014 Company Financial Performance Summary**

The 2014 performance plan year reflected continued overall positive economic conditions, the growth of our core business markets (Recreational Vehicles, Manufactured Housing and Industrial) and the continued focused execution of the Company’s strategic initiatives and capital allocation strategy in accordance with our strategic plan. As our business plan was executed, the Company continued to grow both organically and through acquisitions during 2014. The Company continued to execute on a Company-wide market and performance-based rewards platform consistent with achieving and exceeding our planned and targeted operating results, including five consecutive years of revenue and net income growth (on an adjusted basis) for the NEOs and all performing team members.

#### **Fiscal Year 2014 Executive Compensation**

##### **Compensation and Benefits**

##### **Components**

##### **Description and Purpose**

Base Salary

Cash payments reflecting a market competitive position for performance of functional role.

|                                       |   |
|---------------------------------------|---|
| Short-Term Incentives                 | Lump sum cash payments reflective of approved pay-for-performance plan and the relative achievements of the business and individual performance objectives. The Board reserves the right at any time to award discretionary bonuses to senior management based on outstanding performance or other factors. |
| Long-Term Incentives                  | Stock vehicle grants reflecting approved pay-for-performance plan and the relative long-term achievement of the business performance plans as well as the Company's desire to retain high performing talent and align the interests of senior management with shareholder interests.                        |
| Executive Health and Welfare Benefits | We do not have health and welfare benefits outside the scope of our standard plans for all employees.   |
| Voluntary Deferred Compensation Plan  | Voluntary deferred compensation plan whereby highly compensated individuals can elect to voluntarily defer all or a portion of their wages in any given year subject to applicable laws and restrictions. Designed to supplement market competitive position and further drive retention of key executives. |
| Other Compensation                    | Other compensation includes automobile allowance, Company contributions pursuant to the Patrick Industries, Inc. 401(k) Plan, and Company contributions to individual Health Savings Accounts and health club reimbursement pursuant to the Company's general health and wellness program.                  |
| Executive Retirement Plan             | Supplemental executive retirement program based on a formula of base wages, service and other criteria designed to retain key senior talent.  |
| Severance Benefits                    | We provide reasonable and customary transition support aligned to market benchmark data.  |

## Compensation Components – Mix and Levels

### Base Salary

The Compensation Committee reviews and approves the base salaries of the NEOs each year, as well as at the time of promotion, change in job responsibilities, or any other change deemed to be a material event. Base salaries are set during the first quarter of each year. The Compensation Committee sets the salary for the President and CEO, and approves the base salaries for the other NEOs based on recommendations by the President and CEO.

When determining base salary adjustments for its NEOs, the Compensation Committee considers a combination of (1) peer group data, (2) market data, including industry norms and benchmarking data from companies of similar size and scope, and (3) outstanding Company and individual performance. In general, the Compensation Committee targets the 25<sup>th</sup> – 50<sup>th</sup> percentile of the Company's peer group in determining base salaries and the 75<sup>th</sup> – 100<sup>th</sup> percentile of the Company's peer group for determining short-term incentive compensation.

The Board approved a base compensation increase for the NEOs on February 19, 2014 in alignment with market data and the Company plan factors. The following table summarizes the 2013 and 2014 base salaries as approved by the Board for the NEOs:

| Name                | 2013      | 2014      | % Increase |   |
|---------------------|-----------|-----------|------------|---|
|                     | Base      | Base      |            |   |
|                     | Salary –  | Salary –  |            |   |
|                     | 2/18/13   | 2/19/14   | 2/19/14    |   |
| Todd M. Cleveland   | \$400,000 | \$550,000 | 37.5       | % |
| Jeffrey M. Rodino   | 265,000   | 275,000   | 3.8        | % |
| Andy L. Nemeth      | 245,000   | 265,000   | 8.2        | % |
| Courtney A. Blosser | 165,000   | 210,000   | 27.3       | % |

### Non-Equity Incentive Plan Awards

The Annual Non-Equity Incentive Plan Awards (“Short-Term Incentives” or “STIs”) are reviewed and approved each year and are based on the achievement of a combination of the Company’s financial results and the individual’s performance against defined objectives. Several key components were considered in the development of the 2014 STI plan to align the STIs with shareholder interest by measuring the Company’s financial performance and the individual’s performance in support of the Company’s short and long-term strategies. These components include:

Company performance (50% weighting), which is measured by the Company’s earnings before interest, taxes, depreciation and amortization (“EBITDA”) performance;

Individual performance (50% weighting), which is measured by:

1. Financial objectives – Revenue and EBITDA targets (40% weighting within the individual performance objectives);
2. Strategic objectives – Actions and initiatives linked to the Company’s organizational strategic agenda for the plan year (30% weighting within the individual performance objectives); and
3. Leadership and talent objectives – Actions and initiatives linked to the development of our talent, leadership, capabilities and our values (30% weighting within the individual performance objectives).

For each of the NEOs, a target STI award is established as a percentage of base salary. The portion of the STI award that is tied to individual performance is based on the Compensation Committee’s assessment of an individual’s performance against defined objectives (50% weighting), with the NEOs each receiving an individual performance rating ranging from 0.0 to 5.0. The Company performance component of the STI award is based upon the Company’s EBITDA (as defined in the Company’s credit agreement) performance versus target EBITDA (50% weighting), with the actual results placed on a scale ranging from 0.0 to 5.0. The threshold Company EBITDA performance is 80% of target EBITDA (a 2.0 rating) and the maximum Company EBITDA performance is capped



at 120% of target EBITDA (a 5.0 rating). The threshold, target and maximum performance metrics for the 2014 STI plan are outlined below:

| <b>2014 STI Award Component</b> | <b>Threshold Performance</b> | <b>Target Performance</b> | <b>Maximum Performance</b> |
|---------------------------------|------------------------------|---------------------------|----------------------------|
| Company Rating (EBITDA)         | 2.0 (\$48.2MM)               | 3.0 (\$60.3MM)            | 5.0 (\$72.3MM)             |
| Individual Rating               | 2.5                          | 3.0                       | 5.0                        |

If an individual's performance rating is below the threshold rating of 2.5, such individual is not eligible for an STI award regardless of Company performance. If the Company's EBITDA performance is below the threshold Company rating of 2.0, no individual is eligible for that performance plan year's annual STI award regardless of individual performance.

The individual rating is translated into a payout factor ranging from 83% (threshold) to 167% (maximum), and the Company rating is translated into a payout factor ranging from 50% (threshold) to 150% (maximum). The individual and Company payout factors are multiplied to establish an aggregate payout factor, which is then multiplied by the target STI award to determine the actual dollar award. The range of potential 2014 aggregate payout factors as a percentage of the target STI award was as follows:

Threshold individual and Company performance - 41.7%

Target individual and Company performance - 100%

Maximum individual and Company performance - 250%

The Company achieved plan adjusted fiscal 2014 EBITDA of \$62.5 million which equated to a 3.4 Company performance rating. When combined with the individual performance rating for each NEO, the actual STI award payouts for 2014 were as follows:

| <b>Name</b>       | <b>2014 Base Salary (\$)</b> | <b>Target Award as a % of Base Salary (1)</b> | <b>Target STI Award (\$)</b> | <b>Actual Award Amount as a % of Target Award</b> | <b>Actual 2014 STI Award Payout (\$)</b> |
|-------------------|------------------------------|---|------------------------------|---|--|
| Todd M. Cleveland | \$550,000                    | 100%  | \$550,000                    | 146.7%  | \$806,670                                |
| Jeffrey M. Rodino | 275,000                      | 85%   | 233,750                      | 124.7%  | 291,410                                  |

|                     |         |     |         |        |         |
|---------------------|---------|-----|---------|--------|---------|
| Andy L. Nemeth      | 265,000 | 60% | 159,000 | 135.7% | 215,710 |
| Courtney A. Blosser | 210,000 | 50% | 105,000 | 135.7% | 142,450 |

The target award as a percentage of base salary for the NEOs was determined by the Compensation Committee (1) and applied to the base salary in effect as of February 19, 2014. The target award as a percentage of base salary did not change from 2013 to 2014.

While these targets were used in fiscal year 2014, the Compensation Committee reserves the right to modify, cancel, change or reallocate any components of this calculation or criteria at any time. There was no change in the 2014 Plan structure from 2013.

Each NEO's individual performance rating takes into account three categories of performance objectives in assessing the personal performance of the NEOs named in the Summary Compensation Table for 2014 against individual objectives: (i) financial performance including revenue targets, EBITDA targets and an optional financial goal approved by the Company's Compensation Committee and by the CEO; (ii) two or three strategic objectives linked to the Company's strategic plan which include, among others: (a) improving the revenue and profitability of business units under the leadership and control of the NEO; (b) the introduction of new product lines and product line extensions to achieve target revenue growth levels and market share; and (c) the ongoing evaluation of strategic opportunities related to our capital allocation strategy and the execution of those opportunities, as appropriate; and (iii) objectives linked to developing and managing talent consistent with the Company's values, and enhancing and developing the leadership capabilities of the Company's future leaders. The financial objectives are the same for

each NEO and linked directly to the plan year goals. The strategic objectives are specific for each NEO, but are linked to the strategic plan and that year's organizational strategic agenda. Finally, the talent, values and leadership objectives are also tailored for each NEO according to the specific areas of focus for the individual NEO and their respective areas of responsibility.

The individual objectives for the NEOs are initially developed for each NEO by the Compensation Committee to guide their planned respective contribution toward the Company's strategic and financial goals for the plan year, and reviewed and approved by either the CEO or by the Board, in the CEO's case.

In assessing the NEOs' individual performance, the Compensation Committee is provided with detailed quantitative documentation substantiating individual performance against each individual objective. The Compensation Committee looks to the CEO's performance assessments of the other NEOs and his recommendations regarding a performance rating for each, as well as input from the non-management Board members. These recommendations may be adjusted by the Compensation Committee prior to finalization. The personal performance assessment of our CEO is determined by the Compensation Committee with input from members of the Board.

While the achievement of corporate objectives is quantified with an individual rating, each NEO's relative contribution to those objectives is only one qualitative component against which the individual's performance is assessed by the Compensation Committee. Based upon their individual achievements and the Company's overall financial performance, as evaluated by the Compensation Committee, and by the CEO for Messrs. Rodino, Nemeth and Blosser, the individual performance rating achieved by each of these four NEOs exceeded the target performance rating of 3.0 set by the Compensation Committee.

#### Discretionary Bonus Payment

The Compensation Committee reviewed the overall 2014 performance of the Company compared to the established peer group. In recognition of the achievement of a second consecutive year of record revenues and net income and the successful execution of a number of strategic priorities, and after reviewing key performance metrics which included: (1) Total Shareholder Return, 2) Return on Equity and 3) Return on Invested Capital, the Compensation Committee recommended and the Board approved a discretionary bonus payment to each NEO for their leadership in the achievement of these results as outlined in the table below:

| Name | 2014<br>Discretionary |
|------|-----------------------|
|------|-----------------------|

**Bonus  
Payment**

|                     |           |
|---------------------|-----------|
| Todd M. Cleveland   | \$490,000 |
| Jeffrey M. Rodino   | 150,000   |
| Andy L. Nemeth      | 265,000   |
| Courtney A. Blosser | 90,000    |

Long-Term Incentive Plan

We believe that long-term incentive compensation represents an appropriate motivational tool to achieve certain long-term Company goals and closely align the interests of our management team with those of our shareholders. Our Executive officers participate in our long-term incentive plan (“LTIP”) as a result of their ability to make a significant contribution to the Company’s financial performance, their level of responsibility, their ability to meet performance objectives, and their leadership potential and execution.

In 2014, the Compensation Committee implemented a Board approved pay-for-performance based Long-Term Incentive Plan (“2014 LTIP”) for the NEOs. The 2014 LTIP utilizes a long-term incentive target award, which is established as a percentage of base compensation for each of the NEOs. The target award is comprised of a restricted share award (80% of which is performance-contingent and 20% of which is time-based). In determining the number of shares comprising the restricted share award, the target value of the restricted share component is divided by the stock price per share as established by the Board for the particular plan year, reflecting the trading price range of the common stock preceding the grant date (\$31.00 for the 2014 LTIP award). The awarded target shares vest over a three-year time/performance period. Time-based shares cliff vest at the conclusion of the three-year period from the grant date. The performance contingent shares are earned based on the achievement of three-

year cumulative Company EBITDA performance (2014-2016) against target up to a maximum payout of 150% of target. The 2014 LTIP further established the Company's "pay for differentiated performance" philosophy through the implementation of a performance dependent upside potential for performance in excess of target levels. There was no change to the 2014 LTIP structure from 2013.

The table below shows a sample calculation of 2014 LTIP award components:

| <b>Base Salary (\$)</b> | <b>Target Award as a % of Base Salary</b> | <b>Target Award (\$)</b><br><b>(1,452 Restricted Shares @ \$31.00 per share)</b> | <b>Restricted Shares Target Award - Performance-Contingent (80%)</b><br><b>(Shares @ \$31.00 per share)</b> | <b>Restricted Shares</b>  |
|-------------------------|---|--|---|---|
|                         |   |  |   | <b>Target Award - Time-Based (20%)</b><br><b>(Shares @ \$31.00 per share)</b> |
| \$150,000               | 30%                                       | \$45,000   | 1,162   | 290   |

The restricted share award is divided into (1) restricted shares with time-based vesting ("Time-Based Shares") and (2) restricted shares with performance-based vesting ("Performance-Contingent Shares"). The Compensation Committee believes that the use of Time-Based Shares and Performance-Contingent Shares aligns the NEOs' focus with the Company's long-term financial performance objectives and assures that significant retention value of the granted equity is maintained for each NEO. The 2014 LTIP restricted share component is further defined below:

*2014 LTIP Restricted Share Component:*

*Time-Based Shares* – 20% of the shares comprising the restricted share award are Time-Based Shares with a three year cliff vesting period.

*Performance-Contingent Shares* – 80% of the shares comprising the restricted share award are Performance-Contingent Shares; award vesting is contingent upon achieving the Company's cumulative EBITDA performance versus target EBITDA over a three-year measurement period.

For the Performance-Contingent Shares, the Company's cumulative three-year EBITDA performance is placed on a scale ranging from 0.0 to 5.0, with threshold EBITDA performance of 80% of target EBITDA (a 2.0 rating) and maximum Company EBITDA performance of 125% of target EBITDA (a 5.0 rating). The threshold, target and maximum performance metrics for the 2014 LTIP are outlined below:

|                               | <b>Threshold<br/>EBITDA</b>      | <b>Target<br/>EBITDA</b>         | <b>Maximum<br/>EBITDA</b>        |
|-------------------------------|----------------------------------|----------------------------------|----------------------------------|
|                               | <b>Performance<br/>(1)</b>       | <b>Performance<br/>(1)</b>       | <b>Performance<br/>(1)</b>       |
| <b>Plan Component</b>         | <b>(2.0 Rating)</b>              | <b>(3.0 Rating)</b>              | <b>(5.0 Rating)</b>              |
|                               | <b>Payout as %<br/>of target</b> | <b>Payout as %<br/>of target</b> | <b>Payout as %<br/>of target</b> |
| Time-Based Shares             | 100%                             | 100%                             | 100%                             |
| Performance-Contingent Shares | 50%                              | 100%                             | 150%                             |

(1)The Company EBITDA performance is measured as the cumulative EBITDA achieved in 2014, 2015 and 2016.

The target 2014 LTIP award components for the NEOs in 2014 were as follows:

| Name                | Total Target Award as a % of Base Salary | Total Target Award (\$) | Target                          | Target                                      |
|---------------------|--|-------------------------|---------------------------------|---|
|                     |  |                         | Time-Based Share Award (Shares) | Performance-Contingent Share Award (Shares) |
| Todd M. Cleveland   | 200%                                     | \$1,100,000             | 7,097                           | 28,387                                      |
| Jeffrey M. Rodino   | 50%                                      | 137,500                 | 887                             | 3,549                                       |
| Andy L. Nemeth      | 50%                                      | 132,500                 | 855                             | 3,420                                       |
| Courtney A. Blosser | 40%                                      | 84,000                  | 542                             | 2,168                                       |

Individual NEO threshold, target and maximum payouts in shares for each long term incentive component of the 2014 LTIP are outlined below:

| Name                                     | Threshold EBITDA Performance | Target EBITDA Performance | Maximum EBITDA Performance |
|--|------------------------------|---------------------------|----------------------------|
|  | (2.0 Rating)                 | (3.0 Rating)              | (5.0 Rating)               |
|  | Component Award (Shares)     | Component Award (Shares)  | Component Award (Shares)   |
| <b>Time-Based Shares (1)</b>             |                              |                           |                            |
| Todd M. Cleveland                        | 7,097                        | 7,097                     | 7,097                      |
| Jeffrey M. Rodino                        | 887                          | 887                       | 887                        |
| Andy L. Nemeth                           | 855                          | 855                       | 855                        |
| Courtney A. Blosser                      | 542                          | 542                       | 542                        |
| <b>Performance-Contingent Shares (1)</b> |                              |                           |                            |
| Todd M. Cleveland                        | 14,194                       | 28,387                    | 42,581                     |
| Jeffrey M. Rodino                        | 1,775                        | 3,549                     | 5,324                      |
| Andy L. Nemeth                           | 1,710                        | 3,420                     | 5,130                      |
| Courtney A. Blosser                      | 1,084                        | 2,168                     | 3,252                      |

- (1) Represents the number of shares for the threshold, target and maximum payouts for the Time-Based Shares and Performance-Contingent Shares for the 2014 LTIP award.

The Company records the estimated compensation expense over the life of the LTIP Plan Performance Period assuming the maximum payout and adjusts its estimates on a periodic basis, if required. The NEOs have all voting rights of the shares as of the date of grant and the shares will be returned to the Company in the event that performance targets or time-based vesting requirements are not achieved. The actual payout under the 2014 LTIP will be determined at the conclusion of the three-year performance period ending on December 31, 2016 (the third year in the cumulative EBITDA performance measurement period) and payment of the award will be settled in stock.

See “Potential Payments Upon Termination or Change in Control” on pages 30 and 31 payable to each of the NEOs upon termination or a change in control.



2014 NEO Company Stock Ownership Requirement

The NEOs are required to maintain a pre-defined multiple of base salary in the form of ownership of the Company's common stock based on the Board established target price for a particular plan year that is to be achieved over a period of three years, in the event the condition is not met. The following table sets forth information about the required share value of the Company's common stock to be owned by each NEO for the year ended December 31, 2014:

| Name                | 2014<br>Base<br>Salary | 2014<br>Multiple of<br>Base Salary | Required                            |
|---------------------|------------------------|------------------------------------|-------------------------------------|
|                     |                        |                                    | Total<br>Share<br>Value (\$)<br>(1) |
| Todd M. Cleveland   | \$550,000              | 4X                                 | \$2,200,000 (2)                     |
| Jeffrey M. Rodino   | 275,000                | 2X                                 | 550,000 (2)                         |
| Andy L. Nemeth      | 265,000                | 2X                                 | 530,000 (2)                         |
| Courtney A. Blosser | 210,000                | 1.5X                               | 315,000 (2)                         |

(1) Inclusive of stock option valuation, restricted stock awards, and restricted stock units awarded by the Company, and shares purchased by the NEO in the open market.

(2) Each NEO's total common stock ownership for the year ended December 31, 2014 exceeded the 2014 requirement.

Supplemental Long-Term Incentive Grant for NEOs

In 2014, in recognition of the leadership, execution and performance of Messrs. Rodino, Nemeth and Blosser throughout the Company's five-year strategic planning period from 2009 through 2013, and in an effort to retain the proven performance capabilities and leadership talent of the three aforementioned NEOs and to provide an incentive to define, develop, drive, and establish a platform to execute the Company's five-year strategic plan for the period from 2014 to 2018 and drive operating results, the Compensation Committee developed and recommended a Board approved Supplemental Long-Term Incentive Grant (the "Grant") for Mr. Rodino, Mr. Nemeth and Mr. Blosser. The Grant is comprised Performance Share Units ("PSUs") and is directly aligned to shareholder interests of performance, growth and shareholder return. The PSUs are to be settled in shares of Patrick common stock. Each NEO listed above will be granted a portion of their total award in the plan years of 2014, 2015 and 2016. Each Grant is scheduled to cliff vest at the conclusion of the three-year performance period and become payable as shares of common stock if the

minimum threshold performance is achieved at the end of the performance period. The threshold performance of each grant is 80% of the 3-year cumulative EBITDA target for 2014, 2015 and 2016 established under the Company's LTIP discussed above. The payout for threshold performance is 75% of the target award (noted in the table below). The maximum performance of each grant is 125% of the 3-year cumulative EBITDA target for 2014, 2015 and 2016 established under the Company's LTIP. The payout for maximum performance under the plan is 125% of the target award (noted in the table below). Unvested PSUs are subject to forfeiture if Mr. Rodino's, Mr. Nemeth's or Mr. Blosser's employment with the Company is terminated under certain circumstances before the PSUs vest. The Grant structure at target performance is also noted in the table below:

| Name                | Year 1 – 2014            | Year 2 – 2015            | Year 3 – 2016            |
|---------------------|--------------------------|--------------------------|--------------------------|
|                     | PSU Grant (shares)       | PSU Grant (shares)       | PSU Grant (shares)       |
|                     | Threshold/Target/Maximum | Threshold/Target/Maximum | Threshold/Target/Maximum |
| Jeffrey M. Rodino   | 4,400 / 5,867 / 7,334    | 4,400 / 5,867 / 7,334    | 4,400 / 5,867 / 7,334    |
| Andy L. Nemeth      | 4,400 / 5,867 / 7,334    | 4,400 / 5,867 / 7,334    | 4,400 / 5,867 / 7,334    |
| Courtney A. Blosser | 2,200 / 2,933 / 3,666    | 2,200 / 2,933 / 3,666    | 2,200 / 2,933 / 3,666    |

### Non-Qualified Stock Options

There were no non-qualified stock options granted in 2014 to the NEOs. A description of all stock awards held by the NEOs as of the end of fiscal 2014 is contained in the “Outstanding Equity Awards at December 31, 2014” table on pages 27 and 28. We reserve the right at any time to grant options under our Patrick Industries, Inc. 2009 Omnibus Incentive Plan.

### Executive Retirement Plan and Non-Qualified Excess Plan

#### Executive Retirement Plan

As part of a long term compensation program established prior to the Company’s acquisition of Adorn in 2007, the Company maintains a non-qualified executive retirement plan (the “Executive Retirement Plan”) for Mr. Nemeth. According to the provisions of the Executive Retirement Plan, Mr. Nemeth is entitled to receive annually 40% of his respective highest annual base wages earned in the last three years prior to retirement or termination from the Company paid over ten years in 260 consecutive bi-weekly payments. Mr. Nemeth became fully vested in the Executive Retirement Plan on May 18, 2007 pursuant to a change of control event, which occurred on May 18, 2007, as a result of the Adorn acquisition and the Company’s private placement of shares to Tontine. No new employees have been invited to participate in the Executive Retirement Plan since January 1, 2007.

#### Non-Qualified Excess Plan

The Company maintains a voluntary non-qualified deferred compensation plan (the “NQDC Plan”) for its key executives whereby individuals can elect at the beginning of any fiscal year to defer all or a portion of their base wages for that particular year, subject to applicable laws and restrictions. Participants are immediately vested in the plan. There were no material contributions made to the NQDC Plan in 2014.

#### Perquisites

We believe in a performance-based compensation and benefits package and therefore provide very few prerequisites to our NEOs. We provide a car allowance to our NEOs, other executives, corporate managers, and general managers, all of which are included as taxable income.

### Benefit Plans

We do not maintain separate benefit plans for our NEOs. They participate in the same health and welfare plans as all of our other general employees with the same deductibles and co-pays. The NEOs also participate in the same 401(k) retirement program as all of the other general employees.

### Equity Trading Restrictions

The Company has a policy whereby the mandatory trading blackout period begins two weeks or 14 calendar days prior to the close of trading on the stock market on the last trading day of the fiscal month ending in a reporting period (March, June, September and December) and ends after the expiration of two full stock market trading days following the public release of the financial information for that reporting period. During this period, Section 16 insiders and other management employees who have access to “inside” information are precluded from trading in the public market any types of company equity securities. Additionally, the Company precludes any Section 16 insider, as defined by the SEC, Director, Officer or Employee from trading in the public market, or any other market, based on information that is not made available to the general public.

### Tax and Accounting Considerations

To the extent that it is practicable and consistent with our executive compensation objectives, we seek to comply with Section 162(m) of the Internal Revenue Code and the regulations adopted thereunder to enable us to claim the tax deductibility of performance-based compensation in excess of \$1 million per taxable year to our executive officers. However, if compliance with Section 162(m) conflicts with our compensation objectives or is contrary to the best interests of our shareholders, we will pursue those objectives, regardless of the attendant tax implications. In 2012, a portion of Mr. Cleveland’s compensation did not comply with Section 162(m). You should be aware that Section 162(m) is highly technical and complex, so that even when we seek favorable tax treatment

thereunder, we cannot assure you that our tax position will prevail. We expense equity awards in accordance with Accounting Standards Codification 718 Compensation – Stock Compensation (“ASC 718”).

### Summary Compensation Table

The following Summary Compensation Table sets forth information about the compensation paid to our NEOs for the years ended December 31, 2014, 2013 and 2012. There were no stock options awarded to our NEOs for the years ended December 31, 2014 and 2012.

| Name and<br>Principal Position  | Year | Salary<br>\$(1) | Bonus<br>\$(2) | Stock<br>Awards<br>\$(3) | Option<br>Awards<br>\$(4) | Non-Equity<br>Incentive<br>Plan<br>Compen-<br>sation<br>\$(5) | Change<br>in<br>Pension<br>Value<br>and<br>Non-<br>Qualified<br>Deferred<br>Compensation<br>Earnings<br>\$(6) | All<br>Other<br>Compen-<br>sation<br>\$(7) | Total (\$)  |
|---|------|-----------------|----------------|--------------------------|---------------------------|---|---|--|-------------|
|   |      |                 |                |                          |                           |   |   |  |             |
| Todd M. Cleveland,<br>President and Chief<br>Executive Officer  | 2014 | \$555,770       | \$490,000      | \$1,849,015              | \$-                       | \$806,670   | \$-   | \$15,220                                   | \$3,716,675 |
|   | 2013 | 391,346         | -              | 544,956                  | 2,124,903                 | 975,270   | -   | 15,255                                     | 4,051,730   |
|   | 2012 | 339,615         | 400,000        | 590,800                  | -                         | 822,500   | -   | 14,290                                     | 2,167,205   |
| Jeffrey M. Rodino,<br>Chief Operating<br>Officer, and<br>Executive<br>Vice President of<br>Sales (8)                    | 2014 | 276,517         | 150,000        | 449,543                  | -                         | 291,410   | -   | 12,818                                     | 1,180,288   |
|   | 2013 | 246,846         | -              | 144,430                  | -                         | 464,780   | -   | 12,193                                     | 868,249     |
|   | 2012 | 189,039         | 50,000         | 135,040                  | -                         | 382,500   | -   | 12,397                                     | 768,976     |
| Andy L. Nemeth,<br>Executive Vice<br>President of<br>Finance,<br>Secretary-Treasurer,<br>and Chief Financial<br>Officer | 2014 | 271,730         | 265,000        | 441,132                  | -                         | 215,710   | 13,523  | 16,252                                     | 1,223,347   |
|   | 2013 | 243,270         | -              | 133,523                  | -                         | 340,230   | 6,563   | 15,732                                     | 739,318     |
|   | 2012 | 233,462         | 50,000         | 158,672                  | -                         | 274,950   | 9,542   | 15,207                                     | 741,833     |

Courtney A. Blosser

|                 |      |         |        |         |   |         |   |        |         |
|-----------------|------|---------|--------|---------|---|---------|---|--------|---------|
| Vice President  | 2014 | 203,537 | 90,000 | 250,379 | - | 142,450 | - | 13,042 | 699,408 |
| Human Resources |      |         |        |         |   |         |   |        |         |
| (9)             |      |         |        |         |   |         |   |        |         |

(1) For information on base salaries, see “Base Salary” on page 17.

The NEOs received discretionary bonus awards for the years ended December 31, 2014 and 2012. The NEOs did not receive any payments that would be characterized as “Bonus” payments for the fiscal year ended December 31, 2013.

Amounts shown do not reflect compensation actually received. Such amounts reflect the aggregate fair value of stock awards and PSUs granted during the year which is generally the total amount that the Company expects, as of the grant date, to expense in its financial statements over the awards vesting schedule in accordance with ASC 718.

Amount shown does not reflect compensation actually received. Such amount reflects the aggregate fair value of stock options and stock appreciation rights (“SARs”) granted during the year which is generally the total amount that the Company expects, as of the grant date, to expense in its financial statements over the awards vesting schedule in accordance with ASC 718. See Note 18 to the Consolidated Financial Statements in our 2014 Annual Report on Form 10-K for the assumptions used in determining the fair value of each option and SARs award based on the Black-Scholes option-pricing model.

Amounts shown represent the short-term incentive awards earned in 2014 by each of the NEOs, and approved by the Compensation Committee, based on the achievement of both pre-determined Company performance targets and individual performance targets for 2014. See “Non-Equity Incentive Plan Awards” on pages 17 to 19.

Amounts shown do not reflect compensation actually received. Such amounts reflect the aggregate change in the present value of the NEOs’ accumulated benefit under the Executive Retirement Plan and the Non-

Qualified Excess Plan. In computing these amounts, the Company uses various assumptions including remaining years of service, estimated discount rates, and present value calculations.

(7) The amounts included in “All Other Compensation” are detailed in the table below:

| Name                | Year | 401(k)                     | Other     | Total All               |
|---------------------|------|----------------------------|-----------|-------------------------|
|                     |      | Matching Contribution (\$) | (a) (\$)  | Other Compensation (\$) |
| Todd M. Cleveland   | 2014 | \$ 780                     | \$ 14,440 | \$ 15,220               |
|                     | 2013 | 765                        | 14,490    | 15,255                  |
|                     | 2012 | 850                        | 13,440    | 14,290                  |
| Jeffrey M. Rodino   | 2014 | 718                        | 12,100    | 12,818                  |
|                     | 2013 | 643                        | 11,550    | 12,193                  |
|                     | 2012 | 499                        | 11,898    | 12,397                  |
| Andy L. Nemeth      | 2014 | 712                        | 15,540    | 16,252                  |
|                     | 2013 | 642                        | 15,090    | 15,732                  |
|                     | 2012 | 617                        | 14,590    | 15,207                  |
| Courtney A. Blosser | 2014 | 642                        | 12,400    | 13,042                  |

(a) Amounts shown reflect an automobile allowance, the Company contribution to individual Health Savings Accounts, and health club reimbursement pursuant to the Company’s general health and wellness program.

(8) Mr. Rodino was appointed COO of the Company in March 2013. In addition to his COO position, Mr. Rodino serves as Executive Vice President of Sales, a position he has held since December 2011.

(9) Mr. Blosser was appointed Vice President of Human Resources of the Company in October 2009 and elected an officer in May 2010. He became a Named Executive Officer in fiscal 2014.

#### Grants of Plan-Based Awards During Fiscal Year 2014

The table below sets forth information on grants in 2014 to the NEOs of estimated payouts under non-equity incentive plan awards as set forth under “Non-Equity Incentive Plan Awards” on pages 17 to 19, estimated payouts under equity incentive plan awards as set forth under “Long-Term Incentive Plan” on pages 19 to 21, “Supplemental Long-Term Incentive Grant for NEOs” as set forth on page 22, and of stock awards and all other option awards as set forth in the “Summary Compensation Table” on pages 24 and 25. The Company’s policy is generally to grant equity awards effective on the date the Compensation Committee approves such awards.





| Name                | Estimated Future Payouts Under       |                |             | Estimated Future Payouts Under            |               |            | All Other Stock Awards of Stock or Units (#) (4) | Exercise or Closing Market Price on Grant Date (\$ Per Share) (5) | Grant Date Fair Value of Stock and Option Awards/SARs (\$) (6) |             |             |
|---------------------|--------------------------------------|----------------|-------------|---|---------------|------------|--|---|--|-------------|-------------|
|                     | Non-Equity Incentive Plan Awards (1) |                |             | Under Equity Incentive Plan Awards (2)(3) |               |            |  |   |  |             |             |
|                     | Grant Date                           | Threshold (\$) | Target (\$) | Maximum (\$)                              | Threshold (#) | Target (#) |  |   |  | Maximum (#) |             |
| Todd M. Cleveland   | 2/18/14                              | \$229,400      | \$550,000   | \$1,375,000                               | 14,194        | 28,387     | 42,581   | 7,097   | -  | \$37.22     | \$1,849,015 |
| Jeffrey M. Rodino   | 2/18/14                              | 97,500         | 233,750     | 584,400                                   | 1,775         | 3,549      | 5,324  | 887   | -  | 37.22       | 231,173     |
|                     | 2/18/14                              | -              | -           | -   | 4,400         | 5,867      | 7,334  | -   | -  | 37.22       | 218,370     |
| Andy L. Nemeth      | 2/18/14                              | 66,300         | 159,000     | 397,500                                   | 1,710         | 3,420      | 5,130  | 855   | -  | 37.22       | 222,762     |
|                     | 2/18/14                              | -              | -           | -   | 4,400         | 5,867      | 7,334  | -   | -  | 37.22       | 218,370     |
| Courtney A. Blosser | 2/18/14                              | 43,800         | 105,000     | 262,500                                   | 1,084         | 2,168      | 3,252  | 542   | -  | 37.22       | 141,213     |
|                     | 2/18/14                              | -              | -           | -   | 2,200         | 2,933      | 3,666  | -   | -  | 37.22       | 109,166     |

The related performance targets and results are described in detail under “Non-Equity Incentive Plan Awards” on (1) pages 17 to 19. For the actual non-equity incentive awards, see the “Summary Compensation Table” on pages 24 and 25.

Restricted shares granted in fiscal 2014 under the 2014 LTIP that are Performance-Contingent based will vest if (2) target EBITDA performance is achieved at the conclusion of the cumulative three-year performance measurement period ending on December 31, 2016. See “Long-Term Incentive Plan” on pages 19 to 21.

(3) Restricted PSUs granted in fiscal 2014 under the 2014 Supplemental Long-Term Incentive Grant will vest if target EBITDA performance is achieved at the conclusion of the cumulative three-year performance measurement period ending on December 31, 2016. See “Supplemental Long-Term Incentive Grant for NEOs” on page 22.

(4) These shares represent the Time-Based restricted stock awards granted in fiscal 2014 that vest on the third anniversary of the grant date. See “Long-Term Incentive Plan” on pages 19 to 21.

- (5) The base price of the Time-Based and Performance-Contingent based stock awards is the closing price of the Company's stock on the NASDAQ stock market on the grant date.
- (6) Represents the fair value of stock awards, stock options and SARs as of the grant date computed in accordance with ASC 718.

**Outstanding Equity Awards at December 31, 2014**

The following table summarizes the outstanding equity awards held by the NEOs as of December 31, 2014.

| Name                | Grant Date | Option/SARs Awards Number of                                 |  | Options Exercise /SARs Strike Price (\$) | Options/SARs Expiration Date |
|---------------------|------------|--|--|--|------------------------------|
|                     |            | Number of Securities Underlying Unexercised Options/SARs (#) | Number of Securities Underlying Exercised Options/SARs (#) |  |                              |
| Todd M. Cleveland   | 12/18/13   | 66,667   | 133,333  | \$ 27.67                                 | 12/18/22                     |
|                     | 12/18/13   | 16,666   | 33,334   | 27.67                                    | 12/18/22                     |
|                     | 12/18/13   | 16,667   | 33,333   | 33.20                                    | 12/18/22                     |
|                     | 12/18/13   | 16,667   | 33,333   | 39.84                                    | 12/18/22                     |
|                     | 12/18/13   | 16,667   | 33,333   | 47.81                                    | 12/18/22                     |
| Jeffrey M. Rodino   | -          | -  | -  | -  | -                            |
| Andy L. Nemeth      | -          | -  | -  | -  | -                            |
| Courtney A. Blosser | -          | -  | -  | -  | -                            |

Both the stock options and SARs were granted in 2013 and vest pro-rata over three years, commencing on (1) December 18, 2014, and expire after nine years. Unvested options and SARs are subject to forfeiture if the NEO's employment with the Company is terminated under certain circumstances before the options or SARs vest.

| Name | Grant Date | Stock Awards                            |   | Equity Incentive Plan Awards: Number of Unearned | Equity Incentive Plan Awards: Market or Payout Value of Unearned |
|------|------------|---|---|--|--|
|      |            | Number of Shares or Units of Stock That | Market Value of Unearned Shares or Units of Stock That Have Not |  |  |

|                     |         | <b>Have<br/>Not<br/>Vested<br/>(#) (1)</b> | <b>Vested (\$)<br/>(2)</b> | <b>Shares or<br/>Units<br/>That Have<br/>Not<br/>Vested (#)<br/>(3)</b> | <b>Shares or<br/>Units That<br/>Have<br/>Not<br/>Vested (\$)<br/>(2)</b> |
|---------------------|---------|--|----------------------------|---|--|
| Todd M. Cleveland   | 2/18/14 | 7,097                                      | \$ 312,126                 | 42,581  | \$ 1,872,712   |
|                     | 3/04/13 | 5,517                                      | 242,638                    | 33,105  | 1,455,958  |
|                     | 3/12/12 | 14,000                                     | 615,720                    | 56,000  | 2,462,880  |
| Jeffrey M. Rodino   | 2/18/14 | 887  | 39,010                     | 5,324   | 234,150  |
|                     | 3/04/13 | 1,462                                      | 64,299                     | 8,774   | 385,881  |
|                     | 3/12/12 | 3,200                                      | 140,736                    | 12,800  | 562,944  |
| Andy L. Nemeth      | 2/18/14 | 855  | 37,603                     | 5,130   | 225,617  |
|                     | 3/04/13 | 1,352                                      | 59,461                     | 8,111   | 356,722  |
|                     | 3/12/12 | 3,760                                      | 165,365                    | 15,040  | 661,459  |
| Courtney A. Blosser | 2/18/14 | 542  | 23,837                     | 3,252   | 143,023  |
|                     | 3/04/13 | 683  | 30,038                     | 4,097   | 180,186  |
|                     | 3/12/12 | 1,800                                      | 79,164                     | 7,200   | 316,656  |

Restricted share grants related to Time-Based share awards, which were approved by the Board on February 18, 2014, March 4, 2013 and March 12, 2012, will fully vest on the third anniversary of the grant date or February 18, 2017, March 4, 2016 and March 12, 2015, respectively. Unvested restricted stock awards are subject to forfeiture under certain circumstances if the NEO's employment with the Company is terminated before the shares vest.

(2) Based on a market price of \$43.98 per share which was the NASDAQ Stock Market closing price on December 31, 2014.

Restricted share grants related to Performance-Contingent based share awards, which were approved by the Board on February 18, 2014, March 4, 2013 and March 12, 2012, will vest if target EBITDA performance is achieved at (3) the conclusion of the cumulative three-year performance measurement period. Unvested restricted stock awards are subject to forfeiture under certain circumstances if the NEO's employment with the Company is terminated before the shares vest.

| Name                | Grant Date | Performance Stock Units Equity Incentive Plan Awards: Number of Unearned Shares or Units That Have Not Vested (#) (1) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares or Units That Have Not Vested (\$) (2) |
|---------------------|------------|---|--|
| Todd M. Cleveland   | -          | -   | \$ -   |
| Jeffrey M. Rodino   | 2/18/14    | 5,867   | 258,031  |
| Andy L. Nemeth      | 2/18/14    | 5,867   | 258,031  |
| Courtney A. Blosser | 2/18/14    | 2,933   | 128,993  |

Restricted share grants related to PSUs, which were approved by the Board on February 18, 2014, will vest if target EBITDA performance is achieved at the conclusion of the cumulative three-year performance measurement (1) period. Unvested PSUs are subject to forfeiture if the NEO's employment with the Company is voluntarily terminated before the shares vest.

(2) Based on a market price of \$43.98 per share which was the NASDAQ Stock Market closing price on December 31, 2014.

#### Option Exercises and Stock Vested in Fiscal 2014

The following table sets forth information about the value realized by the NEOs on vesting of stock awards in 2014. There were no stock options exercised by the NEOs in 2014.

| <b>Name</b>         | <b>Number of Shares Acquired on Exercise (#)</b> | <b>Value Realized on Exercise (\$)</b> | <b>Number of Shares Acquired on Vesting (#)(1)(2)</b> | <b>Value Realized on Vesting (\$)(1)(2)</b> |
|---------------------|--|--|---|---|
| Todd M. Cleveland   | -  | \$ -                                   | 75,000  | \$2,480,900                                 |
| Jeffrey M. Rodino   | -  | -                                      | 18,000  | 793,900                                     |
| Andy L. Nemeth      | -  | -                                      | 24,000  | 595,400                                     |
| Courtney A. Blosser | -  | -                                      | 11,500  | 380,400                                     |

The number of shares acquired on vesting in 2014 related to Time-Based share awards were 15,000 shares for Mr. Cleveland, 3,600 shares for Mr. Rodino, 4,800 shares for Mr. Nemeth, and 2,300 shares for Mr. Blosser. The value realized on vesting was based on the market price equal to the Nasdaq Stock Market closing price of \$42.19 on February 28, 2014 times the total number of shares acquired on vesting.

The number of shares acquired on vesting in 2014 related to Performance-Contingent share awards were 60,000 shares for Mr. Cleveland, 14,400 shares for Mr. Rodino, 19,200 shares for Mr. Nemeth, and 9,200 shares for Mr. Blosser. The value realized on vesting was based on the market price equal to the Nasdaq Stock Market closing price of \$30.80 on January 17, 2014 (the date the performance conditions were met) times the total number of shares acquired on vesting.

**Equity Compensation Plan Information**

| <b>Plan Category</b>                                       | <b>(a)</b>   | <b>(b)</b>   | <b>(c)</b>   |
|--|--|--|--|
|  | <b>Number of securities to be issued upon exercise of outstanding options and rights (1)</b> | <b>Weighted average exercise price of outstanding options and rights</b> | <b>Number of securities remaining for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> |
| Equity compensation plans approved by security holders     | 429,250  | \$ 30.31   | 760,677  |
| Equity compensation plans not approved by security holders | -  | N/A  | -  |
| <b>Total</b>   | <b>429,250</b>   | <b>\$ 30.31</b>  | <b>760,677</b>   |

The number of securities represented is the amount of shares to be issued upon exercise of outstanding options and (1) SARs as of December 31, 2014, and includes the grant of 200,000 stock options and 200,000 SARs to Mr. Cleveland on December 18, 2013.

**Non-Qualified Deferred Compensation**

The following table sets forth information about the participation of the NEOs in the Executive Retirement Plans and the Non-Qualified Excess Plan, and is set forth in the "Summary Compensation Table" under the caption "Change in Pension Value and Non-Qualified Deferred Compensation Earnings":

| <b>Name</b>       | <b>Executive Contribution in Last FY (\$)</b> | <b>Registrant Contributions in Last FY (\$)<br/>(1)</b> | <b>Aggregate Earnings in Last FY (\$)<br/>(2)</b> | <b>Aggregate Withdrawals/Distributions (\$)</b> | <b>Aggregate Balance as of Last FYE (\$)<br/>(3)</b> |
|-------------------|---|---|---|---|--|
| Todd M. Cleveland | -   | -   | -   | -   | -  |

|                     |   |   |           |   |            |
|---------------------|---|---|-----------|---|------------|
| Jeffrey M. Rodino   | - | - | -         | - | -          |
| Andy L. Nemeth (4)  | - | - | \$ 13,523 | - | \$ 165,935 |
| Courtney A. Blosser | - | - | -         | - | -          |

- (1) Represents the charge reflected in operating results for the current fiscal year associated with the compensation cost recognized by the Company pursuant to the terms of the plan.
- (2) Represents the interest for the current fiscal year associated with the annuity.
- (3) Represents the present value of an annuity as of December 31, 2014 to be paid at retirement pursuant to the terms of the Executive Retirement Plan agreement. The aggregate balance as of January 1, 2014 was \$152,412.
- (4) According to the provisions of the Executive Retirement Plan, payments of the annuity for Mr. Nemeth will commence prior to his retirement age over a 10-year vesting period due to death or disability.

See “Executive Retirement Plan and Non-Qualified Excess Plan” summary descriptions on page 23.

### Employment Contracts

The Company has entered into Employment Agreements with Messrs. Cleveland, Rodino and Nemeth, pursuant to which they agreed to serve as executive officers of the Company. Mr. Blosser does not have an employment agreement. The Agreements contain a non-compete clause and certain other stipulations and provide for a severance package that includes twelve (12) months base salary. Under the Agreements, voluntary termination



with or without cause, death, disability or retirement, shall not result in any obligation of the Company to make payments.

### Potential Payments Upon Termination or Change in Control

We believe that the Company should provide reasonable severance benefits to our NEOs and other general employees that are fair and commensurate with their job duties, functions, and responsibilities. We believe it is important to protect our key employees in the event of a change in control and it is also in the best interest of the Company to obtain a release from employees whose employment is terminated as well as a non-compete agreement from certain employees in the form of an employment agreement. The following table summarizes the employment agreements at December 31, 2014 for our NEOs in the event they are terminated without cause or upon change in control. In addition to reasonable severance benefits, our NEOs, other executives, and general employees who have received long-term incentive awards (in the form of restricted stock grants, PSUs, stock options and SARS) are immediately vested in all restricted incentive awards granted and the target long-term cash award as defined in the terms and conditions of the LTI grant.

| Name                | Severance Benefits Upon Termination          |  | Non-Compete | Confidentiality Agreement |
|---------------------|--|--|-------------|---------------------------|
|                     | Without Cause or Upon Change in Control (1)  |  |             |                           |
| Todd M. Cleveland   | 12 Months Base Salary and Insurance Benefits |  | 2 Years     | Indefinite                |
| Jeffrey M. Rodino   | 12 Months Base Salary and Insurance Benefits |  | 2 Years     | Indefinite                |
| Andy L. Nemeth      | 12 Months Base Salary and Insurance Benefits |  | 1 Year      | 1 Year                    |
| Courtney A. Blosser | N/A  |  | -           | -                         |

(1) Employee is required to sign a mutual release of claims in a form satisfactory to the Company.

Based on the employment and compensation arrangements in effect as of December 31, 2014 and assuming a hypothetical termination date of December 31, 2014, including the price of the Company's common stock on that date, the benefits upon termination without cause or a change in control for our NEOs would have been as follows in the table below. Per the NEOs' employment agreements, there are no benefits payable to the NEOs for involuntary termination due to death or disability except that all unvested stock awards will be accelerated upon the NEO's death or disability.

| Name / Benefit  | Change in<br>Control,<br>Involuntary<br>Termination<br>or<br>Involuntary<br>Termination<br>Without<br>Cause |
|---|---|
| <b>Todd M. Cleveland</b>                              |   |
| Base salary   | \$ 550,000  |
| Acceleration of long-term incentives (1)              | 6,962,034   |
| Acceleration of stock options/SARs exercise (2)       | 3,215,667   |
| Total benefits  | \$ 10,727,701   |
| <b>Jeffrey M. Rodino</b>                              |   |
| Base salary   | \$ 275,000  |
| Acceleration of long-term incentives (1)              | 1,427,019   |
| Acceleration of long-term performance stock units (3) | 258,031   |
| Total benefits  | \$ 1,960,050  |
| <b>Andy L. Nemeth</b>                                 |   |
| Base salary   | \$ 265,000  |
| Acceleration of long-term incentives (1)              | 1,506,227   |
| Acceleration of long-term performance stock units (3) | 258,031   |
| Total benefits  | \$ 2,029,258  |
| <b>Courtney A. Blosser</b>                            |   |
| Base salary   | \$ -  |
| Acceleration of long-term incentives (1)              | 772,905   |
| Acceleration of long-term performance stock units (3) | 128,993   |
| Total benefits  | \$ 901,898  |

(1) Represents the market value of unearned shares or units of restricted stock that have not vested based on a market price of \$43.98 per share, which was the NASDAQ Stock Market closing price on December 31, 2014.

(2) Represents the market value of unexercisable stock options and SARs (that are in the money) that have not vested based on the difference between the market price of \$43.98 per share, which was the NASDAQ Stock Market closing price on December 31, 2014, and the option or SARs strike price.

(3) Represents the market value of unearned PSUs that have not vested based on a market price of \$43.98 per share, which was the NASDAQ Stock Market closing price on December 31, 2014. Unvested PSUs are subject to forfeiture if the NEO's employment with the Company is terminated under certain circumstances before the PSUs vest. See "Supplemental Long-Term Incentive Grant for NEOs" on page 22.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Compensation Committee:

Walter E. Wells (Chairman)

John A. Forbes

Michael A. Kitson

## **RELATED PARTY TRANSACTIONS**

We have entered into a number of transactions with Tontine, which as of April 1, 2015, owned 17.3% of our common stock outstanding and is a related party as such term is defined under Item 404(a) of Regulation S-K.

On April 10, 2007, in connection with the financing of the Adorn acquisition, we entered into the 2007 Securities Purchase Agreement with Tontine that provided, among other things, so long as Tontine (i) holds between 7.5% and 14.9% of the Company's common stock then outstanding, Tontine has the right to appoint one nominee to the Board; or (ii) holds at least 15% of the Company's common stock then outstanding, Tontine has the right to appoint two nominees to the Board. The Company also agreed to limit the number of directors serving on its Board to no more than nine directors for so long as Tontine has the right to appoint a director to the Board. Subsequently, Tontine agreed to waive the Company's obligation to limit the size of its Board in connection with the increase of the Board to 10 persons in order to allow the appointment of Michael A. Kitson as a director in March 2013. Mr. Cerulli's appointment to the Board in July 2008 was made pursuant to Tontine's right to appoint directors as described above. As of the date hereof, Tontine has not exercised its right to appoint a second nominee to the Board.

On March 31, 2011, the Company, Tontine Capital Overseas Master Fund II, L.P. ("TCP 2"), certain other Tontine affiliates and Northcreek Mezzanine Fund I, L.P. ("Northcreek") entered into an Amendment (the "RRA Amendment") to the Second Amended and Restated Registration Rights Agreement dated December 11, 2008 among the Company, Tontine and certain warrant holders (the "December 2008 Registration Rights Agreement"), primarily to include TCP 2 and Northcreek as parties to the December 2008 Registration Rights Agreement and to provide registration rights with respect to the shares of Common Stock issuable upon exercise of a warrant to purchase 125,000 shares of Common Stock then held by Tontine ("Tontine Warrant") and a warrant to purchase 125,000 shares of Common Stock then held by Northcreek (the "Northcreek Warrant"), as well as other warrants that may be acquired by TCP 2 and Northcreek in the future in connection with the Purchase Agreement pursuant to which the Tontine Warrant and the Northcreek Warrant were issued.

### **Review, Approval or Ratification of Transactions with Related Persons**

We have no formal policy related to the approval of related party transactions. However, the Company undergoes specific procedures when evaluating related party transactions. All related party transactions must be approved by a majority of the members of our Board and by a majority of independent and disinterested directors. A proposed related person transaction is generally reported to the Chief Executive Officer or Chief Financial Officer, who assists in gathering the relevant information about the transaction and presents the information to the Board or one of its Committees. The Board then approves, ratifies, or rejects the transaction. The transactions with Tontine, as described above, were approved by the Board consistent with these procedures.



## HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Some banks, brokers, and other nominee record holders may be participating in the practice of “householding” proxy statements and annual reports. This means that only one copy of this Notice of Annual Meeting and Proxy Statement and the Annual Report for the year ended December 31, 2014 may have been sent to multiple shareholders in your household. If you would prefer to receive separate copies of a proxy statement or annual report either now or in the future, please contact your bank, broker, or other nominee. Upon written or oral request to Andy L. Nemeth-Secretary, we will provide a separate copy of the Annual Report for the year ended December 31, 2014 or Notice of Annual Meeting and Proxy Statement.

## OTHER MATTERS

A copy of our Annual Report on Form 10-K for the year ended December 31, 2014, excluding certain of the exhibits thereto, may be obtained without charge by writing to Andy L. Nemeth-Secretary, Patrick Industries, Inc., 107 West Franklin Street, P.O. Box 638, Elkhart, Indiana 46515-0638.

The Board knows of no other proposals which may be presented for action at the meeting. However, if any other proposal properly comes before the meeting, the persons named in the proxy form enclosed will vote in accordance with their judgment upon such matter.

Shareholders are urged to execute and return promptly the enclosed form of proxy in the envelope provided.

By Order of the Board of Directors,

/s/ Andy L. Nemeth

Andy L. Nemeth  
Secretary  
April 28, 2015







