

MEREDITH CORP  
Form 10-K  
September 04, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K  
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended June 30, 2018 Commission file number 1-5128  
MEREDITH CORPORATION  
(Exact name of registrant as specified in its charter)

Iowa 42-0410230  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1716 Locust Street, Des Moines, Iowa 50309-3023  
(Address of principal executive offices) (ZIP Code)

Registrant's telephone number, including area code: (515) 284-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$1	New York Stock Exchange

Securities  
registered  
pursuant to  
Section 12(g) of  
the Act:

Title  
of  
class  
Class B  
Common Stock,  
par value \$1

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company  Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The registrant estimates that the aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant at December 29, 2017, (the last business day of the most recently completed second fiscal quarter) was approximately \$2.5 billion based upon the closing price on the New York Stock Exchange at that date.

Shares of stock outstanding at July 31, 2018

Common shares 39,787,777

Class B shares 5,107,813

Total common and Class B shares 44,895,590

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## DOCUMENT INCORPORATED BY REFERENCE

Certain portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on

November 14, 2018, are incorporated by reference in Part III to the extent described therein.

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Meredith Corporation and its consolidated subsidiaries are referred to in this Annual Report on Form 10-K

(Form 10-K) as Meredith, the Company, we, our, and us.

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## PART I

### ITEM 1. BUSINESS

#### GENERAL

Meredith Corporation has been committed to service journalism since its inception in 1902 as an agricultural publisher. In 1924, the Company published the first issue of Better Homes & Gardens. The Company entered the television broadcasting business in 1948. On January 31, 2018, Meredith completed its acquisition of Time Inc. (Time) which is now a wholly owned subsidiary of Meredith.

Meredith uses multiple media platforms—including print, digital, mobile, video, and broadcast television—to provide consumers with content they desire and to deliver the messages of our advertising and marketing partners. Nationally, Meredith serves over 175 million unduplicated American consumers and has a readership of more than 120 million, paid circulation of more than 40 million, and nearly 135 million monthly unique visitors. Meredith’s broadcast television stations reach 11 percent of United States (U.S.) households.

The Company is incorporated under the laws of the State of Iowa. Our common stock is listed on the New York Stock Exchange under the ticker symbol MDP.

The company operates two business segments: national media and local media. Our national media segment includes leading national consumer media brands delivered via multiple media platforms including print magazines, digital and mobile media, brand licensing activities, database-related activities, affinity marketing, and business-to-business marketing products and services. Our focus is on the entertainment, food, lifestyle, parenting, and home categories, which include titles such as People, Better Homes & Gardens, InStyle, Allrecipes, Real Simple, Shape, Southern Living, and Martha Stewart Living among others. In addition to subscription magazines, in 2018 we published nearly 275 special interest publications. Most of our brands are also available as digital editions on one or more of the major digital newsstands and on major tablet devices. The national media segment’s extensive digital presence consists of more than 60 websites, nearly 60 mobile-optimized websites, and 14 applications (apps). The national media segment also includes brand licensing activities, affinity marketing, third-party marketing, a large consumer database, and other related operations.

Our local media segment consists of 17 television stations located across the U.S. concentrated in fast growing markets with related digital and mobile media assets. The television stations include seven CBS affiliates, five FOX affiliates, two MyNetworkTV affiliates, one NBC affiliate, one ABC affiliate, and two independent stations. Local media’s digital presence includes 12 websites, 12 mobile-optimized websites, and approximately 30 apps focused on news, sports, and weather-related information. In addition, the local media segment sells geographic and demographic-targeted digital and print advertising programs sold to third parties.

Financial information about industry segments can be found in Item 7-Management’s Discussion and Analysis of Financial Condition and Results of Operations and in Item 8-Financial Statements and Supplementary Data under Note 17.

The Company's largest revenue source is advertising. National and local economic conditions affect the magnitude of our advertising revenues. Both national media and local media revenues and operating results can be affected by changes in the demand for advertising and consumer demand for our products. Magazine circulation revenues are generally affected by national and regional economic conditions and competition from other forms of media.

Television advertising is seasonal and cyclical to some extent, traditionally generating higher revenues in the second and fourth fiscal quarters and during key political contests and major sporting events.

## BUSINESS DEVELOPMENTS

On January 31, 2018, Meredith completed its acquisition of Time for \$3.2 billion and began operating as a combined company on February 1, 2018. Time was a multi-platform media company with brands such as People, InStyle, Real Simple, Southern Living, and Travel + Leisure. This transaction transformed Meredith into the leading media and marketing company that reaches 175 million unduplicated U.S. consumers monthly. Meredith's brands now have a readership of more than 120 million and paid circulation of more than 40 million. The acquisition greatly increased our digital scale. We now reach nearly 135 million monthly unique visitors in the U.S.

Subsequent to the acquisition of Time, Meredith completed the sale of the Golf brand in February 2018 and the sale of Time Inc. (UK) Ltd (TIUK) in March 2018. In addition, we initiated a process to sell TIME, Sports Illustrated, Fortune, Money, and affiliated brands as well as the Company's 60 percent interest in Viant Technology LLC (Viant), which were all acquired in the Time acquisition. These brands each have a different advertising base and target audience than the rest of our magazine portfolio, and therefore, we believe they are better suited for success with a new owner. We anticipate agreements to sell these businesses to be finalized in early fiscal 2019.

In March 2018, Meredith unveiled a new sales and marketing structure for national media. Meredith's new national media sales structure puts in place strategic account teams comprised of brand, corporate, and digital sellers and marketers, with a principal point of contact for each key account.

In July 2017, we sold a 70 percent interest in Charleston Tennis LLC, which operates the Family Circle Tennis Center. In May 2018, we closed the sale of Meredith Xcelerated Marketing (MXM).

The Magnolia Journal, launched in fiscal 2017 as a quarterly newsstand-only title, had continued success. In October 2017, Meredith announced an increase to the rate base to 1.2 million starting with the Spring 2018 issue. This increased rate base compares to the 400,000 initial rate base at launch in the Fall of 2016. In December The Magnolia Journal was named to Ad Age's Magazines of the Year list and in February 2018 was named Magazine Launch of the Year by the Association of Magazine Media.

We also celebrated other key milestones and achievements for other brands in fiscal 2018. Martha Stewart Living was also named to Ad Age's Magazine of the Year List. Allrecipes, the leading global digital food brand, celebrated the 20-year anniversary of its launch in July 1997. In April 2018, we launched a print edition of HelloGiggles, an extension of the popular digital brand. The print magazine is a newsstand-only bi-annual publication with an initial rate base of 500,000.

During fiscal 2018, Meredith debuted redesigns of several of our subscription magazines. The September 2017 issue of Parents contained a fresh, new look including a modern logo, lively layouts and photography, and an evolved personality that reflects the candor, humor, and confidence of today's mom. The redesign of Rachel Ray Every Day, which debuted in its November 2017 issue, includes a vibrant and elevated approach to photography and visuals, updated layouts and formats, and a revamped editorial lineup. Incorporating both new editorial content and an elevated look and feel, the new Shape debuted with its May 2018 issue. Finally, the June 2018 edition of Food & Wine included new sections, expanded content, and a bolder, more graphic cover.

Meredith entered into several new partnerships in fiscal 2018. In January 2018, Meredith announced a partnership with Lisa Lillien to create Hungry Girl Magazine, which includes healthy recipes and lifestyle tips. In November 2017, Allrecipes announced that it now features AmazonFresh as a retailer embedded within the site's top recipes. This

innovation enables home cooks to click to purchase a recipe's ingredients and, where available, have them delivered the same day through AmazonFresh home grocery delivery service. Also in November 2017, Meredith announced a partnership with Direct Wines, Inc. to launch the "Better Homes & Gardens Wine Club", which will deliver 12 bottles of wine, tailored to each member's taste, to its members every three months.

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## DESCRIPTION OF BUSINESS

## National Media

National media contributed 69 percent of Meredith's consolidated revenues and 34 percent of the combined operating profit from national media and local media operations in fiscal 2018. These results reflect the acquired Time business since the date of the acquisition. Better Homes & Gardens and People, our flagship brands, together account for a significant percentage of revenues and operating profit of the national media segment and the Company.

## Magazines

Information for our major subscription magazine titles as of June 30, 2018, is as follows:

Title <sup>1</sup>	Related Websites	Description	Frequency per Year	Year-end Rate Base <sup>2</sup>
Better Homes & Gardens	BHG.com	Women's service	12	7,600,000
Family Circle	FamilyCircle.com	Women's service	12	4,000,000
People	People.com PeopleenEspanol.com	Celebrity	53	3,400,000
Southern Living	SouthernLiving.com	Travel and lifestyle	12	2,800,000
Shape	Shape.com	Women's lifestyle	10	2,500,000
Parents	Parents.com	Parenting	12	2,200,000
FamilyFun <sup>3</sup>	Parents.com	Parenting	9	2,100,000
Martha Stewart Living	MarthaStewart.com MarthaStewartWeddings.com	Women's service	10	2,050,000
Real Simple	RealSimple.com	Women's service	12	1,975,000
Cooking Light	CookingLight.com MyRecipes.com	Women's lifestyle and food	11	1,775,000
Rachel Ray Every Day	RachaelRayMag.com	Women's lifestyle and food	10	1,700,000
InStyle	InStyle.com	Women's lifestyle	13	1,700,000
Entertainment Weekly	EW.com	Entertainment	39	1,500,000
Allrecipes	AllRecipes.com	Food	6	1,350,000
Health	Health.com	Women's lifestyle	10	1,350,000
The Magnolia Journal	n/a	Women's lifestyle	4	1,200,000
EatingWell	EatingWell.com	Food	6	1,000,000
Midwest Living	MidwestLiving.com	Travel and lifestyle	6	950,000
Travel + Leisure	TravelandLeisure.com	Travel and lifestyle	12	950,000
Food & Wine	FoodandWine.com	Food	12	925,000
Traditional Home	TraditionalHome.com	Home decorating	8	850,000
Coastal Living	CoastalLiving.com	Travel and lifestyle	10	650,000
Diabetic Living	DiabeticLivingOnline.com	Food and lifestyle	4	500,000
Successful Farming	Agriculture.com	Farming business	13	390,000
Wood	WoodMagazine.com	Woodworking	7	340,000

n/a Not applicable as The Magnolia Journal does not have a Meredith-owned related website.

1 Titles held-for-sale are excluded from this table and discussion below.

Rate base is the circulation guaranteed to advertisers. Actual circulation generally exceeds rate base and for most of the Company's titles, is tracked by the Alliance for Audited Media, which issues periodic statements for audited magazines.

3 Title transitioned from a subscription magazine to a newsstand-only special interest publication subsequent to June 30, 2018.

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In addition to these major magazine titles, we published nearly 275 special interest publications under approximately 68 brands in fiscal 2018. The titles are issued from one to six times annually and sold primarily on newsstands. A limited number of special interest publication subscriptions are also sold.

**Magazine Advertising**—Advertising revenues are generated primarily from sales to clients engaged in consumer marketing. Many of Meredith’s larger magazines offer regional and demographic editions that contain similar editorial content but allow advertisers to customize messages to specific markets or audiences. The Company sells two primary types of magazine advertising: display and direct-response. Advertisements are either run-of-press (printed along with the editorial portions of the magazine) or inserts (preprinted pages). Most of the national media segment’s advertising revenues are derived from run-of-press display advertising. Meredith also possesses strategic marketing capabilities, which provide clients and their agencies with access to all of Meredith’s media platforms and capabilities, including print, television, digital, video, mobile, consumer events, and custom marketing. Our team of creative and marketing experts delivers innovative solutions across multiple media channels that meet each client’s unique advertising and promotional requirements.

The rates at which we sell print advertising depend on each magazine’s rate base, which is the circulation of the magazine that we guarantee to our advertisers, as well as our audience size. If we are not able to meet our committed rate base, the price paid by advertisers is generally subject to downward adjustments, including in the form of future credits or discounts. Our published rates for each of our magazines are subject to negotiation with each of our advertisers. We sell digital advertising primarily on a flat rate/sponsorship basis or on a cost per thousand, or CPM, basis. Flat rate/sponsorship deals are sold on an exclusive basis to advertisers giving them access to our major events. CPM deals are sold on an impression basis with a guarantee that we will deliver the negotiated volume commitment. If we are not able to meet the impression goal, we will extend the campaign or provide alternative placements.

**Magazine Circulation**— Most of our U.S. magazines are sold primarily by subscription and delivered to subscribers through the mail. Subscriptions obtained through direct-mail solicitation, agencies, insert cards, the internet, and other means are Meredith’s largest source of circulation revenues. Revenue per subscription and related expenses can vary significantly by source. The majority of subscription magazines are also sold by single copy. Single copies sold on newsstands are distributed primarily through magazine wholesalers, who have the right to receive credit from the Company for magazines returned to them by retailers.

Newsstand sales include sales through traditional newsstands as well as supermarkets, convenience stores, pharmacies and other retail outlets. We also publish branded books, including soft-cover “bookazines.” These are distributed through magazine-style “check-out pockets” at retail outlets and traditional trade book channels. We publish books on a diverse range of topics aligned with our brands, including special commemorative and biographical books. We also publish books under various licensed third-party brands and a number of original titles. Our Oxmoor House imprint publishes a variety of home, cooking, and health books under our lifestyle-oriented brands as well as licensed third-party brands.

Our retail distribution operation, Time Inc. Retail (TIR) provides services relating to wholesale and retail distribution, billing, and marketing. Under arrangements with TIR, third-party wholesalers purchase our magazines and the magazines of our publisher clients, and those wholesalers sell and deliver copies of those magazines to individual retailers. TIR is paid by the wholesalers for magazines they purchase. TIR generally advances funds to our publisher clients based on their anticipated sales. Under the contractual arrangements with our publisher clients, they generally bear the risk of loss for non-payment of any amounts due from wholesalers with respect to their magazines. TIR also administers payments from our publisher clients to retailers for promotional allowances, including for the placement of magazines at retail locations.

#### Digital and Mobile Media

We have 35 of our titles available as digital editions, with an audience of approximately 1.6 million. Digital subscriptions and single copy sales collectively represent 3 percent of our total rate base.

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National media's more than 60 websites and nearly 60 mobile-optimized websites provide ideas and inspiration. These branded websites focus on the topics that women care about most—celebrity entertainment, food, home, entertaining, and meeting the needs of moms—and on delivering powerful content geared toward lifestyle topics such as health, beauty, style, and wellness. Our Allrecipes brand alone accounts for 18 web and mobile sites serving 24 countries in 12 languages, one app across multiple platforms, and one Skill for Amazon Alexa. Fiscal 2018 digital traffic across our various platforms averaged 90 million unique monthly visitors prior to the acquisition of Time and more than 135 million in the period following the acquisition of Time. Our brands have a strong social networking presence as well. In fiscal 2018, national media reached 126 million Facebook fans, nearly 79 million Twitter followers, just over 40 million Instagram followers, approximately 11 million Pinterest followers, about 42 million GooglePlus followers, and 9.5 million YouTube subscribers.

#### Other Sources of Revenues

Other revenues are derived from digital and customer relationship marketing, other custom publishing projects, brand licensing agreements, and ancillary products and services.

Affinity Marketing—Synapse Group, Inc., a wholly owned subsidiary of Meredith that was acquired with Meredith's acquisition of Time, is an affinity marketing company that partners with publishers, brick and mortar retailers, digital partners, airline frequent flier programs, and customer service and direct response call centers. It is a major marketer of magazine subscriptions in the U.S. Building on its continuity marketing expertise, Synapse has diversified its business to also market other products and services. For example, Synapse manages several branded continuity membership programs and is developing continuity programs for product partners.

Brand Licensing—Meredith Brand Licensing generates revenue through multiple long-term trademark licensing agreements with retailers, manufacturers, and service providers. Our licensing programs extend the reach of Meredith brands into additional consumer channels in the U.S. and abroad. Currently the world's second largest global licensor, Meredith has direct-to-retail partnerships with leading companies including Better Homes & Gardens at Walmart, Real Simple at Bed Bath & Beyond and TJ Maxx, InStyle branded hair salons at more than 260 JC Penney stores, Food & Wine for HSN, and 300 Southern Living shop-in-shops inside every Dillard's department store.

Our largest partnership is Better Homes & Gardens-branded products sold at Walmart stores in the U.S. and at Walmart.com. The brand is represented by more than 3,000 products across multiple categories in the home décor, outdoor living, and garden space. Meredith also has a long-term agreement to license the Better Homes & Gardens brand to Realogy Corporation, which is entering its 10<sup>th</sup> year as a residential real estate franchise system operating as Better Homes and Gardens Real Estate, LLC. The real estate network now includes more than 300 offices and more than 11,000 real estate professionals across the U.S., Canada, Bahamas, Jamaica, and most recently, Australia. Also in the real estate sector, the Southern Living and Coastal Living brands offer over 1,200 exclusive home plans, 100 custom home builders, 30 residential communities, and more than 80 interior design professionals.

Other licensing agreements include the Southern Living Plant Collection at Home Depot, Lowes, and more than 5,000 independent garden centers; Southern Living and Real Simple with 1800 FLOWERS; plus activewear collections designed for women under the Shape brand. Shape also introduced, in fiscal 2018, a new licensing partnership with FGX International for a line of fashion sunglasses.

The EatingWell branded line of healthy frozen food entrées manufactured and distributed by Bellisio Foods Inc. expanded its offering and presence in fiscal 2018. Consumers now have up to 14 frozen entrées to select from at more than 12,000 regional and national grocery locations.

The Company expands its international reach primarily through international licensing agreements. Meredith's national media brands are currently distributed in nearly 80 countries, including a localized presence in more than 30 countries

such as Australia, China, India, Mexico, Russia, and Turkey in print and digitally. The Company continues to pursue activities that will serve consumers and advertisers while also extending and strengthening the reach and vitality of our brands.

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Meredith has licensed exclusive global rights to publish and distribute books based on our consumer-leading brands, including the powerful Better Homes & Gardens imprint, to a book publisher. Meredith creates book content and retains all approval and content rights while the publisher is responsible for book layout and design, printing, sales and marketing, distribution, and inventory management. Meredith receives royalties based on sales subject to a guaranteed minimum.

**The Foundry**—The Foundry is a creative content studio servicing clients across a broad range of industries. The services include using our content creation expertise to develop content marketing programs across multiple platforms, including native advertising that enable clients to engage new consumers and build long-term relationships with existing customers.

#### Production and Delivery

Paper, printing, and postage costs accounted for 21 percent of the national media segment's fiscal 2018 operating expenses.

Coated publication paper is the major raw material essential to the national media segment. We directly purchase all of the paper for our magazine production and custom publishing business. The Company has contractual agreements with major paper manufacturers to ensure adequate supplies for planned publishing requirements. The price of paper is driven by overall market conditions and is therefore difficult to predict. In fiscal 2018, average paper prices decreased 1 percent. Paper prices declined 5 percent and 2 percent in fiscal 2017 and 2016, respectively. Management anticipates slight increases in paper prices in fiscal 2019.

Meredith has multi-year printing contracts with two major domestic printers for the printing of our magazines.

Postage is a significant expense of the national media segment. We continually seek the most economical and effective methods for mail delivery, including cost-saving strategies that leverage work-sharing opportunities offered within the postal rate structure. Periodical postage accounts for over 80 percent of Meredith's postage costs, while other mail items—direct mail, replies, and bills—account for nearly 20 percent. The Governors of the United States Postal Service (USPS) review prices for mailing services annually and adjust postage rates periodically. In general, postage rate changes are capped by law at the rate of inflation as measured by the Consumer Price Index. The most recent rate change was an increase of less than two percent effective January 2018. With the exception of fiscal 2016, postage prices have risen in each of Meredith's last five fiscal years. In fiscal 2016, we saw a rare reduction in postage prices due to a roll-back of the temporary 4.3 percent exigent increase implemented in January 2014. While we expect postage prices to again increase in January 2019, an ongoing legislatively mandated review of the existing law by the Postal Regulatory Commission could potentially result in adjustments to the current rate setting regime. The impact of any such change could be effective as early as the first quarter of calendar 2019. Meredith continues to work independently and with others to encourage and help the USPS find and implement efficiencies to contain rate increases. We cannot, however, predict future changes in the postal rates or the impact they will have on our national media business.

Subscription fulfillment services for certain of Meredith's national media brands are provided by third parties. While Meredith expects to transition all subscription fulfillment services to third-party providers in fiscal 2019, during fiscal 2018 we provided fulfillment and related services for the national media brands acquired with Time as well as for other publishers' magazines. Other consumer marketing functions provided include fulfillment, customer service and database management services, including order and payment processing and call-center support.

National magazine newsstand distribution services are also provided by third parties through multi-year agreements as well as through our retail distribution operation TIR.

#### Competition

Publishing is a highly competitive business. The Company's magazines and related publishing products and services compete with other mass media, including the internet and many other leisure-time activities. Competition for advertising dollars is based primarily on advertising rates, circulation levels, reader demographics, advertiser results, and sales team effectiveness. Competition for readers is based principally on editorial content, marketing



skills, price, and customer service. While competition is strong for established titles, gaining readership for newer magazines and specialty publications is especially competitive.

#### Local Media

Local media contributed 31 percent of Meredith's consolidated revenues and 66 percent of the combined operating profit from national media and local media operations in fiscal 2018. These results reflect the acquired Time business since the date of the acquisition. Information about the Company's television stations at June 30, 2018, is as follows:

Station, Market	DMA National Rank <sup>1</sup>	Network Affiliation	Related Website	Expiration Date of Network Affiliation	Virtual Channel	Expiration Date of FCC License	Average Audience Share <sup>2</sup>
WGCL-TV Atlanta, GA	9	CBS	cbs46.com	August 2020	46	April 2021	4.1 %
WPCH-TV Atlanta, GA	9	Independent	n/a	n/a	17	April 2021	1.1 %
KPHO-TV Phoenix, AZ	11	CBS	azfamily.com	August 2020	5	October 2022	5.9 %
KTVK Phoenix, AZ	11	Independent	azfamily.com	n/a	3	October 2022	3.3 %
KMOV St. Louis, MO	21	CBS	kmov.com	June 2020	4	February 2022	10.8 %
KPTV Portland, OR	22	FOX	kptv.com	December 2018	12	February 2023	5.6 %
KPDX Portland, OR	22	MyNetworkTV	n/a	September 2020	49	February 2023	1.8 %
WSMV-TV Nashville, TN	27	NBC	wsmv.com	December 2021	4	August 2021	7.7 %
WFSB Hartford, CT New Haven, CT	32	CBS	wfsb.com	June 2020	3	April 2023	10.6 %
KCTV Kansas City, MO	33	CBS	kctv5.com	August 2020	5	February 2022	9.1 %
KSMO-TV Kansas City, MO	33	MyNetworkTV	n/a	September 2020	62	February 2022	0.8 %

WHNS	38	FOX	foxcarolina.com December 2018	21	December 2020	3.3 %
Greenville, SC						
Spartanburg, SC						
Asheville, NC						
Anderson, SC						

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Station, Market	DMA National Rank <sup>1</sup>	Network Affiliation	Related Website	Expiration Date of Network Affiliation	Virtual Channel	Expiration Date of FCC License	Average Audience Share <sup>2</sup>
KVVU-TV Las Vegas, NV	40	FOX	fox5vegas.com	December 2018	5	October 2022	5.1 %
WALA-TV Mobile, AL Pensacola, FL	59	FOX	fox10tv.com	December 2018	10	April 2021	6.0 %
WNEM-TV Flint, MI Saginaw, MI Bay City, MI	71	CBS	wnem.com	August 2020	5	October 2021	12.8 %
WGGB-TV Springfield, MA Holyoke, MA	116	ABC FOX	westernmassnews.com	December 2019 December 2018	40 40.2	April 2023	9.9 % 3.0 %
WSHM-LD Springfield, MA Holyoke, MA	116	CBS	westernmassnews.com	June 2020	3	April 2023	6.3 %

n/a Not applicable

<sup>1</sup> Designated Market Area (DMA) is a registered trademark of, and is defined by, Nielsen Media Research. The national rank is from the 2017-2018

DMA ranking.

<sup>2</sup> Average audience share represents the estimated percentage of households using television tuned to the station in the DMA. The percentages shown reflect

the average total day shares (6:00 a.m. to 2:00 a.m.) for the November 2017, February 2018, and May 2018 measurement periods.

#### Operations

The principal sources of the local media segment's revenues are: 1) local non-political advertising focusing on the immediate geographic area of the stations; 2) national non-political advertising; 3) retransmission of our television signals by cable, satellite, telecommunications, and over-the-top service providers; 4) geographic and demographic-targeted digital and print advertising programs sold to third parties; 5) digital advertising on the stations' websites, mobile-optimized websites, and apps; and 6) political advertising which is cyclical with peaks occurring in our odd numbered fiscal years (e.g., fiscal 2015, fiscal 2017) and particularly in our second fiscal quarter of those fiscal years.

The stations sell commercial time to both local/regional and national advertisers. Rates for spot advertising are influenced primarily by the market size, number of media competitors, including in-market broadcasters, and audience ratings and demographics. The larger a station's audience in any particular daypart, the more leverage a station has in negotiating advertising rates. Generally, as supply and demand fluctuate in the market, so do a station's advertising rates. Most national advertising is sold by independent representative firms while local/regional advertising is sold by the sales staff at each station.

Typically 40 to 50 percent of a market's television advertising revenue is generated during local newscasts. Stations are continually working to grow their news ratings, which in turn increase advertising revenues.

Meredith's 16 national network affiliations at our television stations also influence advertising rates. Generally, a network affiliation agreement provides a station the exclusive right to broadcast network programming in its local service area. In return, the network has the right to sell most of the commercial advertising aired during network programs and receives programming fees from the station.

Retransmission consent revenue is generated from cable, satellite, telecommunications, and over-the-top service providers who pay Meredith for access to our television station signals so that they may retransmit our signals and charge their subscribers for this programming. These fees increased in each of the last three fiscal years primarily due to renegotiations of expiring contracts and negotiated contract step-ups on existing contracts effective during the year.

Programming fees paid to the networks are in essence a portion of the retransmission consent fees that Meredith receives from cable, satellite, telecommunications, and over-the-top service providers, which pay Meredith to carry our television programming in our markets. In addition to increases in fiscal 2017, programming fees paid to the networks increased significantly in fiscal 2018 due to renegotiations of expired contracts.

Stations generally also pay networks for certain programming and services such as marquee sports (professional football, college basketball, and Olympics) and news services. While Meredith's relations with the networks historically have been very good, the Company can make no assurances they will remain so over time.

The Federal Communications Commission (FCC) has permitted broadcast television station licensees to use their digital spectrum for a wide variety of services such as high-definition television programming, audio, data, mobile applications, and other types of communication, subject to the requirement that each broadcaster provide at least one free video channel equal in quality to the current technical standards. Most of our stations are broadcasting one or more additional programming streams on their digital channels: two of our markets have MyNetworkTV, nine carry COZI TV, six broadcast the Escape network, three air the Bounce network, and three air the LAFF network.

The costs of television programming are significant. In addition to network fees, there are two principal programming costs for Meredith: locally produced programming, including local news, and purchased syndicated programming. The Company continues to increase our locally produced news and entertainment programming to control content and costs and to attract advertisers. Syndicated programming costs are based largely on demand from stations in the market and can fluctuate significantly.

Additionally, in fiscal 2018 as a part of the Time acquisition, MNI Targeted Media (MNI) became a part of local media's operations. Through MNI, we provide clients with a single point of contact for a range of targeted digital and print advertising programs primarily on a local and regional level. Our digital products include programmatic offerings and custom display advertising on local and national websites. Our print products include customized geographic and demographic-targeted advertising programs in approximately 35 top U.S. magazines, including our own national media magazines and those of other leading magazine publishers.

#### Competition

Meredith's television stations compete directly for advertising dollars and programming in their respective markets with other local television stations, radio stations, cable/satellite providers' programming, and network local sales. The stations further compete against these media competitors' and other local and national digital and mobile media properties. Other mass media providers, such as newspapers and their related websites and apps, are also competitors. Advertisers compare audience viewership/consumption, market share, audience demographics, and advertising rates, whether local, network, or syndicated, when making advertising decisions.

#### Regulation

The ownership, operation, and sale of broadcast television stations, including those licensed to the Company, are subject to the jurisdiction of the FCC, which engages in extensive regulation of the broadcasting industry under authority granted by the Communications Act of 1934, as amended (Communications Act), including authority to promulgate rules and regulations governing broadcasting. The Communications Act requires broadcasters to serve the public interest. Among other things, the FCC assigns frequency bands; determines stations' locations and operating parameters; issues, renews, revokes, and modifies station licenses; regulates and limits changes in ownership or

control of station licenses; regulates equipment used by stations; regulates station employment practices; regulates certain program content, including commercial matters in children's programming; has the authority to impose penalties for violations of its rules or the Communications Act; and imposes annual fees on

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stations. Reference should be made to the Communications Act, as well as to the FCC's rules, public notices, and rulings for further information concerning the nature and extent of federal regulation of broadcast stations.

Broadcast licenses are granted for eight-year periods. The Communications Act directs the FCC to renew a broadcast license if the station has served the public interest and is in substantial compliance with the provisions of the Communications Act and FCC rules and policies. Management believes the Company is in substantial compliance with all applicable provisions of the Communications Act and FCC rules and policies and knows of no reason why Meredith's broadcast station licenses will not be renewed.

The FCC has, on occasion, changed the rules related to ownership of media assets, including rules relating to the ownership of one or more television stations in a market. The FCC's media ownership rules are subject to further review by the FCC, various court appeals, petitions for reconsideration before the FCC, and possible actions by Congress. We cannot predict the impact of any of these developments on our business.

The Communications Act and the FCC also regulate relationships between television broadcasters and cable, satellite, and telecommunications television providers. Under these provisions, most cable systems must devote a specified portion of their channel capacity to the carriage of the signals of local television stations that elect to exercise this right to mandatory carriage. Alternatively, television stations may elect to restrict cable systems from carrying their signals without their written permission, referred to as retransmission consent. Congress and the FCC have established and implemented generally similar market-specific requirements for mandatory carriage of local television stations by satellite television providers when those providers choose to provide a market's local television signals. These rules, including related rules on exclusivity, good faith bargaining, and over-the-top carriage are subject to further review by the FCC and possible actions by Congress. We cannot predict the impact of any of these developments on our business.

The FCC proposed a plan, called the National Broadband Plan, to increase the amount of spectrum available in the U.S. for wireless broadband use. In furtherance of the National Broadband Plan, Congress enacted, and the President signed into law, legislation authorizing the FCC to conduct a "reverse auction" for which television broadcast licensees could submit bids to receive compensation in return for relinquishing all or a portion of their rights in the television spectrum of their full service and/or Class A stations. Under the new law, the FCC may hold one reverse auction and a follow-up auction for the newly freed spectrum. The FCC completed both auctions in calendar 2017.

Even if a television licensee did not participate in the reverse auction, the results of the auction could materially impact a station's operations. The FCC has the authority to force a television station to change channels and/or modify its coverage area to allow the FCC to rededicate certain channels within the television band for wireless broadband use. Last year, the FCC released a list of television stations that must change their facilities as part of this "repacking" process. Several of our stations are among the hundreds of stations selected for repacking of the television band. The repacking process will be ongoing for several years and may change. The FCC will reimburse us for certain repacking expenses subject to an overall industry cap on the reimbursed expenses of all repacked television stations. We cannot predict whether or how this process will ultimately affect the Company or our television stations.

In addition to the National Broadband Plan, Congress, certain States, and the FCC have under consideration, and in the future may adopt, new laws, regulations, and policies regarding a wide variety of other matters that also could affect, directly or indirectly, the operation, ownership transferability, and profitability of the Company's broadcast stations and affect the ability of the Company to acquire additional stations. In addition to the matters noted above, these could include spectrum usage fees, regulation of political advertising rates, restrictions on the advertising of certain products (such as alcoholic beverages or gambling), program content restrictions, and ownership rule changes.

Other matters that could potentially affect the Company's broadcast properties include technological innovations and developments generally affecting competition in the mass communications industry for viewers or advertisers, such as home video recording devices and players, satellite radio and television services, cable television systems,



newspapers, outdoor advertising, and internet-delivered video programming services. For example, the FCC recently approved a proposal to allow the voluntary transition of television broadcasters to ATSC 3.0, known as Next Generation Television. We cannot predict whether or how this process will ultimately affect the Company or our television stations. Large mass communication transactions have also increased the scrutiny of federal and state antitrust enforcement on the mass communications industry.

The information provided in this section is not intended to be inclusive of all regulatory provisions currently in effect. Statutory provisions and FCC regulations are subject to change, and any such changes could affect future operations and profitability of the Company's local media segment. Management cannot predict what regulations or legislation may be adopted, nor can management estimate the effect any such changes would have on the Company's television broadcasting operations.

#### EXECUTIVE OFFICERS OF THE COMPANY

Executive officers are elected to one-year terms each November. The current executive officers of the Company are:

Stephen M. Lacy—Executive Chairman (2018 - present) and a director of the Company since 2004. Formerly Chairman and Chief Executive Officer (2016 - 2018) and Chairman, President, and Chief Executive Officer (2010 - 2016). Age 64.

Thomas H. Harty—President and Chief Executive Officer (2018 - present) and a director of the Company since 2017. Formerly President and Chief Operating Officer (2016 - 2018) and President, National Media Group (2010 - 2016). Age 55.

Jonathan B. Werther—President, National Media Group (2016 - present). Formerly Executive Vice President/President Meredith Digital (2013 - 2016). Age 49.

Patrick McCreery—President, Local Media Group (July 1, 2018 - present). Formerly Local Media Group Executive Vice President (2018), Vice President of News and Marketing (2014 - 2018), and Vice President and General Manager, KPTV/KPDX (2008 - 2014). Age 47.

Joseph H. Ceryanec—Chief Financial Officer (2008 - present). Age 57.

John S. Zieser—Chief Development Officer/General Counsel and Secretary (2006 - present). Age 59.

#### EMPLOYEES

As of June 30, 2018, the Company had approximately 7,500 full-time and 415 part-time employees, of whom approximately 6,850 were located in the United States, 50 in the Netherlands, 35 in the United Kingdom, 850 in India, and 130 in other locations throughout Europe and Asia. Only a small percentage of our workforce is unionized. We have various arrangements with our international employees that we believe to be customary for multinational corporations. We have had no strikes or work stoppages during the last five years and consider relations with our employees to be good.

#### OTHER

Name recognition and the public image of the Company's trademarks (e.g., People, Better Homes & Gardens, Parents) and television station call letters are vital to the success of our ongoing operations and to the introduction of new businesses. The Company protects our brands by aggressively defending our trademarks and call letters.

The Company had no material expenses for research and development during the past three fiscal years. Revenues from individual customers and revenues, operating profits, and identifiable assets of foreign operations were not significant. Compliance with federal, state, and local provisions relating to the discharge of materials into the environment and to the protection of the environment had no material effect on capital expenditures, earnings, or the Company's competitive position.

#### AVAILABLE INFORMATION

The Company's corporate website is meredith.com. The content of our website is not incorporated by reference into this Form 10-K. Meredith makes available free of charge through our website our Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished to the United States Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practical after such documents are electronically filed with or furnished to the SEC. Meredith also makes available on our website our corporate governance information including charters of all of our Board Committees, our Corporate Governance Guidelines, our Code of Ethics, and our Bylaws. Copies of such documents are also available free of charge upon written request.

#### FORWARD-LOOKING STATEMENTS

This Form 10-K, including the sections titled Item 1-Business, Item 1A-Risk Factors, and Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that relate to future events or our future financial performance. We may also make written and oral forward-looking statements in our SEC filings and elsewhere. By their nature, forward-looking statements involve risks, trends, and uncertainties that could result in actual results that are materially different than those anticipated in any forward-looking statements. Such factors include, but are not limited to, those items described in Item 1A-Risk Factors below, those identified elsewhere in this document, and other risks and factors identified from time to time in our SEC filings. We have tried, where possible, to identify such statements by using words such as believe, expect, intend, estimate, may, anticipate, will, likely, project, plan, and similar expressions in connection with any discussion of future operating or financial performance. Any forward-looking statements are and will be based upon our then-current expectations, estimates, and assumptions regarding future events and are applicable only as of the dates of such statements. Readers are cautioned not to place undue reliance on such forward-looking statements that are part of this filing; actual results may differ materially from those currently anticipated. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

#### ITEM 1A. RISK FACTORS

In addition to the other information contained or incorporated by reference into this Form 10-K, investors should consider carefully the following risk factors when investing in our securities. In addition to the risks described below, there may be additional risks that we have not yet perceived or that we currently believe are immaterial.

##### Risks Relating to the Acquisition of Time

The Company may fail to realize all of the anticipated benefits of the acquisition of Time, those benefits may take longer to realize than expected, or the Company may encounter significant difficulties in integrating Time's business into our operations. If the acquisition does not achieve its intended cost savings results, the business, financial condition, and results of operations could be materially and adversely affected. Although the Company currently estimates annual cost synergies in excess of \$500 million within the first two full years of

combined operation and incurring costs to achieve those synergies of approximately \$300 million spread evenly between the first two years of operation, actual synergies and cost savings could differ materially from our current expectations. Our ability to realize the anticipated benefits resulting from the acquisition of Time, including anticipated synergies, will depend, to a large extent, on our ability to integrate Time's business into our existing operations. In addition, these synergies and cost savings are based on estimates and assumptions made that are inherently uncertain, and are subject to significant business, economic, and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control.

The combination of two independent businesses is a complex, costly, and time-consuming process that will require significant management attention and resources. The integration process may disrupt the businesses and, if implemented ineffectively, would limit the expected benefits to us. The failure to meet the challenges involved in integrating the two businesses and to realize the anticipated benefits could cause an interruption of, or a loss of momentum in, the activities of the Company and could adversely affect the results of operations of the Company.

In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customer and other business relationships, and diversion of management's attention. The difficulties of combining the operations of the companies include, among others:

- the diversion of management's attention to integration matters;
- difficulties in achieving anticipated cost savings, synergies, business opportunities, and growth prospects from the combination;
- difficulties in the integration of operations and systems;
- conforming standards, controls, procedures, accounting and other policies, business cultures, and compensation structures between the two companies;
- difficulties in the assimilation of employees and corporate cultures; and
- challenges in attracting and retaining key personnel.

Many of these factors are outside of our control and any one of these factors could result in increased costs, decreases in the amount of expected revenues, and additional diversion of management's time and energy, which could materially adversely impact our business, financial condition, and results of operations. In addition, even if the operations are integrated successfully, the full benefits, including the synergies, cost savings, revenue growth, or other benefits that are expected, may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the integration of our businesses. All of these factors could decrease or delay the expected accretive effect of the acquisition, and negatively impact our business, operating results, and financial condition. As a result, we cannot provide any assurance that the acquisition of Time will result in the realization of the full benefits that we anticipate.

The successful execution of the post-acquisition integration strategy will involve considerable risks and may not be successful. If management is unable to minimize the potential disruption of the ongoing business and distraction of management during the integration process, the anticipated benefits of the acquisition may not be realized or realized as quickly as we anticipate. Realizing the benefits of the acquisition will depend in part on the integration of technology, operations, and personnel while maintaining adequate focus on core businesses. There may be overlaps in the current offerings of us and Time, which could negate some of the anticipated benefits and enhanced revenue opportunities resulting from the acquisition. There are no assurances that any cost savings, greater economies of scale, and other operational efficiencies, as well as revenue enhancement opportunities anticipated from the combination of the two businesses will occur. Operating expenses may increase significantly in the near term due to the increased headcount, expanded operations, and expense or changes related to post-acquisition integration. To the extent that the Company's expenses increase but its revenues do not, there are unanticipated expenses related to the integration process, or there are significant costs associated with presently unknown liabilities, our business, operating results,

and financial condition may be materially and adversely affected. In addition, failure to minimize the numerous risks associated with the post-acquisition integration strategy also may adversely affect our business, operating results, and financial condition.

Significant costs associated with the acquisition will be incurred. We have incurred and will incur substantial expenses as a result of the acquisition of Time including expenses in connection with coordinating the businesses, operations, policies, and procedures. These expenses include expenses we will incur in connection with achieving synergies, and expenses associated with the new indebtedness that we incurred in connection with the acquisition. While we have assumed that a certain level of integration expenses will be incurred, factors beyond our control could affect the total amount or the timing of these expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately.

Employee uncertainty related to the acquisition could harm the Company. Employees may experience uncertainty about their future role with the Company until or after strategies are executed. The integration team that is working on effectively combining the companies' businesses may streamline operations to achieve cost savings or in response to general economic conditions. The integration process may cause disruptions among employees or erode employee morale. Employee uncertainty may adversely affect the Company's ability to attract new personnel to fill key positions that may become available upon integration of the two businesses or to retain current employees necessary to implement the Company's strategies, either of which may disrupt the operations of the Company. We may not succeed in retaining current employees. Management may not be successful in motivating continuing employees and keeping them focused on the strategies and goals of the Company during potential workforce reductions and other distractions relating to the acquisition.

Customers may delay or cancel business arrangements, or seek to modify existing relationships, as a result of concerns over the acquisition or to extract negotiation leverage. The acquisition could cause potential customers to delay or cancel contracts as a result of concerns over the acquisition. In particular, prospective customers could be reluctant to purchase the Company's products and services due to uncertainty about the direction of the Company. Moreover, existing customers may seek to modify their relationships to extract leverage in connection with current or anticipated contract negotiations. A delay or cancellation of purchases by potential customers or modification of current arrangements by existing customers could have an adverse effect on our business, results of operations, or financial condition.

We have recorded significant goodwill and other intangible assets in connection with the acquisition of Time that could become impaired, resulting in significant non-cash charges against earnings. In connection with the accounting for the acquisition of Time, we recorded a significant amount of intangible assets and goodwill. Under accounting principles generally accepted in the United States of America (U.S. GAAP), the Company must assess, at least annually and potentially more frequently, whether the value of goodwill and other indefinite-lived intangible assets has been impaired. Amortizing intangible assets will be assessed for impairment in the event of an impairment indicator. Any reduction or impairment of the value of goodwill or other intangible assets will result in a non-cash charge against earnings, which could materially adversely affect our results of operations.

Our business could be adversely impacted by the proposed divestiture of our non-core media assets. As previously disclosed, we anticipate agreements to sell the TIME, Sports Illustrated, Fortune, and Money brands, along with our 60 percent equity investment in Viant, to be finalized in early fiscal 2019. These brands and businesses have different target audiences and advertising bases than the rest of our portfolio, and we believe each is better suited for success with a new owner. Divestitures involve risks, including difficulties in the separation of operations, services, products, and personnel; the diversion of management's attention from other business concerns; the disruption of our day-to-day operations; and the potential loss of key employees. We may not receive an acceptable offer for our non-core media assets and we may not be able to negotiate an acceptable definitive agreement or consummate a sale transaction in a timely manner or at all. Dispositions may also involve continued financial involvement in the divested business, such as through transition service agreements, guarantees, and indemnities or other current or contingent financial obligations and liabilities, which could adversely affect our future financial results. We cannot assure you that we will be successful in managing these or any other significant risks that we encounter in divesting our non-core media

assets.

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## Risks Relating to Indebtedness and Equity

Our substantial level of indebtedness and our ability to incur significant additional indebtedness could adversely affect our business, financial condition, and results of operations. Our level of indebtedness could have important consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures, and other general corporate requirements or to carry out other aspects of our business;
- increase our cost of borrowing;
- make it more difficult for us to satisfy our obligations with respect to our debt;
- require us to dedicate a substantial portion of our cash flow from operations to payments on indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, and other general corporate requirements or to carry out other aspects of our business;
- limit our ability to make material acquisitions or take advantage of business opportunities that may arise;
- expose us to fluctuations in interest rates, to the extent our borrowings bear variable rates of interest;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;
- place us at a potential disadvantage compared to our competitors that have less debt;
- affect our credit ratings; and
- limit our ability to pay dividends.

Our ability to make scheduled payments on and to refinance our indebtedness will depend on and be subject to our future financial and operating performance, which in turn is affected by general economic, financial, competitive, business, and other factors beyond our control, including the availability of financing in the banking and capital markets. Our business may fail to generate sufficient cash flow from operations or we may be unable to efficiently repatriate the portion of our cash flow that is derived from our foreign operations or borrow funds in an amount sufficient to enable us to make payments on our debt, to refinance our debt, or to fund our other liquidity needs. If we were unable to make payments on or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as asset sales, equity issuances, or negotiations with our lenders to restructure the applicable debt. The terms of our debt agreements and market or business conditions may limit our ability to take some or all of these actions. In addition, if we incur additional debt, the related risks described above could be exacerbated.

Our indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly or could prevent us from taking advantage of lower rates. A portion of our indebtedness consists of term loans and revolving credit facility borrowings with variable rates of interest that expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable-rate indebtedness will increase even though the amount borrowed remains the same, and our net income and cash flows will correspondingly decrease. Even if we enter into interest rate swaps in the future in order to reduce future interest rate volatility, we may not elect to maintain such interest rate swaps with respect to any of our variable-rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk. In addition, we have significant fixed-rate indebtedness that includes prepayment penalties which could prevent us from taking advantage of any future decrease in interest rates that may otherwise be applicable to us.

To service our indebtedness, we will require a significant amount of cash and our ability to generate cash depends on many factors beyond our control. Our ability to make cash payments on and to refinance our indebtedness, and to fund planned capital expenditures will depend on our ability to generate significant operating cash flow in the future. Our ability to generate such cash flow is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. Our business may not generate cash flow from operations in an amount

sufficient to enable us to pay the principal, premium, if any, and interest on our indebtedness, or to fund our other liquidity needs. If we cannot service our indebtedness, we may have to take actions such as refinancing or restructuring our indebtedness, selling assets, issuing equity, or reducing or delaying capital expenditures, strategic acquisitions, and investments. These actions, if necessary, may not be affected on

commercially reasonable terms or at all. Our ability to refinance or restructure our debt will depend on the condition of the capital markets and our financial condition at the applicable time. Any refinancing of our debt, if we are able to refinance our debt at all, could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. Further, our credit agreements restrict our ability to undertake, or use the proceeds from, such measures. Our ability to repay our indebtedness is largely dependent on the generation of cash flow by our operating subsidiaries and our operating subsidiaries' ability to make cash available to us by dividend, intercompany loans, advances and other transactions, or otherwise. Our subsidiaries may not be able to, or may not be permitted to, transfer cash to us to enable us to make payments in respect of our indebtedness. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries.

Covenants under the indenture governing our 2026 Senior Notes and our credit agreement may restrict our business and operations in many ways, and if we do not effectively manage our covenants, our financial conditions and results of operations could be adversely affected. The indenture governing our \$1.4 billion aggregate principal amount of 6.875 percent unsecured senior notes (2026 Senior Notes) and our credit agreement impose various covenants that limit our ability and/or our restricted subsidiaries' ability to, among other things:

- pay dividends or distributions, repurchase equity, prepay, redeem or repurchase certain debt, and make certain investments;
- incur additional debt and issue certain preferred stock;
- provide guarantees in respect of obligations of other persons;
- incur liens on assets;
- engage in certain asset sales, including capital stock of our subsidiaries;
- merge, consolidate with, or sell all or substantially all of our assets to another person;
- enter into transactions with affiliates;
- enter into agreements that restrict distributions from our subsidiaries;
- designate subsidiaries as unrestricted subsidiaries; and
- prohibit certain restrictions on the ability of restricted subsidiaries to pay dividends or make other payments to us.

These covenants may:

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions, or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

If we are unable to successfully manage the limitations and decreased flexibility on our business due to our significant debt obligations, we may not be able to capitalize on strategic opportunities or grow our business to the extent we would be able to without these limitations.

Our failure to comply with any of the covenants could result in a default under the credit agreement or the indenture governing the 2026 Senior Notes, which could permit the administrative agent or the trustee, as applicable, or permit the lenders or the holders of the 2026 Senior Notes to cause the administrative agent or the trustee, as applicable, to declare all or part of any of our outstanding senior secured term loans or revolving loans or the 2026 Senior Notes to be immediately due and payable or to exercise any remedies provided to the administrative agent or the trustee,

including, in the case of the credit agreement, proceeding against the collateral granted to secure our obligations under the credit agreement. An event of default under the credit agreement or the indenture governing

the 2026 Senior Notes could also lead to an event of default under the terms of certain of our other agreements. Any such event of default or any exercise of rights and remedies by our creditors could seriously harm our business.

The holder of our Series A preferred stock has rights that are senior to those of Meredith's common stockholders, and the terms of the Series A preferred stock may limit our ability to pay dividends. The Series A preferred stock ranks senior to any other class or series of equity, including Meredith's common stock and class B stock, with respect to dividend rights and rights upon liquidation. Meredith is required to pay dividends on the Series A preferred stock in cash or in kind at an annual rate. Meredith expects to continue to pay dividends on Meredith's common stock and class B stock, but for so long as the Series A preferred stock remains outstanding, Meredith's ability to declare or pay dividends or distributions on, or purchase or redeem, shares of Meredith's common stock and class B stock is subject to compliance with certain covenants. Meredith's failure to comply with the terms of the Series A preferred stock could restrict Meredith's ability to pay dividends as expected.

### Risks Relating to Income Taxes

The Tax Cuts and Jobs Act (the Tax Reform Act) could adversely affect the Company's business and financial condition. The Tax Reform Act, which was signed into law on December 22, 2017, includes numerous provisions that will affect businesses and may adversely impact the Company's business and financial condition. Among other things, the Tax Reform Act includes limitations on a corporation's ability to deduct certain expenses. Specifically, beginning after December 31, 2017, the deduction of net interest expenses for any taxable year of a corporate borrower will generally be capped at 30 percent of the "adjusted taxable income" of such corporate borrower for such taxable year. For purposes of the foregoing provision, the term "adjusted taxable income" generally refers to a corporation's earnings before interest, taxes, and, in the case of taxable years beginning before January 1, 2022, depreciation, amortization, and depletion. By contrast, prior to the adoption of the Tax Reform Act, interest paid or accrued by a business was generally deductible in the computation of taxable income subject to certain limitations. Accordingly, to the extent that the Tax Reform Act limits the amount of the Company's net interest expenses that is permitted to be deducted from the Company's taxable income in a taxable year, the Company will pay federal income taxes on more taxable income with respect to such taxable year, which could adversely affect the Company's business and financial condition, including, among other things, its liquidity and its cost of capital. However, the Tax Reform Act's reduction of the corporate tax rate may mitigate the effect of this new limitation on the deductibility of net interest expenses.

The Time business could have an indemnification obligation to Time Warner, which could materially adversely affect our financial condition. The complete legal and structural separation of Time Warner Inc.'s (Time Warner) magazine publishing and related business from Time Warner (the Spin-Off) was completed by way of a pro rata dividend of Time Inc. shares held by Time Warner to its stockholders as of May 23, 2014, based on a distribution ratio of one share of Time Inc. common stock for every eight shares of Time Warner common stock held (the Distribution). If, due to any of Time's representations being untrue or Time's covenants being breached, it was determined that the Distribution did not qualify for non-recognition of gain and loss under Section 355 of the Internal Revenue Code (the Code), or that an excess loss account existed at the date of the Spin-Off, Time could be required to indemnify Time Warner for the resulting taxes and related expenses. Any such indemnification obligation could materially adversely affect our financial condition.

### Risks Relating to Business Operations

Advertising represents the largest portion of our revenues and advertising demand may fluctuate from period to period. In fiscal 2018, 50 percent of our revenues were derived from advertising. Advertising constitutes 48 percent of our national media revenues and 54 percent of our local media revenues. Demand for advertising is highly dependent upon the strength of the U.S. economy. During an economic downturn, demand for advertising may decrease. The growth in alternative forms of media, particularly electronic media including those based on the internet, has increased

the competition for advertising dollars, which could in turn reduce expenditures for magazine and television advertising or suppress advertising rates.

Circulation revenues represent a significant portion of our revenues. Magazine circulation is another significant source of revenue, representing 22 percent of total revenues and 31 percent of national media revenues. Preserving the number of copies sold is critical for maintaining advertising sales. Magazines face increasing competition from alternative forms of media and entertainment. As a result, sales of magazines through subscriptions and at the newsstand could decline. As publishers compete for subscribers, subscription prices could decrease and marketing expenditures may increase.

Technology in the media industry continues to evolve rapidly. Advances in technology have led to an increasing number of alternative methods for the delivery of content and have driven consumer demand and expectations in unanticipated directions. If we are unable to exploit new and existing technologies to distinguish our products and services from those of our competitors or adapt to new distribution methods that provide optimal user experiences, our business, financial condition, and prospects may be adversely affected. Technology developments also pose other challenges that could adversely affect our revenues and competitive position. New delivery platforms may lead to pricing restrictions, the loss of distribution control, and the loss of a direct relationship with consumers. We may also be adversely affected if the use of technology developed to block the display of advertising on websites proliferates. In addition, technologies such as subscription streaming media services and mobile video are increasing competition for household audiences and advertisers. This competition may make it difficult for us to grow or maintain our broadcasting and print revenues, which we believe may challenge us to expand the contribution of our digital businesses.

Our websites and internal networks may be vulnerable to unauthorized persons accessing our systems, which could disrupt our operations. The Company uses computers and other technology in substantially all aspects of our business operations, and our revenues are increasingly dependent on digital products. Such increases expose us to potential cyber incidents resulting from deliberate attacks or unintentional events. Our website activities involve the storage and transmission of proprietary information, which we strive to protect from unauthorized access. However, it is possible that unauthorized persons may be able to circumvent our protections and misappropriate proprietary information, corrupt data, or cause interruptions or malfunctions in our digital operations. The results of these incidents could include, but are not limited to, business interruption, public disclosure of nonpublic information, decreased advertising revenues, misstated financial data, liability for stolen assets or information, increased cybersecurity protection costs, litigation, financial consequences, and reputational damage adversely affecting customer or investor confidence, any or all of which could adversely affect our business. We invest in security resources and technology to protect our data and business processes against risk of data security breaches and cyber-attack, but the techniques used to attempt attacks are constantly changing. A breach or successful attack could have a negative impact on our operations or business reputation.

Evolving privacy and information security laws and regulations may impair our ability to market to consumers. Meredith's consumer database includes first-party data that is used to market our products to our customers and is also rented to or used on behalf of marketing and advertising clients. As public awareness shifts to data gathering and usage, privacy rights, and data protection, new laws and regulations may be passed that would restrict or prevent us from utilizing this data. Such restrictions could reduce or eliminate this resource for generating revenue for the Company.

World events may result in unexpected adverse operating results for our local media segment. Our local media results could be affected adversely by world events such as wars, political unrest, acts of terrorism, and natural disasters. Such events can result in significant declines in advertising revenues as the stations will not broadcast or will limit broadcasting of commercials during times of crisis. In addition, our stations may have higher newsgathering costs related to coverage of the events.

Our local media operations are subject to FCC regulation. Our broadcasting stations operate under licenses granted by the FCC. The FCC regulates many aspects of television station operations including employment practices, political advertising, indecency and obscenity, programming, signal carriage, and various other technical matters. Violations of these regulations could result in penalties and fines. Changes in these regulations could impact the results of our operations. The FCC also regulates the ownership of television stations. Changes in the



ownership rules could adversely affect our ability to consummate future transactions or may favor our competitors. Details regarding regulation and its impact on our local media operations are provided in Item 1-Business beginning on page 9.

Loss of or changes in affiliation agreements could adversely affect operating results for our local media segment. Due to the quality of the programming provided by the networks, stations that are affiliated with a network generally have higher ratings than unaffiliated independent stations in the same market. As a result, it is important for stations to maintain their network affiliations. Most of our stations have network affiliation agreements. Seven are affiliated with CBS, five with FOX, two with MyNetworkTV, one with NBC, and one with ABC. These television networks produce and distribute programming in exchange for each of our stations' commitment to air the programming at specified times and for commercial announcement time during the programming. We also make cash payments to the networks. These payments are in essence a portion of the retransmission consent fees that Meredith receives from cable, satellite, and telecommunications service providers, which pay Meredith to carry our television programming in our markets. These network relationships may also include terms regarding over-the-top distribution. The non-renewal or termination of any of our network affiliation agreements would prevent us from being able to carry programming of the affiliate network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and/or which may not be as attractive to our audiences, resulting in reduced revenues. Furthermore, the non-renewal of any retransmission consent agreement with a major cable, satellite, or telecommunications service provider could adversely affect the economics of our relationship with the applicable network(s), advertising revenues, and our local brands. If renewed, our network affiliation agreements and our retransmission agreements may be renewed on terms that are less favorable to us. Our CBS affiliation agreements expire in June and August 2020. The MyNetworkTV affiliation agreements expire in September 2020. Our FOX affiliation agreements expire in December 2018. Our NBC affiliation agreement expires in December 2021 and our ABC affiliation agreement expires in December 2019.

Client relationships are important to our brand licensing and consumer relationship marketing businesses. Our ability to maintain existing client relationships and generate new clients depends significantly on the quality of our products and services, our reputation, and the continuity of Company and client personnel. Dissatisfaction with our products and services, damage to our reputation, or changes in key personnel could result in a loss of business.

Increases in paper and postage prices, which are difficult to predict and control, could adversely affect our results of operations. Paper and postage represent significant components of our total cost to produce, distribute, and market our printed products. In fiscal 2018, these expenses accounted for 11 percent of national media's operating costs. Paper is a commodity and its price can be subject to significant volatility. All of our paper supply contracts currently provide for price adjustments based on prevailing market prices; however, we historically have been able to realize favorable paper pricing through volume discounts. The USPS distributes substantially all of our subscription magazines and many of our marketing materials. Postal rates are dependent on the operating efficiency of the USPS and on legislative mandates imposed upon the USPS. Although we work with others in the industry and through trade organizations to encourage the USPS to implement efficiencies that will minimize rate increases, we cannot predict with certainty the magnitude of future price changes for paper and postage. Further, we may not be able to pass such increases on to our customers.

Acquisitions pose inherent financial and other risks and challenges. As a part of our strategic plan, we have acquired businesses and we expect to continue acquiring businesses in the future. These acquisitions can involve a number of risks and challenges, any of which could cause significant operating inefficiencies and adversely affect our growth and profitability. Such risks and challenges include underperformance relative to our expectations and the price paid for the acquisition; unanticipated demands on our management and operational resources; difficulty in integrating personnel, operations, and systems; retention of customers of the combined businesses; assumption of contingent liabilities; and acquisition-related earnings charges. If our acquisitions are not successful, we may record impairment

charges. Our ability to continue to make acquisitions will depend upon our success at identifying suitable targets, which requires substantial judgment in assessing their values, strengths, weaknesses, liabilities, and potential profitability, as well as the availability of suitable candidates at acceptable prices and whether restrictions

are imposed by regulations. Moreover, competition for certain types of acquisitions is significant, particularly in the fields of broadcast stations and digital media. Even if successfully negotiated, closed, and integrated, certain acquisitions may not advance our business strategy and may fall short of expected return on investment targets.

Impairment of goodwill and intangible assets is possible, depending upon future operating results and the value of the Company's stock. Although the Company wrote down certain of its intangible assets, including goodwill and trademarks, by \$22.7 million in fiscal 2018, \$5.3 million in fiscal 2017, and \$155.8 million in fiscal 2016, further impairment charges are possible. We test our goodwill and indefinite-lived intangible assets for impairment during the fourth quarter of every fiscal year and on an interim basis if indicators of impairment exist. Factors which influence the evaluation include, among many things, the Company's stock price and expected future operating results. If the carrying value of a reporting unit or an intangible asset is no longer deemed to be recoverable, a potentially material non-cash impairment charge could be incurred. At June 30, 2018, goodwill and intangible assets totaled \$3.9 billion, or 58 percent of Meredith's total assets, with \$3.0 billion in the national media segment and \$907.1 million in the local media segment. The review of goodwill is performed at the reporting unit level. The Company has three reporting units – national media, local media excluding MNI, and MNI. We performed our most recent annual goodwill impairment test as of May 31, 2018. The fair value of the national media reporting unit exceeded its net assets by 15 percent. The impairment analysis assumed only 50 percent of the synergies expected to be realized from the acquisition of Time. Had 100 percent of the synergies been incorporated into the future cash flows in the impairment analysis, the fair value would have exceeded carrying value by 43 percent. Qualitative impairment analyses were performed for the local media excluding MNI reporting unit and the MNI reporting unit and resulted in no indications of impairment and thus, no quantitative assessments were necessary. Changes in key assumptions about the economy or business prospects used to estimate fair value or other changes in market conditions could result in additional impairment charges. Although these charges would be non-cash in nature and would not affect the Company's operations or cash flow, they would reduce stockholders' equity and reported results of operations in the period charged.

We have three classes of stock with different voting rights. We have three classes of stock: Series A preferred stock, common stock, and class B stock. The Series A preferred stock is non-voting. Holders of common stock are entitled to one vote per share and account for 44 percent of the voting power. Holders of class B stock are entitled to ten votes per share and account for the remaining 56 percent of the voting power. There are restrictions on who can own class B stock. The majority of Class B shares are held by members of Meredith's founding family. Control by a limited number of holders may make the Company a less attractive takeover target, which could adversely affect the market price of our common stock. This voting control also prevents other shareholders from exercising significant influence over certain of the Company's business decisions.

Adverse changes in the equity markets or interest rates, changes in actuarial assumptions and legislative or other regulatory actions could substantially increase our United Kingdom (U.K.) pension costs and could result in a material adverse effect on our business, financial condition, and results of operations. Through one of our U.K. subsidiaries acquired with the acquisition of Time, the Company sponsors the IPC Media Pension Scheme (the IPC Plan), a defined benefit pension plan that is closed both to new participants and to the future accrual of additional benefits for current participants. The majority of pensions in payment and deferred pensions in excess of any guaranteed minimum pension are increased annually in line with the increase in the retail price index up to a maximum of 5 percent. Concurrently with the acquisition of Time, the Company was substituted for Time as the guarantor of all obligations of the statutory employers under the IPC Plan.

The most recent triennial valuation of the IPC Plan under U.K. pension regulations was completed as of April 5, 2015. Under the assumptions used in such valuation, which are more conservative than the assumptions used to determine a pension plan's funded status in accordance with U.S. GAAP, the IPC Plan was deemed to be underfunded at that time by approximately £156 million. A triennial valuation of the IPC Plan is currently in process and once completed, will

be as of April 5, 2018.

Under the current deed of guarantee, the Company would be obligated to fund the IPC Plan's "buyout deficit" (i.e., the amount that would be needed to purchase annuities to discharge the benefits under the plan) under certain

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circumstances. Specifically, the Company would be required to deposit the buyout deficit into escrow if its debt in excess of \$50 million were not to be paid when due or were to come due prior to its stated maturity as a result of a default (a Major Debt Acceleration) or if a Covenant Breach were to occur (as described below). The Company would be permitted to recoup the escrowed funds under certain circumstances. However, if the Company, as the sponsor, was to become insolvent, or if a Major Debt Acceleration were to occur (without being promptly cured), any escrowed funds would be immediately contributed into the IPC Plan and the Company would be obligated to immediately contribute into the IPC Plan any shortfall in the buyout deficit amount.

In connection with the completion of the sale of all issued shares of TIUK on March 15, 2018, and the substitution of another U.K. subsidiary of the Company as the sole sponsor under the IPC Plan, the deed of guarantee was amended to remove requirements to deposit the buyout deficit as a result of certain credit rating triggers. At the same time, the Company agreed that the same subsidiaries of the Company that guarantee the Company's 2026 Senior Notes would guarantee the obligations of the Company under the IPC Plan on a pari passu basis with the obligations under the 2026 Senior Notes. In addition, the Company agreed to incorporate the terms of certain covenants under the indenture governing the 2026 Senior Notes into the amended deed of guarantee effective as of March 15, 2018. If a breach of such covenants by the Company or the subsidiary guarantors occurs (after certain notice and cure periods) (a Covenant Breach), the Company would be required to deposit the buyout deficit (less the amount of certain types of security in favor of the IPC Plan, currently provided in the form of a surety bond) into escrow as described above.

If the Company had been required to fund the buyout deficit on June 30, 2018, the amount would have been approximately £138 million. The amount of the buyout deficit changes daily and is determined by many factors, including changes in the fair value of the IPC Plan assets and liabilities and interest rates.

It is possible that, following future valuations of the IPC Plan's assets and liabilities or following future discussions with the IPC Plan trustee, the annual funding obligation and/or the arrangements to ensure adequate funding for the IPC Plan will change. The future valuations under the IPC Plan can be affected by a number of assumptions and factors, including legislative changes, assumptions regarding interest rates, currency rates, inflation, mortality, and retirement rates, the investment strategy and performance of the IPC Plan assets, and (in certain limited circumstances) actions by the U.K. Pensions Regulator. Volatile economic conditions, including the U.K.'s impending exit from the European Union, commonly referred to as Brexit, could increase the risk that the funding requirements increase following the next triennial valuation. The U.K. Pensions Regulator also has powers under the Pensions Act 2004 to impose a contribution notice or a financial support direction on the Company (and other persons connected with the Company or the U.K. subsidiary which sponsors the IPC Plan) if, in the case of a contribution notice, the U.K. Pensions Regulator reasonably believes such person has been party to an act, or deliberate failure to act, intended to avoid pension liabilities or that is materially detrimental to the pension plan, or, in the case of a financial support direction, if a plan employer is a service company or insufficiently resourced and the Pensions Regulator considers it is reasonable to act against such a person. A significant increase in the funding requirements for the IPC Plan or in the calculated "self-sufficiency deficit" or the calculated "risk-free self-sufficiency deficit" could result in a material adverse effect on its business, financial condition, and results of operations.

The preceding risk factors should not be construed as a complete

list of  
factors that  
may affect  
our future  
operations  
and  
financial  
results.

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## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

Meredith is headquartered in Des Moines, IA. The Company owns buildings at 1716 and 1615 Locust Street and is the sole occupant of these buildings. The Company believes these facilities are adequate for their intended use.

The national media segment operates mainly from the Des Moines offices and from multiple leased facilities in New York, NY. The New York facilities are used primarily as advertising sales offices for all Meredith magazines and as headquarters for brands including Family Circle, Shape, Parents, Rachael Ray Every Day, and all brands acquired in the Time acquisition. We are in the process of transferring employees and operations from our leased facility at 805 Third Avenue, New York, NY to the leased facility at 225 Liberty Street, New York, NY. We plan to vacate the majority of the leased space at 805 Third Avenue by September 2018 and have entered into agreements with unaffiliated third-party tenants to sublease approximately 70 percent of the leased space at this location.

The national media segment has also entered into leases for magazine editorial offices, national media sales offices, technology centers, warehouses, and other operational functions in the states of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Massachusetts, Michigan, Minnesota, New Jersey, Pennsylvania, Texas, Vermont, and Washington; Washington, D.C.; and in the countries of Canada, China, India, Japan, Netherlands, the Philippines, Singapore, and Switzerland. The Company believes these facilities are sufficient to meet our current and expected future requirements.

The local media segment operates from facilities in the following locations: Atlanta, GA; Phoenix, AZ; St. Louis, MO; Beaverton, OR; Nashville, TN; Rocky Hill, CT; Fairway, KS; Greenville, SC; Henderson, NV; Mobile, AL; Saginaw, MI; and Springfield, MA. The property in St. Louis is leased, while the other properties are owned by the Company. Each of the broadcast stations also maintains one or more owned or leased transmitter sites.

## ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we are defendants in or parties to various legal claims, actions, and proceedings. These claims, actions and proceedings are at varying stages of investigation, arbitration, or adjudication, and involve a variety of areas of law. Time, which is now a wholly-owned subsidiary, previously reported on, and we update below, the following legal proceedings.

On October 26, 2010, the Canadian Minister of National Revenue denied the claims by Time Inc. Retail (formerly Time/Warner Retail Sales & Marketing, Inc.) (TIR) for input tax credits in respect of goods and services tax that TIR had paid on magazines it imported into and had displayed at retail locations in Canada during the years 2006 to 2008, on the basis that TIR did not own those magazines and issued Notices of Reassessment in the amount of approximately C\$52 million. On January 21, 2011, TIR filed an objection to the Notices of Reassessment with the Chief of Appeals of the Canada Revenue Agency (CRA), arguing that TIR claimed input tax credits only in respect of

goods and services tax it actually paid and, regardless of whether its payment of the goods and services tax was appropriate or in error, it is entitled to a rebate for such payments. On September 13, 2013, TIR received Notices of Reassessment in the amount of C\$26.9 million relating to the disallowance of input tax credits claimed by TIR for goods and services tax that TIR had paid on magazines it imported into and had displayed at retail locations in



Canada during the years 2009 to 2010. On October 22, 2013, TIR filed an objection to the Notices of Reassessment received on September 13, 2013 with the Chief of Appeals of the CRA, asserting the same arguments made in the objection TIR filed on January 21, 2011. Beginning in 2015, the collections department of the CRA requested payment of both assessments plus accrued interest or the posting of sufficient security. In each instance, TIR responded by stating that collection should remain stayed pending resolution of the issues raised by TIR's objection. Including interest accrued, the total of the reassessments claimed by the CRA for the years 2006 to 2010 was C\$91 million as of November 30, 2015. On February 8, 2016, the Company filed an application for a remission order with the International Trade Policy Division of Finance Canada to seek relief from the assessments and the CRA's collection efforts. The matter is currently subject to a proceeding in the Tax Court of Canada to resolve the issue of whether TIR or the publishers are entitled to the input tax credits. On March 31, 2017, the Company and the CRA jointly proposed a timetable for the completion of certain pre-trial steps related to this matter, which was approved by the Tax Court. In accordance with the timetable, on April 28, 2017, TIR filed an Amended Notice of Appeal of the assessments. In June 2017, the CRA filed a Reply to TIR's Amended Notice of Appeal and the Company filed an answer to the CRA reply in July 2017. The parties are currently engaged in discovery. The Company denies liability and intends to vigorously defend itself and pursue all defenses available to eliminate or mitigate liability.

In July 2017 and November 2017, Time received subpoenas from the Enforcement Division of the staff of the SEC requiring Time to provide documents relating to its accounting for goodwill and asset impairments, restructuring and severance costs, and its analysis and reporting of Time's segments. The Company is cooperating with the SEC in the investigation. Management cannot at this time predict the eventual scope or outcome of this matter.

#### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

## MARKET INFORMATION, DIVIDENDS, AND HOLDERS

The principal market for trading Meredith's common stock is the New York Stock Exchange (trading symbol MDP). There is no separate public trading market for Meredith's class B stock, which is convertible share for share at any time into common stock. Holders of both classes of stock receive equal dividends per share.

The range of trading prices for the Company's common stock and the dividends per share paid during each quarter of the past two fiscal years are presented below.

	High	Low	Dividends
Fiscal 2018			
First Quarter	\$63.05	\$53.25	\$ 0.520
Second Quarter	72.25	50.63	0.520
Third Quarter	69.35	52.35	0.545
Fourth Quarter	54.95	47.30	0.545

	High	Low	Dividends
Fiscal 2017			
First Quarter	\$57.53	\$49.17	\$ 0.495
Second Quarter	59.70	43.85	0.495
Third Quarter	66.25	54.60	0.520
Fourth Quarter	66.15	51.20	0.520

Meredith stock became publicly traded in 1946, and quarterly dividends have been paid continuously since 1947. Meredith has increased our dividend for 25 consecutive years. It is currently anticipated that comparable dividends will continue to be paid in the future.

On July 31, 2018, there were approximately 880 holders of record of the Company's common stock and 490 holders of record of class B stock.

## COMPARISON OF SHAREHOLDER RETURN

The following graph compares the performance of the Company's common stock during the period July 1, 2013, to June 30, 2018, with the Standard and Poor's (S&P) MidCap 400 Index and with a peer group of companies engaged in multimedia businesses primarily with publishing and/or television broadcasting in common with the Company.

The S&P MidCap 400 Index is comprised of 400 mid-sized U.S. companies with a market cap in the range of \$1.6 billion to \$6.8 billion in primarily the information technology, financial, industrial, and consumer discretionary industries weighted by market capitalization. The peer group selected by the Company for comparison, which is weighted by market capitalization, is comprised of Media General, Inc. (until its acquisition by Nexstar Broadcasting Group, Inc. on January 17, 2017); Nexstar Broadcasting Group, Inc.; TEGNA Inc.; The E.W. Scripps Company; and Time Inc. (from June 9, 2014, the date its stock began trading to January 31, 2018, when it was acquired by us). The graph depicts the results for investing \$100 in the Company's common stock, the S&P MidCap 400 Index, and the peer group at closing prices on June 30, 2013, assuming dividends were reinvested.

## ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information with respect to the Company's repurchases of common stock during the quarter ended June 30, 2018.

Period	(a) Total number of shares purchased per 1, 2	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced programs	(d) Approximate dollar value of shares that may yet be purchased under the programs (in millions)
April 1 to April 30, 2018	31,228	\$54.11	31,228	\$ 56.9
May 1 to May 31, 2018	9,218	50.99	4,262	56.6
June 1 to June 30, 2018	9,982	52.31	9,982	56.1
Total	50,428		45,472	

The number of shares purchased includes 31,228 shares in April 2018, 4,262 shares in May 2018, and 9,982 shares in June 2018 delivered or deemed to be delivered to us in satisfaction of tax withholding on option exercises and the vesting of restricted shares. These shares are included as part of our repurchase program and reduce the repurchase authority granted by our Board.

The number of shares purchased includes 4,956 shares in May 2018 deemed to be delivered to us on tender of stock in payment for the exercise price of options. These shares do not reduce the repurchase authority granted by our Board.

In May 2014, Meredith announced the Board of Directors had authorized the repurchase of up to \$100.0 million in additional shares of the Company's common and class B stock through public and private transactions.

For more information on the Company's common and class B share repurchase program, see Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations, under the heading "Share Repurchase Program" on page 46.

## ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the fiscal years 2014 through 2018 are contained under the heading "Five-Year Financial History with Selected Financial Data" beginning on page 113 and are primarily derived from consolidated financial statements for those years. Information contained in that table is not necessarily indicative of results of operations in future years and should be read in conjunction with Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8-Financial Statements and Supplementary Data of this Form 10-K.



## ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) consists of the following sections:

	Page
<u>Executive Overview</u>	<u>27</u>
<u>Results of Operations</u>	<u>31</u>
<u>Liquidity and Capital Resources</u>	<u>42</u>
<u>Critical Accounting Policies</u>	<u>47</u>
<u>Accounting and Reporting Developments</u>	<u>50</u>

MD&A should be read in conjunction with the other sections of this Form 10-K, including Item 1-Business, Item 6-Selected Financial Data, and Item 8-Financial Statements and Supplementary Data. MD&A contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon our current expectations and could be affected by many risks, uncertainties, and changes in circumstances including the uncertainties and risk factors described throughout this filing, particularly in Item 1A-Risk Factors. Important factors that could cause actual results to differ materially from those described in forward-looking statements are set forth under the heading “Forward-Looking Statements” in Item 1-Business.

### EXECUTIVE OVERVIEW

Meredith has been committed to service journalism for over 115 years. Meredith uses multiple media platforms—including print, digital, mobile, video, and broadcast television—to provide consumers with content they desire and to deliver the messages of its advertising and marketing partners.

Meredith operates two business segments. The national media segment reaches more than 175 million unduplicated American consumers every month, including more than 80 percent of U.S. millennial women. Meredith is the No. 1 U.S. magazine operator, possessing leading positions in entertainment, food, lifestyle, parenting, and home content creation, as well as enhanced positions in the beauty, fashion, and luxury advertising categories through well-known brands such as People, Better Homes & Gardens, InStyle, Allrecipes, Real Simple, Shape, Southern Living, and Martha Stewart Living. The national media segment features robust brand licensing activities, including more than 3,000 SKUs of branded products at Walmart stores across the U.S. and at Walmart.com. The national media segment also includes leading affinity marketer Synapse, and The Foundry, the Company’s state-of-the-art creative content studio.

Meredith’s local media segment includes 17 television stations reaching 11 percent of U.S. households. Meredith’s portfolio is concentrated in large, fast-growing markets, with seven stations in the nation’s Top 25 markets—including Atlanta, Phoenix, St. Louis, and Portland—and 13 in Top 50 markets. Meredith’s stations produce over 700 hours of local news and entertainment content each week, and operate leading local digital properties.

Both segments operate primarily in the U.S. and compete against similar media and other types of media on both a local and national basis. In fiscal 2018, the national media segment accounted for 69 percent of the Company's \$2.2 billion in revenues while local media segment revenues contributed 31 percent. These results reflect the acquired Time business since the date of the acquisition.

Meredith continued to aggressively execute a series of well-defined strategic initiatives in fiscal 2018 to generate growth in revenue and increase shareholder value over time. These included:

The transformational acquisition of Time

Creates an unparalleled portfolio of national media brands with greater scale and efficiency. Combined, Meredith's brands now reach over 175 million unduplicated American consumers, including 80 percent of U.S. millennial women. Meredith is the No. 1 U.S. magazine operator, possessing leading positions in entertainment, food, lifestyle, parenting, and home content creation, as well as enhancing positions in the beauty, fashion, and luxury advertising categories.

Advances Meredith's digital position by adding significant scale. With nearly 135 million unique visitors in the U.S., Meredith now operates the largest premium content digital network for U.S. consumers. This includes the No. 1 position in the key categories of entertainment (People.com), food (Allrecipes.com), and lifestyle (BHG.com and MarthaStewart.com). Meredith now possesses richer and deeper proprietary data, and has greater scale in the high-growth and large video, branded content, and programmatic advertising platforms. National media digital advertising revenues grew more than 50 percent in fiscal 2018, and represented nearly 35 percent of the national media's total advertising.

Provides consumer revenue diversification and growth. Meredith's national media brands now have a readership of more than 120 million and paid circulation of more than 40 million magazine subscriptions. Meredith expects to increase consumer generated revenue through ownership of affinity marketer Synapse, which it acquired as part of the acquisition of Time, as well as from diversified activities, including bundled circulation, brand licensing, and e-commerce activities.

Paul Hoffman (7)	2012	391,000	647,682	1,095,233	49,266	7,498	2,190,679
Former President,	2011	380,000	310,882	1,223,919	324,900	6,544	2,246,245
Worldwide Field	2010	370,000	406,341	1,084,290	417,631	6,287	2,284,549
Operations							

- (1) Reflects a discretionary bonus for Mr. McGee and a signing bonus for Ms. Brea as described in "Compensation Discussion and Analysis Short-Term Cash Incentive Awards Other 2012 Bonuses."
- (2) Reflects the aggregate grant date fair value 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, 2012, filed with the SEC on February 28, 2013. These amounts do not necessarily correspond to the actual value that may be recognized by the named executive officer.
- (3) For 2012, includes the aggregate grant date fair value for performance-based restricted stock units that were not earned (and therefore are not eligible to vest) as follows:

Sohaib Abbasi	\$	572,780
Earl Fry	\$	286,390
John McGee		
Marge Brea		
Girish Pancha	\$	286,390
Paul Hoffman	\$	286,390



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- (4) Reflects 401(k) matching contributions by Informatica, and (i) for Mr. McGee, relocation expenses of \$62,792 and (ii) for Mr. Hoffman, tax reimbursement for expenses associated with his and his spouse's attendance at our annual sales achievement event of \$3,787 for fiscal 2010, \$3,544 for fiscal 2011 and \$3,998 for fiscal 2012.
- (5) Mr. McGee joined us in July 2012.
- (6) Ms. Brea joined us in December 2012.
- (7) In July 2012, Mr. Hoffman announced his intent to retire from Informatica, originally by the end of fiscal 2012. Although Mr. Hoffman currently remains an employee of Informatica, he ceased to be an executive officer in October 2012.

Table of Contents**2012 Grants of Plan-Based Awards Table**

The following table presents information concerning each grant of an award made to a named executive officer in fiscal 2012 under any plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$) (1)		Estimated Future Payouts Under Equity Incentive Plan Awards (#) (2)		All Other Stock Awards: Number of Shares of Stocks or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$)	Grant Date Fair Value of Stock and Option Awards (\$) (3)
		Target	Maximum	Target	Maximum				
Sohaib Abbasi		735,000	1,470,000						
	02/01/12			13,000	19,500				572,780
	02/01/12					20,000			881,200
	02/01/12						200,000	44.06	2,671,300
Earl Fry		333,600	667,200						
	02/01/12			6,500	9,750				286,390
	02/01/12					8,200			361,292
	02/01/12						82,000	44.06	1,095,233
John McGee		158,000	316,000						
	08/01/12					50,000			1,464,000
	08/01/12						175,000	29.28	1,705,953
Marge Brea		17,813	35,626						
	12/17/12					30,000			909,900
	12/17/12						125,000	30.33	1,283,838
Girish Pancha		312,000	624,000						
	02/01/12			6,500	9,750				286,390
	02/01/12					8,200			361,292
	02/01/12						82,000	44.06	1,095,233
Paul Hoffman		351,900	703,800						
	02/01/12			6,500	9,750				286,390
	02/01/12					8,200			361,292
	02/01/12						82,000	44.06	1,095,233

(1) Reflects target and maximum cash incentive award amounts for fiscal 2012 performance under our corporate bonus plan, as described in "Compensation Discussion and Analysis – Short-Term Cash Incentive Awards." For Mr. McGee and Ms. Brea, reflects a prorated target and maximum cash incentive award amounts based on their respective start dates. Mr. McGee joined us in July 2012 and Ms. Brea joined us in December 2012. There is no threshold payout amount, as the minimum amount payable under the plan is \$0. The actual cash incentive award amounts paid for fiscal 2012 are reflected in the "Non-Equity Incentive Plan Compensation" column of the "2012 Summary Compensation Table."

(2) Reflects target and maximum number of performance share units for fiscal 2012 performance granted under the 2009 Equity Incentive Plan, as described in "Compensation Discussion and Analysis – Equity Incentive Awards." There is no threshold payout amount, as the minimum amount of performance share units that may be earned is zero. None of the 2012 performance share units were earned (and therefore will not be eligible to vest).

(3)

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Reflects the grant date fair value of each equity award 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, 2012, filed with the SEC on February 28, 2013. These amounts do not necessarily correspond to the actual value that may be recognized by the named executive officer.

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**Outstanding Equity Awards at 2012 Fiscal Year-End**

The following table presents information concerning unexercised options and stock that has not vested for each named executive officer outstanding as of the end of fiscal 2012.

Name	Grant Date (1)	Option Awards		Option Price (\$)	Option Expiration Date	Stock Awards				
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)			Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	
Sohaib Abbasi	07/19/04	1,909,400		5.69	07/19/14					
	02/01/07	320,000		12.64	02/01/14					
	02/01/08	400,000		18.54	02/01/15					
	02/01/10	212,500	87,500	24.38	02/01/17					
	02/01/11	103,125	121,875	46.63	02/01/18					
	02/01/12	41,666	158,334	44.06	02/18/19					
	02/02/09					30,000	909,600			
	02/01/10					16,666	505,313			
	02/01/11					12,500	379,000			
	02/01/12					20,000	606,400			
	02/01/12								13,000	394,160
Earl Fry	04/11/06	150,000		15.26	04/11/13					
	02/01/07	110,000		12.64	02/01/14					
	02/01/08	125,000		18.54	02/01/15					
	02/01/10	106,250	43,750	24.38	02/01/17					
	02/01/11	44,687	52,813	46.63	02/01/18					
	02/01/12	17,083	64,917	44.06	02/01/19					
	02/02/09					10,000	303,200			
	02/01/10					8,333	252,657			
	02/01/11					5,416	164,213			
	02/01/12					8,200	248,624			
	02/01/12								6,500	197,080
John McGee	08/01/12		175,000	29.28	08/01/19					
	08/01/12					50,000	1,516,000			
Marge Brea	12/17/12		125,000	30.33	12/17/19					
	12/17/12					30,000	909,600			
Girish Pancha	02/01/08	81,698		18.54	02/01/15					
	02/01/10	66,406	27,344	24.38	02/01/17					
	02/01/11	37,812	44,688	46.63	02/01/18					
	02/01/12	17,083	64,917	44.06	02/01/19					
	02/02/09					8,750	265,300			
	02/01/10					5,208	157,907			
	02/01/11					4,583	138,957			
	02/01/12					8,200	248,624			
	02/01/12								6,500	197,080
Paul Hoffman	02/01/08	100,000		18.54	02/01/15					
	02/01/10	106,250	43,750	24.38	02/01/17					
	02/01/11	41,250	48,750	46.63	02/01/18					
	02/01/12	17,083	64,917	44.06	02/01/19					
	02/02/09					8,750	265,300			

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02/01/10	8,333	252,657		
02/01/11	5,000	151,600		
02/01/12	8,200	248,624		
02/01/12			6,500	197,080

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(1)

Except for Mr. McGee's and Ms. Brea's 2012 option awards, all option awards vest over a four-year period at a rate of 1/48th per month. Mr. McGee's and Ms. Brea's 2012 option awards vest over a four-year period, at a rate of 25% on the first anniversary of the grant date and then at a rate of 1/48th per month thereafter. Restricted stock unit awards vest over a four-year period, at a rate of 25% on the each anniversary of the vesting commencement date. Except for Ms. Brea's 2012 restricted stock unit award, the vesting commencement date for restricted stock unit awards is the grant date. The vesting commencement date for Ms. Brea's 2012 restricted stock unit award is November 1, 2012. Performance share units vest over a four-year period, at a rate of 25% on each anniversary of the grant date.

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- (2) Market value of shares or units of stock that have not vested is computed by multiplying (i) \$30.32, the closing price on the NASDAQ Global Select Market of our common stock on December 31, 2012, the last trading day of fiscal 2012, by (ii) the number of shares or units of stock.
- (3) Reflects target number of performance share units for fiscal 2012 performance granted under the 2009 Equity Incentive Plan, as described in "Compensation Discussion and Analysis – Equity Incentive Awards."

**2012 Option Exercises and Stock Vested Table**

The following table presents information concerning the exercise of options and the vesting of stock awards during fiscal 2012 for each of the named executive officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$ (1))	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$ (2))
Sohaib Abbasi	390,600	14,282,072	42,500	1,872,550
Earl Fry			15,973	703,770
John McGee				
Marge Breyer				
Girish Pancha	78,302	2,398,595	12,882	567,581
Paul Hoffman			14,584	642,571

- (1) Reflects the difference between the market price of our common stock at the time of exercise on the exercise date and the exercise price of the option.
- (2) Reflects the market price of our common stock on the vesting date.

**Potential Payments upon Termination or Change in Control**

We have entered into agreements with our named executive officers regarding payments upon termination (with respect to our chief executive officer) or upon a change in control (with respect to all of our named executive officers). Such agreements are standard within our industry and are necessary in order to attract the best talent for these positions.

***Employment Agreement with Sohaib Abbasi***

We have entered into an employment agreement, as amended, with Mr. Abbasi. Mr. Abbasi's employment agreement provides that, if we terminate Mr. Abbasi's employment without cause or he resigns for good reason, he will receive severance benefits including:

continued payment of his base salary for twelve months;

a lump-sum payment, paid at the time fiscal year bonuses are paid to other executive officers, equal to 100% of his then-current target bonus;

reimbursement for benefits premiums for a maximum of twelve months (to cease once eligible for similar benefits from another employer); and

twelve months accelerated vesting for unvested equity awards.

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If Mr. Abbasi is terminated without cause or he resigns for good reason, and such termination occurs within the time period beginning on the date three months preceding a change of control and ending on the date twelve months following a change of control, he will receive severance benefits including:

continued payment of his base salary for eighteen months;

a lump-sum payment, paid at the time fiscal year bonuses are paid to other executive officers, equal to 150% of his then-current target bonus;

reimbursement for benefits premiums for a maximum of eighteen months (to cease once eligible for similar benefits from another employer); and

immediate vesting with respect to all unvested equity awards.

The severance payments, continued benefits, and accelerated vesting will be subject to Mr. Abbasi entering into and not subsequently revoking: (1) a separation agreement and release of claims in a form satisfactory to us and him; (2) a non-compete and non-solicitation agreement that would be in effect during the 18-month period in which he receives continuing salary from us; and (3) a non-disparagement agreement.

***Executive Severance Agreements***

In addition, we have entered into executive severance agreements with Mr. Fry, Mr. McGee, Ms. Breya, Mr. Pancha and Mr. Hoffman. These executive severance agreements provide that, if we terminate such officer's employment without cause or he/she resigns for good reason, and such termination occurs within the time period beginning on the date three months preceding a change of control and ending on the date twelve months following a change of control, he/she will receive severance benefits including:

continued payment of his base salary for a period of twelve months;

a lump-sum payment equal to 100% of his annual on-target bonus, commissions or variable earnings, assuming performance at 100% of target for bonus determination;

reimbursement for benefits premiums for a maximum of twelve months (to cease once eligible for similar benefits from another employer); and

immediate vesting with respect to all unvested equity awards.

The severance payments, continued benefits, and accelerated vesting will be subject to the executive officer entering into and not subsequently revoking: (1) a separation agreement and release of claims in a form satisfactory to us and the executive officer; (2) a non-compete and non-solicitation agreement that would be in effect during the 12 month period in which the executive officer receives continuing salary from us; and (3) a non-disparagement agreement.

***Definitions of Cause and Good Reason***

For purposes of Mr. Abbasi's employment agreement and the executive severance agreements, "cause" is generally defined as (i) an executive officer's act of dishonesty or fraud in connection with the performance of his responsibilities to us with the intention that such act results in an executive officer's substantial personal enrichment, (ii) an executive officer's conviction of, or plea of nolo contendere to, a felony, (iii) an executive officer's willful failure to perform his duties or responsibilities, or (iv) an executive officer's violation or breach of an executive officer's employee proprietary information and inventions agreement; provided that if any of the foregoing events is capable of being cured, we will provide notice to the executive officer describing the nature of such event and the executive officer will thereafter have 30 days to cure such



event.

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In addition, "good reason" is generally defined as the occurrence of any of the following without an executive officer's express written consent: (i) a reduction (or series of reductions) of the executive's base salary or target bonus that singly or in the aggregate constitute a material reduction, other than a one-time reduction of up to 10% that also is applied to substantially all of our other senior executives, (ii) a reduction in an executive officer's base salary other than a one-time reduction of not more than 10% that also is applied to substantially all of our other executive officers, (iii) a material reduction in the aggregate level of benefits made available to the executive officer other than a reduction that also is applied to substantially all of our other executive officers, or (iv) relocation of an executive officer's primary place of business for the performance of his duties to us to a location that is more than 35 miles from its prior location.

***Estimated Payments Upon Termination or Change of Control***

The following table provides information concerning the estimated payments and benefits that would be provided in the circumstances described above for each of the named executive officers. Payments and benefits are estimated assuming that the triggering event took place on the last business day of fiscal 2012 (December 31, 2012), and the price per share of our common stock is the closing price on the NASDAQ Global Select Market as of that date (\$30.32). There can be no assurance that a triggering event would produce the same or similar results as those estimated below if such event occurs on any other date or at any other price, or if any other assumption used to estimate potential payments and benefits is not correct. Due to the number of factors that affect the nature and amount of any potential payments or benefits, any actual payments and benefits may be different.

Name	Type of Benefit	Potential Payments Upon:			
		Termination Without Cause		Resignation for Good Reason	
		Not Related to Change in Control (\$)	Within 3 Months Before or 12 Month After a Change in Control (\$)	Not Related to Change in Control (\$)	Within 3 Months Before or 12 Month After a Change in Control (\$)
Sohaib Abbasi	Salary	700,000	1,050,000	700,000	1,050,000
	Value of Accelerated Options (1)	445,500	519,750	445,500	519,750
	Value of Accelerated RSUs (1)	1,440,200	2,400,313	1,440,200	2,400,313
	Value of Accelerated PSUs (1)				
	Bonus	735,000	1,102,500	735,000	1,102,500
	Reimbursement of Health Insurance Premiums (2)	22,253	33,380	22,253	33,380
	<b>Total Termination Benefits</b>		<b>3,342,953</b>	<b>5,105,943</b>	<b>3,342,953</b>
Earl Fry	Salary		417,000		417,000
	Value of Accelerated Options (1)		259,875		259,875
	Value of Accelerated RSUs (1)		968,694		968,694
	Value of Accelerated PSUs (1)				
	Bonus		333,600		333,600
	Reimbursement of Health Insurance Premiums (2)		22,253		22,253
	<b>Total Termination Benefits</b>			<b>2,001,422</b>	

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Name	Type of Benefit	Potential Payments Upon:	
		Termination Without Cause	Resignation for Good Reason
		Not Related to Change in Control	Not Related to Change in Control
		Within 3 Months Before or 12 Month After a Change in Control	Within 3 Months Before or 12 Month After a Change in Control
		(\$)	(\$)
John McGee	Salary	400,000	400,000
	Value of Accelerated Options (1)	182,000	182,000
	Value of Accelerated RSUs (1)	1,516,000	1,516,000
	Value of Accelerated PSUs (1)		
	Bonus	360,000	360,000
	Reimbursement of Health Insurance Premiums (2)	22,253	22,253
	<b>Total Termination Benefits</b>		<b>2,480,253</b>
Marge Brea	Salary	375,000	375,000
	Value of Accelerated Options (1)		
	Value of Accelerated RSUs (1)	909,600	909,600
	Value of Accelerated PSUs (1)		
	Bonus	337,500	337,500
	Reimbursement of Health Insurance Premiums (2)	22,253	22,253
	<b>Total Termination Benefits</b>		<b>1,644,353</b>
Girish Pancha	Salary	390,000	390,000
	Value of Accelerated Options (1)	162,423	162,423
	Value of Accelerated RSUs (1)	810,787	810,787
	Value of Accelerated PSUs (1)		
	Bonus	312,000	312,000
	Reimbursement of Health Insurance Premiums (2)	22,253	22,253
	<b>Total Termination Benefits</b>		<b>1,697,463</b>
Paul Hoffman	Salary	391,000	391,000
	Value of Accelerated Options (1)	259,875	259,875
	Value of Accelerated RSUs (1)	918,181	918,181
	Value of Accelerated PSUs (1)		
	Bonus	351,900	351,900
	Reimbursement of Health Insurance Premiums (2)	15,619	15,619
	<b>Total Termination Benefits</b>		<b>1,936,575</b>

(1)

Reflects the aggregate market value of unvested option grants, unvested restricted stock unit awards and unvested performance-based restricted stock unit awards. For unvested option grants, aggregate market value is computed by multiplying (i) the number of shares underlying unvested options at December 31, 2012 that would become vested by (ii) the difference between \$30.32 and the exercise price of such option. Outstanding options that have an exercise price in excess of \$30.32 are not included in the calculation. For unvested restricted stock unit awards, aggregate market value is computed by multiplying (i) the number of unvested shares at December 31, 2012 that would become vested by (ii) \$30.32. As of December 31, 2012, no unvested performance-based restricted stock units were outstanding, as none of the 2012 target performance-based restricted stock unit awards were earned (and therefore are not eligible to vest).

(2)

Reflects the annual cost of COBRA coverage to maintain the benefits currently provided.

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information as of December 31, 2012 with respect to the shares of Informatica's common stock that may be issued under Informatica's existing equity compensation plans.

	(a)	(b)	(c)
<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans(Excluding Securities Reflected in Column(a))</b>
Equity compensation plans approved by stockholders (1)	12,824,228(2)	\$24.79(3)	11,449,323(4)
Equity compensation plans not approved by stockholders			
<b>Total</b>	<b>12,824,228(5)</b>		<b>11,449,323</b>

(1) Includes 24,569 shares available to be issued upon exercise of outstanding options with a weighted-average exercise price of \$7.90 related to equity compensation plans assumed in connection with previous business mergers and acquisitions.

(2) Includes 1,927,045 shares that may be issued under restricted stock unit awards as of December 31, 2012.

(3) Excludes 1,927,045 shares that may be issued under restricted stock unit awards as of December 31, 2012.

(4) Includes 6,824,520 shares available for issuance under the Employee Stock Purchase Plan.

(5) As of February 28, 2013, there were:

11,932,750 shares subject to issuance upon exercise of outstanding options under all of our equity compensation plans, at a weighted average exercise price of \$26.59, and with a weighted average remaining life of 3.88 years;

1,722,861 shares subject to outstanding restricted stock unit awards that remain subject to vesting;

a maximum of 736,400 shares subject to outstanding performance-based restricted stock unit awards eligible to be earned; and

1,943,423 shares available for grant under our 2009 Equity Incentive Plan.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Informatica's Compensation Committee is currently composed of Ms. Chang, Dr. Held and Mr. Sullivan. No interlocking relationship exists between any member of Informatica's Compensation Committee and any member of the compensation committee of any other company, nor has any such interlocking relationship existed in the past. No member of the Compensation Committee is or was formerly an officer or an employee of Informatica.

Table of Contents**SECURITY OWNERSHIP BY PRINCIPAL STOCKHOLDERS AND MANAGEMENT**

The following table sets forth certain information concerning the beneficial ownership of Informatica's common stock as of February 28, 2013 for the following: (1) each person or entity who is known by Informatica to own beneficially more than 5% of the outstanding shares of Informatica's common stock; (2) each of Informatica's directors; (3) each of the executive officers named in the 2012 Summary Compensation Table; and (4) all directors and current executive officers of Informatica as a group.

Name	Common Stock Beneficially Owned (1)	Percentage Beneficially Owned (1)(2)
<b>5% Stockholders:</b>		
BlackRock, Inc. (3)	6,012,375	5.6%
Columbia Wanger Asset Management, L.P. (4)	7,019,300	6.5%
Janus Capital Management LLC (5)	8,574,105	7.9%
<b>Directors:</b>		
Mark A. Bertelsen (6)	50,477	*
Amy Chang		
Mark Garrett (7)	69,667	*
Gerald Held (8)	89,667	*
Charles J. Robel (9)	37,920	*
A. Brooke Seawell (10)	33,000	*
Geoffrey W. Squire (11)	129,667	*
Godfrey R. Sullivan (12)	45,500	*
<b>Named Executive Officers:</b>		
Sohaib Abbasi (13)	3,316,751	3.0%
Earl E. Fry (14)	821,527	*
John McGee (15)	3,151	*
Marge Breya	4,000	*
Girish Pancha (16)	254,583	*
Paul Hoffman (17)	314,110	*
All directors and current executive officers as a group (15 persons) (18)	5,283,713	4.7%

\*  
Less than one percent.

- (1) The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Exchange Act, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rule, beneficial ownership includes any shares over which the individual or entity has voting power or investment power and any shares of common stock that the individual has the right to acquire within 60 days of February 28, 2013 through the exercise of any stock option or other right. Unless otherwise indicated in the footnotes, each person or entity has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares shown as beneficially owned.
- (2) The total number of shares of common stock outstanding as of February 28, 2013 was 107,966,468.
- (3) The address of BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on February 8, 2013.
- (4) The address of Columbia Wanger Asset Management, L.P. is 227 West Monroe Street, Suite 3000, Chicago, IL 60606. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on February 13, 2013.
- (5) The address of Janus Capital Management LLC is 151 Detroit Street, Denver, CO 80206. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on February 13, 2013.
- (6) Includes 25,000 shares subject to options that vest within 60 days of February 28, 2013.



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- (7) Includes 65,000 shares subject to options that vest within 60 days of February 28, 2013.
- (8) Includes 85,000 shares subject to options that vest within 60 days of February 28, 2013.
- (9) Includes 25,000 shares subject to options that vest within 60 days of February 28, 2013.
- (10) Includes 25,000 shares subject to options that vest within 60 days of February 28, 2013.
- (11) Includes 25,000 shares subject to options that vest within 60 days of February 28, 2013.
- (12) Includes 25,000 shares subject to options that vest within 60 days of February 28, 2013.
- (13) Includes 25,000 shares subject to options that vest within 60 days of February 28, 2013.
- (14) Includes 3,007,041 shares subject to options that vest within 60 days of February 28, 2013.
- (15) Includes 583,686 shares subject to options that vest within 60 days of February 28, 2013.
- (16) Includes 2,750 shares subject to options that vest within 60 days of February 28, 2013.
- (17) Includes 227,269 shares subject to options that vest within 60 days of February 28, 2013.
- (18) Includes 291,416 shares subject to options that vest within 60 days of February 28, 2013.
- (19) Includes 4,457,004 shares subject to options that vest within 60 days of February 28, 2013.

**TRANSACTIONS WITH MANAGEMENT**

**Policies and Procedures for the Review and Approval of Related Person Transactions**

In accordance with Informatica's Code of Business Conduct, directors, officers and employees should generally avoid conducting Informatica business in which a family member is associated in any significant role, or with other related parties. In addition, pursuant to the charter of Informatica's Audit Committee, the Audit Committee reviews and approves in advance any proposed related person transactions.

In October 2012, the Audit Committee adopted a Related Person Transaction Policy to assist the Audit Committee with fulfilling this approval responsibility. The policy addresses the identification and evaluation of related person transactions, as well as guidelines for pre-approved transactions, transactions that may be approved by the chair of the Audit Committee, the employment of immediate family members, and the evaluation criteria the Audit Committee uses in assessing a related person transaction brought before it for approval. These factors include, without limitation: the commercial reasonableness of the transaction and whether the transaction was undertaken in the ordinary course of business; how the transaction was initiated and by whom; the purpose and potential benefits and materiality of the transaction to Informatica; the approximate dollar value of the transaction; the extent to which the related person has an interest in the transaction; the impact of the transaction on any non-employees director's independence; actual or apparent conflicts of interest as a result of the transaction; and any other factors deemed relevant by the Audit Committee. The Audit Committee determines whether the related person has a material interest in the transaction and may then approve, ratify, rescind or take other action with respect to the transaction in its discretion.

Related person transactions will be disclosed in the applicable SEC filing as required by the rules of the SEC. For purposes of these procedures, "related person" and "transaction" have the meanings contained in Item 404 of Regulation S-K promulgated by the SEC. The individuals and entities that are considered "related persons" include:

directors, nominees for director and executive officers of Informatica;

any person known to be the beneficial owner of five percent or more of Informatica's common stock (a "5% Stockholder"); and



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any immediate family member, as defined in Item 404(a) of Regulation S-K, of a director, nominee for director, executive officer and 5% Stockholder.

### **Related Person Transactions**

There have been no reportable related person transactions since the beginning of fiscal 2012.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act ("Section 16(a)") requires Informatica's executive officers and directors, and certain persons who own more than 10% of a registered class of Informatica's equity securities ("10% Stockholders"), to file reports of ownership on Form 3 and changes in ownership on Forms 4 or 5 with the SEC. Such executive officers, directors and 10% Stockholders are also required by SEC rules to furnish Informatica with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such reports furnished to Informatica and written representations that no other reports were required to be filed during 2012, we believe that our executive officers, directors and 10% Stockholders have complied with all Section 16(a) filing requirements applicable to them, except that Mr. Markarian filed in January 2013 a late Form 4 reporting one transaction with respect to the tax withholding of shares upon vesting of RSUs in 2012.

**OTHER MATTERS**

The Board of Directors does not know of any other matters to be presented at the Annual Meeting. If any additional matters are properly presented at the Annual Meeting, the persons named in the enclosed proxy card will have discretion to vote shares they represent in accordance with their own judgment on such matters.

It is important that your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote by telephone or by using the Internet as instructed on the enclosed proxy card or execute and return, at your earliest convenience, the enclosed proxy card in the envelope that has also been provided.

**THE BOARD OF DIRECTORS**

Redwood City, California  
April 11, 2013

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**APPENDIX A**

**INFORMATICA CORPORATION  
2009 EQUITY INCENTIVE PLAN**

(Effective April 28, 2009)

(As amended effective May 24, 2013)

**SECTION 1**

**BACKGROUND AND PURPOSE**

1.1 Background and Effective Date. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, and Performance Shares. This amended Plan is effective as of May 24, 2013 upon approval by an affirmative vote of the holders of a majority of the Shares that are present in person or by proxy and entitled to vote at the 2013 Annual Meeting of Stockholders of the Company.

1.2 Purpose of the Plan. The Plan is intended to attract, motivate, and retain (a) employees of the Company and its Affiliates, (b) consultants who provide significant services to the Company and its Affiliates, and (c) directors of the Company who are employees of neither the Company nor any Affiliate. The Plan also is designed to encourage stock ownership by Participants, thereby aligning their interests with those of the Company's shareholders and to permit the payment of compensation that qualifies as performance-based compensation under Section 162(m) of the Code.

**SECTION 2**

**DEFINITIONS**

The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

2.1 "1934 Act" means the Securities Exchange Act of 1934, as amended. Reference to a specific section of the 1934 Act or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.2 "Affiliate" means any corporation or any other entity (including, but not limited to, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.

2.3 "Award" means, individually or collectively, a grant under the Plan of Options, SARs, Restricted Stock, Restricted Stock Units, Performance Units, or Performance Shares.

2.4 "Award Agreement" means the written agreement setting forth the terms and conditions applicable to each Award granted under the Plan.

2.5 "Board" or "Board of Directors" means the Board of Directors of the Company.

2.6 "Change of Control" means the occurrence of any of the following events: (a) a change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a

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group, ("Person") acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection (a), the acquisition of additional stock by any one Person, who is considered to own more than 50% of the total voting power of the stock of the Company shall not be considered a Change of Control; (b) a change in the effective control of the Company which occurs on the date that a majority of the members of the Board are replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (b), if any Person is considered to effectively control the Company, the acquisition of additional control of the Company by the same Person shall not be considered a Change of Control; or (c) a change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (c), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. For purposes of this Section 2.6, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. Notwithstanding the foregoing, a transaction will not be deemed a Change of Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

2.7 "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.8 "Committee" means the committee appointed by the Board (pursuant to Section 3.1) to administer the Plan.

2.9 "Company" means Informatica Corporation, a Delaware corporation, or any successor thereto.

2.10 "Consultant" means any consultant, independent contractor, or other person who provides significant services to the Company or its Affiliates, but who is neither an Employee nor a Director.

2.11 "Determination Date" means the latest possible date that will not jeopardize the qualification of an Award granted under the Plan as "performance-based compensation" under Section 162(m) of the Code.

2.12 "Director" means any individual who is a member of the Board of Directors of the Company.

2.13 "Disability" means a permanent disability in accordance with a policy or policies established by the Committee (in its discretion) from time to time.

2.14 "Employee" means any employee of the Company or of an Affiliate, whether such employee is so employed at the time the Plan is adopted or becomes so employed subsequent to the adoption of the Plan.

2.15 "Exchange Program" means a program established by the Committee under which outstanding Awards are amended to provide for a lower Exercise Price or surrendered or cancelled in exchange for Awards with a lower Exercise Price. Notwithstanding the preceding, the term Exchange Program does not include any (a) action described in Section 4.4, nor (b) transfer or other disposition permitted under Section 12.7.

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2.16 "Exercise Price" means the price at which a Share may be purchased by a Participant pursuant to the exercise of an Option.

2.17 "Fair Market Value" means the closing per share selling price for Shares on Nasdaq on the relevant date, or if there were no sales on such date, the average of the closing sales prices on the immediately following and preceding trading dates, in either case as reported by The Wall Street Journal or such other source selected in the discretion of the Committee (or its delegate). Notwithstanding the preceding, for federal, state, and local income tax reporting purposes, fair market value shall be determined by the Company in accordance with uniform and nondiscriminatory standards adopted by it from time to time.

2.18 "Fiscal Quarter" means a fiscal quarter of the Company.

2.19 "Fiscal Year" means the fiscal year of the Company.

2.20 "Grant Date" means, with respect to an Award, the date that the Award was granted. The Grant Date of an Award shall not be earlier than the date the Award is approved by the Committee.

2.21 "Incentive Stock Option" means an Option to purchase Shares that is designated as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code.

2.22 "Non-employee Director" means a Director who is an employee of neither the Company nor of any Affiliate.

2.23 "Nonqualified Stock Option" means an option to purchase Shares that is not intended to be an Incentive Stock Option.

2.24 "Option" means an Incentive Stock Option or a Nonqualified Stock Option.

2.25 "Participant" means an Employee, Consultant, or Non-employee Director who has an outstanding Award.

2.26 "Performance Goals" means the goal(s) (or combined goal(s)) determined by the Committee (in its discretion) to be applicable to a Participant with respect to an Award. As determined by the Committee, the Performance Goals applicable to an Award may provide for a targeted level or levels of achievement using one or more of the following measures: (a) Profit, (b) Revenue, and (c) Total Shareholder Return. The Performance Goals may differ from Participant to Participant and from Award to Award. Any criteria used may be measured, as applicable, (i) in absolute terms, (ii) in relative terms (including, but not limited to, passage of time and/or against another company or companies), (iii) on a per-share basis, (iv) against the performance of the Company as a whole or a business unit of the Company and/or (v) on a pre-tax or after-tax basis. Prior to the Determination Date, the Committee shall determine whether any element(s) or item(s) shall be included in or excluded from the calculation of any Performance Goal with respect to any Participants.

2.27 "Performance Period" means any Fiscal Quarter or such longer period as determined by the Committee in its sole discretion.

2.28 "Performance Share" means an Award granted to a Participant pursuant to Section 9.

2.29 "Performance Unit" means an Award granted to a Participant pursuant to Section 8.

2.30 "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. As provided in Section 7, such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Committee, in its discretion.

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2.31 "Plan" means the Informatica Corporation 2009 Equity Incentive Plan, as set forth in this instrument and as hereafter amended from time to time.

2.32 "Profit" means as to any Performance Period, the Company's income, determined in accordance with generally accepted accounting principles.

2.33 "Restricted Stock" means an Award granted to a Participant pursuant to Section 7.

2.34 "Restricted Stock Unit" or "RSU" means an Award granted to a Participant pursuant to Section 10.

2.35 "Revenue" means as to any Performance Period, the Company's net revenues generated from third parties, determined in accordance with generally accepted accounting principles.

2.36 "RSU Vesting Commencement Date" means the first day of the second month of the quarter in which the RSU was granted to a Participant pursuant to the Plan.

2.37 "Rule 16b-3" means Rule 16b-3 promulgated under the 1934 Act, and any future regulation amending, supplementing or superseding such regulation.

2.38 "Section 16 Person" means a person who, with respect to the Shares, is subject to Section 16 of the 1934 Act.

2.39 "Shares" means the shares of common stock of the Company.

2.40 "Stock Appreciation Right" or "SAR" means an Award, granted alone or in connection with a related Option, that pursuant to Section 6 is designated as an SAR.

2.41 "Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Company as the corporation at the top of the chain, but only if each of the corporations below the Company (other than the last corporation in the unbroken chain) then owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

2.42 "Tax Obligations" means tax and social insurance liability obligations and requirements in connection with the Awards, including, without limitation, (a) all federal, state, and local taxes (including the Participant's FICA obligation) that are required to be withheld by the Company or the employing Affiliate, (b) the Participant's and, to the extent required by the Company (or the employing Affiliate), the Company's (or the employing Affiliate's) fringe benefit tax liability, if any, associated with the grant, vesting, or sale of Shares, and (c) any other Company (or employing Affiliate) taxes the responsibility for which the Participant has agreed to bear with respect to such Award (or exercise thereof or issuance of Shares thereunder).

2.43 "Termination of Service" means (a) in the case of an Employee, a cessation of the employee-employer relationship between the Employee and the Company or an Affiliate for any reason, including, but not by way of limitation, a termination by resignation, discharge, death, Disability, retirement, or the disaffiliation of an Affiliate, but excluding any such termination where there is a simultaneous reemployment by the Company or an Affiliate; (b) in the case of a Consultant, a cessation of the service relationship between the Consultant and the Company or an Affiliate for any reason, including, but not by way of limitation, a termination by resignation, discharge, death, Disability, or the disaffiliation of an Affiliate, but excluding any such termination where there is a simultaneous re-engagement of the consultant by the Company or an Affiliate; and (c) in the case of a Non-employee Director, a cessation of the Director's service on the Board for any reason, including, but not by way of limitation, a termination by resignation, death, Disability, retirement or non-reelection to the Board.

2.44 "Total Shareholder Return" means as to any Performance Period, the total return (change in share price plus reinvestment of any dividends) of a Share.

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**SECTION 3**

**ADMINISTRATION**

3.1 The Committee. The Plan shall be administered by the Committee. The Committee shall consist of not less than two (2) Directors who shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. The Committee shall be comprised solely of Directors who are (a) "outside directors" under Section 162(m), and (b) "non-employee directors" under Rule 16b-3.

3.2 Authority of the Committee. It shall be the duty of the Committee to administer the Plan in accordance with the Plan's provisions. The Committee shall have all powers and discretion necessary or appropriate to administer the Plan and to control its operation, including, but not limited to, the power to (a) determine which Employees, Consultants and Directors shall be granted Awards, (b) prescribe the terms and conditions of the Awards, (c) interpret the Plan and the Awards, (d) adopt such procedures and subplans as are necessary or appropriate to permit participation in the Plan by Employees, Consultants and Directors who are foreign nationals or employed outside of the United States, (e) adopt rules for the administration, interpretation and application of the Plan as are consistent therewith, (f) subject to the provisions of Section 4.5.5. of the Plan, accelerate the exercisability of any outstanding Awards, and (g) interpret, amend or revoke any such rules. Notwithstanding the preceding, the Committee shall not implement an Exchange Program without the approval of the holders of a majority of the Shares that are present in person or by proxy and entitled to vote at any Annual or Special Meeting of Stockholders of the Company.

3.3 Delegation by the Committee. The Committee, in its sole discretion and on such terms and conditions as it may provide, may delegate all or any part of its authority and powers under the Plan to one or more Directors or officers of the Company. Notwithstanding the foregoing, with respect to Awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code, the Committee may not delegate its authority and powers with respect to such Awards if such delegation would cause the Awards to fail to so qualify.

3.4 Decisions Binding. All determinations and decisions made by the Committee, the Board, and any delegate of the Committee pursuant to the provisions of the Plan shall be final, conclusive, and binding on all persons, and shall be given the maximum deference permitted by law.

**SECTION 4**

**SHARES SUBJECT TO THE PLAN**

4.1 Number of Shares. Subject to adjustment as provided in Section 4.4, the total number of Shares available issuance under the Plan shall not exceed twenty million five hundred thousand (20,500,000). Shares granted under the Plan may be either authorized but unissued Shares or treasury Shares.

4.2 Full Value Awards. Any Shares subject to all Awards except Options and SARs shall be counted against the numerical limits of Section 4.1 as two and thirty seven hundredths (2.37) Shares for every one (1) Share subject thereto. Further, if Shares acquired pursuant to any Awards of Restricted Stock, Restricted Stock Units, Performance Units, and Performance Shares are forfeited or repurchased by the Company and would otherwise return to the Plan pursuant to Section 4.3, two and thirty seven hundredths (2.37) times the number of Shares so forfeited or repurchased shall return to the Plan and shall again become available for issuance. For Awards granted prior to May 26, 2011, any Shares subject to all Awards except Options and SARs shall be counted against the numerical limits of Section 4.1 as one and fifty-two hundredths (1.52) Shares for every one (1) Share subject thereto. Further, for Awards granted prior to May 26, 2011, if Shares acquired pursuant to any Awards of Restricted Stock, Restricted Stock Units, Performance Units, and Performance Shares are forfeited or repurchased

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by the Company and would otherwise return to the Plan pursuant to Section 4.3, one and fifty-two hundredths (1.52) times the number of Shares so forfeited or repurchased shall return to the Plan and shall again become available for issuance.

4.3 Lapsed Awards. If an Award is settled in cash, or is cancelled, terminates, expires, or lapses for any reason, any Shares subject to such Award again shall be available to be the subject of an Award. With respect to Stock Appreciation Rights, all of the Shares covered by the Award (that is, Shares actually issued pursuant to a Stock Appreciation Right as well as the Shares that represent payment of the exercise price and tax related to the Award) shall cease to be available under the Plan. Shares that have actually been issued under the Plan under any Award shall not be returned to the Plan and shall not become available for future distribution under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment shall not reduce the number of Shares available for issuance under the Plan. Notwithstanding the foregoing and, subject to adjustment provided in Section 4.4, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate Share number stated in Section 4.1, plus, to the extent allowable under Section 422 of the Code, any Shares that become available for issuance under the Plan under this Section 4.3. The following shares shall not be available for future grant: (i) shares tendered in payment of the exercise price of an option; and (ii) shares withheld by the Company or otherwise received by the Company to satisfy tax withholding obligations.

4.4 Adjustments in Awards and Authorized Shares. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares such that an adjustment is determined by the Committee (in its sole discretion) to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust the number and class of Shares that may be delivered under the Plan, the number, class, and price of Shares (or other property or cash) subject to outstanding Awards, and the numerical limits of Sections 5.1, 6.1, 7.1, 8.1, 9.1, 10.1 and 11.1. Notwithstanding the preceding, the number of Shares subject to any Award always shall be a whole number.

4.5 Change of Control.

4.5.1 In the event of a Change of Control, each outstanding Award shall be treated as the Committee determines, including, without limitation, that each Award be assumed or an equivalent option or right be substituted by the successor corporation or a parent or subsidiary of the successor corporation. The Committee shall not be required to treat all Awards similarly in the transaction.

4.5.2 In the event that the successor corporation does not assume or substitute for the Award, the Participant shall fully vest in and have the right to exercise all of his or her outstanding Options and SARs, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Awards other than Options and SARs shall lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria shall be deemed achieved at 100% on-target levels and all other terms and conditions met. In addition, if an Option or SAR is not assumed or substituted in the event of a Change of Control, the Committee shall notify the Participant in writing or electronically that the Option or SAR shall be exercisable for a period of time determined by the Committee in its sole discretion, and the Option or SAR shall terminate upon the expiration of such period. Each Award other than an Option and SAR shall terminate at the time determined by the Committee in its sole discretion (but only after (a) the vesting and the lifting of all restrictions as described in this Section 4.5, and (b) full payment for the Award).

4.5.3 For the purposes of this Section 4.5, an Award shall be considered assumed if, following the Change of Control, the Award confers the right to purchase or receive, for each Share subject to the Award



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immediately prior to the Change of Control, the consideration (whether stock, cash, or other securities or property) received in the Change of Control by holders of the Shares held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change of Control is not solely common stock of the successor corporation or its parent, the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or SAR or upon the payout of a Restricted Stock Unit, Restricted Stock, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock of the successor corporation or its parent equal in fair market value to the per share consideration received by holders of Shares in the Change of Control.

4.5.4 Notwithstanding anything in this Section 4.5 to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change of Control corporate structure shall not be deemed to invalidate an otherwise valid Award assumption.

4.5.5 Further, and notwithstanding anything in this Section 4.5 to the contrary, the provisions of this Section 4.5 only shall apply upon the consummation of a Change of Control, and shall not apply to a proposed or potential Change of Control.

**SECTION 5**

**STOCK OPTIONS**

5.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Employees, Directors and Consultants at any time and from time to time as determined by the Committee in its sole discretion. The Committee, in its sole discretion, shall determine the number of Shares subject to each Option, provided that during any Fiscal Year, no Participant who is an Employee or a Consultant shall be granted Options (and/or SARs) covering more than a total of one million (1,000,000) Shares, and no Participant who is a Non-employee Director shall be granted Options (and/or SARs) covering more than one hundred thousand (100,000) Shares. Notwithstanding the foregoing, during the Fiscal Year in which a Participant first becomes an Employee, he or she may be granted Options (and/or SARs) to purchase up to a total of an additional two million (2,000,000) Shares. Subject to the terms of Section 5, the Committee may grant Incentive Stock Options, Nonqualified Stock Options, or a combination thereof.

5.2 Award Agreement. Each Option shall be evidenced by an Award Agreement that shall specify the Exercise Price, the expiration date of the Option, the number of Shares covered by the Option, any conditions to exercise the Option, and such other terms and conditions as the Committee, in its discretion, shall determine. The Award Agreement shall also specify whether the Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option.

5.3 Exercise Price. Subject to the provisions of this Section 5.3, the Exercise Price for each Option shall be determined by the Committee in its sole discretion.

5.3.1 Nonqualified Stock Options. The Exercise Price of each Nonqualified Stock option shall be determined by the Committee in its discretion but shall be not less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date.

5.3.2 Incentive Stock Options. In the case of an Incentive Stock Option, the Exercise Price shall be not less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date; provided, however, that if on the Grant Date, the Employee (together with persons whose stock ownership is attributed to the

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Employee pursuant to Section 424(d) of the Code) owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, the Exercise Price shall be not less than one hundred and ten percent (110%) of the Fair Market Value of a Share on the Grant Date.

5.3.3 Substitute Options. Notwithstanding the provisions of Section 5.3.2, in the event that the Company or an Affiliate consummates a transaction described in Section 424(a) of the Code (e.g., the acquisition of property or stock from an unrelated corporation), persons who become Employees, Non-employee Directors or Consultants on account of such transaction may be granted Options in substitution for options granted by their former employer. If such substitute Options are granted, the Committee, in its sole discretion and consistent with Section 424(a) of the Code, may determine that such substitute Options shall have an exercise price less than one hundred percent (100%) of the Fair Market Value of the Shares on the Grant Date.

5.4 Expiration of Options.

5.4.1 Expiration Dates. Each Option shall terminate no later than the first to occur of the following events:

(a) The date for termination of the Option set forth in the written Award

Agreement; or

(b) The expiration of seven (7) years from the Grant Date.

5.4.2 Death or Disability of Participant. Subject to Section 5.4.1, if a Participant dies or becomes disabled prior to the expiration of his or her Options, the Committee, in its discretion, may provide that his or her Options shall be exercisable for up to one (1) year after the date of death.

5.4.3 Committee Discretion. Subject to the seven (7) year limit of Sections 5.4.1, the Committee, in its sole discretion, (a) shall provide in each Award Agreement when each Option expires and becomes unexercisable, and (b) may, after an Option is granted, extend the maximum term of the Option (subject to Section 5.8.4 regarding Incentive Stock Options).

5.5 Exercisability of Options. Options granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall determine in its sole discretion. Subject to the provisions of Section 4.5.5 of the Plan, after an Option is granted, the Committee, in its sole discretion, may accelerate the exercisability of the Option.

5.6 Payment. Options shall be exercised by the Participant giving notice and following such procedures as the Company (or its designee) may specify from time to time. Exercise of an Option also requires that the Participant make arrangements satisfactory to the Company for full payment of the Exercise Price for the Shares. All exercise notices shall be given in the form and manner specified by the Company from time to time. The Exercise Price shall be payable to the Company in full in cash or its equivalent. The Committee, in its sole discretion, also may permit exercise (a) by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Exercise Price, or (b) by any other means which the Committee, in its sole discretion, determines to both provide legal consideration for the Shares, and to be consistent with the purposes of the Plan. As soon as practicable after receipt of a notification of exercise satisfactory to the Company and full payment for the Shares purchased, the Company shall deliver to the Participant (or the Participant's designated broker), Share certificates (which may be in book entry form) representing such Shares.

5.7 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option as it may deem advisable, including, but not limited to, restrictions

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related to applicable federal securities laws, the requirements of any national securities exchange or system upon which Shares are then listed or traded, or any blue sky or state securities laws.

5.8 Certain Additional Provisions for Incentive Stock Options.

5.8.1 Exercisability. The aggregate Fair Market Value (determined on the Grant Date(s)) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by any Employee during any calendar year (under all plans of the Company and its Subsidiaries) shall not exceed \$100,000.

5.8.2 Termination of Service. No Incentive Stock Option may be exercised more than three (3) months after the Participant's Termination of Service for any reason other than Disability or death, unless (a) the Participant dies during such three-month period, and/or (b) the Award Agreement or the Committee permits later exercise (in which case the Option instead may be deemed to be a Nonqualified Stock Option). No Incentive Stock Option may be exercised more than one (1) year after the Participant's Termination of Service on account of Disability, unless (a) the Participant dies during such one-year period, and/or (b) the Award Agreement or the Committee permit later exercise (in which case the option instead may be deemed to be a Nonqualified Stock Option).

5.8.3 Employees Only. Incentive Stock Options may be granted only to persons who are employees of the Company or a Subsidiary on the Grant Date.

5.8.4 Expiration. No Incentive Stock Option may be exercised after the expiration of ten (10) years from the Grant Date as required by Section 422 of the Code; provided, however, that if the Option is granted to an Employee who, together with persons whose stock ownership is attributed to the Employee pursuant to Section 424(d) of the Code, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of the stock of the Company or any of its Subsidiaries, the Option may not be exercised after the expiration of five (5) years from the Grant Date.

**SECTION 6**

**STOCK APPRECIATION RIGHTS**

6.1 Grant of SARs. Subject to the terms and conditions of the Plan, a SAR may be granted to Employees, Directors and Consultants at any time and from time to time as shall be determined by the Committee, in its sole discretion.

6.1.1 Number of Shares. The Committee shall have complete discretion to determine the number of SARs granted to any Participant, provided that during any Fiscal Year, no Participant who is an Employee or a Consultant shall be granted SARs (and/or Options) covering more than a total of one million (1,000,000) Shares, and no Participant who is a Non-employee Director shall be granted SARs (and/or Options) covering more than one hundred thousand (100,000) Shares. Notwithstanding the foregoing, during the Fiscal Year in which a Participant first becomes an Employee, he or she may be granted SARs (and/or Options) covering up to a total of an additional two million (2,000,000) Shares.

6.1.2 Exercise Price and Other Terms. The Committee, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of SARs granted under the Plan. The Exercise Price of each SAR shall be determined by the Committee in its discretion but shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date.

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6.2 SAR Agreement. Each SAR grant shall be evidenced by an Award Agreement that shall specify the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

6.3 Expiration of SARs. An SAR granted under the Plan shall expire upon the date determined by the Committee, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 5.4 also shall apply to SARs.

6.4 Payment of SAR Amount. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The Fair Market Value of a Share on the date of exercise (or, if so specified in the Award Agreement, on the date immediately preceding the date of exercise) minus the exercise price; times

(b) The number of Shares with respect to which the SAR is exercised. At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equal value, or in some combination thereof.

**SECTION 7**

**RESTRICTED STOCK**

7.1 Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to Employees, Directors and Consultants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Shares to be granted to each Participant, provided that during any Fiscal Year, no Participant who is an Employee or a Consultant shall receive more than a total of three hundred thirty three thousand three hundred thirty three (333,333) Shares of Restricted Stock (and/or Performance Shares or Restricted Stock Units), and no Participant who is a Non-employee Director shall be granted more than a total of fifty thousand (50,000) Shares of Restricted Stock (and/or Performance Shares or Restricted Stock Units). Notwithstanding the foregoing, during the Fiscal Year in which a Participant first becomes an Employee, he or she may be granted up to a total of an additional six hundred sixty six thousand six hundred sixty seven (666,667) Shares of Restricted Stock (and/or Performance Shares or Restricted Stock Units).

7.2 Restricted Stock Agreement. Each Award of Restricted Stock shall be evidenced by an Award Agreement that shall specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine. Unless the Committee determines otherwise, Shares of Restricted Stock shall be held by the Company as escrow agent until the restrictions on such Shares have lapsed.

7.3 Transferability. Except as provided in this Section 7, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

7.4 Other Restrictions. The Committee, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate, in accordance with this Section 7.4.

7.4.1 General Restrictions. The Committee may set restrictions based upon continued employment or service with the Company and its affiliates, the achievement of specific performance objectives (Company-wide, departmental, or individual), applicable federal or state securities laws, or any other basis determined by the Committee in its discretion.

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7.4.2 Section 162(m) Performance Restrictions. For purposes of qualifying grants of Restricted Stock as "performance-based compensation" under Section 162(m) of the Code, the Committee, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Committee on or before the latest date permissible to enable the Restricted Stock to qualify as "performance-based compensation" under Section 162(m) of the Code. In granting Restricted Stock which is intended to qualify under Section 162(m) of the Code, the Committee shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Restricted Stock under Section 162(m) of the Code (e.g., in determining the Performance Goals).

7.4.3 Legend on Certificates. The Committee, in its discretion, may legend the certificates representing Restricted Stock to give appropriate notice of such restrictions.

7.5 Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall be released from escrow as soon as practicable after the last day of the Period of Restriction. Subject to the provisions of Section 4.5.5. of the Plan, the Committee, in its discretion, may accelerate the time at which any restrictions shall lapse or be removed. After the restrictions have lapsed, the Participant shall be entitled to have any legend or legends under Section 7.4.3 removed from his or her Share certificate, and the Shares shall be freely transferable by the Participant. The Committee (in its discretion) may establish procedures regarding the release of Shares from escrow and the removal of legends, as necessary or appropriate to minimize administrative burdens on the Company

7.6 Voting Rights. During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Committee determines otherwise.

7.7 Dividends and Other Distributions. During the Period of Restriction, Participants holding Shares of Restricted Stock shall be entitled to receive all dividends and other distributions paid with respect to such Shares unless otherwise provided in the Award Agreement. Any such dividends or distribution shall be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid, unless otherwise provided in the Award Agreement.

7.8 Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed shall revert to the Company and again shall become available for grant under the Plan.

## SECTION 8

### PERFORMANCE UNITS

8.1 Grant of Performance Units. Performance Units may be granted to Employees, Directors and Consultants at any time and from time to time, as shall be determined by the Committee, in its sole discretion. The Committee shall have complete discretion in determining the number of Performance Units granted to each Participant provided that during any Fiscal Year, no Participant who is an Employee or a Consultant shall receive Performance Units having an initial value greater than three million dollars (\$3,000,000), and no Participant who is a Non-employee Director shall receive Performance Units having an initial value greater than five hundred thousand dollars (\$500,000). Notwithstanding the foregoing, during the Fiscal Year in which a Participant first becomes an Employee, he or she may be granted additional Performance Shares having an initial value of up to three million dollars (\$3,000,000).

8.2 Value of Performance Units. Each Performance Unit shall have an initial value that is established by the Committee on or before the Grant Date.

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8.3 Performance Objectives and Other Terms. The Committee, in its discretion, shall set performance objectives or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of Performance Units that will be paid out to the Participants. Each Award of Performance Units shall be evidenced by an Award Agreement that shall specify the Performance Period, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

8.3.1 General Performance Objectives or Vesting Criteria. The Committee may set performance objectives or vesting criteria based upon the achievement of Company-wide, departmental, or individual goals, applicable federal or state securities laws, or any other basis determined by the Committee in its discretion (for example, but not by way of limitation, continuous service as an Employee, Director or Consultant).

8.3.2 Section 162(m) Performance Objectives. For purposes of qualifying grants of Performance Units as "performance-based compensation" under Section 162(m) of the Code, the Committee, in its discretion, may determine that the performance objectives applicable to Performance Units shall be based on the achievement of Performance Goals. The Performance Goals shall be set by the Committee on or before the latest date permissible to enable the Performance Units to qualify as "performance-based compensation" under Section 162(m) of the Code. In granting Performance Units that are intended to qualify under Section 162(m) of the Code, the Committee shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Performance Units under Section 162(m) of the Code (e.g., in determining the Performance Goals).

8.4 Earning of Performance Units. After the applicable Performance Period has ended, the holder of Performance Units shall be entitled to receive a payout of the number of Performance Units earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives have been achieved. Subject to the provisions of Section 4.5.5 of the Plan, after the grant of a Performance Unit, the Committee, in its sole discretion, may reduce or waive any performance objectives for such Performance Unit.

8.5 Form and Timing of Payment of Performance Units. Payment of earned Performance Units shall be made as soon as practicable after the expiration of the applicable Performance Period. The Committee, in its sole discretion, may pay earned Performance Units in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units at the close of the applicable Performance Period) or in a combination thereof.

8.6 Cancellation of Performance Units. On the date set forth in the Award Agreement, all unearned or unvested Performance Units shall be forfeited to the Company, and again shall be available for grant under the Plan.

**SECTION 9**

**PERFORMANCE SHARES**

9.1 Grant of Performance Shares. Performance Shares may be granted to Employees, Directors and Consultants at any time and from time to time, as shall be determined by the Committee, in its sole discretion. The Committee shall have complete discretion in determining the number of Performance Shares granted to each Participant, provided that during any Fiscal Year, no Participant who is an Employee or a Consultant shall be granted more than a total of three hundred thirty three thousand three hundred thirty three (333,333) Performance Shares (and/or Shares of Restricted Stock or Restricted Stock Units), and no Participant who is a Non-employee Director shall be granted more than a total of fifty thousand (50,000) Performance Shares (and/or Shares of Restricted Stock or Restricted Stock Units). Notwithstanding the foregoing, during the Fiscal Year in which a Participant first becomes an Employee, he or she may be granted up to a total of an additional six

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hundred sixty six thousand six hundred sixty seven (666,667) Performance Shares (and/or Shares of Restricted Stock or Restricted Stock Units).

9.2 Value of Performance Shares. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the Grant Date.

9.3 Performance Share Agreement. Each Award of Performance Shares shall be evidenced by an Award Agreement that shall specify any vesting conditions, the number of Performance Shares granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

9.4 Performance Objectives and Other Terms. The Committee, in its discretion, shall set performance objectives or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of Performance Shares that will be paid out to the Participants. Each Award of Performance Shares shall be evidenced by an Award Agreement that shall specify the Performance Period, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

9.4.1 General Performance Objectives or Vesting Criteria. The Committee may set performance objectives or vesting criteria based upon the achievement of Company-wide, departmental, or individual goals, applicable federal or state securities laws, or any other basis determined by the Committee in its discretion (for example, but not by way of limitation, continuous service as an Employee, Director or Consultant).

9.4.2 Section 162(m) Performance Objectives. For purposes of qualifying grants of Performance Shares as "performance-based compensation" under Section 162(m) of the Code, the Committee, in its discretion, may determine that the performance objectives applicable to Performance Shares shall be based on the achievement of Performance Goals. The Performance Goals shall be set by the Committee on or before the latest date permissible to enable the Performance Shares to qualify as "performance-based compensation" under Section 162(m) of the Code. In granting Performance Shares that are intended to qualify under Section 162(m) of the Code, the Committee shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Performance Shares under Section 162(m) of the Code (e.g., in determining the Performance Goals).

9.5 Earning of Performance Shares. After the applicable Performance Period has ended, the holder of Performance Shares shall be entitled to receive a payout of the number of Performance Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives have been achieved. Subject to the provisions of Section 4.5.5. of the Plan, after the grant of a Performance Share, the Committee, in its sole discretion, may reduce or waive any performance objectives for such Performance Share.

9.6 Form and Timing of Payment of Performance Shares. Payment of vested Performance Shares shall be made as soon as practicable after vesting (subject to any deferral permitted under Section 12.1). The Committee, in its sole discretion, may pay Performance Shares in the form of cash, in Shares or in a combination thereof.

9.7 Cancellation of Performance Shares. On the date set forth in the Award Agreement, all unvested Performance Shares shall be forfeited to the Company, and except as otherwise determined by the Committee, again shall be available for grant under the Plan.

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**SECTION 10**

**RESTRICTED STOCK UNITS**

10.1 Grant of RSUs. Restricted Stock Units may be granted to Employees, Directors and Consultants at any time and from time to time, as shall be determined by the Committee, in its sole discretion. The Committee shall have complete discretion in determining the number of Restricted Stock Units granted to each Participant, provided that during any Fiscal Year, no Participant who is an Employee or a Consultant shall be granted more than a total of three hundred thirty three thousand three hundred thirty three (333,333) Restricted Stock Units (and/or Shares of Restricted Stock or Performance Shares), and no Participant who is a Non-employee Director shall be granted more than a total of fifty thousand (50,000) Restricted Stock Units (and/or Shares of Restricted Stock or Performance Shares). Notwithstanding the foregoing, during the Fiscal Year in which a Participant first becomes an Employee, he or she may be granted up to a total of an additional six hundred sixty six thousand six hundred sixty seven (666,667) Restricted Stock Units (and/or Shares of Restricted Stock or Performance Shares).

10.2 Value of RSUs. Each Restricted Stock Unit shall have an initial value equal to the Fair Market Value of a Share on the Grant Date.

10.3 RSU Agreement. Each Award of Restricted Stock Units shall be evidenced by an Award Agreement that shall specify any vesting conditions, the number of Restricted Stock Units granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

10.4 Earning of RSUs. After the applicable vesting period has ended, the holder of Restricted Stock Units shall be entitled to receive a payout of the number of Restricted Stock Units earned by the Participant over the vesting period. Subject to the provisions of Section 4.5.5. of the Plan, after the grant of a Restricted Stock Unit, the Committee, in its sole discretion, may reduce or waive any vesting condition for such Restricted Stock Unit.

10.5 Form and Timing of Payment of RSUs. Payment of vested Restricted Stock Units shall be made as soon as practicable after vesting (subject to any deferral permitted under Section 12.1). The Committee, in its sole discretion, may pay Restricted Stock Units in the form of cash, in Shares or in a combination thereof.

10.6 Cancellation of RSUs. On the date set forth in the Award Agreement, all unvested Restricted Stock Units shall be forfeited to the Company, and except as otherwise determined by the Committee, again shall be available for grant under the Plan.

10.7 Section 162(m) Performance Restrictions. For purposes of qualifying grants of Restricted Stock Units as "performance-based compensation" under Section 162(m) of the Code, the Committee, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Committee on or before the latest date permissible to enable the Restricted Stock Units to qualify as "performance-based compensation" under Section 162(m) of the Code. In granting Restricted Stock Units which are intended to qualify under Section 162(m) of the Code, the Committee shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Restricted Stock Units under Section 162(m) of the Code (e.g., in determining the Performance Goals).



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**SECTION 11**

**NON-EMPLOYEE DIRECTOR AWARDS**

The provisions of this Section 11 are applicable only to Awards granted to Non-employee Directors.

11.1 Granting of Awards. As of the effective date of the Plan, the Committee's philosophy is to grant Awards to Non-employee Directors of the same type and following the same ratio as grants to the Company's Section 16 officers. The types and amounts of Awards to be granted pursuant to this Section 11 are set out below.

11.1.1 Initial Grants. Each Non-employee Director who first becomes a Non-employee Director on or after the effective date of this Plan, automatically, in accord with the Committee's preceding grants to the Section 16 officers, shall receive, as of the date that the individual first is appointed or elected as a Non-employee Director: (a) an Option to purchase sixty thousand (60,000) Shares; (b) (x) an Option to purchase thirty thousand (30,000) Shares and (y) an Award of ten thousand (10,000) Restricted Stock Units; or (c) an Award of twenty thousand (20,000) Restricted Stock Units.

11.1.2 Ongoing Grants. Each Non-employee Director who both is a Non-employee Director on the date of an Annual Meeting of Stockholders of the Company, and has served as a Non-employee Director for at least six (6) months prior to such Annual Meeting automatically, in accord with the Committee's preceding grants to the Section 16 officers, shall receive, as of the date of the Annual Meeting only; (a) an Option to purchase twenty five thousand (25,000) Shares; (b) (x) an Option to purchase twelve thousand five hundred (12,500) Shares and (y) an Award of four thousand one hundred sixty seven (4,167) Restricted Stock Units; or (c) an Award of eight thousand three hundred thirty three (8,333) Restricted Stock Units.

11.2 Terms of Awards.

11.2.1 Agreement. Each Award granted pursuant to this Section 11 shall be evidenced by a written Award Agreement between the Participant and the Company.

11.2.2 Exercise Price. The Exercise Price for the Shares subject to each Option granted pursuant to this Section 11 shall be one hundred percent (100%) of the Fair Market Value of such Shares on the Grant Date.

11.2.3 Exercisability and Vesting.

(a) Each Option granted pursuant to Section 11.1.1 shall become exercisable as to thirty three percent (33%) of the Shares on the first anniversary of the Grant Date, as to an additional two and seventy eight one-hundredths percent (2.78%) on each monthly thereafter until one hundred percent (100%) of the Shares have vested.

(b) The Restricted Stock Units granted pursuant to Section 11.1.1 shall vest as to thirty three and one third percent (33 1/3%) of the Restricted Stock Units on each of the first anniversary, second anniversary and third anniversary of the RSU Vesting Commencement Date, respectively.

(c) Each Option granted pursuant to Section 11.1.2 shall become exercisable as to one hundred percent (100%) of the Shares on the first anniversary of the Grant Date.

(d) The Restricted Stock Units granted pursuant to Section 11.1.2 shall vest as to one hundred percent (100%) of the Restricted Stock Units on the first anniversary of the RSU Vesting Commencement Date.

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Notwithstanding the preceding, once a Participant ceases to be a Director, his or her Options which are not then exercisable shall never become exercisable and shall be immediately forfeited and all unvested Restricted Stock Units shall be forfeited to the Company.

11.2.4 Expiration of Options. Each Option granted pursuant to this Section 11 shall terminate upon the first to occur of the following events:

(a) The expiration of seven (7) years from the Grant Date; or

(b) The expiration of three (3) months from the date of the Participant's Termination of Service for any reason other than the Participant's death or Disability;

(c) The expiration of one (1) year from the date of the Participant's Termination of Service by reason of Disability or death.

11.2.5 Nonqualified Stock Options. Options granted pursuant to this Section 11 shall be designated as Nonqualified Stock Options.

11.2.6 Other Terms. All provisions of the Plan not inconsistent with this Section 11 shall apply to Awards granted to Non-employee Directors.

11.3 Committee Discretion. The Committee, in its sole discretion, at any time may change the number, type, and other terms and conditions of the Awards subject to future grants under this Section 11. The Committee (in its sole discretion) also may grant Awards to Non-employee Directors under the other provisions of the Plan.

## SECTION 12

### MISCELLANEOUS

12.1 Deferrals. The Committee, in its sole discretion, may permit a Participant to defer receipt of the payment of cash or the delivery of Shares that otherwise would be due to such Participant under an Award. Any such deferral elections shall be subject to such rules and procedures as shall be determined by the Committee in its sole discretion.

12.2 No Effect on Employment or Service. Nothing in the Plan shall interfere with or limit in any way the right of the Company or an Affiliate to terminate any Participant's employment or service at any time, with or without cause. For purposes of the Plan, transfer of employment of a Participant between the Company and any one of its Affiliates (or between Affiliates) shall not be deemed a Termination of Service. Employment with the Company and its Affiliates is on an at-will basis only.

12.3 Participation. No Employee, Director or Consultant shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

12.4 Indemnification. Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from (a) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any Award Agreement, and (b) from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she

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undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

12.5 Successors. All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business or assets of the Company.

12.6 Beneficiary Designations. If permitted by the Committee, a Participant under the Plan may name a beneficiary or beneficiaries to whom any vested but unpaid Award shall be paid in the event of the Participant's death. Each such designation shall revoke all prior designations by the Participant and shall be effective only if given in a form and manner acceptable to the Committee. In the absence of any such designation, any vested benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate and, subject to the terms of the Plan and of the applicable Award Agreement, any unexercised vested Award may be exercised by the administrator or executor of the Participant's estate.

12.7 Limited Transferability of Awards. No Award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will, by the laws of descent and distribution, or to the limited extent provided in Section 12.6. All rights with respect to an Award granted to a Participant shall be available during his or her lifetime only to the Participant. Notwithstanding the foregoing, the Participant may, in a manner specified by the Committee, if the Committee (in its discretion) so permits, (a) transfer an Award to a Participant's spouse, former spouse or dependent pursuant to a court-approved domestic relations order which relates to the provision of child support, alimony payments or marital property rights, and (b) transfer an Award by bona fide gift and not for any consideration, to (i) a member or members of the Participant's immediate family, (ii) a trust established for the exclusive benefit of the Participant and/or member(s) of the Participant's immediate family, (iii) a partnership, limited liability company or other entity whose only partners or members are the Participant and/or member(s) of the Participant's immediate family, or (iv) a foundation in which the Participant and/or member(s) of the Participant's immediate family control the management of the foundation's assets. Any such transfer shall be made in accordance with such procedures as the Committee may specify from time to time.

12.8 No Rights as Stockholder. No Participant (nor any beneficiary) shall have any of the rights or privileges of a stockholder of the Company with respect to any Shares issuable pursuant to an Award (or exercise thereof), unless and until certificates representing such Shares shall have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Participant (or beneficiary).

## SECTION 13

### AMENDMENT, TERMINATION, AND DURATION

13.1 Amendment, Suspension, or Termination. The Board, in its sole discretion, may amend, suspend or terminate the Plan, or any part thereof, at any time and for any reason. The amendment, suspension, or termination of the Plan shall not, without the consent of the Participant, alter or impair any rights or obligations under any Award theretofore granted to such Participant. No Award may be granted during any period of suspension or after termination of the Plan.

13.2 Duration of the Plan. The Plan shall be effective as of April 28, 2009, and subject to Section 13.1 (regarding the Board's right to amend or terminate the Plan), shall remain in effect thereafter. However, without further stockholder approval, no Incentive Stock Option may be granted under the Plan after April 28, 2019.

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**SECTION 14**

**TAX WITHHOLDING**

14.1 Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

14.2 Withholding Arrangements. The Committee, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such Tax Obligations, in whole or in part by (a) electing to have the Company withhold otherwise deliverable Shares, or (b) delivering to the Company already-owned Shares having a Fair Market Value equal to the amount required to be withheld or remitted. The amount of the Tax Obligations shall be deemed to include any amount which the Committee agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant or the Company, as applicable, with respect to the Award on the date that the amount of tax or social insurance liability to be withheld or remitted is to be determined. The Fair Market Value of the Shares to be withheld or delivered shall be determined as of the date that the Tax Obligations are required to be withheld.

**SECTION 15**

**LEGAL CONSTRUCTION**

15.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

15.2 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

15.3 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

15.4 Securities Law Compliance. With respect to Section 16 Persons, transactions under this Plan are intended to qualify for the exemption provided by Rule 16b-3. To the extent any provision of the Plan, Award Agreement or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable or appropriate by the Committee.

15.5 Code Section 409A. Unless otherwise specifically determined by the Committee, the Committee shall comply with Code Section 409A in establishing the rules and procedures applicable to deferrals in accordance with Section 12.1 and taking or permitting such other actions under the terms of the Plan that otherwise would result in a deferral of compensation subject to Code Section 409A.

15.6 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of California (with the exception of its conflict of laws provisions).

15.7 Captions. Captions are provided herein for convenience only, and shall not serve as a basis for interpretation or construction of the Plan.













