

Live Oak Bancshares, Inc.
Form DEF 14A
April 06, 2018

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

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

Live Oak Bancshares, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

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

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:

☐ Fee paid previously with preliminary materials.

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

- 1) Amount Previously Paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:
-

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual Meeting of Shareholders of Live Oak Bancshares, Inc. (the “Company”) will be held as follows:

Place: Live Oak Corporate Offices
1741 Tiburon Drive
Wilmington, NC 28403
Date: May 15, 2018
Time: 9:00 a.m.

The purposes of the meeting are:

1. Election of Directors. To elect nine members of the Board of Directors for terms of one year;
Approval of Amendment of 2015 Omnibus Stock Incentive Plan. To approve an amendment of the Company's
2. Amended and Restated 2015 Omnibus Stock Incentive Plan to increase the number of shares of voting common stock issuable under such plan;
3. Ratification of Independent Auditors. To vote on a proposal to ratify Dixon Hughes Goodman LLP as the Company's independent auditors for 2018;
Adjournment of Annual Meeting. To vote on a proposal to adjourn the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the Annual Meeting to approve the matters to be considered by shareholders at the Annual Meeting; and
5. Other Business. To transact any other business properly presented for action at the Annual Meeting.

YOU ARE INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. HOWEVER, IF YOU ARE THE RECORD HOLDER OF YOUR SHARES OF OUR VOTING COMMON STOCK, WE ASK THAT YOU APPOINT THE PROXIES NAMED IN THE ENCLOSED PROXY STATEMENT TO VOTE YOUR SHARES FOR YOU BY SIGNING AND RETURNING THE ENCLOSED PROXY CARD OR FOLLOWING THE INSTRUCTIONS IN THE PROXY STATEMENT TO APPOINT THE PROXIES BY INTERNET, EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING. IF YOUR SHARES ARE HELD IN “STREET NAME” BY A BROKER OR OTHER NOMINEE, ONLY THE RECORD HOLDER OF YOUR SHARES MAY VOTE THEM FOR YOU, SO YOU SHOULD FOLLOW YOUR BROKER'S OR NOMINEE'S DIRECTIONS AND GIVE IT INSTRUCTIONS AS TO HOW IT SHOULD VOTE YOUR SHARES. DOING THAT WILL HELP US ENSURE THAT YOUR SHARES ARE REPRESENTED AND THAT A QUORUM IS PRESENT AT THE ANNUAL MEETING. THE GIVING OF AN APPOINTMENT OF PROXY WILL NOT AFFECT YOUR RIGHT TO REVOKE IT OR TO ATTEND THE MEETING AND VOTE IN PERSON.

THE NOTICE OF ANNUAL MEETING, PROXY STATEMENT, AND ANNUAL REPORT ARE AVAILABLE IN THE INVESTOR RELATIONS SECTION OF OUR WEBSITE, WWW.LIVEOAKBANK.COM.

By Order of the Board of Directors

/s/ James S. Mahan III
James S. Mahan III
Chairman and CEO
April 6, 2018

LIVE OAK BANCSHARES, INC.

Proxy Statement For The
Annual Meeting of Shareholders
To Be Held May 15, 2018

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LIVE OAK BANCSHARES, INC.

PROXY STATEMENT

Mailing Date: On or About April 6, 2018

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 15, 2018

General

This Proxy Statement is being furnished in connection with the solicitation by the Board of Directors of Live Oak Bancshares, Inc. (the “Company”) of appointments of proxy for use at the annual meeting of the Company’s shareholders (the “Annual Meeting”) to be held on May 15, 2018, at 9:00 a.m., at the Company’s corporate offices located at 1741 Tiburon Drive, Wilmington, North Carolina 28403, and at any adjournments thereof. The Company’s proxy solicitation materials are being mailed to our shareholders on or about April 6, 2018. In this Proxy Statement, the Company’s subsidiary bank, Live Oak Banking Company, is referred to as the “Bank.”

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 15, 2018:

Copies of this Proxy Statement and our Annual Report are available in the investor relations section of our website, www.liveoakbank.com.

Proposals to be Voted on at the Annual Meeting

At the Annual Meeting, record holders of our voting common stock will consider and vote on proposals to:

- elect nine members of the Board of Directors for terms of one year;
- approve an amendment of the Company’s 2015 Amended and Restated Stock Incentive Plan to increase the number of shares of voting common stock issuable under such plan;
- ratify the appointment of Dixon Hughes Goodman LLP as the Company’s independent auditors for 2018;
- adjourn the Annual Meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the Annual Meeting to approve the matters to be considered by shareholders at the Annual Meeting; and
- transact any other business properly presented for action at the Annual Meeting.

The Board of Directors recommends that you vote “FOR” the election of each of the nine nominees for director named in this Proxy Statement and “FOR” Proposals 2, 3 and 4.

How You Can Vote at the Annual Meeting

Record Holders. If your shares of our voting common stock are held of record in your name, you can vote at the Annual Meeting in one of the following ways:

- you can attend the Annual Meeting and vote in person;
- you can sign and return the proxy card enclosed with this Proxy Statement and appoint the “Proxies” named below to vote your shares for you at the meeting, or you can validly appoint another person to vote your shares for you; or
- you can appoint the Proxies to vote your shares for you by going to the internet website www.proxyvote.com. When you are prompted for your “control number,” enter the number printed on the enclosed proxy card and then follow the instructions provided.

You may appoint the Proxies by internet only until 11:59 p.m. Eastern Time on May 14, 2018, which is the day before the Annual Meeting date. If you appoint the Proxies by internet, you need not sign and return a proxy card. You will be appointing the Proxies to vote your shares on the same terms and with the same authority as if you marked, signed and returned a proxy card. The authority you will be giving the Proxies is described below and in the proxy card enclosed with this Proxy Statement.

Shares Held in “Street Name.” Only the record holders of shares of our voting common stock or their appointed proxies may vote those shares. As a result, if your shares of our voting common stock are held for you in “street name” by a broker or other nominee, then only your broker or nominee (i.e. the record holder) may vote them for you, or appoint the Proxies to vote them for you, unless you make arrangements for your broker or nominee to assign its voting rights to you or for you to be recognized as the person entitled to vote your shares. You will need to follow the directions your broker or nominee provides you and give it instructions as to how it should vote your shares by completing and returning to it the voting instruction sheet you received with your copy of our Proxy Statement (or by following any directions you received for giving voting instructions electronically). Brokers and other nominees who hold shares in street name for their clients typically have the discretionary authority to vote those shares on “routine” matters when they have not received instructions from beneficial owners of the shares. However, they may not vote those shares on non-routine matters (including the election of directors and amending the Company's Amended and Restated 2015 Omnibus Stock Incentive Plan) unless their clients give them voting instructions. To ensure that shares you hold in street name are represented at the Annual Meeting and voted in the manner you desire, it is important that you instruct your broker or nominee as to how it should vote your shares.

Solicitation and Voting of Proxy Cards

If you are the record holder of your shares of our voting common stock, a proxy card is included with this Proxy Statement that provides for you to name S. Brett Caines, our Chief Financial Officer, and Gregory W. Seward, our General Counsel, or any substitutes appointed by them, individually and as a group, to act as your “Proxies” and vote your shares at the Annual Meeting. We ask that you sign and date your proxy card and return it in the enclosed envelope, or follow the instructions above for appointing the Proxies by internet, so that your shares will be represented at the meeting.

If you sign a proxy card and return it so that we receive it before the Annual Meeting, or you appoint the Proxies by internet, the shares of our voting common stock that you hold of record will be voted by the Proxies according to your instructions. If you sign and return a proxy card or appoint the Proxies by internet, but you do not give any voting instructions, then the Proxies will vote your

shares “FOR” the election of each of the nine nominees for director named in Proposal 1 below and “FOR” Proposals 2, 3 and 4. If, before the Annual Meeting, any nominee named in Proposal 1 becomes unable or unwilling to serve as a director for any reason, your proxy card or internet appointment will give the Proxies discretion to vote your shares for a substitute nominee named by our Board of Directors. We are not aware of any other business that will be brought before the Annual Meeting other than the election of directors and Proposals 2, 3 and 4 described in this Proxy Statement, but, if any other matter is properly presented for action by our shareholders, your proxy card or internet appointment will authorize the Proxies to vote your shares according to their best judgment. The Proxies also will be authorized to vote your shares according to their best judgment on matters incident to the conduct of the meeting.

If you are a record holder of your shares and you do not return a proxy card or appoint the Proxies by internet, the Proxies will not have authority to vote for you and your shares will not be represented or voted at the Annual Meeting unless you attend the meeting in person or validly appoint another person to vote your shares for you.

Revocation of Proxy Cards; How You Can Change Your Vote

Record Holders. If you are the record holder of your shares and you sign and return a proxy card or appoint the Proxies by internet and later wish to change the voting instructions or revoke the authority you gave the Proxies, you can do so before the Annual Meeting by taking the appropriate action described below.

To change the voting instruction you gave the Proxies:

• you can sign a new proxy card, dated after the date of your original proxy card, which contains your new instructions, and submit it to us so that we receive it before the voting takes place at the Annual Meeting; or
• if you appointed the Proxies by internet, you can go to the same internet website you used to appoint the Proxies (www.proxyvote.com) before 11:59 p.m. Eastern Time on May 14, 2018 (the day before the Annual Meeting), enter your control number (printed on the enclosed proxy card), and then change your voting instructions.

The Proxies will follow the last voting instructions they receive from you before the Annual Meeting.

To revoke your proxy card or your appointment of the Proxies by internet:

• you can give our Corporate Secretary a written notice, before the voting takes place at the Annual Meeting, that you want to revoke your proxy card or internet appointment; or
• you can attend the Annual Meeting and notify our Corporate Secretary that you want to revoke your proxy card or internet appointment and vote your shares in person. Simply attending the Annual Meeting alone, without notifying our Corporate Secretary, will not revoke your proxy card or internet appointment.

Shares Held in “Street Name.” If your shares are held in “street name” and you want to change the voting instructions you have given to your broker or other nominee, you must follow your broker’s or nominee’s directions.

Expenses of Solicitation

The Company will pay the cost of preparing, assembling, and mailing this Proxy Statement and other proxy solicitation expenses. In addition to the use of the mails and the internet, appointments of proxy may be solicited in person or by telephone by officers, directors, and employees of the Company or its subsidiaries without additional compensation. The Company will reimburse banks, brokers and other custodians, nominees and fiduciaries for their costs in sending the proxy materials to the beneficial owners of the Company's voting common stock.

Record Date

The close of business on March 16, 2018, has been fixed as the record date (the "Record Date") for the determination of shareholders entitled to notice of and to vote at the Annual Meeting. Only those shareholders of record on that date will be eligible to vote on the proposals described herein.

Voting Securities

The voting securities of the Company are the shares of its voting common stock, of which 100,000,000 shares are authorized and 35,323,543 shares were issued and outstanding on March 16, 2018. There were 376 holders of record of the Company's voting common stock as of such date.

The Company has 10,000,000 shares of authorized non-voting common stock, of which 4,643,530 shares were issued and outstanding on March 16, 2018, and 1,000,000 shares of authorized preferred stock, of which no shares are issued or outstanding.

Voting Procedures; Quorum; Votes Required for Approval

At the Annual Meeting, each shareholder will be entitled to one vote for each share of voting common stock held of record on the Record Date on each matter submitted for voting.

A majority of the shares of the Company's voting common stock issued and outstanding on the Record Date must be present in person or by proxy to constitute a quorum for the conduct of business at the Annual Meeting.

Assuming a quorum is present; in the case of Proposal 1 below, the nine nominees receiving the greatest number of votes shall be elected. In the case of Proposals 2, 3 and 4 below, for each proposal to be approved, the number of votes cast for approval must exceed the number of votes cast against the proposal. Abstentions and broker non-votes will have no effect.

Holders of the Company's non-voting common stock are not entitled to vote at the Annual Meeting.

Beneficial Ownership of Our Common Stock

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of January 31, 2018 for:

- each of our named executive officers;
- each of our directors;

all of our executive officers and directors as a group; and
 each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of our
 outstanding shares of voting common stock.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to the securities. Shares of common stock that may be acquired by an individual or group within 60 days of January 31, 2018, pursuant to the exercise of options, warrants or other rights, are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table. The table below calculates the percentage of beneficial ownership of our common stock based on 35,259,656 shares of voting and 4,643,530 shares non-voting common stock outstanding as of January 31, 2018.

Name	Shares Beneficially Owned	
	Number of Shares ⁽¹⁾	%
Directors and Named Executive Officers:		
James S. Mahan III ⁽²⁾	6,100,478	15.3
Neil L. Underwood ⁽³⁾	1,282,723	3.2
Scott M. Custer	80,000	*
Gregory W. Seward	16,001	*
William H. Cameron ⁽⁴⁾	167,749	*
Diane B. Glossman	35,892	*
Glen F. Hoffsis	92,982	*
Howard K. Landis III	204,100	*
Miltom E. Petty	97,302	*
Jerald L. Pullins	248,272	*
William L. Williams III ⁽⁵⁾	1,316,520	3.3
All directors and executive officers as a group (16 persons) ⁽⁶⁾	10,273,646	25.7

Greater than 5% Shareholders:

Wellington Management Group LLP ⁽⁷⁾ c/o Wellington Management Company LLP 280 Congress Street Boston, Massachusetts 02210	5,833,916	14.6
RMB Capital Management, LLC ⁽⁸⁾ 115 S. LaSalle Street, 34th Floor Chicago, Illinois 60603	1,872,660	4.7
T. Rowe Price Associates, Inc. ⁽⁹⁾ 100 E. Pratt Street Baltimore, Maryland 21202	4,855,660	12.2

*Represents beneficial ownership of less than one percent.

Included in the beneficial ownership tabulations are options to purchase the following number of shares of voting common stock: Mr. Seward – 6,001 shares; Mr. Cameron – 12,000 shares; Ms. Glossman – 9,000 shares; Dr. Hoffsis – 6,000 shares; Mr. Landis – 12,000 shares; Mr. Petty – 12,000 shares; Mr. Pullins – 12,000 shares; and all directors and executive officers as a group – 143,103 shares. These options are capable of being exercised within sixty days of January 31, 2018 and therefore, under the beneficial ownership rules of the Securities and Exchange Commission, are deemed to be owned by the holder.

- (1) Includes 3,001,708 shares held by the James S. Mahan III Revocable Trust over which Mr. Mahan has sole investment and voting power, 2,898,770 shares held by the Marguerite D. Mahan Revocable Trust and 200,000 shares held by Salt Water Fund, a nonprofit corporation for which Mr. Mahan serves as a director and officer.
- (2) Includes shared voting rights on 1,232,723 jointly-held shares and 50,000 shares held by Mr. Underwood's spouse.
- (3) Includes 470 shares held by the GST-Exempt Trust for William H. Cameron and 155,279 shares held by the William H. Cameron Revocable Trust and excludes 60,890 shares held by the Mary Jo Cameron Revocable Trust.
- (4) Includes 50,000 shares held by the William L. Williams III Grantor Retained Annuity Trust and 300,000 shares held by the William L. Williams III Revocable Trust; also includes shared voting rights on 900,000 jointly-held shares and on 14,110 shares held by Spoint-ILM, LLC.
- (5) Includes the beneficial ownership of five additional executive officers not listed in the table.

A Schedule 13G/A filed on February 9, 2017, by Wellington Management Group LLP, Wellington Group Holdings LLP, and Wellington Investment Advisors Holdings LLP reported beneficial ownership of 1,190,386 shares of voting common stock as of December 31, 2016, with voting power and dispositive power shared by the reporting persons. To the knowledge of the Company, funds managed by Wellington Management own 100% of all of the outstanding shares of non-voting common stock as of December 31, 2017.

- (6) A Schedule 13G filed on February 13, 2018, by RMB Capital Holdings, LLC; RMB Capital Management, LLC; Iron Road Capital Partners LLC; RMB Mendon Managers, LLC; and Mendon Capital Advisors Corp reported beneficial ownership of 1,872,660 shares of voting common stock as of December 31, 2017, with (i) RMB Capital Holdings, LLC having shared voting and dispositive power over 1,872,660 shares; (ii) RMB Capital Management, LLC having shared voting and dispositive power over 1,872,660 shares; (iii) Iron Road Capital Partners LLC having shared voting and dispositive power over 42,968 shares; (iv) RMB Mendon Managers, LLC having shared voting and dispositive power over 622,382 shares; and (v) Mendon Capital Advisors Corp having shared voting and dispositive power over 1,207,310 shares.

- (7) A Schedule 13G/A filed on February 14, 2018, by T. Rowe Price Associates, Inc. and T. Rowe Price Small-Cap Value Fund, Inc. reported beneficial ownership of 4,855,660 shares of voting common stock as of December 31, 2017, with (i) T. Rowe Price Associates, Inc. having sole voting power over 855,946 shares and sole dispositive power over 4,855,660 shares and (ii) T. Rowe Price Small-Cap Value Fund, Inc. having sole voting power over 2,203,514 shares.

Except as indicated in footnotes to the table above, we believe that the shareholders named in the table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them, based on information provided to us by such shareholders. Unless otherwise indicated, the address for each director and named executive officer listed is: c/o Live Oak Bancshares, Inc., 1741 Tiburon Drive, Wilmington, NC 28403.

Section 16(a) Beneficial Ownership Reporting Compliance

Directors and executive officers of the Company are required by federal law to file reports with the Securities and Exchange Commission (the “SEC”) regarding the amount of, and changes in, their beneficial ownership of the Company’s voting common stock. Based upon a review of copies of reports received by the Company, all required reports of directors and executive officers of the Company during 2017 were filed on a timely basis other than a purchase of 1,600 shares made by Glen Hoffsis on March 13, 2017, which was not timely reported due to an administrative error by the executing broker and was reported on a Form 5 filed on January 26, 2018.

PROPOSAL 1: ELECTION OF DIRECTORS

The Board of Directors has set the number of directors of the Company at nine and recommends that shareholders vote for the nominees listed below, each for a term of one year.

Name and Age	Position(s) Held	Director Since ⁽¹⁾	Principal Occupation and Business Experience During the Past Five Years
William H. Cameron (64)	Director	2013	President, Cameron Management, Inc., an investment management company focusing on real estate development, brokerage, and property management.
Diane B. Glossman (62)	Director	2014	Retired investment analyst with over 25 years of experience as an analyst and over a decade of governance experience on corporate boards of directors; currently serves on the boards of directors of Ambac Assurance Company, WMIH Corp. and the Bucks County SPCA. She is also a member of the boards of Barclays US LLC and Barclays Bank of Delaware.
Glen F. Hoffsis (77)	Director		