

MYR GROUP INC.  
Form PREC14A  
February 26, 2016

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment  
No. )**

Filed by the Registrant  x  
Filed by a Party other than the Registrant  o  
Check the appropriate box:

x Preliminary Proxy Statement  
 o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 o Definitive Proxy Statement  
 o Definitive Additional Materials  
 o Soliciting Material under §240.14a-12

**MYR Group Inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.  
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(1) Amount Previously Paid:

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In accordance with Rule 14a-6(d) under Regulation 14A of the Securities Exchange Act of 1934, please be advised that MYR Group Inc. intends to release definitive copies of the proxy statement to security holders on or about March 15, 2016.

**MYR GROUP INC.**  
**1701 GOLF ROAD, SUITE 3-1012**  
**ROLLING MEADOWS, IL 60008**

March 15, 2016

Dear Fellow Stockholder,

I am pleased to invite you to attend the 2016 Annual Meeting of Stockholders of MYR Group Inc., which will be held at 9:00 a.m. local time on Thursday, April 28, 2016, at the DoubleTree Hotel, 75 West Algonquin Road, Arlington Heights, Illinois 60005 (the Annual Meeting). The meeting facilities will open to stockholders at 8:30 a.m. local time. At the Annual Meeting we will report on operations and act on the matters described in the Notice of Annual Meeting of Stockholders and the Proxy Statement that follow this letter. Stockholders of record at the close of business on March 1, 2016, are entitled to notice of, and to vote at, the Annual Meeting.

It is important that your shares are represented and voted at the Annual Meeting regardless of the size of your holdings. **Even if you intend to attend the Annual Meeting, please complete, sign, date and return the accompanying WHITE proxy card in the enclosed postage-paid envelope as soon as possible in order to ensure the presence of a quorum.** If you do not vote promptly, we may incur additional costs in soliciting proxies. Voting by returning your proxy card in advance of the Annual Meeting does not deprive you of your right to attend and vote in person at the Annual Meeting.

You should know that Engine Capital, L.P. ( Engine Capital ) has stated that it intends to nominate a slate of three nominees for election as directors at the Annual Meeting in opposition to the nominees recommended by the board of directors of MYR Group Inc. (the Board). The Board does not endorse the election of any of Engine Capital's nominees.

You may receive solicitation materials from Engine Capital or its affiliates, including a proxy statement and a [color] proxy card. We are not responsible for the accuracy of any information provided by or relating to Engine Capital or its nominees contained in solicitation materials filed or disseminated by or on behalf of Engine Capital or any other statements of Engine Capital.

The Board unanimously recommends that you vote **FOR** the election of each of our director nominees on the accompanying **WHITE** proxy card. The Board strongly urges you not to sign or return any [color] proxy card sent to you by or on behalf of Engine Capital. If you have already returned a proxy card for Engine Capital, you can revoke that proxy by using the enclosed **WHITE** proxy card to vote your shares. Only your latest-dated proxy will count. The Board and management look forward to your participation at the Annual Meeting and appreciate your continued support.

Sincerely yours,

William A. Koertner  
*Chairman, President and Chief Executive Officer*

**YOUR VOTE IS IMPORTANT**

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**MYR GROUP INC.**

**1701 GOLF ROAD, SUITE 3-1012  
ROLLING MEADOWS, IL 60008**

**NOTICE OF THE 2016 ANNUAL MEETING OF  
STOCKHOLDERS  
OF MYR GROUP INC.**

TIME AND DATE: 9:00 a.m. local time on Thursday, April 28, 2016  
DoubleTree Hotel

PLACE: 75 West Algonquin Road  
Arlington Heights, Illinois 60005  
(1)

ITEMS OF BUSINESS: Election as directors of the three nominees identified in this proxy statement, each to serve a term of three years;  
(2)

Advisory resolution to approve the compensation of our named executive officers;  
(3)

Ratification of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2016; and  
(4)

Consideration of other business properly presented at the meeting.

BOARD RECOMMENDATION: The Board of Directors recommends that you vote, by following the instructions on the enclosed **WHITE** proxy card, **FOR** the election of each of the nominees in Item 1 and **FOR** Items 2 and 3.

WHO CAN VOTE: Stockholders of record at the close of business on March 1, 2016 are entitled to vote at the meeting, or any postponement or adjournment thereof.

DATE OF DISTRIBUTION:

This Notice of Meeting, the Proxy Statement, the accompanying **WHITE** proxy card and our 2015 Annual Report to Stockholders are being distributed to stockholders beginning on or about March 15, 2016.

## **Important Notice Regarding the Availability of Proxy Materials for our 2016 Annual Meeting of Stockholders to be held April 28, 2016**

This Notice of Meeting, the Proxy Statement, and the 2015 Annual Report to Stockholders on Form 10-K are available on our website <http://investor.myrgroup.com/annuals.cfm>.

Gerald B. Engen, Jr.  
*Senior Vice President, Chief Legal Officer and Secretary*

March 15, 2016

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*Throughout this proxy statement, references to MYR Group, the Company, we, us, and our refer to MYR Group Inc. and its consolidated subsidiaries, except as otherwise indicated or as the context otherwise requires.*

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**MYR GROUP INC.**

**March 15, 2016**

**PROXY STATEMENT**

**FOR THE 2016 ANNUAL MEETING OF  
STOCKHOLDERS**

**SUMMARY INFORMATION**

This Summary Information section introduces the proposals to be voted on at the 2016 Annual Meeting of Stockholders (the Annual Meeting ) as well as highlights of our corporate governance, executive compensation and business results in 2015. We encourage you to review the entire 2016 proxy statement (the Proxy Statement ) prior to determining how you wish to vote your shares. We are holding the Annual Meeting on Thursday, April 28, 2016 at 9:00 a.m. local time at the DoubleTree Hotel, 75 West Algonquin Road, Arlington Heights, Illinois 60005.

**Meeting Agenda and Voting Recommendation**

Item	Proposal	Board Vote Recommendation	Page Reference (for details)
1.	Election as directors of the three nominees identified in this Proxy Statement and the enclosed <b>WHITE</b> proxy card, each to serve a term of three years	FOR EACH NOMINEE	8
2.	Advisory resolution to approve the compensation of our named executive officers	FOR	52
3.	Ratification of the appointment of Ernst & Young LLP ( EY ) as our independent registered public accounting firm for the year ending December 31, 2016	FOR	56

## 2015 Executive Compensation Highlights

Our executive compensation program seeks to reward our executive officers for their contributions to our short-term and long-term performance. Most importantly, we seek to link individual pay to Company success, and we work to structure executive officer compensation consistent with this goal. We maintain the following policies and practices, among others, that aim to promote our commitment to pay for performance:

We provide our executive officers with total compensation opportunities at levels that we believe are competitive with our peer companies so that we can retain and motivate our skilled and qualified officers.

We grant equity awards under our Long-Term Incentive Plan (Amended and Restated as of May 1, 2014) (the LTIP), which include time-based retention awards and awards that are tied to Company performance goals or the performance of the Company's stock. Equity awards under the LTIP may be issued in the form of stock options, stock appreciation rights, restricted stock, performance awards, phantom stock, stock bonuses and dividend equivalents. We annually put our named executive officer compensation to an advisory vote of our stockholders and received a positive response of over 97% of the votes cast on this proposal at our 2015 Annual Meeting.

We include clawback provisions in our LTIP award agreements, which subject all new equity awards under the LTIP to the Company's right to recover in the event that it is determined that a participant engaged in conduct that contributed to any material restatement of our earnings.

We cap annual cash incentive awards that can be earned at 200% of salary for our Chief Executive Officer (CEO) and lesser amounts for our other named executive officers. The number of performance shares that can be earned is capped at 200% of target for all named executive officers.

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We have an insider trading policy that prohibits our directors and named executive officers from hedging the economic risk of their stock ownership, holding shares of the Company's common stock in a margin account or pledging shares as collateral for a loan.

We have stock ownership guidelines, with a stock retention feature, for our directors and named executive officers.

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## **CORPORATE GOVERNANCE**

### **Code of Ethics and Corporate Governance Principles**

We have a Code of Business Conduct and Ethics (the Code of Ethics ) applicable to all of our directors, officers and employees. The Code of Ethics promotes honest and ethical conduct, full and accurate public communication and compliance with applicable laws, rules and regulations. We disclose any waiver or amendments to the Code of Ethics as required by the applicable rules of the U.S. Securities and Exchange Commission ( SEC ).

Additionally, the board of directors of MYR Group (the Board ) has guidelines that provide a framework for MYR Group s corporate governance (the Corporate Governance Principles ). The Corporate Governance Principles assist the Board in the exercise of its responsibilities to help ensure compliance with governing law and our policies.

Stockholders and others can access our corporate governance materials, including the Certificate of Incorporation, Amended and Restated By-Laws (the By-Laws ), Board committee charters, our Corporate Governance Principles, our Code of Ethics and other corporate governance related materials on our website at [www.myrgroup.com](http://www.myrgroup.com). Copies of these materials are also available free of charge to any stockholder who sends a written request to our Secretary at MYR Group Inc., 1701 Golf Road, Suite 3-1012, Rolling Meadows, Illinois 60008.

The information on our website is not, and shall not be deemed to be, a part of this Proxy Statement or incorporated into any other filings we make with the SEC.

### **Director Independence**

Our Corporate Governance Principles require that at least a majority of the Board qualify as independent directors under the listing standards of the NASDAQ Stock Market ( Nasdaq ) and any other requirements of the committees upon which he or she serves. Nasdaq listing standards have both objective tests and a subjective test for determining who is an independent director. The objective tests state, for example, that an employee director is not considered independent. The subjective test requires the Board to affirmatively determine that the director does not have a relationship that would interfere with the director s exercise of independent judgment in carrying out his or her responsibilities. Members of our Audit Committee and Compensation Committee, respectively, are subject to certain additional independence criteria as described below under Audit Committee Matters and Compensation Committee Matters.

After considering the Nasdaq listing standards and information provided by each director, the Board determined that the following directors are independent: Jack L. Alexander, Larry F. Altenbaumer, Henry W. Fayne, Kenneth M. Hartwick, Gary R. Johnson, Donald C.I. Lucky, Maurice E. Moore and William D. Patterson. William A. Koertner is not considered an independent director due to his employment with MYR Group.

### **Executive Sessions of the Board**

In accordance with the Corporate Governance Principles, the independent directors meet at least twice per year in executive sessions, which are chaired by the Lead Director. Executive sessions are typically held following Board meetings, without management present.

## Meeting Attendance

We expect directors to regularly attend Board meetings and meetings of the committees on which they serve. The Board held twenty-three meetings in 2015, seven of which were briefings by management on project bidding opportunities. For the year ended December 31, 2015, all of our directors attended at least 91% of the aggregate number of meetings of the Board and committees on which they served. All directors are expected to attend the Annual Meeting and all directors serving at the time of the 2015 Annual Meeting, including the director nominees, attended that meeting.

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## **Communications with the Board and Reporting of Concerns**

The Board values and encourages constructive dialogue with stockholders and other interested parties on topics such as compensation and other important governance topics. Stockholders and other interested parties can communicate with the directors, individually or as a group, by writing to our Secretary at MYR Group Inc., 1701 Golf Road, Suite 3-1012, Rolling Meadows, Illinois 60008 or by submitting an e-mail to our corporate website at <http://investor.myrgroup.com/contactBoard.cfm>.

The Secretary forwards communications relating to matters within the Board's purview to the appropriate directors, communications relating to matters within a Board committee's area of responsibility to the chair of the appropriate committee and communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints to the appropriate MYR Group officer. The Secretary generally does not forward complaints about service, new services suggestions, resumes and other forms of job inquiries, surveys, business solicitations or advertisements or inappropriate communications. Anyone who has a concern about the Company's conduct, accounting, financial reporting, internal controls, or auditing matters may submit that concern anonymously or confidentially to the Company's Anonymous Incident Reporting System MySafeWorkplace at 800-461-9330 or [www.mysafeworkplace.com](http://www.mysafeworkplace.com).

## **Board Leadership Structure**

Our Corporate Governance Principles provide that the Board has the discretion to choose its board leadership structure and Chairman in any way that it deems best for MYR Group and our stockholders. When determining the leadership structure that allows the Board to effectively carry out its responsibilities and represent our stockholders' interests, the Board considers various factors including our specific business needs, our industry's demands, our operating and financial performance, the economic and regulatory environment, Board self-evaluations, alternative leadership structures and our corporate governance policies and practices. William A. Koertner currently serves as both Chairman of the Board and our CEO. He has held both of those positions since 2007. The Board believes that combining the Chairman and CEO positions, together with an independent Lead Director, is appropriate at this time because it effectively utilizes Mr. Koertner's extensive experience and knowledge of our industry and Company and provides for efficient leadership of our Board and Company. In making this determination, the Board has taken into consideration MYR Group's size, structure and business as well as Mr. Koertner's knowledge of the industry, successful tenure with MYR Group and his established relationships with our customers. The Board also believes that Mr. Koertner is in the best position to inform our independent directors about our operations, projects and issues important to the Company. Except for Mr. Koertner, the Board is comprised entirely of independent directors and all of the committee members are independent. The Board has the necessary power and authority to request and obtain information directly from management, to retain outside consultants and to consult directly with management and employees where it deems appropriate.

In accordance with the Corporate Governance Principles, the independent directors selected Gary R. Johnson to serve as the Board's Lead Director. As Lead Director, Mr. Johnson has the authority to call meetings of the independent directors and his duties include, among others, presiding at executive sessions of the independent directors, which are typically held following Board meetings without management present, and serving as a liaison between the Chairman and the independent directors and, where appropriate, with the stockholders.

Our overall corporate governance policies and practices, combined with the strength of our independent directors, minimize potential conflicts that may result from combined roles of Chairman and CEO. The Nominating and Corporate Governance Committee and the other independent directors periodically review this structure to ensure it is

still appropriate.

## **Risk Oversight**

We do not view risk in isolation but consider risk as part of our regular consideration of business strategy and business decisions. Assessing and managing risk is the responsibility of management, which establishes and maintains risk management processes, including action plans and controls, to balance risk mitigation and opportunities to create stockholder value. It is management's responsibility to anticipate, identify and communicate risks to the Board and/or its committees.

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The Board has the responsibility to oversee and review certain aspects of our risk management efforts, either directly or through its committees, based upon management's identification, assessment and mitigation of risk. We approach risk management by integrating strategic planning and operational decision-making with risk oversight by management and the Board. The Board commits extensive time and effort discussing and establishing the Company's strategic plan, and it reconsiders key elements of the strategic plan as significant events and opportunities arise during the year. As part of the strategic plan review, the Board and management focus on the primary value drivers for the Company and risks facing the Company.

The Board's standing committees are each chaired by an independent director and support the Board's oversight functions by regularly addressing various risks in their respective areas of oversight. Specifically, the Audit Committee assists the Board in fulfilling its risk management oversight responsibilities in the areas of financial reporting, internal controls and compliance with public reporting requirements. The Compensation Committee assists the Board in fulfilling its risk management oversight responsibilities associated with risks arising from compensation policies and programs, including the review of incentive compensation to ensure our programs contribute to our success, increase shareholder value and discourage unnecessary and excessive risk taking. The Nominating and Corporate Governance Committee assists the Board in fulfilling its risk management oversight responsibilities associated with risks primarily related to corporate governance. Each of the committee chairs reports to the full Board at regular meetings concerning the activities of the committee, the significant issues it has discussed and the actions taken by the committee.

We believe that our leadership structure supports the risk oversight function of the Board. All directors are actively involved in the risk oversight function and with our CEO serving as Chairman of the Board, he is able to promote open communication between management and directors relating to risk.

## Committee Membership

Our Board designates the members and chairs of committees based on the Nominating and Corporate Governance Committee's recommendations. Because he is not an independent director, William A. Koertner does not serve on any of the committees. The Board has three standing committees—Audit, Compensation, and Nominating and Corporate Governance—each comprised entirely of independent directors. Membership of the committees in 2015 was as follows:

Name	Audit	Compensation	Nominating and Corporate Governance
Jack L. Alexander	X	X	
Larry F. Altenbaumer		Chair	X
Henry W. Fayne	X	X	
Kenneth M. Hartwick <sup>(1)</sup>	X		X
Betty R. Johnson <sup>(2)</sup>	X		X
Gary R. Johnson		X	Chair
Donald C.I. Lucky <sup>(1)</sup>		X	X
Maurice E. Moore	X		X
William D. Patterson	Chair	X	
Number of Meetings in 2015	6	7	4

- (1) Mr. Hartwick's and Mr. Lucky's appointments to the Board were effective on July 29, 2015.  
Effective October 19, 2015, Ms. Johnson resigned from the Board and was appointed Senior Vice President, Chief  
(2) Financial Officer and Treasurer.

Each of the three standing committees has a written charter adopted by the Board. The charters define each committee's roles and responsibilities. The charters are available on our website at [www.myrgroup.com](http://www.myrgroup.com). MYR Group will provide copies of these charters free of charge to any stockholder who sends a written request to our Secretary at MYR Group Inc., 1701 Golf Road, Suite 3-1012, Rolling Meadows, Illinois 60008.

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# **NOMINATING AND CORPORATE GOVERNANCE COMMITTEE MATTERS**

The Board has determined that all of the Nominating and Corporate Governance Committee members are independent under the Nasdaq listing standards. The primary responsibilities of the Nominating and Corporate Governance Committee include (i) identifying and recommending to the Board individuals qualified to serve as director, (ii) advising the Board with respect to the Board's size, composition, procedures and committees, (iii) developing and recommending to the Board the corporate governance principles applicable to the Company, (iv) overseeing the self-evaluation of the Board and Board committees and (v) providing oversight with respect to corporate governance and ethical conduct.

## **Criteria for Nomination to the Board of Directors and Diversity**

The Board is responsible for nominating directors for election to the Board. The Nominating and Corporate Governance Committee is responsible for identifying, screening, and recommending candidates to the Board for Board membership, in accordance with the committee's charter, our Certificate of Incorporation, our By-Laws, our Corporate Governance Principles and additional criteria that may be considered by the Board regarding director candidate qualifications. The Nominating and Corporate Governance Committee also evaluates the qualifications of all candidates properly nominated by stockholders in the same manner and using the same criteria.

Since the identification and selection of qualified directors is a complex and subjective process that requires consideration of many intangible factors, and will be significantly influenced by the particular needs of the Board from time to time, there is not a specific set of qualifications, qualities or skills that are necessary for a nominee to possess, other than those that are necessary to meet legal requirements, the Nasdaq listing standards and the provisions of our Certificate of Incorporation, By-Laws, Corporate Governance Principles and charters of the Board's committees.

When considering nominees, the Nominating and Corporate Governance Committee may take into consideration many factors including, but not limited to, a candidate's:

- record of accomplishment in his or her chosen field;
- depth and breadth of experience at an executive, policy-making level in business, financial services, academia, law, government, technology or other areas relevant to the Company's activities;
- personal and professional ethics, integrity and values;
- commitment to enhancing stockholder value;
- ability to exercise good judgment and provide practical insights and diverse perspectives;
- knowledge of the Company's industry, markets and customers;
- absence of real and perceived conflicts of interest;
- ability and willingness to devote sufficient time to become knowledgeable about the Company and to effectively carry out the duties and responsibilities of service;
- ability to attend Board meetings in person;
- ability to develop a good working relationship with other members of the Board; and
- ability to contribute to the Board's working relationship with senior management.

When considering nominees, the Nominating and Corporate Governance Committee may also consider whether the candidate possesses the qualifications, experience and skills it considers appropriate in the context of the Board's overall composition and needs. In addition, our Corporate Governance Principles specify that the Nominating and Corporate Governance Committee should consider the value of diversity on the Board in the director nominee identification and nomination process. Accordingly, while the Company does not have a specific policy regarding

diversity, the Nominating and Corporate Governance Committee's evaluation of director nominees includes consideration of their ability to contribute to the diversity of personal and professional experiences, opinions, perspectives and backgrounds on the Board. Nominees are not discriminated against on the basis of race, color, religion, sex, ancestry, national origin, sexual orientation, disability or any other basis proscribed by law. The Nominating and Corporate Governance Committee will

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assess the effectiveness of this approach as part of its review of the Board's composition as well as in the course of the Board's and Nominating and Corporate Governance Committee's self-evaluation process.

Under the heading Proposal No. 1. Election of Directors, we provide an overview of each nominee's principal occupation, business experience and other directorships of publicly traded companies, together with the qualifications, experience, key attributes and skills the Nominating and Corporate Governance Committee and the Board believe will best serve the interests of the Board, the Company and our stockholders.

## **Board and Committee Self-Evaluations**

The Board and each of the Audit, Compensation, and Nominating and Corporate Governance committees conduct an annual self-evaluation addressing matters the Board and committees consider relevant to their performance. These evaluations include both a qualitative and quantitative assessment by each director of the performance of the Board and the committee or committees on which the director sits. The Nominating and Corporate Governance Committee oversees the evaluation process.

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## PROPOSAL NO. 1. ELECTION OF DIRECTORS

The Board currently consists of nine directors. The directors are divided into three classes, designated as Class I, Class II and Class III. The term for each class expires at the conclusion of a three-year term. At the 2016 Annual Meeting, the Class III directors are standing for election.

The Nominating and Corporate Governance Committee recommended to the Board, and the Board approved, the nomination of Larry F. Altenbaumer, William A. Koertner and William D. Patterson as directors (the MYR Group Nominees), each for a term ending at the 2019 Annual Meeting of Stockholders or until his successor has been chosen and qualified.

Each of the MYR Group Nominees was chosen by the Board to be a director because the Board and the Nominating and Corporate Governance Committee believe that his qualifications, experience, background and skills (summarized below under the subheading **Director Qualifications**), taken together, demonstrate his capacity to make a continuing meaningful contribution to the Board's oversight of the business and affairs of the Company. Accordingly, the Board believes that the continued service of each of the MYR Group Nominees on the Board will serve the best interests of the Company and all of its stockholders.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE ON THE WHITE PROXY CARD FOR THE ELECTION OF LARRY F. ALTENBAUMER, WILLIAM A. KOERTNER AND WILLIAM D. PATTERSON.**

If you return a **WHITE** proxy card without giving specific voting instructions, then your shares will be voted **FOR** the election of the MYR Group Nominees.

If any nominee should be unavailable to serve due to an unanticipated event, the Board may designate another person as a substitute nominee or, in accordance with our By-Laws, act to reduce the number of directors. If the Board substitutes another nominee, the shares represented by your **WHITE** proxy will be voted for the substitute nominee.

**THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE NOMINEES.**

### Vote Required

On December 21, 2015, our By-laws were amended to provide for a majority standard in uncontested director elections. As amended, the By-laws provide that a director nominee in an uncontested election will be elected if the number of shares voted for the director's election exceeds 50% of the number of votes cast on the issue of that director's election (including votes FOR, AGAINST and WITHHOLD, but excluding any votes to ABSTAIN or broker non-votes). If a director in an uncontested election fails to receive the required number of votes for re-election in an uncontested election, the director is expected to tender his or her resignation effective upon the Board's acceptance of such resignation. The Nominating and Corporate Governance Committee will act on an expedited basis to determine whether to accept the director's resignation and will submit such recommendation for prompt consideration by the Board. A director whose resignation is under consideration is expected to abstain from participating in any decision regarding that resignation. The Nominating and Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept or reject a director's resignation.

However, in a contested election where the number of director nominees exceeds the number of directors to be

elected, a plurality vote standard will apply, and the three directors nominees who receive the most FOR votes will be elected. Because Engine Capital L.P., a Delaware limited partnership (together with its affiliates Engine Capital ), has stated that it intends to nominate three alternative director nominees, assuming such nominees are in fact proposed for election at the Annual Meeting, the number of director nominees will exceed the number of directors to be elected.

Consequently, a plurality vote standard will apply to the election of directors at the Annual Meeting.

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**Qualifications, Experience, Key Attributes and Skills:**

Mr. Altenbaumer's long record of achievement in various leadership positions at Illinois Power, including President, enables him to provide valuable insight into key aspects of successfully managing our day-to-day business and management operations. This experience and his current position as a director of the Southwest Power Pool and a member of its Human Resources Committee and Finance Committee support his role as Chairman of the Compensation Committee. His executive management roles, knowledge of our customers and competitors and range of consulting experience both inside and outside of the energy industry strengthen Mr. Altenbaumer's ability to provide strategic leadership to help us better position ourselves for future growth

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and success. In addition, Mr. Altenbaumer's board service for the Southwest Power Pool along with the nature of his activity in support of several ArcLight portfolio companies provide him with relevant expertise in areas related to corporate governance issues affecting U.S. publicly traded companies and arm him with a wide base of knowledge related to his membership on the Nominating and Corporate Governance Committee.

**William A. Koertner**

Age: 66  
Director Since: 2007  
Director Class: Class III

Mr. Koertner joined MYR Group in 1998 as Senior Vice President, Treasurer and Chief Financial Officer, responsible for all financial functions including accounting, treasury, risk management and MIS operations. He was promoted to President and CEO in December 2003. Prior to joining MYR Group, Mr. Koertner served as Chief Financial Officer for Central Illinois Public Service Company from 1995 to 1998 and President and Chief Executive Officer of CIPSCO Investment Company ( CIPSCO ) from 1995 to 1998 as well. CIPSCO manages nonutility investments and provides investment management services for affiliates. Mr. Koertner holds a Bachelor of Science degree in finance from Northern Illinois University and a Masters of Business Administration degree from the University of Illinois.

Mr. Koertner serves as the Chairman of the Board and has a 100% attendance record for all 2015 Board meetings.

**Qualifications, Experience, Key Attributes and Skills:**

Through Mr. Koertner's tenure as both President and CEO and Chief Financial Officer of MYR Group, he has gained an in-depth understanding of our day-to-day operations and has helped to develop and set our short and long-term growth strategies. He has been an instrumental force in building and maintaining key customer, vendor and investor relationships that have played an integral role in helping to further understand our business goals, the markets in which we operate and our competitive climate, all of which have contributed greatly to the success of the Company. Mr. Koertner also brings a wealth of financial expertise and utility background to his role and possesses an expert understanding of accounting and treasury practices, risk management and MIS operations, which allows him to provide sound guidance to the Board regarding our strategies and management.

**William D. Patterson**

Age: 61  
Director Since: 2007  
Director Class: Class III

Since 2010, Mr. Patterson has been the President of EnSTAR Management Corporation, a company that he founded to provide advisory and consulting services to utilities. From 2009 to 2010, Mr. Patterson served as Senior Vice President of Corporate and Business Development for American Water Works Company, Inc., the largest investor-owned U.S. water and wastewater utility company. From 2005 to 2008, Mr. Patterson served as Senior Vice President and Chief Financial Officer of Pennichuck Corporation, an investor-owned water utility holding company. From 2003 to 2005, he served as an executive advisor to Concentric Energy Advisors, a private firm located in Marlborough, Massachusetts, providing financial advisory and consulting services for utilities. His experience also includes nearly 20 years of work within the investment banking industry, serving in senior positions at E.F. Hutton, Shearson Lehman and Smith Barney, where he was managing director and co-head of the corporate finance department.

regulated utilities practice. Mr. Patterson earned his Bachelor of Science degree in civil engineering from Princeton University, graduating summa cum laude. He earned his Masters of Business Administration degree in finance and accounting from the University of Chicago Booth School of Business.

Mr. Patterson serves as the chair of the Audit Committee, serves on the Compensation Committee and has a 100% attendance record for all 2015 Board and committee meetings on which he serves.

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**Qualifications, Experience, Key Attributes and Skills**

Mr. Patterson is a financial executive and expert with 30 years of experience primarily serving the regulated utility and energy/utility infrastructure markets. As Chairman of the Audit Committee and a member of the Compensation Committee, Mr. Patterson brings a broad-based track record of success as a banker, investor and advisor and has held senior management and independent director positions for both public and private companies. His service as a senior executive for various companies in the utility industry provides him with an unparalleled understanding and awareness of our markets and a valuable perspective in the review and analysis of financial statements and results.

*The following is information regarding Class I and Class II directors serving as of [                      ], 2016:*

**Henry W. Fayne**

Age: 69

Director Since: 2007

Director Class: Class I

Expiration of Term: 2017

Mr. Fayne has more than 30 years of experience with American Electric Power ( AEP ), an electric utility company servicing five million customers in 11 states. During his tenure from 1974 to 2004, he held senior positions in both finance and operations. Most recently, he served as Executive Vice President of Energy Services and was responsible for transmission, distribution and customer relations operations for the AEP system, which employed approximately 15,000 line workers. He also served as Chief Financial Officer and Executive Vice President Financial Services and was responsible for financial planning and budgeting, risk management, internal audits, accounting and treasury functions. After retiring from AEP in 2004, Mr. Fayne began providing advisory and consulting services to various companies, including Century Aluminum Company. In addition to serving on our Board, Mr. Fayne currently serves as chairman of the board of directors for Southwest Generation, LLC, a privately held gas-fired generating company; director and chairman of the audit committee of the board of directors for Murray Energy Corporation, a privately held coal mining company; sits on the board of directors of Youth and Families, a non-profit organization serving at-risk children in Franklin County, Ohio; and serves as a director of Summit Utilities Inc., a privately held gas distribution company. Mr. Fayne holds a Bachelor of Arts degree in economics from Columbia College of Columbia University and a Masters of Business Administration degree from the Columbia Business School.

Mr. Fayne serves on the Audit and Compensation committees and has a 91% attendance record for all 2015 Board and committee meetings on which he serves.

**Qualifications, Experience, Key Attributes and Skills:**

With over 35 years of total industry experience, Mr. Fayne's extensive background in financial planning, budgeting, risk management and operational experience with AEP combine to provide extremely relevant insight and guidance related to our primary operations. His substantial executive leadership expertise and consulting experience are directly relevant to our operations and activities as well as to his service on our Audit and Compensation Committees, and help aid the Board's strategic and high-level planning as well as the Board's understanding of our customers and competitors. Mr. Fayne's participation on a variety of other boards provides him with a well-rounded perspective to

further enhance the Board's understanding of the industry.

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**Kenneth M. Hartwick**

Age: 53  
Director Since: 2015  
Director Class: Class I  
Expiration of Term: 2017

In February 2015, Mr. Hartwick was named Chief Financial Officer of Wellspring Financial Corporation, a Canadian sales financing company. Prior to joining Wellspring, Mr. Hartwick served for ten years as Director, President and Chief Executive Officer of Just Energy Group Inc., an integrated retailer of commodity products. At Just Energy Group, Inc., his role included putting in place a broad set of financing arrangements for growth in North America and the United Kingdom and the expansion of the sales organization across these locations. Prior to that, Mr. Hartwick held a variety of senior executive roles, gaining an extensive financial background in the energy, consumer products and capital markets areas, including the positions of Chief Executive Officer and Chief Financial Officer at Just Energy Group, Inc., Chief Financial Officer at Hydro One, Inc. and a partner at Ernst & Young, LLP. In each of these roles, Mr. Hartwick participated in the expansion and growth of the businesses and the establishment of financial platforms to support that growth. Mr. Hartwick also serves on the Board of Directors of Atlantic Power Corporation and Spark Energy, Inc., as well as the Board of Governors for Trent University, his alma mater. Mr. Hartwick earned his Honors of Business Administration Degree from Trent University, Peterborough, Ontario and is a certified public accountant.

Mr. Hartwick serves on the Audit and Nominating and Corporate Governance committees. Since his appointment in July of 2015, he has a 100% attendance record for all Board and committee meetings on which he serves.

**Qualifications, Experience, Key Attributes and Skills:**

Through Mr. Hartwick's senior executive positions, including the roles of chief executive officer and chief financial officer, he brings leadership, risk management, and strategic planning experience to the Board. Mr. Hartwick's in-depth knowledge of financing initiatives as a senior executive in North American markets provides the Board with proficiencies to support business development, growth strategies and expenditure plans. Mr. Hartwick's experience as a director of other publicly-traded companies enables him to provide insights into a variety of strategic planning, risk management, compensation, finance and governance practices. Mr. Hartwick's leadership in the energy industry and financial sector make him a valued advisor and highly qualified to serve as a key member of the Board, Audit Committee, and Nominating and Corporate Governance Committee.

**Gary R. Johnson**

Age: 69  
Director Since: 2007  
Director Class: Class I  
Expiration of Term: 2017

Most recently, Mr. Johnson was Vice President and General Counsel of Xcel Energy and its wholly-owned subsidiary, Northern States Power Company. Xcel Energy, through its subsidiaries, is a leading electric and natural gas utility company offering a comprehensive portfolio of energy-related products and services to customers throughout the western and midwestern United States. Mr. Johnson occupied this position from 2000 until his retirement in 2007. From 1989 to 2000, Mr. Johnson was Vice President and General Counsel of Northern States Power Company, the predecessor to Xcel Energy. He holds a bachelor's degree in history from the University of Minnesota and a Masters in

Public Administration degree from the Ohio State University. Mr. Johnson is a graduate of the University of Minnesota Law School.

Mr. Johnson is the Board's Lead Director. He serves on the Compensation and Nominating and Corporate Governance committees and has a 100% attendance record for all 2015 Board and committee meetings on which he serves.

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**Qualifications, Experience, Key Attributes and Skills:**

Through his distinguished career as an executive officer and general counsel at Xcel Energy and Northern States Power Company, Mr. Johnson gained a broad understanding of the business, industry, legal issues and regulatory landscape of the electrical utility industry. Serving as Lead Director on the Board and the Chairman of the Nominating and Corporate Governance Committee, Mr. Johnson uses his vast knowledge to provide a valuable perspective that assists the Board in its understanding of current legal and regulatory issues facing us and the industry.

**Jack L. Alexander**

Age: 68  
Director Since: 2007  
Director Class: Class II  
Expiration of Term: 2018

Mr. Alexander retired from MidAmerican Energy Company ( MidAmerican ) in 2005 and provided advisory and consulting services to MidAmerican until 2007. Prior to his retirement, Mr. Alexander spent 32 years serving in various roles with MidAmerican from 1973 to 2005. He was Senior Vice President of Supply and Marketing from 2002 to 2005 and was responsible for electric generation, energy trading, marketing and sales, risk management and legislation and regulation. Prior to this, Mr. Alexander held roles in engineering, corporate planning, human resources and energy delivery. He has over 13 years of experience leading MidAmerican's human resources function, with responsibility for labor relations, contract negotiations, compensation and benefits, employment and employee development and training. Mr. Alexander holds a Bachelor of Science degree in business administration and economics from Morningside College.

Mr. Alexander serves on the Audit and Compensation committees and has a 100% attendance record for all 2015 Board and committee meetings on which he serves.

**Qualifications, Experience, Key Attributes and Skills:**

Mr. Alexander's background as a senior executive at MidAmerican and varied industry experience in transmission and distribution, electric generation, energy trading, marketing and sales, risk management, legislation and regulation, engineering, corporate planning and human resources provide him with an extremely broad and fundamental understanding related to our operations and organizational structure, our utility customers and our transmission and distribution business sector. He also has extensive experience with mergers and acquisitions including asset valuations and due diligence on a number of utility acquisitions. His knowledge and experience is extremely relevant to Mr. Alexander's role as a member on the Audit Committee. While at MidAmerican, Mr. Alexander was responsible for the construction of over \$2.0 billion of new electric generation in the state of Iowa including one of the world's largest land-based wind energy projects. He also has experience serving as MidAmerican's chief company spokesperson on a number of IBEW labor contract negotiations. His human resources leadership and experience in labor relations, contract negotiations, compensation and benefits, employment and employee development and training provide a unique and thorough perspective that is of great value in Mr. Alexander's role on our Compensation Committee.

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**Donald C.I. Lucky**

Age: 53  
Director Since: 2015  
Director Class: Class II  
Expiration of Term: 2018

Mr. Lucky is a construction attorney and managing partner at the century-old Alberta-based law firm of Reynolds Mirth Richards & Farmer LLP, where he has practiced since 1988. He has advised contractors and owners in major power projects, including oil and gas, solar, wind and carbon capture, EPC mega projects and more than 80 public-private finance infrastructure projects (hospitals, penitentiaries, water treatment and transportation) throughout Canada, the United States and Australia. Mr. Lucky has appeared as counsel at all levels of the Courts of Alberta and the Northwest Territories and in mediations and arbitrations as counsel and adjudicator. He also teaches Construction Law at the University of Alberta and has received numerous industry awards and recognitions in the area of construction law and otherwise, including being inducted in 2009 into the Canadian College of Construction Lawyers. Mr. Lucky obtained his Bachelor of Commerce and Bachelor of Law degrees from the University of Alberta, and his Masters of Law degree from the University of Cambridge.

Mr. Lucky serves on the Compensation and Nominating and Corporate Governance committees. Since his appointment in July of 2015, he has a 100% attendance record for all Board and committee meetings on which he serves.

**Qualifications, Experience, Key Attributes and Skills:**

Throughout his career as an attorney in the construction industry, Mr. Lucky has a detailed understanding of the legal issues and risks of our current and expanding markets. Mr. Lucky's perspective as an academic and his involvement in various energy projects in multiple countries provides the Board with valuable new ideas and perspectives. Mr. Lucky's experience in the construction industry with the wealth of knowledge he has gained advocating for contractors gives the Board significant insight for our strategic planning while presenting the Board an understanding and awareness of the opportunities and challenges that present the Company.

**Maurice E. Moore**

Age: 65  
Director Since: 2010  
Director Class: Class II  
Expiration of Term: 2018

Since 2009, Mr. Moore has been Managing Director and sole proprietor of Primus Financial Group, LLC, a firm providing leasing and project finance advisory services to companies engaged in the renewable energy business. With more than 25 years of professional financial experience, Mr. Moore has an extensive background in originating, negotiating, syndicating and financing large capital projects in various business segments, including the electric utility and renewable energy industries. Prior to his position at Primus Financial Group, Mr. Moore served in senior leadership roles with Chase Equipment Leasing, Inc. from 2006 to 2009, a division of JP Morgan Chase offering a variety of financing and lease solutions to help businesses acquire the equipment needed for daily operations; and JP Morgan Capital Corporation, and its predecessor companies, from 1986 to 2005. Prior to serving on the Board, Mr. Moore served on the boards for West Suburban Medical Center and Community Chest of Oak Park & River Forest, Illinois, and was formerly Finance Advisory Committee Chairman for Oak Park & River Forest High

School in Illinois. Mr. Moore earned a Bachelor of Science degree in civil engineering from Brown University and a Masters of Business Administration degree from Harvard Business School.

Mr. Moore serves on the Audit and Nominating and Corporate Governance committees and has a 96% attendance record for all 2015 Board and committee meetings on which he serves.

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**Qualifications, Experience, Key Attributes and Skills:**

Mr. Moore has substantial leadership, financial services and capital expenditures experience, and has advised a variety of clients engaged in energy and renewable energy markets. His skills in originating, negotiating and financing large capital projects in both similar and varying environments serve as a guiding force concerning our capital investment and expenditure plans. In addition, his financial advisory involvement in the renewable energy space provides a diverse range of insight that contributes to the Board's understanding of the markets in which we operate. Mr. Moore's business acumen and participation on the Audit and Nominating and Corporate Governance Committees help to broaden our exposure and understanding of successful financial practices and growth strategies.

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## **BACKGROUND OF SOLICITATION**

On November 20, 2015, Arnaud Ajdler, Managing Partner of Engine Capital, spoke with William A. Koertner, the Company's Chairman, President and CEO, and Richard S. Swartz, Jr., the Company's Senior Vice President and Chief Operating Officer, by phone. Messrs. Koertner and Swartz believed this call to be a typical investor call with an institutional shareholder. As part of the discussion, Mr. Ajdler asked general questions about the Company's business and industry outlook. The discussion then turned to the Company's stock performance, and Mr. Ajdler inquired about why the Company was not returning capital to stockholders or considering selling itself. As Messrs. Koertner and Swartz discussed these issues with Mr. Ajdler, they developed the sense, based on Mr. Ajdler's responses and reactions, that Mr. Ajdler was not interested in a dialogue on these issues, but rather advocating for these actions. Messrs. Koertner and Swartz also noted that Mr. Ajdler did not assign any risk to the disruptive effect that a price discovery process could potentially have on the Company, nor did he see any merit in waiting for any market recovery before initiating a price discovery process. During this conversation, Mr. Arnaud made no mention of communicating with the Board or of any intention to nominate directors.

On December 8, 2015, the Board received a letter from Engine Capital (the December 8 Letter) recommending that the Company take certain corporate actions including, among other things, undertaking an evaluation of a sale of the Company or a levered recapitalization of the Company, with the proceeds used to fund a one-time large special dividend to shareholders or a large tender offer, and a change in future capital allocation. The December 8 Letter also notified the Board that Engine Capital planned to nominate directors at the Annual Meeting prior to the nomination deadline. Engine Capital filed the December 8 Letter with the SEC on December 9, 2015.

After receipt of the December 8 Letter, the Company engaged an investment banking firm to assist the Company and the Board in the evaluation of strategic alternatives, which included the suggestions included in the December 8 Letter.

On December 15, 2015, Mr. Koertner received an e-mail from Mr. Ajdler (the December 15 E-Mail), in which Mr. Ajdler claimed to have communicated with many of the Company's stockholders about the Company's performance and the December 8 Letter. The e-mail also indicated that Engine Capital is aware of strategic buyers as well as private equity firms that have an interest in [MYR Group] but don't want to do the first move and are waiting for the company to start a process, though the e-mail failed to identify specifically any parties who had purportedly expressed such interest. The e-mail also reiterated Engine Capital's intent to nominate directors to the Board once the nomination window opened.

On January 5, 2016, the Company published investor presentation materials on its website and filed the investor presentation materials with the SEC.

On January 6, 2016, at the beginning of the nomination window specified in the Company's By-Laws, the Company received a letter from Engine Capital notifying the Company of Engine Capital's intention to nominate Mr. Ajdler, Grant C. McCullagh and John P. Schauerman for election to the Board at the Annual Meeting. The letter also indicated that, as of the date of the letter, Engine Capital beneficially owned in the aggregate 956,690 shares of the Company's common stock. Exhibit A to the letter, which lists Engine Capital's transactions in the Company's securities during the last two years, indicates that Engine Capital acquired these shares between the months of November and December, 2015.

On January 7, 2016, Mr. Koertner received an e-mail from Mr. Ajdler, in which Mr. Ajdler, among other things, reiterated his views from the December 15 E-Mail, and notified Mr. Koertner of Engine Capital's plan to issue a press

release announcing Mr. Ajdler, Mr. McCullagh and Mr. Schauerman as Engine Capital's slate of director nominees. Later that same day, Engine Capital issued the press release and filed it with the SEC.

On January 16, 2016, representatives of the Company sent the Company's D&O Questionnaire, which is required to be completed by all members of the Board and nominees to the Board, to Engine Capital's representatives, so that Engine Capital's proposed director nominees could complete the questionnaire and be evaluated by the Board in the same manner that the Board evaluates its own nominees in accordance with the Board's Corporate Governance Principles. In e-mail communications exchanged between representatives of Engine Capital and representatives of the Company between January 19, 2016 and January 29, 2016,

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representatives of Engine Capital responded that, because there is no express requirement in the Company's By-Laws, Engine Capital's nominees would not complete the D&O Questionnaire, despite the Board's practices and express policies to evaluate all nominees in the same manner.

On January 20, 2016, Mr. Koertner and Kenneth M. Hartwick, an independent director of the Board and member of the Board's Nominating and Corporate Governance Committee, met with Mr. Ajdler. The purpose of the meeting was to listen to Engine Capital's views raised in its prior communications to the Company. As part of the discussion, Messrs. Koertner and Hartwick requested additional information to better understand the basis of Engine Capital's claim that the Company could easily carry leverage up to 3x EBITDA and still have plenty of bonding capacity, but Mr. Ajdler refused to provide any information to support this claim. In addition, Messrs. Koertner and Hartwick discussed with Mr. Ajdler Engine Capital's views on running a price discovery process for the Company. Mr. Ajdler expressed the view that there would be zero downside to running a price-discovery process. Messrs. Koertner and Hartwick also requested information about the companies or private equity firms that Engine Capital claimed had contacted it to express an interest in acquiring the Company. Again, Mr. Ajdler would not identify any company or private equity fund that had purportedly communicated any such interest.

On January 20, 2016, the Board held a special meeting via teleconference with management and Company advisors to discuss the meeting between Messrs. Koertner and Hartwick with Mr. Ajdler earlier the same day.

On January 25, 2016, Mr. Ajdler sent an e-mail to Mr. Hartwick, in which he continued to advocate for a sale of the Company.

On February 4, 2016, the Board convened a regularly scheduled meeting. At the meeting, the Board discussed the Company's forecast update and capital budget and reviewed the Company's capital structure and certain strategic alternatives with management and Company legal and financial advisors. Following these discussions, the Board determined that it would be in the best interests of the Company and its shareholders to authorize a \$75 million increase to the Company's existing \$67.5 million share repurchase program, as well as to approve new financing strategies to support the Company's future equipment needs. In addition, the Board reviewed Engine Capital's statements and requests and explored options in order to reach an agreement with Engine Capital without the distraction and expense of a proxy contest. The Board authorized Company management to contact representatives of Engine Capital in order to propose a solution that provided Engine Capital the right to designate a nominee for election to the Board.

On February 5, 2016, representatives of the Company contacted representatives of Engine Capital by telephone to discuss entering into a mutual confidentiality agreement so that the Company and Engine Capital could discuss a settlement and avoid a costly proxy contest. Shortly thereafter, representatives of the Company sent a confidentiality agreement to representatives of Engine Capital. Other than a query on February 5, 2016, to clarify a term in the confidentiality agreement, Engine Capital and its representatives did not respond to the proposed confidentiality agreement until February 8, 2016, when Engine Capital's representatives proposed certain minor revisions to the confidentiality agreement, which the Company agreed to accept.

On February 8, 2016, Engine Capital and the Company entered into a confidentiality agreement so that they could begin discussing settlement terms. Shortly thereafter, Company representatives had a call with representatives of Engine Capital to discuss the Company's offer to enter into an agreement that would include the addition of one of Engine Capital's director nominees or one mutually agreed independent nominee should customary screening by the Board's Nominating and Corporate Governance Committee determine that the Engine Capital nominees did not satisfy the criteria for service on the Board. Engine Capital rejected the Company's offer and demanded that the Company appoint two of Engine Capital's nominees to the Board and that the Company publicly announce a price discovery

process for the potential sale of the Company.

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On February 9, 2016, the Company issued a press release announcing the \$75 million increase to its existing share repurchase program and the Company's new financing strategies. In addition, the Company disclosed Engine Capital's rejection of the Company's offer.

On February 16, 2016, Engine Capital issued a press release expressing its views regarding the Company's announced expansion of its share repurchase program and its new financing strategies. In addition, Engine Capital continued to advocate for a sale of the Company.

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## **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), requires our executive officers, directors and persons who own more than 10% of our common stock to report their ownership of our common stock and changes in that ownership.

We reviewed copies of reports filed pursuant to Section 16(a) of the Exchange Act and written representations from reporting persons that all reportable transactions were reported. Based solely on that review, we believe that during the fiscal year ended December 31, 2015, all filings required of our executive officers and directors were timely made in accordance with the Exchange Act.

## **CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

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

We have a written policy and procedures for the review, approval and ratification of transactions with related persons, which have been adopted by the Board. Under our policy, the definition of related persons includes, among others, any person who is or was, during the last fiscal year, an executive officer, director or nominee for director of the Company, any shareholder owning more than 5% of any class of our voting securities, or an immediate family member of any such person.

It is the policy of the Company to prohibit related person transactions unless the Company's Audit Committee has determined in advance of the Company or a subsidiary entering into the transaction that it will be conducted on terms that are fair to the Company or the subsidiary and the transaction is in the best interests of the Company or the subsidiary.

Pursuant to our policy, there were no reported transactions in 2015 that qualified as a related person transaction. As a result, no reported transaction was referred to the Audit Committee or any other committee of the Board for review and no related person transaction was required to be disclosed in the Company's filings.

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## **COMPENSATION COMMITTEE MATTERS**

The Board established the standing Compensation Committee in accordance with our By-Laws. The Board has determined that each member of the Compensation Committee qualifies as an independent director as defined under the Nasdaq rules, as a non-employee director as defined in Rule 16b-3(b)(3) under the Exchange Act and as an outside director within the meaning of Section 162(m)(4)(C)(i) of the Internal Revenue Code of 1986, as amended (the IRS Code ).

The Compensation Committee firmly believes that the compensation of our executive officers should emphasize paying for performance that contributes to our success while encouraging behavior that is in our stockholders long-term best interests. The Compensation Committee is responsible for assisting the Board in overseeing the Company's compensation and employee benefit plans and practices, including its executive compensation plans and its incentive-compensation and equity-based plans. To represent and assist the Board in its oversight of the Company's compensation practices and under its charter, the Compensation Committee performs, among others, the following tasks:

reviews and recommends changes to the Company's executive compensation philosophy, general compensation programs and executive benefit plans, including incentive-compensation programs and equity-based plans;  
reviews and recommends any changes to the goals and objectives of the Company's executive compensation plans;  
evaluates annually the performance of named executive officers in light of the goals and objectives of the Company's executive compensation plans, and determines and approves, or recommends to the Board for its approval, the compensation levels of named executive officers based on this evaluation;  
evaluates the appropriate level of compensation for Board and committee service by non-employee members of the Board and determines and approves, or recommends to the Board for its approval, the level of compensation for such service;

establishes and reviews stock ownership guidelines for directors and officers; and  
reviews and recommends to the Board the frequency with which the Company will conduct Say-on-Pay Votes and reviews and approves proposals regarding the Say-on-Pay Vote and the frequency of the Say-on-Pay Vote to be included in the Company's proxy statement.

The Compensation Discussion and Analysis, included in this Proxy Statement, goes into further detail about the Compensation Committee's processes for determining the appropriate levels of compensation for executive officers and directors.

### **Compensation Consultants**

In order to fulfill its duties, the Compensation Committee has the authority to retain, at the Company's expense, its own advisors and compensation consultants and to approve their compensation. These external compensation consultants provide the Compensation Committee with guidance on compensation trends, program designs and market research and advice and recommendations on both executive and director compensation. They also help evaluate the competitive position of named executive officers and directors' compensation, and provide advice on incentive award programs. Their findings are discussed in more detail in the Compensation Discussion and Analysis.

Compensation consultants are engaged by and report directly to the Compensation Committee on executive compensation matters and meet separately with the Compensation Committee outside the presence of management. Interaction between the compensation consultants and management is generally limited to providing necessary information and data.

The Compensation Committee has retained Mercer to serve as its compensation consultant. The Compensation Committee has reviewed the independence of Mercer's advisory role relative to the six consultant independence factors adopted by the SEC to guide listed companies in determining the independence of their compensation consultants, legal counsel and other advisers. Following its review, the

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Compensation Committee concluded that Mercer has no conflicts of interest, and provides the Compensation Committee with objective and independent executive compensation advisory services.

## Compensation Risk Assessment

In reviewing and approving compensation programs, the Compensation Committee considers whether the programs are likely to promote risk-taking behavior that could adversely affect the Company. The Compensation Committee has designed the Company's compensation programs, including the Company's incentive compensation plans, with specific features to address potential risks while rewarding employees for achieving long-term financial and strategic objectives through prudent business judgment and appropriate risk taking. The following elements have been incorporated into our programs available for our executive officers:

*A Balanced Mix of Compensation Components* The target compensation mix for the Company's executive officers is composed of salary, annual cash incentives and long-term equity incentives, representing a mix that is not overly weighted toward short-term cash incentives.

*Multiple Performance Factors* The Company's incentive compensation plans use multiple Company-wide metrics, which encourage retention of executives and focus on the achievement of objectives for the overall benefit of the Company. The incentive compensation granted under the plans in 2015 included:

Annual cash incentive compensation that was dependent on multiple performance metrics including pretax income and safety performance.

Forty percent of the long-term incentive compensation in the form of time-based restricted stock with three-year ratable vesting.

Sixty percent of the long-term incentive compensation in the form of performance shares allocated evenly between two performance measures, return on invested capital ( ROIC ) and relative total shareholder return ( TSR ), as compared to a group of peer companies, over a three-year performance period.

*Capped Incentive Awards* Annual cash incentive awards are capped at 200% of salary for our CEO and lesser amounts for our other named executive officers. The number of performance shares that can be earned is capped at 200% of target for all named executive officers.

*Clawback Provisions* LTIP award agreements contain a clawback provision, which makes all LTIP awards subject to the Company's right to recover the award in the event that it is determined that a participant engaged in conduct that contributed to any material restatement of our earnings.

*Stock Ownership Guidelines* Stock ownership guidelines call for significant share ownership for our named executive officers.

*Stock Retention Policy* Executive officers are expected to retain the net shares received through an exercise of stock options and the vesting of restricted stock and performance shares if they have not reached the applicable stock ownership guidelines.

*Anti-hedging and Pledging Policy* Executive officers are expected to comply with our insider trading policy that prohibits our named executive officers from hedging the economic risk of their stock ownership and holding shares of the Company's common stock in a margin account or pledging shares as collateral for a loan.

The Compensation Committee annually performs an assessment of compensation-related risks for all of our policies and programs. These assessments include a review of multiple factors including, but not limited to, the design of compensation policies and programs, controls and approval processes and the negative discretion provided in the oversight of these programs. Periodically, the Compensation Committee retains outside consultants to assist in these assessments. In 2015, the Compensation Committee concluded that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on the Company. In the event that the Company's risk profile was to change, the Compensation Committee would consider appropriate adjustments in policies and practices.



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The Compensation Committee oversees our compensation program on behalf of the Board. In fulfilling its oversight responsibilities, the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement.

In reliance on the review and discussion referred to above, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Proxy Statement to be filed with the SEC in connection with our Annual Meeting and incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC ( 2015 Form 10-K ).

Compensation Committee:

Larry F. Altenbaumer, Chair  
 Jack L. Alexander  
 Henry W. Fayne  
 Donald C.I. Lucky

**PROPERTY, PLANT AND EQUIPMENT**

Land	860	788
Electric generation and distribution assets	22,440	21,729
Accumulated depreciation and amortization	(6,087)	(5,259)
Construction in progress	1,441	919
Property, plant and equipment, net	18,654	18,177

**OTHER ASSETS**

Deferred financing costs, net	294	343
Investment in and advances to affiliates	670	655
Debt service reserves and other deposits	611	737
Goodwill, net	1,428	1,419
Deferred income taxes - noncurrent	807	774
Other assets	1,736	1,832
Total other assets	5,546	5,760

<b>TOTAL ASSETS</b>	\$	29,432	\$ 28,923
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**LIABILITIES AND STOCKHOLDERS EQUITY****CURRENT LIABILITIES**

Accounts payable	\$	1,104	\$ 1,081
Accrued interest		382	335
Accrued and other liabilities		2,122	1,707
Recourse debt-current portion		200	142
Non-recourse debt-current portion		1,598	1,619
Total current liabilities		5,406	4,884

**LONG-TERM LIABILITIES**

Non-recourse debt		11,226	11,817
Recourse debt		4,682	5,010
Deferred income taxes		721	678
Pension liabilities		857	891
Other long-term liabilities		3,280	3,382
Total long-term liabilities		20,766	21,778

<b>Minority Interest</b>		1,611	1,305
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**STOCKHOLDERS EQUITY**

Common stock		7	7
Additional paid-in capital		6,517	6,434
Accumulated deficit		(1,214)	(1,844)
Accumulated other comprehensive loss		(3,661)	(3,641)
Total stockholders equity		1,649	956
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$</b>	<b>29,432</b>	<b>\$ 28,923</b>

## THE AES CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(\$ in millions)	Year Ended December 31,	
	2005	2004 (Restated)
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 630	\$ 298
Adjustments to net income:		
Depreciation and amortization of intangible assets	889	799
Loss from sale of investments and goodwill and asset impairment expense	43	45
Gain on disposal and impairment write-down associated with discontinued operations		(98)
Provision for deferred taxes	100	190
Minority interest expense	361	199
Other	92	322
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	26	(128)
Increase in inventory	(73)	(33)
Decrease in prepaid expenses and other current assets	41	7
(Decrease) increase in accounts payable and accrued liabilities	(79)	78
Other assets and liabilities	135	(108)
Net cash provided by operating activities	2,165	1,571
<b>INVESTING ACTIVITIES</b>		
Property additions	(1,143)	(892)
Proceeds from the sale of assets	26	63
Sale of short-term investments	1,496	1,387
Purchase of short-term investments	(1,344)	(1,371)
Acquisitions, net of cash acquired	(85)	
Proceeds from the sale of of emission allowances	41	
Decrease (increase) in restricted cash	58	(32)
Decrease (increase) in debt service reserves and other assets	68	(151)
Other investing	10	(29)
Net cash used in investing activities	(873)	(1,025)
<b>FINANCING ACTIVITIES</b>		
(Repayments) borrowings under the revolving credit facilities, net	53	
Issuance of recourse debt	5	491
Issuance of non-recourse debt and other coupon bearing securities	1,884	2,449
Repayments of recourse debt	(259)	(1,140)
Repayments of non-recourse debt and other coupon bearing securities	(2,682)	(2,534)
Payments for deferred financing costs	(21)	(109)
Distributions to minority interests	(186)	(139)
Contributions from minority interests	1	28
Issuance of common stock	26	16
Other financing	(16)	2
Net cash used in financing activities	(1,195)	(936)
Effect of exchange rate changes on cash	12	8
Total increase (decrease) in cash and cash equivalents	109	(382)
Cash and cash equivalents, beginning	1,281	1,663
Cash and cash equivalents, ending	\$ 1,390	\$ 1,281



SIGNATURES

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

THE AES CORPORATION

Date: April 4, 2006

By: /s/ Cathy M. Freeman  
Name: Cathy M. Freeman  
Title: Vice President and Corporate Controller

EXHIBIT INDEX

<b>No.</b>	<b>Description</b>
99.1	Press Release issued by The AES Corporation, dated April 4, 2006, AES Reports Fourth Quarter and Full-Year 2005 Results; Full-Year Diluted EPS from Continuing Operations up 132% and Net Cash from Operating Activities up 38%; Certain Prior Period Results Restated