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us (except with respect to the operation of certain wells specifically referenced in the agreement) or soliciting our employees.

Pursuant to the terms of their post-IPO employment agreements, Messrs. Gallagher and Layman would be entitled to the Accrued Obligations in the event their employment was terminated upon the provision of a notice of nonrenewal (either by us or by the executive), by us for Cause or by the executive without Good Reason, and, except as otherwise provided in the award agreement under which the award was granted, Messrs. Gallagher and Layman would forfeit all unvested outstanding equity awards held as of the date of termination. Furthermore, in the event we were to terminate either of Messrs. Gallagher or Layman without Cause, or the executive terminated his employment for Good Reason, he would be entitled to (i) the Accrued Obligations, (ii) a lump-sum cash payment equal to 1.25 times the sum of (A) his base salary and (B) the average of the three most recent annual bonuses actually paid in the three-year period preceding the date of termination (or the period of his employment, if shorter), which amount would be paid on the first business day following the release consideration period (a 60-day period following the date of termination of employment) (the foregoing clauses (A) and (B) together, the Cash Severance ), (iii) if Messrs. Gallagher or Layman elected to continue coverage under COBRA, then they would be entitled to reimbursement for a period of up to 18 months for the difference between the amount they would pay to effect and continue such coverage and the employee contribution amount that they would pay if they were still active employees, and (iv) outplacement services for up to 6 months following the termination date or such time as the executive obtained reasonably comparable employment, whichever was earlier (the benefits described in clauses (i), (iii) and (iv), collectively, the VP Severance Benefits ), and, except as otherwise provided in the award agreement under which the award was granted, all unvested outstanding equity awards held by the executives upon such termination would be forfeited for no consideration. Alternatively, Messrs. Gallagher and Layman would be entitled to the Accrued Obligations and continued base salary through the end of any fiscal year in which they were terminated by reason of death or Disability. Finally, if within 12 months following a Change of Control we were to terminate Messrs. Gallagher or Layman without Cause, or Messrs. Gallagher or Layman were to terminate their employment for Good Reason, they would be entitled to the same VP Severance Benefits described above plus an additional 0.75 times the Cash Severance, and, except as otherwise provided in the award agreement under which the award was granted, all unvested outstanding equity awards held by the executives upon such a termination would be accelerated in full. Messrs. Gallagher's and Layman's post-IPO employment agreements also contain certain restrictive covenants, which require the

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executives to preserve and protect our confidential information and work product and, for a one-year period following his termination of employment (6 months in the event his was terminated by us without Cause), to refrain from competing with us or soliciting our employees.

As used in the post-IPO employment agreements, Cause generally means: (i) violation of our substance abuse policy; (ii) refusal or inability (other than by reason of death or Disability) to perform the duties assigned to the executive; (iii) acts or omissions evidencing a violation of the executive's duties of loyalty and good faith; candor; fair and honest dealing; integrity; or full disclosure to us, as well as any acts or omissions which constitute self-dealing; (iv) willful disobedience of lawful orders, policies, regulations, or directives issued to the employee; (v) conviction or commission of a felony, a crime of moral turpitude, or a crime that could reasonably be expected to impair the ability of the executive to perform his duties; (vi) breach of any part of the post-IPO employment agreement by the executive; (vii) revocation or suspension of any necessary license or certification; (viii) generation of materially incorrect financial, geological, seismic or engineering projections, compilations or reports; or (ix) a false statement by the executive to obtain his position, in each case as determined by the Board in good faith and in its sole and absolute discretion.

As used in the post-IPO employment agreements, Good Reason generally means (i) a material diminution in the executive's base compensation, (ii) a material diminution in the executive's authority, duties, or responsibilities, or (iii) any other action or inaction that constitutes a material breach by us of the post-IPO employment agreement, in each case, without Employee's consent. Mr. Sheffield's post-IPO employment agreement provides that a requirement that he begin reporting to a corporate officer or employee rather than directly to our Board of Directors will also constitute a Good Reason. The executive must provide written notice to us and we must be given an opportunity to resolve the issue prior to terminating his employment for Good Reason.

As used in the post-IPO employment agreements, Disability generally means the executive's inability to perform the essential functions of his position, with reasonable accommodation, due to an illness or physical or mental impairment or other incapacity that continues, or can reasonably be expected to continue, for a period in excess of ninety (90) days (whether or not consecutive) during any period of three hundred sixty-five (365) consecutive days.

As used in the post-IPO employment agreements, Change of Control generally means the occurrence of any of the following events:

(i) A change in the ownership of the company which would occur on the date that any one person, or more than one person acting as a group, acquires ownership of stock in us that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of our stock.

(ii) A change in the effective control of the company which would occur on the date that either (A) any one person, or more than one person acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition) ownership of our stock possessing 35% or more of the total voting power of our stock; or (B) a majority of the members of our Board of Directors are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of our Board of Directors prior to the date of the appointment or election.

(iii) A change in the ownership of a substantial portion of the company's assets which shall occur on the date that any one person, or more than one person acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition) assets of our Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of our assets immediately prior to such acquisition.

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If any person or persons already meets one of the ownership thresholds enumerated above, the acquisition of additional shares, assets, or control will not be considered a Change of Control. A Change of Control of the

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entity for whom an employee performs services, of an entity that is a stockholder owning more than 50% of our total fair market value or total voting power (a majority shareholder), or any entity in a chain of entities in which each entity is a majority shareholder of another entity in the chain, ending in us will also constitute a Change of Control.

The foregoing description is not intended to be a comprehensive summary of the post-IPO employment agreements and is qualified in its entirety by reference to such agreements, which are on file with the SEC.

## **Director Compensation**

Bryan Sheffield and Chris Carter are members of our Board of Directors but are employed by us and NGP respectively and, as such, receive no additional compensation for their service on our Board of Directors.

Prior to our IPO, each of the other members of the board of managers of our predecessor entity received a retainer payment equal to \$25,000 in cash per year. The retainer was paid to each member of our board of managers in four equal installments in cash following each quarterly meeting of the board (our Pre-IPO Director Compensation Program). The amounts in the table below reflect the fact that our Board of Directors was paid pursuant to the Pre-IPO Director Compensation Program from January 1, 2014, through the closing date of our IPO. Additionally, Jack Harper resigned from our board of managers effective March 18, 2014, prior to our first board meeting of the year and our IPO. As such, Mr. Harper did not receive any compensation for his service on our Board of Directors during 2014.

Attracting and retaining qualified non-employee directors is critical to the future value growth and governance of our Company. In connection with the closing of our IPO, on May 29, 2014, we made special one-time grants of 6,757 shares of restricted Class A Common Stock to each of our non-employee directors other than Mr. Carter in recognition of their increased work load during the process of preparing for the IPO. These awards of restricted stock will vest in full on the fourth anniversary of the date of grant and are subject to forfeiture pursuant to the terms of the notice of grant and award agreement under which they were granted as well as the terms of the LTIP.

Following the closing of our IPO, we implemented a new director compensation program to reflect the increased time and responsibility that being the director of a publicly traded company entails. Under this new program, all of our non-employee directors other than Mr. Carter receive the following (the Post-IPO Director Compensation Program):

An annual cash retainer of \$50,000;

A per meeting fee of \$1,000; and

An annual equity grant of restricted stock (or restricted stock units) equal in value to approximately \$125,000 at grant date, vesting in full on the first anniversary of the date of grant.

All cash amounts paid under the Post-IPO Director Compensation Program in 2014 were prorated to reflect the period of the year during which we were a publicly traded company. Each director is also reimbursed for (i) travel and expenses associated with the attendance of meetings and activities of our Board of Directors or its committees, and (ii) travel and expenses related to each director's participation in general education and orientation programs for directors.

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Consistent with our Post-IPO Director Compensation Program, on August 22, 2014, our Compensation Committee made grants of 6,244 shares of restricted Class A Common Stock to each of our non-employee directors other than Mr. Carter as compensation for services provided, and to be provided, from the date of our IPO through the date of the Annual Meeting. These awards of restricted stock will vest in full on the first anniversary of the date of grant and are subject to forfeiture pursuant to the terms of the notice of grant and award agreement under which they were granted as well as the terms of the LTIP prior to that date.

**Table of Contents****2014 Director Compensation Table**

| Name                   | Fees Earned or Paid |                          |               |
|------------------------|---------------------|--------------------------|---------------|
|                        | in Cash<br>(\$ (1)) | Stock Awards<br>(\$ (2)) | Total<br>(\$) |
| A.R. Alameddine        | \$ 33,250           | \$ 286,430               | \$ 319,680    |
| William Browning (3)   | \$ 27,000           | \$ 125,005               | \$ 152,005    |
| Dr. Hemang Desai (3)   | \$ 27,000           | \$ 125,005               | \$ 152,005    |
| Jack Harper (4)        | \$ 0                | \$ 0                     | \$ 0          |
| Randolph Newcomer, Jr. | \$ 33,250           | \$ 286,430               | \$ 319,680    |
| David H. Smith         | \$ 33,250           | \$ 286,430               | \$ 319,680    |

- (1) The amounts in this column represent annual cash retainers and meeting fees earned and paid with respect to 2014.
- (2) The amounts in this column represent the aggregate grant date fair value of the restricted shares granted during 2014 to each director, calculated in accordance with FASB ASC Topic 718, disregarding estimated forfeitures. These amounts were calculated based on the closing market price for our shares on the New York Stock Exchange on the date of grant. For additional information regarding the assumptions underlying this calculation please see Note 10 to our consolidated and combined financial statements, entitled Equity, which is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Our directors do not hold any stock option awards in our Company. The aggregate number of restricted stock awards held by each director as of December 31, 2014 is as follows: Mr. Alameddine 13,001; Mr. Browning 6,244; Mr. Desai 6,244; Mr. Harper 0; Mr. Newcomer 13,001; and Mr. Smith 13,001, the value of each of which is reported in the table above.
- (3) Mr. Desai joined our Board of Directors on July 23, 2014, and Mr. Browning joined our Board of Directors on August 19, 2014.
- (4) Jack Harper resigned from the board of managers of our predecessor effective March 18, 2014, prior to any meeting of our predecessor board of managers or our current Board of Directors. As such, Mr. Harper did not receive any compensation for his services on our Board of Directors with respect to the 2014 fiscal year.

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**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During 2014, our last completed fiscal year, none of our executive officers served on the board of directors or compensation committee of a company that had an executive officer that served on our Board or Compensation Committee. Further, no member of our Board was an executive officer of a company in which one of our executive officers served as a member of the board of directors or compensation committee of that company.

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**CORPORATE GOVERNANCE**

**Corporate Governance Guidelines**

The Board of Directors believes that sound governance practices and policies provide an important framework to assist it in fulfilling its duty to stockholders. The Company's Corporate Governance Guidelines cover the following principal subjects:

the size of the Board of Directors;

qualifications and independence standards for the Board of Directors;

director responsibilities;

Board leadership;

meetings of the Board and of non-management directors;

committee functions and independence of committee members;

compensation of the Board of Directors;

self-evaluation and succession planning;

ethics and conflicts of interest (a copy of the current Code of Business Conduct and Ethics is posted on the Company's website at [www.parsleyenergy.com](http://www.parsleyenergy.com));

stockholder communications with directors; and

access to senior management and to independent advisors.

The Corporate Governance Guidelines are posted on the Company's website at [www.parsleyenergy.com](http://www.parsleyenergy.com). The Corporate Governance Guidelines will be reviewed periodically and as necessary by the Company's Nominating and Governance Committee, and any proposed additions to or amendments of the Corporate Governance Guidelines will be presented to the Board of Directors for its approval.



The New York Stock Exchange ( NYSE ) has adopted rules that require listed companies to adopt governance guidelines covering certain matters. The Company believes that the Corporate Governance Guidelines comply with the NYSE rules.

### **Board Leadership**

The Board recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide independent oversight of management. The Board understands that the optimal Board leadership structure may vary as circumstances warrant. Consistent with this understanding, non-management directors consider the Board's leadership structure on an annual basis.

The Board previously determined that the optimal Board leadership structure for us was served by the role of Chairman of the Board being held by our President and Chief Executive Officer, Mr. Sheffield. The Board determined that this leadership structure was optimal for us because it believed that having one leader serving as both the Chairman and Chief Executive Officer provides decisive, consistent and effective leadership. By meeting in executive sessions on a regular basis, the six independent directors have the opportunity to identify and evaluate issues facing us, engaging in a frank and candid dialogue without management being present. For this reason, it is the Nominating and Governance Committee's view that there is no need for an independent lead director at this time. The Nominating and Governance Committee reevaluates the efficacy of the Board's leadership structure at least annually.

### **Classified Board Structure**

In consultation with the Board, the Nominating and Governance Committee has determined that a classified board structure is appropriate for the Company. A classified board provides for stability, continuity and

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experience among our Board of Directors. In our industry in particular, long-term focus is critical. The time horizon required for successful exploration, development and production of oil and natural gas resources makes it vital that we have a Board that understands the implications of this process and has the ability to develop and implement long-term strategies while benefiting from an in-depth knowledge of the Company's business and operations. A classified board structure helps to ensure that there will be the continuity and stability of leadership required to navigate a challenging economic environment while resisting the pressure to focus on short-term results at the expense of the Company's long-term value and success. The future success of the Company depends in significant part on the ability to attract and retain capable and experienced directors. In this regard, we believe that longer terms for our directors will enhance director independence from both management and stockholder special interest groups.

## **Communications with the Board of Directors**

Stockholders or other interested parties can contact any director, any committee of the Board or our non-management directors as a group, by writing to them c/o General Counsel, Parsley Energy, Inc., 303 Colorado Street, Suite 3000, Austin, Texas 78701. Comments or complaints relating to the Company's accounting, internal accounting controls or auditing matters will also be referred to members of the Audit Committee. All such communications will be forwarded to the appropriate member(s) of the Board.

## **Director Independence**

The Company's standards for determining director independence require the assessment of directors' independence each year. A director cannot be considered independent unless the Board of Directors affirmatively determines that he or she does not have any relationship with management or the Company that may interfere with the exercise of his or her independent judgment, including any of the relationships that would disqualify the director from being independent under the rules of the NYSE.

The Board of Directors has assessed the independence of each non-employee director under the Company's guidelines and the independence standards of the NYSE. The Board of Directors affirmatively determined that each of Messrs. Carter, Smith, Alameddine, Newcomer and Browning, and Dr. Desai, are independent.

In connection with its assessment of the independence of each non-employee director, the Board of Directors also determined that (i) Messrs. Browning and Newcomer, and Dr. Desai, are independent as defined in Section 10A of the Exchange Act and under the standards set forth by the NYSE applicable to members of the Audit Committee and (ii) Messrs. Alameddine and Carter, and Dr. Desai, are independent under the standards set forth by the NYSE applicable to members of the Compensation Committee.

## **Financial Literacy of Audit Committee and Designation of Financial Experts**

The Board of Directors evaluated each of the members of the Audit Committee for financial literacy and the attributes of a financial expert in February 2015. The Board of Directors determined that each of the Audit Committee members is financially literate and that the Chairman of the Audit Committee, William Browning, is an audit committee financial expert as defined by the SEC.

## **Oversight of Risk Management**

The Board of Directors as a whole oversees the Company's assessment of major risks and the measures taken to manage such risks. For example, the Board of Directors:

oversees the long-term strategic plans of the Company, and assesses risks and efforts to mitigate such risks that would cause the Company to fail to achieve its strategic goals;

reviews management's capital spending plans, approves the Company's capital budget and requires that management present for Board review significant departures from those plans;

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oversees management of the Company's commodity price risk through regular review with executive management of the Company's derivatives strategy;

monitors the Company's liquidity profile and its compliance with the financial covenants contained in its borrowing arrangements; and

has established specific dollar limits on the commitment authority of members of senior management for certain transactions and requires Board approval of expenditures exceeding that authority and of other material contracts and transactions.

The Company's Audit Committee is responsible for overseeing the Company's assessment and management of financial reporting and internal control risks, as well as other financial risks, such as the credit risks associated with counterparty exposure. The Audit Committee is responsible for discussing with management the Company's significant financial risk exposures and the actions management has taken to monitor and control such exposures. Management and the Company's independent registered public accountants report regularly to the Audit Committee on those subjects. The Board of Directors does not consider its role in oversight of the Company's risk management function to be relevant to its choice of leadership structure.

**Attendance at Annual Meetings**

The Board of Directors encourages all directors to attend the annual meetings of stockholders, if practicable. We anticipate that all of our directors will attend the 2015 Annual Meeting.

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The following table sets forth certain information regarding the beneficial ownership of Common Stock as of April 20, 2015, by (i) each person who is known by the Company to own beneficially more than five percent of the outstanding shares of Common Stock, (ii) each Named Executive Officer of the Company, (iii) each director and director nominee of the Company and (iv) all directors and executive officers as a group. Unless otherwise noted, the mailing address of each person or entity named below is 303 Colorado Street, Suite 3000, Austin, Texas 78701.

As of April 20, 2015, 108,762,018 shares of our Class A Common Stock and 32,145,296 shares of our Class B Common Stock were outstanding.

|  | Shares Beneficially Owned by<br>Certain Beneficial Owners and Management(1) |               |              |               |                 |       |
|--|---|---------------|--------------|---------------|-----------------|-------|
|  | Class A   |               | Class B      |               | Combined Voting |       |
|  | Common Stock  |               | Common Stock |               | Power(2)        |       |
|  | Number  | % of<br>class | Number       | % of<br>class | Number          | %     |
| <b>5% Stockholders</b>                                   |   |               |              |               |                 |       |
| Boston Partners(3)                                       | 9,769,506   | 9.0%          |              |               | 9,769,506       | 6.9%  |
| NGP X US Holdings, L.P.(4)                               | 6,620,112   | 6.1%          |              |               | 6,620,112       | 4.7%  |
| <b>Directors and Named Executive Officers:</b>           |   |               |              |               |                 |       |
| Bryan Sheffield(5)                                       | 14,676,053  | 13.5%         | 24,518,751   | 76.3%         | 39,194,804      | 27.8% |
| Matthew Gallagher(6)                                     | 611,390   | 0.6%          | 1,230,088    | 3.8%          | 1,841,478       | 1.3%  |
| Thomas B. Layman   | 49,132  | *             |              |               | 49,132          | *     |
| A.R. Alameddine  | 67,001  | *             |              |               | 67,001          | *     |
| Chris Carter   | 7,000   | *             |              |               | 7,000           | *     |
| Randolph Newcomer, Jr.                                   | 26,501  | *             |              |               | 26,501          | *     |
| David H. Smith   | 22,624  | *             |              |               | 22,624          | *     |
| William Browning   | 6,244   | *             |              |               | 6,244           | *     |
| Dr. Hemang Desai   | 7,244   | *             |              |               | 7,244           | *     |
| Directors and executive officers as a group (13 persons) | 18,681,578  | 17.2%         | 29,131,581   | 90.6%         | 47,813,159      | 33.9% |

- (1) Subject to the terms of the First Amended and Restated Limited Liability Company Agreement of Parsley LLC (the Parsley LLC Agreement ), holders of equity interests in Parsley LLC (the PE Unit Holders ) will have the right to exchange all or a portion of such equity interests (the PE Units ) (together with a corresponding number of shares of Class B Common Stock) for Class A Common Stock (or the cash option) at an exchange ratio of one share of Class A Common Stock for each PE Unit (and corresponding share of Class B Common Stock) exchanged. See Transactions with Related Persons Exchange Right. Pursuant to Rule 13d-3 under the Exchange Act, a person has beneficial ownership of a security as to which that person, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares voting power and/or investment power of such security and as to which that person has the right to acquire beneficial ownership of such security within 60 days. The Company has the option to deliver cash in lieu of shares of Class A Common Stock upon exercise by a PE Unit Holder of its exchange right. As a result, beneficial ownership of Class B Common Stock

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and PE Units is not reflected as beneficial ownership of shares of our Class A Common Stock for which such units and stock may be exchanged.

- (2) Represents percentage of voting power of our Class A Common Stock and Class B Common Stock voting together as a single class. The PE Unit Holders will hold one share of Class B Common Stock for each PE Unit that they own. Each share of Class B Common Stock has no economic rights, but entitles the holder thereof to one vote for each PE Unit held by such holder. Accordingly, the PE Unit Holders collectively have a number of votes in the Company equal to the number of PE Units that they hold.
- (3) By reason of Rule 13d-3 under the Exchange Act, Boston Partners may be deemed to be a beneficial owner of such Common Stock. To the knowledge of Boston Partners no person has the right to receive or the power to direct the receipt of dividends from or the proceeds from the sale of such Common Stock which represents more than 5% of the outstanding shares of the Common Stock referred to above. The information in this footnote is based solely on a Schedule 13G/A filed by Boston Partners with the SEC on March 10, 2015.

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- (4) NGP X US Holdings, L.P. is wholly owned and controlled by its general partner, NGP X Holdings GP, L.L.C. ( NGP X Holdings GP ), and its limited partners, NGP Natural Resources X, L.P. ( NGP X ) and NGP X Parallel Holdings, L.P. ( NGP X Parallel ). NGP X Holdings GP is wholly owned by NGP X. NGP X Holdings GP, NGP X and NGP X Parallel may be deemed to share voting and dispositive power over the reported shares and therefore may also be deemed to be the beneficial owner of these shares. NGP X Holdings GP, NGP X and NGP X Parallel disclaim beneficial ownership of the reported shares in excess of such entity's pecuniary interest in the shares. GFW X, L.L.C. and G.F.W. Energy X, L.P. may be deemed to share voting and dispositive power over the reported shares and therefore may also be deemed to be the beneficial owner of these shares by virtue of GFW X, L.L.C. being the sole general partner of G.F.W. Energy X, L.P. (which is the sole general partner of NGP X and NGP X Parallel). Kenneth A. Hersh, an Authorized Member of GFW X, L.L.C. may also be deemed to share the power to vote, or to direct the vote, and to dispose, or to direct the disposition, of such securities. Mr. Hersh does not directly own any reported securities. GFW X, L.L.C. has delegated full power and authority to manage NGP X and NGP X Parallel to NGP Energy Capital Management, L.L.C. and accordingly, NGP Energy Capital Management, L.L.C. may be deemed to share voting and dispositive power over these shares and therefore may also be deemed to be the beneficial owner of these shares.
- (5) Includes 1,711,269 shares of Class A Common Stock and 1,802,178 shares of Class B Common Stock held by Sheffield Energy Management, LLC. Bryan Sheffield has voting and dispositive power over these shares.
- (6) Includes 355,857 shares of Class A Common Stock that are pledged to secure a bank loan.
- \* Less than 1%.

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

The executive officers and directors of the Company and persons who own more than 10% of the Company's Common Stock are required to file reports with the SEC, disclosing the amount and nature of their beneficial ownership in Common Stock, as well as changes in that ownership. Based solely on its review of reports and written representations that the Company has received, the Company believes that the Company's directors, officers and 10% holders of Common Stock complied with all filing requirements during 2014, with the following exceptions: Messrs. Alameddine, Carter, Newcomer and Smith each had a delinquent Form 4 filing on June 2, 2014, for a transaction occurring on May 29, 2014.

**TRANSACTIONS WITH RELATED PERSONS**

**Policies and Procedures for Review of Related Party Transactions**

A Related Party Transaction is a transaction, arrangement or relationship in which we or any of our subsidiaries was, is or will be a participant, the amount of which involved exceeds \$120,000, and in which any related person had, has or will have a direct or indirect material interest. A Related Person means:

any person who is, or at any time during the applicable period was, one of our executive officers or one of our directors;

any person who is known by us to be the beneficial owner of more than 5% of any class of our voting securities;

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any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a director, executive officer or a beneficial owner of more than 5% of our Common Stock, and any person (other than a tenant or employee) sharing the household of such director, executive officer or beneficial owner of more than 5% of our Common Stock; and

any firm, corporation or other entity in which any of the foregoing persons is a partner or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.



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Our Board of Directors adopted a written Related Party Transactions policy prior to the completion of our IPO. Pursuant to this policy, our Audit Committee has and will continue to review all material facts of all Related Party Transactions and either approve or disapprove entry into the Related Party Transaction, subject to certain limited exceptions. In determining whether to approve or disapprove entry into a Related Party Transaction, our Audit Committee takes into account, among other factors, the following: (i) whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and (ii) the extent of the Related Person's interest in the transaction. Further, the policy requires that all Related Party Transactions required to be disclosed in our filings with the SEC be so disclosed in accordance with applicable laws, rules and regulations.

There have been no Related Party Transactions since January 1, 2014, where the procedures described above did not require review, approval or ratification or where these procedures were not followed. In addition, since January 1, 2014, there have not been any transactions or series of similar transactions to which the Company was or is a party in which the amount involved exceeded or exceeds \$120,000 and in which any of the Company's directors, executive officers, holders of more than 5% of any class of its voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers, which are described in Executive Compensation and Other Information above and the transactions described or referred to below.

### **Well Operations**

During the year ended December 31, 2014, several of our directors, officers, 5% stockholders, their immediate families, and entities affiliated or controlled by such parties ( Related Party Working Interest Owners ) owned non-operated working interests in certain of the oil and natural gas properties that we operate. The revenues disbursed to such Related Party Working Interest Owners for the year ended December 31, 2014, totaled \$11.3 million.

As a result of this ownership, from time to time, we will be in a net receivable or net payable position with these individuals and entities. We do not consider any net receivables from these parties to be uncollectible.

### **Tex-Isle Supply, Inc. Purchases**

We make purchases of equipment used in our drilling operations from Tex-Isle Supply, Inc. ( Tex-Isle ). Tex-Isle is controlled by a party who is also the general partner of Diamond K Production, LLC, an entity owned by Diamond K Interests, LP and a former member of Parsley LLC ( Diamond K ). In connection with the IPO, Diamond K exchanged its membership interest in Parsley LLC for shares of our Class A Common Stock. As of February 11, 2015, Diamond K is no longer considered a related party as its ownership interest fell below 5% of our Class A Common Stock due to our issuance of Class A Common Stock in a private placement transaction (the Private Placement ), which also resulted in Tex-Isle no longer being considered a related party. During the year ended December 31, 2014, the Company made purchases of equipment used in its drilling operations totaling \$71.3 million from Tex-Isle.

### **Spraberry Production Services, LLC**

We and Diamond K each own a 42.5% interest in Spraberry Production Services, LLC ( SPS ). During the year ended December 31, 2014, we incurred charges totaling \$5.1 million for services performed by SPS for our well operations and drilling activities. As of February 11, 2015, SPS is no longer considered a related party since Diamond K's ownership interest in our Class A Common Stock fell below 5% due to the Private Placement.

### **Lone Star Well Service, LLC**

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We make purchases of equipment used in our drilling operations from Lone Star Well Service, LLC ( Lone Star ). Lone Star is controlled by SPS. During the year ended December 31, 2014, we incurred charges totaling

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\$0.7 million for services performed by Lone Star for our well operations and drilling activities. As of February 11, 2015, Lone Star is no longer considered a related party since Diamond K's ownership interest in our Class A Common Stock fell below 5% due to the Private Placement.

**Davis, Gerald, and Cremer**

During the year ended December 31, 2014, we incurred charges totaling \$0.2 million for legal services from Davis, Gerald & Cremer, PC, of which our director David H. Smith is a shareholder.

**Exchange Right**

In accordance with the terms of the Parsley LLC Agreement, the PE Unit Holders generally have the right to exchange the PE Units (and a corresponding number of shares of our Class B Common Stock), for shares of our Class A Common Stock at an exchange ratio of one share of Class A Common Stock for each PE Unit (and a corresponding share of Class B Common Stock) exchanged (subject to conversion rate adjustments for stock splits, stock dividends and reclassifications) or cash (pursuant to the cash option). As a PE Unit Holder exchanges its PE Units, our interest in Parsley LLC will be correspondingly increased.

**Tax Receivable Agreement**

In connection with the IPO, on May 29, 2014, we entered into a Tax Receivable Agreement (the "TRA") with Parsley LLC, and certain holders of PE Units prior to the IPO (each such person, a "TRA Holder"), including Messrs. Sheffield, Hinson, Gallagher, Treadwell and Dalton. This agreement generally provides for the payment by us of 85% of the net cash savings, if any, in U.S. federal, state, and local income tax or franchise tax that we actually realize (or we are deemed to realize in certain circumstances) in periods after the IPO as a result of (i) any tax basis increases resulting from the contribution by such TRA Holder of all or a portion of its PE Units to us in exchange for shares of Class A Common Stock, (ii) the tax basis increases resulting from the exchange by such TRA Holder of PE Units for shares of Class A Common Stock pursuant to the Exchange Right (or resulting from an exchange of PE Units for cash pursuant to the cash option) and (iii) imputed interest deemed to be paid by us as a result of, and additional tax basis arising from, any payments we make under the TRA. The term of the TRA commenced on May 29, 2014, and continues until all such tax benefits have been utilized or expired, unless we exercise our right to terminate the TRA. If we elect to terminate the TRA early, we would be required to make an immediate payment equal to the present value of the anticipated future tax benefits subject to the TRA (based upon certain assumptions and deemed events set forth in the TRA). In addition, payments due under the TRA will be similarly accelerated following certain mergers or other changes of control.

**Table of Contents****PROPOSAL TWO****RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee of the Board of Directors has appointed KPMG as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2015. The audit of the Company's consolidated financial statements for the fiscal year ending December 31, 2014, was completed by KPMG on March 11, 2015.

The Board of Directors is submitting the appointment of KPMG for ratification at the Annual Meeting. The submission of this matter for approval by stockholders is not legally required, but the Board of Directors and the Audit Committee believe the submission provides an opportunity for stockholders through their vote to communicate with the Board of Directors and the Audit Committee about an important aspect of corporate governance. If the stockholders do not ratify the appointment of KPMG, the Audit Committee will reconsider the appointment of that firm as the Company's auditors.

The Audit Committee has the sole authority and responsibility to retain, evaluate and replace the Company's auditors. The stockholders' ratification of the appointment of KPMG does not limit the authority of the Audit Committee to change auditors at any time.

**Audit and Other Fees**

The table below sets forth the aggregate fees billed by KPMG, the Company's independent registered public accounting firm, for the last two fiscal years (in thousands):

|                    | <b>2014</b>         | <b>2013</b>       |
|--------------------|---------------------|-------------------|
| Audit Fees(1)      | \$ 1,106,240        | \$ 538,940        |
| Audit-Related Fees |                     |                   |
| Tax Fees           |                     |                   |
| All Other Fees     |                     |                   |
| <b>Total</b>       | <b>\$ 1,106,240</b> | <b>\$ 538,940</b> |

- (1) Audit fees consist of the aggregate fees billed for professional services rendered for (i) the audit of our annual financial statements included in our Annual Report on Form 10-K and a review of financial statements included in our Quarterly Reports on Form 10-Q, (ii) the filing of our registration statements, including our Registration Statement on Form S-1 related to our initial public offering, as well as our debt and equity securities offerings, (iii) services that are normally provided in connection with statutory and regulatory filings or engagements for those years, and (iv) accounting consultations.

The charter of the Audit Committee and its pre-approval policy require that the Audit Committee review and pre-approve the plan and scope of KPMG's audit, audit-related, tax and other services. For the year ended December 31, 2014, the Audit Committee pre-approved 100% of the services described above.

The Company expects that representatives of KPMG will be present at the Annual Meeting to respond to appropriate questions and to make a statement if they desire to do so.

**Vote Required**

Approval of Proposal TWO requires the affirmative vote of the holders of a majority of the shares present, in person or by proxy, and entitled to be voted at the Annual Meeting. Votes cast FOR or AGAINST and abstentions with respect to this Proposal TWO will be counted as shares entitled to vote on the Proposal. For these purposes, broker non-votes are treated as entitled to vote. A vote to ABSTAIN will have the effect of a vote AGAINST the Proposal.

*The Board of Directors unanimously recommends that stockholders vote FOR the ratification of the appointment of KPMG LLP as the auditors of the Company for 2015.*

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**AUDIT COMMITTEE REPORT**

*The information contained in this Audit Committee Report and references in this Proxy Statement to the independence of the Audit Committee members shall not be deemed to be soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates such information by reference in such filing.*

The Board of Directors has determined that all current Audit Committee members are (i) independent, as defined in Section 10A of the Exchange Act, (ii) independent under the standards set forth by the NYSE and (iii) financially literate. In addition, Mr. Browning qualifies as an audit committee financial expert under the applicable rules promulgated pursuant to the Exchange Act. The Audit Committee is a separately designated standing committee of the Board established in accordance with Section 3(a)(58)(A) of the Exchange Act and operates under a written charter adopted as of May 9, 2014, which is reviewed annually.

Management is responsible for our system of internal controls and the financial reporting process. The independent accountants are responsible for performing an independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and issuing a report thereon. The Audit Committee is responsible for monitoring (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements and (iii) the independence and performance of our auditors.

The Audit Committee has reviewed and discussed with our management and the independent accountants the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2014, including a discussion of the quality, not just the acceptability, of the accounting principles applied, the reasonableness of significant judgments and the clarity of disclosures in the consolidated financial statements. Management represented to the Audit Committee that our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The Audit Committee discussed with the independent accountants matters required to be discussed by standards of the Public Company Accounting Oversight Board ( PCAOB ).

Our independent accountants also provided to the Audit Committee the written disclosure required by applicable requirements of the PCAOB regarding independent accountant s communications with the Audit Committee concerning independence. The Audit Committee discussed with the independent accountants that firm s independence.

Based on the Audit Committee s discussions with management and the independent accountants, and the Audit Committee s review of the representations of management and the report of the independent accountants to the Audit Committee, the Audit Committee recommended that the Board include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC.

Audit Committee of the Board of Directors

William Browning, Chairman

Dr. Hemang Desai, Member

Randolph Newcomer, Jr., Member



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**STOCKHOLDER PROPOSALS; IDENTIFICATION OF DIRECTOR CANDIDATES**

Any stockholder of the Company who desires to submit a proposal for inclusion in the Company's 2016 proxy materials must submit such proposal to the Company at its principal executive offices no later than December 30, 2015, unless the date of the 2016 Annual Meeting of Stockholders is changed by more than 30 days from June 19, 2016, in which case the proposal must be received at the Company's principal executive offices a reasonable time before the Company begins to print and mail its 2016 proxy materials. Any stockholder of the Company who desires to submit a proposal for action at the 2016 Annual Meeting of Stockholders, but does not wish to have such proposal included in the Company's proxy materials, must submit such proposal to the Company at its principal executive offices between February 20, 2016, and March 21, 2016. We will only consider proposals that meet the requirements of the applicable rules of the SEC and our Amended and Restated Bylaws (the "Bylaws").

It is the responsibility of the Nominating and Governance Committee to identify, evaluate and recommend to the Board of Directors nominees for election at the annual meeting of stockholders, as well as to fill vacancies or additions on the Board of Directors that may occur between annual meetings. The Nominating and Governance Committee endeavors to recommend only director candidates who possess the highest personal values and integrity; who have experience and have exhibited achievements in one or more of the key professional, business, financial, legal and other challenges that face a U.S. independent oil and gas company; who exhibit sound judgment, intelligence, personal character, and the ability to make independent analytical inquiries; who demonstrate a willingness to devote adequate time to Board of Director duties; and who are likely to be able to serve on the Board of Directors for a sustained period.

While the Board of Directors does not have a formal policy on diversity, the Nominating and Governance Committee endeavors to achieve an overall balance of diversity of experiences, skills, attributes and viewpoints among our directors. The Nominating and Governance Committee believes it has achieved that balance through the representation on the Board of Directors of members having experience in the oil and gas industry, accounting and investment analysis, and legal and corporate governance, among other areas. The Nominating and Governance Committee does not discriminate based upon race, religion, sex, national origin, age, disability, citizenship or any other legally protected status.

In identifying potential director candidates, the Nominating and Governance Committee solicits recommendations from existing directors and senior management, to be considered by the Nominating and Governance Committee along with any recommendations that have been received from stockholders as discussed in more detail below. The Nominating and Governance Committee may also, in its discretion, retain, and pay fees to, a search firm to provide additional candidates.

The Nominating and Governance Committee will consider any nominee recommended by stockholders for election at the annual meeting of stockholders to be held in 2016 if that nomination is submitted in writing, between February 20, 2016, and March 21, 2016, to Parsley Energy, Inc., 303 Colorado Street, Suite 3000, Austin, Texas 78701, Attn: General Counsel. The Company will evaluate director nominees proposed by stockholders on the same basis as recommendations received from any other source. With respect to each such nominee, the following information must be provided to the Company with the written nomination:

the name and address of the nominating stockholder, as they appear on the Company's books;



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the nominee's name and address and other personal information;

a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the nominating stockholder or beneficial owner and each proposed nominee;

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a completed and signed questionnaire, representation and agreement, pursuant to the Company's Bylaws, with respect to each nominee for election or re-election to the Board; and

all other information required to be disclosed pursuant to the Company's Bylaws and Regulation 14A of the Exchange Act.

Further, the Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Board or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

The Company suggests that any such proposal be sent by certified mail, return receipt requested.

**SOLICITATION OF PROXIES**

Solicitation of proxies may be made via the Internet, by mail, personal interview or telephone by officers, directors and regular employees of the Company. The Company may also request banking institutions, brokerage firms, custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of the Common Stock that those companies or persons hold of record, and the Company will reimburse the forwarding expenses. In addition, the Company has retained Broadridge to provide various services relating to the solicitation of proxies, including webhosting, printing, mailing and tabulating votes, for an aggregate fee of approximately \$30,000. The Company will bear all costs of solicitation.

**STOCKHOLDER LIST**

In accordance with the Delaware General Corporation Law, the Company will maintain at its corporate offices in Austin, Texas, a list of the stockholders entitled to vote at the Annual Meeting. The list will be open to the examination of any stockholder, for purposes germane to the Annual Meeting, during ordinary business hours for ten days before the Annual Meeting.

**AVAILABILITY OF CERTAIN DOCUMENTS**

A copy of our 2014 Annual Report on Form 10-K has been posted on the Internet along with this Proxy Statement to all stockholders entitled to notice of and to vote at the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement and is not considered proxy-soliciting material. We will mail without charge, upon written request, a copy of our 2014 Annual Report on Form 10-K including exhibits. Please send a written request to our General Counsel at:

Parsley Energy, Inc.

303 Colorado Street, Suite 3000

Austin, Texas 78701

Attention: General Counsel

The charters for our Audit, Compensation and Nominating and Governance Committees, as well as our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and our Financial Code of Ethics are in the

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Governance section of our corporate website, which is [www.parsleyenergy.com](http://www.parsleyenergy.com), and are also available in print without charge upon written request to our General Counsel at the address above.

Stockholders residing in the same household who hold their stock through a bank or broker may receive only one set of proxy materials in accordance with a notice sent earlier by their bank or broker. This practice will continue unless instructions to the contrary are received by your bank or broker from one or more of the stockholders within the household. We will promptly deliver a separate copy of the proxy materials to such stockholders upon receipt of a written or oral request to our General Counsel at the address above, or by calling (737) 704-2300.

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If you hold your shares in street name and reside in a household that received only one copy of the proxy materials, you can request to receive a separate copy in the future by following the instructions sent by your bank or broker. If your household is receiving multiple copies of the proxy materials, you may request that only a single set of materials be sent by following the instructions sent by your bank or broker.

**OTHER MATTERS**

As of the date of this Proxy Statement, the Board does not intend to present any matters other than those described herein at the Annual Meeting and is unaware of any matters to be presented by other parties. If other matters are properly brought before the meeting for action by the stockholders, proxies will be voted in accordance with the recommendation of the Board or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

**DIRECTIONS TO ANNUAL MEETING**

The 2015 Annual Meeting of Stockholders will be held at the JW Marriott Austin, 110 E 2<sup>nd</sup> Street, Austin, TX 78701. The JW Marriott Austin is located in downtown Austin, Texas.

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**VOTE BY INTERNET [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

*PARSLEY ENERGY, INC.*

*303 COLORADO ST. SUITE 3000*

*AUSTIN, TX 78701*

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

**KEEP THIS PORTION FOR YOUR RECORDS**

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**The Board of Directors recommends you vote FOR the election of the following directors.**

**1. Election of Directors**

| <b>Nominees</b>     | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
|---------------------|------------|----------------|----------------|
| A. Chris Carter     | ..         | ..             | ..             |
| B. Dr. Hemang Desai | ..         | ..             | ..             |

**The Board of Directors recommends you vote**

**FOR proposals 2 and 3.**

| <b>For</b> | <b>Against</b> | <b>Abstain</b> |
|------------|----------------|----------------|
|------------|----------------|----------------|

|   |    |    |    |
|---|----|----|----|
| <p><b>2.</b> To ratify the appointment of KPMG LLP as the Company's independent registered public accountants for 2015.</p> | .. | .. | .. |
|---|----|----|----|

| <b>For</b> | <b>Against</b> |
|------------|----------------|
|------------|----------------|

|  |    |    |
|--|----|----|
| <p><b>3.</b> To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.</p> | .. | .. |
|--|----|----|

| <p>For address change/comments, mark here.<br/>(see reverse for instructions)</p> | ..  |            |           |
|---|---|------------|-----------|
|   | <table border="0"> <tr> <th style="text-align: center;"><b>Yes</b></th> <th style="text-align: center;"><b>No</b></th> </tr> </table> | <b>Yes</b> | <b>No</b> |
| <b>Yes</b>  | <b>No</b>   |            |           |

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Please indicate if you plan to attend this meeting.                    "                    "

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]

Signature (Joint Owners)    Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Annual Report, Notice & Proxy Statement is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**PARSLEY ENERGY, INC.**

**Annual Meeting of Stockholders**

**June 19, 2015 8:00 AM**

**This proxy is solicited by the Board of Directors**

The undersigned hereby appoints Bryan Sheffield and Colin Roberts, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on this proxy, all of the shares of Class A common stock and Class B common stock of PARSLEY ENERGY, INC. held of record by the undersigned on the record date, April 20, 2015, at the Annual Meeting of Stockholders of the Company to be held at the JW Marriott Austin, on Friday June 19, 2015 at 08:00 AM, CDT, and any adjournment thereof.

**This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted FOR Items 1 and 2. In his discretion, the proxy is authorized to vote upon such other business as may properly come before the meeting.**

**Address change/comments:**

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)



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**Continued and to be signed on reverse side**