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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934**

**Date of report (Date of earliest event reported): December 28, 2018**

**NMI Holdings, Inc.**

**(Exact Name of Registrant as Specified in Its Charter)**

**Delaware  
(State or Other Jurisdiction  
of Incorporation)**

**001-36174  
(Commission  
File Number)**

**45-4914248  
(IRS Employer  
Identification No.)**

**2100 Powell Street, 12th Floor, Emeryville, CA.  
(Address of Principal Executive Offices)**

**94608  
(Zip Code)  
(855) 530-6642**

**(Registrant's Telephone Number, Including Area Code)  
(Former Name or Former Address, if Changed Since Last Report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an "emerging growth company" as defined in Rule 405 of the Securities Act of 1933 (Section 230.405 of this chapter) or Rule 12b-2 of the Exchange Act (Section 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

Appointment of Executive Chairman

On December 28, 2018, NMI Holdings, Inc. (the "Company") appointed Bradley M. Shuster to serve as the Company's Executive Chairman, effective as of January 1, 2019 (the "Start Date"). In connection with Mr. Shuster's appointment as the Company's Executive Chairman, the Company and Mr. Shuster entered into an employment letter agreement setting forth the terms of Mr. Shuster's continued employment and compensation, effective as of the Start Date (the "Shuster Letter"). The Shuster Letter supersedes Mr. Shuster's Amended and Restated Employment Agreement, dated as of December 23, 2015, which expires by its terms on December 31, 2018. The Shuster Letter provides that Mr. Shuster's employment with the Company as Executive Chairman will be on an at-will basis.

Mr. Shuster will receive an annual base salary of \$650,000 and will continue to be eligible to participate in the Company's benefit plans. In addition, Mr. Shuster will continue to participate in the Company's executive cash allowance program, at a rate of \$38,400 per year. Mr. Shuster will be eligible for an annual discretionary cash bonus with a target bonus opportunity equal to 100% of his annual base salary ("Annual Bonus"), and he will continue to be eligible to receive equity-based compensation awards from the Company at the discretion of the Company's Board of Directors (the "Board") or the Compensation Committee of the Board (the "Compensation Committee"). The Shuster Letter also provides that Mr. Shuster will continue to be subject to the Company's Stock Ownership Policy, as described in the Company's 2018 Proxy Statement, filed with the SEC on March 29, 2018 (the "2018 Proxy"), with a requirement to retain Company common stock with a total value of not less than ten times his annual base salary.

Mr. Shuster will remain eligible to participate in the Company's Severance Benefit Plan (the "Severance Plan") and Change in Control Severance Plan (the "CIC Plan"), under the terms and benefits described in the 2018 Proxy. In addition, the Shuster Letter provides enhanced severance benefits for Mr. Shuster if his employment is terminated prior to January 1, 2021 under circumstances that would entitle him to severance benefits under the Severance Plan. Subject to Mr. Shuster's execution and non-revocation of a release of claims against the Company, he will be eligible to receive, in addition to the payments and benefits under the Severance Plan, a lump sum cash payment on the 30th day following his termination date equal to the sum of (a) the amount of base salary he would have earned from the date of his termination through December 31, 2020, (b) solely if his date of termination occurs prior to the date on which his Annual Bonus in respect of calendar year 2019 has been paid, his target Annual Bonus for calendar year 2019, (c) solely if his date of termination occurs prior to the date on which his Annual Bonus in respect of calendar year 2020 has been paid, his target Annual Bonus for calendar year 2020, and (d) solely if his date of termination occurs prior to the date on which his Annual Bonus in respect of calendar year 2021 has been paid, his target Annual Bonus for calendar year 2021.

The foregoing summary of the Shuster letter is qualified in its entirety by reference to the full text of the Shuster Letter, a copy of which is attached hereto as Exhibit 10.1 and incorporated herein by reference.

Appointment of Chief Executive Officer and New Director

On December 28, 2018, the Company appointed Claudia J. Merkle to serve as the Company's Chief Executive Officer ("CEO"), effective as of the Start Date. As previously disclosed by the Company on September 13, 2018, Ms. Merkle succeeds Mr. Shuster as CEO, effective as of the Start Date. Also on December 28, 2018, the Board increased its size from seven to eight directorships, effective as of the Start Date, and appointed Ms. Merkle to fill the newly created seat. Ms. Merkle will not sit on any of the Board's committees.

Ms. Merkle, age 59, joined the Company in May 2012 and previously served as President since May 2018, Chief Operating Officer from 2016 to 2018, Executive Vice President and Chief of Insurance Operations from 2013 to 2016, and Senior Vice President of Underwriting Fulfillment and Risk Operations from May 2012 to 2013. As a seasoned mortgage industry executive with over 25 years of experience in mortgage banking, mortgage insurance, business development and operations, the Company believes Ms. Merkle is qualified to serve on the Board and as CEO. There are no family relationships between Ms. Merkle and any of the Company's officers or directors or related party transactions required to be reported pursuant to Item 5.02 of Form 8-K.

In connection with Ms. Merkle's appointment as the Company's CEO, the Company and Ms. Merkle entered into an employment letter agreement setting forth the terms of Ms. Merkle's continued employment and compensation, effective as of the Start Date (the "Merkle Letter"). The Merkle Letter provides that Ms. Merkle's employment with the Company as CEO is on an at-will basis. Ms. Merkle will receive an annual base salary of \$650,000 and will continue to be eligible to participate in the Company's benefit plans. In addition, Ms. Merkle will continue to participate in the Company's executive cash allowance program, at a rate of \$38,400 per year. Ms. Merkle will be eligible for an annual discretionary cash bonus with a target bonus

opportunity equal to 100% of her annual base salary, and she will continue to be eligible to receive equity-based compensation awards from the Company at the discretion of the Board or the Compensation Committee. As CEO, Ms. Merkle will continue to be subject to the Company's Stock Ownership Policy, with a requirement to retain Company common stock with a total value of not less than five times her annual base salary.

Ms. Merkle will remain eligible to participate in the Severance Plan under the same terms and benefits described in the 2018 Proxy. In addition, Ms. Merkle will remain eligible to participate in the CIC Plan under the same terms and benefits described in the 2018 Proxy, except that her severance multiple will increase from 1.5x to 2x and her COBRA Period will increase from 18 months to 24 months.

The foregoing summary of the Merkle Letter is qualified in its entirety by reference to the full text of the Merkle Letter, a copy of which is attached hereto as Exhibit 10.2 and incorporated herein by reference.

#### Appointment of Chief Operating Officer

Effective December 28, 2018, the Company appointed Pat Mathis to serve as its Chief Operating Officer. Mr. Mathis, age 58, joined the Company in May 2012 and served as the Company's Executive Vice President of operations and information technology since May 2018 and as Executive Vice President, Chief Risk Officer from May 2012 until May 2018. As Chief Operating Officer, Mr. Mathis' annual base salary will be \$435,000, effective as of the Start Date.

There are no family relationships between Mr. Mathis and any of the Company's officers or directors or related party transactions required to be reported pursuant to Item 5.02 of Form 8-K.

#### **Item 9.01. Financial Statements and Exhibits.**

##### **(d) Exhibits.**

#### **Exhibit No.    Description**

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|------|---|
| 10.1 | <a href="#">Employment Letter by and between NMI Holdings, Inc. and Bradley M. Shuster, effective as of January 1, 2019</a> |
| 10.2 | <a href="#">Employment Letter by and between NMI Holdings, Inc. and Claudia J. Merkle, effective as of January 1, 2019</a>  |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**NMI Holdings, Inc.**  
(Registrant)

Date: December 28, 2018    By: /s/ Nicole C. Sanchez  
Nicole C. Sanchez  
VP, Associate General Counsel

December 28, 2018

Bradley M. Shuster  
2100 Powell Street, 12<sup>th</sup> Floor  
Emeryville, CA 94608

Dear Brad:

We are pleased and excited to memorialize the terms of your continued employment with NMI Holdings, Inc. (the “**Company**”) on the terms and subject to the conditions set forth in this Letter (this “**Letter**”).

1. **Terms of Employment**

*At-Will Employment.* This Letter is not a contract guaranteeing employment for any specific duration. Rather, your employment with the Company is on an at-will basis. As an at-will employee, both you and the Company have the right to terminate your employment or role at any time with or without cause.

*Title; Duties; Reporting.* Commencing as of January 1, 2019 (the “**Transition Date**”), your title will be Executive Chairman and you will report directly to the Board of Directors of the Company (the “**Board**”). As Executive Chairman, you will have authorities, powers, duties and responsibilities as are commensurate with your role and as are customarily exercised by a person in your role in a company of the size and nature of the Company, as set forth on Exhibit A hereto. During the first year of your employment following the Transition Date, it is expected that your services to the Company will occupy approximately 75% of your business time. Between the first and second anniversaries of the Transition Date, it is expected that your services to the Company will occupy approximately 65% of your business time, and thereafter, it is expected that your services to the Company will occupy 50% of your business time. You will be based in the Company’s Emeryville, CA office, subject to reasonable business travel at the Company’s request.

2. **Compensation and Benefits**

*Annual Base Salary.* During your employment, you will be entitled to be paid an annual base salary at a rate of \$650,000.00 per year during the first year following the Transition Date, which will continue as \$650,000.00 per year thereafter (if applicable) (such base salary as in effect at the relevant time, your “**Annual Base Salary**”). Your Annual Base Salary will be payable at times consistent with the Company’s general policies regarding compensation of employees as in effect from time to time.

*Annual Discretionary Bonus.* During your employment, you will be eligible to earn an annual bonus, payable in accordance with the Company’s customary practices with respect to the payment of discretionary bonuses, as in effect from time to time. During your employment, your target annual bonus opportunity will be 100% of your Annual Base Salary (your “**Annual Bonus**”). Your Annual Bonus may be based upon the attainment of performance metrics determined by the Board or the Compensation Committee of the Board (the “**Committee**”). The amount of any Annual Bonus actually paid to you will be determined by the Committee in its sole discretion. Except as provided herein, you must be employed by the Company or one of its subsidiaries at the time of payment to receive your Annual Bonus.

*Discretionary Equity Compensation.* During your employment, you will be eligible to receive equity-based compensation awards from the Company. The number and type of equity-based compensation awards granted to you, the frequency of the grant, and the terms of such equity-based awards will be established by the Board or the Committee.

*Employee Benefits.* During your employment, you will be eligible to participate in any health, welfare and retirement benefit programs adopted and maintained by the Company for its employees, subject to the terms and limitations of the applicable plan and the Company's ability, in its sole discretion, at any time and from time to time, to change or terminate any of its employee benefit plans, programs or policies.

*Executive Cash Allowance.* During your employment, you will be eligible to participate in the Company's Executive Cash Allowance program as in effect from time to time, subject to the terms and limitations of the Executive Cash Allowance program and the Company's ability, in its sole discretion, at any time and from time to time, to change or terminate the program. Under the terms of the Executive Cash Allowance program as in effect as of the date hereof, you are eligible to receive a fixed cash amount of \$38,400 per year in lieu of individualized perquisites, payable at times consistent with the Company's payroll practices, as in effect from time to time.

*Paid Time Off.* During your employment, you will continue to receive 30 days of paid time off per year, pro-rated on a calendar year basis.

*Expense Reimbursement.* During your employment, the Company will reimburse you for all reasonable expenses incurred in your performance of your duties in accordance with the Company's expense reimbursement policies applicable to similarly situated executives of the Company from time to time.

### 3. **Severance Benefits**

During your employment, you will remain eligible to participate in the Company's Severance Benefit Plan (the "**Severance Plan**") at the level of "EVPs, President & CEO (without employment agreement)." You will also remain eligible to participate in the Company's Change in Control Severance Benefit Plan (the "**CIC Plan**"), and your participation letter with respect to the CIC Plan dated as of March 6, 2017, will remain in full force and effect, as it may be amended from time to time in accordance with the terms of the CIC Plan.

*Enhanced Severance.* If your employment is terminated prior to January 1, 2021 under circumstances that entitle you to severance benefits under the Severance Plan, subject to your execution and non-revocation of a release of claims against the Company, you will be eligible to receive, in addition to the payments and benefits under the Severance Plan, a lump sum cash payment on the 30<sup>th</sup> day following your termination date equal to the sum of (a) the amount of base salary you would have earned from the date of your termination through December 31, 2020, (b) solely if your date of termination occurs prior to the date on which your Annual Bonus in respect of calendar year 2019 has been paid, your target Annual Bonus for calendar year 2019, (c) solely if your date of termination occurs prior to the date on which your Annual Bonus in respect of calendar year 2020 has been paid, your target Annual Bonus for calendar year 2020, and (d) solely if your date of termination occurs prior to the date on which your Annual Bonus in respect of calendar year 2021 has been paid, your target Annual Bonus for calendar year 2021.

### 4. **Stock Ownership Requirements**

During your employment, you agree to retain in accordance with the Company's Stock Ownership Policy, dated as of May 13, 2015, as amended from time to time, a total value of the Company's common stock at not less than 10.0 times your annual base salary.

### 5. **Restrictive Covenants**

*Return of Company Property.* Upon a termination of your employment for any reason, you will promptly return to the Company any keys, credit cards, passes, confidential documents or material, or other property belonging to the Company, and you will also return all writings, files, records, correspondence, notebooks, notes and other documents and things (including any copies thereof) containing confidential information or relating to the business or proposed business of the Company or its affiliates or containing any trade secrets relating to the Company or its affiliates except any personal diaries, calendars, rolodexes or personal notes or correspondence. For

purposes of the preceding sentence, the term “trade secrets” will have the meaning ascribed to it under the Uniform Trade Secrets Act. You agree to represent in writing to the Company upon termination of your employment that you have complied with this paragraph.

*Nondisparagement.* You agree that, following your termination of employment, you will not make any public statements which materially disparage the Company. The Company agrees to instruct its directors and executive officers not to make any public statements which materially disparage you. Notwithstanding the foregoing, nothing in this paragraph will prohibit you from making truthful statements when required by order of a court or other governmental or regulatory body having jurisdiction or to enforce any legal right including, without limitation, the terms of this Letter.

*Confidential Information.* You acknowledge that you will have knowledge of certain trade secrets of the Company and its business plans and prospects. You will hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company and its businesses or prospective businesses, including, without limitation, any trade secrets, research, secret data, business methods, operating procedures or programs which will have been obtained by you in connection with your services to the Company or any affiliates thereof and which will not be or become public knowledge (other than by acts by you in violation of this Letter) (collectively, the “**Trade Secrets and Confidential Information**”); provided, however, that you and the Company acknowledge and agree that you will be required to disclose Trade Secrets and Confidential Information to third parties in performing services for the Company under this Letter, which you may do only to the extent required, as determined within your reasonable discretion. After termination of your services with the Company for any reason, you will not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

*Nonsolicitation.* You agree that, while you are employed by the Company and during the one-year period following the cessation of your employment for any reason, you will not directly or indirectly (i) solicit any individual who is, on the date of termination (or was, during the six-month period prior to the date of termination), employed by the Company or any of its affiliates to terminate or refrain from renewing or extending such employment or to become employed by or become a consultant to any other individual or entity other than the Company or its affiliates, or (ii) solicit any investor or prospective investor in the Company or any business contact introduced to you in connection with your employment by the Company hereunder to curtail or cease doing business with the Company or any of its affiliates.

*Severability; Blue Pencil.* You acknowledge and agree that you have had the opportunity to seek advice of counsel in connection with this Letter and the restrictive covenants contained herein are reasonable in geographical scope, temporal duration and in all other respects. If it is determined that this paragraph or any of the paragraphs titled “**Nondisparagement**,” “**Confidential Information**,” “**Nonsolicitation**,” or “**Equitable Remedies**” (such paragraphs, the “**Restrictive Covenants**”) is invalid or unenforceable, the remainder of the provisions of such paragraphs will not thereby be affected and will be given full effect, without regard to the invalid portions. If any court or other decision-maker of competent jurisdiction determines that any covenant or covenants in this Letter is unenforceable because of the duration or geographic scope of such provision, then after such determination becomes final and unappealable, the duration or scope of such provision, as the case may be, will be reduced so that such provision becomes enforceable, and in its reduced form, such provision will be enforced.

*Whistleblower Rights.* Notwithstanding the foregoing, nothing in this Letter limits your ability to communicate with any federal, state, or local governmental agency, commission or body, including the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, and the Securities and Exchange Commission (collectively, a “**Governmental Agency**”), or self-regulatory organization or otherwise participate in any investigation or proceeding that may be conducted by any Governmental Agency or self-regulatory organization, without notice to the Company.

6. **409A Compliance**

Any amounts payable under this Letter are intended to be exempt or excluded from the application of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (“**Section 409A**”), or are otherwise intended to avoid the incurrence of tax penalties under Section 409A, and, with respect to amounts payable under this Letter that are subject to Section 409A, this Letter will in all respects be administered in accordance with Section 409A.

7. **Miscellaneous**

*Governing Law.* This Letter will be governed, construed, and interpreted under the laws of the State of California, without giving effect to any conflict of laws provisions.

*Arbitration.* Any disputes concerning your employment, the terms of your employment, the termination of your employment, your relationship with the Company, or the interpretation and application of this offer will be resolved on an individual basis through binding arbitration in accordance with the Mutual Agreement to Arbitrate signed by you as a condition of employment, the terms of which are incorporated herein. Actions for temporary or preliminary injunctive relief, (including claims for a temporary protective order), in aid of arbitration or to maintain the status quo pending arbitration, may be filed in a court with jurisdiction over the matter in accordance with applicable law.

*Company Policies.* You agree to comply fully with all policies and procedures in effect for employees, including but not limited to, the Employee Handbook, the Business Conduct Policy and any other memoranda and communications applicable to you pertaining to policies, procedures, rules and regulations, as currently in effect and as may be amended from time to time.

*Withholding.* All payments and benefits provided for in this Letter are subject to withholding for applicable income and payroll taxes or otherwise as required by law.

*Entire Agreement.* This Letter constitutes the entire agreement between you and the Company regarding your employment with the Company and, effective as of the Transition Date, supersedes any and all oral or written employment or compensation agreements between you and the Company or its affiliates regarding the subject matter of this Letter, including without limitation, your Amended and Restated Employment Agreement with the Company, dated as of December 23, 2015.

Please confirm acceptance of this offer by signing below and returning a signed copy of this Letter to me.

[Signature Page Follows]



Sincerely,

/s/ Steven L. Scheid  
Steven L. Scheid  
Lead Director

Acknowledged and Agreed

/s/ Bradley M. Shuster  
Bradley M. Shuster

Exhibit A**Executive Chairman of the Board****Longer term orientation****Board leadership in conjunction with Lead Director****Strategic direction in conjunction with CEO****Board Role:\***

Set agendas and chair meetings of the Board of Directors and shareholder meetings  
 Finalize materials for Board meetings  
 Actively lead the Board in setting and implementing company strategy and direction  
 Provide input to Lead Independent Director on CEO performance

**Executive Role:**

Coach and mentor to CEO  
 Contributes to strategy and operational plan prior to Board review  
 Leads special projects identified by the CEO and Board (reports to Board)  
 Member of executive team, input into operational issues  
 Chairman of MI industry group for any appointed term  
 Company ambassador

**Executive Chair Role:\***

Chair meetings of the Board of Directors and contribute in setting company strategy and direction  
 Serve as leader of the Holding Company Board  
 Play a significant and active role in representing the organization to external stakeholders (e.g., customers, investors, regulators and legislators)  
 In connection with the CFO, lead external financing activities & special assignments at the request of the CEO or Board  
 Call special meetings of the Board and lead discussions with shareholders as needed  
 At the request of the CEO, selectively provide guidance to management based on industry expertise and relationships, company knowledge and company contacts  
 Assist in the development of strategic plans  
 Lead CEO succession planning & assist in leadership development

\*Subject to and conditioned upon your re-election to the Board of Directors of the Company.

December 28, 2018

Claudia J. Merkle  
2100 Powell Street, 12<sup>th</sup> Floor  
Emeryville, CA 94608

Dear Claudia:

We are pleased and excited to memorialize the terms of your continued employment with NMI Holdings, Inc. (the “**Company**”) on the terms and subject to the conditions set forth in this Letter (this “**Letter**”).

1. **Terms of Employment**

*At-Will Employment.* This Letter is not a contract guaranteeing employment for any specific duration. Rather, your employment with the Company is on an at-will basis. As an at-will employee, both you and the Company have the right to terminate your employment at any time with or without cause.

*Title; Duties; Reporting.* Commencing as of January 1, 2019 (the “**Transition Date**”), your title will be Chief Executive Officer and you will report directly to the Board of Directors of the Company (the “**Board**”). As Chief Executive Officer, you will have authorities, powers, duties and responsibilities as are commensurate with your role and as are customarily exercised by a person in your role in a company of the size and nature of the Company, as set forth on Exhibit A hereto, or as otherwise directed by the Board. You will dedicate all of your business time to the business and affairs of the Company. You will be based in the Company’s Emeryville, CA office, subject to reasonable business travel at the Company’s request.

2. **Compensation and Benefits**

*Annual Base Salary.* During your employment, you will be entitled to be paid an annual base salary at the rate of \$650,000 per year (your “**Annual Base Salary**”), payable at times consistent with the Company’s general policies regarding compensation of employees, as in effect from time to time.

*Annual Discretionary Bonus.* During each fiscal year of your employment, you will be eligible to earn an annual bonus, with a target annual bonus opportunity of 100% of your Annual Base Salary (your “**Annual Bonus**”), payable in accordance with the Company’s customary practices with respect to the payment of discretionary bonuses, as in effect from time to time. Your Annual Bonus may be based upon the attainment of performance metrics determined by the Board or the Compensation Committee of the Board (the “**Committee**”). The amount of any Annual Bonus actually paid to you will be determined by the Committee in its sole discretion. Except as provided herein, you must be employed by the Company or one of its subsidiaries at the time of payment to receive your Annual Bonus.

*Discretionary Equity Compensation.* During your employment, you will be eligible to receive equity-based compensation awards from the Company. The number and type of equity-based compensation awards granted to you, the frequency of the grant, and the terms of such equity-based awards will be established by the Board or the Committee.

*Employee Benefits.* During your employment, you will be eligible to participate in any health, welfare and retirement benefit programs adopted and maintained by the Company for its employees, subject to the terms and limitations of the applicable plan and the Company’s ability, in its sole discretion, at any time and from time to time, to change or terminate any of its employee benefit plans, programs or policies.

*Executive Cash Allowance.* During your employment, you will be eligible to participate in the Company's Executive Cash Allowance program as in effect from time to time, subject to the terms and limitations of the Executive Cash Allowance program and the Company's ability, in its sole discretion, at any time and from time to time, to change or terminate the program. Under the terms of the Executive Cash Allowance program as in effect as of the date hereof, you are eligible to receive a fixed cash amount of \$38,400 per year in lieu of individualized perquisites, payable at times consistent with the Company's payroll practices, as in effect from time to time.

*Paid Time Off.* During your employment, you will continue to receive 30 days of paid time off per year, pro-rated on a calendar year basis.

*Expense Reimbursement.* During your employment, the Company will reimburse you for all reasonable expenses incurred in your performance of your duties in accordance with the Company's expense reimbursement policies applicable to similarly situated executives of the Company from time to time.

### 3. **Severance Benefits**

During your employment with the Company, you will remain eligible to participate in the Company's Severance Benefit Plan at the level of "EVPs, President & CEO (without employment agreement)." You will also remain eligible to participate in the Company's Change in Control Severance Benefit Plan (the "**CIC Plan**"). Your participation letter with respect to the CIC Plan dated as of March 6, 2017, will be amended to provide that your Severance Multiple (as defined in the CIC Plan) will be 2x and your COBRA Period (as defined in the CIC Plan) will be 24 months.

### 4. **Restrictive Covenants**

*Return of Company Property.* Upon a termination of your employment for any reason, you will promptly return to the Company any keys, credit cards, passes, confidential documents or material, or other property belonging to the Company, and you will also return all writings, files, records, correspondence, notebooks, notes and other documents and things (including any copies thereof) containing confidential information or relating to the business or proposed business of the Company or its affiliates or containing any trade secrets relating to the Company or its affiliates except any personal diaries, calendars, rolodexes or personal notes or correspondence. For purposes of the preceding sentence, the term "trade secrets" will have the meaning ascribed to it under the Uniform Trade Secrets Act. You agree to represent in writing to the Company upon termination of your employment that you have complied with this paragraph.

*Nondisparagement.* You agree that, following your termination of employment, you will not make any public statements which materially disparage the Company. The Company agrees to instruct its directors and executive officers not to make any public statements which materially disparage you. Notwithstanding the foregoing, nothing in this paragraph will prohibit you from making truthful statements when required by order of a court or other governmental or regulatory body having jurisdiction or to enforce any legal right including, without limitation, the terms of this Letter.

*Confidential Information.* You acknowledge that you will have knowledge of certain trade secrets of the Company and its business plans and prospects. You will hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company and its businesses or prospective businesses, including, without limitation, any trade secrets, research, secret data, business methods, operating procedures or programs which will have been obtained by you in connection with your services to the Company or any affiliates thereof and which will not be or become public knowledge (other than by acts by you in violation of this Letter) (collectively, the "**Trade Secrets and Confidential Information**"); provided, however, that you and the Company acknowledge and agree that you will be required to disclose Trade Secrets and Confidential Information to third parties in performing services for the Company under this Letter, which you may do only to the extent required, as determined within your reasonable discretion. After termination of your services with the Company for any reason, you will not, without the prior written consent of the Company or as may otherwise be required by law

or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

*Nonsolicitation.* You agree that, while you are employed by the Company and during the one-year period following the cessation of your employment for any reason, you will not directly or indirectly (i) solicit any individual who is, on the date of termination (or was, during the six-month period prior to the date of termination), employed by the Company or any of its affiliates to terminate or refrain from renewing or extending such employment or to become employed by or become a consultant to any other individual or entity other than the Company or its affiliates, or (ii) solicit any investor or prospective investor in the Company or any business contact introduced to you in connection with your employment by the Company hereunder to curtail or cease doing business with the Company or any of its affiliates.

*Severability; Blue Pencil.* You acknowledge and agree that you have had the opportunity to seek advice of counsel in connection with this Letter and the restrictive covenants contained herein are reasonable in geographical scope, temporal duration and in all other respects. If it is determined that this paragraph or any of the paragraphs titled “Nondisparagement,” “Confidential Information,” “Nonsolicitation,” or “Equitable Remedies” (such paragraphs, the “**Restrictive Covenants**”) is invalid or unenforceable, the remainder of the provisions of such paragraphs will not thereby be affected and will be given full effect, without regard to the invalid portions. If any court or other decision-maker of competent jurisdiction determines that any covenant or covenants in this Letter is unenforceable because of the duration or geographic scope of such provision, then after such determination becomes final and unappealable, the duration or scope of such provision, as the case may be, will be reduced so that such provision becomes enforceable, and in its reduced form, such provision will be enforced.

*Whistleblower Rights.* Notwithstanding the foregoing, nothing in this Letter limits your ability to communicate with any federal, state, or local governmental agency, commission or body, including the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, and the Securities and Exchange Commission (collectively, a “**Governmental Agency**”), or self-regulatory organization or otherwise participate in any investigation or proceeding that may be conducted by any Governmental Agency or self-regulatory organization, without notice to the Company.

#### 5. **409A Compliance**

Any amounts payable under this Letter are intended to be exempt or excluded from the application of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (“**Section 409A**”), or are otherwise intended to avoid the incurrence of tax penalties under Section 409A, and, with respect to amounts payable under this Letter that are subject to Section 409A, this Letter will in all respects be administered in accordance with Section 409A.

#### 6. **Miscellaneous**

*Governing Law.* This Letter will be governed, construed, and interpreted under the laws of the State of California, without giving effect to any conflict of laws provisions.

*Arbitration.* Any disputes concerning your employment, the terms of your employment, the termination of your employment, your relationship with the Company, or the interpretation and application of this offer will be resolved on an individual basis through binding arbitration in accordance with the Mutual Agreement to Arbitrate signed by you as a condition of employment, the terms of which are incorporated herein. Actions for temporary or preliminary injunctive relief, (including claims for a temporary protective order), in aid of arbitration or to maintain the status quo pending arbitration, may be filed in a court with jurisdiction over the matter in accordance with applicable law.

*Company Policies.* You agree to comply fully with all policies and procedures in effect for employees, including but not limited to, the Employee Handbook, the Business Conduct Policy and any other memoranda and

communications applicable to you pertaining to policies, procedures, rules and regulations, as currently in effect and as may be amended from time to time.

*Withholding.* All payments and benefits provided for in this Letter are subject to withholding for applicable income and payroll taxes or otherwise as required by law.

*Entire Agreement.* This Letter constitutes the entire agreement between you and the Company regarding your employment with the Company and, effective as of the Transition Date, supersedes any and all oral or written employment or compensation agreements between you and the Company or its affiliates regarding the subject matter of this Letter, including, without limitation, the offer letter between you and the Company dated April 24, 2012.

Please confirm acceptance of this offer by signing below and returning a signed copy of this Letter to me.

*[Signature Page Follows]*

Sincerely,

/s/ Steven L. Scheid  
Steven L. Scheid  
Lead Director

Acknowledged and Agreed

/s/ Claudia J. Merkle  
Claudia J. Merkle

Exhibit A**CEO****Sets strategic direction in conjunction with Board****Responsible for strategy execution, operational and financial results****Operational Responsibility:**

- Financial results of the company
- Strategic planning
- Leadership of Executive Committee
- Development of leadership team
- Leads company operations
- Officers and employees report to him or her
- Maintain a positive and safe work environment
- Regulatory compliance

**Board Interactions:**

- Serve as member of the Board
- Coordinate with Executive Chairman in shaping board agendas
- Prepare and communicate Board materials
- Communicates with all directors on key issues outside of board meetings
- Seek approval on major investments, M&A, etc.