

HealthSpring, Inc.
Form DEF 14A
April 28, 2006

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**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

Filed by a Party other than the Registrant

Check the appropriate box:

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

HEALTHSPRING, INC.

(Name of Registrant as Specified In Its Charter)

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

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(1) Amount Previously Paid:

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(4) Date Filed:

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**HEALTHSPRING, INC.
44 Vantage Way, Suite 300
Nashville, Tennessee 37228
(615) 291-7000**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held June 6, 2006**

Dear Stockholder:

On Tuesday, June 6, 2006, HealthSpring, Inc. will hold its annual meeting of stockholders at the corporate headquarters of HealthSpring located at 44 Vantage Way, Suite 300, Nashville, Tennessee. The meeting will begin at 10:00 a.m., Central Daylight Time.

Only stockholders that owned our common stock at the close of business on April 24, 2006 are entitled to notice of and may vote at this meeting. A list of our stockholders will be available at our principal executive offices at 44 Vantage Way, Suite 300, Nashville, Tennessee, during ordinary business hours for ten days prior to the annual meeting. At the meeting, we will consider the following proposals described in detail in the accompanying proxy statement:

1. To elect three Class I directors to serve three year terms or until their respective successors have been duly elected and qualified;
2. To ratify the HealthSpring, Inc. 2006 Equity Incentive Plan; and
3. To transact such other business as may properly come before the meeting or any postponement or adjournment of the meeting.

References to HealthSpring, the Company, we, us, or our in this notice and the accompanying proxy statement refer to HealthSpring, Inc. and its affiliates unless otherwise indicated.

WHETHER YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN, AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY IN THE ACCOMPANYING REPLY ENVELOPE OR, IF APPLICABLE, VOTE BY TELEPHONE OR ELECTRONICALLY PURSUANT TO THE INSTRUCTIONS PROVIDED BY YOUR BROKER OR OTHER NOMINEE.

By Order of the Board of Directors,

J. Gentry Barden

Senior Vice President, Corporate General Counsel and Secretary

Nashville, Tennessee

May 1, 2006

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**HEALTHSPRING, INC.
44 Vantage Way, Suite 300
Nashville, Tennessee 37228**

**Proxy Statement for Annual Meeting of Stockholders
to be held on June 6, 2006**

QUESTIONS AND ANSWERS

1. Q: WHEN WAS THIS PROXY STATEMENT MAILED TO STOCKHOLDERS?

A: This proxy statement was first mailed to stockholders on or about May 1, 2006. Our annual report to stockholders is being mailed with this proxy statement. The annual report is not part of the proxy solicitation materials.

2. Q: WHAT IS THE PURPOSE OF THE ANNUAL MEETING?

A: At HealthSpring's annual meeting, stockholders will act upon the matters outlined in the notice of meeting on the cover page of this proxy statement, including the election of three Class I directors and the ratification of our 2006 Equity Incentive Plan. In addition, following the formal business of the meeting, our management will provide a business overview and be available to respond to questions from our stockholders.

3. Q: WHO MAY ATTEND THE ANNUAL MEETING?

A: Stockholders of record as of the close of business on April 24, 2006, or their duly appointed proxies, may attend the meeting. Street name holders (those whose shares are held through a broker or other nominee) should bring a copy of a brokerage statement reflecting their ownership of our common stock as of the record date. Space limitations may make it necessary to limit attendance to stockholders and valid picture identification may be required. Cameras, recording devices, and other electronic devices are not permitted at the meeting. Registration will begin at 9:30 a.m. local time.

4. Q: WHO IS ENTITLED TO VOTE AT THE ANNUAL MEETING?

A: Only stockholders of record as of the close of business on April 24, 2006 are entitled to receive notice of and participate in the annual meeting. As of the record date, there were 57,269,549 shares of our common stock outstanding, held by approximately 260 holders of record. Every stockholder is entitled to one vote for each share held as of the record date. Cumulative voting is not permitted with respect to any matter to be considered at the annual meeting.

5. Q: WHO IS SOLICITING MY VOTE?

A: This proxy solicitation is being made and paid for by HealthSpring. Proxies may be solicited in person or by telephone, facsimile, electronic mail, or other electronic medium by certain of our directors, officers, and regular employees, without additional compensation. We will also request that brokerage houses and other custodians, nominees, and fiduciaries forward solicitation materials to the beneficial owners of shares of the Company's common stock held of record by such persons, and will reimburse such brokers and other fiduciaries for their reasonable out-of-pocket expenses incurred when the solicitation materials are forwarded.

6. Q: WHAT MAY I VOTE ON?

A: You may vote on:

The election of three Class I directors to serve three year terms on our board of directors; and

The ratification of our 2006 Equity Incentive Plan.

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7. Q: HOW DOES THE BOARD RECOMMEND I VOTE ON THE PROPOSALS?

A: The board unanimously recommends that you vote:

FOR each of the Class I director nominees; and

FOR the ratification of our 2006 Equity Incentive Plan.

8. Q: HOW WILL VOTING ON ANY OTHER BUSINESS BE CONDUCTED?

A: We are not aware of any business to be considered at the 2006 annual meeting other than the matters described in this proxy statement. If any other business is presented at the annual meeting, your signed proxy card gives authority to Kevin M. McNamara, our Executive Vice President, Chief Financial Officer, and Treasurer, and J. Gentry Barden, our Senior Vice President, Corporate General Counsel, and Secretary, to vote on such matters at their discretion.

9. Q: HOW DO I VOTE?

A: You may vote by signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope. If you return your signed proxy card, but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the election of each Class I nominee named under Proposal 1 Election of Directors, and FOR the ratification of our 2006 Equity Incentive Plan. You have the right to revoke your proxy at any time before the meeting by:

notifying our Secretary, at 44 Vantage Way, Suite 300, Nashville, Tennessee 37228;

voting in person;

submitting a later-dated proxy card; or

if applicable, submitting new voting instructions to your broker or nominee.

If you have questions about how to vote or revoke your proxy, you should contact our Secretary at 44 Vantage Way, Suite 300, Nashville, Tennessee 37228. For shares held in street name, refer to question 11 below.

10. Q: CAN I VOTE BY TELEPHONE OR ELECTRONICALLY?

A: If you are a registered stockholder, you may not vote by telephone or electronically through the Internet. If your shares are held in street name, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically.

11. Q: HOW DO I VOTE MY SHARES IF THEY ARE HELD IN THE NAME OF MY BROKER (STREET NAME)?

A: If your shares are held by your broker or other nominee, often referred to as in street name, you will receive a form from your broker or nominee seeking instruction as to how your shares should be voted.

12. Q: WHAT IS THE VOTE REQUIRED TO APPROVE EACH PROPOSAL?

A: Each of the Class I director nominees must receive affirmative votes from a plurality of the votes cast to be elected. This means that the three nominees receiving the greatest number of votes will be elected as Class I directors. The ratification of the 2006 Equity Incentive Plan must receive the affirmative vote of a majority of the shares represented in person or by proxy and entitled to vote on the matter.

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13. Q: WHAT CONSTITUTES A QUORUM ?

A: The presence at the meeting, in person or by proxy, of the holders of a majority of the aggregate voting power of the common stock outstanding on the record date will constitute a quorum. There must be a quorum for business to be conducted at the meeting. Proxies received but marked as abstentions and broker nonvotes will be included in the calculation of the number of shares considered to be present at the meeting.

14. Q: WHAT IF I ABSTAIN FROM VOTING?

A: If you attend the meeting or send in your signed proxy card, but abstain from voting on any proposal, you will be counted for purposes of determining whether a quorum exists. If you abstain from voting on the election of Class I directors, your abstention will have no effect on the outcome. If you abstain from voting on the ratification of the 2006 Equity Incentive Plan, your abstention will have the same effect as a vote against the proposal because an abstention is considered as part of the calculation of shares entitled to vote on such matters.

15. Q: WILL MY SHARES BE VOTED IF I DO NOT SIGN AND RETURN MY PROXY CARD?

A: If you are a registered stockholder and you do not sign and return your proxy card, your shares will not be voted at the annual meeting. If your shares are held in street name and you do not issue instructions to your broker, your broker may vote your shares at their discretion on routine matters, but may not vote your shares on nonroutine matters. Under the New York Stock Exchange, or NYSE, rules, the proposal relating to the election of directors is deemed to be a routine matter with respect to which brokers and nominees may exercise their voting discretion without receiving instructions from the beneficial owner of the shares. The ratification of the 2006 Equity Incentive Plan, however, is not a routine matter and, accordingly, your broker or nominee may not vote your shares without your instruction on such matter.

16. Q: WHAT IS A BROKER NONVOTE ?

A: Under the NYSE rules, brokers and nominees may exercise their voting discretion without receiving instructions from the beneficial owner of the shares on proposals that are deemed to be routine matters. If a proposal is not a routine matter, the broker or nominee may not vote the shares with respect to the proposal without receiving instructions from the beneficial owner of the shares. If a broker turns in a proxy card expressly stating that the broker is not voting on a nonroutine matter, such action is referred to as a broker nonvote.

17. Q: WHAT IS THE EFFECT OF A BROKER NONVOTE?

A: Broker nonvotes will be counted for the purpose of determining the presence or absence of a quorum, but will not be counted for determining the number of votes cast, as a broker nonvote is not considered entitled to vote on a matter. A broker nonvote will, accordingly, reduce the number of shares required for a majority with respect to Proposal 2 (by reducing the number of shares from which such majority is calculated). A broker nonvote will not affect the outcome of Proposal 1.

18. Q: WHO WILL COUNT THE VOTES?

A: A representative of our transfer agent, American Stock Transfer & Trust Company, or one of our officers will count the votes and act as an inspector of election. Questions concerning stock certificates may be directed to

American Stock Transfer & Trust Company at 59 Maiden Lane, New York, NY 10038, (718) 921-8360.

19. Q: CAN I PARTICIPATE IF I AM UNABLE TO ATTEND?

A: If you are unable to attend the meeting in person, we invite you to send in your proxy card, but we will not be broadcasting our annual meeting telephonically or over the Internet.

20. Q: WHERE CAN I FIND THE VOTING RESULTS OF THE ANNUAL MEETING?

A: We intend to announce preliminary voting results at the annual meeting and publish final results in our quarterly report on Form 10-Q for the second quarter of fiscal 2006.

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21. Q: WHEN ARE STOCKHOLDER PROPOSALS DUE IN ORDER TO BE INCLUDED IN OUR PROXY STATEMENT FOR THE NEXT ANNUAL MEETING?

A: Any stockholder proposals to be considered timely for inclusion in next year's proxy statement must be submitted in writing to J. Gentry Barden, Senior Vice President, Corporate General Counsel, and Secretary, HealthSpring, Inc., 44 Vantage Way, Suite 300, Nashville, Tennessee 37228, prior to the close of business on January 2, 2007. Such proposals must also comply with Securities and Exchange Commission, or SEC, regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

22. Q: WHEN ARE OTHER STOCKHOLDER PROPOSALS DUE?

A: Our bylaws contain an advance notice provision requiring a stockholder's notice of a proposal to be brought before an annual meeting be timely. In general, in order to be timely, a stockholder's notice must be addressed to our Secretary and delivered or mailed and received at our principal executive offices not less than one hundred twenty (120) nor more than one hundred fifty (150) days before the date of the anniversary of the previous year's annual meeting. Such proposals are also subject to informational and other requirements set forth in our bylaws, a copy of which is available under the Investor Relations Governance section of our website, www.myhealthspring.com.

23. Q: HOW CAN I OBTAIN ADDITIONAL INFORMATION ABOUT THE COMPANY?

A: **We will provide additional copies of this proxy statement or voting materials, and a copy of our Annual Report to Stockholders, including our Annual Report on Form 10-K for the year ended December 31, 2005, without charge to any stockholder who makes a written request to our Secretary at HealthSpring, Inc., 44 Vantage Way, Suite 300, Nashville, Tennessee 37228.** Our Annual Report on Form 10-K and other SEC filings also may be accessed on the world wide web at www.sec.gov or on the Investor Relations section of the Company's website at www.myhealthspring.com. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement and is not incorporated herein by this reference.

24. Q: HOW MANY COPIES SHOULD I RECEIVE IF I SHARE AN ADDRESS WITH ANOTHER STOCKHOLDER?

A: The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. The Company and some brokers may be householding our proxy materials by delivering a single proxy statement and annual report to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker or us that they or we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, or if you are receiving multiple copies of the proxy statement and annual report and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us if you are a stockholder of record. You can notify us by sending a written request to our Secretary at HealthSpring, Inc., 44 Vantage Way, Suite 300, Nashville, Tennessee 37228, or by calling the Secretary at (615) 291-7000. In addition, we

will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the annual report and proxy statement to a stockholder at a shared address to which a single copy of the documents was delivered.

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We believe that effective corporate governance is critical to our long-term success and ability to create value for our stockholders. In connection with our initial public offering, or IPO, in February 2006, our board of directors reviewed our existing corporate governance policies and practices, as well as related provisions of the Sarbanes-Oxley Act of 2002, current and proposed rules of the SEC, and the corporate governance requirements of the NYSE. Based on their review, our Board of Directors has approved charters, policies, procedures and controls that we believe promote and enhance corporate governance, accountability, and responsibility with respect to the Company and a culture of honesty and integrity. Our corporate governance guidelines, code of business conduct and ethics, and various other governance related policies and charters are available on the Investor Relations section of our website at www.myhealthspring.com, and are available free of charge upon request to the Company's Secretary, HealthSpring, Inc., 44 Vantage Way, Suite 300, Nashville, Tennessee 37228. A copy of the audit committee charter is attached to this proxy statement as *Exhibit A*.

Board Independence and Operations

We currently have six Board members. The Board has determined that each of Messrs. Robert Z. Hensley, Russell K. Mayerfeld, and Martin S. Rash are independent directors as defined under the rules of the NYSE and have no relationships with us that impair their independence. In accordance with the applicable transition rules for newly public issuers, we are required to have a majority of independent directors on our board of directors within one year of completion of our IPO in February 2006. In the event Bruce M. Fried, a nominee for election as a director, is elected at the annual meeting, we will have a majority of independent directors.

As further described in our corporate governance guidelines, the Board has created a position of presiding director whose primary responsibility is to preside over executive sessions of the non-management directors. The presiding director also performs such other duties as the Board may from time to time delegate to him to assist the Board in the fulfillment of its responsibilities. Currently, Mr. Mayerfeld is the presiding director and he will continue serving in this position unless and until a successor presiding director has been appointed in compliance with our corporate governance guidelines.

From the date of HealthSpring's commencement of operations on March 1, 2005 (the effective date of the recapitalization of our predecessor, NewQuest, LLC), our Board of Directors held two meetings in 2005 and each of the incumbent directors attended all of the Board meetings held during their tenure in 2005.

Board Structure and Committee Composition

We have an audit committee, a compensation committee, and a nominating and corporate governance committee of our Board of Directors. These committees were established effective upon the consummation of the IPO in February 2006. Accordingly, the committees did not meet in 2005. Each committee consists of three persons, none of whom are employed by us and two of whom are independent as defined under the rules of the NYSE. To the extent not prohibited under applicable law or the NYSE rules, until such time as the investment funds affiliated with GTCR Golder Rauner II, L.L.C., or the GTCR Funds, hold less than 15% of our outstanding shares of common stock, the GTCR Funds will have the right to cause one of their director designees to serve on each of the committees established by our Board of Directors. The Board has determined that participation by the GTCR director designees on the committees will not adversely affect the ability of the committees to act independently. Within one year of our listing, all of the members of these committees will be required to be independent under the rules of the NYSE.

The composition of our Board committees is set forth below:

Name of Director	Audit	Compensation	Nominating and Corporate Governance
Robert Z Hensley*	Chair	Member	
Russell K. Mayerfeld*	Member		Chair
Joseph P. Nolan		Member	Member
Martin S. Rash*		Chair	Member
Daniel L. Timm	Member		

- * Independent
director
pursuant to the
NYSE rules.

Following the anticipated election of Bruce M. Fried at the meeting (see Proposal 1), the nominating and corporate governance committee, in conjunction with the full Board, will evaluate the committees on which Mr. Fried could best serve the Company and its stockholders.

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Audit Committee. None of the members of our audit committee are officers or employees of HealthSpring. The audit committee is responsible for, among other matters: selecting the independent registered public accounting firm; pre-approving all audit and permitted non-audit services to be performed by such firm; approving the overall scope of the audit; assisting the board of directors in monitoring the integrity of our financial statements, the independent registered public accounting firm's qualifications and independence, the performance of the independent registered public accounting firm and our internal audit function and our compliance with legal and regulatory requirements; meeting to review and discuss the annual and quarterly financial statements and reports with management and the independent registered public accounting firm; reviewing and discussing each earnings press release, as well as financial information and any earnings guidance provided to analysts and rating agencies; discussing policies with respect to risk assessment and risk management; meeting separately and periodically with management, internal auditors, and the independent registered public accounting firm; reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response; handling such other matters that are specifically delegated to the audit committee by the board of directors from time to time; and reporting from time to time to the full Board of Directors. The Board has determined that Mr. Hensley is an audit committee financial expert within the meaning of the applicable SEC regulations and that each member of the audit committee has the accounting and financial related management expertise required by the NYSE's listing standards.

Compensation Committee. None of our compensation committee members are officers or employees of HealthSpring. The compensation committee is responsible for, among other matters: reviewing employee compensation policies, plans and programs; reviewing and approving the compensation of each of our executive officers; reviewing and approving employment contracts and other similar arrangements with our officers; reviewing and overseeing the evaluation of executive officer performance and other related matters; administration of equity incentive plans and other incentive compensation plans or arrangements; and such other matters that are specifically delegated to the compensation committee by the Board of Directors from time to time.

Nominating and Corporate Governance Committee. None of the members of our nominating and corporate governance committee are officers or employees of HealthSpring. The nominating and corporate governance committee is responsible for, among other matters: evaluating the composition, size and governance of our Board of Directors and its committees and making recommendations regarding future planning and the appointment of directors to our committees; evaluating and recommending candidates for election to our Board of Directors, including those candidates properly presented by our stockholders; overseeing the performance and self-evaluation process of our Board of Directors (and committees thereof); reviewing and developing our corporate governance policies and providing recommendations to the Board of Directors regarding possible changes; reviewing management succession plans; and reviewing and monitoring compliance with our code of business conduct and ethics, corporate governance guidelines, and other governance policies.

Selection of Board Nominees

Prior to the IPO, as a privately held company, we informally identified potential candidates for nomination as directors, subject to any contractual arrangements we had with our stockholders. Generally, Board members have been officers of the Company or have had significant industry or other relevant experience, and have been known to one or more of the Board members or officers of the Company. Following the IPO and the establishment of our nominating and corporate governance committee, the nominating and corporate governance committee is authorized to review the qualifications of potential director candidates in accordance with the nominating and corporate governance committee's charter and our corporate governance guidelines. The committee's consideration of a candidate as a director includes assessment of the individual's understanding of the Company's business, the individual's professional and educational background, skills, and abilities and potential time commitment and whether such characteristics are consistent with our corporate governance guidelines and other criteria established by the nominating and corporate governance committee from time to time. To provide such a contribution to the Company, a director must possess experience in one or more of the following:

- business or management for complex and large consolidated companies or other complex and large institutions;

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accounting or finance for complex and large consolidated companies or other complex and large institutions;

leadership, strategic planning, or crisis response for complex and large consolidated companies or other complex and large institutions;

the healthcare industry;

the managed care and/or Medicare industries; and

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other significant and relevant areas deemed by the nominating and corporate governance committee to be valuable to the Company.

The nominating and corporate governance committee may also adopt such procedures and criteria not inconsistent with our corporate governance guidelines as it considers advisable for the assessment of director candidates.

It is our policy that each director should take reasonable steps to keep informed on corporate governance best practices and their application in the managed care and Medicare environments. In addition, prior to accepting re-nomination, each director should evaluate himself or herself as to whether he or she satisfies the criteria described above. The Board intends to monitor the mix of skills and experience of its directors in order to ensure that the Board has the necessary tools to perform its oversight functions effectively. The nominating and corporate governance committee will be responsible for reviewing stockholder proposals with respect to director nominations. It is the policy of the Company that there be no differences in the manner in which such nominees are evaluated. A stockholder who desires for the nominating and governance committee to consider a nomination for director must comply with the notice, timing, and other requirements in the Company's bylaws.

In addition to the foregoing, pursuant to our amended and restated stockholders agreement (see Certain Relationships and Related Transactions Recapitalization Stockholders Agreement), our Board is required to nominate, and the stockholders party thereto are required to vote their shares in favor of, two representatives designated by the GTCR Funds to serve as directors until such time as the GTCR Funds hold less than 15% of the outstanding shares of common stock of the Company; and thereafter one representative designated by GTCR until the GTCR Funds hold less than 10% of the outstanding common stock of the Company. The GTCR Funds currently beneficially own approximately 24% of our outstanding common stock and Messrs. Nolan and Timm are the current GTCR designees.

Code of Business Conduct and Ethics

The Company has a code of business conduct and ethics that complies with the NYSE listing standards and is applicable to all directors, officers and employees of the Company. The code of business conduct and ethics is available on the Investor Relations section of the Company's website at www.myhealthspring.com. The Company intends to post amendments to or waivers, if any, from its code of business conduct and ethics (to the extent applicable to the Company's directors or its chief executive officer, principal financial officer, or principal accounting officer) at this location on its website.

Corporate Governance Guidelines

The Company has adopted corporate governance guidelines that we believe reflect the Board's commitment to a system of governance that enhances corporate responsibility and accountability.

Policy Regarding Communications with the Board of Directors

Stockholders may communicate with any of the Company's directors, including the chair of any of the committees of the Board, the presiding director, or the non-management directors as a group by writing to them c/o HealthSpring, Inc., 44 Vantage Way, Suite 300, Nashville, Tennessee 37228. The Secretary or, if applicable, the Company's compliance officer will review all such communications and direct appropriate communications to the appropriate director(s).

Policy Regarding Director Attendance at Annual Meetings of Stockholders

We have adopted a policy, that is included within our corporate governance guidelines, stating that directors are strongly encouraged to attend HealthSpring's annual meetings of stockholders and we currently expect all of our directors to be in attendance at the meeting on June 6, 2006.

Executive Sessions

Following the IPO, we adopted a policy, that is included within our corporate governance guidelines, that the non-management directors and the independent directors periodically meet in executive session and that our independent directors will at least once a year schedule an executive session including only independent directors. The sessions are typically scheduled and chaired by the presiding director.

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AUDIT COMMITTEE REPORT

The audit committee was formed in connection with the Company's IPO in February 2006. Prior to that time, the functions now delegated to the audit committee were performed by HealthSpring's Board of Directors. The audit committee is comprised of three non-employee directors and operates under a written charter, adopted by the Board of Directors, which is posted on the Investor Relations section of the Company's website at www.myhealthspring.com and is attached hereto as *Exhibit A*. We believe the charter is in compliance with SEC regulations and the NYSE's listing standards.

The primary purposes of the audit committee are to assist the Board of Directors in fulfilling its responsibility to oversee (i) the integrity of the financial statements of HealthSpring, (ii) HealthSpring's compliance with legal and regulatory requirements, (iii) the independent registered public accountants' qualifications, independence, and performance and (iv) the performance of HealthSpring's internal audit function. The audit committee is directly responsible for the appointment, compensation, and oversight of the work of the independent registered public accountants. The independent registered public accountants report directly to the audit committee.

Management has the primary responsibility for the preparation of the financial statements and the reporting process. The Company's management has represented to the audit committee that the financial statements are prepared in accordance with generally accepted accounting principles. The Company's independent registered public accounting firm is responsible for auditing these financial statements. In the performance of its oversight function, the audit committee reviewed and discussed the audited financial statements with management and the independent registered public accountants. The audit committee discussed with HealthSpring's management the critical accounting policies applied by the Company in the preparation of its financial statements. The audit committee also discussed with the Company's management the process for certifications by the Chief Executive Officer and Chief Financial Officer. The audit committee discussed with the independent registered public accountants the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended by Statement on Auditing Standards No. 90 (Audit Committee Communications).

In addition, the audit committee received from the independent registered public accountants the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discussed with them their independence from HealthSpring and its management. The audit committee also evaluated whether the independent registered public accountants' provision of nonaudit services to HealthSpring was compatible with the auditor's independence and determined it was compatible.

In reliance on the reviews and discussions referred to above, the audit committee recommended to the Board of Directors, and the Board approved, that the audited financial statements be included in HealthSpring's Annual Report on Form 10-K for the year ended December 31, 2005 for filing with the SEC.

Robert Z. Hensley (Chair)

Russell K. Mayerfeld

Daniel L. Timm

The foregoing report of the audit committee does not constitute soliciting material and shall not be deemed incorporated by reference by any general statement incorporating by reference the proxy statement into any filing by HealthSpring under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed to be filed under such acts.

Table of Contents**PROPOSAL 1 ELECTION OF DIRECTORS**

The current Board of Directors of HealthSpring consists of six directors. We anticipate increasing the size of the Board to seven directors to accommodate the nomination and election of Mr. Fried as a Class I director at the annual meeting. Our Board of Directors is divided into three classes, Class I, Class II, and Class III, with each class serving staggered three-year terms. Three Class I directors will be elected at the annual meeting. Upon the recommendation of our nominating and corporate governance committee, the Board of Directors recommends that the nominees listed below be elected as Class I members of the Board of Directors at the annual meeting. Messrs. Fritch and Nolan are currently serving as Class I directors. Mr. Fried was initially recommended for nomination as a director by Mr. Fritch, our Chief Executive Officer. Each of the nominees will be elected to serve a three year term as a Class I director until the annual meeting of stockholders in 2009 or until his respective successor is duly elected and qualified. If a nominee becomes unable or unwilling to accept nomination or election, the person or persons voting the proxy will vote for such other person or persons as may be designated by the Board of Directors, unless the Board of Directors chooses to reduce the number of directors serving on the Board. The Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve as a Class I director if elected.

Information Concerning Director Nominees and Continuing Directors

Information concerning the nominees proposed by the Board of Directors for election, and those directors whose terms do not expire at the meeting, is set forth below.

Class I Nominees**Herbert A. Fritch****Director Since 2005****Age 55**

Herbert A. Fritch has served as the Chairman, President, and Chief Executive Officer of the Company and its predecessor, NewQuest, LLC, since the commencement of operations in September 2000. Mr. Fritch is also the president of Renaissance Physician Organization, a large group of independent physician associations that are contracted providers to our Texas health maintenance organization, or HMO, subsidiary. Beginning his career in 1973 as an actuary, Mr. Fritch has over 30 years of experience in the managed healthcare business. Prior to founding NewQuest, LLC, Mr. Fritch founded and served as president of North American Medical Management, Inc., or NAMM, an independent physician association management company, from 1991 to 1999. NAMM was acquired by PhyCor, Inc., a physician practice management company, in 1995. Mr. Fritch served as vice president of managed care for PhyCor following PhyCor's acquisition of NAMM. Prior to NAMM, Mr. Fritch served as a regional vice president for Partners National Healthplans from 1988 to 1991, where he was responsible for the oversight of seven HMOs in the southern region. Mr. Fritch holds a B.A. in Mathematics from Carleton College. Mr. Fritch is a fellow of the Society of Actuaries and a member of the Academy of Actuaries.

Joseph P. Nolan**Director Since 2005****Age 41**

Joseph P. Nolan has served as one of the Company's directors since March 2005. Mr. Nolan joined the predecessor of GTCR Golder Rauner II, L.L.C., a private equity fund and an affiliate of the GTCR Funds, in 1994 and became a principal in 1996. Mr. Nolan is currently the co-head of the healthcare group of GTCR. Mr. Nolan was previously a vice president in mergers and acquisitions with Dean Witter Reynolds Inc. Mr. Nolan holds an M.B.A. from the University of Chicago and a B.S. in Accountancy from the University of Illinois. Mr. Nolan was previously on the board of Province Healthcare Company, an operator of non-urban acute care hospitals acquired by LifePoint Hospitals, Inc. in 2005, and currently serves as a director of several private companies.

Bruce M. Fried**Director Nominee****Age 56**

Bruce M. Fried has been a partner at the law firm of Sonnenschein Nath & Rosenthal LLP in their Washington, D.C. office since January 2003. From 1998 to January 2003, Mr. Fried was a partner at the law firm of Shaw Pittman LLP in their Washington, D.C. office. Prior to returning to private law practice, Mr. Fried served in various capacities

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for the federal agency formerly known as the Health Care Finance Administration, or HCFA, now known as the Center for Medicare and Medicaid Service, or CMS, including as Director of HCFA's Office of Managed Care. Mr. Fried counsels and represents health plans, physician organizations, hospital groups, and other healthcare organizations with regard to Medicare, Medicaid, HIPAA and other federal healthcare programs and

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policies. Mr. Fried is general counsel to the eHealthcare initiative and the Health Technology Center. He also serves as a director of other civic and charitable organizations. Mr. Fried holds a J.D. from the University of Florida College of Law and a B.A. from the University of Florida.

Class II Directors (Terms Expire in 2007)

Martin S. Rash

Director Since 2005

Age 51

Martin S. Rash has served as one of the Company's directors since March 2005. From December 1996 until its acquisition by LifePoint Hospitals, Inc. in 2005, Mr. Rash served as chief executive officer and a director of Province Healthcare Company, an operator of non-urban acute care hospitals. Mr. Rash also served as chairman of the board of Province since May 1998. He served as chief executive officer and director of its predecessor, Principal Hospital Company, from February 1996 to December 1996. Mr. Rash also serves as a director of Odyssey Healthcare, Inc., a provider of hospice care.

Daniel L. Timm

Director Since 2005

Age 45

Daniel L. Timm has served as one of the Company's directors since November 2005. Mr. Timm joined GTCR in 2000 as a principal. Mr. Timm previously served as chief financial officer of Chatham Technologies, Inc., a contract electronics manufacturer, from 1999 to 2000, and as president and chief operating officer of Bruss Company, a food processing company, from 1991 to 1999. He holds a B.S. in Accountancy from the University of Illinois and an M.B.A. from the University of Chicago. Mr. Timm currently sits on the boards of VeriFone Holdings, Inc., a provider of electronic payment technologies, and of several private companies.

Class III Directors (Terms Expire in 2008)

Robert Z. Hensley

Director Since 2006

Age 48

Robert Z. Hensley has served as one of the Company's directors since February 2006. From July 2002 to September 2003, Mr. Hensley was an audit partner at Ernst & Young LLP in Nashville, Tennessee. He served as an audit partner at Arthur Andersen LLP in Nashville, Tennessee from 1990 to 2002, and he was the office managing partner of the Nashville, Tennessee office of Arthur Andersen LLP from 1997 to July 2002. Mr. Hensley is currently the principal owner of a private publishing company and two real estate and rental property development companies, each of which is located in Destin, Florida. Mr. Hensley holds a Master of Accountancy degree and a B.S. in Accounting from the University of Tennessee. Mr. Hensley is a certified public accountant and also serves as a director of Advocat, Inc., a provider of long-term care services to nursing home patients and residents of assisted living facilities.

Russell K. Mayerfeld

Director Since 2006

Age 52

Russell K. Mayerfeld has served as one of the Company's directors since February 2006. Mr. Mayerfeld has served as the managing member of Excelsus LLC, an advisory services firm, since 2004, and previously provided advisory services and was a private investor from April 2003 to March 2004. Mr. Mayerfeld was managing director, investment banking, of UBS LLC and predecessors from May 1997 to April 2003, and managing director, investment banking, of Dean Witter Reynolds Inc. from 1988 to 1997. Mr. Mayerfeld holds an M.B.A. from Harvard University and a B.S. in Accountancy from the University of Illinois. Mr. Mayerfeld also serves as a director of Fremont General Corporation, or FGC, a financial services holding company engaged in commercial and real estate lending, Fremont Investment and Loan, a regulated subsidiary of FGC, and several private companies.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR EACH OF THE CLASS I NOMINEES.

Table of Contents**PROPOSAL 2 RATIFICATION OF THE HEALTHSPRING, INC. 2006 EQUITY INCENTIVE PLAN**

The HealthSpring, Inc. 2006 Equity Incentive Plan (the "2006 Equity Incentive Plan") was approved by our Board of Directors and our stockholders prior to the IPO. The 2006 Equity Incentive Plan has been utilized since February 2, 2006 and replaced our 2005 Stock Option Plan (the "2005 Stock Option Plan"), under which the Board will not make future awards. The Board of Directors is recommending that the stockholders ratify the 2006 Equity Incentive Plan primarily in order to ensure that awards thereunder may qualify for deductibility under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

The primary purpose of the 2006 Equity Incentive Plan is to promote the interests of the Company and its stockholders by, among other things, (i) attracting and retaining key officers, employees and directors of, and consultants to, the Company and its subsidiaries and affiliates, (ii) motivating those individuals by means of performance-related incentives to achieve long-range performance goals, (iii) enabling such individuals to participate in the long-term growth and financial success of the Company, (iv) encouraging ownership of stock in the Company by such individuals, and (v) linking their compensation to the long-term interests of the Company and its stockholders.

Our general compensation philosophy is that long-term stock-based incentive compensation should strengthen and align the interests of our officers and employees with our stockholders, as described under the heading "Compensation Committee Report on Executive Compensation." We believe that stock option and restricted stock awards are effective in enabling us to attract and retain the talent critical to the Company. We believe that stock ownership focuses our key employees on improving our performance, and helps to create a culture that encourages employees to think and act as stockholders. Participants in our long-term incentive compensation program generally include our officers and other key employees. We also believe it is important for our stockholders to have a voice in equity programs, which is one of the reasons why we are seeking your ratification of the 2006 Equity Incentive Plan. We are also seeking ratification in order to ensure that awards under the 2006 Equity Incentive Plan may qualify for deductibility under Section 162(m) of the Code, which requires ratification by our public stockholders within three years of the IPO.

The 2006 Equity Incentive Plan authorizes awards with respect to an aggregate of 6,250,000 shares. The number of shares with respect to which incentive stock options may be granted is limited to 3,125,000. We believe this authorization will enable us to implement our long-term stock incentive program for three or more years. We believe three years is an appropriate cycle that will allow us to periodically review our stock compensation programs and respond to periodic evolutions in compensation and governance best practices and trends to the extent we believe such practices or trends to be in the best interests of the Company and its stockholders.

As of April 24, 2006, we had an aggregate of 186,250 shares subject to options outstanding under the 2005 Stock Option Plan with an exercise price of \$2.50 per share and a term to expiration of approximately 9 years. As of April 24, 2006, we also had an aggregate of 2,444,500 shares subject to options outstanding under the 2006 Equity Incentive Plan, with a weighted average exercise price of \$18.88 and a term to expiration of approximately ten years, including options to purchase 100,000 shares of common stock issued to each of Messrs. Fritch, Rothenberger, Blackshear, and McNamara and options to purchase an aggregate of 665,000 shares issued to all of our current executive officers as a group. As of April 24, 2006, there were 12,500 restricted shares outstanding under the 2006 Equity Incentive Plan, with respect to which the restrictions will have fully lapsed on the anniversary of our IPO. Accordingly, options outstanding as of April 24, 2006, together with shares available for grant under the 2006 Equity Incentive Plan, constitute approximately 11.2% of our shares outstanding as of such date, or 10.1% of our shares on a fully diluted basis, giving effect to the issuance of shares subject to outstanding options and subject to future grants available under the 2006 Equity Incentive Plan.

We believe that equity awards and our emphasis on employee stock ownership have been integral to our success in the past and are important to our ability to achieve our corporate performance goals in the years ahead. We believe that the ability to attract, retain, and motivate talented employees is integral to our long-term performance and stockholder returns. We believe that the 2006 Equity Incentive Plan allows us the flexibility to implement our current long-term incentive philosophy in future years, and effectively aligns executive and stockholder interests.

The following is a brief summary of the principal features of the 2006 Equity Incentive Plan, which is qualified in its entirety by reference to the full text of the 2006 Equity Incentive Plan itself, a copy of which is attached hereto as *Exhibit B* and incorporated herein by reference.

Shares Available for Awards under the Plan. Under the 2006 Equity Incentive Plan, awards may be made in common stock of the Company. Subject to adjustment as provided by the terms of the 2006 Equity Incentive Plan, the maximum number of shares of common stock with respect to which awards may be granted under the 2006 Equity Incentive Plan is 6,250,000. Nonqualified stock options to purchase an aggregate of 2,444,500 shares of common stock have been awarded to employees, including certain of our executive officers, under this plan. Future awards to our officers have not yet been determined or allocated. Except as adjusted in

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accordance with the terms of the 2006 Equity Incentive Plan, no more than 3,125,000 shares of common stock authorized under the 2006 Equity Incentive Plan may be awarded as incentive stock options under the 2006 Equity Incentive Plan. Shares of common stock subject to an award under the 2006 Equity Incentive Plan that expire unexercised or are cancelled, forfeited, settled in cash or otherwise terminated without a delivery of shares of common stock to the participant, including shares of common stock withheld or surrendered in payment of any exercise or purchase price of an award or taxes relating to an award, remain available for awards under the 2006 Equity Incentive Plan. Shares of common stock issued under the 2006 Equity Incentive Plan may be either newly issued shares or shares that have been reacquired by the Company. Shares issued by the Company as substitute awards granted solely in connection with the assumption of outstanding awards previously granted by a company acquired by the Company, or with which the Company combines, or Substitute Awards, do not reduce the number of shares available for awards under the 2006 Equity Incentive Plan.

In addition, the 2006 Equity Incentive Plan imposes individual limitations on the amount of certain awards in order to comply with Section 162(m) of the Code. Under these limitations, no single participant may receive options or stock appreciation rights, or SARs, in any calendar year that, taken together, relate to more than 625,000 shares of common stock, subject to adjustment in certain circumstances.

With certain limitations, awards made under the 2006 Equity Incentive Plan may be adjusted by the compensation committee of the board of directors in its discretion or to prevent dilution or enlargement of benefits or potential benefits intended to be made available under the 2006 Equity Incentive Plan in the event of any stock dividend, reorganization, recapitalization, stock split, combination, merger, consolidation, change in laws, regulations or accounting principles or other relevant unusual or nonrecurring event affecting the Company.

No awards may be granted under the 2006 Equity Incentive Plan after the tenth anniversary of the effective date of the plan.

Eligibility and Administration. Current and prospective officers and employees, directors of, and consultants to, the Company or its subsidiaries or affiliates are eligible to be granted awards under the 2006 Equity Incentive Plan. The compensation committee administers the 2006 Equity Incentive Plan, except with respect to awards to non-employee directors, for which the 2006 Equity Incentive Plan is administered by the Board. Subject to the terms of the 2006 Equity Incentive Plan, the compensation committee is authorized to select participants, determine the type and number of awards to be granted, determine and later amend, subject to certain limitations, the terms and conditions of any award, interpret and specify the rules and regulations relating to the 2006 Equity Incentive Plan, and make all other determinations that may be necessary or desirable for the administration of the 2006 Equity Incentive Plan. Until such time as the GTCR Funds hold less than 15% of the outstanding stock of the Company, the consent of GTCR is required for any equity or equity-based awards to our executive officers.

Stock Options and Stock Appreciation Rights. The compensation committee is authorized to grant stock options, including incentive stock options, which can result in potentially favorable tax treatment to the participant, and non-qualified stock options. The compensation committee may specify the terms of such grants subject to the terms of the 2006 Equity Incentive Plan. The compensation committee is also authorized to grant SARs, either with or without a related option. The exercise price per share subject to an option is determined by the compensation committee, but may not be less than the fair market value of a share of common stock on the date of the grant, except in the case of Substitute Awards. The maximum term of each option or SAR, the times at which each option or SAR will be exercisable, and the provisions requiring forfeiture of unexercised options at or following termination of employment generally are fixed by the compensation committee, except that no option or SAR relating to an option may have a term exceeding ten years. Incentive stock options that are granted to holders of more than ten percent of the Company's voting securities are subject to certain additional restrictions, including a five-year maximum term and a minimum exercise price of 110% of fair market value.

A stock option or SAR may be exercised in whole or in part at any time, with respect to whole shares only, within the period permitted for the exercise. Stock options and SARs shall be exercised by written notice of intent to exercise the stock option or SAR and, with respect to options, payment in full to the Company of the amount of the option price for the number of shares with respect to which the option is then being exercised.

Payment of the option price must be made in cash or cash equivalents, or, at the discretion of the compensation committee, (a) by transfer, either actually or by attestation, to the Company of shares that have been held by the participant for at least six months (or such lesser period as may be permitted by the compensation committee) which have a fair market value on the date of exercise equal to the option price, together with any applicable withholding taxes, or (b) by a combination of such cash or cash equivalents and such shares; provided, however, that a participant is not entitled to tender shares pursuant to successive, substantially simultaneous exercises of any stock option of the Company. Subject to applicable securities laws and company policy, the Company may permit an option to be exercised by delivering a notice of exercise and simultaneously selling the shares thereby acquired, pursuant to a

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brokerage or similar agreement approved in advance by proper officers of the Company, using the proceeds of such sale as payment of the option price, together with any applicable withholding taxes. Until the participant has been issued the shares subject to such exercise, he or she possesses no rights as a stockholder with respect to such shares.

Restricted Shares and Restricted Share Units. The compensation committee is authorized to grant restricted shares of common stock and restricted share units. Restricted shares are shares of common stock subject to transfer restrictions as well as forfeiture upon certain terminations of employment prior to the end of a restricted period or other conditions specified by the compensation committee in the award agreement. A participant granted restricted shares of common stock generally has most of the rights of a stockholder of the Company with respect to the restricted shares, including the right to receive dividends and the right to vote such shares. None of the restricted shares may be transferred, encumbered or disposed of during the restricted period or until after fulfillment of the restrictive conditions. In connection with our IPO, the Company issued 2,500 restricted shares to each of its five non-employee directors.

Each restricted share unit has a value equal to the fair market value of a share of common stock on the date of grant. The compensation committee determines, in its sole discretion, the restrictions applicable to the restricted share units. A participant will be credited with dividend equivalents on any vested restricted share units at the time of any payment of dividends to stockholders on shares of common stock. Except as determined otherwise by the compensation committee, restricted share units may not be transferred, encumbered or disposed of, and such units shall terminate, without further obligation on the part of the Company, unless the participant remains in continuous employment of the Company for the restricted period and any other restrictive conditions relating to the restricted share units are met.

Performance Awards. A performance award consists of a right that is denominated in cash or shares of common stock (including restricted stock units), valued in accordance with the achievement of certain performance goals during certain performance periods as established by the compensation committee, and payable at such time and in such form as the compensation committee shall determine. Performance awards may be paid in a lump sum or in installments following the close of a performance period or on a deferred basis, as determined by the compensation committee. Termination of employment prior to the end of any performance period, other than for reasons of death or total disability, will result in the forfeiture of the performance award. A participant's rights to any performance award may not be transferred, encumbered or disposed of in any manner, except by will or the laws of descent and distribution.

Performance awards are subject to certain specific terms and conditions under the 2006 Equity Incentive Plan. Unless otherwise expressly stated in the relevant award agreement, each award granted to a covered officer, as defined, under the 2006 Equity Incentive Plan is intended to be performance-based compensation within the meaning of Section 162(m). Performance goals for covered officers will be limited to one or more of the following financial performance measures relating to the Company or any of its subsidiaries, operating units, business segments or divisions: (a) earnings before interest, taxes, depreciation and/or amortization; (b) operating income or profit; (c) operating efficiencies; (d) return on equity, assets, capital, capital employed or investment; (e) net income; (f) earnings per share; (g) utilization management; (h) membership; (i) gross profit; (j) medical loss ratio; (k) stock price or total stockholder return; (l) provider network growth; (m) debt reduction; (n) strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, business expansion goals, and goals relating to acquisitions or divestitures; or any combination of those objectives. Each goal may be expressed on an absolute or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company or any subsidiary, operating unit or division of the Company or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, stockholders' equity or shares outstanding, or to assets or net assets. The compensation committee may appropriately adjust any evaluation of performance under criteria set forth in the 2006 Equity Incentive Plan to exclude any of the following events that occurs during a performance period: (a) asset write-downs; (b) litigation or claim judgments or settlements; (c) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (d) accruals for reorganization and restructuring programs and (e) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 or in management's

discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year.

To the extent necessary to comply with Section 162(m) of the Code, with respect to grants of performance awards, no later than 90 days following the commencement of each performance period (or such other time as may be required or permitted by Section 162(m)), the compensation committee will, in writing, (1) select the performance goal or goals applicable to the performance period, (2) establish the various targets and bonus amounts which may be earned for such performance period, and (3) specify the relationship between performance goals and targets and the amounts to be earned by each covered officer for such performance period. Following the completion of each performance period, the compensation committee will certify in writing whether the applicable performance targets have been achieved and the amounts, if any, payable to covered officers for such performance period. In determining the amount earned by a covered officer for a given performance period, subject to any applicable award agreement, the compensation

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committee shall have the right to reduce (but not increase) the amount payable at a given level of performance to take into account additional factors that the compensation committee may deem relevant to the assessment of individual or corporate performance for the performance period. With respect to any covered officer, the maximum annual number of shares in respect of which all performance awards may be granted under the 2006 Equity Incentive Plan is 250,000 and the maximum annual amount of all performance awards that are settled in cash is \$5,000,000.

Other Stock-Based Awards. The compensation committee is authorized to grant any other type of awards that are denominated or payable in, valued by reference to, or otherwise based on or related to shares of common stock. The compensation committee will determine the terms and conditions of such awards, consistent with the terms of the 2006 Equity Incentive Plan.

Non-Employee Director Awards. T