# TIEXAS TOP GUNS 2017-2018

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# TEXAS HISTORIC SITES

Heritage of Our Great State



Greetings,

From the epic battle of the Alamo to the oil gusher at Spindletop, the legendary story of Texas and it's success have often been defined by legendary landmarks.

From 1521 to 1865, various ruling parties laid claim to Texas' rich property, all to culminate in an epic battle that the Texian Army won. Then came economic opportunity like prosperous oil wells, livestock and agriculture.

In this 2017/2018 edition of Texas Top Guns we look at four of the most iconic landmarks or land deals that help define Texas' rich history and future.

For the past 15 years, at Longnecker & Associates, we have celebrated you, the top leaders of our great state of Texas. You are our Texas Top Guns. We recognize the landscape you operate in is a daily battle for increased market share as well as a war on talent. In many ways, your battles as todays Texas Top Guns, are no different than the battles at these iconic landmarks: Getting the right people to execute daily to accomplish the seemingly impossible.



Brent Longnecker Chairman and CEO

Chris Crawford President

Kevin Kuschel Managing Partner

# **OURR** METHODOLOGY

Longnecker & Associates has advised more public, private and not for profit Texas CEOs over the past decade than any firm. As a result, we have consistently analyzed the CEOs of Texas' leading public and private companies. The following analysis details the 2017 proxy disclosures for CEOs of Texas' public companies with the highest revenues. Our analysis included 363 companies, all of which can be found on pages 13–17. For reporting purposes, we calculated the CEO's total direct compensation as reported in the Summary Compensation Table which contains base salary, annual incentive awards, equity awards (stock options and restricted stock awards at FASB 123R expense value), change in pension and non-qualified deferred compensation, retirement benefits, and all other compensation and perquisites.



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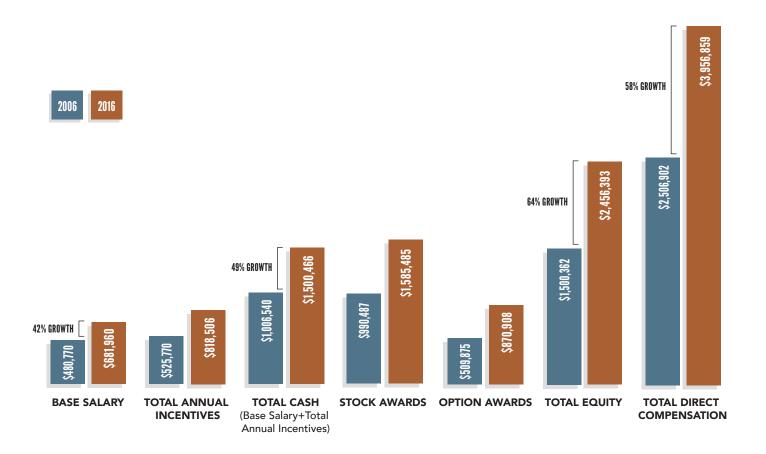
The Alamo, one of Texas' greatest and most visited historic landmarks, was the site of the pivotal event in the Texas Revolution, the Battle of the Alamo. On March 6, 1836, after a 13-day siege, Mexican troops led by President Santa Anna attacked the Alamo Mission, killing all of the Texian defenders. Among the slain were icons Davy Crockett, Daniel Boone, and William B. Travis. That fateful day helped give birth to Texas as the cruel defeat fueled a desire for revenge, inspiring many to join the Texian Army and achieve the victory that ended the Texas revolution at the Battle of San Jacinto.

That victory paved the way for the Republic of Texas to become an independent country and the Texans' rallying cries from the war, "Remember the Alamo!," became etched into Texan history.

#### **10-YEAR COMPENSATION TRENDS BY COMPONENT**

The chart below displays the medians of all components of total direct compensation reported by the Texas Top Guns from 2006 compared to 2016. It includes base salary, annual incentives, stock awards (restricted stock and performance shares/units) and option awards.

The total increase to median CEO pay from 2006 to 2016 in Texas has been 58%, or about 12% per year.





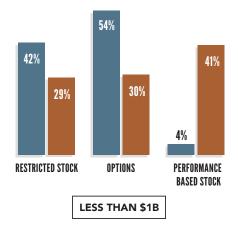
### SAN JACINTO BATTLEGROUND

The Battle of San Jacinto, fought on April 21, 1836, was the decisive battle of the Texas Revolution where Texas gained its independence from Mexico. The Texian Army, led by General Sam Houston, surprised the Mexican forces at San Jacinto and captured General Santa Anna in a battle that lasted only 18 minutes, bringing an end to the Texas Revolution.

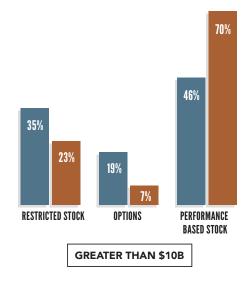
In exchange for his freedom, Santa Anna recognized Texas' independence and the Lone Star Republic was born.

#### LONG-TERM INCENTIVE MIX BY REVENUE

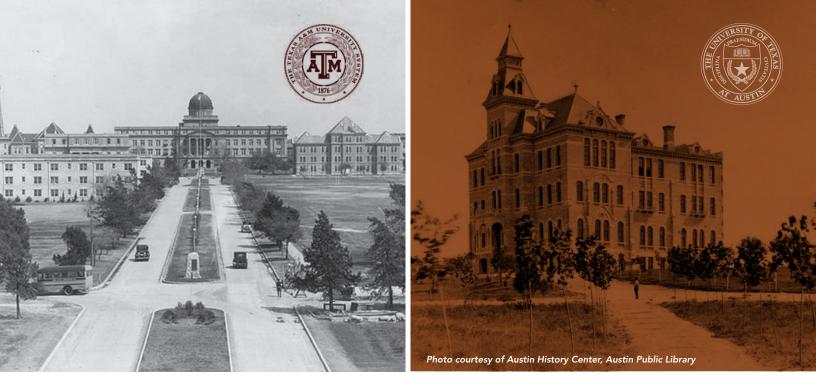
The chart below displays the changes in long-term incentives reported in 2006 and 2016.











### PUBLIC LANDS

When Texas rejoined the United States in 1870, much of the affairs of the state were focused on land use. Guided by the Morill Act of 1862, Texas sold public lands and used the proceeds to invest in higher education institutions – now known as the Public University Fund (PUF). The Constitution of 1876 called for the establishment of the state university and stated that the "Agricultural and Mechanical College of Texas" (today's Texas A&M University) was to be a branch of the yet-to-be-created University of Texas. Texas Legislature never gave the university rights over Texas A&M and separated the two administrations. Our state's first public university was born when the Agricultural and Mechanical College of Texas officially opened its doors in 1876. The University of Texas began conducting classes in 1883. As a result of this Texas Constitutional provision, the annual proceeds of PUF are split 2/3 to UT and 1/3 to Texas A&M and thousands of Texans and Texas leaders have been benefactors of Public Lands and the vision of our Texas forefathers.

Unknown at the time of creation, the PUF land value just so happened to sit on some of the world's best oil deposits and some estimates approximate the PUF land value at \$25 billion – creating the richest public university endowment in the US.

#### COMPENSATION TRENDS BY INDUSTRY

The table displays the averages of each compensation component broken out by industry, as well as revenue levels within each industry. These figures were reported in the 2017 proxy statement for 2016 compensation.

Industry	# of Co.'s	Revenue/ Assets Size	Base Salary	Total Annual Incentives	Stock Awards	Stock Options	Change in Pension	All Other Compensation	Total Direct Compensation
Banking & Financial Services	10	Less than \$1B	\$524,435	\$400,121	\$326,955	\$34,192	\$20,996	\$44,504	\$1,351,203
	14	\$1B to \$10B	\$618,324	\$903,270	\$1,727,439	\$73,130	\$19,308	\$79,726	\$3,421,197
	13	More than \$10B	\$902,011	\$1,056,395	\$1,585,485	\$402,823	\$435,488	\$181,787	\$4,563,990
Business &	6	Less than \$1B	\$391,585	\$126,648	\$892,636	\$232,556	\$37,485	\$35,856	\$1,716,766
Management Services	5	More than \$1B	\$987,738	\$1,431,727	\$4,091,084	\$266,244	\$60,806	\$163,225	\$7,000,824
Construction	7	Less than \$500M	\$479,457	\$315,209	\$292,603	\$18,031	\$12,374	\$46,049	\$1,163,723
	7	\$500M to \$1B	\$397,056	\$441,767	\$745,513	\$169,360	\$19,092	\$24,516	\$1,797,304
	10	More than \$1B	\$875,785	\$1,565,777	\$1,901,264	\$609,528	\$21,679	\$138,703	\$5,112,735
Energy E&P	18	Less than \$250M	\$473,395	\$216,909	\$1,264,491	\$105,946	\$2,602	\$81,012	\$2,144,355
	13	\$250M to \$1B	\$540,471	\$410,940	\$1,502,210	\$643,804	\$20,146	\$178,874	\$3,296,445
	22	\$1B to \$5B	\$764,964	\$1,196,746	\$3,382,786	\$290,513	\$5,088	\$124,831	\$5,764,928
	14	More than \$5B	\$1,111,849	\$1,764,759	\$6,000,183	\$1,129,262	\$834,652	\$351,198	\$11,191,903
Energy Services	8	Less than \$250M	\$368,500	\$171,550	\$282,053	\$120,880	\$1,235	\$92,618	\$1,036,836
	10	\$250M to \$1B	\$515,737	\$578,988	\$1,224,355	\$112,993	\$9,255	\$48,902	\$2,490,229
	14	\$1B to \$5B	\$716,340	\$572,805	\$2,286,175	\$556,894	\$45,878	\$172,940	\$4,351,031
	8	More than \$5B	\$802,277	\$1,310,214	\$7,624,348	\$190,077	\$615,039	\$161,837	\$10,703,791
Energy Midstream	7	Less than \$250M	\$378,100	\$396,159	\$18,738	\$112,762	\$1,934	\$33,693	\$941,386
	11	\$250M to \$1B	\$710,760	\$1,263,272	\$651,498	\$55,135	\$20,146	\$232,740	\$2,933,551
	12	\$1B to \$5B	\$905,762	\$689,305	\$1,540,817	\$588,770	\$318,714	\$167,577	\$4,210,944
	9	More than \$5B	\$848,269	\$1,135,013	\$5,250,324	\$1,256,897	\$435,489	\$1,408,710	\$10,334,702
Healthcare	12	Less than \$250M	\$548,350	\$240,772	\$271,939	\$875,989	\$5,468	\$28,138	\$1,970,654
	6	More than \$250M	\$681,960	\$1,161,021	\$2,488,891	\$212,548	\$340,893	\$56,531	\$4,941,844
High-Tech	17	Less than \$250M	\$319,419	\$166,288	\$287,637	\$272,793	\$3,256	\$17,576	\$1,066,968
	6	\$250M to \$1B	\$534,568	\$418,372	\$2,371,840	\$752,911	\$5,678	\$25,286	\$4,108,655
	8	More than \$1B	\$730,439	\$1,564,022	\$3,242,557	\$1,476,370	\$6,749	\$59,204	\$7,079,341
Manufacturing	8	Less than \$500M	\$503,029	\$406,706	\$919,335	\$53,259	\$5,154	\$139,326	\$2,026,808
	9	\$500M to \$2B	\$959,172	\$818,506	\$1,135,052	\$25,112	\$13,031	\$92,654	\$3,043,527
	9	More than \$2B	\$1,175,754	\$1,805,691	\$5,962,107	\$1,573,562	\$199,146	\$259,866	\$10,976,127
Real Estate	6	Less than \$300M	\$524,348	\$610,138	\$1,206,956	\$59,746	\$10,553	\$455,249	\$2,866,989
	6	More than \$300M	\$726,458	\$1,436,378	\$1,647,518	\$103,442	\$192,096	\$90,068	\$4,195,961
Restaurants, Entertainment & Hospitality	5	Less than \$250M	\$525,277	\$165,318	\$53,930	\$117,858	\$3,256	\$27,707	\$893,346
	7	\$250M to \$1B	\$638,446	\$333,735	\$341,801	\$156,117	\$7,721	\$24,030	\$1,501,851
	5	More than \$1B	\$964,729	\$1,162,927	\$1,663,018	\$625,230	\$4,947	\$1,640,126	\$6,060,977
Retail & Wholesale	5	Less than \$250M	\$382,856	\$400,915	\$23,494	\$117,518	\$7,895	\$38,449	\$971,127
	6	\$250M to \$1B	\$715,516	\$1,268,028	\$706,072	\$59,891	\$24,902	\$237,496	\$3,011,905
	11	\$1B to \$5B	\$910,518	\$694,061	\$1,545,573	\$593,526	\$323,470	\$172,333	\$4,239,480
	9	More than \$5B	\$980,835	\$2,281,710	\$2,819,835	\$981,691	\$55,192	\$169,497	\$7,288,759
Shipping & Transportation	4	All	\$573,266	\$931,002	\$3,840,351	\$142,258	\$12,395	\$249,182	\$5,748,453
Telecommunications & Media	6	All	\$963,083	\$1,659,436	\$4,220,148	\$1,053,176	\$459,446	\$263,213	\$8,618,501



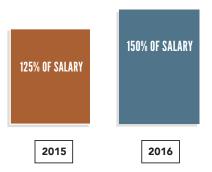
### SPINDLETOP

The Spindletop oilfield, discovered on a salt dome formation south of Beaumont, Texas changed the economy of the state and marked the birth of the modern oil industry. Self-taught geologist Patillo Higgins first suspected there might be oil lurking beneath the Texas dirt but it was Anthony Lucas who organized the drilling operation. On January 10, 1901, the enormous Lucas Geyser, as it was called, exploded from a drilling site at Spindletop Hill reaching a height of more than 150 feet and producing close to 100,000 barrels a day. It was the most powerful that had ever been seen in the world.

Thousands flocked to Spindletop and the economic development it generated became known as the Texas Oil Boom. Many of the major oil companies in America including Gulf Oil, Texaco and Exxon, can trace their origins there.

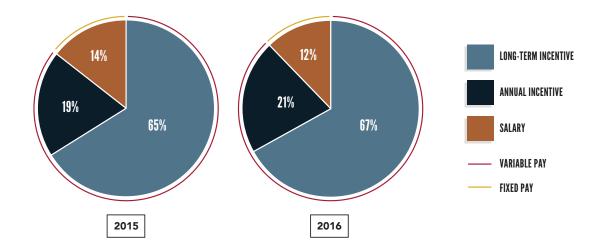
#### **MEDIAN CEO TARGET BONUS AS PERCENTAGE OF SALARY**

The target bonus for CEOs continues to increase.



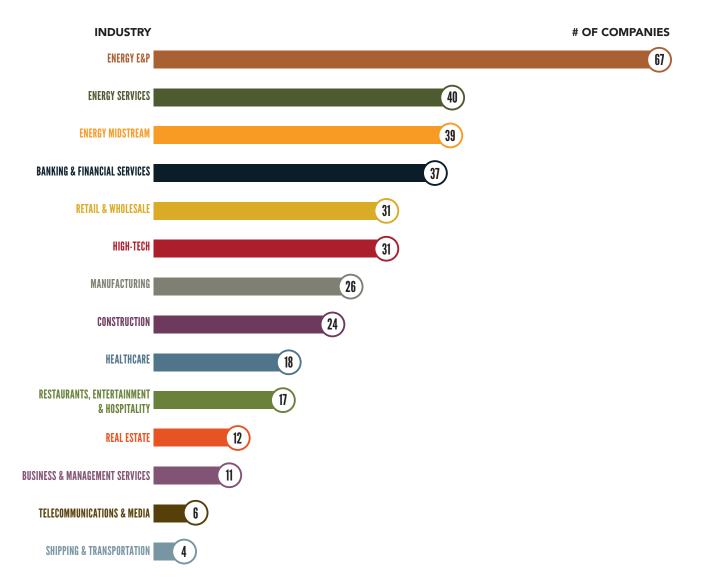
#### **CEO TOTAL MIX OF PAY**

Variable Pay continues to increase as a percent of the total CEO pay mix.



#### **INDUSTRIES**

The chart below displays the number of companies by industry that were part of the Texas Top Guns analysis for 2016.



#### ABILENE

First Financial Bankshares Inc.

#### **ADDISON**

Affirmative Insurance Holdings Inc. Fiesta Restaurant Group Inc. RMG Networks Holding Corp. ULURU Inc.

#### **ALLEN**

ATRION Corp. PFSweb Inc.

ANGLETON Benchmark Electronics Inc.

ARLINGTON First Financial Services Inc.

#### **AUSTIN**

Active Power Inc. Astrotech Corp. Asure Software Inc. Bazaarvoice Inc. Chuy's Holdings Inc. Cirrus Logic Inc. Citizens Inc. EZCORP Inc. Forestar Group Inc. Freescale Semiconductor Ltd. HomeAway Inc. Luminex Corp. Mirna Therapeutics Inc. Multimedia Games Holding Company Inc. National Western Life Insurance Company National Instruments Inc. Pain Therapeutics Inc. Parsley Energy Inc. Perficient Inc Savara Inc. Silicon Laboratories Inc. Sizmek Inc. SolarWinds Inc. Stratus Properties Inc. **USA Compression Partners LP** Whole Foods Market Inc.

**BEDFORD** State National Companies Inc.

CARROLLTON Cyrusone Inc. Interphase Corp.

RealPage Inc.

#### COPPELL

Mannatech Inc. Nationstar Mortgage Holdings Inc. The Container Store Group Inc.

#### **CORPUS CHRISTI**

TOR Minerals International Inc. Uranium Energy Corp.

#### DALLAS

A. H. Belo Corp. Alon USA Energy Inc. Ashford Hospitality Prime Inc. Ashford Hospitality Trust Inc. AT&T Inc. Atmos Energy Corp. Brinker International Inc. Builders FirstSource Inc. Cambium Learning Group Inc. Capital Senior Living Corp. Capital Southwest Corp. Capstead Mortgage Corp. ClubCorp Holdings Inc. Comerica Inc. CompX International Inc. Copart Inc. Cubic Energy Inc. Dave & Buster's Entertainment Inc. Dean Foods Company Dex Media Inc. DGSE Companies Inc. Dorchester Minerals LP Eagle Materials Inc. Energy Transfer Equity LP EnLink Midstream Partners LP EXCO Resources Inc. Fogo de Chao Inc. Frontier Oilfield Services Inc. Hilltop Holdings Inc.

**DALLAS** (continued)

Holly Energy Partners L.P HollyFrontier Corp. Kimberly-Clark Corp. Kosmos Energy Ltd. Kronos Worldwide Inc. Matador Resources Company Mid-Con Energy Partners LP Moneygram International Inc. Natural Health Trends Corp. NL Industries Inc. PMFG Inc. Primoris Services Corp. Red Mountain Resources Inc. RSP Permian Inc. Santander Consumer USA Holdings Inc. Southcross Energy Partners LP Southwest Airlines Co. SWK Holdings Corp. T Bancshares Inc. Tenet Healthcare Corp. Texas Capital BancShares Inc. Texas Instruments Inc. Texas Pacific Land Trust The Howard Hughes Corp. Trinity Industries Inc. Triumph Bancorp Inc. Tuesday Morning Corp. United States Lime & Minerals Inc. Valhi Inc.

Westwood Holdings Group Inc. Wilhelmina International Inc. Zion Oil & Gas Inc. Zix Corp.

**DENTON** Sally Beauty Holdings Inc.

EL PASO El Paso Electric Co. Helen of Troy Ltd. Western Refining Inc.

EULESS U.S. Concrete Inc.

#### FORT WORTH

American Airlines Group Inc. Approach Resources Inc. AZZ Inc. Basic Energy Services Inc. Cash America International Inc. Circle Star Energy Corp. DR Horton Inc. Hallmark Financial Services Inc. Pier 1 Imports Inc. Range Resources Corp. Tandy Leather Factory Inc.

#### **FRISCO**

Comstock Resources Inc.

Greatbatch Inc. OxySure Systems Inc.

GALVESTON American National Insurance Co.

GARLAND Micropac Industries Inc.

**GRAND PRAIRIE** Six Flags Entertainment Corp.

**GRAPEVINE** GameStop Corp. GreenHunter Resources Inc.

#### HOUSTON

Adams Resources & Energy Inc. American Electric Technologies Inc. Apache Corp. Atwood Oceanics Inc. Baker Hughes Inc. Black Stone Minerals LP **Boardwalk Pipeline Partners LP BPZ** Resources Inc. Bristow Group Inc. **Buckeye Partners LP** C&J Energy Services Ltd. Cabot Oil & Gas Corp. Cadence Bancorporation Calpine Corp. Camden Property Trust

#### **HOUSTON** (continued)

Cameron International Corp. CARBO Ceramics Inc. Cardtronics Inc. Carriage Services Inc. Carrizo Oil & Gas Inc. CenterPoint Energy Inc. Cheniere Energy Inc. Cobalt International Energy Inc. Comfort Systems USA Inc. **ConocoPhillips** Contango Oil & Gas Company Crestwood Equity Partners LP Crown Castle International Corp. Cyberonics Inc. Diamond Offshore Drilling Inc. Dresser-Rand Group Inc. Dril-Quip Inc. DXP Enterprises Inc. Dynegy Inc. Eagle Rock Energy Partners LP Enbridge Energy Management LLC Enbridge Energy Partners LP Endeavour International Corp. Energy XXI Ltd. ENGlobal Corp. **Enterprise Products Partners LP** EOG Resources Inc. EP Energy Corp.

**EV Energy Partners LP Evolution Petroleum Corp.** Exterran Holdings Inc. Exterran Partners LP Flotek Industries Inc. FMC Technologies Inc. Forum Energy Technologies Inc. Francesca's Holdings Corp. Furmanite Corp. Gastar Exploration Inc. Genesis Energy LP Geospace Technologies Corp. Goodrich Petroleum Corp. Group 1 Automotive Inc. Gulfmark Offshore Inc. Halcón Resources Corp. Halliburton Company Harvest Natural Resources Inc. HCC Insurance Holdings Inc. Helix Energy Solutions Group Inc. Hercules Offshore Inc. Houston American Energy Corp. Houston Wire & Cable Company Hyperdynamics Corp. **IES Holdings** Ignite Restaurant Group Inc. Integrated Electrical Services Inc. ION Geophysical Corp. KBR Inc. Key Energy Services Inc.

Kirby Corp. KMG Chemicals Inc. Kraton Performance Polymers Inc. Linn Energy LLC LRR Energy LP Luby's Inc. Lucas Energy Inc. Marathon Oil Corp. Mattress Firm Holding Corp. McDermott International Inc. Memorial Production Partners LP Memorial Resource Development Corp. Midcoast Energy Partners LP Midstates Petroleum Company Inc. MRC Global Inc. National Oilwell Varco Inc. Natural Resource Partners LP NCI Building Systems Inc. Noble Energy Inc. Oasis Petroleum Inc. Occidental Petroleum Corp. Oceaneering International Inc. Oil States International Inc. Omega Protein Corp. **Orion Marine Group Inc** Par Petroleum Corp. Parker Drilling Co. Patterson-UTI Energy Inc.

#### **HOUSTON** (continued)

Phillips 66 Plains All American Pipeline LP Powell Industries Inc. PrimeEnergy Corp. Prosperity Bancshares Inc. Quanex Building Products Corp. Quanta Services Inc. RCI Hospitality Holdings Inc. RigNet Inc. Rowan Companies plc Sanchez Energy Corp. Schlumberger Ltd. Service Corp. International Sharps Compliance Corp. Southwestern Energy Co. Spark Energy Inc. Spectra Energy Corp. Stage Stores Inc. Stewart Information Services Corp. Sunoco LP Superior Energy Services Inc. Swift Energy Co. Synthesis Energy Systems Inc. Sysco Corp. Targa Resources Corp. Tesco Corp. The Men's Wearhouse Inc. Ultra Petroleum Corp. US Physical Therapy Inc.

Vaalco Energy Inc. Vanguard Natural Resources LLC Vantage Drilling Company Vertex Energy Inc. W&T Offshore Inc. Waste Management Inc. Weingarten Realty Investors Westlake Chemical Corp. Willbros Group Inc. ZaZa Energy Corp.

HUMBLE Friedman Industries Inc.

HUNTSVILLE Mitcham Industries Inc.

#### IRVING

Celanese Corp. Commercial Metals Company Darling Ingredients Inc. Exxon Mobil Corp. FelCor Lodging Trust Inc. Flowserve Corp. Fluor Corp. Global Power Equipment Group Inc. HMS Holdings Corp. JP Energy Partners LP La Quinta Holdings Inc. Nexstar Broadcasting Group Inc. Pioneer Natural Resources Co. RBC Life Sciences Inc. The Michaels Companies Inc. USMD Holdings Inc.

KILGORE Martin Midstream Partners LP

KINGWOOD Insperity Inc.

LAREDO International Bancshares Corp.

LEWISVILLE Adeptus Health Inc. CareView Communications Inc.

LITTLE ELM Retractable Technologies Inc.

MCKINNEY Encore Wire Corp. Independent Bank Group Inc. Torchmark Corp.

#### MIDLAND

Clayton Williams Energy Inc. Concho Resources Inc. CSI Compressco LP Dawson Geophysical Company Diamondback Energy Inc. Legacy Reserves LP Natural Gas Services Group Inc.

#### **MIDLOTHIAN**

Ennis Inc.

#### NEDERLAND

**OCI** Partners LP

#### **PLANO**

Alliance Data Systems Corp. BG Staffing Inc. Cinemark Holdings Inc. Denbury Resources Inc. Diodes Inc. Dr Pepper Snapple Group Inc. Green Brick Partners Inc. J. C. Penney Company Inc. LegacyTexas Financial Group Inc. Rent-A-Center Inc. Tyler Technologies Inc. Zoe's Kitchen Inc.

#### RICHARDSON

Intrusion Inc. Lennox International Inc. Mavenir Systems Inc. Optex Systems Holdings Inc Speed Commerce Inc. Vertical Computer Systems Inc.

#### SAN ANTONIO

Abraxas Petroleum Corp. Andeavor Logistics LP Biglari Holdings Inc. Clear Channel Outdoor Holdings Inc. Cullen/Frost Bankers Inc. GlobalSCAPE Inc. Harte-Hanks Inc. iHeartMedia Inc. NuStar Energy LP Pioneer Energy Services Corp. Rackspace Hosting Inc. Tesoro Corp. Valero Energy Corp.

SAN MARCOS Thermon Group Holdings Inc.

**SEGUIN** Alamo Group Inc.

#### SOUTHLAKE

Del Frisco's Restaurant Group Inc. Emerge Energy Services LP HKN Inc. Sabre Corp. Sugar Land CVR Energy Inc. Team Inc. Trecora Resources

THE COLONY RAVE Restaurant Group Inc.

#### THE WOODLANDS Anadarko Petroleum Corp.

Conns Inc.

Lexicon Pharmaceuticals Inc. Newfield Exploration Co. Newpark Resources Inc. Repros Therapeutics Inc. Smart Sand Inc Sterling Construction Co. Inc. Summit Midstream Partners LP TETRA Technologies Inc. Uni-Pixel Inc. Waste Connections Inc. Western Gas Partners LP

**TYLER** Southside Bancshares Inc.

WESTLAKE Solera Holdings Inc.

## STRATEGY | GOVERNANCE | COMPENSATION

SIZE: Longnecker & Associates is the largest executive compensation consultancy in Texas.

**EXPERIENCE:** Our team has an average tenure of seven years with the firm, while its top three principals have spent a combined 60 years in the business.

**RELATIONSHIPS:** Longnecker & Associates is a team-oriented, relationship-focused consultancy that strives to remove the transactional nature of the typical client/consultant relationship. We focus on our clients' needs by conducting personal interviews to understand individual goals and objectives, rather than relying solely on market data to determine our tailored conclusions and recommendations.

**SUBJECT MATTER EXPERTS:** Our team has authored more than 300 articles in the compensation and human resources fields, as well as more than 15 books on compensation.

**CERTIFICATIONS:** The Longnecker & Associates team holds several key certificates of competence, including:

- Certified Executive Compensation Professional (CECP)
- Certified Compensation Professional (CCP)
- Certified Compensation Analyst (CCA)

Certified Benefits Professional (CBP)

Compensation Committee Certification (CCC)

• Global Remuneration Professional (GRP)

**BOARD MEMBERS:** Our team has experience on the boards and compensation committees of public, private and not-for-profit organizations, uniquely positioning Longnecker & Associates consultants to think and advise from a fiduciary perspective.

**LITIGATION EXPERIENCE:** We understand the growing litigation land mines in executive compensation. We provide expert witness analysis and testimony to many of the most high-profile compensation lawsuits in the U.S.

**WALK THE TALK:** In 2011, 2012, 2013, 2014, 2015, 2016 and 2017 Longnecker & Associates was selected by *Texas Monthly* as one of the "Best Small Companies to Work For in Texas." In 2011 and 2013, Longnecker & Associates took the #1 spot in that category.

For more information, please contact us at 281.378.1350, or visit www.longnecker.com.

