

Cornerstone OnDemand Inc  
Form DEFR14A  
May 08, 2018  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**  
**(Amendment No. 1)**

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 §240.14a-12

**Cornerstone OnDemand, Inc.**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

(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:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

**EXPLANATORY NOTE**

This amended definitive proxy statement (this Amended Proxy Statement ) is being filed to amend and restate the definitive proxy statement dated April 27, 2018 (the Proxy Statement ) for the 2018 annual meeting of stockholders (the Annual Meeting ) of Cornerstone OnDemand, Inc. (the Company ).

Subsequent to the filing of the Proxy Statement, the Company s nominating and corporate governance committee recommended, and the Company s board of directors (the Board ) unanimously approved, the addition of Marcus S. Ryu as a nominee for election as a Class I director at the Annual Meeting, the addition of Elisa A. Steele as a nominee for election as a Class II director at the Annual Meeting, and the addition of Richard Hadrill as a nominee for election as a Class III director at the Annual Meeting. The Board elected Ms. Steele and Mr. Hadrill as directors effective as of and contingent upon their receiving a plurality of votes for their election at the Annual Meeting. The Company s nominating and corporate governance committee also recommended, and the Board also unanimously approved, the appointment of Ms. Steele as Chairperson, effective upon her election to the Board. Ms. Steele was nominated for election to the Board pursuant to the terms of an investment agreement among the Company and certain affiliates of Silver Lake Group, L.L.C.

This Amended Proxy Statement has been revised to reflect the additions of Ms. Steele and Messrs. Ryu and Hadrill as nominees for election to the Board at the Annual Meeting, to provide certain disclosures in connection with such nominations, and to correctly identify Joe Osness as a Class III director.

If you have already voted by Internet, telephone or by mail, no action is required from you unless you wish to change your vote or provide a vote on the election of Mr. Ryu, Ms. Steele or Mr. Hadrill. Votes received prior to the date of this Amended Proxy Statement or those using the previously provided proxy card will not be counted for or against the election of Mr. Ryu, Ms. Steele and Mr. Hadrill to the Board, but will be counted on all other proposals.

Except for the revisions specifically discussed above, the Amended Proxy Statement does not otherwise materially modify or update any other disclosures presented in the Proxy Statement.

**Table of Contents**

May 8, 2018

Dear Cornerstone OnDemand, Inc. Stockholders:

You are cordially invited to attend our 2018 Annual Meeting of Stockholders (the Annual Meeting ), which will be held on Thursday, June 14, 2018 at 1:00 p.m. Pacific Time at the Company s headquarters, located at 1601 Cloverfield Blvd., Suite 620 South, Santa Monica, California 90404.

At the Annual Meeting, stockholders will be asked to vote on the five proposals set forth in the Notice of 2018 Annual Meeting of Stockholders and described in the accompanying proxy statement.

It is important that your shares of the Company s common stock are represented and voted at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, please vote as soon as possible. Voting your proxy will ensure your representation at the Annual Meeting. We urge you to carefully review the proxy materials and to vote your shares: FOR the election of each of the three directors nominated by our board of directors and named in the accompanying proxy statement as Class I directors to serve until the 2021 annual meeting of stockholders, the one director nominated by our board of directors and named in the accompanying proxy statement as a Class II director to serve until the 2019 annual meeting of stockholders, and the one director nominated by our board of directors and named in the accompanying proxy statement as a Class III director to serve until the 2020 annual meeting of stockholders; FOR the approval of an amendment to our amended and restated certificate of incorporation to declassify our board of directors; FOR the approval, on an advisory basis, of the compensation of our named executive officers; ONE YEAR for the frequency of future stockholder advisory votes on the compensation of our named executive officers; and FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.

Thank you for your continued support of Cornerstone OnDemand, Inc.

Sincerely,

/s/ Adam L. Miller

Adam L. Miller

Chief Executive Officer

**Table of Contents**

**CORNERSTONE ONDEMAND, INC.**

1601 Cloverfield Blvd., Suite 620 South

Santa Monica, California 90404

**NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on Thursday, June 14, 2018**

**at 1:00 p.m. Pacific Time**

The 2018 Annual Meeting of Stockholders (the Annual Meeting ) of Cornerstone OnDemand, Inc., a Delaware corporation, will be held at the Company's headquarters, located at 1601 Cloverfield Blvd., Suite 620 South, Santa Monica, California 90404 on Thursday, June 14, 2018 at 1:00 p.m. Pacific Time and, if applicable, at any adjournments or postponements thereof. At the Annual Meeting, our stockholders will be asked:

- 1 To elect three Class I directors to serve until the 2021 annual meeting of stockholders, one Class II director to serve until the 2019 annual meeting of stockholders, and one Class III director to serve until the 2020 annual meeting of stockholders, in each case, until their successors are duly elected and qualified;
- 2 To approve an amendment to our amended and restated certificate of incorporation to declassify our board of directors;
- 3 To approve, on an advisory basis, the compensation of our named executive officers;
- 4 To approve, on an advisory basis, the frequency of future stockholder advisory votes on the compensation of our named executive offers;
- 5 To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018; and

To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The accompanying proxy statement more fully describes these proposals.

We have elected to take advantage of a U.S. Securities and Exchange Commission rule that allows us to furnish our proxy materials over the Internet to our stockholders rather than in paper form. We believe that this delivery process reduces our environmental impact and lowers the cost of printing and distributing our proxy materials without affecting our stockholders' timely access to this important information. Accordingly, unless you have previously requested to receive our proxy materials in paper form, you should have received a Notice of Internet Availability of Proxy Materials (the "Notice"), which we mailed on or about April 27, 2018. The Notice explains how to access our proxy materials and vote by telephone or over the Internet.

Our board of directors has fixed the close of business on April 23, 2018 as the record date for the Annual Meeting. Only stockholders of record on April 23, 2018 are entitled to receive notice of and vote at the Annual Meeting. All stockholders are invited to attend the Annual Meeting in person. However, to ensure your representation at the Annual Meeting, please vote as soon as possible by following the instructions in the Notice. Any stockholder attending the Annual Meeting may vote in person even if he, she or it has voted using the Internet, telephone or proxy card, and any previous votes that were submitted by the stockholder, whether by Internet, telephone or mail, will be superseded by the vote such stockholder casts at the Annual Meeting. For further information, please see the information in the Notice and in the accompanying proxy statement.

By order of the Board of Directors

/s/ Adam L. Miller

Adam L. Miller

Chief Executive Officer

Santa Monica, California

May 8, 2018

**YOUR VOTE IS EXTREMELY IMPORTANT. TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, YOU ARE URGED TO VOTE BY TELEPHONE OR INTERNET AS PROMPTLY AS POSSIBLE. ALTERNATIVELY, YOU MAY REQUEST A PAPER PROXY CARD, WHICH YOU MAY COMPLETE, SIGN AND RETURN BY MAIL.**

Table of Contents

**TABLE OF CONTENTS**

	<b>Page</b>
<u>GENERAL INFORMATION</u>	1
<u>NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS</u>	1
<u>QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND THESE PROXY MATERIALS</u>	1
<u>BOARD OF DIRECTORS AND CORPORATE GOVERNANCE</u>	7
<u>Overview</u>	10
<u>Leadership Structure</u>	10
<u>The Board's Role in Risk Oversight</u>	11
<u>Director Independence</u>	11
<u>Director Nomination Process</u>	12
<u>Stockholder Recommendations and Nominations of Candidates for Election to our Board of Directors</u>	13
<u>Code of Business Conduct and Ethics</u>	13
<u>Communication with our Board of Directors</u>	13
<u>BOARD MEETINGS AND COMMITTEES OF THE BOARD</u>	13
<u>Board and Committee Meetings</u>	13
<u>Committees of our Board of Directors</u>	14
<u>Director Compensation</u>	16
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	17
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	19
<u>EXECUTIVE OFFICERS</u>	22
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	23
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	55
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	55
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	56
<u>PROPOSAL 2 APPROVAL OF AN AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS AND PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS</u>	57
<u>PROPOSAL 3 ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS</u>	59
<u>PROPOSAL 4 ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS</u>	60
<u>PROPOSAL 5 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	61
<u>AUDIT COMMITTEE REPORT</u>	63
<u>OTHER INFORMATION</u>	64



APPENDIX A

A-1

**Table of Contents**

**CORNERSTONE ONDEMAND, INC.**

**FOR THE 2018 ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on Thursday, June 14, 2018**

**at 1:00 p.m. Pacific Time**

**GENERAL INFORMATION**

We are providing you with this revised proxy statement and the enclosed form of proxy in connection with the solicitation by the board of directors of Cornerstone OnDemand, Inc. of proxies to be used at our 2018 Annual Meeting of Stockholders (the Annual Meeting ). The Annual Meeting will be held at the Company's headquarters, located at 1601 Cloverfield Blvd., Suite 620 South, Santa Monica, California 90404, on Thursday, June 14, 2018 at 1:00 p.m. Pacific Time and, if applicable, at any adjournment or postponement thereof. This proxy statement contains important information regarding the Annual Meeting, the proposals on which you are being asked to vote, information you may find useful in determining how to vote, and information about voting procedures. As used herein, we, us, our, Cornerstone or the Company refers to Cornerstone OnDemand, Inc., a Delaware corporation.

The original proxy statement and our annual report to stockholders were first made available to our stockholders on or about April 27, 2018.

The information provided in the question and answer format below addresses certain frequently asked questions but is not intended to be a summary of all matters contained in this proxy statement. You should read this entire proxy statement carefully before voting your shares. Information contained on, or that can be accessed through, our website is not intended to be incorporated by reference into this proxy statement and references to our website address in this proxy statement are inactive textual references only.

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS**

In accordance with the notice and access rules of the U.S. Securities and Exchange Commission (the SEC ), instead of mailing a printed copy of our proxy statement, proxy card and annual report (collectively, the proxy materials ) to stockholders entitled to vote at the Annual Meeting, we are furnishing the proxy materials to our stockholders over the Internet. If you received a Notice of Internet Availability of Proxy Materials (the Notice ) by mail, you will not receive a printed copy of the proxy materials. Instead, the Notice will instruct you as to how you may access and review the proxy materials and submit your vote via the Internet. If you received a Notice by mail and would like to receive a printed copy of the proxy materials, please follow the instructions for requesting such materials included in the Notice.

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND THESE PROXY MATERIALS**

***What matters will be voted on at the Annual Meeting?***

At the Annual Meeting, stockholders will be voting on:

the election of three Class I directors to serve until the 2021 annual meeting of stockholders, one Class II director to serve until the 2019 annual meeting of stockholders, and one Class III director to serve until the 2020 annual meeting of stockholders, in each case, until their successors are duly elected and qualified;

a proposal to approve an amendment to our amended and restated certificate of incorporation to declassify our board of directors;

a proposal to approve, on an advisory basis, the compensation of our named executive officers;

**Table of Contents**

a proposal to approve, on an advisory basis, the frequency of future stockholder advisory votes on the compensation of our named executive officers;

a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018; and

any other business that may properly come before the Annual Meeting or any adjournments or postponements thereof.

***How does our board of directors recommend that I vote?***

Our board of directors recommends that you vote:

FOR the election of Robert Cavanaugh, Kristina Salen and Marcus S. Ryu as Class I directors, Elisa A. Steele as a Class II director, and Richard Haddrill as a Class III director;

FOR the approval of an amendment to our amended and restated certificate of incorporation to declassify our board of directors;

FOR the approval, on an advisory basis, of the compensation of our named executive officers;

ONE YEAR for the frequency of future stockholder advisory votes on the compensation of our named executive officers; and

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018.

***Will there be any other items of business on the agenda?***

If any other items of business or other matters are properly brought before the Annual Meeting, your proxy gives discretionary authority to the persons named on the proxy card with respect to those items of business or other matters. The persons named on the proxy card intend to vote the proxy in accordance with their best judgment. Our board of directors does not intend to bring any other matters to be voted on at the Annual Meeting. We are not currently aware of any other matters that may properly be presented by others for action at the Annual Meeting.

***Who is entitled to vote at the Annual Meeting?***

Holders of our common stock at the close of business on April 23, 2018, the record date for the Annual Meeting, are entitled to receive notice of and vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of our common stock held as of the record date. As of the record date, there were 57,705,470 shares of our common stock outstanding and entitled to vote at the Annual Meeting. No shares of preferred stock were outstanding.

A complete list of the stockholders entitled to vote at the Annual Meeting will be available at our headquarters, located at 1601 Cloverfield Blvd., Suite 620 South, Santa Monica, California 90404, during regular business hours for the ten days prior to the Annual Meeting. This list also will be available during the Annual Meeting at the meeting location. Stockholders may examine the list for any legally valid purpose related to the Annual Meeting.

***What is the difference between holding shares as a stockholder of record and as a beneficial owner?***

*Stockholders of Record.* If, at the close of business on the record date, your shares of our common stock are registered directly in your name with Computershare Trust Company, N.A., our transfer agent, you are considered to be the stockholder of record of such shares. Throughout this proxy statement, we refer to registered

## **Table of Contents**

stockholders as stockholders of record. If you are a stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote in person at the Annual Meeting.

*Beneficial Owner.* If, at the close of business on the record date, your shares of our common stock were held in a brokerage account or by a bank or other nominee on your behalf, you are considered to be the beneficial owner of shares of common stock held in street name. Throughout this proxy statement, we refer to stockholders who hold their shares through a broker, bank or other nominee as beneficial owner. If you are a beneficial owner, you have the right to direct your broker, bank or other nominee how to vote your shares by following the voting instructions your broker, bank or other nominee provides. If you do not provide your broker, bank or other nominee with instructions on how to vote your shares, your broker, bank or other nominee may not vote your shares with respect to any non-routine matters, but it may, in its discretion, vote your shares with respect to routine matters. Please see *What if I do not specify how my shares are to be voted?* for a description of routine versus non-routine matters.

### ***Do I have to do anything in advance if I plan to attend the Annual Meeting in person?***

*Stockholders of Record.* If you are a stockholder of record, you do not need to do anything in advance to attend and/or vote your shares in person at the Annual Meeting, but you will need to present government-issued photo identification for entrance to the Annual Meeting.

*Beneficial Owner.* If you are a beneficial owner, you may not vote your shares in person at the Annual Meeting unless you obtain a legal proxy from the broker, bank or other nominee who is the stockholder of record with respect to your shares. You may still attend the Annual Meeting even if you do not have a legal proxy. For entrance to the Annual Meeting, you will need to present government-issued photo identification and provide proof of beneficial ownership as of the record date, such as the notice or voting instructions you received from your broker, bank or other nominee or a brokerage statement reflecting your ownership of shares as of the record date.

### ***How do I vote and what are the voting deadlines?***

*Stockholders of Record.* If you are a stockholder of record, there are several ways for you to vote your shares:

**Over the Internet, by telephone or by mail.** If you are a stockholder of record, you may instruct the proxy holders how to vote your shares by using the Internet voting site or the toll-free telephone number listed on the Notice. Alternatively, you may request a proxy card by telephone at 1-800-579-1639, over the Internet at [www.proxyvote.com](http://www.proxyvote.com), or by email at [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com), and complete, sign, date and return the proxy card in the postage pre-paid envelope provided. Please sign your name exactly as it appears on the proxy card. Proxy cards submitted by mail must be received no later than June 13, 2018 for your shares to be voted at the Annual Meeting. Specific instructions for using the telephone and Internet voting systems are on the proxy card and in the Notice. The telephone and Internet voting systems for stockholders of record will be available until 11:59 p.m. Eastern Time on June 13, 2018. Regardless of the method you select to transmit your voting instructions, the proxy holders will vote your shares in accordance with your instructions. If you sign and return a proxy card without giving specific voting instructions with respect to one or more proposals, your shares will be voted as recommended by our board of directors.

**In person at the Annual Meeting.** You may vote your shares in person at the Annual Meeting by delivering your completed proxy card in person or by completing and submitting a ballot, which will be provided at the

Annual Meeting. Even if you plan to attend the Annual Meeting in person, we recommend that you also submit your proxy card or voting instructions by mail or vote by telephone or via the Internet by the applicable deadline so that your vote will be counted if you later decide not to attend the Annual Meeting.

## Table of Contents

If you have already voted by Internet, telephone or by mail, no action is required from you unless you wish to change your vote or provide a vote on the election of Mr. Ryu, Ms. Steele or Mr. Hadrill. Votes received prior to the date of this revised proxy statement or those using the previously provided proxy card will not be counted for or against the election of Mr. Ryu, Ms. Steele and Mr. Hadrill to our board of directors, but will be counted on all other proposals.

*Beneficial Owners.* If you are a beneficial owner, you will receive voting instructions from your broker, bank or other nominee. You must follow the voting instructions provided by your broker, bank or other nominee in order to instruct your broker, bank or other nominee on how to vote your shares. The availability of telephone and Internet voting will depend on the voting process of your broker, bank or other nominee. **As discussed above, if you are a beneficial owner, you may not vote your shares in person at the Annual Meeting unless you obtain a legal proxy from your broker, bank or other nominee.**

### *Can I revoke or change my vote after I submit my proxy?*

*Stockholders of Record.* If you are a stockholder of record, you may revoke your proxy or change your proxy instructions at any time before your proxy is voted at the Annual Meeting by:

entering a new vote by Internet or by telephone;

signing and returning a new proxy card with a later date;

delivering a written revocation to our General Counsel at Cornerstone OnDemand, Inc., 1601 Cloverfield Blvd., Suite 620 South, Santa Monica, California 90404, by 11:59 Eastern Time on June 13, 2018; or

attending the Annual Meeting and voting in person.

If you have already voted by Internet, telephone or by mail, no action is required from you unless you wish to change your vote or provide a vote on the election of Mr. Ryu, Ms. Steele or Mr. Hadrill. Votes received prior to the date of this revised proxy statement or those using the previously provided proxy card will not be counted for or against the election of Mr. Ryu, Ms. Steele and Mr. Hadrill to our board of directors, but will be counted on all other proposals.

*Beneficial Owners.* If you are a beneficial owner, you must contact the broker, bank or other nominee holding your shares and follow its instructions to change your vote or revoke your proxy.

### *What is the effect of giving a proxy?*

Proxies are solicited by and on behalf of our board of directors. The persons named in the proxy have been designated as proxy holders by our board of directors. When a proxy is properly dated, executed and returned, the shares represented by the proxy will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, however, the shares will be voted in accordance with the recommendations of our board of directors. If any matters not described in this proxy statement are properly presented at the Annual Meeting, the proxy holders will use their own judgment to determine how to vote your shares. If the Annual Meeting is postponed or adjourned, the proxy holders can vote your shares on the new meeting date, unless you have properly revoked your proxy, as described above.



***What if I do not specify how my shares are to be voted?***

*Stockholders of Record.* If you are a stockholder of record and you submit a proxy but you do not provide voting instructions, your shares will be voted:

FOR the election of Robert Cavanaugh, Kristina Salen and Marcus S. Ryu as Class I directors, Elisa A. Steele as a Class II director, and Richard Haddrill as a Class III director (Proposal 1);

## **Table of Contents**

FOR the approval of an amendment to our amended and restated certificate of incorporation to declassify our board of directors (Proposal 2);

FOR the approval, on an advisory basis, of the compensation of our named executive officers (Proposal 3);

ONE YEAR for the frequency of future stockholder advisory votes on the compensation of our named executive officers (Proposal 4);

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018 (Proposal 5); and

In the discretion of the named proxies regarding any other matters properly presented for a vote at the Annual Meeting or any adjournments or postponements thereof.

*Beneficial Owners.* If you are a beneficial owner and you do not provide the broker, bank or other nominee that holds your shares with voting instructions, your broker, bank or other nominee will determine if it has the discretionary authority to vote on the particular matter. Brokers, banks and other nominees do not have discretion to vote on non-routine matters. Proposal 1, 2, 3, and 4 are non-routine matters, while Proposal 5 is a routine matter. As a result, if you do not provide voting instructions to your broker, bank or other nominee, your broker, bank or other nominee may not vote your shares with respect to Proposal 1, 2, 3, or 4, which would result in a broker non-vote, but may, in its discretion, vote your shares with respect to Proposal 5. For additional information regarding broker non-votes, see *What are the effects of abstentions and broker non-votes?* below.

### ***What constitutes a quorum, and why is a quorum required?***

A quorum is the minimum number of shares required to be present at the Annual Meeting for the meeting to be properly held under our bylaws and Delaware law. A quorum exists when at least a majority of the outstanding shares entitled to vote at the close of business on the record date are represented at the Annual Meeting, either in person or by proxy. As of the close of business on the record date, we had 57,705,470 shares of common stock outstanding and entitled to vote at the Annual Meeting, meaning that 28,852,736 shares of common stock must be represented in person or by proxy at the Annual Meeting to have a quorum. If there is not a quorum, the chairperson of the Annual Meeting or a majority of the shares present in person or represented by proxy at the Annual Meeting may adjourn the meeting to a later date.

### ***What are the effects of abstentions and broker non-votes?***

An abstention represents a stockholder's affirmative choice to decline to vote on a proposal. If a stockholder indicates on its proxy card that it wishes to abstain from voting its shares, or if a broker, bank or other nominee holding its customers' shares of record causes abstentions to be recorded for shares, these shares will be considered present and entitled to vote at the Annual Meeting. As a result, an abstention for Proposal 2, 3 or 5 will be counted for purposes of determining the presence or absence of a quorum and will also count as votes against such proposal. An abstention for Proposal 4 will have no effect on the outcome of such proposal so long as a quorum exists.

A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to such proposal

and has not received voting instructions from the beneficial owner of the shares. Broker non-votes will be counted for the purpose of calculating whether a quorum is present at the Annual Meeting. Thus, a broker non-vote will make a quorum more readily attainable, but will not otherwise affect the outcome of the vote on Proposal 1, 3, 4 and 5. A broker non-vote on Proposal 2 will have the same effect as a vote against such proposal.

**Table of Contents*****What is the vote required for each proposal?***

		<b>Broker Discretionary</b>	
<b>Proposal</b>		<b>Vote Required</b>	<b>Voting Allowed?</b>
Proposal 1	Election of directors	Plurality of voting power of shares present and entitled to vote	No
Proposal 2	Approval of an amendment to our certificate of incorporation to declassify our board of directors	70% of voting power of our outstanding Common Stock	No
Proposal 3	Approval of an advisory resolution to approve named executive officer compensation	Majority of voting power of shares present and entitled to vote	No
Proposal 4	Approval of an advisory resolution on the frequency of future advisory votes on the compensation of our named executive officers	The alternative that receives the highest number of votes	No
Proposal 5	Ratification of the appointment of independent registered public accounting firm	Majority of voting power of shares present and entitled to vote	Yes

With respect to Proposal 1, you may (i) vote FOR all nominees, (ii) WITHHOLD your vote as to all nominees, or (iii) vote FOR all nominees except for those specific nominees from whom you WITHHOLD your vote. The three Class I director nominees, the one Class II director nominee, and the one Class III director nominee receiving the most FOR votes will be elected. You may not cumulate votes in the election of directors. Any shares not voted FOR a particular nominee (whether as a result of a vote being withheld or a broker non-vote) will not be counted in such nominee's favor and will have no effect on the outcome of the election. If you WITHHOLD your vote as to all nominees, you will be deemed to have ABSTAINED from voting on Proposal 1, and such abstention will have no effect on the outcome of the vote.

With respect to Proposals 2, 3 and 5, you may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN from voting on Proposal 2, 3 or 5, the abstention will have the same effect as a vote AGAINST the proposal.

With respect to Proposal 4, you may vote ONE YEAR, TWO YEARS, THREE YEARS or ABSTAIN. If you ABSTAIN from voting on Proposal 4, the abstention will have no effect on the outcome of the vote.

***Who will count the votes?***

Broadridge Financial Solutions, Inc. ( Broadridge ) has been engaged to receive and tabulate stockholder votes. Broadridge will also certify the election results and perform any other acts required by the Delaware General Corporation Law.

***Who is paying for the costs of this proxy solicitation?***

We will bear the entire cost of proxy solicitation, including the preparation, assembly, printing, mailing and distribution of the proxy materials. Copies of solicitation materials will also be made available upon request to brokerage houses and other nominees holding shares in their names that are beneficially owned by others to forward to such beneficial owners. The original solicitation of proxies may be supplemented by solicitation by telephone, electronic communication, or other means by our directors, officers, employees or agents. No additional compensation

will be paid to these individuals for any such services, although we may reimburse such individuals for their reasonable out-of-pocket expenses in connection with such solicitation. We do not plan to retain a proxy solicitor to assist in the solicitation of proxies.

***How can I find the results of the Annual Meeting?***

Preliminary results will be announced at the Annual Meeting. Final results will be published in a Current Report on Form 8-K to be filed with the SEC within four business days after the Annual Meeting. If the official

**Table of Contents**

results are not available at that time, we will provide preliminary voting results in the Current Report on Form 8-K and will provide the final results in an amendment to the Current Report on Form 8-K as soon as they become available.

**BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

Our business and affairs are managed under the direction of our board of directors, which is currently composed of nine members. Eight of our directors are independent within the meaning of the listing standards of The Nasdaq Stock Market, or Nasdaq. Our board of directors is divided into three staggered classes of directors. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring.

On January 12, 2018, R. C. Mark Baker and Joseph P. Payne, two of our current directors, notified us of their decisions to retire from our board of directors at the Annual Meeting.

On May 8, 2018, following an extensive search for qualified director candidates conducted by our nominating and corporate governance committee, our nominating and corporate governance committee recommended, and our board of directors approved, the addition of Marcus Ryu as a nominee for election as a Class I director at the Annual Meeting, the addition of Elisa A. Steele as a nominee for election as a Class II director at the Annual Meeting, and the addition of Richard Haddrill as a nominee for election as a Class III director at the Annual Meeting. Our board of directors elected Ms. Steele and Mr. Haddrill as directors effective as of and contingent upon their receiving a plurality of votes for their election at the Annual Meeting.

Potential director candidates were solicited from members of our board of directors and shareholder recommendations. Our board of directors interviewed and considered a number of director candidates who were evaluated based on the established criteria for persons to be nominated. Our board of directors believes Ms. Steele and Messrs. Ryu and Haddrill each meet the established criteria and are the best qualified candidates for election to our board of directors. Each of Ms. Steele and Messrs. Ryu and Haddrill is a new nominee for election to our board of directors this year.

The following table sets forth the names, ages as of February 28, 2018, and certain other information for each of our directors who will continue to serve after the Annual Meeting and for each of our director nominees:

Name	Age	Director Since
<b>Class I Director Nominees (term expires 2021)</b>		
Robert Cavanaugh	49	2015
Kristina Salen	46	2014
Marcus S. Ryu	44	Nominated in May 2018
<b>Class II Directors (term expires 2019)</b>		
Harold W. Burlingame	77	2006
Dean Carter	53	2017
<b>Class II Director Nominee (term expires 2019)</b>		
Elisa A. Steele(1)	51	Nominated in May 2018

**Class III Directors (term expires 2020)**

Adam L. Miller(2)	48	1999
Joe Osness	40	2017
Steffan C. Tomlinson	46	2017

**Class III Director Nominee (term expires 2020)**

Richard Hadrill(3)	64	Nominated in May 2018
--------------------	----	-----------------------

## Table of Contents

- (1) On May 8, 2018, our board of directors elected Ms. Steele to serve as a member of our board of directors, effective as of and contingent upon Ms. Steele receiving a plurality of votes for her election at the Annual Meeting. In addition, our board of directors appointed Ms. Steele to replace Adam Miller as our Chairperson, effective as of the effectiveness of her election to our board of directors.
- (2) Mr. Miller currently serves as Chairperson. Our board of directors appointed Ms. Steele to replace Adam Miller as our Chairperson, effective as of the effectiveness of her election to our board of directors.
- (3) On May 8, 2018, our board of directors elected Mr. Haddrill to serve as a member of our board of directors, effective as of and contingent upon Mr. Haddrill receiving a plurality of votes for his election at the Annual Meeting.

There is no family relationship among any of the nominees, directors and/or any of our executive officers. Our executive officers serve at the discretion of our board of directors. Further information about our directors, including each of the director nominees, is provided below.

**Adam L. Miller** founded the Company and has been our Chief Executive Officer and a member of our board of directors since May 1999. In addition to strategy, sales and operations, Mr. Miller has led our product development efforts since our inception. Prior to founding Cornerstone, Mr. Miller was an investment banker with Schrodgers plc, a financial services firm. Since its formation, Mr. Miller has served as the Chairman of the Cornerstone OnDemand Foundation, which leverages Cornerstone's expertise, solutions and partner ecosystem to help empower communities. Since February 2017, Mr. Miller has served on the board of directors of Mindbody, Inc., a software provider for class- and appointment-based businesses. Mr. Miller also writes and speaks extensively about talent management and on-demand software. Mr. Miller holds a J.D. from the School of Law of the University of California, Los Angeles (UCLA), an M.B.A. from UCLA's Anderson School of Business, a B.A. from the University of Pennsylvania (Penn) and a B.S. from Penn's Wharton School of Business. He also earned C.P.A. (inactive) and Series 7 certifications. We believe that Mr. Miller possesses specific attributes that qualify him to serve as a member of our board of directors, including his operational expertise and the historical knowledge and perspective he has gained as our Chief Executive Officer and one of our founders.

**Harold W. Burlingame** has been a member of our board of directors since March 2006. From December 2004 to July 2010, Mr. Burlingame served as Chairman of ORC Worldwide, Inc., a provider of human resource knowledge and solutions. In addition, since June 1998, Mr. Burlingame has served as a director of UniSource Energy Corporation, an owner of electric and gas service providers. Previously, Mr. Burlingame served as Executive Vice President of Human Resources for AT&T Corp. and as Senior Executive Advisor for AT&T Wireless. Mr. Burlingame received his B.A. in Communications from Muskingum College. We believe that Mr. Burlingame's extensive experience in human resources and management qualifies him to serve as a member of our board of directors.

**Dean Carter** has been a member of our board of directors since May 2017. Mr. Carter has served as Vice President of Human Resources and Shared Services at Patagonia, Inc., a designer of outdoor clothing and gear, since May 2015. From June 2010 to April 2015, Mr. Carter served as Chief Human Resources Officer and Vice President of Talent and Human Capital Services at Sears Holdings Corporation, a nationwide retailer. From January 2000, to January 10, 2010, Mr. Carter served as Chief Human Resources Officer at Fossil Group, Inc., a design, marketing and distribution company. Mr. Carter holds a B.S. in Organizational Communication from the University of Texas at Austin. We believe that Mr. Carter's extensive experience in human resources and management qualifies him to serve as a member of our board of directors.

**Robert Cavanaugh** has been a member of our board of directors since April 2015. Mr. Cavanaugh has served as the President of Field Operations of Accolade, Inc., a private company that operates a consumer healthcare engagement platform, since November 2015. Prior to this role, Mr. Cavanaugh served in several roles, including as President Worldwide Enterprise, SMB & Government, at Concur Technologies, Inc., a provider of integrated travel and expense



management solutions, from 1999 to April 2015. Prior to joining Concur Technologies, Inc., Mr. Cavanaugh held consulting and implementation management positions at Seeker Software and Ceridian Corporation. Mr. Cavanaugh holds a B.S. in Business Administration from Norwich University. We believe that

## Table of Contents

Mr. Cavanaugh possesses specific attributes that qualify him to serve as a member of our board of directors, including his experience managing technology companies, in the software industry and with SaaS.

**Richard Hadrill** has served as Founder and Member of The Groop, LLC, a private investment management firm, since January 2018. Mr. Hadrill has served as Vice Chairman of Scientific Games Corporation, a provider of technology-based products and services for gaming and lottery organizations ( SGC ), since February 2018. Mr. Hadrill was employed as Executive Vice Chairman of SGC starting in December 2014, following SGC s acquisition of Bally Technologies, Inc., a gaming company, in November 2014. Previously, Mr. Hadrill served as Chief Executive Officer of Bally from 2004 to 2012 and from May 2014 until SGC s acquisition of Bally, and served on the board of directors of Bally from April 2003 until SGC s acquisition of Bally. Previously Mr Hadrill served as the Chief Executive Officer of two other public companies, Manhattan Associates, Inc. and Powerhouse Technologies, Inc. He is a business graduate of the University of Michigan. We believe that Mr. Hadrill s extensive experience as an executive and/or director for public and private technology, software and gaming companies qualifies him to serve as a member of our board of directors.

**Joseph Osness** has been a member of our board of directors since December 2017. Mr. Osness serves as a managing director based in the New York office of Silver Lake, which he joined in 2002. From 2010 to 2014, he was based in London, where he helped oversee the firm s activities in EMEA. He serves on the boards of several software, services and transaction processing companies, including Cast & Crew, Cegid, Global Blue and Sabre Corporation. He also is closely involved with Silver Lake s investment in Red Ventures and previously served on the boards of Interactive Data Corporation, Mercury Payment Systems and Virtu Financial. Mr. Osness graduated summa cum laude from Harvard College, with an A.B. in Applied Mathematics and a citation in French language. He also has served as visiting professor of finance at the London School of Economics. We believe that Mr. Osness extensive experience in private equity investing, including the technology sector, and service on the boards of directors of other companies, both domestically and internationally, qualify him to serve as a member of our board of directors.

**Marcus S. Ryu** has served as a director of and in various other positions at Guidewire Software, Inc., a provider of software products for property and casualty insurers, since 2001, including as Chief Executive Officer and President. From 2000 to 2001, Mr. Ryu served as Vice President of Strategy at Ariba, Inc. From 1998 to 2000, Mr. Ryu served as a consultant at McKinsey & Company. Mr. Ryu served on the boards of directors of Opower, Inc., a software company in the utilities space, from August 2013 until its sale to Oracle Corporation in June 2016, and Mulesoft, Inc., a software company, from December 2017 until its sale to salesforce.com in May 2018. Mr. Ryu holds an A.B. from Princeton University and a B.Phil. from New College, Oxford University. We believe that Mr. Ryu is qualified to serve as a member of our board of directors because of his experience as a public company chief executive officer and his knowledge of selling software into a large vertical industry.

**Kristina Salen** has been a member of our board of directors since July 2014. Ms. Salen serves as Chief Financial Officer and Chief Operating Officer of Translations Enterprises, LLC, an artist services company, since July 2017. Prior to that, Ms. Salen served as Chief Financial Officer of Etsy, Inc., an online marketplace, from 2013 until 2017. Prior to Etsy, Ms. Salen led the media, Internet, and telecommunications research group of FMR LLC d/b/a Fidelity Investments, a multinational financial services company, from January 2006 to January 2013. Prior to Fidelity, Ms. Salen worked in various financial and executive roles at several companies, including Oppenheimer Capital LLC, an investment firm, from June 2002 to December 2005; Merrill Lynch & Co., Inc., a financial services corporation acquired by Bank of America Corporation in January 2009, from June 1997 to June 2001; Lazard Freres & Co. LLC, a global financial advisory and asset management firm, from April 1996 to June 1997; and SBC Warburg, an investment bank, from December 1994 to April 1996. Ms. Salen holds a B.A. in Political Science from Vassar College and an M.B.A. from Columbia University. We believe Ms. Salen possesses specific attributes that qualify her to serve as a member of our board of directors, including her financial expertise and her experience leading and managing

technology companies.

**Elisa A. Steele** has served as a board member or advisor to various technology companies since July 2017. From January 2014 to July 2017, Ms. Steele served in various positions at Jive Software, Inc., a communication and

---

## **Table of Contents**

collaboration software company, including as Chief Executive Officer and President from February 2015 to July 2017. From August 2013 to December 2013, Ms. Steele served as Corporate Vice President and Chief Marketing Officer of Consumer Applications and Services at Microsoft Corporation, a worldwide provider of software, services and solutions. Ms. Steele served as Chief Marketing Officer of the Skype business (owned by Microsoft) from July 2012 to August 2013. Prior to joining Microsoft's Skype business, Ms. Steele served as Executive Vice President and Chief Marketing Officer at Yahoo! Inc., an internet services company. Ms. Steele has served as a director of Splunk Inc., a provider of real-time operational intelligence software, since September 2017. Ms. Steele holds a B.S. in Business Administration from the University of New Hampshire and an M.B.A. from San Francisco State University. We believe that Ms. Steele's extensive executive-level experience in marketing and products at a number of public and private technology companies qualifies her to serve as a member of our board of directors.

**Steffan C. Tomlinson** has been a member of our board of directors since May 2017. Mr. Tomlinson served as Chief Financial Officer of Palo Alto Networks, Inc., a cyber security company, from February 2012 to March 2018. Prior to this role, Mr. Tomlinson served as Chief Financial Officer at Arista Networks, Inc., a provider of cloud networking solutions, from September 2011 to January 2012. Mr. Tomlinson was a Partner of and served as Chief Administrative Officer at Silver Lake Kraftwerk, a private investment firm, from April 2011 to September 2011. Mr. Tomlinson served as Chief Financial Officer at Aruba Networks, Inc., a provider of intelligent wireless LAN switching systems, from September 2005 to March 2011. Mr. Tomlinson served in several financial roles and ultimately served as Chief Financial Officer at Peribit Networks, Inc., a provider of WAN optimization technology, from October 2000 until August 2005. Mr. Tomlinson served on the boards of directors of Qlik Technologies Inc., from January 2013 to June 2016, and Riverbed Technology, Inc., from September 2014 to April 2015. Mr. Tomlinson holds a B.A. in Sociology from Trinity College and an M.B.A. from Santa Clara University. We believe Mr. Tomlinson possesses specific attributes that qualify him to serve as a member of our board of directors, including his experience in the management of technology companies and his financial expertise in the software industry.

## **Overview**

Our board of directors oversees our Chief Executive Officer and other senior management in the competent and ethical operation of our business and affairs and ensures that the long-term interests of our stockholders are being served. The key practices and procedures of our board of directors are outlined in our Corporate Governance Principles, which are available on the Investor Relations page of our website at [investors.cornerstoneondemand.com](http://investors.cornerstoneondemand.com), under *Governance*.

## **Leadership Structure**

Pursuant to our Corporate Governance Principles, the roles of Chairperson and Chief Executive Officer may be filled by the same or different individuals. This allows our board of directors flexibility to determine whether the two roles should be combined or separated based on our needs and our board of directors' assessment of our leadership from time to time. Our board of directors believes that it is in the best interests of the Company and our stockholders for Adam Miller, our Chief Executive Officer, to have served as our Chairperson, and R. C. Mark Baker, an independent director, to have served as our Lead Independent Director.

Our board of directors believes that having our Chief Executive Officer fill the role of Chairperson and a non-employee director fill the role of Lead Independent Director has provided the appropriate balance in our leadership. Combining the roles of Chairperson and Chief Executive Officer promoted unified leadership and direction, contributing to operational effectiveness and efficiencies that facilitated the implementation of strategic initiatives and business plans to optimize stockholder value. In order to facilitate communication between management and the independent members of our board of directors, the Lead Independent Director was authorized to

schedule and prepare agendas for meetings or closed sessions without the presence of employee directors or members of management. The Lead Independent Director was also responsible for communicating with our Chief Executive Officer, disseminating information to the rest of our board of directors in a timely manner, and raising issues with management on behalf of the independent directors when appropriate.

## **Table of Contents**

In January 2018, the Company announced its plan to separate the roles of Chairperson and Chief Executive Officer once a new Chairperson is appointed. Our board of directors believes that, in light of the Company's current business and operating environment, such structure, when implemented, will help streamline decision-making and enhance accountability. On May 8, 2018, our nominating and corporate governance committee recommended, and our board of directors approved, the appointment of Ms. Steele as Chairperson, effective as of the effectiveness of her election to our board of directors. Accordingly, if elected to our board of directors, Ms. Steele will begin serve as Chairperson.

Our board of directors, including each of its committees, has full access to members of management, either as a group or individually, and to information deemed necessary to fulfill the obligations of our board of directors and its committees.

## **The Board's Role in Risk Oversight**

Our management has day-to-day responsibility for identifying risks facing the Company, including implementing suitable mitigating processes and controls, assessing risks in relation to the Company's strategies and objectives, and appropriately managing risks in a manner that serves the best interests of the Company, its stockholders, and other stakeholders. Our board of directors is responsible for ensuring that an appropriate culture of risk management exists within the Company, overseeing its aggregate risk profile, and assisting management in addressing specific risks.

Generally, various committees of our board of directors oversee risks associated with their respective areas of responsibility and expertise. For example, our Audit Committee oversees, reviews and discusses with management and our independent registered public accounting firm, our major financial reporting and accounting risk exposures and the steps management has taken to monitor and mitigate those exposures. Our Compensation Committee oversees risks associated with our compensation policies, plans and practices. Our Nominating and Corporate Governance Committee oversees the management of risks associated with director independence and board of directors composition and organization. Management and other employees report to our board of directors and/or relevant committee(s) from time to time on risk-related issues.

## **Director Independence**

Under the listing standards of Nasdaq, independent directors must comprise a majority of a listed company's board of directors. In addition, the listing standards of Nasdaq require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Under the listing standards of Nasdaq, a director will only qualify as an independent director if, in the opinion of that company's board of directors, the director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit committee members must also satisfy the additional independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and the listing standards of Nasdaq. In addition, compensation committee members must also satisfy the additional independence criteria set forth in Rule 10C-1 under the Exchange Act and the listing standards of Nasdaq.

Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our board of directors has determined that none of Harold Burlingame, Dean Carter, Robert Cavanaugh, Richard Hadrill, Joseph Osness, Marcus S. Ryu, Kristina Salen, Elisa A. Steele and Steffan Tomlinson, representing nine of the ten directors who will serve on our board of directors if Proposal 1 (election of directors) is approved by our stockholders, has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of such director or director nominee and that each of these

directors or director nominees is independent as that term is defined under the listing standards of Nasdaq. In addition, our board of directors determined that R. C. Mark Baker and Joseph Payne, who will continue to serve as directors until the Annual Meeting, are also independent. Our board of directors also

## **Table of Contents**

determined that Messrs. Burlingame and Tomlinson and Ms. Salen, who comprise our Audit Committee, Messrs. Baker, Burlingame and Carter, who comprise our Compensation Committee, and Messrs. Carter, Cavanaugh and Osness, who comprise our Nominating and Corporate Governance Committee, satisfy the independence standards for those committees established by applicable SEC rules and the listing standards of Nasdaq. In making this determination, our board of directors considered the relationships that each non-employee director has with us and all other facts and circumstances our board of directors deemed relevant in determining their independence.

## **Investment Agreement**

Pursuant to the terms of an investment agreement (the Investment Agreement ) among the Company and certain affiliates of Silver Lake Group, L.L.C. ( Silver Lake ), Silver Lake became entitled to nominate two individuals to our board of directors. As long as Silver Lake or its affiliates beneficially own shares of our common stock (assuming conversion of the convertible notes held by Silver Lake) representing in excess of 10% of the outstanding shares of our common stock, Silver Lake will maintain the right to nominate two individuals for election to our board of directors, at least one of whom will be a managing director, director, officer, senior-level employee or advisor of Silver Lake or certain of its affiliates. As long as Silver Lake or its affiliates beneficially own shares of our common stock (assuming conversion of the convertible notes held by Silver Lake) representing in excess of 4% of the outstanding shares of our common stock, Silver Lake will maintain the right to nominate one individual for election to our board of directors, which individual will be a managing director, director, officer, senior-level employee or advisor of Silver Lake or certain of its affiliates.

In accordance with the terms of the Investment Agreement, Silver Lake nominated, and our board of directors elected, Joseph Osness to our board of directors. In May 2018, Silver Lake nominated Elisa A. Steele for election to our board of directors.

## **Director Nomination Process**

Candidates for nomination to our board of directors are selected by our Nominating and Corporate Governance Committee in accordance with its charter, our amended and restated certificate of incorporation and bylaws, and our Corporate Governance Principles. While there are no specific minimum qualifications for director nominees, the ideal candidate should exhibit qualifications that will increase overall effectiveness of our board of directors, including independence, previous experience as a director or executive with other successful companies, the ability to meet other requirements under applicable rules (e.g., the requirement that members of our Audit Committee have an appropriate level of financial literacy and expertise), a high level of personal and professional ethics and integrity, proven achievement and competence in the nominee's field, skills that are complementary to those of existing members of our board of directors, the ability to assist and support management and make significant contributions to our success, and an understanding of the fiduciary duties belonging to members of our board of directors and the commitment of time and energy necessary to diligently fulfill those duties. In evaluating the suitability of a director candidate, our Nominating and Corporate Governance Committee considers factors such as character, integrity, judgment, diversity, including, but not limited to, diversity in terms of experience, gender, race and ethnicity, independence, area of expertise, corporate experience, length of service, potential conflicts of interest, other commitments and the like.

Our Nominating and Corporate Governance Committee makes an effort to ensure that our board of directors composition reflects a broad diversity of experience, professions, skills, viewpoints, personal traits and backgrounds. However, our Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity, does not assign specific weights to particular criteria and does not believe that any specific criterion is necessarily applicable to all prospective nominees. Instead, when reviewing a candidate, our Nominating and



Corporate Governance Committee reviews the candidate's qualifications in light of the specific needs of our board of directors at that time.

To date, our Nominating and Corporate Governance Committee has relied on its network of contacts to compile a list of potential candidates, but it is authorized to retain recruiting professionals to assist in identifying and

## **Table of Contents**

evaluating candidates for consideration as needed. After conducting appropriate inquiries into the backgrounds and qualifications of potential candidates and reviewing the candidates in light of the factors discussed above, our Nominating and Corporate Governance Committee selects nominees for recommendation to our board of directors by majority vote. Based on our Nominating and Corporate Governance Committee's recommendation, our board of directors selects director nominees and recommends them for election by our stockholders. Our board of directors may also fill any vacancies that arise between annual meetings of stockholders.

## **Stockholder Recommendations and Nominations of Candidates for Election to our Board of Directors**

Our Nominating and Corporate Governance Committee will consider director candidates who are timely recommended by stockholders who have continuously held at least 1% of the fully diluted capitalization of our company for at least 12 months prior to the submission of the recommendation. The recommendation must include the candidate's name, home and business contact information, detailed biographical data, relevant qualifications, a signed letter from the candidate confirming willingness to serve, information regarding any relationships between the candidate and the Company and evidence of the recommending stockholder's ownership of the requisite number of shares of our common stock during the 12-month period referenced above. There are no differences in the manner in which our Nominating and Corporate Governance Committee evaluates nominees for director based on whether the nominee is recommended by a stockholder or otherwise.

A stockholder of record can nominate a candidate directly for election to our board of directors by complying with the procedures in Section 2.4 of our bylaws and the rules and regulations of the SEC. Any eligible stockholder who wishes to submit a nomination should review the requirements in our bylaws for nominations by stockholders. Any nomination should be sent in writing to our General Counsel at Cornerstone OnDemand, Inc., 1601 Cloverfield Blvd., Suite 620 South, Santa Monica, California 90404. Notice must be received by us no earlier than February 11, 2019 and no later than March 13, 2019 for our 2019 Annual Meeting of Stockholders. The notice must state the information required by Section 2.4 of our bylaws and otherwise must comply with applicable federal and state law.

## **Code of Business Conduct and Ethics**

We have adopted a code of business conduct that is applicable to all of our employees, officers and directors, including our chief executive, principal financial and principal accounting officers. Our Code of Business Conduct and Ethics is available on the Investor Relations page of our website at [investors.cornerstoneondemand.com](http://investors.cornerstoneondemand.com), under *Governance*. We will post amendments to our code of business conduct or waivers of our code of business conduct for directors and executive officers on the same website.

## **Communication with our Board of Directors**

Any stockholder wishing to communicate with any of our directors may write to the director, c/o General Counsel, at Cornerstone OnDemand, Inc., 1601 Cloverfield Blvd., Suite 620 South, Santa Monica, California 90404. Our General Counsel will review all incoming stockholder communications (except for mass mailings, product complaints or inquiries, job inquiries, business solicitations and patently offensive or otherwise inappropriate materials) and, if appropriate, forward such communications to the appropriate director(s) or, if none is specified, to the Chairperson of our board of directors. This procedure does not apply to stockholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act. Our Nominating and Corporate Governance Committee reviews and approves the stockholder communication process periodically in an effort to enable an effective method by which stockholders can communicate with our board of directors.

## **BOARD MEETINGS AND COMMITTEES OF THE BOARD**

**Board and Committee Meetings**

Our board of directors and its committees meet throughout the year on a set schedule, hold special meetings as needed, and act by written consent from time to time. Our board of directors met 15 times during 2017. During

**Table of Contents**

2017, each director attended at least 75% or more of the aggregate of (a) the total number of meetings of our board of directors (held during the period for which he or she served as a director) and (b) the total number of meetings held by all committees of our board of directors on which he or she served (held during the periods for which he or she served).

While we do not mandate attendance by members of our board of directors at our annual meetings of stockholders, we do have a formal policy encouraging our directors to attend. Eight directors attended our 2017 Annual Meeting of Stockholders, either in person or telephonically.

The following table sets forth the three standing committees of our board of directors and the members of each committee:

<b>Name of Director</b>	<b>Audit</b>	<b>Compensation</b>	<b>Nominating and Corporate Governance</b>
R. C. Mark Baker			
Harold W. Burlingame		(Chair)	
Dean Carter			
Robert Cavanaugh			
Joe Osnoss			(Chair)
Joseph P. Payne			
Kristina Salen	(Chair)		
Steffan C. Tomlinson			

**Committees of our Board of Directors**

Our board of directors has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, each of which has the composition and the responsibilities described below. Our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee all operate under charters approved by our board of directors, which charters are available on the Investor Relations page of our website at [investors.cornerstoneondemand.com](http://investors.cornerstoneondemand.com), under *Governance*.

**Audit Committee.** Our Audit Committee oversees our corporate accounting and financial reporting process and assists our board of directors in monitoring our financial systems and our legal and regulatory compliance. Our Audit Committee is responsible for, among other things:

overseeing the audit of our financial statements;

overseeing the organization and performance of our internal audit function and our internal accounting and financial controls;

appointing our independent registered public accounting firm and reviewing and overseeing its qualifications, independence and performance; and

overseeing the management of risks associated with our financial reporting, accounting and auditing matters. Our Audit Committee consists of Messrs. Burlingame and Tomlinson and Ms. Salen, with Ms. Salen serving as chairperson. Our board of directors has determined that each member of our Audit Committee meets the financial literacy requirements under the listing standards of Nasdaq and the SEC rules and regulations, and Ms. Salen qualifies as our Audit Committee financial expert as defined under SEC rules and regulations. Our board of directors has concluded that the composition of our Audit Committee meets the requirements for independence under the current listing standards of Nasdaq and SEC rules and regulations. We believe that the functioning of our Audit Committee complies with the applicable requirements of Nasdaq and SEC rules and regulations. Our Audit Committee met seven times during 2017.

**Table of Contents**

***Compensation Committee.*** Our Compensation Committee oversees our corporate compensation policies, plans and programs. Our Compensation Committee is responsible for, among other things:

assisting our board of directors with respect to oversight of executive compensation, including compensation of our Chief Executive Officer;

approving and evaluating compensation plans, policies and programs related to executive compensation;

evaluating and making recommendations to our board of directors regarding director compensation;

administering our equity compensation plans; and

reviewing and discussing with management the risks arising from our compensation policies and practices that are reasonably likely to have a material adverse effect on our business.

Our Compensation Committee consists of Messrs. Baker, Burlingame and Carter, with Mr. Burlingame serving as chairman. Our board of directors has determined that each member of our Compensation Committee is independent within the meaning of the listing standards of Nasdaq and SEC rules and regulations, including Rule 10C-1 under the Exchange Act, is a non-employee director within the meaning of Rule 16b-3 under the Exchange Act, and is an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. We believe that the composition of our Compensation Committee meets the requirements for independence under, and the functioning of our Compensation Committee complies with, any applicable listing standards of Nasdaq and SEC rules and regulations. Our Compensation Committee met two times during 2017. For additional information regarding the procedures for the consideration and determination of executive compensation, see *Compensation Discussion and Analysis* below.

***Nominating and Corporate Governance Committee.*** Our Nominating and Corporate Governance Committee oversees and assists our board of directors in reviewing and recommending corporate governance policies and nominees for election to our board of directors. Our Nominating and Corporate Governance Committee is responsible for, among other things:

reviewing and making recommendations regarding corporate governance matters;

evaluating and making recommendations regarding the organization and governance of our board of directors and its committees;

assessing the performance of members of our board of directors and making recommendations regarding committee assignments;

recommending desired qualifications for membership on our board of directors and conducting searches for potential members of our board of directors; and

reviewing our Code of Business Conduct and Ethics and considering questions of possible conflicts of interest.

Our Nominating and Corporate Governance Committee consists of Messrs. Carter, Cavanaugh and Osnoss, with Mr. Osnoss serving as chairman. Our board of directors has determined that each of Messrs. Carter, Cavanaugh and Osnoss are independent within the meaning of the listing standards of Nasdaq. We believe that the composition of our Nominating and Corporate Governance Committee meets the requirements for independence under, and the functioning of our Nominating and Corporate Governance Committee complies with, any applicable listing standards of Nasdaq and SEC rules and regulations. Our Nominating and Corporate Governance Committee met nine times in 2017. For additional information regarding our Nominating and Corporate Governance Committee, see *Corporate Governance Director Nomination Process* above.

In addition, we convened a transaction committee in 2017 to thoroughly evaluate the Company's various strategic alternatives. That committee met 13 times in 2017.

Our board of directors may from time to time establish other standing and *ad hoc* committees, as is necessary or desirable.

**Table of Contents****Director Compensation**

The following table sets forth information concerning compensation paid or accrued for services rendered to us by non-employee members of our board of directors for the year ended December 31, 2017. Adam Miller, our Chief Executive Officer, does not receive additional compensation for his service as a director.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards \$(1)(2)(3)</b>	<b>Total (\$)</b>
<i>Current non-employee directors:</i>			
R. C. Mark Baker	\$ 90,135	\$ 215,690	\$ 305,825
Harold W. Burlingame	\$ 59,931	\$ 215,690	\$ 275,621
Dean Carter(4)	\$ 31,449	\$ 420,386	\$ 451,835
Robert Cavanaugh	\$ 43,479	\$ 215,690	\$ 259,169
Joe Osnoos(5)	\$ 7,742	\$ 382,195	\$ 389,937
Joseph P. Payne	\$ 76,621	\$ 215,690	\$ 292,311
Kristina Salen	\$ 58,310	\$ 215,690	\$ 274,000
Steffan C. Tomlinson(6)	\$ 53,104	\$ 420,386	\$ 473,490

- (1) Reflects the aggregate grant date fair value of restricted stock units computed in accordance with FASB ASC Topic 718. The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 27, 2018. These amounts do not necessarily correspond to the actual value that may be realized by the director.
- (2) The aggregate number of shares subject to stock options and restricted stock units outstanding at December 31, 2017 for each non-employee director is as follows:

<b>Name</b>	<b>Aggregate Number (#) of Stock Options Outstanding as of December 31, 2017</b>	<b>Aggregate Number (#) of Restricted Stock Units Outstanding as of December 31, 2017</b>	<b>Total Number (#) of Shares Subject to Outstanding Awards</b>
R. C. Mark Baker	42,900	5,850	48,750
Harold W. Burlingame	121,855	5,850	127,705
Dean Carter		10,640	10,640
Robert Cavanaugh	53,500	7,417	60,917
Joe Osnoos		10,760	10,760
Joseph P. Payne	43,900	5,850	49,750
Kristina Salen	35,500	5,850	41,350
Steffan C. Tomlinson		10,640	10,640



- (3) The actual values of restricted stock units granted to directors vary from the target values for these awards because the calculation of restricted stock units is based on a rolling average share price that differs from the share price on the grant date.
- (4) Effective as of May 3, 2017, Mr. Carter was elected to our board of directors.
- (5) Effective as of December 8, 2017, Mr. Osnoss was elected to our board of directors.
- (6) Effective as of May 3, 2017, Mr. Tomlinson was elected to our board of directors.

In 2017, our Compensation Committee undertook a competitive review of non-employee director compensation. Based on the results of that review, the Compensation Committee determined it was appropriate to make, and our board of directors approved, the following compensation adjustments. Non-employee directors receive an annual retainer of \$40,000. Our Lead Independent Director is paid an additional annual retainer of \$20,000. The chair of our Audit Committee is paid an additional annual retainer of \$20,000, and members of our Audit Committee other than the chair are paid an additional annual retainer of \$10,000. The chair of our

## **Table of Contents**

Compensation Committee is paid an additional annual retainer of \$15,000, and members of our Compensation Committee other than the chair are paid an additional annual retainer of \$7,500. The chair of our Nominating and Corporate Governance Committee is paid an additional annual retainer of \$10,000, and members of our Nominating and Corporate Governance Committee other than the chair are paid an additional annual retainer of \$5,000. In May 2018, our board of directors approved an annual retainer of \$50,000 for the independent Chairperson.

In addition to the compensation described above, each new non-employee director who joins our board of directors, upon election to our board of directors, is granted an initial restricted stock unit award covering shares of our common stock with a target value of \$400,000 using intrinsic value. Each initial restricted stock unit award will vest over a three-year period with 1/3 of the restricted stock units scheduled to vest on each of the first three anniversaries of the grant date, subject to the director's continued service as of each such date.

In addition, all non-employee directors will receive, on the date of each of our annual stockholder meetings, an annual restricted stock unit award covering shares of our common stock with a target value of \$220,000 using intrinsic value (with the calculation of the value of such awards to be determined on the same day that the Compensation Committee approves the awards). Each annual restricted stock unit award will vest upon the earlier of (i) the first anniversary of the date of grant; and (ii) the date of the next annual meeting of shareholders, in each case subject to the director's continued service as of such date.

To align directors' interests with those of our stockholders, each non-employee director on our board of directors is expected to accumulate and hold a number of shares of our common stock with a value equal to at least five times his or her annual cash retainer for service on our board of directors (not including retainers for serving as a member or chair of any committee of our board of directors), and to maintain this minimum amount of stock ownership throughout his or her tenure on our board of directors. Existing and new non-employee directors are expected to achieve the applicable level of ownership by February 2022.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

### **Policies and Procedures for Related Party Transactions**

We have adopted a formal written policy that our executive officers, directors, holders of more than 5% of any class of our voting securities, and any member of the immediate family of and any entity affiliated with any of the foregoing persons, are not permitted to enter into a related party transaction with us, in which the amount involved exceeds \$120,000, without the approval or ratification of our Audit Committee. In approving or rejecting any such proposal, our Audit Committee will take into account, among other factors it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction.

### **Related Party Transactions**

In addition to the compensation arrangements discussed in the section titled *Executive Compensation*, in fiscal 2017, we were party to the following transactions in which the amount involved exceeded or will exceed \$120,000, and in which any director, director nominee, executive officer or holder of more than 5% of any class of our voting stock, or any member of the immediate family of or entities affiliated with any of them may be deemed to have or have had a direct or indirect material interest.

### ***Subscription Services Agreements***

Steffan C. Tomlinson, a member of our board of directors since May 2017, served as Chief Financial Officer of Palo Alto Networks, Inc. from February 2012 to March 2018. We have a vendor and a customer

## **Table of Contents**

relationship with Palo Alto Networks, Inc. that we consider arms-length on terms that are consistent with similar transactions with our other similarly situated customers. In fiscal 2017, we incurred expenses of approximately \$0.7 million to Palo Alto Networks in hardware, license, maintenance and support fees, while we billed Palo Alto Networks, Inc. approximately \$0.3 million for our services. In addition, we expect to pay approximately \$0.7 million and receive approximately \$0.3 million in such fees for fiscal 2018.

### ***Investments by Firms Affiliated with our Directors***

In 2017, we entered into an agreement with Silver Lake, pursuant to which Silver Lake and certain other parties invested an aggregate of \$300.0 million in principal amount of 5.75% senior convertible notes due July 1, 2021 (the 2021 Notes ). In connection with the investment, Silver Lake maintains a right to nominate two individuals for election to our board of directors, subject to certain limitations. Joseph Osness, a managing director of Silver Lake, was appointed to our board of directors in December 2017 as one of Silver Lake's representatives. In May 2018, Silver Lake nominated Elisa A. Steele for election to our board of directors as the second of its two representatives.

In addition, in connection with the sale of the 2021 Notes, we entered into an investment agreement with Silver Lake providing Silver Lake with the option to purchase all or a portion of any equity securities, or instruments convertible into or exchangeable for any equity securities, in any proposed offerings by us until the earlier of June 2019 or such time as Silver Lake no longer has a representative and no longer has rights to have a representative on our board of directors.

As of February 28, 2018, \$300.0 million aggregate principal amount of the 2021 Notes was outstanding. We did not pay any interest on the 2021 Notes in fiscal 2017.

### ***Indemnification Agreements***

We have entered into indemnification agreements with each of our directors and officers. The indemnification agreements and our amended and restated certificate of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware General Corporation Law.

### ***Transactions with Cornerstone OnDemand Foundation***

We helped form the Cornerstone OnDemand Foundation, or the Foundation, in 2010. The Foundation's board of directors has five members, including Adam Miller, our Chief Executive Officer. None of the other four directors is an officer or employee of the Company. In fiscal 2017, we provided at no charge certain resources to the Foundation, with approximate value of \$3.4 million. In addition, we expect to provide at no charge certain resources to the Foundation with approximate value of \$3.5 million in 2018.

### ***Transactions with The Corner Restaurant***

Our CEO, has an ownership interest in The Corner Restaurant. In fiscal 2017, we incurred expenses of approximately \$0.3 million to The Corner Restaurant related to use of the restaurant and its services. In addition, we expect to incur expenses of approximately \$0.3 million for fiscal 2018. However, our CEO is not involved in purchasing decisions we make with respect to The Corner Restaurant.

**Table of Contents**

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

The following table sets forth certain information as of February 28, 2018 with respect to the beneficial ownership of our common stock by (i) each person we believe beneficially holds more than 5% of the outstanding shares of our common stock based solely on our review of SEC filings; (ii) each director and nominee for director; (iii) each named executive officer listed in the table entitled *Summary Compensation Table* under the section entitled *Executive Compensation*; and (iv) all directors and executive officers as a group. The information provided in the table is based on the Company's records, information filed with the SEC and information provided to us, except where otherwise noted.

As of February 28, 2018, 57,313,233 shares of our common stock were issued and outstanding. In computing the number of shares of stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares subject to options held by that person that are currently exercisable or exercisable within 60 days of February 28, 2018, and shares issuable upon the vesting of restricted stock units within 60 days of February 28, 2018. However, we did not deem these shares to be outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, all persons named as beneficial owners of our common stock have sole voting power and sole investment power with respect to the shares indicated as beneficially owned. Unless otherwise noted below, the address of each stockholder listed on the table is c/o Cornerstone OnDemand, Inc., 1601 Cloverfield Blvd., Suite 620 South, Santa Monica, California 90404.

<b>Name and Address of Beneficial Owner</b>	<b>Shares of Common Stock Beneficially Owned(1)</b>	<b>Percentage</b>
<b>5% stockholders:</b>		
Silver Lake Group, L.L.C.(2)	6,999,992	12.2%
Eminence Capital, LP(3)	5,708,593	10.0%
The Vanguard Group, Inc.(4)	4,371,394	7.6%
BlackRock, Inc.(5)	3,770,402	6.6%
RGM Capital, LLC(6)	3,057,896	5.3%
Praesidium Investment Management Company, LLC(7)	2,942,478	5.1%
<b>Named executive officers and directors:</b>		
Adam L. Miller(8)	5,440,737	9.3%
Brian L. Swartz(9)	46,466	*
Vincent Belliveau(10)	302,178	*
David J. Carter(11)	155,723	*
Mark Goldin(12)	162,932	*
Kirsten Helvey(13)	263,268	*
R. C. Mark Baker(14)	53,900	*
Harold W. Burlingame(15)	163,155	*
Dean Carter		
Robert Cavanaugh(16)	62,550	*
Richard Haddrill		
Joseph Osness		

Edgar Filing: Cornerstone OnDemand Inc - Form DEFR14A

Joseph P. Payne(17)	64,050	*
Marcus S. Ryu		
Kristina Salen(18)	42,850	*
Elisa A. Steele		
Steffan C. Tomlinson		
All directors and executive officers as a group (18 people)(19)	6,955,224	11.7%

(\*) Represents beneficial ownership of less than 1%.

---

**Table of Contents**

- (1) Shares shown in the table above consist of shares (i) held in the beneficial owner's name, (ii) held jointly by the beneficial owner with others, (iii) held in the name of a bank, nominee or trustee for the beneficial owner's account or (iv) held by the beneficial owner pursuant to any voting trust or similar agreement.
- (2) According to a Schedule 13D filed with the SEC on December 18, 2017 and information provided to the Company, the 6,999,992 shares of Common Stock which may be deemed to be beneficially owned by Silver Lake Group, L.L.C. consists of 5,196,232 and 1,803,760 shares of Common Stock which would be received upon conversion of the \$218,242,000 and \$75,758,000 aggregate principal amount of the Company's 5.75% Convertible senior notes due 2021 held by SLP Chicago Holdings, L.P. and SLC Chicago Co-Invest II, L.P., respectively, based on the initial conversion price of the convertible notes. The general partner of SLP Chicago Holdings, L.P. is SLP Chicago GP, L.L.C. and the managing member of SLP Chicago GP, L.L.C. is Silver Lake Alpine Associates, L.P. The general partner of SLC Chicago Co-Invest II, L.P. is SLC Co-Invest GP, L.L.C. and the managing member of each of Silver Lake Alpine Associates, L.P. and SLC Co-Invest GP, L.L.C. is Silver Lake Group, L.L.C. The managing members of Silver Lake Group, L.L.C. are Michael Bingle, Egon Durban, Kenneth Hao and Gregory Mondre. The address for each of the persons and entities above is 2775 Sand Hill Road, Suite 100, Menlo Park, CA 94025.
- (3) According to a Schedule 13G/A filed with the SEC on February 14, 2018, Eminence Capital serves as the management company or investment advisor to several Eminence funds and a separately managed account and may be deemed to have voting and dispositive power over shares held for the accounts of the Eminence funds and the separately managed account. Eminence GP serves as general partner or manager with respect to the shares directly owned by some of the Eminence funds and may be deemed to have voting and dispositive power over the shares held for the accounts of certain Eminence funds. Mr. Sandler is the chief executive officer of Eminence Capital and managing member of Eminence GP and may be deemed to have voting and dispositive power over the shares held for the accounts of the Eminence funds and the separately managed account, and individually over shares owned by certain family accounts and other related accounts over which Mr. Sandler has investment discretion. Eminence Capital and Sandler have shared voting and dispositive power with respect to all reported 5,708,593 shares, Eminence GP has shared voting and dispositive power with respect to 4,328,923 shares and Mr. Sandler has sole voting and dispositive power with respect to 3,585 shares. The business address of Eminence Capital, Eminence GP and Sandler is 65 East 55th Street, 25th Floor, New York, New York 10022.
- (4) According to a Schedule 13G filed with the SEC on February 9, 2018, the 4,371,394 shares reported by The Vanguard Group, Inc. ( Vanguard ) are owned, or may be deemed to be beneficially owned, by Vanguard, an investment adviser, which holds sole voting power over 103,208 shares, shared voting power over 6,331 shares, sole dispositive power over 4,266,055 shares and shared dispositive power over 105,339 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, is the beneficial owner of 99,008 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of Vanguard, is the beneficial owner of 10,531 shares as a result of its serving as investment manager of Australian investment offerings. The address for Vanguard is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.
- (5) According to a Schedule 13G/A filed with the SEC on January 29, 2018, the 3,770,402 shares reported by BlackRock, Inc. ( BlackRock ) are owned, or may be deemed to be beneficially owned, by BlackRock, the parent holding company, which holds sole voting power over 3,641,100 shares and sole dispositive power over 3,770,402 shares. The 3,770,402 shares reported are owned, directly or indirectly, by BlackRock or its subsidiaries, BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Asset Management Schweiz AG, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., BlackRock International Limited, BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Ltd., BlackRock Investment Management, LLC. The address for Blackrock is 55 East 52nd Street, New York, NY10022.
- (6) According to a Schedule 13D filed with the SEC on December 5, 2017, the 3,057,836 shares reported by RGM Capital, LLC ( RGM Capital ) are owned, or may be deemed to be beneficially owned, by RGM Capital, which

holds shared voting power over 3,057,836 shares. As the managing member of RGM Capital, Robert G. Moses may be deemed to beneficially own the shares reported by RGM Capital. The address for RGM Capital is 9010 Strada Stell Court, Suite 105, Naples, FL 34109.



---

**Table of Contents**

- (7) According to a Schedule 13D filed with the SEC on November 15, 2017, the 2,942,478 shares reported by Praesidium Investment Management Company, LLC ( Praesidium ) are owned, or may be deemed to be beneficially owned, by Praesidium, which holds sole voting power over 2,757,021 shares and sole dispositive power over 2,942,478 shares. As the managing members of Praesidium, each of Kevin Oram and Peter Uddo may be deemed to beneficially own the shares reported by Praesidium. The address for Praesidium is 1411 Broadway-29<sup>th</sup> Floor, New York, New York 10018.
- (8) Consists of (i) 3,399,090 shares held of record by Mr. Miller; (ii) 755,991 shares held of record by the Miller Family Irrevocable Trust dated as of July 1, 2010, for which the Goldman Sachs Trust Company of Delaware serves as trustee and special trustee, Mr. Miller's spouse serves as investment advisor and Mr. Miller has the power to remove and replace the trustee, special trustee and investment advisor; (iii) 300,000 shares held of record by the MST Trust dated as of December 17, 2012, for which Goldman Sachs Trust Company of Delaware serves as trustee, Mr. Miller's father serves as distribution advisor, Mr. Miller serves as investment advisor and Mr. Miller has the power to remove and replace the trustee, distribution advisor and investment advisor; (iv) options to purchase 974,325 shares of Common Stock that are exercisable within 60 days of February 28, 2018; and (v) 11,331 shares issuable upon the settlement of RSUs releasable within 60 days of February 28, 2018.
- (9) Consists of (i) 11,973 shares held of record by Mr. Swartz; (ii) 23,958 shares issuable pursuant to stock options exercisable within 60 days of February 28, 2018; and (iii) 10,535 shares issuable upon the settlement of RSUs releasable within 60 days of February 28, 2018.
- (10) Consists of (i) 163,175 shares held of record by Mr. Belliveau; (ii) 132,045 shares issuable pursuant to stock options exercisable within 60 days of February 28, 2018; and (iii) 6,958 shares issuable upon the settlement of RSUs releasable within 60 days of February 28, 2018.
- (11) Consists of (i) 15,607 shares held of record by Mr. Carter; (ii) 133,158 shares issuable pursuant to stock options exercisable within 60 days of February 28, 2018; and (iii) 6,958 shares issuable upon the settlement of RSUs releasable within 60 days of February 28, 2018. Mr. Carter retired from his position as our Chief Sales Officer, effective as of March 31, 2018. For information regarding our transition agreement with Mr. Carter, please see - *Compensation Discussion and Analysis Offer Letters and Employment Agreements; Potential Payments Upon Termination, Change in Control or Upon Termination Following Change in Control.*
- (12) Consists of (i) 16,141 shares held of record by Mr. Goldin; (ii) 139,833 shares issuable pursuant to stock options exercisable within 60 days of February 28, 2018; and (iii) 6,958 shares issuable upon the settlement of RSUs releasable within 60 days of February 28, 2018.
- (13) Consists of (i) 14,265 shares held of record by Ms. Helvey; (ii) 242,045 shares issuable pursuant to stock options exercisable within 60 days of February 28, 2018; and (iii) 6,958 shares issuable upon the settlement of RSUs releasable within 60 days of February 28, 2018. Ms. Helvey retired from her position our Chief Operating Officer, effective as of March 31, 2018. For information regarding our transition agreement with Ms. Helvey, please see - *Compensation Discussion and Analysis Offer Letters and Employment Agreements; Potential Payments Upon Termination, Change in Control or Upon Termination Following Change in Control.*
- (14) Consists of (i) 11,000 shares held of record by Mr. Baker; and (ii) 42,900 shares issuable pursuant to stock options exercisable within 60 days of February 28, 2018.
- (15) Consists of (i) 41,300 shares held of record by Mr. Burlingame; and (ii) 121,855 shares issuable pursuant to stock options exercisable within 60 days of February 28, 2018.
- (16) Consists of (i) 7,483 shares held of record by Mr. Cavanaugh; and (ii) 53,500 shares issuable pursuant to stock options exercisable within 60 days of February 28, 2018 and (ii) 1,567 shares issuable upon the settlement of RSUs releasable within 60 days of February 28, 2018.
- (17) Consists of (i) 20,150 shares held of record by Mr. Payne; and (ii) 43,900 shares issuable pursuant to stock options exercisable within 60 days of February 28, 2018.
- (18) Consists of (i) 7,350 shares held of record by Ms. Salen; and (ii) 35,500 shares issuable pursuant to stock options exercisable within 60 days of February 28, 2018.



**Table of Contents**

- (19) Consists of (i) 4,785,061 shares held of record by our current directors and executive officers and their affiliates; (ii) 2,113,530 shares issuable pursuant to stock options exercisable within 60 days of February 28, 2018; and (iii) 56,633 shares issuable upon the settlement of RSUs releasable within 60 days of February 28, 2018.

**EXECUTIVE OFFICERS**

Biographical data as of February 28, 2018 for each of our current executive officers is set forth below, excluding Mr. Miller's biography, which is included under the heading "Board of Directors and Corporate Governance" above.

**Executive Officers**

**Brian L. Swartz**, age 45, has served as our Chief Financial Officer since May 2016. Prior to joining us, Mr. Swartz served as Chief Financial Officer at zulily, one of the largest e-commerce companies in the United States from June 2015 to May 2016. Prior to joining zulily, Mr. Swartz served most recently as Chief Financial Officer at Apollo Education Group, a global private-sector education company, from December 2006 to May 2015. Before his role with Apollo, Mr. Swartz was VP and Corporate Controller at Eagle Picher, an industrial manufacturing and technology company. He began his career in public accounting and earned his C.P.A. (inactive). Mr. Swartz holds a B.A. in Business Administration with an Accounting major from the University of Arizona.

**Adrianna Burrows**, age 42, has served as our Chief Marketing Officer since March 2018. Prior to this role, Ms. Burrows served as Chief Marketing Officer of Stack Exchange Inc., a provider of a network of question-and-answer websites, from January 2016 to February 2018. From November 2015 to December 2015, Ms. Burrows served as a paid executive marketing consultant for Finer GTM LLC. From July 2010 to October 2015, Ms. Burrows served in various marketing positions at Microsoft Corporation, a software company, including as a General Manager and Partner. Ms. Burrows holds a B.A. in Communications from the University of Washington.

**Mark Goldin**, age 56, has served as our Chief Technology Officer since June 2010. Prior to joining us, Mr. Goldin served as Chief Technology Officer at DestinationRx, Inc., a healthcare data management company, from September 2009 to June 2010. From August 2005 to September 2008, Mr. Goldin was Chief Operations and Technology Officer at Green Dot Corporation, a financial services company. Prior to Green Dot, from December 1992 to August 2005, Mr. Goldin served as Senior Vice President and Chief Technology Officer at Thomson Elite, a provider of technology solutions for professional services firms and currently part of Thomson Reuters Corporation.

**Jeffrey Lautenbach**, age 49, has served as our President, Global Field Operations since January 2018. Prior to this role, Mr. Lautenbach served as President Worldwide Field Operations of Jive Software, Inc., a provider of business communication and collaboration solutions, from August 2015 to July 2017. From February 2014 to August 2015, Mr. Lautenbach was Chief Revenue Officer at HC1, Inc., a provider of cloud-based healthcare relationship management solutions. From December 2012 to February 2014, Mr. Lautenbach served as President CRM of SAP SE, a software company. From January 2011 to December 2012, Mr. Lautenbach held the position of SVP Enterprise Commercial Sales Americas at salesforce.com, inc., a provider of cloud-based CRM solutions. Prior to salesforce, Mr. Lautenbach served in a variety of roles over 19 years at IBM, most recently managing more than 1,300 employees while serving as Vice President, West IMT for the Software Group. Mr. Lautenbach holds a B.A. in Marketing from Xavier University and an M.B.A. from the University of Illinois.

**Adam Weiss**, age 40, has served as our Chief Administrative Officer and General Counsel since February 2018, and is responsible for our legal, human resource, administration, and privacy functions worldwide. Prior to



## **Table of Contents**

this role, Mr. Weiss held the positions of Senior Vice President, Administration and General Counsel from April 2016 to January 2018, Vice President, Business Affairs and General Counsel from April 2013 to March 2016, and General Counsel from May 2006 to March 2013. Before joining us, from 2003 to April 2006, Mr. Weiss was an associate with the law firm of Lurie, Zepeda, Schmalz & Hogan. Mr. Weiss holds a B.A. in Economics and Political Science from Stanford University and a J.D. from UCLA School of Law.

## **COMPENSATION DISCUSSION AND ANALYSIS**

### **Introduction**

This Compensation Discussion and Analysis provides information about the material components of our compensation program for our named executive officers, or NEOs, and is intended to provide a better understanding of our compensation practices and decisions that affected the compensation payable in 2017 to our NEOs.

Our NEOs for 2017 were Adam Miller, our Chief Executive Officer; Brian Swartz, our Chief Financial Officer; David Carter, who retired as our Chief Sales Officer in March 2018; Vincent Belliveau, our Executive Vice President and General Manager of EMEA; Mark Goldin, our Chief Technology Officer; and Kirsten Helvey, who retired as our Chief Operating Officer in March 2018.

## **EXECUTIVE SUMMARY**

### **BUSINESS AND COMPENSATION HIGHLIGHTS**

#### **Key Operational Highlights**

##### *Strategic Advances and Business Accomplishments*

In 2017, we continued to be a leading global provider of learning and human capital management software delivered as Software-as-a-Service ( SaaS ). We are one of the world's largest cloud computing companies with approximately 35.3 million users across 3,250 clients using the system in 192 countries and 43 different languages. We help organizations around the globe recruit, train and manage their employees. Our human capital management platform combines the world's leading unified talent management solutions with state-of-the-art analytics and HR administration solutions to enable organizations to manage the entire employee lifecycle. Our focus on continuous learning and development helps organizations to empower employees to realize their potential and drive success. Key highlights of our strategic advances and business accomplishments throughout the year include:

Announcing and beginning to implement our strategic plan with the objective of better positioning us for long-term growth and increasing shareholder value. In connection with the plan, we are (i) sharpening our focus on recurring revenue growth; (ii) driving operating margin and free cash flow improvement; (iii) developing new recurring revenue streams, including e-learning content subscriptions; (iv) bolstering our leadership team; and (v) strengthening our governance to help us best execute on this strategic transformation;

Maintaining average annual dollar retention rate of approximately 95% since 2002; and

Continuing to increase our product penetration with clients across all segments and geographies. Our focus remains on empowering people, organizations and communities with our comprehensive talent management solutions.

**Table of Contents**

***Financial Performance***

We finished another year of good execution as shown by revenue growth and by delivering our second year of non-GAAP profitability. We achieved the following financial results in fiscal year 2017:

Full year revenue of \$482.0 million, up 13.9% year-over-year or 15.3% year-over-year on a constant currency basis;

Full year billings of \$525.8 million, up 16.0% year-over-year or 11.5% year-over-year on a constant currency basis;

Full year net loss of \$(61.3) million and full year non-GAAP net income of \$25.2 million; and

Full year unlevered free cash flow of \$43.7 million.

Please see the section titled Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K filed with the SEC on February 27, 2018, for a more detailed discussion of our fiscal 2017 financial results and, beginning on page 51 of that Annual Report on Form 10-K, a discussion regarding our key metrics.

**Key Compensation Highlights**

The success of our business is driven by rapidly changing technology and the services we can provide to our customers. In order to stay competitive in our industry, our compensation packages are designed to attract, retain and incentivize our executive team and to align our compensation practices with the creation of value for our stockholders. We believe our compensation programs are effectively designed to reward our executives when our business performs well, which in turn strengthens the ties between our performance and stockholder value.

Below, we provide a summary of the key compensation related actions and outcomes from 2017, which we believe in the aggregate demonstrates our strong commitment to pay for performance.

**No increases to target cash compensation levels:** For fiscal 2017, there were no increases in base salaries nor target bonus percentages for any NEOs.

**Modified annual incentive plan to better align with key value drivers of business:** Substantially retained all three performance metrics from the 2016 Executive Compensation Plan and added billings as a fourth performance metric:

2017		2016	
Performance Metric	Weighting	Performance Metric	Weighting

Edgar Filing: Cornerstone OnDemand Inc - Form DEFR14A

Revenue	35%	Revenue	65%
Billings	30%	Free cash flow	10%
Free cash flow	10%	Non-GAAP net income	25%
Non-GAAP net operating income	25%		



**Table of Contents**

**Overview of Our Pay and Performance Alignment**

***Emphasis on At Risk Compensation***

The compensation of our executive officers is weighted towards variable, performance-based incentive awards. In 2017, 91% of total target direct compensation for the CEO consisted of variable compensation (in the form of both short-term cash incentives and long-term equity incentives connected to either financial performance or variations in the Company's share price). For the other NEOs in aggregate, 87% of total target direct compensation consisted of variable pay.

***Realizable Value Aligned with Stockholder Experience***

Realizable pay provides another perspective to help demonstrate the alignment of our NEOs' financial interests with that of our stockholders. Given that shifts in our stock price can cause stock-based awards to have significantly different values over time than their original value on their date of grant, the Compensation Committee considers it important to focus on the amount of pay that is realizable by our NEOs at any point in time. This view of pay and performance helps our Compensation Committee to ensure our executive pay program appropriately aligns with the experiences of our stockholders over time.

As highlighted above, our compensation program delivered more than 85% of target compensation to our NEOs in the form of incentives that are tied to our future financial and stock performance (relative and absolute). As a result, realizable compensation, defined as the value of base salary paid, actual bonuses earned, options and restricted stock units valued at the Company's share price as of December 31, 2017, and outstanding performance shares based on our most current projected financial performance level for the performance periods ending 2018 and 2019, will vary from the compensation targeted by the Compensation Committee. Over the three-year period from January 1, 2015 through December 31, 2017 realizable compensation was 49% of target total direct compensation for the CEO and 68% of target total pay, on average, for Messrs. Belliveau, Carter, Goldin and Ms. Helvey (NEOs with three full years of compensation data). The difference in targeted compensation and realizable compensation over the 3-year period can be attributed to a combination of factors, most notably:

Between 2015 and 2017, more than 85% of our targeted compensation was at risk; therefore, realizable pay will more closely align with our actual financial performance and stock price over that same period.

Performance-based restricted stock units granted in 2016 and 2017 are not expected to meet the minimum performance criteria and as a result are valued at zero in the expected realizable compensation metrics.

Our executive cash incentive plans have, on average, paid out at 87% of target.

Option grants made during the 2015 fiscal year were out of the money based on stock price as of December 31, 2017.

**Table of Contents**

***Executive Compensation Governance Practices***

We continued our commitment to strong corporate governance practices that ensure our executive compensation program aligns with stockholder interests.

**What we do**

Base a significant majority of compensation opportunity on financial and stock price performance

**What we don't do**

Set annual and long-term incentive targets based on clearly disclosed, objective performance measures

Perform an annual compensation riskout members of management present.

The general counsel shall report directly to the Committee about legal compliance. The Committee may directly contact any employee in the Company and any employee may inform the Committee of matters involving questionable, illegal or improper practices or transactions. The Company's Code of Conduct and Ethics shall ensure a confidential and anonymous complaint process.

The Committee shall establish and maintain free and open means of communication between employees and the Committee for the processing of complaints received by the Company regarding questionable accounting or auditing matters, including suspicions of fraudulent activity.

A-4

---

**OM GROUP, INC.**  
**2002 Stock Incentive Plan**

**1. Purpose**

The purpose of the Plan is to advance the long-term interests of OM Group, Inc. by (i) motivating executive personnel by means of long-term incentive compensation, (ii) furthering the identity of interests of participants with those of the shareholders of the Corporation through the ownership and performance of the Common Stock of the Corporation, and (iii) permitting the Corporation to attract and retain directors and executive personnel upon whose judgment the successful conduct of the business of the Corporation largely depends. Toward this objective, the Committee may grant stock options and restricted stock awards to Key Employees of the Corporation and its Subsidiaries, and shall grant stock options to non-employee directors of the Corporation, on the terms and subject to the conditions set forth in the Plan.

**2. Definitions**

2.1 **Administrative Policies** means the administrative policies and procedures adopted and amended from time to time by the Committee to administer the Plan.

2.2 **Award** means any form of stock option or restricted stock granted under the Plan, whether singly, in combination, or in tandem, to a Participant by the Committee pursuant to such terms, conditions, restrictions and limitations, if any, as the Committee may establish by the Award Agreement or otherwise.

2.3 **Award Agreement** means a written agreement with respect to an Award between the Corporation and a Participant establishing the terms, conditions, restrictions and limitations applicable to an Award. To the extent an Award Agreement is inconsistent with the terms of the Plan, the Plan shall govern the rights of the Participant thereunder.

2.4 **Board** means the Board of Directors of the Corporation.

2.5 **Change in Control** means a change in control of the Corporation of a nature that would be required to be reported (assuming such event has not been previously reported ) in response to Item 6(e) of schedule 14A of Regulation 14A promulgated under the Exchange Act; provided that, without limitation, a Change in Control shall be deemed to have occurred at such time after January 1, 1992 as (i) any person within the meaning of Section 14(d) of the Exchange Act, becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 50% or more of the combined voting power of the Corporation's then outstanding securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute at least a majority thereof unless the election or the nomination for election by the Corporation's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

2.6 **Change in Control Price** means the higher of (i) the mean of the high and low trading prices for the Corporation's Common Stock on the Stock Exchange on the date of determination of the Change in Control or (ii) the highest price per share actually paid for the Common Stock in connection with the Change in Control of the Corporation.

2.7 **Code** means the Internal Revenue Code of 1986, as amended from time to time.

2.8 **Committee** means the Compensation Committee of the Board, or such other committee designated by the Board, authorized to administer the Plan under Section 3 hereof.

2.9 **Common Stock** means Common Stock, par value \$.01, of the Corporation.

2.10 Corporation means OM Group, Inc.

2.11 Exchange Act means the Securities Exchange Act of 1934, as amended.

2.12 Key Employee means an employee of the Corporation or a Subsidiary who holds a position of responsibility in a managerial, administrative or professional capacity, and whose performance, as determined by the Committee in the exercise of its sole and absolute discretion, can have a significant effect on the growth, profitability and success of the Corporation.

2.13 Participant means any individual to whom an Award has been granted by the Committee under this Plan.

2.14 Plan means the OM Group, Inc. 2002 Stock Incentive Plan.

2.15 Stock Exchange means the New York Stock Exchange or, if the Common Stock is no longer traded on the New York Stock Exchange, such other market price reporting system on which the Common Stock is traded or quoted designated by the Committee after it determines that such other exchange is both reliable and reasonably accessible.

2.16 Subsidiary means a corporation or other business entity in which the Corporation directly or indirectly has an ownership interest of fifty-one percent or more.

### **3. Administration**

The Plan shall be administered under the supervision of the Committee composed of not less than two directors each of whom shall be deemed to be a Non-Employee Director under Rule 16b-3 of the Exchange Act or any subsequent rule or act.

Members of the Committee shall serve at the pleasure of the Board of Directors, and may resign by written notice filed with the Chief Executive Officer or the Secretary of the Corporation. A vacancy in the membership of the Committee shall be filled by the appointment of a successor member by the Board of Directors. Until such vacancy is filled, the remaining members shall constitute a quorum and the action at any meeting of a majority of the entire Committee, or an action unanimously approved in writing, shall constitute action of the Committee. Subject to the express provisions of this Plan, the Committee shall have conclusive authority to construe and interpret the Plan, any Award Agreement entered into hereunder and to establish, amend and rescind Administrative Policies for the administration of this Plan and shall have such additional authority as the Board of Directors may from time to time determine to be necessary or desirable.

In addition, in order to enable Key Employees who are foreign nationals or employed outside the United States, or both, to receive Awards under the Plan, the Committee may adopt such amendments, Administrative Policies, subplans and the like as are necessary or advisable, in the opinion of the Committee, to effectuate the purposes of the Plan.

### **4. Eligibility**

Any Key Employee or non-employee director of the Corporation is eligible to become a Participant in the Plan.

### **5. Shares Available**

(a) Shares of Common Stock available for issuance under the Plan may be authorized and unissued shares or treasury shares. Subject to the adjustments provided for in Sections 14 and 15 hereof, the maximum number of shares of Common Stock available for grant of Awards under the Plan shall be 1,400,000. Notwithstanding the foregoing, (i) at no time shall the number of shares available for grant (whether in the form of restricted stock or stock options) in any calendar year to any one person exceed 200,000 and (ii) at no time shall the total number of restricted stock Awards granted under the Plan exceed 280,000 shares.

(b) For purposes of calculating the number of shares of Common Stock deemed to be granted hereunder during any calendar year, each Award, whether denominated in stock options, or restricted stock, shall be deemed to be a grant of a number of shares of Common Stock equal to the number of shares represented by the stock options or shares of restricted stock set forth in the Award, provided, however, in the case of any Award as to which the exercise of one right nullifies the exercisability of another, the number of shares deemed to have been granted shall be the maximum number of shares (and/or cash equivalents) that could have been acquired upon the maximum exercise or settlement of the Award.

(c) For purposes of calculating the number of shares available for re-grant in any year, the portion of any Award that has been settled by the payment of cash or the issuance of shares of Common Stock, or a combination thereof, shall not be available for re-grant under the Plan, irrespective of the value of the settlement or the method of its payment. The settlement of an Award shall not be deemed to be the grant of an Award hereunder.

## **6. Term**

The Plan shall become effective as of January 1, 2002, subject to approval of the Plan by the Corporation's stockholders at the 2002 annual meeting. No Awards shall be exercisable or payable before approval of the Plan has been obtained from the Corporation's stockholders. The Plan shall continue in effect for 10 years, unless sooner terminated by the Board, at which time all outstanding Awards shall remain outstanding in accordance with their applicable terms and conditions.

## **7. Participation**

The Committee shall select, from time to time, Participants from those Key Employees who, in the opinion of the Committee, can further the Plan's purposes and the Committee shall determine the type or types of Awards to be made to the Participant. The terms, conditions and restrictions of each Award shall be set forth in an Award Agreement.

## **8. Stock Options**

(a) *Grants.* Awards may be granted in the form of stock options. Stock options may be incentive stock options within the meaning of Section 422 of the Code or non-statutory stock options (i.e., stock options which are not incentive stock options), or a combination of both, or any particular type of tax advantage option authorized by the Code from time to time.

(b) *Terms and Conditions of Options.* An option shall be exercisable in whole or in such installments and at such times as may be determined by the Committee; provided, however, that no stock option shall be exercisable prior to the expiration of one year from the date of grant (except as provided in Section 22 hereof) or be exercisable more than ten years after the date of grant thereof. The option exercise price shall be established by the Committee, but such price shall not be less than the per share fair market value of the Common Stock, as determined by the Committee, on the date of the stock option's grant subject to adjustment as provided in Sections 14 or 15 hereof.

(c) *Restrictions Relating to Incentive Stock Options.* Stock options issued in the form of incentive stock options shall, in addition to being subject to all applicable terms, conditions, restrictions and/or limitations established by the Committee, comply with Section 422 of the Code. Incentive Stock Options shall be granted only to full time employees of the Corporation and its subsidiaries within the meaning of Section 424 of the Code. The aggregate fair market value (determined as of the date the option is granted) of shares with respect to which incentive stock options are exercisable for the first time by an individual during any calendar year (under this Plan or any other plan of the Corporation or any Subsidiary which provides for the granting of incentive stock options) may not exceed \$100,000 or such other number as may be applicable under the Code from time to time. Any incentive stock option that is granted to any employee who is, at the time the option is granted, deemed for purposes of Section 422 of the Code, or any successor provision, to own shares of the Corporation possessing more than ten percent of

the total combined voting power of all classes of shares of the Corporation or of a parent or subsidiary of the Corporation, shall have an option exercise price that is at least one hundred ten percent of the fair market value of the shares at the date of grant and shall not be exercisable after the expiration of five years from the date it is granted.

(d) *Additional Terms and Conditions.* The Committee may, by way of the Award Agreement or otherwise, establish such other terms, conditions, restrictions and/or limitations, if any, on any stock option Award, provided they are not inconsistent with the Plan.

(e) *Payment.* Upon exercise, a participant may pay the option exercise price of a stock option in cash or shares of Common Stock or a combination of the foregoing, or such other consideration as the Committee may deem appropriate. The Committee shall establish appropriate methods for accepting Common Stock and may impose such conditions as it deems appropriate on the use of such Common Stock to exercise a stock option.

## **9. Restricted Stock Awards**

(a) *Grants.* Awards may be granted in the form of restricted stock Awards. Restricted stock Awards shall be awarded in such numbers and at such times as the Committee shall determine.

(b) *Award Restrictions.* Restricted stock Awards shall be subject to such terms, conditions, restrictions, or limitations as the Committee deems appropriate including, by way of illustration but not by way of limitation, restrictions on vesting, forfeiture, transferability, requirements of continued employment or individual performance or the financial performance of the Corporation; provided, however, no vesting period shall be less than one year from the date of grant (except as provided in Section 22 hereof). The Committee may modify, or accelerate the termination of, the restrictions applicable to a restricted stock Award under such circumstances as it deems appropriate.

(c) *Rights as Shareholders.* During the period in which any restricted shares of Common Stock are subject to the restrictions imposed under the preceding paragraph, the Committee may, in its discretion, grant to the Participant to whom such restricted shares have been awarded all or any of the rights of a shareholder with respect to such shares, including, by way of illustration but not by way of limitation, the right to vote such shares and to receive dividends.

(d) *Evidence of Award.* Any restricted stock Award granted under the Plan may be evidenced in such manner as the Committee deems appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates.

(e) *Performance Criteria.* In the event that restricted stock Awards are granted subject to the financial performance of the Corporation, such restricted stock Awards shall be earned upon the satisfaction of such performance targets related to such performance periods as are established by the Committee at the time of grant. The Committee may establish performance targets in terms of any or all of the following: sales, sales growth, gross margins, operating profit, operating profit growth, net income, net income growth, earnings per share, growth in earnings per share, EBITDA, cash flow per share, total stockholder returns, return on equity, return on invested capital, return on net assets employed, common stock price or common stock price appreciation. Performance targets may utilize various combinations of or changes in any of the foregoing measures, or may utilize any one or more of the above measures as relates to an identified business or segment of the Corporation's operations or as relates to the performance of the Corporation as compared to other entities. Performance targets applicable to restricted stock Awards may vary from Award to Award and from Participant to Participant. When determining whether performance targets have been attained, the Committee shall have the discretion to make adjustments to take into account extraordinary or nonrecurring items or events, or unusual nonrecurring gains or losses identified in the Corporation's financial statements, provided such adjustments are made in a manner consistent with Section 162(m) of the Code (to the extent applicable). Restricted stock Awards made to Participants subject to Section 162(m) of the Code are intended to qualify under Section 162(m) and the

Committee shall interpret the terms of such Awards in a manner consistent with that intent to the extent appropriate.

**10. Payment of Awards**

Except as otherwise provided herein, Award Agreements may provide that, at the discretion of the Committee, payment of Awards may be made in cash, Common Stock, a combination of cash and Common Stock, or any other form of property as the Committee shall determine. Further, the terms of Award Agreements may provide for payment of Awards in the form of a lump sum or installments, as determined by the Committee.

**11. Dividends and Dividend Equivalents**

If an Award is granted in the form of a restricted stock Award, the Committee may choose, at the time of the grant of the Award, to include as part of such Award an entitlement to receive dividends or dividend equivalents, subject to such terms, conditions, restrictions or limitations, if any, as the Committee may establish. Dividends and dividend equivalents shall be paid in such form and manner and at such time as the Committee shall determine. All dividends or dividend equivalents which are not paid currently may, at the Committee's discretion, accrue interest or be reinvested into additional shares of Common Stock.

**12. Termination of Employment**

The Committee shall adopt Administrative Policies determining the entitlement of Participants who cease to be employed by either the Corporation or Subsidiary whether because of death, disability, resignation, termination or retirement pursuant to an established retirement plan or policy of the Corporation or of its applicable Subsidiary.

**13. Assignment and Transfer**

Unless the Committee otherwise determines, the rights and interests of a Participant under the Plan may not be assigned, encumbered or transferred except, in the event of the death of a Participant, by will or the laws of descent and distribution.

**14. Adjustments Upon Changes in Capitalization**

In the event of any change in the outstanding shares of Common Stock by reason of any reorganization, recapitalization, stock split, stock dividend, combination or exchange of shares merger, consolidation or any change in the corporate structure or shares of the Corporation, the maximum aggregate number and class of shares as to which Awards may be granted under the Plan and the shares issuable pursuant to then outstanding Awards shall be appropriately adjusted by the Committee whose determination shall be final.

**15. Extraordinary Distributions and Pro-Rata Repurchases**

In the event the Corporation shall at any time when an Award is outstanding make an Extraordinary Distribution (as hereinafter defined) in respect of Common Stock or effect a Pro-Rata Repurchase of Common Stock (as hereinafter defined), the Committee shall consider the economic impact of the Extraordinary Distribution or Pro-Rata Repurchase on Participants and make such adjustments as it deems equitable under the circumstances. The determination of the Committee shall, subject to revision by the Board of Directors, be final and binding upon all Participants.

(a) As used herein, the term "Extraordinary Distribution" means any dividend or other distribution of

(x) cash, where the aggregate amount of such cash dividend or distribution together with the amount of all cash dividends and distributions made during the preceding twelve months, when combined with the aggregate amount of all Pro-Rata Repurchases (for this purpose, including only that portion of the



aggregate purchase price of such Pro-Rata Repurchases which is in excess of the Fair Market Value of the Common Stock repurchased during such twelve month period), exceeds ten percent (10%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the record date for determining the shareholders entitled to receive such Extraordinary Distribution or

(y) any shares of capital stock of the Corporation (other than shares of Common Stock), other securities of the Corporation, evidences of indebtedness of the Corporation or any other person or any other property (including shares of any Subsidiary of the Corporation), or any combination thereof.

(b) As used herein Pro-Rata Repurchase means any purchase of shares of Common Stock by the Corporation or any Subsidiary thereof, pursuant to any tender offer or exchange offer subject to Section 13(e) of the Exchange Act or any successor provision of law, or pursuant to any other offer available to substantially all holders of Common Stock; provided, however, that no purchase of shares of the Corporation or any Subsidiary thereof made in open market transactions shall be deemed a Pro-Rata Repurchase.

#### **16. Withholding Taxes**

The Corporation or the applicable Subsidiary shall be entitled to deduct from any payment under the Plan, regardless of the form of such payment, the amount of all applicable income and employment tax required by law to be withheld with respect to such payment or may require the Participant to pay to it such tax prior to and as a condition of the making of such payment. In accordance with any applicable Administrative Policies it establishes, the Committee may allow a Participant to pay the amount of taxes required by law to be withheld from an Award by withholding from any payment of Common Stock due as a result of such Award, or by permitting the Participant to deliver to the Corporation shares of Common Stock having a fair market value, as determined by the Committee, equal to the amount of such required withholding taxes.

#### **17. Noncompetition Provision**

Unless the Award Agreement specifies otherwise, a Participant shall forfeit all unexercised unearned Awards if (i) in the opinion of the Committee, the Participant, without the written consent of the Corporation, engages directly or indirectly in any manner or capacity as principal, agent, partner, officer, director, employee, or otherwise, in any business or activity competitive with the business conducted by the Corporation or any Subsidiary; or (ii) the Participant performs any act or engages in any activity which in the opinion of the Committee is detrimental to the best interests of the Corporation.

#### **18. Regulatory Approvals and Listings**

Notwithstanding anything contained in this Plan to the contrary, the Corporation shall have no obligation to issue or deliver certificates of Common Stock evidencing restricted stock Awards or any other Award payable in Common Stock prior to (a) the obtaining of any approval from any governmental agency which the Corporation shall, in its sole discretion, determine to be necessary or advisable, (b) the admission of such shares to listing on the Stock Exchange, and (c) the completion of any registration or other qualification of said shares under any state or federal law or ruling of any governmental body which the Corporation shall, in its sole discretion, determine to be necessary or advisable.

#### **19. No Right to Continued Employment or Grants**

Participation in the Plan shall not give any Key Employee any right to remain in the employ of the Corporation or any Subsidiary. The Corporation or, in the case of employment with a Subsidiary, the Subsidiary, reserves the right to terminate the employment of any Key Employee at any time. The adoption of this Plan shall not be deemed to give any Key Employee or any other individual any right to be selected as a Participant, to be granted any Awards hereunder or if granted an Award in any year, to receive Awards in any subsequent year.

**20. Amendment**

The Committee may suspend or terminate the Plan at any time. In addition, the Committee may, from time to time, amend the Plan in any manner, but may not without shareholder approval adopt any amendment which would (a) materially increase the benefits accruing to Participants under the Plan including altering the exercise price so as to reduce the purchase price payable for shares under the Plan, (b) materially increase the number of shares of Common Stock which may be issued under the Plan (except as specified in Section 15), or (c) materially modify the requirements as to eligibility for participation in the Plan.

**21. Governing Law**

The Plan shall be governed by and construed in accordance with the laws of the State of Ohio, except as preempted by applicable Federal law.

**22. Change in Control**

(a) *Stock Options*. In the event of a Change in Control, options not otherwise exercisable at the time of a Change in Control shall become fully exercisable upon such Change in Control.

(b) *Restricted Stock Awards*. In the event of a Change in Control, all restrictions previously established with respect to restricted stock Awards will conclusively be deemed to have been satisfied. Participants shall be entitled to have issued to them the shares of Common Stock described in the applicable Award Agreements, free and clear of any restriction or restrictive legend, except that if upon the advice of counsel to the Corporation, shares of Common Stock cannot lawfully be issued without restriction, then the Corporation shall make payment to Participants in cash in an amount equal to the Change in Control Price of the Common Stock that otherwise would have been issued.

(i) Such cash payments to Participants shall be due and payable, and shall be paid by the Corporation, immediately upon the occurrence of such Change in Control; and

(ii) After the payment provided for in (i) above, Participants shall have no further rights under restricted stock Awards outstanding at the time of such Change in Control of the Corporation.

(c) *Directors' Stock Options*. Directors' Stock Options not otherwise exercisable at the time of a Change in Control shall become fully exercisable upon such Change in Control; provided, however, that options shall not become exercisable under this provision prior to the expiration of six months from the date of grant.

(i) The Corporation shall make payment to Directors with respect to Options in cash in an amount equal to the appreciation in the value of the Option from the option exercise price specified in the Award Agreement to the Change in Control Price;

(ii) Such cash payments to Directors shall be due and payable, and shall be paid by the Corporation, immediately upon the occurrence of such Change in Control; and

(iii) After the payment provided for in (i) above, Directors shall have no further rights under Options outstanding at the time of such Change in Control.

(d) *Miscellaneous*. Upon a Change in Control, no action shall be taken which would adversely affect the rights of any Participant or the operation of the Plan with respect to any Award to which the Participant may have become entitled hereunder on or prior to the date of the Change in Control or to which he may become entitled as a result of such Change in Control.

**23. No Right, Title, or Interest In Corporation Assets**

No Participant shall have any rights as a shareholder as a result of participation in the Plan until the date of issuance of a stock certificate in his name except, in the case of restricted stock Awards, to the extent such rights are granted to the Participant under Section 9(c) hereof. To the extent any person acquires a right to receive payments from the Corporation under this Plan, such rights shall be no greater than the rights of an unsecured creditor of the Corporation.

**24. Payment by Subsidiaries**

Settlement of Awards to employees of Subsidiaries shall be made by and at the expense of such Subsidiary. Except as prohibited by law, if any portion of an Award is to be settled in shares of Common Stock, the Corporation shall sell and transfer to the Subsidiary, and the Subsidiary shall purchase, the number of shares necessary to settle such portion of the Award.

B-8

---

**OM Group, Inc,**  
c/o National City Bank  
Corporate Trust Operations  
Locator 5352  
P. O. Box 92301  
Cleveland, OH 44101-4301

**Vote by Telephone**

Have your voting instruction card available when you call the **Toll-Free number 1-888-693-8683** using a touch-tone phone, and follow the simple instructions to record your vote.

**Vote by Internet**

Have your voting instruction card available when you access the website **<http://www.cesvote.com>** and follow the simple instructions to record your vote.

**Vote by Mail**

Please mark, sign and date your voting instruction card and return it in the **postage-paid envelope** provided or return it to: National City Bank, P.O. Box 535300, Pittsburgh, PA 15253.

**Vote by Telephone**

Call **Toll-Free** using a  
Touch-Tone phone:  
**1-888-693-8683**

**Vote by Internet**

Access the **Website** and  
Cast your vote:  
**<http://www.cesvote.com>**

**Vote by Mail**

Return your voting instruction  
card in the **Postage-Paid**  
envelope provided

**Vote 24 hours a day, 7 days a week!**

**If you vote by telephone or Internet, please do not send your voting instruction card by mail.**

**Side A / Own Shares**

è

**Side B / Uninstructed Shares**

è

ê Please fold and detach card at perforation before mailing. ê

**OM GROUP, INC.**

**Confidential Voting Instructions SIDE A**

The undersigned, a Participant in the OMG Profit-Sharing and Retirement Savings Plan, hereby instructs the Trustee under the Plan to vote the shares subject to this instruction at the 2006 Annual Meeting of OM Group, Inc., and at any adjournment thereof, in accordance with the instructions on this card.

**Unless otherwise instructed, the trustee will, upon receipt of a properly executed instruction card, vote FOR proposals 1, 2 and 3.** See accompanying **PARTICIPATION NOTICE** for explanation of the confidentiality, timing deadlines and other details concerning this instruction.

1. Election of Directors to serve terms expiring at our annual meeting in 2009:

- (1) Richard W. Blackburn
- (2) Steven J. Demetriou

- FOR** the nominees listed above
- WITHHOLD AUTHORITY**  
to vote for all nominees listed above

**(Instructions: If you wish to withhold authority to vote for any nominee, write that nominee's name on the line below.)**

2. To amend the OM Group, Inc. 2002 Stock Incentive Plan.

- FOR**
- AGAINST**
- ABSTAIN**

3. To confirm the appointment of Ernst & Young LLP as our independent registered public accountant.

- FOR**
- AGAINST**
- ABSTAIN**

**ALSO, IF DESIRED, COMPLETE, DATE AND SIGN THE OTHER SIDE OF THIS CARD (SIDE B) FOR ANY UNINSTRUCTED SHARES.**

Dated: \_\_\_\_\_, 2006

Signature of Participant

**PLEASE SIGN, DATE AND RETURN THE VOTING INSTRUCTIONS USING THE ENCLOSED ENVELOPE.**

ê Please fold and detach card at perforation before mailing. ê

**OM GROUP, INC.**

**Confidential Voting Instructions SIDE B**

The undersigned Participant, acting as a Named Fiduciary under the OMG Profit-Sharing and Retirement Savings Plan, hereby instructs the Trustee under the Plan to vote the shares subject to this instruction at the 2006 Annual Meeting of OM Group, Inc., and at any adjournment thereof, in accordance with the instructions on this card.

**Unless otherwise instructed, the trustee will, upon receipt of a properly executed instruction card, vote FOR proposals 1, 2 and 3.** See accompanying **PARTICIPATION NOTICE** for explanation of the confidentiality, timing deadlines and other details concerning this instruction.

1. Election of Directors to serve terms expiring at our annual meeting in 2009:

(1) Richard W. Blackburn      (2) Steven J. Demetriou

**FOR** the nominees listed above

**WITHHOLD AUTHORITY**

to vote for all nominees listed above

**(Instructions: If you wish to withhold authority to vote for any nominee, write that nominee's name on the line below.)**

2. To amend the OM Group, Inc. 2002 Stock Incentive Plan.

**FOR**

**AGAINST**

**ABSTAIN**

3. To confirm the appointment of Ernst & Young LLP as our independent registered public accountant.

**FOR**

**AGAINST**

**ABSTAIN**

ALSO, IF DESIRED, COMPLETE, DATE AND SIGN THE OTHER SIDE OF THIS CARD (SIDE A) FOR ANY UNINSTRUCTED SHARES.

Dated:

, 2006

Signature of Participant

PLEASE SIGN, DATE AND RETURN THE VOTING INSTRUCTIONS USING THE ENCLOSED ENVELOPE.

**OM Group, Inc,**  
c/o National City Bank  
Corporate Trust Operations  
Locator 5352  
P. O. Box 92301  
Cleveland, OH 44101-4301

**Vote by Telephone**

Have your voting instruction card available when you call the **Toll-Free number 1-888-693-8683** using a touch-tone phone, and follow the simple instructions to record your vote.

**Vote by Internet**

Have your voting instruction card available when you access the website **<http://www.cesvote.com>** and follow the simple instructions to record your vote.

**Vote by Mail**

Please mark, sign and date your voting instruction card and return it in the **postage-paid envelope** provided or return it to National City Bank, P.O. Box 535300, Pittsburgh, PA 15253.

**Vote by Telephone**

Call **Toll-Free** using a  
Touch-Tone phone:  
**1-888-693-8683**

**Vote by Internet**

Access the **Website** and  
Cast your vote:  
**<http://www.cesvote.com>**

**Vote by Mail**

Return your voting instruction  
card in the **Postage-Paid**  
envelope provided

**Vote 24 hours a day, 7 days a week!**

**If you vote by telephone or Internet, please do not send your voting instruction card by mail.**

ê Please fold and detach card at perforation before mailing. ê

**OM GROUP, INC.**

**PROXY SOLICITED ON BEHALF OF THE  
BOARD OF DIRECTORS**

The undersigned appoints Joseph M. Scaminace and Valerie Gentile Sachs, or both of them, with full power of substitution, to vote the shares of the undersigned at the Annual Meeting of Stockholders of OM Group, Inc. to be held on May 2, 2006 and at any adjournment thereof.

Dated:

, 2006

Signature

Signature

Please sign name exactly as it appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, give your full title as such. In case of corporation, a duly authorized officer should sign on its behalf.





**YOUR VOTE IS IMPORTANT**

If you do not vote by telephone or Internet, please sign and date this proxy card and return it promptly in the enclosed postage-paid envelope, or otherwise to National City Bank, P.O. Box 535300, Pittsburgh, PA 15253, so your shares may be represented at the Annual Meeting. If you vote by telephone or Internet, it is not necessary to return this proxy card.  
ê Please fold and detach card at perforation before mailing. ê

**OM GROUP, INC.**

**PROXY**

**If no specification is made, authority is granted to cast the vote of the undersigned FOR election of the nominees below and FOR proposals 2 and 3.**

**The Board of Directors recommends that votes be cast FOR election of the nominees below and FOR proposals 2 and 3.**

1. Election of Directors to serve terms expiring at our annual meeting in 2009:

- (1) Richard W. Blackburn  
(2) Steven J. Demetriou

- FOR** the nominees listed above  
(*except as indicated to the contrary below*)
- WITHHOLD AUTHORITY**  
to vote for all nominees listed above

**(Instructions: If you wish to withhold authority to vote for any nominee, write that nominee's name on the line below.)**

2. To amend the OM Group, Inc. 2002 Stock Incentive Plan.

- FOR**                       **AGAINST**                       **ABSTAIN**

3. To confirm the appointment of Ernst & Young LLP as our independent registered public accountant.

- FOR**                       **AGAINST**                       **ABSTAIN**  
(Continued on reverse side)