OCWEN FINANCIAL CORP
Form POS AM
June 16, 2005
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As filed with the Securities and Exchange Commission on June 16, 2005

Registration No. 333-119698

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Post-Effective Amendment No. 2

to

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Ocwen Financial Corporation

(Exact Name of Registrant as Specified in its Charter)

Florida	**65-0039856**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

1661 Worthington Road, Suite 100, West Palm Beach, Florida 33409

(561)-682-8000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s

Principal Executive Offices)

William C. Erbey

Chairman and

Chief Executive Officer

1661 Worthington Road, Suite 100, West Palm Beach, Florida 33409

(561)-682-8000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ______

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ______

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨ ______

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

The purpose of this Post-Effective Amendment No. 2 to the Registration Statement of Ocwen Financial Corporation (333-119698) is to amend the table under the caption Selling Securityholders in the prospectus to add the names of selling securityholders who have requested inclusion in the prospectus since May 9, 2005, the date of the effectiveness of Post-Effective Amendment No. 1 to the Registration Statement, and to update certain other disclosure in the prospectus.

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The information in this prospectus is not complete and may be changed. The selling securityholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any State where the offer or sale is not permitted

SUBJECT TO COMPLETION, DATED June 16, 2005

PROSPECTUS

$175,000,000

Ocwen Financial Corporation

3.25% Contingent Convertible Senior Unsecured Notes due 2024 and Shares of Common Stock Issuable upon Conversion Thereof

On July 23, 2004, we issued and sold $175,000,000 aggregate principal amount of our 3.25% Contingent Convertible Senior Unsecured Notes Due 2024. The notes are senior unsecured obligations of Ocwen Financial Corporation. The notes are effectively junior to our secured indebtedness and to all existing and future indebtedness and other liabilities, including trade payables, of our subsidiaries. This prospectus will be used by selling securityholders to resell their notes and the common stock issuable upon conversion of their notes. We will not receive any proceeds from the offering.

The notes will bear interest at the rate of 3.25% per year. Interest on the notes will be payable on February 1 and August 1 of each year, beginning February 1, 2005. The notes will mature on August 1, 2024.

Holders may convert all or a portion of their notes into shares of our common stock under the following circumstances: (1) at any time during any calendar quarter commencing after September 30, 2004 if the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the calendar quarter prior to such quarter is greater than 125% of the conversion price per share of common stock on such last day; (2) subject to certain exceptions, during the five business day period after any five-consecutive-trading-day period in which the trading price per $1,000 principal amount of the notes for each day of the five-consecutive-trading-day period was less than 98% of the product of the closing sale price of our common stock and the number of shares issuable upon conversion of $1,000 principal amount of the notes; (3) if the notes have been called for redemption; (4) upon the occurrence of specified corporate transactions described in this prospectus or (5) if the Company elects to permit conversion following the implementation of certain changes to GAAP described herein.

The initial conversion rate is 82.1693 shares of our common stock per $1,000 principal amount of the notes, subject to adjustment. Upon conversion, we may at our option choose to deliver, in lieu of our common stock, cash or a combination of cash and common stock as described herein.

Beginning August 1, 2009, we may redeem all or a portion of the notes for cash for a price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest, if any.

Holders may require us to repurchase all or a portion of their notes for cash on August 1, 2009, August 1, 2014 and August 1, 2019 or upon the occurrence of a fundamental change at a repurchase price equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest, if any.

Upon conversion or repurchase in connection with certain fundamental changes, a holder will, in certain circumstances, be entitled to a make-whole premium as described herein. Any such make-whole premium will be payable in the consideration into which our common stock was converted, exchanged or acquired in the transaction constituting the fundamental change.

Our common shares are listed on the New York Stock Exchange under the symbol OCN. On June 15, 2005, the last reported sale price of our common shares on the New York Stock Exchange was $6.80 per share.

The notes have been designated for inclusion in the Private Offerings, Resales and Trading Through Automated Linkages Market (PORTAL) of the National Association of Securities Dealers.

Investing in the notes involves risks.

See Risk Factors beginning on page 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is , 2005

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This prospectus does not constitute an offer to sell, nor a solicitation of an offer to buy, any of the securities offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. Neither the delivery of this prospectus nor any sale made hereunder of the securities described herein shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof. Our business, financial condition, results of operations and prospects may have changed since that date.

Each person receiving this prospectus acknowledges that no person has been authorized to give any information or to make any representation concerning Ocwen Financial Corporation or the securities offered by this prospectus other than as contained in this prospectus and information given by our duly authorized officers and employees in connection with the offeree s examination of Ocwen Financial Corporation and the terms of this offering and, if given or made, such other information or representation should not be relied upon as having been authorized by Ocwen Financial Corporation or the initial purchaser.

The notes and common shares issuable upon conversion of the notes have not been recommended by or approved by the Securities and Exchange Commission (the SEC) or any state securities commission or regulatory authority, nor has the SEC or any such commission or regulatory authority confirmed the accuracy or determined the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Notwithstanding anything herein to the contrary, each person receiving this prospectus, and each employee, representative or other agent of such person may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and the U.S. federal income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to such person relating to such tax treatment and tax structure, insofar as such treatment and/or structure relates to a U.S. federal income tax strategy provided to such person.

Any discussion of U.S. federal tax issues set forth in this prospectus is written in connection with the promotion and marketing by or on behalf of the selling securityholders of the transactions described in this prospectus. Such discussion is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Ocwen filed with the Securities and Exchange Commission using a shelf registration or continuous offering process. Under this shelf prospectus, the selling securityholders may, from time to time, sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities the selling securityholders may offer. Each time a selling securityholder sells securities, the selling securityholder is required to provide you with this prospectus and, in some cases, a prospectus supplement containing specific information about the selling securityholder and the terms of the offering. That prospectus supplement may include a discussion of any risk factors or other special considerations applicable to those securities. Any prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement.

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SUMMARY

This summary contains a general summary of the information contained in this prospectus. The summary may not contain all of the information that is important to you, and it is qualified in its entirety by the more detailed information and historical consolidated financial statements, including the notes to those financial statements, that are part of our Annual Report on Form 10-K for the year ended December 31, 2004, as amended, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, each as filed with the SEC and incorporated by reference in this prospectus. You should carefully consider the information contained in and incorporated by reference in the entire prospectus including the information set forth under the heading Risk Factors, beginning on page 6 of this prospectus. Except as the context may otherwise require, references to Ocwen, the Company, we, us and our are to Ocwen Financial Corporation and references to the Bank are to our subsidiary, Ocwen Federal Bank FSB.

Our Business

We are a diversified financial services holding company with headquarters in West Palm Beach, Florida and operations in Canada, China, Germany, India, Japan and Taiwan. We are engaged in a variety of businesses related to residential and commercial mortgage servicing, real estate asset management, asset recovery, business process outsourcing and the marketing and sales of technology solutions to third parties.

In early 2000, we began the execution of our strategic plan to shift our business activities away from capital-intensive businesses involving the purchase or origination of loans, real estate and related assets toward less capital-intensive businesses that generate fee-based revenues. As a result, we generally ceased to originate or invest in assets in certain of our business segments (non-core businesses) unless contractually committed to do so. However, we continue to actively manage and resolve the remaining assets in these segments. Our primary fee-based business activity is servicing subprime residential mortgages for others. Our core and non-core businesses are as follows:

Core Businesses	Non-Core Businesses
Residential Loan Servicing	Commercial Assets
Ocwen Technology Xchange (OTX)	Affordable Housing
Ocwen Realty Advisors (ORA)	Subprime Finance
Ocwen Recovery Group	
Business Process Outsourcing	
Commercial Servicing	

Segment results in recent years reflect growth in our residential loan servicing segment, continued investment in the development and marketing of our technology products, cessation of loan acquisition and origination activities and our continuing resolution or disposition of those assets associated with our non-core businesses. To date, the Residential Loan Servicing business has been profitable. Our Ocwen Recovery Group business and ORA are profitable but smaller contributors to the bottom line. Both earn fee income for performing services for third parties. OTX markets several products to the real estate and mortgage industries. OTX has not been profitable in any completed fiscal year. Business Process Outsourcing, which began offering business process outsourcing services late in 2002, improved its profitability in 2003 and 2004. Our Commercial Servicing segment, which we previously called International Operations, was not profitable in 2002 or 2003, reflecting start-up costs associated with expanding our asset servicing business to various other countries, but achieved a small profit in 2004. Additional information regarding profitability of our business segments appears in the section captioned Management s Discussion and Analysis of Financial Condition and Results of Operation in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 and our Annual Report on Form 10-K for the year ended December 31, 2004, each of which is incorporated herein by reference.

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Recent Developments

In connection with our previously disclosed debanking process, on June 13, 2005, the Office of Thrift Supervision (the OTS) issued its approval of our plan of voluntary dissolution for the Bank, subject to certain conditions, including, among other things, our entering into a guaranty of obligations of the Bank (other than the deposit and other liabilities to be assumed by Marathon National Bank of New York in connection with the previously disclosed branch purchase and deposit assumption agreement), a cash collateral agreement and a collateral trust agreement, all on terms acceptable to the OTS.

Our Address

Our principal executive offices are located at 1661 Worthington Road, Suite 100, West Palm Beach, Florida, 33409, and our telephone number is (561) 682-8000. Our website address is www.ocwen.com. Information contained in our website is not part of this prospectus.

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The Offering

Issuer	Ocwen Financial Corporation
Securities Offered	$175 million aggregate principal amount of 3.25% Contingent Convertible Senior Unsecured Notes due 2024.
Issue Price	100% per $1,000 principal amount, plus accrued interest, if any, from July 28, 2004.
Maturity Date	August 1, 2024
Ranking	The notes will be our general unsecured obligations and will rank equally in right of payment with all of our other existing and future unsecured and unsubordinated obligations. However, the notes will be effectively subordinated to all our existing and future secured obligations to the extent of the collateral securing such obligations. As of March 31, 2005, Ocwen Financial Corporation had $8.3 million of secured debt outstanding.

The notes will not be guaranteed by any of our subsidiaries and, accordingly, are effectively subordinated to the existing and future indebtedness and other liabilities of our subsidiaries. As of March 31, 2005, our subsidiaries had $460.0 million of debt outstanding.

Interest	3.25% per year on the principal amount, payable semiannually on February 1 and August 1 of each year, beginning February 1, 2005.
Conversion Rights	Holders may convert notes prior to stated maturity at a conversion rate of 82.1693 shares of our common stock per $1,000 of notes only under the following circumstances:

- during any fiscal quarter after September 30, 2004, if the last reported sale price of our common stock for at least 20 trading days in the 30 trading-day period ending on the last trading day of the preceding fiscal quarter is more than 125% of the conversion price on that 30th trading day; or

- subject to certain exceptions, during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price per note for each day of such measurement period was less than 98% of the product of the last reported sale price of our common stock on such day and conversion rate on such day; or

- if we have called those notes for redemption; or

- upon the occurrence of specified corporate transactions described under Description of the Notes Conversion Rights; or

if the Company elects to permit the holders to convert following the implementation of certain changes to GAAP described under

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Description of Notes Conversion Upon Company Election Following Change in Accounting Treatment of Contingent Convertible Securities.

The conversion rate of 82.1693 represents an initial conversion price of $12.17 per share of common stock. As described in this prospectus, the conversion rate may be adjusted for certain reasons.

Upon conversion, the holder will not receive any cash payment representing accrued and unpaid interest, if any. Instead, any such amounts will be deemed paid by the common stock received by the holder on conversion.

Upon surrender of notes for conversion, we will have the right to deliver, in lieu of our common stock, cash or a combination of cash and shares of our common stock.

Notes called for redemption may be surrendered for conversion until the close of business on the business day prior to the redemption date.

Payment at Maturity	For each $1,000 principal amount of notes, the holder will be entitled to receive $1,000 at maturity, plus accrued interest, if any, and accrued and unpaid liquidated damages, if any.
Sinking Fund	None.
Optional Redemption by Us	We may not redeem the notes prior to August 1, 2009. We may redeem some or all of the notes for cash on or after August 1, 2009, upon at least 30 days but not more than 60 days notice by mail to holders of notes, at a price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, and accrued and unpaid liquidated damages, if any, to the redemption date.
Repurchase of Notes by Us at the Option of the Holder	A holder may require us to repurchase all or a portion of such holder s notes on August 1, 2009, August 1, 2014 and August 1, 2019 at a price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any, and accrued and unpaid liquidated damages, if any, to the date of repurchase.
Fundamental Change Put	If a fundamental change occurs with respect to Ocwen, as defined under Description of the Notes Repurchase of Notes at the Option of Holders Fundamental Change Put, you may require us to repurchase all or a portion of your notes. We will pay a purchase price equal to 100% of the principal amount of the notes to be purchased plus accrued interest, if any, and accrued and unpaid liquidated damages, if any, to, but not including, the fundamental change repurchase date.

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Make-Whole Premium Upon Certain Fundamental Changes	If certain fundamental changes occur prior to August 1, 2009, in certain circumstances we will pay a make-whole premium on the notes converted or tendered for repurchase upon such fundamental change, as described above. The make-whole premium, if any, will be payable in the consideration into which our common stock was converted, exchanged or acquired in such fundamental change.

The amount of the make-whole premium, if any, will be based on our stock price and the effective date of such specified fundamental change. A table showing the make-whole premium that would apply at various stock prices and specified fundamental change effective dates is set forth under Description of the Notes Repurchase of the Notes at the Option of Holders Make-Whole Premium. No make-whole premium will be paid if the stock price is less than or equal to $9.02 or if the stock price exceeds $36.08.

Events of Default	If there is an event of default under the notes, 100% of the principal amount of the notes, plus accrued and unpaid interest, if any, may be declared immediately due and payable. These amounts automatically become due and payable if an event of default relating to certain events of bankruptcy, insolvency or reorganization occurs.
United States Federal Income Tax Considerations	See Certain United States Federal Income Tax Considerations.
Use of Proceeds	We will not receive any of the proceeds from the sale by the selling securityholders of the notes or the shares of our common stock issuable upon conversion of the notes.
Form, Denomination and Registration	The notes were issued in fully registered form in denominations of $1,000 principal amount and integral multiples thereof. The notes are represented by one or more global notes deposited with the trustee as custodian for The Depository Trust Company (DTC) and registered in the name of Cede & Co., DTC s nominee. See Description of the Notes Form, Denomination and Registration.
Registration Rights	We have filed this shelf registration statement with the SEC with respect to the notes and the common stock issuable upon conversion of the notes pursuant to a registration rights agreement.
Trading	The notes are not listed on any national securities exchange or included in any automated quotation system.
Common Stock	Our common stock is traded on the New York Stock Exchange under the symbol OCN.
Risk Factors	Investing in the notes involves a number of risks. See Risk Factors and the other information included and incorporated by reference in this prospectus for a discussion of factors you should carefully consider before deciding to invest in the notes.

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RISK FACTORS

An investment in the notes involves a number of material risks. You should carefully consider the following risk factors, in addition to the other information contained or incorporated by reference in this prospectus, before purchasing the notes. We believe that these are the most material risks currently facing our business, but additional risks that we are not presently aware of or that we currently believe are immaterial may also impair our business operations.

Risks Relating to Our Business

Our success is highly dependent upon our ability to acquire and accurately price mortgage servicing rights, as well as general economic conditions in the geographic areas in which we service loans.

The primary risk associated with mortgage servicing rights is that they will lose a portion of their value as a result of higher than anticipated prepayments occasioned by declining interest rates or because of higher than anticipated delinquency rates occasioned by deteriorating credit conditions. Interest rates, prepayment speeds and the payment performance of the underlying loans significantly affect both our initial and ongoing valuations and the rate of amortization of mortgage servicing rights. In general, the value of mortgage servicing assets is affected by increased mortgage refinance activity that is influenced by changes in borrowers credit ratings, shifts in value in the housing market and interest rates. While such assets tend to decrease in value as interest rates decrease, they tend to increase in value as interest rates increase. During 2003 and 2004, increases in prepayment speeds resulted in a substantial increase in the amortization expense of our mortgage servicing rights. As of March 31, 2005, we held approximately $135.3 million of mortgage servicing rights.

We acquire servicing rights principally from mortgage origination companies and investment banks. Servicing rights are typically acquired based upon a competitive bidding process. A number of our competitors have access to greater capital resources, which may provide them with a competitive advantage if they seek to increase their market share. Although the market for the acquisition of servicing rights to subprime mortgage loans has grown in recent years, we may be unable to acquire the desired amount and type of servicing rights in future periods. In addition, the volume of servicing rights acquired by us may vary over time resulting in significant inter-period variations in our results of operations.

In determining the purchase price for servicing rights, management makes assumptions regarding the following, among other things:

- the rates of prepayment and repayment within the pools;
- projected rates of delinquencies and defaults;
- our cost to service the loans;
- amounts of future servicing advances;

- ancillary fee income;
- our ability to service and resolve loans successfully; and
- future interest rates.

If these assumptions are inaccurate or the bases for the assumptions change, the price we pay for servicing rights may be too high. This could result in reduced revenue or a loss to us. Therefore, our success is highly dependent upon accuracy in our pricing of servicing rights, as well as general economic conditions in the geographic areas in which we service loans.

Our strategy to grow our business is subject to uncertainty.

Our corporate strategy focuses on growing our servicing of assets owned by others, growing our activities to provide business process outsourcing to others and the development of loan servicing technology for the mortgage and real estate industries. Many factors could adversely affect our ability to realize this strategy,

including general economic factors, the general interest rate environment, our ability to maintain the servicing ratings assigned to us by rating agencies, competition, our ability to obtain mortgage servicing rights, the effectiveness of our marketing initiatives, our ability to recruit or replace experienced management and operations personnel, the success of our international operations and the availability of funding. In addition, there can be no assurance that we will be able to accomplish our strategic objectives as a result of changes in the nature of our operations over time or that such changes will not have a material adverse effect from time to time or generally on our business, financial condition or results of operations.

A downgrade in our servicer ratings could have an adverse effect on our business, financial condition or results of operations.

We are rated as a mortgage servicer by Standard & Poor s Ratings Services (Standard & Poor s), Moody s Investors Service, Inc. (Moody s) and Fitch Ratings (Fitch). Our favorable servicer ratings from these entities are important to the conduct of our residential loan servicing business. We can provide no assurance that these ratings will not be downgraded in the future. Any such downgrade could have an adverse effect on our business, financial condition or results of operations.

Our earnings may be inconsistent.

Since early 2000, we have implemented our strategy to shift our business activities away from capital-intensive businesses involving the purchase or origination of loans, real estate and related assets towards less capital-intensive businesses that generate fee-based revenues. The resulting exit from certain businesses and entry into others resulted in variations in our results of operations and earnings. Our past financial performance may not be considered a reliable indicator of future performance, and historical trends may not be reliable indicators of anticipated results or trends in future periods.

In addition to inconsistency in results caused by our entry into or exit from businesses in recent years, the consistency of our operating results has been and may continue to be significantly affected by inter-period variations in our current operations, including:

- the amount of servicing rights acquired, and the changes in realizable value of those assets due to, among other factors, increases or decreases in prepayment speeds;
- gains or losses realized from the disposition of our remaining non-core assets; and
- changes in the earnings or losses of our other core business segments.

In addition, our operating results have been significantly affected by certain non-recurring items. Items reported by us in prior periods may not be repeated in future periods, and we may experience substantial inter-period variations in our operating results.

We rely on data from a third party vendor in the pricing of mortgage servicing rights in our residential loan servicing business.

Our residential loan servicing business uses data that we purchase from a third party that runs a model on which we base our bids for mortgage servicing rights. This model projects, among other things, prepayment speeds and delinquencies. Problems with this relationship or a disruption in this service could disrupt our operations or adversely affect our financial results.

Governmental and legal proceedings and related costs could adversely affect our financial results.

We face the risk of governmental proceedings and litigation, including class action lawsuits, challenging our residential loan servicing and other business practices. On April 19, 2004, the Bank entered into a Supervisory

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Agreement with the Office of Thrift Supervision (OTS). While we do not expect that compliance with the agreement will have a material adverse impact on our financial condition, results of operations or cash flows, the OTS or other regulatory agencies may take additional actions to require the Bank to implement measures relating to our servicing practices, including with respect to the matters that are the subject of the Supervisory Agreement, other matters on which we communicate with the OTS from time to time or otherwise. In addition, if the OTS were to determine that we failed to comply with the Supervisory Agreement or otherwise were to find deficiencies in our mortgage servicing practices, the OTS could initiate an enforcement proceeding against the Bank, which could result in civil money penalties or the imposition of further requirements on the Bank s business practices. Accordingly, there can be no assurance that any such eventualities, were they to occur, would not have a material adverse effect on our financial condition, results of operations or cash flows.

In addition, we and certain of our affiliates, including the Bank, have been named as defendants in a number of purported class action lawsuits challenging the Bank s residential loan servicing practices. At least one of our competitors has paid significant sums to settle lawsuits brought against it that raised claims similar to those raised in the lawsuits brought against us and our affiliates. Although we believe that we have meritorious legal and factual defenses to the lawsuits, we can provide no assurance that we will ultimately prevail. Litigation and other proceedings may result in the adoption of business practices different from those of our competitors, as well as settlement costs, damages, penalties or other charges, which would adversely affect our financial results.

We incur significant costs related to governmental regulation.

Our business is subject to extensive regulation and supervision by federal, state and local governmental authorities and is subject to various laws and judicial and administrative decisions imposing requirements and restrictions on a substantial portion of our operations. Our banking and servicing activities are subject to numerous federal agencies, laws and regulations, including the OTS, the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System, the Federal Home Loan Bank (FHLB) of New York, the Home Owners Loan Act, the Federal Deposit Insurance Act, the Community Reinvestment Act and provisions of the Gramm-Leach-Bliley Act and USA PATRIOT Act. We also are required to comply with a variety of federal, state and local consumer protection laws, including the Fair Debt Collections Practice Act, Real Estate Settlement Procedures Act and the Equal Credit Opportunity Act and are subject to the rules and regulations of state regulatory authorities with respect to our operations. These requirements can and do change as statutes and regulations are enacted, promulgated or amended.

These statutes and regulations, among other things, regulate assessment, collection, foreclosure and claims handling, investment and interest payments on escrow balances and payment features, mandate certain disclosures and notices to borrowers, prohibit discrimination and, in some cases, fix maximum interest rates, finance charges, fees and mortgage loan amounts. We incur significant costs on an on-going basis to comply with governmental regulations, which adversely affects our net income. If our regulators impose new or more restrictive requirements, we may incur additional significant costs to comply with such requirements, which could adversely affect our net income.

If, as part of our previously disclosed debanking process, we were to no longer control a federal savings bank, we would no longer be subject to federal banking regulations but would remain subject to certain federal, state and local consumer protection provisions. We also would become subject to regulation in a number of states as a mortgage service provider and/or as a debt collector. We have not previously operated our mortgage servicing business under such regulatory regimes and there can be no assurance that this transition would not result in additional costs or uncertainties that would have a material adverse effect on the profitability of our mortgage servicing business.

We may be unable to obtain the necessary additional capital to finance the growth of our business.

Our financing strategy includes the use of leverage. Accordingly, our ability to remain in business and finance our operations rests in part on our ability to borrow money. Our ability to borrow money depends on a variety of factors, including:

- our ability to meet our current debt service obligations on our existing debt;
- our corporate credit rating as evaluated from time to time by rating agencies and the occasion of any changes to their published ratings;
- our financial performance and the perception that existing and potential lenders have of our financial strength;
- our ability to compete with other banks for deposits;
- limitations imposed on us by regulatory agencies and/or existing lending agreements that limit our ability to raise additional debt; and
- general economic conditions and the impact they have on the availability of credit.

An event of default, a negative ratings action by a rating agency, the perception of financial weakness resulting from continuing operating losses, increase in the cost of competing for deposits, an action by a regulatory authority or a restriction imposed on us as a function of a debt covenant that serves to limit our ability to borrow money, or a general deterioration in the economy that constricts the availability of credit may increase our cost of funds and make it difficult for us to renew existing credit facilities and obtain new lines of credit.

If, as part of our previously disclosed debanking process, we were to cease to control a federal savings bank, we would no longer be able to rely on deposits obtained through the Bank as a source of funding. Although we believe that we would be able to replace these deposits with other financing arrangements, we can provide no assurance that such alternative funding sources would be adequate to meet our needs or would not increase our cost of funds.

Our international operations are subject to political and economic uncertainties and other risks beyond our control.

We conduct business in the United States, and we have established operations in Canada, China, Germany, India, Japan and Taiwan. We are in the process of establishing operations in London, England and Belfast, Northern Ireland. Our foreign operations are subject to risks beyond those associated with our United States operations, including:

- unexpected changes in local regulatory requirements;

unfavorable changes in trade protection laws;

difficulties in managing and staffing international operations;

potentially adverse tax consequences;

adaptability problems;

increased accounting and control expenses;

the burden of complying with foreign laws;

adverse social, political, labor or economic conditions;

changes in foreign currency exchange rates; and

our limited international experience.

Although we evaluate hedging strategies to limit the effects of currency exchange rate fluctuations on our results of operations, there can be no assurance that our strategies will achieve their intended purpose. Further, we may be unable to effectively manage the risks listed above in order to realize the benefits of international operations.

We face strong competition in our primary business segment.

We face strong competition from a variety of competitors in our residential loan servicing business. These competitors include several smaller companies focused on servicing as well as a number of large financial institutions. These financial institutions generally have significantly greater resources and access to capital than we do, resulting in a lower cost of funds and a greater ability to purchase mortgage servicing rights. Because a part of our strategy depends on our ability to obtain mortgage servicing rights, we can provide no assurance that such competition will not have an adverse impact on our ability to implement our strategy.

In general, our competition has intensified in recent years as the low-interest rate environment has created favorable conditions for other companies and banks to enter the residential subprime loan business or expand their existing activities within the industry. While some of these entities only originate and do not currently service loans, there is no assurance that they will not develop internal servicing capability or outsource the servicing function to one of our competitors. Recently, some originators from whom we have purchased servicing rights in the past have developed their own servicing capabilities.

We may be unable to satisfy consumer demand for new technologies.

Part of our business strategy is to expand our sales of proprietary technology products, including REALServicing, REALTrans and REALSynergy. Rapid change and uncertainty due to new and emerging technologies characterize the software industry. Our ability to grow our technology revenue is dependent upon our ability to develop and introduce new products and enhance existing products to satisfy consumer demand for new technologies. Because the pace of change continues to accelerate and new opportunities for competitors arise, our business planning is subject to substantial uncertainty. If we do not successfully identify new product opportunities and develop and bring new products to market in a timely and efficient manner, our business will suffer. New platforms and products may gain popularity with customers, vendors and loan originators, reducing or eliminating the potential for future revenue.

There is fierce competition in the software industry; however, our products compete in a limited market. While we believe REALServicing, REALTrans and REALSynergy each present greater functionality and a better value than competing products in the market, our products may not realize any competitive advantage. Competitors may arrive at a technology that creates a new market altogether and renders our product offerings obsolete. We may not be successful in introducing the products to the market on a commercial basis or in translating the products business, marketing and pricing models into revenue sufficient to produce net income.

The software industry is inherently complex. New products and product enhancements can require long development and testing periods. While we believe our products are attractive to the mortgage and real estate industries, the computer software industry is subject to rapid technological change, changing customer requirements, frequent new product introductions and evolving industry standards that may render existing products and services obsolete. We may experience future difficulties that could delay or prevent the successful development, introduction or marketing of our products. Further, our products and product enhancements may not meet the requirements of the marketplace and achieve market acceptance. If we are unable to develop and introduce products of acceptable quality in a timely manner in response to changing market conditions or customer requirements, our business could be adversely affected.

We may not be able to adequately protect our proprietary rights or information.

Our success is in part dependent upon our proprietary information and technology. We rely on a combination of copyright, trade secret and contract protection to establish and protect our proprietary rights in

our products and technology. In general, we enter into intellectual property agreements with all employees (including our management and technical staff) and consultants as well as limit access to and distribution of our proprietary information. We cannot be sure that we have taken adequate steps to deter misappropriation of our proprietary rights or information. Independent third parties may develop products and technology substantially similar to ours. Although we believe that our products and technology do not infringe any proprietary rights of others, we could be subject to claims of infringement in the future.

The loss of the services of our senior managers could have an adverse effect on us.

The experience of our senior managers is a valuable asset to us. Our chairman and chief executive officer, William C. Erbey, has been with us since our founding in 1987 and our president, Ronald M. Faris, joined us in 1991. Other senior managers of ours have been with us for 10 years or more. We do not have employment agreements with, or maintain key man life insurance relating to, Mr. Erbey, Mr. Faris or any of our other executive officers. The loss of the services of our senior managers could have an adverse effect on us.

Other industry risks could affect our financial performance.

We face many industry risks that could negatively affect our financial performance. For example, we face the risk that increased criticism from consumer advocates or the media could hurt consumer acceptance of our services and could lead to the adoption of different business practices. In addition, the financial services industry as a whole is characterized by rapidly changing technologies, and system disruptions and failures may interrupt or delay our ability to provide services to our customers. The secure transmission of confidential information over the Internet is essential to maintain consumer confidence in certain of our services. Security breaches, acts of vandalism, and developments in computer capabilities could result in a compromise or breach of the technology that we use to protect our customers personal information and transaction data. Consumers generally are concerned with security breaches and privacy on the Internet, and Congress or individual states could enact new laws regulating the electronic commerce market that could adversely affect us. In addition, we rely on our foreign employees for a number of our business processes in our call and data centers overseas. The issue of outsourcing to lower-cost foreign workers and the impact on the U.S. labor market has recently attracted significant negative media and Congressional attention, and Congress or individual states could enact new laws regulating outsourcing that could adversely affect us.

We may be required to repurchase loans or indemnify investors if we breach representations and warranties that we made in connection with the sale of those loans.

Historically, we purchased and originated loans that were subsequently pooled and securitized or sold outright. While we no longer purchase, originate or securitize a significant volume of loans, on substantially all loans sold we made representations or warranties at the time the loans were sold. We may be required to repurchase loans at a price equal to the then outstanding principal balance of the loan and any accrued and unpaid interest thereon, if there were a breach of those representations or warranties. Additionally, we may be required to advance funds to the securitization trusts or to indemnify the trustee or the underwriters of a securitization under specific circumstances.

We are subject to investment risks.

A component of our previous business strategy in the Residential Discount Loan and Subprime Finance non-core business lines was the acquisition, origination and securitization of residential mortgage loans. We had historically retained subordinate and residual interests in

connection with the securitization of our loans and had acquired other residual interests in connection with our acquisition of Ocwen Asset Investment Corp. The performance of these securities in prior years was negatively impacted by higher than expected prepayment speeds and credit losses experienced on the mortgage loans collateralizing the securities. We have reduced our exposure to loss on these investments by selling most of the portfolio. However, we remain subject to the risk of loss on our remaining securities primarily to the extent that future credit losses exceed expected credit losses.

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We continue to own loans and match funded loans relating to our non-core businesses. We believe that we have established adequate allowances for losses for each of our loans and match funded loans in accordance with generally accepted accounting principles. Future additions to these allowances, in the form of provisions for losses on loans and match funded loans, may be necessary, however, due to changes in economic conditions and the performance of these portfolios. There can be no assurance that we will not determine to further increase our allowances for losses on loans. Increases in our provisions for losses on loans would adversely affect our results of operations.

Risks Relating to the Notes

The notes will be unsecured and effectively subordinated to the rights of our existing and future secured creditors.

The notes represent our unsecured obligations. Accordingly, holders of our secured indebtedness will have claims that are superior to your claims as holders of the notes to the extent of the value of the assets securing that other indebtedness. In the event of a bankruptcy, liquidation or dissolution, the assets which serve as collateral for any secured indebtedness will be available to satisfy the obligations under the secured indebtedness before any payments are made on the notes. As of March 31, 2005, Ocwen Financial Corporation had approximately $183.3 million of indebtedness outstanding (inclusive of the $175 million of indebtedness resulting from the issuance of the notes), $8.3 million of which was secured indebtedness. The indenture relating to the notes does not include any express restrictions on our ability to incur additional secured indebtedness.

The notes are effectively subordinated to liabilities of our subsidiaries.

The notes are not guaranteed by our subsidiaries and therefore the notes are effectively subordinated to all indebtedness and other liabilities of our subsidiaries. In the event of a bankruptcy, liquidation or dissolution of a subsidiary, following payment by the subsidiary of its liabilities, the subsidiary may not have sufficient assets to make payments to us. As of March 31, 2005, the aggregate amount of indebtedness of our subsidiaries was $460.0 million.

We are a holding company and we depend upon cash from our subsidiaries to service our debt. If we do not receive cash distributions, dividends or other payments from our subsidiaries, we may not be able to make payments on the notes.

We are a holding company and substantially all of our operations are conducted through our subsidiaries. Accordingly, we are dependent upon the earnings and cash flows of, and cash distributions, dividends or other payments from, our subsidiaries to provide the funds necessary to meet our debt service obligations, including the required payments on the notes. If we do not receive cash distributions, dividends or other payments from our subsidiaries, we may not be able to pay the principal or interest on the notes.

The payments of dividends or the making of distributions or other payments to us by our subsidiaries may be subject to regulatory or contractual restrictions. In particular, the Bank s ability to pay dividends or make distributions to us may be limited by the OTS. The OTS requires that the Bank file an application for the prior approval of capital distributions and, if certain conditions are not met, the OTS may deny the Bank s application. In addition, the Bank is required to maintain certain capital requirements that effectively limit the amount of funds that the Bank has available to distribute or pay to us.

We cannot assure you that the applicable regulatory authorities or the agreements governing the current and future indebtedness of our subsidiaries will permit our subsidiaries to provide us with sufficient cash distributions, dividends or other payments to fund payments on the notes when due.

Our ability to purchase the notes with cash at your option or upon a fundamental change may be limited.

Holders of the notes may require us to purchase all or a portion of their notes for cash at specific times and upon the occurrence of specific circumstances involving the events described under Description of the

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Notes Repurchase of Notes at the Option of Holders. We cannot assure you that, if required, we would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the notes in cash. Our ability to purchase the notes in that event may be limited by law, by regulatory authorities, including the OTS, by the indenture, by the terms of other agreements relating to our indebtedness and by indebtedness and agreements that we may enter into in the future which may replace, supplement or amend our existing or future indebtedness.

The financial and credit markets could adversely affect the market price of the notes.

The market price of the notes will be based on a number of factors, including:

- the prevailing interest rates being paid by companies similar to us;
- the overall condition of the financial and credit markets;
- prevailing interest rates and interest rate volatility;
- the markets for similar securities;
- our financial condition, results of operations and prospects;
- the publication of earnings estimates or other research reports and speculation in the press or investment community;
- evaluations by credit rating agencies;
- the market price and volatility of our common shares;
- changes in our industry and competition; and
- general market and economic conditions.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the price of the notes.

The conversion feature of the notes could result in you receiving less than the value of the common shares into which a note is convertible.

The notes are convertible into our common shares only if specified conditions are met. If the specified conditions for conversion are not met, you will not be able to convert your notes, and you may not be able to receive the value of the common shares into which the notes would otherwise be convertible.

The make-whole premium payable on notes converted or repurchased in connection with certain corporate transactions may not adequately compensate you for the lost option value of your notes as a result of such corporate transactions.

If certain corporate transactions occur on or prior to August 1, 2009, we will in certain circumstances pay a make-whole premium on notes converted or repurchased in connection with these transactions. The amount of the make-whole premium will be determined based on the date on which the corporate transaction becomes effective and the price per share of our common stock in the corporate transaction as described below under Description of the Notes Repurchase of Notes at the Option of Holders Make-Whole Premium. While the make-whole premium is designed to compensate you for the lost option time value of your notes as a result of such corporate transactions, such make-whole premium is only an approximation of such lost value and may not adequately compensate you for such loss. In addition, if the corporate transaction occurs after August 1, 2009 or if the price paid per share of our common stock in the corporate transaction is less than our common stock price at the date of issuance of the notes, there will be no make-whole premium.

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If we elect to settle upon conversion in cash or a combination of cash and shares of our common stock, holders may receive no shares of our common stock or fewer shares than the number into which their notes are convertible and there will be a delay in settlement.

If we elect to satisfy our conversion obligation to holders by paying the cash value of the common stock into which the notes are convertible or by a combination of cash and shares of common stock, upon conversion of all or a portion of their notes, holders may not receive any shares of our common stock, or they might receive fewer shares of common stock relative to the conversion value of the notes. In addition, there will be a significant delay in settlement and, because the amount of cash and/or common stock that a holder will receive in these circumstances will be based on the sales price of our common stock for an extended period between the conversion date and settlement date, holders will bear the market risk with respect to the value of our common stock for such extended period. Finally, our liquidity may be reduced to the extent that we choose to deliver cash rather than shares of common stock upon conversion of the notes.

Absence of a public market for the notes could cause purchasers of the notes to be unable to resell them for an extended period of time.

Although the notes that were sold to qualified institutional buyers pursuant to Rule 144A are eligible for trading in the PORTAL market, the notes resold pursuant to this prospectus will no longer trade on the PORTAL market. Accordingly, we cannot assure you that an active trading market for the notes will develop or, if such market develops, how liquid it will be.

At the time of the initial sale of the notes, the initial purchaser advised us that it intended to make a market in the notes. However, the initial purchaser is not obligated to do so and may discontinue this market-making activity at any time without notice. If a trading market does not exist, holders of the notes may experience difficulty in reselling, or an inability to sell, the notes. Any trading market for the notes may be discontinued at any time. Any trading prices of the notes in any public market will depend on many factors, including, among other things, the price of our common shares into which the notes are convertible, prevailing interest rates, our operating results and the market for similar securities. Depending on the price of our common shares into which the notes are convertible, prevailing interest rates, the market for similar securities and other factors, including our financial condition, the notes may trade at a discount from their principal amount.

We will increase our leverage as a result of the sale of the notes.

In connection with the sale of the notes, we incurred $175 million of indebtedness. As a result, our interest payment obligations increased. The degree to which we are leveraged could adversely affect our ability to obtain further financing or working capital, consummate acquisitions or otherwise pursue our strategies and could make us more vulnerable to industry downturns and competitive pressures. Our ability to meet our debt service obligations will be dependent upon our future performance, which will be subject to the financial, business and other factors affecting our operations, many of which are beyond our control.

There are no restrictive covenants in the notes indenture relating to our ability to incur future indebtedness or complete other financial transactions.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness, transactions with affiliates, incurrence of liens or the issuance or repurchase of securities by us or any of our subsidiaries. We therefore may incur additional debt, including secured indebtedness senior to the notes, or indebtedness at the subsidiary level to which the notes would be structurally subordinated.

A higher level of indebtedness increases the risk that we may default on our debt obligations. We cannot assure you that we will be able to generate sufficient cash flow to pay the interest on our debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. The indenture

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contains no covenants or other provisions to afford protection to holders of the notes upon the occurrence of a fundamental change except to the extent described under Description of the Notes Repurchase of Notes at the Option of Holders Fundamental Change Put and Description of the Notes Make-Whole Premium.

We expect that the trading value of the notes will be significantly affected by the price of our common stock.

The market price of the notes is expected to be significantly affected by the market price of our common stock. This may result in greater volatility in the trading value of the notes than would be expected for any non-convertible debt securities we may issue.

A change in the accounting treatment of the notes could have an adverse impact on the market price of our common stock and the notes.

On September 30, 2004, the Emerging Issues Task Force of the Financial Accounting Standards Board announced that it had finalized a change in the accounting treatment of contingent convertible securities that in certain circumstances requires the full number of shares into which the notes may be convertible to be immediately included in shares outstanding for purposes of calculating diluted earnings per share. The change in accounting treatment is retroactive and took effect for reporting periods ending after December 15, 2004. This change has the effect of reducing our reported diluted earnings per share, which could in turn have an impact on the market price of our common stock and the notes.

Conversion of the notes will dilute the ownership interest of existing shareholders, including holders who had previously converted their notes.

The conversion of some or all of the notes will dilute the ownership interests of existing shareholders. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress the price of our common stock.

A downgrade, suspension or withdrawal of the rating assigned by a rating agency to our long-term senior debt, or in the future to the notes, could cause the liquidity or market value of the notes to decline significantly.

There can be no assurance that the ratings currently assigned to our long-term senior debt will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if in that rating agency s judgment, future circumstances relating to the basis of the rating, such as adverse changes in our business, warrant such a change. We are currently on negative credit watch by Moody s. An adverse change in our long-term debt rating could cause the liquidity or market value of the notes to decline significantly.

We do not intend to seek a rating on the notes and we believe it is unlikely that the notes will be rated. However, if one or more rating agencies rates the notes and assigns the notes a rating lower than the rating expected by investors, or reduces the rating assigned to the note, in the future, the liquidity of the notes and the market price of the notes and our common stock could be adversely affected.

If you hold notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold the notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will only be entitled to rights on the common stock if and when we deliver shares of common stock to you upon conversion of your notes. For example, in the event that an amendment is proposed to our articles of incorporation or by-laws requiring shareholder approval and the record date for determining shareholders of record entitled to vote on the amendment occurs prior to your conversion of notes, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock or other classes of capital stock.

Risks Relating to Ownership of Our Common Shares

Our common share price may experience substantial volatility, which may affect your ability, following any conversion, to sell our common shares at an advantageous price and could impact the market value of the notes.

The market price of our common shares has been and may continue to be volatile. For example, the closing market price of our common shares on the New York Stock Exchange has fluctuated during the past twelve months between $6.51 per share and $12.30 per share and may continue to fluctuate. Therefore, the volatility may affect your ability to sell our common shares at an advantageous price. In addition, this may result in greater volatility in the market price of the notes than would be expected for nonconvertible debt securities. Market price fluctuations in our common shares may be due to acquisitions, dispositions or other material public announcements, along with a variety of additional factors including, without limitation, those set forth under Risk Factors and Forward-Looking Statements. In addition, the stock markets in general, including the New York Stock Exchange, recently have experienced extreme price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the notes and our common shares.

Our directors and executive officers collectively own a large percentage of our common shares and could influence or control matters requiring shareholder approval.

As of March 15, 2005, our directors and executive officers and their affiliates collectively owned or controlled approximately 45% of our outstanding common shares. This includes approximately 31% owned or controlled by our chairman and chief executive officer, William C. Erbey, and approximately 13% owned or controlled by our director and former chairman, Barry N. Wish. As a result, these shareholders could influence or control virtually all matters requiring shareholder approval, including amendment of our articles of incorporation, the approval of mergers or similar transactions and the election of all directors.

Shares of our common stock are relatively illiquid.

As of May 31, 2005, we had 62,933,788 shares of common stock outstanding. As of that date, approximately 45% of our common shares were held by our officers and directors and their affiliates and another approximately 5% of our common shares were held by one investor. As a result of our relatively small public float, our common stock may be less liquid than the common stock of companies with broader public ownership. The trading of a relatively small volume of our common stock may have a greater impact on the trading price of our common stock, and therefore the trading price of the notes, than would be the case if our public float were larger.

Because of certain features of the notes and certain provisions of our organizational documents, takeovers may be more difficult, possibly preventing you from obtaining an optimal share price.

In the event of certain change of control transactions in respect of our company, holders of the notes have the right to convert their notes into shares of our common stock or require us to repurchase in cash all or any portion of their notes. In addition, in certain change of control transactions that occur on or prior to August 1, 2009, we are required to pay a make-whole premium on notes converted or repurchased. These features of the notes effectively increase the cost of a takeover of our company and may deter potential acquirers.

In addition, our articles of incorporation provide that the total number of shares of all classes of capital stock that we have authority to issue is 220 million, of which 200 million are common shares and 20 million are preferred shares. Our board of directors has the authority, without a vote of the shareholders, to establish the preferences and rights of any preferred or other class or series of shares to be issued and to issue such shares. The issuance of preferred shares could delay or prevent a change in control. Since our board of directors has the power to establish the preferences and rights of the preferred shares without a shareholder vote, our board of directors may give the holders of preferred shares preferences, powers and rights, including voting rights, senior to the rights of holders of our common shares.

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FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this prospectus may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). When used in this prospectus, the words anticipate, believe, estimate, will, plan, intend, expect and similar expressions identify forward-looking statemen forward-looking statements may include, but are not limited to, the following:

- predictions regarding changes in the interest rate environment or the possible impact of any such changes on our results of operations;
- estimates regarding the benefits of cost saving opportunities and quality workforce in India;
- projections for staff reduction in the United States and growth in our India workforce;
- predictions as to the potential business opportunities in business process outsourcing;
- predictions regarding the outcome of litigation;
- predictions regarding sales of our commercial and affordable housing assets; and
- intentions related to sources of financing and a possible debanking.

Forward-looking statements are not guarantees of future performance and involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially. Although we believe that our plans, intentions and expectations reflected in any forward-looking statements are reasonable, these plans, intentions or expectations may not be achieved. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, but are not limited to, the following:

- general economic and market conditions;
- prevailing interest or currency exchange rates;
- availability of servicing rights for purchase;
- governmental regulations and policies;
- international political and economic uncertainty;

- availability of adequate and timely sources of liquidity;
- uncertainty related to dispute resolution and litigation; and
- real estate market conditions and trends.

Further information on the risks specific to our business are detailed in our reports and filings with the SEC, including our periodic reports on Form 10-K and Form 10-Q and our current reports on Form 8-K. In addition, some of the factors that may cause actual results, developments and business decisions to materially differ from those contemplated by such forward-looking statements include the risk factors discussed under Risk Factors beginning on page 6 of this prospectus. The forward-looking statements speak only as of the date they are made and should not be relied upon. We undertake no obligation to update or revise the forward-looking statements.

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USE OF PROCEEDS

The selling securityholders will receive all proceeds from the sale of the notes and the common stock issuable upon conversion of the notes. We will not receive any of the proceeds from the sale by any selling securityholder of the notes or shares of common stock issuable upon the conversion of the notes.

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RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges for the periods indicated:

	Three Months Ended March 31,		Year Ended December 31,				
	2004	2005	2000	2001	2002	2003	2004
Ratio of earnings to fixed charges							
Including interest on deposits (1)	1.84x	1.34x	1.14x	(2)	(2)	1.12x	1.81x
Excluding interest on deposits (1)	2.69x	1.42x	1.31x	(2)	(2)	1.19x	2.42x

(1) The ratios of earnings to fixed charges were computed by dividing (x) income from continuing operations before income taxes and effect of change in accounting principles, adjusted for losses and undistributed income from equity investees plus fixed charges by (y) fixed charges.

(2) Due to our losses in 2002 and 2001, the ratio of earnings to fixed charges was less than 1:1. We would have had to generate additional earnings of $82.1 million and $41.8 million in those years, respectively, to achieve coverage of 1:1.

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PRICE RANGE OF COMMON STOCK

The following table sets forth the high and low closing sales prices for our common stock, as traded on the New York Stock Exchange:

	High	Low
Fiscal Year Ended December 31, 2002		
First Quarter	$ 8.48	$ 6.47
Second Quarter	$ 7.50	$ 5.31
Third Quarter	$ 5.80	$ 2.67
Fourth Quarter	$ 3.05	$ 2.28
Fiscal Year Ended December 31, 2003		
First Quarter	$ 3.40	$ 2.71
Second Quarter	$ 4.87	$ 3.13
Third Quarter	$ 5.09	$ 4.12
Fourth Quarter	$ 8.88	$ 4.60
Fiscal Year Ended December 31, 2004		
First Quarter	$ 11.50	$ 8.48
Second Quarter	$ 12.57	$ 9.56
Third Quarter	$ 11.99	$ 7.75
Fourth Quarter	$ 9.56	$ 7.50
Fiscal Year Ended December 31, 2005		
First Quarter	$ 9.54	$ 7.77
Second Quarter (through June 15, 2005)	$ 8.26	$ 6.51

DIVIDEND POLICY

We do not currently pay cash dividends on our common stock and have no current plans to do so in the future. The timing and amount of future dividends, if any, will be determined by our board of directors and will depend upon, among other factors, our earnings, financial condition, cash requirements, the capital requirements of the Bank and other subsidiaries and investment opportunities at the time any such payment is considered. In addition, the indentures relating to our 10.875% junior subordinated debentures due 2027 contain certain limitations on our ability to pay dividends.

As a holding company, the payment of any dividends by us will be significantly dependent on dividends and other payments received from our subsidiaries, including the Bank. For a description of limitations on our ability to pay dividends on our common stock and on the ability of the Bank to pay dividends, see Note 22 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2004.

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OUR BUSINESS

Overview

We are a diversified financial services holding company with headquarters in West Palm Beach, Florida and operations in Canada, China, Germany, India, Japan and Taiwan. We are engaged in a variety of businesses related to residential and commercial mortgage servicing, real estate asset management, asset recovery, business process outsourcing and the marketing and sales of technology solutions to third parties.

In early 2000, we began the execution of our strategic plan to shift our business activities away from capital-intensive businesses involving the purchase or origination of loans, real estate and related assets toward less capital-intensive businesses that generate fee-based revenues. As a result, we generally ceased to originate or invest in assets in certain of our non-core businesses unless contractually committed to do so. However, we continue to actively manage and resolve the remaining assets in these segments. Our primary fee-based business activity is servicing residential mortgages for others. Our core and non-core businesses are as follows:

Core Businesses	Non-Core Businesses
Residential Loan Servicing	Commercial Assets
Ocwen Technology Xchange (OTX)	Affordable Housing
Ocwen Realty Advisors (ORA)	Subprime Finance
Ocwen Recovery Group	
Business Process Outsourcing	
Commercial Servicing	

Segment results in recent years reflect growth in our residential loan servicing segment, continued investment in the development and marketing of our technology products, cessation of loan acquisition and origination activities and our continuing resolution or disposition of those assets associated with our non-core businesses. To date, the Residential Loan Servicing business has been profitable. Our Ocwen Recovery Group business and ORA are profitable but smaller contributors to the bottom line. Both earn fee income for performing services for third parties. OTX markets several products to the real estate and mortgage industries. OTX has not been profitable in any completed fiscal year. Business Process Outsourcing, which began offering business process outsourcing services late in 2002, improved its profitability in 2003 and 2004. Our Commercial Servicing segment, which we previously called International Operations, was not profitable in 2002 or 2003, but achieved a small profit in 2004, reflecting start-up costs associated with expanding our asset servicing business to various other countries. Additional information regarding profitability of our business segments appears in the section captioned Management s Discussion and Analysis of Financial Condition and Results of Operation in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 and our Annual Report on Form 10-K for the year ended December 31, 2004, each of which is incorporated herein by reference.

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DESCRIPTION OF THE NOTES

We issued the notes under an indenture, dated as of July 28, 2004, between us and The Bank of New York Trust Company, N.A., as trustee. Initially, the trustee will also act as paying agent, conversion agent and calculation agent for the notes. The terms of the notes include those provided in the indenture and those provided in the registration rights agreement, dated as of July 28, 2004, between us and the initial purchaser.

The following description is only a summary of some of the provisions of the notes, the indenture and the registration rights agreement. We urge you to read these documents in their entirety because they, and not this description, define your rights as a holder of the notes. The form of note, the indenture and the registration rights agreement are exhibits to the registration statement of which this prospectus is a part.

When we refer to Ocwen Financial Corporation, Ocwen, we, our or us in this section, we refer only to Ocwen Financial Corporation and not of its subsidiaries.

Brief Description of the Notes

The notes offered by this prospectus:

- bear interest at a rate of 3.25% per annum, payable on each February 1 and August 1, beginning February 1, 2005;
- are issued only in denominations of $1,000 principal amount and integral multiples thereof;
- are general unsecured obligations of Ocwen, ranking equally with all of our other existing and future obligations that are unsecured and unsubordinated and, as indebtedness of Ocwen, will be effectively subordinated to (a) all of our existing and future secured obligations to the extent of the value of the assets securing such obligations and (b) all existing and future indebtedness and liabilities of our subsidiaries, including trade payables;
- are convertible into shares of our common stock, cash or a combination of shares of our common stock and cash, at our option, initially at a conversion rate of 82.1693 shares per $1,000 principal amount of notes (equivalent to an initial conversion price of $12.17 per share), under the conditions and subject to such adjustments as are described below under Conversion Rights;
- are redeemable for cash at our option in whole or in part beginning on August 1, 2009 upon the terms set forth under Optional Redemption by Us;
- are subject to repurchase by us for cash at your option on August 1, 2009, 2014 and 2019 or upon a change of control of Ocwen, upon the terms and at the purchase price set forth under Repurchase of Notes at the Option of Holders;

are entitled in certain circumstances to a make-whole premium, upon the terms set forth under Make-Whole Premium, in connection with a conversion or repurchase as a result of certain fundamental changes;

are due on August 1, 2024, unless earlier converted, redeemed by us at our option or repurchased by us at your option; and

benefit from the provisions of a registration rights agreement and bear liquidated damages if we fail to comply with certain of our obligations under such agreement as set forth below under Registration Rights.

The indenture does not contain any financial covenants and does not restrict us from paying dividends, incurring additional indebtedness, including secured indebtedness senior to the notes, or issuing or repurchasing our other securities, including, without limitation, the repurchase of our securities described above in Use of Proceeds. The indenture also does not protect you in the event of a highly leveraged transaction or a change of control of Ocwen, except to the extent described under Repurchase of Notes at the Option of Holders.

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No sinking fund is provided for the notes and the notes are not subject to defeasance. Except under limited circumstances described below, the notes will be issued only in registered book-entry form, without coupons, and will be represented by one or more global notes.

We will maintain an office where the notes may be presented for registration, transfer, exchange or conversion. This office will initially be an office or agency of the trustee. No service charge will be made for any registration of transfer or exchange of notes, but we may require holders to pay a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

We will make all payments on global notes to The Depository Trust Company, or DTC, in immediately available funds.

Ranking

The notes are our general unsecured obligations and rank equally with all of our other existing and future obligations that are unsecured and unsubordinated. As of March 31, 2005, we had approximately $8.3 million of secured debt outstanding. The notes will not be guaranteed by any of our subsidiaries, and, accordingly, the notes will be effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries, including trade payables. As of March 31, 2005, our subsidiaries had approximately $460.0 million in debt outstanding. Neither we nor our subsidiaries are restricted under the indenture from incurring additional senior indebtedness or other additional indebtedness, including secured indebtedness.

Interest

The notes bear interest at a rate of 3.25% per annum from July 28, 2004. We will pay interest semiannually on February 1 and August 1 of each year, beginning February 1, 2005, to the holders of record at the close of business on the preceding July 15 and January 15, respectively. There is one exception to the preceding sentence:

> In general, we will not pay accrued and unpaid interest on any notes that are converted into our common stock. Instead, accrued interest will be deemed paid by the receipt of cash or common stock by holders on conversion. You will receive, however, accrued and unpaid liquidated damages, if any, upon the terms set forth under Registration Rights, to, but not including, the conversion date. If you surrender notes for conversion after a record date for an interest payment but prior to the corresponding interest payment date, you (or, if you are not the record holder of the notes on that interest payment date, such record holder) will receive on that interest payment date accrued and unpaid interest on those notes, notwithstanding your conversion of those notes prior to that interest payment date, because you will have been the holder of record on the corresponding record date. However, at the time you surrender notes for conversion, you must pay to us an amount equal to the interest that has accrued and that will be paid on the related interest payment date. The preceding sentence does not apply, however, if (1) we have specified a redemption date that is after a record date for an interest payment but on or prior to the corresponding interest payment date, (2) we have specified a repurchase date following a change of control that is during such period or (3) any overdue interest exists at the time of conversion with respect to the notes converted. Accordingly, under these circumstances you will not be required to pay us, at the time that you surrender the notes for conversion, the amount of interest you will receive on the interest payment date.

Except as provided below, we will pay interest on:

global notes to DTC in immediately available funds;

any definitive notes having an aggregate principal amount of $5.0 million or less by check mailed to the holders of those notes; and

any definitive notes having an aggregate principal amount of more than $5.0 million by wire transfer in immediately available funds if requested by a holder of those notes and such holder provides us with wire transfer instructions at least 10 business days prior to the interest payment date.

At maturity we will pay interest on the definitive notes at the office we will maintain where the notes may be presented for registration, transfer, exchange or conversion. This office initially will be the designated corporate trust office of the trustee.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

If any interest payment date, stated maturity date, redemption date, repurchase date or change of control repurchase date of a note would fall on a day that is not a business day, the required payment of principal, interest, if any, liquidated damages, if any, and make-whole premium, if any, will be made on the next succeeding business day and no interest on such payment will accrue for the period from and after such interest payment date, the stated maturity date, redemption date, repurchase date or change of control repurchase date to such next succeeding business day. The term business day means, with respect to any note, any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York are authorized or required by law, regulation or executive order to close.

Conversion Rights

General

Subject to the conditions and during the periods described below, you may convert any outstanding notes, initially at a conversion rate of 82.1693 shares per $1,000 principal amount of notes (equivalent to an initial conversion price of $12.17 per share). The conversion rate and the corresponding conversion price in effect at any given time are referred to as the applicable conversion rate and the applicable conversion price, respectively, and will be subject to adjustment as described below. We will not issue fractional shares of our common stock upon conversion of the notes. Instead, we will pay the cash value of such fractional shares based upon the last reported sale price per share of our common stock on the business day immediately preceding the conversion date. You may convert notes only in denominations of $1,000 principal amount and integral multiples thereof. Upon surrender of a note for conversion, we may choose to deliver, in lieu of shares of our common stock, cash or a combination of cash and shares of our common stock, as described below under Payment Upon Conversion.

If you have exercised your right to require us to repurchase your notes in the circumstances described under Repurchase of Notes at the Option of Holders, you may convert your notes into our common stock only if you withdraw your repurchase notice or change of control repurchase notice and convert your notes prior to the close of business on the repurchase date or change of control repurchase date, as applicable.

You may surrender any of your notes for conversion prior to the stated maturity date only under the following circumstances:

Conversion Upon Satisfaction of Market Price Condition

You may surrender any of your notes for conversion during any fiscal quarter (and only during such fiscal quarter) commencing after September 30, 2004 if the last reported sale price per share of our common stock for at least 20 consecutive trading days in the 30 consecutive trading-day period ending on the last trading day of the preceding fiscal quarter is more than 125% of the applicable conversion price of the notes as of that 30th trading day.

The last reported sale price per share of our common stock on any date means the closing sale price per share of our common stock (or if no closing sale price is reported, the average of the bid and ask prices or, if there is more than one bid or ask price, the average of the average bid and the average ask prices) as reported in composite transactions for the principal United States securities exchange on which our common stock is listed or, if our common stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation system or by the National Quotation Bureau Incorporated.

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Trading day means a day during which trading in securities generally occurs on the principal United States securities exchange on which our common stock is listed or, if our common stock is not listed on a United States national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System or, if our common stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which our common stock is then traded or quoted.

Conversion Upon Satisfaction of Trading Price Condition

You may surrender any of your notes for conversion during the five business day period immediately following any five consecutive trading day period (the measurement period) in which the trading price per $1,000 principal amount of notes for each day of such measurement period was less than 98% of the product of the last reported sale price per share of our common stock on such day and the applicable conversion rate of the notes on such day. However, you may not convert your notes in reliance on this subsection after August 1, 2019 if on any trading day during the measurement period the last reported sale price of shares of our common stock was between 100% and 125% of the applicable conversion price of the notes on such day.

The trading price of a note on any date of determination means the average of the secondary market bid quotations obtained by the trustee for $1.0 million principal amount of the notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers we select; provided that if three such bids cannot reasonably be obtained by the trustee, but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the trustee, that one bid shall be used. If the trustee cannot reasonably obtain at least one bid for $1.0 million principal amount of the notes from a nationally recognized securities dealer, then the trading price per $1,000 principal amount of notes will be deemed to be less than 98% of the product of the last reported sale price per share of our common stock and the applicable conversion rate.

The conversion agent will, on our behalf, determine if the notes are convertible as a result of the trading price of the notes and notify us and the trustee; provided, that the conversion agent shall have no obligation to determine the trading price of the notes unless we have requested such determination and we shall have no obligation to make such request unless requested to do so by a holder of the notes. At such time, we shall instruct the conversion agent to determine the trading price of the notes beginning on the next trading day and on each successive trading day until the trading price of the notes is greater than or equal to 98% of the product of the last reported sale price of our common stock and the conversion rate.

Conversion Upon Notice of Redemption

You may surrender for conversion any of your notes that have been called for redemption at any time prior to the close of business on the business day prior to the redemption date, even if the notes are not otherwise convertible at that time.

Conversion Upon Specified Corporate Transactions

(1) Certain Distributions

If:

- we distribute to all holders of shares of our common stock certain rights entitling them to purchase, for a period expiring within 60 days after the date of distribution, shares of our common stock at less than the last reported sale price per share of our common stock on the business day immediately preceding the announcement date of such distribution, or

- we elect to distribute to all holders of shares of our common stock, cash or other assets, debt securities or certain rights to purchase our securities, which distribution has a per share value, as determined by

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our board of directors, exceeding 10% of the last reported sale price per share of our common stock on the business day immediately preceding the announcement date of such distribution,

then at least 20 days prior to the ex-dividend date for the distribution, we must notify the holders of the notes of the occurrence of such event. Once we have given that notice, holders may surrender their notes for conversion at any time until the earlier of the close of business on the business day immediately prior to the ex-dividend date or the date of our announcement that the distribution will not take place. However, no holder may surrender such holder s notes for conversion and no adjustment to the applicable conversion rate will be made if we provide that holders of notes will participate in the distribution without conversion or in certain other cases. The ex-dividend date is the first date upon which a sale of shares of our common stock, regular way on the relevant exchange or in the relevant market for our common stock, does not automatically transfer the right to receive the relevant distribution from the seller of the common stock to its buyer.

(2) Certain Corporate Transactions

If a change of control occurs pursuant to either clause (1) or clause (2) of the definition thereof and such change of control constitutes a fundamental change, then a holder may surrender notes for conversion at any time from and after the date that is 15 days prior to the anticipated effective date of the transaction until 15 days after the effective date of the transaction. We will notify holders and the trustee at the same time we publicly announce such transaction (but in no event less than 15 days prior to the effective date of such transaction).

In addition, if such change of control occurs before August 1, 2009, we will pay a make-whole premium in connection with the conversion of notes, calculated as described under Repurchase of Notes at the Option of Holders Make-Whole Premium. Payment of the make-whole premium to holders surrendering their notes for conversion will be made upon the later of: (i) the fundamental change repurchase date and (ii) the conversion settlement date for those notes. We will pay the make-whole premium in the consideration into which our common stock was converted, exchanged or acquired. The method of determining the amount of such consideration is described under Repurchase of Notes at the Option of Holders Make-Whole Premium.

If we are a party to a consolidation, merger or binding share exchange pursuant to which our common stock is converted into cash, securities or other property, then at the effective time of the transaction, the right to convert a note into common stock will be changed into a right to convert the notes into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted such notes immediately prior to the transaction.

Conversion Upon Company Election Following Change in Accounting Treatment of Contingent Convertible Securities

From and after the date of the occurrence of an accounting event (as defined below) following July 28, 2004, we will have the option, in our sole discretion, to elect, by providing notice to the trustee and the holders of the notes, to permit conversion without regard to fulfillment of the contingencies described above under Conversion Upon Satisfaction of Market Price Condition, Conversion Upon Satisfaction of Trading Price Condition, Conversion Upon Notice of Redemption and Conversion Upon Specified Corporate Transactions. If we make such an election, holders of the notes will have the right to convert their notes at any time prior to the close of business on August 1, 2024.

An accounting event means that the Emerging Issues Task Force of the Financial Accounting Standards Board has issued in final form, an amendment to, change in or clarification of rules relating to accounting treatment of contingent convertible securities, as a result of which we are required, under then current GAAP, to include the full number of shares into which the notes may be converted in determining the number of our

shares outstanding for purposes of calculating diluted earnings per share without regard to fulfillment of any related contingencies.

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Conversion Procedures

By delivering to the holder the number of shares issuable upon conversion or the amount of cash determined as set forth below under Payment Upon Conversion, together with a cash payment in lieu of any fractional shares, we will satisfy our obligation with respect to the notes. That is, accrued interest, if any, will be deemed to be paid in full rather than canceled, extinguished or forfeited.

You will not be required to pay any taxes or duties relating to the issuance or delivery of shares of our common stock if you exercise your conversion rights, but you will be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of shares of our common stock in a name other than your own. Certificates representing shares of common stock will be issued or delivered only after all applicable taxes and duties, if any, payable by you have been paid.

To convert a definitive note, you must do each of the following:

- complete the conversion notice on the back of the notes (or a facsimile thereof);
- deliver the completed conversion notice and the notes to be converted to the specified office of the conversion agent;
- furnish appropriate endorsement and transfer documents;
- pay all funds required, if any, relating to interest on the notes to be converted to which you are not entitled, as described under Interest; and
- pay all taxes or duties, if any, as described above.

To convert interests in a global note, you must comply with the last three bullets above and deliver to DTC the appropriate instruction form for conversion pursuant to DTC s conversion program.

The conversion date will be the date on which all of the foregoing requirements have been satisfied. The notes will be deemed to have been converted immediately prior to the close of business on the conversion date. A certificate for the number of shares of common stock into which the notes are converted, or a book-entry transfer through DTC for the number of full shares of our common stock into which any notes are converted, and/or the amount of cash determined as set forth under Payment Upon Conversion, (and cash in lieu of any fractional shares) will be delivered to you as soon as practicable on or after the conversion date.

Payment Upon Conversion

Conversion on or Prior to the Final Notice Date. In the event that we receive your conversion notice on or prior to the day that is 20 days prior to the stated maturity date or, with respect to notes being redeemed, the applicable redemption date (the final notice date), the following procedures will apply:

If we choose to satisfy all or any portion of our obligation to deliver shares of our common stock upon conversion (the conversion obligation) in cash, we will notify you through the trustee of the dollar amount to be satisfied in cash (which must be expressed either as l00% of the conversion obligation or as a fixed dollar amount) at any time on or before the date that is two business days following our receipt of your conversion notice (cash settlement notice period). If we timely elect to pay cash for any portion of the shares of our common stock otherwise issuable to you, you may retract the conversion notice at any time during the two business day period immediately following the cash settlement notice period (conversion retraction period). If we do not make such election, you may not make any such retraction and your conversion notice will be irrevocable.

Settlement amounts will be computed as follows:

If we elect to satisfy the entire conversion obligation in shares, we will deliver to you, for each $1,000 original principal amount of notes, a number of shares equal to the applicable conversion rate. We will pay cash for all fractional shares of common stock, as described under Conversion Rights General.

If we elect to satisfy the entire conversion obligation in cash, we will deliver to you, for each $1,000 principal amount of notes, cash in an amount equal to the product of the applicable conversion rate and the average last reported sale price per share of our common stock for the cash settlement averaging period.

If we elect to satisfy a fixed portion (other than 100%) of the conversion obligation in cash, we will deliver to you, for each $1,000 original principal amount of notes, such cash amount (the cash amount) and a number of shares of our common stock equal to the greater of (i) zero and (ii) the excess, if any, of the number of shares calculated as set forth in the first bullet of this paragraph over the number of shares equal to the sum, for each day of the cash settlement averaging period, of (x) 5% of the cash amount, divided by (y) the last reported sale price per share of our common stock on such day. We will pay cash for all fractional shares of common stock, as described under Conversion Rights General.

The cash settlement averaging period means the 20 trading-day period beginning the day after the expiration of the conversion retraction period.

If we choose to satisfy the entire conversion obligation in shares of our common stock, then settlement will occur on the third business day following the conversion date. If we choose to satisfy all or any portion of the conversion obligation in cash and the conversion notice has not been retracted, then settlement (in cash and/or shares) will occur on the business day following the last day of the cash settlement averaging period.

In addition to the above, we will also, if applicable, pay the make-whole premium. Payment of the make-whole premium to holders surrendering their notes for conversion or repurchase will be made upon the later of: (i) the fundamental change repurchase date and (ii) the conversion settlement date for those notes. We will pay the make-whole premium in the consideration, as applicable, into which our common stock was converted, exchanged or acquired, except that we will pay cash in lieu of fractional interests in any security or other property delivered in connection with such transaction.

Our Right to Irrevocably Elect Payment. At any time prior to the stated maturity date, we may irrevocably elect to satisfy in cash up to 100% of the principal amount of the notes converted after the date of such election, with any remaining amount to be satisfied in shares of our common stock. Such election shall be in our sole discretion without the consent of the holders of the notes, by notice to the trustee and the holders of the notes. If we make such election, we will not have to make any further election prior to the final notice date (and we will not deliver any further notice thereof following the conversion date), and the description set forth under Payment Upon Conversion Conversion after the Final Notice Date shall not be applicable.

In the event that we receive your conversion notice after the date of such election, your conversion notice will not be retractable, and settlement amounts will be computed and settlement dates will be determined in the same manner as set forth under Payment Upon Conversion Conversion on or Prior to the Final Notice Date except that:

the cash settlement averaging period shall be the 20 trading-day period beginning on the day after we receive your conversion notice; and

the cash amount shall be the lesser of (i) (x) the number of shares of our common stock, calculated as set forth in the first bullet of settlement amounts above, multiplied by (y) the average last reported sale price per share of our common stock during the cash settlement averaging period and (ii) 100% of the principal amount of a note.

Conversion after the Final Notice Date. In the event that we receive your conversion notice after the final notice date and we elect to satisfy all or any portion of the conversion obligation in cash, then we will not send individual notices of such election. Instead, we will send, on or prior to the final notice date, a single notice to the trustee of the dollar amount to be satisfied in cash (which must be expressed either as 100% of the conversion

obligation or as a fixed dollar amount). If we receive your conversion notice after the final notice date, you will not be allowed to retract the conversion notice. Settlement amounts will be computed and settlement dates will be determined in the same manner as set forth above under Payment Upon Conversion Conversion on or Prior to the Final Notice Date except that the cash settlement averaging period shall be the 10 trading-day period beginning on the day after we receive your conversion notice. If we do not elect to satisfy all or any portion of the conversion obligation in cash, then settlement will occur on the third business day following the conversion date.

Conversion Rate Adjustments

The applicable conversion rate will be subject to adjustment, without duplication, upon the occurrence of any of the following events:

(1) the payment to all holders of our common stock of dividends and other distributions on our common stock payable exclusively in shares of our common stock, in which event the applicable conversion rate will be adjusted by multiplying it by a fraction,

(a) the numerator of which will be the sum of (i) the number of shares of our common stock outstanding on the record date fixed for the dividend or distribution plus (ii) the total number of shares constituting the dividend or distribution, and

(b) the denominator of which is the number of shares of our common stock outstanding on the record date fixed for the dividend or distribution;

(2) the distribution to all holders of our common stock of rights or warrants (other than pursuant to any dividend reinvestment or share purchase plan) that entitle the holders to purchase shares of our common stock, for a period expiring within 60 days from the date of issuance of the rights or warrants, at a price per share less than the last reported sale price per share of our common stock on the record date for the determination of shareholders entitled to receive the rights or warrants, in which event the applicable conversion rate will be adjusted by multiplying it by a fraction,

(a) the numerator of which will be the sum of (i) the number of shares of our common stock outstanding on the record date fixed for the distribution plus (ii) the total number of additional shares of our common stock offered for purchase (or into which such convertible securities could be converted), and

(b) the denominator of which is the sum of (i) the number of shares of our common stock outstanding on the record date fixed for the distribution plus (ii) the total number of shares of our common stock that the aggregate offering price of the total number of shares offered for subscription or purchase (or the aggregate conversion price of such convertible securities) would purchase at the current market price of our common stock;

(3) subdivisions or combinations of our common stock, in which event the conversion rate in effect will be proportionately increased or decreased;

(4) distributions to all holders of our common stock of our assets, debt securities, shares of our capital stock or rights or warrants to purchase our securities (excluding any dividend, distribution or issuance covered by clause (1) or (2) above and any dividend or distribution paid exclusively in cash), in which event the applicable conversion rate will be increased by multiplying the applicable conversion rate by a fraction,

(a) the numerator of which is the current market price per share of our common stock plus the fair market value, as determined by our board of directors, of the portion of those assets, debt securities, shares of capital stock or rights or warrants so distributed applicable to one share of our common stock, and

(b) the denominator of which is the current market price per share of our common stock.

The current market price per share of our common stock on any day means the average of the last reported sale price for the first 20 consecutive trading days from, and including, the ex-dividend date for such dividend or distribution.

In the event that we make a distribution to all holders of our common stock consisting of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, the fair market value of the securities so distributed will be based on the average of the last reported sales prices of those securities (where such last reported sale prices are available) for each of the 20 trading days commencing on and including the fifth trading day after the ex-dividend date for such dividend or distribution on the Nasdaq National Market or such other national or regional exchange or market on which the securities are then listed or quoted;

(5) we make distributions consisting exclusively of cash to all holders of our common stock, excluding any dividend or distribution in connection with our liquidation, dissolution or winding up, in which event the applicable conversion rate will be adjusted by multiplying the applicable conversion rate by a fraction,

(a) the numerator of which will be the current market price of our common stock, and

(b) the denominator of which will be the current market price of our common stock minus the amount per share of such dividend or distribution; or

(6) we or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock exceeds the last reported sale price per share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, in which event the applicable conversion rate will be adjusted by multiplying the applicable conversion rate by a fraction,

(a) the numerator of which will be the sum of (i) the fair market value, as determined by our board of directors, of the aggregate consideration payable for all shares of our common stock we purchase in such tender or exchange offer and (ii) the product of the number of shares of our common stock outstanding less any such purchased shares and the last reported sale price per share of our common stock on the trading day next succeeding the expiration of the tender or exchange offer, and

(b) the denominator of which will be the product of the number of shares of our common stock outstanding, including any such purchased shares, and the last reported sale price per share of our common stock on the trading day next succeeding the expiration of the tender or exchange offer.

To the extent that we have a rights plan that is in effect upon conversion of the notes into common stock, the holder will receive, in addition to shares of our common stock, the rights under the rights plan unless, prior to the conversion date, the rights have separated from our common stock, in which case the applicable conversion rate will be adjusted at the time of separation as if we distributed to all holders of our common stock our assets, debt securities, shares of our capital stock or rights or warrants to purchase our securities as described in clause (4) above.

If rights or warrants for which an adjustment to the conversion rate has been made expire unexercised, the conversion rate will be readjusted to take into account the actual number of such rights or warrants that were exercised.

In addition to these adjustments, we may, from time to time, to the extent permitted by applicable law and the listing requirements of the New York Stock Exchange (and any other exchange on which the shares of our common stock are then listed), increase the applicable conversion rate as our board of directors considers advisable to avoid or diminish any income tax to holders of our common stock or rights to purchase our common stock resulting from any dividend or distribution of capital stock (or rights to acquire stock) or from any event treated as such for income tax purposes. We may also, from time to time, to the extent permitted by applicable law and the listing requirements of the New York Stock Exchange (and any other exchange on which the shares of our common stock are then listed), increase the applicable conversion rate by any amount for any period of at least 20 business days if our board of directors has determined that such increase would be in our best interests. If our board of directors makes such a determination, it will be conclusive. We will give holders of notes at least 15 days notice of such an increase in the applicable conversion rate.

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No holder may surrender such holder s notes for conversion and no adjustment to the applicable conversion rate will be made if the holder will otherwise participate in the distribution without conversion.

The applicable conversion rate will not be adjusted:

- upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;

- upon the issuance of any shares of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by us or any of our subsidiaries;

	X			X			X			X			
Health, Safety and Environmental Oversight		X			X				X				X
Human Resources / Compensation		X	X		X			X	X		X		X
Legal / Regulatory						X						X	
Risk and/or Crisis Management		X			X				X		X		
Strategic Planning		X	X		X	X			X		X		X

Meetings and Committees of Directors

The Board held five meetings during 2018. During 2018, each of our incumbent directors attended at least 75% of the meetings of the Board and the meetings of the committees of the Board on which that director served (in each case, which were held during the period for which such incumbent director was a director).

Executive Sessions. The Board holds regular executive sessions in which the independent directors meet without any non-independent directors or members of management. The purpose of these executive sessions is to promote open and candid discussion among the independent directors. The Lead Director, Mr. Alameddine, presides at these meetings and provides the Board s guidance and feedback to our management team.

The Board has four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Governance Committee and the Reserves Committee.

The Board and each committee of the Board expects to meet a minimum of four times per year in 2019 and future years.

Audit Committee. Responsibilities of the Audit Committee, which are set forth in the Audit Committee Charter that is posted on the Company s website at *www.parsleyenergy.com*, include, among other duties, assisting the Board in fulfilling its oversight responsibilities regarding:

- integrity of the Company s financial statements;
- the Company s compliance with legal and regulatory requirements;
- qualifications, independence and performance of our independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; and
- effectiveness and performance of the Company s internal audit function.

The members of the Audit Committee are Messrs. Browning and Brokmeyer and Dr. Desai. The Audit Committee held five meetings during 2018.

Compensation Committee. Responsibilities of the Compensation Committee, which are set forth in the Compensation Committee Charter that is posted on the Company s website at *www.parsleyenergy.com*, include, among other duties, the responsibility to:

review, evaluate and approve the agreements, plans, policies and programs of the Company to compensate the Company s directors and those employees of the Company or its affiliates serving as senior vice presidents or a more senior position, including all executive officers of the Company;

review and discuss with the Company s management the Compensation Discussion and Analysis included in this Proxy Statement;

produce the Compensation Committee Report as required by Item 407(e)(5) of Regulation S-K included in this Proxy Statement;

otherwise discharge the Board s responsibilities relating to compensation of the Company s executive officers and directors; and

perform such other functions as the Board may assign to the Compensation Committee from time to time.

The Compensation Committee is delegated all authority of the Board as may be required or advisable to fulfill its purposes. The Compensation Committee may delegate to its Chairman, any one of its members or any subcommittee it may form, the responsibility and authority for any particular matter, as it deems appropriate from time to time under the circumstances. Meetings may, at the discretion of the Compensation Committee, include members of the Company s management, other members of the Board, consultants or advisors and such other persons as the Compensation Committee believes to be necessary or appropriate. The Compensation Committee will consult with the Company s Chief Executive Officer when evaluating the performance of, and setting the compensation for, the Company s executive officers other than the Chief Executive Officer.

The Compensation Committee may, in its sole discretion, retain and determine funding for legal counsel, compensation consultants, as well as other experts and advisors (collectively, Committee Advisors), including the authority to retain, approve the fees payable to, amend the engagement with and terminate any Committee Advisor, as it deems necessary or appropriate to fulfill its responsibilities. The Compensation Committee assesses the independence of any Committee Advisor prior to retaining such Committee Advisor, and on an annual basis thereafter.

The members of the Compensation Committee are Messrs. Alameddine, Brokmeyer and Windlinger, Dr. Desai and Ms. Hughes. The Compensation Committee held four meetings during 2018.

Nominating and Governance Committee. The Nominating and Governance Committee advises the Board, makes recommendations regarding appropriate corporate governance practices, and assists the Board in implementing those practices. The Nominating and Governance Committee further assists the Board by identifying individuals qualified to become members of

Meetings and Committees of Directors

the Board, consistent with the criteria approved by the Board, and by recommending director nominees to the Board for election at the annual meetings of stockholders or for appointment to fill vacancies on the Board. Additional information regarding the functions performed by the Nominating and Governance Committee is set forth in the Corporate Governance and Stockholder Proposals; Identification of Director Candidates sections included herein and also in the Nominating and Governance Committee Charter that is posted on the Company s website at *www.parsleyenergy.com*.

The members of the Nominating and Governance Committee are Messrs. Smith, Browning and Windlinger and Ms. Hughes. The Nominating and Governance Committee held four meetings during 2018.

Reserves Committee. The Board established the Reserves Committee in 2018 and appointed Messrs. Brokmeyer and Windlinger to serve as its initial members. The Reserves Committee assists the Board in fulfilling its oversight responsibilities with respect to the Company s oil, natural gas and natural gas liquids reserve estimates. The Reserves Committee held one meeting during 2018. Additional information regarding the functions performed by the Reserves Committee is set forth in the Reserves Committee Charter that is posted on the Company s website at *www.parsleyenergy.com*.

Compensation Committee Report

The following report of the Compensation Committee 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 (the Securities Act), or the Securities Exchange Act of 1934, as amended (the Exchange Act), except to the extent that the Company specifically incorporates such information by reference in such filing.

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis required by Item 402 of Regulation S-K promulgated by the SEC with management of the Company, and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that such Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Compensation Committee of the Board of Directors:

A.R. Alameddine, Chairman

Ronald Brokmeyer, Member

Dr. Hemang Desai, Member

Karen Hughes, Member

Jerry Windlinger, Member

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Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes the material elements of our executive compensation program for our principal executive officer, principal financial officer and three other most highly compensated executive officers during 2018 (collectively, our named executed officers). This section also describes the objectives, principles and policies underlying our executive compensation program for our named executive officers, the compensation decisions we have made under that program, and the factors considered in making those decisions. Our named executive officers for 2018 are:

Name	Title(1)
Bryan Sheffield	Chief Executive Officer and Chairman of the Board(2)
Matt Gallagher	President and Chief Operating Officer(2)
Ryan Dalton	Executive Vice President Chief Financial Officer
David Dell Osso	Executive Vice President Chief Operating Officer(2)

Colin Roberts	Executive Vice President General Counsel

(1) As of December 31, 2018.
(2) As discussed below in the section entitled Chief Executive Officer Succession Plan, during 2018, Mr. Sheffield served as our Chief Executive Officer and Chairman of the Board, and Mr. Gallagher served as our President and Chief Operating Officer until the appointment of Mr. Dell Osso as Chief Operating Officer on October 9, 2018. Following Mr. Dell Osso s appointment as Chief Operating Officer, Mr. Gallagher continued to serve as our President until January 1, 2019, at which time Mr. Sheffield stepped down from his position as our Chief Executive Officer and began serving as Executive Chairman, and Mr. Gallagher was appointed as our President and Chief Executive Officer.

Chief Executive Officer Succession Plan

Pursuant to the succession plan approved by the Board in 2018, effective as of January 1, 2019, Mr. Sheffield stepped down from his position as our Chief Executive Officer and began serving as an officer of the Company in the role of Executive Chairman. Matt Gallagher, who previously served as our President and Chief Operating Officer, succeeded Mr. Sheffield as our Chief Executive Officer and was appointed President and Chief Executive Officer. On January 9, 2018, the Board, upon the recommendation of the Nominating and Governance Committee, also appointed Mr. Gallagher to the Board as a Class III director. Mr. Sheffield is expected to continue as Executive Chairman through December 31, 2020 or such other time as the Board may determine, at which time he will retire as an employee and officer of the Company but continue serving as Chairman of the Board, a non-employee director position. A summary of the anticipated dates and events associated with this succession plan are contained in the table below:

Dates	Event
January 9, 2018	Mr. Gallagher was appointed to the Board as a Class III director.
January 9, 2018 December 31, 2018	Mr. Sheffield served as Chairman and Chief Executive Officer.
	Mr. Gallagher served as President and Chief Operating Officer until the appointment of Mr. Dell Osso as Chief Operating Officer on October 9, 2018 and Mr. Gallagher continued to serve as President until January 1, 2019.
January 1, 2019	Mr. Sheffield stepped down as Chief Executive Officer but remains an employee and officer of the Company in the role of Executive Chairman.

	Mr. Gallagher succeeded Mr. Sheffield as Chief Executive Officer and was appointed as President and Chief Executive Officer.
	The offices of Chairman and Chief Executive Officer were separated.
December 31, 2020	Mr. Sheffield is expected to retire as an employee and officer of the Company and continue serving as Chairman of the Board thereafter.

In connection with the succession plan, in February 2019, the Company entered into a letter agreement with Mr. Sheffield setting forth the terms of his compensation for his service as Executive Chairman. The terms of the letter agreement are described below in the section entitled Employment Agreements Employment Agreement and Letter Agreement with Bryan Sheffield.

Executive Summary

We are an independent oil and natural gas company operating in the Permian Basin in west Texas, where we develop unconventional oil and natural gas reserves. As we efficiently and responsibly grow reserves, production, and cash flow by developing our liquids rich resource base, we seek to create value for stockholders, employees, energy consumers, and the communities in which we work. With these goals in mind, our executive compensation program is designed to attract, retain, motivate, and appropriately reward talented and experienced executives while ensuring that the interests of our named executive officers are aligned with the interests of our stockholders.

Named Executive Officer Pay at a Glance

To ensure that the interests of our named executive officers are aligned with those of our stockholders, the Compensation Committee has designed our executive compensation program to include a substantial amount of pay that is at-risk. At-risk pay may be cash-based, equity-based, or both. The charts below show that target compensation opportunity is heavily weighted towards variable at-risk pay elements that is only earned based on achievement of performance goals or through continued employment with the Company.

* This chart reflects the 2018 target compensation of Mr. Sheffield, our Chief Executive Officer during 2018. Percentages shown are approximate.

** This chart reflects the 2018 target compensation of Messrs. Gallagher, Dalton and Roberts, but excludes Mr. Dell Osso, whose employment with the Company began on October 9, 2018. Percentages shown are approximate.

Say-on-Pay and Say-on-Frequency

Last year, our stockholders overwhelmingly approved, on an advisory basis, the compensation program for our named executive officers. Advisory votes in favor of these programs were cast by over 96% of the shares of Common Stock present in person or represented by proxy and entitled to vote at the 2018 Annual Meeting of Stockholders. We hold Say-on-Pay votes on an annual basis, in accordance with our stockholders vote in favor of annual advisory votes to approve executive compensation at our 2016 Annual Meeting of Stockholders, which was the frequency recommended by our Board. We believe that annual Say-on-Pay votes are the most appropriate for the Company because such votes allow our stockholders the opportunity to

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Compensation Discussion and Analysis

provide more frequent feedback on the compensation program for our named executive officers and provide the Compensation Committee with more timely information regarding our stockholders response to our executive compensation programs and policies. The Board and the Compensation Committee took the results of the Say-on-Pay vote into account when evaluating the compensation program for our named executive officers in 2018. Based in part on the level of support from our stockholders, the Compensation Committee elected to make only limited changes to the compensation program for our named executive officers during 2018, which are described elsewhere in this Proxy Statement. We appreciate and value our stockholders continuing annual feedback regarding our executive compensation program and policies. As discussed in more detail in Proposal THREE below, the Board has recommended that stockholders vote, on a non-binding advisory basis, to approve the 2018 executive compensation program as described below.

Executive Compensation Philosophy and Objectives

Our executive compensation policies are designed to align management and stockholder interests and create value for investors while attracting and retaining talented executives with the skills and expertise to help the Company achieve our financial and operational goals. We have a strong interest in retaining our named executive officers, as we believe that their unique capabilities and experience will continue to enable the Company to achieve our corporate objectives and create long-term value for our stockholders. We strive to provide appropriate incentives and effective retention mechanisms without providing excessive compensation. The Compensation Committee s goal in designing and implementing our executive compensation program is to ensure that it provides a competitive level of compensation to attract and retain talented executives, reward and encourage maximum corporate and individual performance, promote accountability and ensure that executive interests are aligned with the interests of our stockholders. We believe that these compensation objectives are accomplished through linking our executive compensation to several measures of the Company s short-term and long-term performance. A majority of our executive compensation program is comprised of pay that is at-risk.

The following chart highlights several features of our compensation practices.

What we do:	What we don t do:
Pay for performance and pay for sustained performance over multi-year performance periods	No single-trigger change of control vesting for time-based awards
Establish challenging performance metrics, including a cash return on capital invested metric	No guaranteed bonuses
Policy prohibiting hedging transactions	No excessive perquisites

Policy prohibiting pledging transactions, subject to limited exceptions with Audit Committee approval

Evaluate officer compensation levels against a peer group of similarly sized E&P companies

Substantial portion of pay at-risk

Utilize independent compensation consultant

Equity awards subject to extended vesting periods

Robust stock ownership guidelines for non-employee directors and senior executives

Performance-based awards vest on change of control based on actual performance

Cash incentive and all equity-based compensation subject to clawback in the event of a financial restatement or fraud or misconduct that adversely affects our financial performance or results in a material diminution in our stock price

Health, safety and environmental goals incorporated into the annual cash bonus incentive program

Annual advisory vote on executive compensation
Implemented a cap on performance-based equity awards granted in 2019 if absolute total stockholder return is negative over the performance period

No payment of current dividends on unvested equity-based awards

No gross-ups for severance or change of control payments

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How We Make Compensation Decisions

Role of the Compensation Committee

The Compensation Committee has the responsibility to review and approve the compensation policies, programs, and plans for our senior officers (including our named executive officers) and non-employee directors. The Compensation Committee s responsibilities include administering the Parsley Energy, Inc. 2014 Long Term Incentive Plan (as amended and restated on February 19, 2015, the LTIP), which provides for the grant of cash and equity-based awards. The Compensation Committee also reviews the Compensation Discussion and Analysis section of our annual proxy statement and produces the Compensation Committee Report with respect to our executive compensation disclosures for inclusion in our annual proxy statement. In addition, the Compensation Committee regularly reviews current best compensation and governance practices to ensure that our executive compensation program is consistent with recent developments and market practice. The Compensation Committee, in overseeing the compensation of our directors and officers, considers various analyses and perspectives provided by its independent compensation consultant and Company management. Subject in certain circumstances to Board approval, the Compensation Committee has the sole authority to make final decisions with respect to our executive compensation program, and the Compensation Committee is under no obligation to utilize the input of other parties. For more detailed information regarding the Compensation Committee, please refer to the Compensation Committee Charter, which may be accessed via the Company s website at *www.parsleyenergy.com* by selecting Investors and then Governance.

Determining Compensation Levels

As discussed above, the Compensation Committee is responsible for establishing the elements, terms and target value of compensation paid or delivered to our named executive officers. The Compensation Committee strives to develop a competitive, but not excessive, compensation program to recruit and retain named executive officers that are among the most talented and experienced executives in our industry. An important element of the Compensation Committee s decision making is compensation data produced by its independent compensation consultant, Meridian Compensation Partners, LLC (Meridian), including direct data from our peer group and proprietary data developed by Meridian. In addition, the Compensation Committee considers information provided by our executive officers in designing and implementing our executive compensation program. This data assists the Compensation Committee in evaluating appropriate compensation levels for each named executive officer in relation to market practice and in designing an effective executive compensation program for the Company. The roles of Meridian and our executive officers in the Compensation Committee s decision-making process are described more fully below.

Role of Compensation Consultant in Compensation Decisions

The Compensation Committee has retained Meridian as its independent compensation consultant. Meridian provides advice to and works with the Compensation Committee in designing and implementing the structure and mechanics of the Company s executive compensation regime as well as other matters related to officer and director compensation and corporate governance. For example, Meridian regularly updates the Compensation Committee on regulatory changes impacting executive compensation, proxy advisor policies, compensation-related risks, and compensation trends in the exploration and production industry. In addition, Meridian provides the Compensation Committee with

relevant data, including market and peer-company compensation and performance surveys and information and advice regarding recent trends and developments in executive and director compensation practices. This information assists the Compensation Committee in making executive and director compensation decisions based on market pay levels and best practices.

Meridian reports directly and exclusively to the Compensation Committee and does not provide any other services to management, the Company or its affiliates. Meridian does not make compensation-related decisions for the Compensation Committee or otherwise with respect to the Company, and, while the Compensation Committee generally reviews and considers information and recommendations provided by Meridian, the Compensation Committee has the final authority to make compensation-related decisions. The Compensation Committee has the discretion to allow Meridian to work directly with management in preparing or reviewing materials for the Compensation Committee s consideration. During 2018, and after taking into consideration the factors listed in Section 303A.05(c)(iv) of the New York Stock Exchange (NYSE) Listed Company Manual, the Compensation Committee concluded that neither it nor the Company has any conflicts of interest with Meridian, and that Meridian is independent from management. Other than Meridian, no other compensation consultants provided services to the Compensation Committee during 2018.

Role of Executive Officers in Compensation Decisions

In determining the compensation of our named executive officers, the Compensation Committee considers the information and advice provided by Meridian, our corporate goals, historic and projected performance, the current economic and commodities environment, and other relevant factors. With respect to the compensation of the named executive officers other than our Chief Executive Officer, the Compensation Committee also considers the recommendations of our Chief Executive Officer and each named executive officer s individual performance. Additionally, in light of our named executive officers integral role in establishing and executing the Company s overall operational and financial objectives, the Compensation Committee requests that our named executive officers provide the initial recommendations on the appropriate goals for the qualitative and quantitative performance metrics used in our short-term cash incentive program, and may choose to accept and approve these recommendations in its sole discretion. In addition, the Compensation Committee may invite any named executive officer to attend Compensation Committee meetings to report on the Company s progress with respect to the annual quantitative and qualitative performance metrics, but any such officer is excluded from any decisions or discussions regarding his individual compensation.

Compensation Discussion and Analysis

Peer Group

The Compensation Committee, with input from Meridian, selects our peer group after reviewing the relative size, market capitalization, revenue, enterprise value, asset value, business structure, mix of oil and gas production, and historical performance of a number of similar companies operating in the upstream exploration and production industry. The Compensation Committee also considers to what extent we directly compete with these companies in making its determination *(e.g.*, whether we operate in the same geographic location). In February 2018, the Compensation Committee, with input from Meridian, determined that the peer group for 2018 should be updated to better reflect the growth of our acreage portfolio and production volumes, our current market position (*e.g.*, market capitalization, revenues, asset value and enterprise value) and the expectation of continued consolidation and volatility in the energy industry. After taking all of these considerations into account, the Compensation Committee determined that the companies included in the table below reflected an appropriate peer group for 2018:

Antero Resources Corp.	Encana Corporation	QEP Resources, Inc.
Cabot Oil & Gas Corp.	Energen Corporation	Range Resources Corp.
Cimarex Energy Co.	Marathon Oil Corporation	RSP Permian Inc.
Concho Resources Inc.	Noble Energy, Inc.	Whiting Petroleum Corp.
Continental Resources, Inc.	Pioneer Natural Resources Co.	WPX Energy, Inc.
Diamondback Energy Inc.		

Compensation and total stockholder return data from the above peer group was used by the Compensation Committee when making decisions regarding the compensation paid to our named executive officers other than Mr. Dell Osso. In August 2018, in light of Concho Resources, Inc. s acquisition of RSP Permian Inc., the Compensation Committee added Apache Corporation and PDC Energy, Inc. to the peer group. Compensation data from this modified peer group was used by the Compensation Committee when determining the compensation package that was offered to Mr. Dell Osso in connection with his hiring. At least annually, the Compensation Committee reviews and adjusts our peer group to ensure that companies in the group more closely match our size and operational profile.

Elements of Compensation

Base Salary

Each named executive officer s base salary is a fixed component of compensation each year for performing specific job duties and functions. Base salary is an integral component of our compensation and a crucial aspect of retaining talented and experienced executives. The Compensation Committee sets our Chief Executive Officer s base salary and works together with our Chief Executive Officer to determine what adjustments, if any, should be made to the base salaries of our other named executive officers. With the exception of base salary increases in connection with promotions, the Compensation Committee generally evaluates whether to adjust the base salaries of our named executive officers during the second quarter of each year. The base salary rates for the named executive officers are modified based on a consideration of factors that the Compensation Committee deems relevant, including but not limited to: (i) any increase or decrease in the executive s responsibilities; (ii) the executive s experience; (iii) the

executive s job performance; (iv) industry and market conditions; (v) the Company s performance relative to its peer group; and (vi) the level of compensation paid to executives of other companies with which we compete for executive talent (including the companies in our peer group), as estimated based on data provided by Meridian, publicly available information, and the experience and expertise of the members of the Compensation Committee.

We believe that the Company s continued growth and maturation, and the resulting changes in the companies that comprise our compensation peer group from year to year, make it increasingly important that we conduct annual evaluations of the base salaries paid to our named executive officers. These evaluations ensure we continue to compensate our executives competitively and in a manner that appropriately reflects their respective responsibility levels.

Based upon these evaluations, the Compensation Committee increased base salaries, effective July 2, 2018, for all of our named executive officers (other than Mr. Dell Osso, who was not an employee of the Company at that time) in an effort to more closely align them with the base salary levels paid to similarly situated executives by members of our peer group.

Name	2017 Base Salary	2018 Base Salary
Bryan Sheffield	$ 810,000	$ 850,000
Matt Gallagher	$ 525,000	$ 550,000
Ryan Dalton	$ 455,000	$ 475,000
David Dell Osso(1)	N/A	$ 475,000
Colin Roberts	$ 375,000	$ 393,000

(1) Mr. Dell Osso s employment with the Company began on October 8, 2019, and his base salary included in the chart above reflects his annualized base salary in effect as of his start date in accordance with the terms of his employment agreement.

The total base salary paid to each of our named executive officers for services provided during 2018 is reported below in the Salary column of our Summary Compensation Table.

Incentive Compensation

To attract, retain, and motivate officers and directors, we award short-term cash incentive awards and long-term time-based and performance-based equity awards, in each case pursuant to our LTIP. Our named executive officers are eligible to participate in the LTIP, which allows the Board to grant a variety of cash and equity-based awards, including options to purchase shares of our Class A common stock, stock appreciation rights, restricted stock, restricted stock units (RSUs), bonus stock, dividend equivalents, other stock-based awards, performance awards, and annual incentive awards. Since its adoption, we have awarded only restricted stock, RSUs, and short-term cash incentive bonuses pursuant to our LTIP. As of the date of this Proxy Statement, we have not granted any stock options under our LTIP.

Annual Incentive Bonus 2018 Short-Term Cash Incentive Program

Our short-term cash incentive program is designed to motivate our named executive officers to achieve specific financial and operational goals over a one-year period by providing pre-established performance criteria that are communicated to our named executive officers early in the performance period. The 2018 short-term cash incentive program also provides for payout percentages that are calculated based upon the Company s actual performance against pre-set quantitative and qualitative performance goals. No payout percentage is earned for a quantitative metric if the actual performance for that metric is below the threshold level, and the overall payout amount for each named executive officer is capped at 200% of that individual s target bonus (regardless of any individual performance adjustment).

The quantitative metrics are comprised of specific, numerical performance goals, while the qualitative factors are based on strategic company goals, the achievement of which is not easily quantifiable. In establishing the performance criteria for the 2018 short-term cash incentive program, the Compensation Committee increased the relative weighting of the quantitative performance metrics from 50% of the total annual incentive opportunity, as utilized for the 2017 short-term cash incentive program, to 70% of the total annual incentive opportunity; in turn, the Compensation Committee decreased the relative weighting of the qualitative performance metrics from 50%, as utilized for the 2017 short-term cash incentive program, to 30% of the total annual incentive opportunity for 2018.

In choosing to increase the quantifiable components of our short-term cash incentive program, the Compensation Committee sought to motivate our named executive officers to achieve the Company s specific financial and operational goals in 2018. The Compensation Committee also believed that this change would further align the interests of our named executive officers with those of our stockholders. Furthermore, the 2018 short-term cash incentive program provided the Compensation Committee with the flexibility to increase or decrease payouts based on individual performance and relevant market adjustments.

The following quantitative performance metrics were utilized in 2018:

daily average production volume, measured in thousand barrels of oil equivalent per day (MBOEPD), which represents the quantity of oil, gas, and natural gas liquids produced per day;

lease operating expense (LOE), which includes all direct and allocated indirect costs of lifting hydrocarbons from a producing formation to the surface constituting part of the current operating expenses of a working interest, including labor, superintendence, supplies, repairs, maintenance, allocated overhead charges, workover, insurance and other expenses incidental to production, but excludes lease acquisition and drilling and completion expenses;

finding and development cost for proved developed producing reserves (PDP F&D), which is calculated by dividing annual development capital expenditures by year-over-year proved developed producing and proved developed non-producing reserve additions, and includes reclassifications and technical and pricing revisions, but excludes acquisitions and divestitures; and

cash general and administrative expense (Cash G&A), which represents the relevant cash general and administrative expenses not captured in development costs.

LOE, PDP F&D and Cash G&A are measured on a unit basis (*i.e.*, barrel of oil equivalent (Boe)) and are designed to incentivize expense reductions and improved capital and operational efficiencies.

The qualitative metrics that the Compensation Committee utilized for 2018 included, but were not limited to, health, safety, and environmental improvements, achievement of strategic initiatives and talent development.

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Compensation Discussion and Analysis

The chart below summarizes the metrics and performance levels established by the Compensation Committee for 2018.

	Weighting	Threshold Performance Level	Target Performance Level	Maximum Performance Level
Quantitative Metrics	**70%**			
Daily Average Production	20%	102 MBOEPD Payout %: 10%	108 MBOEPD Payout %: 20%	116 MBOEPD Payout %: 40%
LOE	15%	$3.80/Boe Payout %: 7.5%	$3.50/Boe Payout %: 15%	$2.70/Boe Payout %: 30%
PDP F&D	20%	$13.00/Boe Payout %: 10%	$12.00/Boe Payout %: 20%	$10.00/Boe Payout %: 40%

Cash G&A	15%			
		$3.60/Boe Payout %: 7.5%	$3.35/Boe Payout %: 15%	$3.10/Boe Payout %: 30%
Qualitative Factors	**30%**			

Health/Safety/Environmental Strategic Initiatives Talent Development	The payout percentage for qualitative metrics will be determined by the Compensation Committee in its sole and absolute discretion after considering our qualitative performance in any areas it deems relevant, which may include, but are not limited to, the qualitative factors listed here.

After the level of performance is determined by the Compensation Committee, the payout percentage for each individual metric is added together to calculate the total payout percentage for each named executive officer. The Compensation Committee may then adjust the total payout percentage for each participant either up or down by no more than 25% to take into account individual performance. The final payout percentage is then multiplied by the participant s target bonus opportunity.

In February 2018, after considering the Company s performance, the performance of the named executive officers and general industry and market conditions, the Compensation Committee determined that the target bonus opportunity for our named executive officers under the 2018 short-term cash incentive program should be 120% for Mr. Sheffield, 100% for Mr. Gallagher and 90% for Messrs. Dalton and Roberts, in each case, of such named executive officer s base salary in effect at 2018 fiscal year end, as reflected in the following table.

Name	2017 Target Bonus Opportunity	2018 Target Bonus Opportunity

	(% of Base Salary)	(% of Base Salary)
Bryan Sheffield	100%	120%
Matt Gallagher	100%	100%
Ryan Dalton	100%	90%
David Dell Osso(1)	N/A	90%
Colin Roberts	100%	90%

(1) Mr. Dell Osso s employment with the Company began on October 8, 2019, and his actual 2018 bonus award was prorated for the portion of the 2018 fiscal year that he was employed by the Company.

In 2018, while the Compensation Committee intended to administer the program as described above, in order to retain flexibility to account for market and other conditions, the Compensation Committee reserved the right to increase or decrease final awards or terminate the 2018 short-term cash incentive program entirely at any time prior to settlement of the awards.

In February 2019, the Compensation Committee met to determine the payout percentage for each metric based on the actual level of performance achieved in 2018 for each of the qualitative and quantitative performance metrics. The Compensation Committee reviewed and discussed data relating to the Company s performance as compared to the established 2018 targets for

each quantitative performance metric described above. The Compensation Committee applied an individual performance multiplier to each named executive officer s target bonus, but did not modify the final awards in any other way or terminate the program during 2018.

As shown below, the Compensation Committee calculated the payout percentage for the quantitative metrics to be 83.6% by applying the actual results for each quantitative metric for the 2018 fiscal year to the targets approved by the Compensation Committee during 2018. The following chart shows the Compensation Committee s determination with respect to the 2018 short-term cash incentive program performance measures:

Quantitative Metrics

Metric	**Threshold**	**Target**	**Maximum**	***Actual Result***	**Payout Percentage(1)**
Daily Average Production	102 MBOEPD	108 MBOEPD	116 MBOEPD	**109.4 MBOEPD**	23.5%
LOE(2)	$3.80/Boe	$3.50/Boe	$2.70/Boe	**$3.60/Boe**	12.5%
PDP F&D	$13.00/Boe	$12.00/Boe	$10.00/Boe	**$11.46/Boe**	25.4%
Cash G&A(2)	$3.60/Boe	$3.35/Boe	$3.10/Boe	**$3.23/Boe**	22.2%
SUB-TOTAL					**83.6%**

(1)

No payout percentage is earned for a quantitative metric if the actual performance for the applicable metric is below the threshold level, and the overall payout percentages are capped at 200% of target payout.

(2) For purposes of the 2018 short-term cash incentive program, the results for LOE and Cash G&A expense were calculated assuming that 2018 bonuses were paid based upon a final payout percentage of 100% of target performance. As such, the results for LOE and Cash G&A reflected in this table differ from our actual LOE and Cash G&A expense for 2018, which include the actual payouts earned under the 2018 short-term cash incentive program.

With respect to the qualitative metrics, the Compensation Committee considered a variety of qualitative factors in determining a payout percentage of 30%, which equaled the targeted performance level, as reflected in the table below:

Qualitative Factors	Achievement of Performance Objectives in 2018
Health, Safety and Environmental	Reduced reportable incidents and spills year-over-year despite a significant increase in activity and exposure hours; Developed and implemented new health, safety and environmental policies and procedures; Conducted environmental audits on existing properties and due diligence assessments on properties proposed to be acquired or divested; and Hired new Safety Manager and Environmental Field Specialist.
Strategic Initiatives	Optimized acreage portfolio by integrating 2017 acquisitions and divesting tail-end or isolated inventory; Implemented proactive marketing strategy; Grew production while delivering robust operating margins and reduced operating costs; Increased drilling and completion efficiency; Introduced new strategic framework to achieve free cash flow generation through capital efficient development; and Maintained well-respected, healthy organizational culture.
Talent Development	Enhanced educational opportunities and training;

	Expanded capabilities of human resources software for more efficient data reporting; Maintained strong organizational culture despite continued growth and maturation, as measured by employee surveys; and Increased technical and certification opportunities for professionals.
SUB-TOTAL	**30.0%**
TOTAL 2018 PAYOUT PERCENTAGE	**113.6%**

Finally, after reviewing each named executive officer s individual performance and contributions to the Company in 2018, the Compensation Committee determined that the individual performance adjustments included in the chart below should be applied to the 2018 bonus payouts. The final payout percentage of 113.6%, as determined above, and the individual performance adjustments were then multiplied by each named executive officer s target bonus opportunity, in order to calculate the total bonus payable to each named executive officer.

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Compensation Discussion and Analysis

The bonus amounts paid to the named executive officers for the 2018 fiscal year under the 2018 short-term cash incentive program are outlined in the chart below and are reported in the Summary Compensation Table in the Non-Equity Incentive Plan Compensation column:

Name	Base Salary as of 12/31/18 ($)		Target Bonus as % of Base Salary		Payout Percentage		Individual Performance Adjustments (%)		Actual 2018 Bonus Award ($)
Bryan Sheffield	$ 850,000	X	120%	X	113.6%	X	100.0%	=	$ 1,158,720
Matt Gallagher	$ 550,000	X	100%	X	113.6%	X	120.0%	=	$ 749,760
Ryan Dalton	$ 475,000	X	90%	X	113.6%	X	110.0%	=	$ 534,204
David Dell Osso(1)	$ 475,000	X	90%	X	113.6%	X	100.0%	=	$ 121,410
Colin Roberts	$ 393,000	X	90%	X	113.6%	X	110.0%	=	$ 441,984

(1) Mr. Dell Osso s employment with the Company began on October 9, 2018, and his actual 2018 bonus award was prorated for the portion of the 2018 fiscal year that he was employed by the Company.

2018 Long-Term Incentive Awards under the LTIP

On February 12, 2018, the Compensation Committee granted awards of restricted shares of our Class A common stock to each of our named executive officers. One-half of the awards granted were performance-based restricted stock awards (Performance-Based Awards), and the other one-half of the awards granted were time-based restricted stock awards (Time-Based Awards).

The combination of Performance-Based Awards and Time-Based Awards is intended to provide a balance of incentivizing sustainable Company performance over an extended time frame with our long-term retention goals. Specifically, the Performance-Based Awards are intended to ensure that a meaningful portion of our named executive officers compensation is performance-based and at-risk based on the performance of our stock price relative to our peers, thus incentivizing our named executive officers to achieve long-term company performance goals and aligning our named executive officers compensation with the value created for our stockholders over time. The Time-Based Awards are a more predictable compensation element and are intended to emphasize long-term retention and to further align our named executive officers interests with those of our stockholders through meaningful stock ownership in the Company. All of the Time-Based Awards granted to our named executive officers in February 2018 will vest, subject to continued employment with the Company and the terms of the applicable award agreements and the LTIP, on February 12, 2021.

The performance metric applicable to the Performance-Based Awards granted in 2018 is relative total stockholder return compared to the total stockholder return of peer group companies over the three-year performance period from January 1, 2018 through December 31, 2020. Total stockholder return is calculated as the change in stock price plus dividends paid over the performance period, assuming that any dividends paid are reinvested in the applicable peer company s stock. The stock price at the beginning and end of the performance period is calculated using the relevant company s 20 trading-day average closing stock price leading up to the first and last day of the performance period, respectively. The peer group of companies used to measure relative total stockholder return is as follows, which is the same peer group disclosed above in the section entitled Determining Compensation Levels Peer Group.

Antero Resources Corp.	Encana Corporation	QEP Resources, Inc.
Cabot Oil & Gas Corp.	Energen Corporation*	Range Resources Corp.
Cimarex Energy Co.	Marathon Oil Corporation	RSP Permian Inc.*
Concho Resources Inc.	Noble Energy, Inc.	Whiting Petroleum Corp.
Continental Resources, Inc.	Pioneer Natural Resources Co.	WPX Energy, Inc.
Diamondback Energy Inc.		

*

On July 19, 2018, RSP Permian Inc. was acquired, via merger, by Concho Resources Inc., and PDC Energy, Inc. was added to the peer group as a replacement in accordance with the terms of the Performance-Based Awards granted in 2018. On November 29, 2018, Energen Corp. was acquired, via merger, by Diamondback Energy Inc., and Devon Energy Corporation was added to the peer group as a replacement in accordance with the terms of the Performance-Based Awards granted in 2018.

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If any member of the above peer group is acquired during the performance period, then it will be replaced by one of the substitute companies listed below. The applicable replacement company will be added to the peer group and used in lieu of the acquired company when calculating relative total stockholder return for the entire performance period. The replacement member (or members) will be automatically selected from the following list in the order enumerated below:

1. PDC Energy, Inc.*
2. Devon Energy Corporation*
3. SM Energy Company
4. EOG Resources, Inc.
5. Apache Corporation
6. EP Energy Corporation

* PDC Energy, Inc. and Devon Energy Corporation were added to the peer group as replacements for RSP Permian Inc. and Energen Corp., which were acquired during 2018.

During the performance period, if any member of the peer group ceases to exist by reason of bankruptcy or is delisted and ceases to be traded on a national securities exchange (*i.e.*, Nasdaq or NYSE), other than by reason of acquisition, then it will remain in the peer group, and its performance will be measured using a zero percent total stockholder return for purposes of the relative total stockholder return calculation from the date of such company s bankruptcy, delisting or cessation of trading on a national securities exchange through the end of the performance period.

The Compensation Committee determined that relative total stockholder return was an appropriate performance measure over this three-year performance period because it aligns the interests of our named executive officers with those of our stockholders and rewards for outperformance of our peer group. In addition, due to sustained industry and commodity price volatility, the Compensation Committee felt that the Performance-Based Awards should vest based on performance relative to peers in our industry.

At the end of the three-year performance period, the Performance-Based Awards will vest based on the Compensation Committee s certification of our relative total stockholder return for the performance period as follows:

Level	Performance (Percentile Rank vs. Peers)	Vesting (% of Target)
< Threshold	< 25th Percentile	0%
Threshold	25th Percentile	50%
Target	50th Percentile	100%
³ Maximum	³75th Percentile	200%

If we do not achieve the threshold level of relative total stockholder return, the Performance-Based Awards will be forfeited in their entirety. Vesting levels for performance between threshold, target, and maximum will be calculated using straight line interpolation.

Vesting of 2016 Performance-Based RSUs under the LTIP

On February 18, 2016, the Company granted performance-based RSUs to each of our named executive officers (the 2016 Performance Awards). As described below in the section entitled Tax and Accounting Considerations Conversion of RSUs, for tax planning purposes, on February 12, 2018, the 2016 Performance Awards were converted from RSUs to restricted stock, subject to the same material terms and conditions previously applicable to such awards. As converted, the 2016 Performance Awards are intended to be economically identical to the pre-conversion awards granted to our named executive officers in 2016.

On February 11, 2019, the 2016 Performance Awards vested based on the Company s relative total stockholder return over the three-year performance period from January 1, 2016 through December 31, 2018. The 2016 Performance Awards became vested following the end of the applicable performance period on December 31, 2018, and, on February 11, 2019, the Compensation Committee determined that the Company attained a negative 6.17% cumulative total stockholder return over the three-year performance period, resulting in the fifth highest total stockholder return among the applicable peer group members, which are described in our 2017 proxy statement, and a performance level at approximately the 73rd percentile. Consequently, the Company s relative total stockholder return for the applicable performance period was slightly below the maximum performance level (*i.e.*, the 75th percentile ranking), resulting in a payout equal to 193.2% of the target number of the 2016 Performance Awards, as reflected in the following table.

Name	Target Number of 2016 Performance Awards	Payout Percentage of Target	Actual Number of Shares Earned
Bryan Sheffield	67,065	193.2%	129,569

Matt Gallagher	35,928	193.2%	69,412
Ryan Dalton	28,817	193.2%	55,674
Colin Roberts	19,760	193.2%	38,176

Although our cumulative total stockholder return was slightly negative over the three-year performance period applicable to the 2016 Performance Awards, we strongly outperformed our peer group and believe that relative total stockholder return remains an

Compensation Discussion and Analysis

appropriate performance metric for our long-term incentive awards. Our business and the market price of our Class A common stock are highly dependent on commodity prices and other factors over which we have no control. The Compensation Committee believes that basing long-term incentive compensation on our performance relative to our competitors incentivizes our named executive officers to deliver results that differentiate us from our competitors and rewards them for the achievement of performance within their direct control. In addition, we also believe that relative total stockholder return provides an appropriate link between the Company s long-term performance and executive compensation and accomplishes our objectives of aligning management and stockholder interests and creating sustainable value for our investors. As discussed below in the section entitled Executive Compensation Decisions Since Fiscal Year End 2019 Long-Term Incentive Awards under the LTIP, with respect to the performance-based RSUs granted in February 2019 that vest based on our relative total stockholder return performance, if our absolute total stockholder return performance over the performance period applicable to such awards is less than zero percent, the vesting level may not exceed the target level (*i.e.*, 100% of the target number of performance-based RSUs granted).

Other Compensation Elements

Health, 401(k) and Life Insurance Plans We currently maintain a retirement plan intended to provide benefits under section 401(k) of the Internal Revenue Code of 1986, as amended (the Code), whereby each of our employees, including our named executive officers, is allowed to contribute a portion of his or her base compensation to a tax-qualified retirement account. We match a specified percentage of salary deferrals for all employees, which is immediately fully vested for all participants. We may also make additional discretionary matching contributions, although no such contributions were made in 2018 or are currently being contemplated for 2019. We also pay all premiums for health insurance coverage and provide life insurance coverage for each of our employees on a non-discriminatory basis.

Aircraft Usage We utilize our corporate aircraft to facilitate the most efficient business travel for certain employees, members of our Board and business partners. Any permitted traveler utilizing the corporate aircraft for personal use not associated with business travel must obtain advance approval from our Chief Executive Officer, enter into a time sharing agreement for each applicable aircraft, and reimburse the Company for all applicable expenses allowable and in accordance with FAA regulations.

Pursuant to their employment agreements, Messrs. Sheffield and Gallagher are entitled to utilize the Company s aircraft for reasonable personal use in North America at no cost to them for up to 30 hours per year. The value of unreimbursed personal use of the aircraft by Messrs. Sheffield and Gallagher will be treated as imputed income to them for tax purposes. Messrs. Sheffield and Gallagher have entered into time sharing agreements in accordance with FAA regulations, pursuant to which they have agreed to reimburse the Company for all applicable expenses allowable for flight hours exceeding the 30 hours provided for under their employment agreements (and, in the case of Mr. Sheffield, the Letter Agreement (as defined below)). During 2018, neither Mr. Sheffield nor Mr. Gallagher utilized the Company s aircraft for personal use.

Additionally, dependents of our named executive officers are permitted in limited circumstances to accompany our named executive officers on business flights, provided any such flight has the appropriate extra capacity for such

dependents. Please see footnote 3 to the Summary Compensation Table below for a description of corporate aircraft use by our named executive officers in 2018.

Defined Benefit Plans We have not maintained, and do not currently maintain, a defined benefit pension plan.

Employment Agreements

Employment Agreement and Letter Agreement with Bryan Sheffield

Parsley Energy Operations, LLC, an indirect majority-owned subsidiary of the Company (the Employer), has entered into employment agreements with each of our named executive officers, the material terms of which are summarized below.

The employment agreement with Bryan Sheffield, who served as our Chairman and Chief Executive Officer during 2018, has an initial three-year term that automatically renews for successive one-year periods until terminated in writing by either party at least 60 days prior to a renewal date. Prior to his entry into the Letter Agreement, as described below, Mr. Sheffield s employment agreement provided him an annual base salary of no less than $615,000. Mr. Sheffield is also eligible to earn an annual bonus and has the right to participate in all benefits and conditions of employment generally available to our employees of the same level and responsibility. As described above, he is also entitled to the complimentary use of aircraft leased or owned by us for business purposes and up to 30 hours per year of reasonable personal use within North America. Pursuant to the terms of his employment agreement, Mr. Sheffield is entitled to severance payments in certain limited circumstances. Severance benefits to be provided under Mr. Sheffield s employment agreement are described in more detail below in the section entitled Potential Payments Upon Termination or Change of Control. Mr. Sheffield is also entitled under his employment agreement to obtain an annual physical examination at the Cooper Clinic in Dallas, Texas at our expense.

As described above in the section entitled Chief Executive Officer Succession Plan, effective January 1, 2019, Bryan Sheffield stepped down from his position as our Chief Executive Officer and was appointed as our Executive Chairman. In connection with Mr. Sheffield s appointment as Executive Chairman, the Compensation Committee determined that an adjustment in his base salary from $850,000 (his base salary in effect at the end of 2018) to $550,000 was appropriate to reflect the responsibilities associated with his new position. To memorialize these terms, the Company and Mr. Sheffield entered into a letter agreement on February 15, 2019 (the Letter Agreement), which describes the current terms of Mr. Sheffield s compensation for

his service as Executive Chairman. The Letter Agreement supersedes and cancels the original letter agreement concerning the same subject that was entered into between the Company and Mr. Sheffield on January 9, 2018. The Letter Agreement provides for the following with respect to Mr. Sheffield s compensation for his service as Executive Chairman:

- Mr. Sheffield s employment agreement, as amended, will remain in effect until such time as he is no longer an employee or officer of the Company;
- during the period Mr. Sheffield serves as Executive Chairman, his annualized base salary will initially be $550,000, which amount may be increased or decreased from time to time in the sole discretion of the Compensation Committee;
- the benefits and limited perquisites to which Mr. Sheffield was entitled will remain at the same level as in effect immediately prior to the date he stepped down as Chief Executive Officer; and
- Mr. Sheffield will be eligible to receive an annual cash bonus during the period he serves as Executive Chairman; however, he will not be granted new equity awards while he is serving as Executive Chairman.

Following his retirement as an employee and officer of the Company, Mr. Sheffield will be compensated as a non-employee director so long as he continues to serve as Chairman of the Board, and he will no longer be entitled to any compensation as an employee or officer of the Company. The Letter Agreement includes an acknowledgement that none of the compensation arrangements provided for in the Letter Agreement, Mr. Sheffield s transition from Chief Executive Officer to Executive Chairman or Mr. Sheffield s transition from Executive Chairman to Chairman of the Board will give rise to a right on Mr. Sheffield s part to terminate his employment with the Company and its subsidiaries for Good Reason (as such term is defined in Mr. Sheffield s employment agreement).

Other Named Executive Officer Employment Agreements

Prior to entering into the 2019 Employment Agreements, as described below, the Employer had entered into employment agreements with each of (i) Matt Gallagher, as President and Chief Operating Officer, (ii) Ryan Dalton, our Executive Vice President Chief Financial Officer, and (iii) Colin Roberts, our Executive Vice President General Counsel. Each of these agreements had an initial one-year term that automatically renewed for successive one-year periods until terminated in writing by either party at least 60 days prior to a renewal date. Each executive was eligible to earn an annual bonus and had the right to participate in all benefits and conditions of employment generally available to our employees of the same level and responsibility. Pursuant to the terms of each employment agreement, each executive was entitled to severance payments in certain limited circumstances. Severance benefits that were to be provided under these employment agreements with Messrs. Gallagher, Dalton and Roberts are described in more detail below in the section entitled Potential Payments Upon Termination or Change of Control Quantification of

Benefits under the 2018 Employment Agreements.

On September 26, 2018, but effective October 9, 2018, the Employer entered into an employment agreement with David Dell Osso, our Executive Vice President Chief Operating Officer (the Dell Osso Employment Agreement), and on December 28, 2018, but effective January 1, 2019, the Employer entered into amended and restated employment agreements with Messrs. Gallagher, Dalton and Roberts (the 2019 Employment Agreements and together with the Dell Osso Employment Agreement, the Executive Employment Agreements).

Each of the Executive Employment Agreements has an initial one-year term that automatically renews for successive one-year periods until terminated in writing by either party at least 60 days prior to a renewal date. The Executive Employment Agreements provide for annual base salaries of no less than $550,000, $475,000, $475,000 and $393,000 for Messrs. Gallagher, Dell Osso, Dalton and Roberts, respectively, and an annual bonus amount as determined by the Compensation Committee. As described above, Mr. Gallagher s agreement also provides that, subject to the Company s policies relating to corporate aircraft, he will be eligible to utilize Company-provided aircraft for reasonable personal use in North America for up to 30 hours per year and will not be required to reimburse the Company for costs relating to such use. Under the Executive Employment Agreements, Messrs. Gallagher, Dell Osso, Dalton and Roberts are also eligible to obtain physical examinations at the Cooper Clinic in Dallas, Texas at our expense (on an annual basis for Mr. Gallagher and on a bi-annual basis for Messrs. Dell Osso, Dalton and Roberts). The severance benefits to be provided to Mr. Dell Osso under the Dell Osso Executive Employment Agreement are described in more detail below in the section entitled Potential Payments Upon Termination or Change of Control Quantification of Benefits under the 2018 Employment Agreements and the severance benefits to be provided under the Executive Employment Agreements with Messrs. Gallagher, Dalton and Roberts are described in more detail below in the section entitled Potential Payments Upon Termination or Change of Control Quantification of Benefits under the 2019 Employment Agreements.

As discussed above in the section entitled Chief Executive Officer Succession Plan, effective January 1, 2019, Matt Gallagher succeeded Mr. Sheffield as the Company s Chief Executive Officer and was appointed as the Company s President and Chief Executive Officer. In February 2019, the Compensation Committee determined that an adjustment to Mr. Gallagher s base salary from $550,000 to $750,000 was appropriate to reflect the increased responsibilities associated with his new position. On February 15, 2019, the Employer entered into an amendment to Mr. Gallagher s 2019 Employment Agreement to reflect this adjustment to his base salary.

Compensation Discussion and Analysis

Tax and Accounting Considerations

The Compensation Committee and the Company review and consider the tax, accounting, and securities law implications of our executive compensation program.

Section 162(m) Section 162(m) of the Code (Section 162(m)) prohibits deductions for compensation paid in excess of $1 million during a single fiscal year to certain executive officers. The Section 162(m) deduction limitation did not apply to the compensation paid to our named executive officers under our LTIP prior to our 2018 Annual Meeting of Stockholders, as such compensation was intended to fall within the transition exception to the Section 162(m) deduction limitation (the Transition Exception) for compensation paid pursuant to a plan that existed prior to the time of our initial public offering (IPO). The Transition Exception expired as of our 2018 Annual Meeting of Stockholders.

We take the economic effects of Section 162(m) into consideration when determining the structure, implementation, and value of compensation paid to our executive officers, including the deductibility of our executive compensation program. In doing so, we reserve the right to pay non-deductible compensation to our executive officers if the Compensation Committee determines that such compensation is in the best interests of the Company. Given the expiration of the Transition Exception and other changes made to Section 162(m) by the Tax Cuts and Jobs Act enacted in 2017, which took effect in 2018, in order to attract, retain, and motivate our executive officers, a portion of the compensation received by our executive officer may not be fully deductible.

Conversion of RSUs On February 12, 2018, the RSUs granted to our named executive officers in 2016 and 2017 were converted into awards of restricted stock (the Converted Awards). As described above, Section 162(m) generally prohibits deductions for compensation paid in excess of $1 million during a single fiscal year to certain executive officers; however, the Code and the Department of Treasury regulations promulgated thereunder provide the Transition Exception to the Section 162(m) deduction limitation for compensation paid pursuant to a plan that existed prior to the time a company becomes publicly held. Generally, the Transition Exception applies to any compensation received pursuant to the vesting of an award of restricted stock granted prior to the expiration of the Transition Exception; however, the Transition Exception does not apply to any other forms of stock-based compensation, including RSUs, that vest and are settled following the expiration of the Transition Exception, even if such awards were granted prior to the expiration of the Transition Exception.

To take advantage of the tax deductibility provided by the Transition Exception, the Compensation Committee determined it was in the best interests of the Company and its stockholders to convert the outstanding RSUs granted to our named executive officers in 2016 and 2017 to awards of restricted stock prior to the expiration of the Transition Exception. The Converted Awards are subject to the same material terms and conditions, including vesting schedules and performance criteria, applicable to such awards prior to the conversion. The Converted Awards are intended to be economically identical to the RSU awards originally granted to our named executive officers in 2016 and 2017.

Accounting for Executive Compensation Currently, all equity-based compensation is accounted for under the rules of the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (FASB ASC Topic 718). This rule requires the Company to estimate the expense of each equity award over the vesting period of the award and record it as such. We are also obligated to record cash-based awards as an expense at the time our payment obligation

is accrued.

Risk Assessment and Mitigation

The Compensation Committee has reviewed our executive and non-executive compensation programs and believes that they do not encourage excessive or unnecessary risk taking. We believe that any risk inherent in our compensation programs is unlikely to have a material adverse effect on us. In designing and implementing our award structure, we and the Compensation Committee worked closely with Meridian to mitigate any risks and to minimize the creation of imprudent incentives for our executives. We do not believe that our performance-based compensation encourages unnecessary risks because the executive pay mix is sufficiently diversified over several performance metrics as well as over short-term and long-term compensation.

Our compensation program includes the following features to prevent and safeguard against excessive risk taking:

- Payments under our short-term cash incentive program are based upon the Compensation Committee s certification and review of a variety of performance metrics, thereby diversifying the risk associated with any single performance indicator;

- Our long-term equity compensation rewards have performance or vesting periods of at least three years, which encourages executives to focus on the long-term performance of the Company and its stock price;

- We pay compensation that we believe is competitive with the market and our industry peers, while not being excessive;

- Our compensation mix is balanced among fixed and variable components, annual and long-term compensation, and cash and equity that reward performance in the Company s and our executives long-term best interests;

- Our incentive compensation plans cap the maximum payout and have features that discourage excessive risk-taking;

- Our Compensation Committee has an appropriate level of discretion to reduce payments under our short-term cash incentive program;

- Our insider trading policy contains a general anti-hedging policy and, subject to limited exceptions with Audit Committee approval, anti-pledging policy for all insiders;

Payments under our short-term cash incentive program and all equity-based compensation provided to our officers are subject to clawback in the event of a financial restatement or fraud or misconduct that adversely affects our financial performance or results in a material diminution in our stock price; and

We do not have any agreements that provide for payments solely upon the occurrence of a change of control (except for performance-based equity awards, which vest based on the actual achievement of the applicable performance conditions through the date immediately prior to the change of control).

We believe that our executive compensation program provides our executive officers with appropriate rewards for sustained performance, without giving unnecessary weight to any one factor or type of compensation, and discourages excessive risk-taking. Our compensation structure is designed to encourage sustained performance over a long-term period. Based on the foregoing, the Compensation Committee has concluded that the risks arising from our compensation policies and programs is not reasonably likely to have a material adverse effect on us.

Incentive Compensation Recoupment Policy (Clawback Policy)

In February 2019, our Board adopted the Parsley Energy, Inc. Incentive Compensation Recoupment Policy (the Clawback Policy). The Clawback Policy applies to all equity or equity-based awards and any annual and long-term cash incentive compensation awarded to certain current and former officers of the Company, including our named executive officers. Under the Clawback Policy, in the event of a restatement of the Company s financial statements or fraud or misconduct on the part of a covered officer that results in a material adverse impact on the Company s financial performance or a material diminution in the Company s stock price or total stockholder return, the policy administrator is authorized to recoup compensation based on its analysis of the relevant facts and circumstances. The Clawback Policy generally applies to the compensation received by a covered officer during the two fiscal years preceding the fiscal year in which the policy administrator determines that a financial restatement is required or that the covered fraud or misconduct occurred.

To comply with applicable law, the Clawback Policy may be updated or modified by our Board following the SEC s adoption of final clawback rules pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act). In addition, our LTIP and all of our named executive officers employment agreements are subject to deductions and clawbacks required to be made pursuant to any law, government regulation or stock exchange listing requirement, the Clawback Policy or by any other policy adopted by us.

Anti-Hedging and Anti-Pledging Policy

We maintain an insider trading policy that prohibits insiders from trading shares of our common stock when in possession of material non-public information. It also prohibits the hedging and, unless a waiver is obtained from the Audit Committee, the pledging of our shares. Since the adoption of our insider trading policy, the Audit Committee has, after deliberation, granted limited waivers to the policy s general prohibition on pledging to Mr. Sheffield, our Executive Chairman, and Mr. Gallagher, our President and Chief Executive Officer, authorizing them to pledge a

specified percentage of their respective total ownership positions of our stock as collateral for a bank loan. In granting those waivers, the Audit Committee discussed each pledge with the applicable officer, and considered a number of factors, including, but not limited to, (i) that each officer held a substantial ownership position in the Company, which, excluding pledged shares, would be well in excess of the Company s stock ownership guidelines discussed below, (ii) that the number of pledged shares for each officer would represent a relatively small percentage of the Company s total common stock outstanding, (iii) that the shares were being pledged to achieve certain financial planning objectives of each officer and not to shift or hedge any economic risk in owning Parsley common stock, (iv) in the case of Mr. Sheffield, his current independent ability to repay any loans without recourse to the already-pledged shares, and (v) in the case of Mr. Sheffield, that the Audit Committee had determined that he would be prohibited from pledging shares of common stock in excess of 45% of his total beneficial ownership position in our common stock.

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Stock Ownership Guidelines

Upon the recommendation of the Nominating and Governance Committee, the Board adopted revised stock ownership guidelines for non-employee directors and executives, including our named executive officers, in 2018. Among other changes, the Board determined that the stock ownership multiple of seven times annual base salary should apply to the roles of Executive Chairman and President, in addition to the role of Chief Executive Officer, and that the stock ownership multiple applicable to our Executive Vice Presidents should be increased from three to five times annual base salary. The details of the stock ownership guidelines applicable to our executives (including our named executive officers) are outlined below.

Feature	Executives
Ownership Multiple	Executive Chairman, Chief Executive Officer, and President = 7x annual base salary Executive Vice Presidents = 5x annual base salary Senior Vice Presidents = 3x annual base salary
Years to Meet Requirement	Five years from the later of: The date the applicable individual is appointed as an officer subject to the guidelines, as if the guidelines were in effect at the time of such appointment; and The date the applicable individual is promoted to a position subject to a higher ownership multiple
Shares that Count Towards Requirement	Shares owned directly Shares beneficially owned with immediate family members Unvested time-based RSUs and shares of restricted stock

Shares that Do Not Count Towards Requirement	Unvested performance-based RSUs and shares of restricted stock Unexercised stock options
Restrictions on the Transfer of Shares Prior to Meeting Requirements	Individuals are required to retain 100% of shares acquired upon the vesting of RSUs or restricted stock awards and/or the exercise of stock options until the required ownership multiple is met. Exceptions to this requirement are available for (i) the sale of shares acquired upon the vesting of equity awards or the exercise of stock options to satisfy applicable tax obligations, and (ii) subject to approval by the Chief Executive Officer, (a) financial hardship, (b) significant declines in the value of the Company s stock, and (c) other unusual situations.

As of April 1, 2019, all of our named executive officers owned stock in excess of what is required by the stock ownership guidelines.

For information regarding the stock ownership guidelines applicable to our non-employee directors, please see the section of this Proxy Statement below entitled Director Stock Ownership Guidelines.

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Executive Compensation Decisions Since Fiscal Year End

2019 Short-Term Cash Incentive Program

In February 2019, the Compensation Committee adopted the same quantitative and qualitative performance metrics for the 2019 short-term cash incentive program as those used in the 2018 short-term cash incentive program, except that, in response to feedback from our stockholders, the Compensation Committee added cash return on capital invested (CROCI) as a quantitative metric to support the Company s strategic goal of achieving free cash flow generation through efficient capital development. In addition, the Compensation Committee determined that the relative weighting of the quantitative metrics should be increased from 70% to 80%, in turn decreasing the relative weighting of the qualitative metrics from 30% to 20%. The chart below summarizes the metrics established by the Compensation Committee for 2019.

	Weighting
Quantitative Metrics	**80%**
CROCI (1)	10%
PDP F&D	15%
Daily Average Production (MBOEPD)	20%
LOE	20%

Cash G&A	15%
Qualitative Factors	**20%**
Health/Safety/ Environmental	
Strategic Initiatives	
Talent Development	

(1) CROCI is calculated by dividing the sum of the Company s cash flow from operations and after-tax interest expense by the sum of the Company s average gross property, plant and equipment and average non-cash working capital.

Consistent with Item 402 of Regulation S-K, additional information regarding these decisions will be discussed in our proxy statement for the 2020 Annual Meeting of Stockholders.

2019 Long-Term Incentive Awards under the LTIP

In February 2019, the Compensation Committee granted long-term incentive awards under the LTIP to each of our named executive officers other than Mr. Sheffield. One-half of the awards were RSUs that vest three years following the date of grant, and the other half of the awards were performance-based RSUs. The performance-based RSUs will vest based on our relative total stockholder return performance over the three-year performance period of January 1, 2019 through December 31, 2021, and the threshold, target, and maximum payout percentages remain the same as the 2018 performance-based restricted stock awards (*i.e.*, 50% of target for the threshold level, 100% of target for the target level and 200% of target for the maximum level). Threshold performance must be achieved before any payout occurs, and maximum payout is capped at 200% of the target number of performance-based RSUs granted. However, if the Company s absolute total stockholder return performance over the performance period is less than zero percent, the vesting level may not exceed the target level (*i.e.*, 100% of the target number of performance-based RSUs granted).

The Compensation Committee, after receiving input from Meridian, modified our 2018 peer group for purposes of the relative total stockholder return calculation associated with the performance-based RSUs granted to named executed officers (other than Mr. Sheffield, who did not receive an award) in the first quarter of 2019. The Compensation Committee made these changes to our 2019 peer group to reflect the continued growth and maturation of the

Company and to provide competitors that more directly match our size and operational profile. Our peer group for the performance-based RSU awards granted in 2019 is as follows:

Antero Resources Corp	Diamondback Energy Inc.	PDC Energy, Inc.
Apache Corporation	Encana Corporation	QEP Resources, Inc.
Cabot Oil & Gas Corp.	Marathon Oil Corporation	Range Resources Corp.
Cimarex Energy Co.	Noble Energy, Inc.	Whiting Petroleum Corp.
Concho Resources Inc.	Pioneer Natural Resources Co.	WPX Energy Inc.
Continental Resources, Inc.		

Consistent with Item 402 of Regulation S-K, additional information regarding these decisions will be discussed in our proxy statement for the 2020 Annual Meeting of Stockholders.

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Compensation Discussion and Analysis

Other Actions

As discussed above in the section entitled Employment Agreements Employment Agreement and Letter Agreement with Bryan Sheffield, on February 15, 2019, the Company entered into a Letter Agreement with Mr. Sheffield setting forth the terms of his compensation during the period he serves as our Executive Chairman. In addition, the Employer entered into the 2019 Employment Agreements with Messrs. Gallagher, Dalton and Roberts, which became effective as of January 1, 2019, and Mr. Gallagher s 2019 Employment Agreement was subsequently amended to adjust his base salary in connection with his appointment as our President and Chief Executive Officer. Please see the section entitled Employment Agreements Other Named Executive Officer Employment Agreements above for a description of the 2019 Employment Agreements with Messrs. Gallagher, Dalton and Roberts, and the amendment to Mr. Gallagher s 2019 Employment Agreement.

2018 Summary Compensation Table

The following table sets forth information regarding the compensation awarded to, earned by or paid to our named executive officers during the year ended December 31, 2018. Item 402 of Regulation S-K requires compensation disclosure for our principal executive officer, principal financial officer and three other most highly compensated executive officers. As described above, these five officers are referred to as our named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
Bryan Sheffield	2018	$ 828,461	$	$ 3,028,166	$ 1,158,720	$22,000	$ 5,037,347
	2017	$ 756,154	$	$ 3,845,852	$ 972,000	$25,585	$ 5,599,591
Chief Executive Officer and Chairman	2016	$ 653,078	$	$ 2,851,604	$ 745,500	$33,380	$ 4,283,562
	2018	$ 536,536	$	$ 2,569,374	$ 749,760	$29,562	$ 3,885,232
	2017	$ 503,537	$	$ 2,330,799	$ 630,000	$21,200	$ 3,485,536
Matt Gallagher							
President and Chief Operating Officer(5)	2016	$ 415,687	$	$ 1,527,659	$ 483,000	$21,200	$ 2,447,546
Ryan Dalton	2018	$ 464,230	$	$ 1,697,610	$ 534,204	$26,068	$ 2,722,112

Executive Vice President	2017	$ 436,153	$	$ 1,631,566	$ 546,000	$24,856	$ 2,638,575
	2016	$ 389,606	$	$ 1,225,299	$ 441,000	$21,200	$ 2,077,105
Chief Financial Officer							
David Dell Osso(5)	2018	$ 89,519	$ 200,000	$ 2,150,811	$ 121,410	$30,101	$ 2,591,841
Executive Vice President Chief Operating Officer							
Colin Roberts	2018	$ 383,307	$	$ 1,009,372	$ 441,984	$22,764	$ 1,857,427
	2017	$ 366,923	$	$ 932,260	$ 450,000	$25,859	$ 1,775,042
Executive Vice President							
General Counsel	2016	$ 333,956	$	$ 840,195	$ 378,000	$21,200	$ 1,573,351

(1) The amount in this column reflects the one-time cash sign-on bonus provided to Mr. Dell Osso in accordance with his employment agreement in connection with the beginning of his employment with us on October 9, 2018.

(2) The amounts in this column represent the aggregate grant date fair value of the Time-Based Awards and Performance-Based Awards granted to each of our named executive officers, calculated in accordance with FASB ASC Topic 718, disregarding estimated forfeitures. For additional information regarding the assumptions underlying this calculation, please see Note 10 to our consolidated financial statements, entitled Stock-Based Compensation, which is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. For additional information regarding these awards, see the section above entitled Elements of Compensation Incentive Compensation 2018 Long-Term Incentive Awards under the LTIP and the section below entitled Grants of Plan-Based Awards.

(3) Our annual short-term cash incentive program, which is administered under our LTIP, is intended to incentivize our named executive officers to achieve specific financial and operational goals over the course of the year. As such, amounts earned under this program in 2016, 2017 and 2018 are reported in the Non-Equity Incentive Plan Compensation column rather than the Bonus column.

(4) Amounts reported in the All Other Compensation column include Company contributions to the named executive officers 401(k) plan retirement accounts, the value of non-business use of aircraft owned by us, certain security advisory services provided to Mr. Sheffield s and Mr. Gallagher s personal security representatives, financial planning services provided at our expense, and the reimbursement or advancement of relocation expenses for Mr. Dell Osso in accordance with his employment agreement, as shown in the following table.

Name	401(k) Plan Company Matching Contributions (i)	Corporate Aircraft (ii)	Security (iii)	Financial Planning (iv)	Relocation Benefits (v)	Total
Bryan Sheffield	$ 22,000	$	$	$	$	$ 22,000
Matt Gallagher	$ 22,000	$	$	$ 7,562	$	$ 29,562
Ryan Dalton	$ 22,000	$	$	$ 4,068	$	$ 26,068
David Dell Osso	$ 7,162	$	$	$	$ 22,939	$ 30,101
Colin Roberts	$ 18,572	$	$	$ 4,192	$	$ 22,764

(i) Amounts included in this column represent the amount of the Company match of 401(k) plan contributions in 2018 for each named executive officer.

(ii) The amounts in this column represent the aggregate incremental cost to us of our named executive officers non-business use of Company-owned aircraft. Consistent with the terms of his time sharing arrangements, Mr. Dalton used Company-owned aircraft for non-business purposes during 2018, but he reimbursed us for such use and the value of the reimbursement, calculated pursuant to his time sharing agreement and in accordance with FAA regulations, exceeded the aggregate incremental cost to us for each such flight. Finally, spouses, dependents, and/or guests of each of Messrs. Sheffield, Gallagher and Dalton flew on Company-owned aircraft in certain instances when unutilized capacity on previously scheduled business flights was available; however, because such use resulted in no incremental cost to the Company, no amounts were attributed to our named executive officers for this limited non-business use. These arrangements are further described above in the section entitled Elements of Compensation Other Compensation Elements Aircraft Usage. Incremental costs for non-business use of Company-owned aircraft include fuel, contract crewmembers, crew meals, fixed base operator expenses (including temporary hanger fees, landing and ramp fees), catering, and ground transportation.

(iii) Certain members of the Company s security staff provided security advisory services to Messrs. Sheffield s and Gallagher s personal security representatives in 2018. The Company did not incur any incremental costs for such

services.

(iv) Amounts included in this column represent the value of financial planning services provided to certain of our named executive officers at our expense.

(v) The amount included in this column represents the value of reimbursement or advancement of actual moving and relocation expenses provided to Mr. Dell Osso in accordance with his employment agreement and the Company s relocation policies in connection with his hiring.

(5) Mr. Dell Osso s employment with the Company began on October 9, 2018, at which time he succeeded Mr. Gallagher as Chief Operating Officer and Mr. Gallagher continued to serve as President.

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Grants of Plan-Based Awards

The table below includes information about awards granted to our named executive officers during 2018 under our LTIP, including awards under the 2018 short-term cash incentive program, Time-Based Awards and Performance-Based Awards.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares or Units(3)	Grant Date Fair Value of Stock Awards(4)
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (# of shares)	Target (# of shares)	Maximum (# of shares)	(# of Shares)	($)
Bryan Sheffield			$972,000	$ 1,944,000					
	2/12/2018				30,137	60,274	120,548		$ 1,653,919
	2/12/2018							60,274	$ 1,374,247
Matt Gallagher			$550,000	$ 1,100,000					
	2/12/2018				25,571	51,142	102,284		$ 1,403,336
	2/12/2018							51,142	$ 1,166,038
Ryan Dalton			$427,500	$ 855,000					
					16,895	33,790	67,580		$ 927,198

	2/12/2018							
	2/12/2018						33,790	$ 770,412
David Dell Osso(5)		$427,500	$ 855,000					
	10/9/2018							
							70,059	$ 2,150,811
Colin Roberts		$353,700	$ 707,400					
	2/12/2018							
				10,046	20,091	40,182		$ 551,297
	2/12/2018						20,091	$ 458,075

(1) Amounts in these columns represent the target and maximum estimated payouts for awards granted under our 2018 short-term cash incentive program. A threshold payout is not calculable for the non-equity incentive plan awards. The actual value of the bonuses paid to our named executive officers for 2018 under this program can be found above in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. For additional information regarding the 2018 short-term cash incentive program, please see the section above entitled Elements of Compensation Incentive Compensation Annual Incentive Bonus 2018 Short-Term Cash Incentive Program.

(2) Amounts in these columns represent the number of Performance-Based Awards granted in 2018 that would vest upon the achievement of a threshold, target, and maximum level of performance. The actual number of Performance-Based Awards that will vest will not be determinable until the close of the three-year performance period on December 31, 2020 and will depend on our relative total stockholder return performance over that period.

(3) This column includes the number of Time-Based Awards granted to our named executive officers during 2018.

(4) The amounts shown in this column represent the grant date fair value of each equity award granted to our named executive officers in 2018 computed in accordance with FASB ASC 718. For additional information regarding the assumptions underlying this calculation, please see Note 10 to our consolidated financial statements, entitled Stock-Based Compensation, which is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. For additional information regarding the Time-Based Awards and Performance-Based Awards reported in this table, please see the section above entitled Elements of Compensation Incentive Compensation 2018 Long-Term Incentive Awards under the LTIP.

(5) Mr. Dell Osso s employment with the Company began on October 9, 2018, and his actual 2018 bonus award was prorated for the portion of the 2018 fiscal year that he was employed by the Company. Mr. Dell Osso did not receive a Performance-Based Award in 2018.

Outstanding Awards at Fiscal Year End

The awards reported below reflect the restricted stock and RSU awards each named executive officer held as of December 31, 2018:

Name	Number of shares or units of stock that have not vested (#)(1)	Market value of shares or units of stock that have not vested ($)(2)	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)(3)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)(2)
Bryan Sheffield	179,128	$ 2,862,465	133,715	$ 2,136,766
Matt Gallagher	118,457	$ 1,892,943	88,345	$ 1,411,753
Ryan Dalton	84,578	$ 1,351,556	60,837	$ 972,175
David Dell Osso(4)	70,059	$ 1,119,543		$
Colin Roberts	52,405	$ 837,432	35,154	$ 561,761

(1) The awards reported in this column include: (i) time-based restricted shares of our Class A common stock granted to our named executive officers, other than Mr. Dell Osso, on February 12, 2018 and February 16, 2017, (ii) time-based restricted stock units granted to Mr. Dell Osso on October 9, 2018, and (iii) time-based restricted stock units granted to our named executive officers on February 18, 2016. On February 12, 2018, the time-based restricted stock units granted February 18, 2016 that vest in 2019 were converted into time-based restricted stock awards with the same material terms and conditions as the original restricted stock units, including vesting schedules. For additional information, please see the section above entitled Tax and Accounting Considerations Conversion of RSUs. Generally, each award included in this column, other than the time-based restricted stock unit award granted to Mr. Dell Osso on October 9, 2018, will vest in full on the third anniversary

of the date of grant, subject to the applicable named executive officer s continued provision of services to us through the date of vesting. Fifty percent of the time-based restricted stock unit award granted to Mr. Dell Osso will vest on March 1, 2019, and the remaining 50% of such award will vest in substantially equal installments on March 1 of each of 2020 and 2021, subject to Mr. Dell Osso s continued provision of services to us through each such vesting date. A summary of the awards included in this column and the applicable vesting schedules is included in the following table:

Name	Vesting Date(s)	Number of Time-Based Awards to Vest
Bryan Sheffield	2/12/2021	60,274
	2/16/2020	51,789
	2/18/2019	67,065
Matt Gallagher	2/12/2021	51,142
	2/16/2020	31,387
	2/18/2019	35,928
Ryan Dalton	2/12/2021	33,790
	2/16/2020	21,971
	2/18/2019	28,817
David Dell Osso	3/1/2019 (50%)	70,059
	3/1/2020 (25%)	
	3/1/2021 (25%)	
Colin Roberts	2/12/2021	20,091
	2/16/2020	12,554
	2/18/2019	19,760

(2) The amounts in this column were calculated by multiplying the number of awards reported by $15.98, the closing price of our Class A common stock on the NYSE on December 31, 2018.

(3) The awards reported in this column represent performance-based restricted shares of our Class A common stock granted to our named executive officers, other than Mr. Dell Osso, on February 12, 2018 and February 16, 2017. The number of outstanding performance-based restricted shares reported reflects the maximum number of shares that could be delivered pursuant to the February 16, 2017 performance-based restricted shares and the threshold number of shares that could be delivered pursuant to the February 12, 2018 performance-based restricted shares.

This estimate is calculated based on our relative total stockholder return ranking for the applicable performance period as of December 31, 2018, and is not necessarily indicative of what the payout percentage earned will be at the end of the performance period. Subject to the attainment of

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certain performance criteria as discussed above in the section entitled Elements of Compensation Incentive Compensation 2018 Long-Term Incentive Awards under the LTIP, each award is scheduled to vest as described in the table below:

Name	February 16, 2017 Performance-Based Awards		February 12, 2018 Performance-Based Awards	
	End of Performance Period	Maximum Number of Performance-Based Awards to Vest	End of Performance Period	Threshold Number of Performance-Based Awards to Vest
Bryan Sheffield	12/31/2019	103,578	12/31/2020	30,137
Matt Gallagher	12/31/2019	62,774	12/31/2020	25,571
Ryan Dalton	12/31/2019	43,942	12/31/2020	16,895
Colin Roberts	12/31/2019	25,108	12/31/2020	10,046

(4) Mr. Dell Osso s employment with the Company began on October 9, 2018, and he did not receive a performance-based equity award in 2018.

Option Exercises and Stock Vested

The table below reflects time-based RSUs and time- and performance-based restricted shares which vested during the fiscal year ended December 31, 2018. We have not granted stock options pursuant to our LTIP since its inception.

Name	Stock Awards	
	Number of shares acquired on vesting (#)(1)	Value realized on vesting ($)(2)
Bryan Sheffield	196,733	$3,646,180
Matt Gallagher	131,603	$ 2,708,517

Ryan Dalton	109,456	$	2,286,373
David Dell Osso		$	
Colin Roberts	81,983	$	1,775,409

(1) The share numbers in this column include (i) time-based RSUs granted to our named executive officers on February 19, 2015, which awards vested on February 19, 2018, (ii) time-based restricted shares of our Class A common stock granted to our named executive officers on May 29, 2014 (other than Mr. Sheffield, who did not receive an award on that date), which awards vested on May 29, 2018, and (iii) performance-based restricted shares converted from performance-based RSUs originally granted on February 18, 2016, which awards became vested at the end of the performance period on December 31, 2018.

(2) The amounts reflected in this column represent the aggregate market value realized by our named executive officers upon vesting, calculated as the number of shares earned (including shares withheld for tax withholding purposes) multiplied by (i) $23.46 for the time-based restricted stock units that vested on February 19, 2018, (ii) $29.10 for time-based restricted shares that vested on May 29, 2018, or (iii) $15.98 for the performance-based restricted shares that vested at the end of the performance period on December 31, 2018.

Potential Payments Upon Termination or Change of Control

Employment Agreements

As described above in the section entitled Employment Agreements, the Employer has entered into employment agreements with each of our named executive officers. Our named executive officers employment agreements provide for compensatory payments and benefits upon certain terminations of employment, including termination events following a Change of Control (as defined below). In addition, the employment agreements provide for limited termination and Change of Control protections in connection with certain awards granted pursuant to our LTIP. These provisions allow our named executive officers to more objectively manage the Company and serve as a recruiting and retention tool. Except for our performance-based equity awards, which, pursuant to the employment agreements, vest based on the actual achievement of the applicable performance conditions through the date immediately prior to a Change of Control of the Company, we do not have any arrangements that provide for payments to executives solely upon the occurrence of a Change of Control (*i.e.*, single-trigger arrangements).

The following discussion summarizes the impact of certain termination events or the occurrence of a Change of Control on the benefits each named executive officer is eligible to receive under the employment agreements in effect on December 31, 2018.

Mr. Sheffield

Pursuant to the terms of his employment agreement as of December 31, 2018, Mr. Sheffield would be entitled to accrued but unpaid base salary, reimbursements of properly incurred business expenses, and other employee benefits (the Accrued Obligations) in the event his employment were terminated upon the provision of a notice of nonrenewal (either by us or Mr. Sheffield), by us for Cause (as defined below) or by Mr. Sheffield without Good Reason (as defined below), and Mr. Sheffield would forfeit all unvested outstanding equity awards held as of the date of termination.

In the event we were to terminate Mr. Sheffield without Cause, or Mr. Sheffield were to terminate his employment for Good Reason (each, a Qualifying Termination), he would be eligible to receive:

- the Accrued Obligations;
- continued salary payments for 24 months;
- a lump sum cash payment equal to two times the average of the three most recent annual bonuses actually paid in the three-year period preceding the termination date, which amount would be paid on the first regular pay date immediately following the payment of the last installment of Mr. Sheffield s salary continuation payments;
- if Mr. Sheffield were to elect to continue medical insurance coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA), reimbursement for a period of up to 18 months for the difference between the amount he would pay to effect and continue such coverage and the employee contribution amount that he would pay if he were still an active employee;
- outplacement services for up to 12 months following the termination date or such time as Mr. Sheffield obtained reasonably comparable employment, whichever is earlier;
- accelerated vesting of a pro rata portion of Mr. Sheffield s unvested outstanding time-based equity awards; and

vesting of a pro rata portion of Mr. Sheffield s unvested outstanding performance-based equity awards at the end of the applicable performance period based on the actual achievement of the applicable performance conditions through the end of the performance period.

Pursuant to Mr. Sheffield s employment agreement, upon a Change of Control, all unvested outstanding performance-based equity awards will immediately vest based on the actual achievement of the applicable performance conditions measured from the first day of the applicable performance period through the date immediately prior to the Change of Control so long as Mr. Sheffield was employed on the date that is immediately prior to the occurrence of the Change of Control.

If Mr. Sheffield experiences a Qualifying Termination within the 24-month period following a Change of Control, then he would be eligible to receive the same benefits that he is eligible to receive in connection with a Qualifying Termination in the absence of a Change of Control, as described above, except that (i) the duration of Mr. Sheffield s salary continuation payments would increase from 24 to 36 months, (ii) the multiple applicable to Mr. Sheffield s average annual bonuses for the previous three years would increase from two to three, (iii) all unvested outstanding time-based equity awards held by Mr. Sheffield would be accelerated in full and (iv) the treatment of each unvested grant of performance-based equity awards granted to Mr. Sheffield following a Change of Control will be determined in accordance with the terms of the award agreement applicable to each such award.

In the event Mr. Sheffield is terminated by reason of death or Disability (as defined below), he would be entitled to (i) the Accrued Obligations, (ii) continued base salary through the end of the fiscal year in which such termination occurs, (iii) a pro rata annual bonus for the year in which such termination occurs based on the actual achievement of applicable performance conditions, (iv) accelerated vesting of all unvested outstanding time-based equity awards held by Mr. Sheffield, and (v) accelerated vesting of all unvested outstanding performance-based equity awards held by Mr. Sheffield based on target performance.

Mr. Sheffield s employment agreement also contains certain restrictive covenants, which requires Mr. Sheffield to preserve and protect our confidential information and work product and, for a one-year period following his termination of employment (six months in the event he was terminated by us without Cause or terminated his employment for Good Reason), to refrain from competing with us (except with respect to the operation of certain wells specifically referenced in the agreement) or soliciting our employees. Additionally, Mr. Sheffield s employment agreement requires the execution of a release to receive the severance benefits (other than the Accrued Obligations) described above. The Letter Agreement that the Company entered into with Mr. Sheffield includes an acknowledgement that none of the compensation arrangements provided for in the Letter Agreement, Mr. Sheffield s transition from Chief Executive Officer to Executive Chairman or Mr. Sheffield s transition from Executive Chairman to Chairman of the Board will give rise to a right on Mr. Sheffield s part to terminate his employment with the Company and its subsidiaries for Good Reason (as such term is defined in Mr. Sheffield s employment agreement).

Messrs. Gallagher, Dalton, Dell Osso and Roberts

Pursuant to the terms of their employment agreements as of December 31, 2018, Messrs. Gallagher, Dalton, Dell Osso and Roberts would be entitled to the Accrued Obligations in the event their employment was terminated upon the provision of a notice

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of nonrenewal (either by us or by the applicable executive), by us for Cause or by the applicable executive without Good Reason, and Messrs. Gallagher, Dalton, Dell Osso and Roberts would forfeit all unvested outstanding equity awards held as of the date of termination.

In the event we were to terminate Messrs. Gallagher, Dalton, Dell Osso or Roberts without Cause, or any of the foregoing executives were to terminate his employment for Good Reason (*i.e.*, a Qualifying Termination), the applicable executive would be eligible to receive:

- the Accrued Obligations;
- a lump sum cash payment equal to (i) 1.5 in the case of Mr. Dell Osso and 1.25 in the case of Messrs. Gallagher, Dalton and Roberts (in each case, the Severance Multiple) multiplied by (ii) the sum of (A) the applicable executive s base salary and (B) the average of the three most recent annual bonuses actually paid in the three-year period preceding the termination date (or the period of his employment, if shorter), or, in the case of Mr. Dell Osso, if no annual bonus has been paid prior to such termination, his target annual bonus in effect as of the termination date shall be used instead;
- if the applicable executive were to elect to continue medical insurance coverage under COBRA, reimbursement for a period of up to 18 months for the difference between the amount he would pay to effect and continue such coverage and the employee contribution amount that he would pay if he were still an active employee;
- outplacement services for up to six months following the termination date or such time as the applicable executive obtained reasonably comparable employment, whichever is earlier;
- accelerated vesting of a pro rata portion of the applicable executive s unvested outstanding time-based equity awards; and
- vesting of a pro rata portion of the applicable executive s unvested outstanding performance-based equity awards at the end of the applicable performance period based on the actual achievement of the applicable performance conditions through the end of the performance period.

Pursuant to the employment agreements, upon a Change of Control, all unvested outstanding performance-based equity awards will immediately vest based on the actual achievement of the applicable performance conditions measured from the first day of the applicable performance period through the date immediately prior to the Change of Control so long as the applicable executive was employed on the date that is immediately prior to the occurrence of the Change of Control.

The employment agreements also provide that, in the event Messrs. Gallagher, Dalton, Dell Osso or Roberts experience a Qualifying Termination within the 12-month period following a Change of Control, then the applicable executive would be eligible to receive the same benefits that he is eligible to receive in connection with a Qualifying Termination in the absence of a Change of Control, as described above, except that (i) the Severance Multiple will be increased to two for Messrs. Gallagher, Dalton and Roberts and to two and one-quarter for Mr. Dell Osso (in each case, the COC Severance Multiple), (ii) all unvested outstanding time-based equity awards held by the applicable executive would be accelerated in full and (iii) the treatment of each unvested grant of performance-based equity awards granted following a Change of Control will be determined in accordance with the terms of the award agreement applicable to each such award.

In the event the employment of Messrs. Gallagher, Dalton, Dell Osso or Roberts is terminated by reason of death or Disability, the applicable executive would be entitled to (i) the Accrued Obligations, (ii) continued base salary through the end of the fiscal year in which such termination occurs, (iii) a pro rata annual bonus for the year in which such termination occurs based on the actual achievement of applicable performance conditions, (iv) accelerated vesting of all unvested outstanding time-based equity awards held by the applicable executive, and (v) accelerated vesting of all unvested outstanding performance-based equity awards held by the executive based on target performance.

The employment agreements of Messrs. Gallagher, Dalton, Dell Osso and Roberts also contain certain restrictive covenants, which require each executive to preserve and protect our confidential information and work product and, for a one-year period following his termination of employment (six months in the event he was terminated by us without Cause or terminated his employment for Good Reason), to refrain from competing with us or soliciting our employees. Additionally, the employment agreements of Messrs. Gallagher, Dalton, Dell Osso and Roberts require the execution of a release to receive the severance benefits (other than the Accrued Obligations) described above.

Employment Agreement Defined Terms

As used in the 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 employment agreement by the executive (or, in the case of Mr. Dell Osso, any other agreement between the Company and 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 (or, in the case of Mr. Dell Osso, the Company) in good faith and in its sole and absolute discretion.

As used in the 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 employment agreement, in each case, without the employee s consent. Mr. Sheffield s employment agreement provides that a requirement that he begin reporting to a corporate officer or employee rather than directly to our Board or a material diminution in the budget over which he retains authority would 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 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 90 days (whether or not consecutive) during any period of 365 consecutive days.

As used in the 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 12-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 are replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of our Board 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 would occur on the date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition) assets of the 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.

If, at the time the employment agreements were entered into, any person or persons already met one of the ownership thresholds enumerated above, the acquisition of additional shares, assets, or control would not be considered a Change of Control. A Change of Control of the 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 stockholder), or of any entity in a chain of entities in which each entity is a majority stockholder of another entity in the chain, ending in us, would also constitute a Change of Control.

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

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Quantification of Benefits under the 2018 Employment Agreements

The following table sets forth the payments and benefits that each named executive officer would have been eligible to receive in the event certain terminations of employment or a Change of Control of the Company had occurred on December 31, 2018, over and above any payments or benefits he otherwise would already have been entitled to or vested in on such date under any employment contract or other plan of the Company.

Executive	Termination of Employment by the Company Without Cause or by Executive for Good Reason ($)	Termination of Employment by Death or Disability ($)	Termination by Company Without Cause or by Executive for Good Reason following Change of Control ($)(1)	Termination of Employment by the Company For Cause, by Notice of Non-Renewal, or by Executive Without Good Reason ($)	Change of Control ($)
Bryan Sheffield					
Cash Payments	$ 3,088,200(2)	$ 1,094,970(3)	$ 4,632,300(4)		
Accelerated Equity	$ 2,597,485(5)	$ 4,653,232(6)	$ 2,862,465(7)		$ 1,158,630(8)
Reimbursement of COBRA Premiums (9)	$ 31,557		$ 31,557		
Outplacement Services	$ 16,000		$ 16,000		
Total	**$ 5,733,242**	**$ 5,748,202**	**$ 7,542,322**	**$**	**$ 1,158,630**
Matt Gallagher					
Cash Payments	$ 1,246,250(2)	$ 708,510(3)	$ 1,994,000(4)		
Accelerated Equity	$ 1,570,946(5)	$ 3,211,756(6)	$ 1,892,943(7)		$ 702,193(8)
Reimbursement of COBRA Premiums (9)	$ 31,557		$ 31,557		
Outplacement Services	$ 8,000		$ 8,000		
Total	**$ 2,856,753**	**$ 3,920,266**	**$ 3,926,500**	**$**	**$ 702,193**
Ryan Dalton					
Cash Payments	$ 1,096,438(2)	$ 504,813(3)	$ 1,754,300(4)		
Accelerated Equity	$ 1,146,230(5)	$ 2,242,617(6)	$ 1,351,556(7)		$ 491,529(8)
Reimbursement of COBRA Premiums (9)	$ 31,557		$ 31,557		

Outplacement Services	$ 8,000		$ 8,000		
Total	**$ 2,282,225**	**$ 2,747,430**	**$ 3,145,413**	**$**	**$ 491,529**
David Dell Osso					
Cash Payments	$ 1,353,750(2)	$ 114,730(3)	$ 2,030,625(4)		
Accelerated Equity	$ 107,593(5)	$ 1,119,543(6)	$ 1,119,543(7)		$ (8)
Reimbursement of COBRA Premiums (9)	$ 31,557		$ 31,557		
Outplacement Services	$ 8,000		$ 8,000		
Total	**$ 1,500,900**	**$ 1,234,273**	**$ 3,189,725**	**$**	**$**
Colin Roberts					
Cash Payments	$ 914,625(2)	$ 417,667(3)	$ 1,463,400(4)		
Accelerated Equity	$ 708,953(5)	$ 1,359,099(6)	$ 837,432(7)		$ 280,864(8)
Reimbursement of COBRA Premiums (9)	$ 31,557		$ 31,557		
Outplacement Services	$ 8,000		$ 8,000		
Total	**$ 1,663,135**	**$ 1,776,766**	**$ 2,340,389**	**$**	**$ 280,864**

(1) A termination in connection with a Change of Control must occur within 12 months of the Change of Control for Messrs. Gallagher, Dalton, Dell Osso and Roberts and within 24 months of the Change of Control for Mr. Sheffield.

(2) These amounts are calculated based upon the sum of (i) the applicable executive s base salary in effect as of December 31, 2018 and (ii) the value of the average of the three most recent annual bonuses actually paid to the executive in the three-year period preceding termination of employment (or in the case of Mr. Dell Osso, his target bonus in effect as of December 31, 2018), in the case of Messrs. Gallagher, Dalton, Dell Osso and Roberts, multiplied by the applicable executive s Severance Multiple, and, in the case of Mr. Sheffield, multiplied by two. For Mr. Sheffield, the portion attributable to his base salary will be paid over a 24-month period in accordance with our normal payroll practice, and the portion attributable to the average of his three most recent annual bonuses will be paid in lump sum. For each of our other named executive officers, these amounts will be paid in lump sum.

(3) These amounts reflect the pro rata portion of the 2018 annual bonus based on the actual achievement of applicable performance conditions. Because we have assumed that the termination of employment due to death or disability occurred on December 31, 2018, these amounts reflect the full 2018 annual bonus actually received by our named executive officers based on the actual achievement of applicable performance conditions, as determined by the Compensation Committee in February 2019. In addition, upon a termination due to death or disability, pursuant to the employment agreements in effect as of December 31, 2018, our named executive officers (other than Mr. Dell Osso) would generally have been eligible to receive continued base salary through the end of the fiscal year in which such termination occurs; however, because we have assumed that the termination of employment occurred on December 31, 2018, no salary continuation payments are reflected in the above table.

(4) These amounts are calculated based upon the sum of (i) the applicable executive s base salary in effect as of December 31, 2018 and (ii) the value of the average of the three most recent annual bonuses actually paid to the executive in the three-year period preceding termination of employment (or in the case of Mr. Dell Osso, his target bonus in effect as of December 31, 2018), in the case of Messrs. Gallagher, Dalton, Dell Osso and Roberts, multiplied by the applicable executive s COC Severance Multiple, and, in the case of Mr. Sheffield, multiplied by three. For Mr. Sheffield, the portion attributable to his base salary will be paid over a 36-month period in accordance with our normal payroll practice, and the portion attributable to the average of his three most recent annual bonuses will be paid in lump sum. For each of our other named executive officers, these amounts will be paid in lump sum.

(5) These amounts reflect the pro rata portion of all time- and performance-based equity awards that would become vested upon a Qualifying Termination. These amounts were calculated by multiplying the pro rata portion of all time-based awards outstanding as of December 31, 2018 and a pro rata portion of all performance-based awards outstanding as of December 31, 2018 determined based on actual performance as of December 31, 2018, in each case, by $15.98, the closing price of our Class A common stock on the NYSE on December 31, 2018. Following a Qualifying Termination, actual payouts with respect to the performance-based awards would not be determined until the end of the applicable performance period in accordance with the terms of the applicable agreement, and, therefore, these amounts reflect estimated payouts for the performance-based awards based on actual performance as of December 31, 2018.

(6) These amounts reflect all unvested time-based awards and the target number of all performance-based awards held by our named executive officers on December 31, 2018, which would vest upon death or disability, calculated by multiplying the total number of such awards by $15.98, the closing price of our Class A common stock on the NYSE on December 31, 2018.

(7) These amounts are calculated by multiplying the number of all time-based awards outstanding as of December 31, 2018 by $15.98, the closing price of our Class A common stock on the NYSE on December 31, 2018. These amounts do not include the value of accelerated performance-based awards, which vest upon the occurrence of a Change of Control based on actual performance achievement through the date immediately preceding the Change of Control. The estimated value of the performance-based awards payable upon a Change of Control is reported in the column entitled Change of Control in the table above.

(8) These amounts reflect the number of performance-based awards held by our named executive officers that would vest based on actual performance if a Change of Control occurred on December 31, 2018. These amounts were calculated by multiplying the number of performance-based awards that would vest on December 31, 2018 based on the achievement of the applicable performance criteria as of such date by $15.98, the closing price of our Class A common stock on the NYSE on December 31, 2018.

(9) The COBRA reimbursement amount is based on January 2019 monthly premiums, which are assumed to remain the same for 18 months for purposes of this table.

Quantification of Benefits under the 2019 Employment Agreements

As discussed above in the section entitled Employment Agreements Other Named Executive Officer Employment Agreements, Messrs. Gallagher, Dalton and Roberts have entered into the 2019 Employment Agreements, which became effective as of January 1, 2019. The 2019 Employment Agreements generally provide for the same severance benefits Messrs. Gallagher, Dalton and Roberts were eligible to receive under their employment agreements in effect on December 31, 2018, except that (i) the applicable Severance Multiple in connection with a Qualifying Termination was increased from one and one-quarter to two, in the case of Mr. Gallagher, and one and one-half, in the case of Messrs. Dalton and Roberts, (ii) the applicable COC Severance Multiple in connection with a Qualifying Termination within the 12-month period following a Change of Control was increased from two to three, in the case of Mr. Gallagher, and two and one-quarter, in the case of Messrs. Dalton and Roberts and (iii) upon a termination of employment due to death or disability, Messrs. Gallagher, Dalton and Roberts are no longer eligible to receive continued base salary payments through the end of the fiscal year in which such termination occurs. In addition, in connection with a Qualifying Termination or a Qualifying Termination within the 12-month period following a Change of Control, Mr. Gallagher is eligible to receive outplacement services for up to 12 months, which amount was increased from six months as provided in his prior employment agreement that was in effect on December 31, 2018. Please see Employment Agreements Other Named Executive Officer Employment Agreements for a discussion of the 2019 Employment Agreements.

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Compensation Discussion and Analysis

The following table sets forth the payments and benefits that Messrs. Gallagher, Dalton and Roberts would have been eligible to receive pursuant to the 2019 Employment Agreements had such agreements been in effect as of December 31, 2018. The amounts reflected in the table below assume the same levels of compensation (including base salary and target bonus) that were in effect for Messrs. Gallagher, Dalton and Roberts as of December 31, 2018. The following table only reflects the payments and benefits that Messrs. Gallagher, Dalton and Roberts would be eligible to receive in connection with a Qualifying Termination or a Qualifying Termination within the 12-month period following a Change of Control. The payments and benefits that they would have been eligible to receive in connection with any other termination of employment or upon a Change of Control of the Company would have been the same under their 2019 Employment Agreements as under their employment agreements that were in effect as of December 31, 2018. The payments and benefits that Messrs. Gallagher, Dalton and Roberts would have been eligible to receive in such circumstances are described above in the section entitled Quantification of Benefits under the 2018 Employment Agreements.

Executive	Termination of Employment by the Company Without Cause or by Executive for Good Reason ($)	Termination by Company Without Cause or by Executive for Good Reason following Change of Control ($)(1)
Matt Gallagher		
Cash Payments	$ 1,994,000(2)	$ 2,991,000(3)
Accelerated Equity	$ 1,570,946(4)	$ 1,892,943(5)
Reimbursement of COBRA Premiums (6)	$ 31,557	$ 31,557
Outplacement Services	$ 16,000	$ 16,000
Total	**$ 3,612,503**	**$ 4,931,500**
Ryan Dalton		
Cash Payments	$ 1,315,725(2)	$ 1,973,588(3)
Accelerated Equity	$ 1,146,230(4)	$ 1,351,556(5)
Reimbursement of COBRA Premiums (6)	$ 31,557	$ 31,557
Outplacement Services	$ 8,000	$ 8,000
Total	**$ 2,501,512**	**$ 3,364,701**
Colin Roberts		
Cash Payments	$ 1,097,550(2)	$ 1,646,325(3)

Accelerated Equity	$	708,953(4)	$	837,432(5)
Reimbursement of COBRA Premiums (6)	$	31,557	$	31,557
Outplacement Services	$	8,000	$	8,000
Total	**$**	**1,846,060**	**$**	**2,523,314**

(1) A termination in connection with a Change of Control must occur within 12 months of the Change of Control.

(2) These amounts are calculated based upon the sum of (i) the applicable executive s base salary in effect as of December 31, 2018 and (ii) the value of the average of the three most recent annual bonuses actually paid to the executive in the three-year period preceding termination of employment, in the case of Messrs. Dalton and Roberts, multiplied by one and one-half, and, in the case of Mr. Gallagher, multiplied by two, payable in a lump sum.

(3) These amounts are calculated based upon the sum of (i) the applicable executive s base salary in effect as of December 31, 2018 and (ii) the value of the average of the three most recent annual bonuses actually paid to the executive in the three-year period preceding termination of employment, in the case of Messrs. Dalton and Roberts, multiplied by two and one-quarter, and, in the case of Mr. Gallagher, multiplied by three, payable in a lump sum.

(4) These amounts reflect the pro rata portion of all time- and performance-based equity awards that would become vested upon a Qualifying Termination. These amounts were calculated by multiplying the pro rata portion of all time-based awards outstanding as of December 31, 2018 and a pro rata portion of the performance-based awards outstanding as of December 31, 2018, determined based on actual performance as of December 31, 2018, in each case, by $15.98, the closing price of our Class A common stock on the NYSE on December 31, 2018. Following a Qualifying Termination, actual payouts with respect to the performance-based awards would not be determined until the end of the applicable performance period in accordance with the terms of the applicable agreement, and, therefore, these amounts reflect estimated payouts for the performance-based awards based on actual performance as of December 31, 2018.

(5) These amounts are calculated by multiplying the number of all time-based awards outstanding as of December 31, 2018 by $15.98, the closing price of our Class A common stock on the NYSE on December 31, 2018. These amounts do not include the value of accelerated performance-based awards, which vest upon the occurrence of a Change of Control based on actual

performance achievement through the date immediately preceding the Change of Control. The estimated value of the performance-based awards payable upon a Change of Control is reported in the column entitled Change of Control in table set forth in the section above entitled Quantification of Benefits under the 2018 Employment Agreements.

(6) The COBRA reimbursement amount is based on January 2019 monthly premiums, which are assumed to remain the same for 18 months for purposes of this table.

CEO Pay Ratio

Pursuant to Section 953(b) of the Dodd-Frank Act and Item 402(u) of Regulation S-K, this section provides information regarding the relationship of the annual total compensation of all of our employees to the annual total compensation of Mr. Sheffield, our Chief Executive Officer in 2018.

For 2018, our last completed fiscal year:

- The median of the total annual compensation of all employees of the Company (other than our Chief Executive Officer) was $144,221; and

- The annual total compensation of our Chief Executive Officer, as reported in the Summary Compensation Table above, was $5,037,347.

Based on this information, for 2018, the ratio of the annual total compensation of Mr. Sheffield to the median of the annual total compensation of all employees was reasonably estimated to be 35 to 1.

Methodology and Assumptions

The median total annual compensation represented above reflects the 2018 compensation actually paid to an individual employed by us whose compensation reflects the median level of compensation paid to all of our employees. We refer to such individual as our median employee. Pursuant to SEC rules, we used the same median employee for the pay ratio calculation above as we used in our pay ratio disclosure in our proxy statement relating to our 2018 annual meeting of stockholders, originally filed with the SEC on April 6, 2018. We determined that there were no changes to our employee population or compensation arrangements in 2018 that we reasonably believe would significantly affect our pay ratio disclosure if the same median employee was used. While our total employee population grew by approximately 15% from December 31, 2017 to December 31, 2018, we determined that such growth would not have a significant impact on our pay ratio disclosure, as our new employees were proportionately distributed among all compensation levels.

Median Employee Determination

In initially identifying our median employee following 2017 fiscal year end, we took the following steps:

Employee Population Determination Date. We selected December 31, 2017 as the date on which to establish our employee population for purposes of identifying our median employee. As of December 31, 2017, our employee population consisted of approximately 460 individuals, including all individuals employed by the Company or any of its consolidated subsidiaries, whether as full-time, part-time, seasonal, or temporary workers.

This population did not include independent contractors engaged by the Company. All of our employees are located in the United States.

Identifying Our Median Employee using a Consistently Applied Compensation Measure. In identifying our median employee, we utilized the annual total compensation for each employee as reported in Box 1 of each employee s Form W-2 provided to the Internal Revenue Service for 2017 (W-2 Compensation) with the following modifications:

For individuals employed for all of 2016 and 2017, we used W-2 Compensation *less* the value of any equity award vesting events that occurred in 2017 *plus* the grant date fair value of any equity awards granted to such individuals in 2017. We made this adjustment to capture the value of equity awards in the year of grant, as opposed to the year of vesting, because we believe grant date fair value is more representative of the Company s cyclical grant practices, and such adjustments provide a better comparison to employees hired in 2016 or 2017 that did not have any equity awards vest in 2017.

We used the same compensation measure for individuals employed for a portion of 2016 and all of 2017, except we annualized the amount of such individuals annual bonuses earned for 2016 that were paid in the first quarter of 2017. For individuals hired in 2016, actual annual bonus amounts for 2016 that were paid in 2017 were prorated based on the portion of 2016 that such individuals were employed by the Company. We believe this adjustment is more reflective of the annual compensation that will be received by such individuals going forward and provides a more commensurate compensation measure in determining the median of the total annual compensation of all our employees.

For the employees hired during 2017, we annualized the compensation received by each such employee in 2017 to establish a more direct comparison to the annual total compensation of our employees that were employed for all of 2017. Such annualization adjustments included target annual bonus amounts for the employees hired in 2017 to more closely approximate the compensation such employees would have received had they been employed by the Company for all of 2017 and to compare such annualized amounts with the annual total compensation of our other employees.

Compensation Discussion and Analysis

No cost-of-living adjustments were made in identifying our median employee. In addition, any relocation payments or one-time signing bonuses received by our employees were excluded from the total annual compensation calculations, as we believe such non-routine payments are not reflective of the total annual compensation received by our employees.

We believe the above methodology provided a reasonable basis for determining each employee s total annual compensation as well as an economical method of evaluating our employee population s total annual compensation and identifying our median employee. The forgoing calculation methodology was consistently applied to our entire employee population, determined as of December 31, 2017, to identify our median employee.

Determining the CEO Pay Ratio

We calculated each element of our median employee s annual compensation for 2018 in accordance with paragraph (c)(2)(x) of Item 402 of Regulation S-K, which resulted in annual total compensation of $144,221. The compensation assumptions originally used to identify our median employee last year were not used to calculate this figure, which was calculated strictly pursuant to the applicable SEC rules identified in the preceding sentence. Similarly, the 2018 annual total compensation of our CEO was calculated in accordance with paragraph (c)(2)(x) of Item 402 of Regulation S-K, as reported in the Total column of the Summary Compensation Table above.

2018 Director Compensation

Bryan Sheffield, our Executive Chairman, and Matt Gallagher, our President and Chief Executive Officer, are members of our Board but are employed by us, and, as such, they receive no additional compensation for their service on our Board.

Attracting and retaining qualified non-employee directors is critical to the future value growth and governance of the Company. For the first half of 2018, our non-employee directors received the following compensation on a prorated basis:

- An annual cash retainer of $90,000;

- An annual cash retainer of (i) $15,000 for the Audit Committee Chairman; (ii) $15,000 for the Compensation Committee Chairman; and (iii) $10,000 for the Nominating and Governance Committee Chairman;

- An annual equity grant consisting of restricted stock with a value equal to approximately $170,000, which award will vest in full on the first anniversary of the grant date; and

An additional annual cash retainer of $30,000 for the Lead Director.

Each director is also reimbursed for (i) travel and expenses associated with the attendance of meetings and activities of our Board or its committees, and (ii) travel and expenses related to each director s participation in general education and orientation programs for directors.

In April 2018, the Compensation Committee evaluated director compensation in light of our updated peer group. Based on its review of the director compensation of our peers and market data supplied by Meridian, and the increased responsibilities of the Board in light of our continued growth and maturation, the Compensation Committee modified our director compensation program as indicated below, effective as of May 28, 2018. Our non-employee directors received the following compensation on a prorated basis for the remainder of 2018:

An annual cash retainer of $90,000;

An annual cash retainer of (i) $20,000 for the Audit Committee Chairman; (ii) $20,000 for the Compensation Committee Chairman; and (iii) $15,000 for the Nominating and Governance Committee Chairman;

An annual equity grant consisting of restricted stock with a value equal to approximately $170,000, which award will vest in full on the first anniversary of the grant date; and

An additional annual cash retainer of $30,000 for the Lead Director.

Each director is also reimbursed for (i) travel and expenses associated with the attendance of meetings and activities of our Board or its committees, (ii) travel and expenses related to each director s participation in general education and orientation programs for directors, and (iii) financial and tax counseling services up to $15,000.

Consistent with the director compensation program described above, on June 1, 2018, the Compensation Committee made grants of 5,515 restricted shares of our Class A common stock to each of our non-employee directors. 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.

2018 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
A.R. Alameddine	$ 137,500	$ 156,130	$	$ 293,630
Ronald Brokmeyer	$ 90,000	$ 156,130	$	$ 246,130
William Browning	$ 107,500	$ 156,130	$ 9,300	$ 272,930
Dr. Hemang Desai	$ 90,000	$ 156,130	$	$ 246,130
Karen Hughes	$ 90,000	$ 156,130	$ 9,450	$ 255,580
David H. Smith	$ 102,500	$ 156,130	$	$ 258,630
Jerry Windlinger	$ 90,000	$ 156,130	$	$ 246,130

(1) The amounts in this column represent annual cash retainers and meeting fees earned and paid with respect to 2018. In February 2019, the Compensation Committee approved an annual cash retainer of $10,000 for each Co-Chairman of the Reserves Committee.

(2) The amounts in this column represent the aggregate grant date fair value of the restricted shares granted during 2018 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 NYSE on the date of grant. For additional information regarding the assumptions underlying this calculation, please see Note 10 to our consolidated financial statements, entitled Stock-Based Compensation, which is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. Our directors do not hold any stock option awards in the Company. On December 31, 2018, all of our non-employee directors held 5,515 outstanding and unvested restricted shares of our Class A common stock.

(3) The amount in this column for Mr. Browning represents the cost of certain tax counseling expenses paid for by the Company. The amount in this column for Ms. Hughes reflects compensation received by Ms. Hughes for providing speechwriting and communications consulting services to the Company. Ms. Hughes did not provide these services to the Company in her capacity as a director.

Director Stock Ownership Guidelines

Upon the recommendation of the Nominating and Governance Committee, in 2018 the Board adopted revised stock ownership guidelines for non-employee directors and executives. The details of our stock ownership guidelines applicable to non-employee directors are outlined below. For information regarding the stock ownership guidelines

applicable to our executives, including our named executive officers, please see the section of our Compensation Discussion and Analysis entitled Stock Ownership Guidelines. The majority of our directors own sufficient stock to satisfy our director stock ownership guidelines. Depending on the applicable director s date of appointment to our Board, individual directors have three to four years remaining to acquire sufficient stock to satisfy these director stock ownership guidelines.

Feature	Non-Employee Directors
Ownership Multiple	5x annual cash retainer
Years to Meet Requirement	Five years from the date the applicable individual becomes a non-employee director
Shares that Count Towards Requirement	Shares owned directly Shares beneficially owned with immediate family members Unvested time-based RSUs and shares of restricted stock
Shares that Do Not Count Towards Requirement	Unvested performance-based RSUs and shares of restricted stock Unexercised stock options
Restrictions on the Transfer of Shares Prior to Meeting Requirements	Non-employee directors are required to retain 100% of shares acquired upon the vesting of RSUs or restricted stock and/or the exercise of stock options until the required ownership multiple is met. Exceptions to this requirement are available for (i) the sale of shares acquired upon the vesting of equity awards or the exercise of stock options to satisfy applicable tax obligations, and (ii) subject to approval by the Compensation Committee, (a) financial hardship, (b) significant declines in the value of the Company s stock, and (c) other unusual situations.

Nonqualified Deferred Compensation Plan

On December 21, 2018, the Board adopted the Parsley Energy, Inc. Nonqualified Deferred Compensation Plan (the Deferred Compensation Plan). The Deferred Compensation Plan is an unfunded nonqualified deferred compensation plan and is administered by the Compensation Committee. At this time, only non-employee directors are eligible to participate in the Deferred Compensation Plan; however, the Compensation Committee may in the future permit eligible employees serving in the position of Vice President or a more senior position to participate in the Deferred Compensation Plan.

Under the Plan and in accordance with applicable tax laws and the procedures established by the Compensation Committee, non-employee director participants may elect to defer the receipt of all or a designated portion of annual retainers and meeting fees. In addition, our non-employee directors may elect to defer receipt of all or a designated amount of RSUs granted under the LTIP. In addition to elective deferrals, the Deferred Compensation Plan also permits the Company to make matching and discretionary contributions to participant accounts, as the Company may determine from time to time in its sole discretion. Participants are fully vested at all times in their elective deferrals and Company matching and discretionary contributions. Deferred cash amounts are notionally invested in the available investment options elected by the participant, and all deferred RSUs are notionally invested in shares of the Company s Class A common stock.

Generally, payment of deferred amounts are made (or commence in the case of installments) on the first scheduled payment date following the earliest to occur of (i) the distribution date specified in the participant s deferral election, (ii) the participant s separation from service, (iii) the participant s death, (iv) the participant s disability, and (v) the occurrence of a change in control (each quoted term as defined in the Deferred Compensation Plan). Scheduled payment dates are March 1 and September 1 of each year. All payments under the Deferred Compensation Plan payable in connection with a participant s separation from service will be subject, if applicable, to delay to the extent required by Section 409A of the Code. Participants may elect to receive payment in a lump sum or pursuant to a permissible installment schedule selected by the Compensation Committee.

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Equity Compensation Plan Information

The following table sets forth information about our Class A common stock that may be issued under equity compensation plans as of December 31, 2018:

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	(b) Weighted-average exercise price of outstanding options, warrants and rights(2)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(3)
Equity compensation plans approved by security holders		$	
Equity compensation plans not approved by security holders	723,355	$	9,107,364
Total	723,355	$	9,107,364

(1) This column reflects all shares subject to time-based restricted stock units granted under the LTIP that were outstanding and unvested as of December 31, 2018. No stock options or warrants have been granted under the LTIP.

(2) No stock options have been granted under the LTIP, and the restricted stock units reflected in column (a) are not reflected in this column as they do not have an exercise price.

(3) This column reflects the total number of shares remaining available for issuance under the LTIP as of December 31, 2018.

Our only equity compensation plan is the LTIP. The LTIP was approved by our stockholders prior to our IPO but has not been approved by our public stockholders. For a description of the LTIP, please read Note 10 to our consolidated financial statements, entitled Stock-Based Compensation, which is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. In addition, a detailed description of the terms of the LTIP is available in our registration statement on Form S-1/A, filed on May 12, 2014, under the heading Executive Compensation 2014

Long Term Incentive Plan.

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Compensation Committee Interlocks and Insider Participation

During 2018, 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 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 subjects, among others:

- the size of the Board;
- qualifications and independence standards for the Board;
- director responsibilities;
- Board leadership;
- meetings of the Board and of non-management directors;
- committee functions and independence of committee members;
- director compensation;
- annual performance evaluations and succession planning;
- review of governance policies, including the Company s Code of Business Conduct and Ethics, a copy of which is posted on the Company s website at *www.parsleyenergy.com*;
- stockholder communications with directors; and
- access to independent advisors, senior management and other employees.

The Corporate Governance Guidelines are posted on the Company s website at *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 for its approval.

The 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.

Proxy Access

In October 2018, the Board amended and restated the Company s bylaws to permit a stockholder (or a group of up to 20 stockholders) owning 3% or more of the Company s outstanding common stock continuously for at least three years, subject to certain limitations, to nominate and include in the Company s proxy statement director candidates constituting up to the greater of two individuals or 20% of the Board, if the nominating stockholder(s) and the nominee(s) satisfy the requirements specified in the Company s bylaws. For the 2020 Annual Meeting of Stockholders (the 2020 Annual Meeting), notice of proxy access nomination must be delivered to Parsley Energy, Inc., Attn: General Counsel, 303 Colorado Street, Suite 3000, Austin, Texas 78701 no later than the close of business on December 10, 2019 and no earlier than November 10, 2019. If the 2020 Annual Meeting is moved more than 30 days prior to or more than 60 days after the one year anniversary of the 2019 Annual Meeting, then to be timely, a notice of proxy access nomination must be received by the Company no earlier than the close of business on the 150th day prior to the 2020 Annual Meeting and no later than the close of business on the later of (a) the 120th day prior to the 2020 Annual Meeting and (b) the 10th day following the day on which public announcement of the date of such meeting is first made by the Company.

Stockholder Engagement

We value our relationship with our stockholders and regularly solicit feedback from them on corporate governance, sustainability, executive compensation and other important matters. Our management meets with our largest stockholders throughout the year to discuss the issues that matter most to them. During 2018, our management engaged with non-affiliate stockholders collectively representing more than a majority of the Company s outstanding shares of common stock. We also solicited feedback from representatives of the proxy advisory firms, Institutional Shareholder Services Inc. and Glass Lewis & Co. We share the feedback received with our Board and its committees to enhance our governance practices and transparency of those practices to our stockholders. We review the voting results of our most recent annual meeting of stockholders, the stockholder feedback received through our engagement process, the governance and disclosure practices of our peers and other large companies, and current trends in governance as we consistently consider enhancements to our governance and disclosure practices.

After considering feedback received from our stockholder engagement process and our review of our governance and disclosure practices, our Company:

Adopted a bylaw amendment to provide proxy access to our stockholders

Separated the roles of Chairman of the Board and Chief Executive Officer

Adopted a compensation clawback policy

Corporate Governance

- Enhanced our disclosure regarding the background, skills, qualifications and experience of our directors
- Enhanced our website disclosure regarding environmental stewardship and our commitment to operate responsibly, safely and sustainably
- Demonstrated commitment to Board diversity, including through the appointment of a highly qualified woman director with significant and varied areas of experience
- Adopted a bylaw amendment to provide for majority voting in an uncontested director election and the required offer of resignation of an incumbent director if he or she is not elected by a majority of the votes cast
- Committed to publish an inaugural sustainability report in 2019
- Began requiring that each director enter into a director agreement that reinforces director fiduciary duties
- Added cash return on capital invested as a quantitative performance metric for the 2019 short-term incentive program to support the Company s strategic goal of achieving free cash flow generation through efficient capital development

Succession Planning

The Nominating and Governance Committee regularly meets to discuss the Company s succession plan and to (i) identify, and periodically update, the qualities and characteristics necessary for an effective Chief Executive Officer and (ii) review the development and progression of potential candidates against these standards. In addition, the Nominating and Governance Committee regularly consults with the Chief Executive Officer on senior management succession planning and advises the Board with respect to the Company s succession plan.

During 2018, following a deliberate and diligent process, the Nominating and Governance Committee recommended to the Board, and the Board approved, a Chief Executive Officer succession plan. Pursuant to the succession plan, effective as of January 1, 2019, Mr. Sheffield stepped down from his position as our Chief Executive Officer and began serving as an officer of the Company in the role of Executive Chairman. Matt Gallagher, who previously served as our President and Chief Operating Officer, succeeded Mr. Sheffield as our Chief Executive Officer and was appointed President and Chief Executive Officer. Mr. Sheffield is expected to continue as Executive Chairman through December 31, 2020 or such other time as the Board may determine, at which time he will retire as an employee and officer of the Company but continue serving as Chairman of the Board, a non-employee director

position. In connection with the succession plan, the roles of Chairman of the Board and Chief Executive Officer were separated. We believe that separating these positions will allow Mr. Gallagher to focus on our day-to-day business and operations, while allowing Mr. Sheffield, in accordance with the succession plan, to focus his energies on the Company s strategic initiatives and leading the Board in its fundamental role of providing advice to and oversight of management. Mr. Sheffield will also remain involved in key matters, such as strategic transactions, the preparation of the Company s development plan and annual budget, representing the Company before key stakeholders and continuing to advise Mr. Gallagher and other members of the senior management team.

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 and effective 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.

It is the responsibility of the Nominating and Governance Committee to identify, evaluate, and recommend to the Board director nominees for election at the annual meeting of stockholders, as well as to fill vacancies or additions on the Board 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 duties; and who are likely to be able to serve on the Board for a sustained period.

While the Board 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 that appointing directors with a diverse range of expertise, backgrounds and skillsets fosters robust and insightful discussion amongst directors, and provides our management with an invaluable opportunity to learn from a variety of unique perspectives and experiences. While the Nominating and Governance Committee regularly evaluates the composition of the Board utilizing a comprehensive director skills matrix that identifies directors and potential directors key qualifications, skills, attributes and diversity characteristics, it believes it has achieved that balance through the representation on the Board of members having experience in the oil and gas industry, accounting and investment analysis, strategic planning, legal and corporate governance, communications and public policy, and risk management, 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 Board holds executive sessions on a regular basis, providing the independent directors with the opportunity to identify and evaluate issues facing us, and engage in a frank and candid dialogue without management being present. In February 2019, the Nominating and Governance Committee, in connection with its annual review of the efficacy of the Board s leadership structure, determined to recommend to the Board that Mr. Alameddine continue as the Board s independent Lead Director. The Board adopted the recommendation of the Nominating and Governance Committee at its February 2019 meeting and Mr. Alameddine s continued service as Lead Director of the Board was approved.

As Lead Director, Mr. Alameddine provides, in conjunction with the Chairman, leadership and guidance to the Board, and also:

- presides at all meetings of the Board at which the Chairman is not present;
- presides at the executive sessions of the independent directors, and has the authority to call such executive sessions;
- serves as liaison between the Chairman of the Board and independent directors of the Board; and
- leads the discussions for the meetings of the independent directors in executive session and provides the independent directors guidance and feedback to our management team.

Classified Board Structure

In consultation with the Board, the Nominating and Governance Committee has determined that a classified board structure continues to be appropriate for the Company at this time. A classified board provides for stability, continuity and experience within our Board. In our industry in particular, long-term focus is critical. The long time horizons required for successful exploration, development and production of oil and natural gas resources make it vital that we have a Board that understands the nature and implications of these processes and has the ability to oversee the development and implementation of long-term strategies informed by an in-depth knowledge of the Company s business and operations. A classified board structure helps promote 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. In this regard, we believe that longer terms for our directors 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.

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 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.

Rather than adopting categorical standards, the Board assesses director independence on a case-by-case basis, in each case consistent with applicable legal requirements and the listing standards of the NYSE. After reviewing all relationships each director has with us, including the nature and extent of any business, employment or familial relationships between us and each director and/or any person or entity with which they are affiliated, the Board affirmatively determined that each of Messrs. Alameddine, Brokmeyer, Browning, Smith and Windlinger, Dr. Desai and Ms. Hughes are independent as defined by the current listing standards of the NYSE.

In connection with its assessment of the independence of each non-employee director, the Board also determined that (i) Messrs. Browning and Brokmeyer 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, Brokmeyer and Windlinger, Dr. Desai and Ms. Hughes are independent under the rules and regulations of the SEC and Section 16(b) of the Exchange Act and 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 evaluated each of the members of the Audit Committee for financial literacy and the attributes of a financial expert in February 2019. The Board determined that each of the Audit Committee members is financially literate and that the Chairman of the Audit Committee, Mr. Browning, is an audit committee financial expert as defined by the SEC.

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Corporate Governance

Oversight of Risk Management

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

- 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;
- 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 Board has also adopted a Whistleblower Policy that provides employees with the ability to submit confidential and anonymous complaints or concerns, including those relating to the Company s accounting, internal controls, auditing matters and compliance with applicable laws, to the Audit Committee directly through a whistleblower hotline. The Company s policy is not to take any adverse action, and to not tolerate any retaliation, against any person for submitting good faith reports.

In addition, the Committees of the Board oversee specific areas of risk:

- The 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 also 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 Audit Committee also oversees the performance of our internal audit

function, which is designed to improve the effectiveness of the Company s risk management, control and governance processes, and the integrity of the Company s operations and financial controls.

The Nominating and Governance Committee oversees risk that may arise in connection with the Company s governance structures and processes, including Board and committee composition and succession planning and director independence.

The Compensation Committee oversees the risks associated with the Company s compensation-related governance policies and practices, including the establishment of performance goals and incentives that are intended to reward the executives for the achievement of strategic and operational goals and increases in stockholder returns, while discouraging unnecessary or excessive risk taking.

The Reserves Committee oversees the Company s oil, natural gas and natural gas liquids reserve estimates and the Company s disclosure of such estimates.

Attendance at Annual Meetings

The Board encourages all directors to attend the Annual Meetings, if practicable. Eight of our nine then-serving directors attended the 2018 Annual Meeting of Stockholders. We anticipate that nearly all of our directors will attend the 2019 Annual Meeting.

Third Amended and Restated Limited Liability Company Agreement of Parsley Energy, LLC

The Company is a holding company and is the sole managing member of Parsley Energy, LLC (Parsley LLC). As of December 31, 2018, the Company s sole material asset consists of 280,205,293 units representing membership interests in Parsley LLC (PE Units). Pursuant to the Third Amended and Restated Limited Liability Company Agreement of Parsley LLC (the Parsley LLC Agreement), holders of PE Units (other than the Company) generally have the right to exchange their PE Units (and a corresponding number of shares of 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 number of shares of Class B common stock) exchanged (subject to conversion rate adjustments for stock splits, stock dividends and reclassifications), or, if either we or Parsley LLC so elects, cash.

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Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of common stock as of April 1, 2019, by (i) each person who is known by the Company to own beneficially more than five percent of the outstanding shares of Class A common stock or Class B 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 1, 2019, 280,964,860 shares of our Class A common stock and 36,122,731 shares of our Class B common stock were outstanding.

	Shares Beneficially Owned by Certain Beneficial Owners and Management(1)					
	Class A Common Stock		**Class B Common Stock**		**Combined Voting Power(2)**	
	Number	**% of class**	**Number**	**% of class**	**Number**	**%**
5% Stockholders						
The Vanguard Group (3)	23,881,649	8.5%			23,881,649	7.5%
JPMorgan Chase & Co. (4)	19,626,913	7.0%			19,626,913	6.2%
	11,772,803	4.2%			11,772,803	3.7%

TIAA-CREF Investment Management, LLC (5)						
Post Oak Veritas, LLC (6)			7,973,117	22.1%	7,973,117	2.5%
Teachers Advisors, LLC (5)	4,364,552	1.6%			4,364,552	1.4%
Directors and Named Executive Officers:						
Bryan Sheffield (7)	10,724,083	3.8%	22,098,751	61.2%	32,822,834	10.4%
Matt Gallagher (8)	808,323	*	1,000,000	2.8%	1,808,323	*
Ryan Dalton (9)	466,721	*	1,076,327	3.0%	1,543,048	*
Colin Roberts (10)	309,880	*			309,880	*
David Dell Osso (11)	26,499	*			26,499	*
A.R. Alameddine	123,643	*			123,643	*
	23,239	*			23,239	*

Ronald Brokmeyer (12)						
William Browning	18,700	*			18,700	*
Dr. Hemang Desai (13)	34,886	*			34,886	*
David H. Smith	44,016	*			44,016	*
Jerry Windlinger	23,015	*			23,015	*
Karen Hughes	10,373	*			10,373	*
Directors and executive officers as a group (13 persons)	13,035,856	4.6%	25,462,688	70.5%	38,498,544	12.1%

(1) Subject to the terms of the Parsley LLC Agreement, holders of PE Units (the PE Unit Holders) (other than the Company) generally have the right to exchange all or a portion of their PE Units (together with a corresponding number of shares of Class B common stock) for Class A common stock 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 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 the 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 (other than the Company) 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 share of Class B common stock held by such holder. Accordingly, the holders of Class B common stock (which are also PE Unit Holders) collectively have the number of votes equal to the number of shares of Class B common stock that they hold.

(3) Vanguard Fiduciary Trust Company (VFTC), a wholly-owned subsidiary of The Vanguard Group, Inc. (The Vanguard Group), is the beneficial owner of 113,833 shares of Class A common stock as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd. (VIA), a wholly-owned subsidiary of The Vanguard Group, is the beneficial owner of 184,872 shares of Class A common stock as a result of its serving as investment manager of Australian

Security Ownership of Certain Beneficial Owners and Management

investment offerings. The Vanguard Group has the (i) sole power to vote or direct the vote of 190,863 shares of Class A common stock, (ii) shared power to vote or direct the vote of 43,542 shares of Class A common stock, (iii) sole power to dispose of or to direct the disposition of 23,659,974 shares of Class A common stock and (iv) shared power to dispose of or to direct the disposition of 221,675 shares of Class A common stock. This information is based solely on a Schedule 13G/A filed by The Vanguard Group with the SEC on February 11, 2019. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

(4) JPMorgan Chase & Co. (JPMorgan) is the beneficial owner of 19,626,913 shares of Class A common stock in its capacity as a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G). JPMorgan has the (i) sole power to vote or direct the vote of 16,474,548 shares of Class A common stock, (ii) shared power to vote or direct the vote of 28,411 shares of Class A common stock, (iii) sole power to dispose of or to direct the disposition of 19,611,754 shares of Class A common stock and (iv) shared power to dispose of or to direct the disposition of 10,863 shares of Class A common stock. This information is based solely on a Schedule 13G filed by JPMorgan with the SEC on January 11, 2019. The address of JPMorgan is 270 Park Avenue, New York, NY 10017.

(5) TIAA-CREF Investment Management, LLC (Investment Management) is the investment adviser to the College Retirement Equities Fund (CREF), a registered investment company, and may be deemed to be a beneficial owner of 11,772,803 shares of Class A common stock owned by CREF. Teachers Advisors, LLC (Advisors) is the investment adviser to three registered investment companies, TIAA-CREF Funds (Funds), TIAA-CREF Life Funds (Life Funds), and TIAA Separate Account VA-1 (VA-1), as well as one or more separately managed accounts of Advisors (collectively, the Separate Accounts), and may be deemed to be a beneficial owner of 4,364,552 shares of Class A common stock owned separately by Funds, Life Funds, VA-1, and/or the Separate Accounts. Each of Investment Management and Advisors expressly disclaims beneficial ownership of the other s securities holdings and each disclaims that it is a member of a group with the other. This information is based solely on a Schedule 13G/A filed by both Investment Management and Advisors with the SEC on February 14, 2019. The business address of each of Investment Management and Advisors is 730 Third Avenue New York, NY 10017.

(6) Represents shares of outstanding Class B common stock directly owned, and shares of Class A common stock beneficially owned as issuable upon the exchange of a corresponding number of Parsley Energy, LLC units and Class B common stock. Post Oak Veritas, LLC is managed by Post Oak Energy Capital, LP, which is managed by its general partner, Post Oak Energy Holdings, LLC. Accordingly, Post Oak Energy Holdings, LLC may be deemed to be a beneficial owner of such Class B common stock. The address of Post Oak Energy Holdings, LLC is 34 S. Wynden, Suite 300, Houston, Texas 77056.

(7) Consists of (i) 8,789,569 shares of Class A common stock and 20,415,517 shares of Class B common stock held by Mr. Sheffield, of which 6,500,000 shares of Class A common stock and 6,829,064 shares of Class B common

stock are pledged to secure a bank loan, (ii) 948,043 shares of Class A common stock and 998,406 shares of Class B common stock held by the Bryan S. Sheffield Spousal Lifetime Access Trust, for which Mr. Sheffield serves as the investment trustee, (iii) for purposes of voting power only, (A) 224,126 performance-based restricted shares of Class A common stock and (B) 112,063 time-based restricted shares of Class A common stock, (iv) 352,521 shares of Class A common stock and 371,249 shares of Class B common stock held by Mr. Sheffield s spouse, and (v) 297,761 shares of Class A common stock and 313,579 shares of Class B common stock held by the Sharoll M. Sheffield 2012 Irrevocable Trust, for which Mr. Sheffield s spouse serves as the investment trustee.

(8) Consists of (i) 560,736 shares of Class A common stock and 1,000,000 shares of Class B common stock, of which 269,199 shares of Class A common stock are pledged to secure a bank loan, and (ii) for purposes of voting power only, (A) 165,058 performance-based restricted shares of Class A common stock and (B) 82,529 time-based restricted shares of Class A common stock. Mr. Gallagher also holds 110,314 unvested time-based restricted stock units which are not reflected in the table.

(9) Consists of (i) 299,438 shares of Class A common stock and 1,076,327 shares of Class B common stock and (ii) for purposes of voting power only, (A) 111,522 performance-based restricted shares of Class A common stock and (B) 55,761 time-based restricted shares of Class A common stock. Mr. Dalton also holds 51,020 unvested time-based restricted stock units which are not reflected in the table.

(10) Consists of (i) 211,945 shares of Class A common stock and (ii) for purposes of voting power only, (A) 65,290 performance-based restricted shares of Class A common stock and (B) 32,645 time-based restricted shares of Class A common stock. Mr. Roberts also holds 30,336 unvested time-based restricted stock units which are not reflected in the table.

(11) Consists of 26,499 shares of Class A common stock. Mr. Dell Osso also holds 103,976 unvested time-based restricted stock units which are not reflected in the table.

(12) Consists of (i) 5,515 shares of Class A common stock held by Mr. Brokmeyer and (ii) 17,724 shares of Class A common stock held by the Ronald and Denise Brokmeyer Revocable Trust, of which Mr. Brokmeyer and his wife are trustees.

(13) Consists of (i) 31,886 shares of Class A common stock held by Mr. Desai and (ii) 3,000 shares of Class A common stock held by The Desai Family Living Trust, of which Dr. Desai and his wife are trustees.

* Less than 1.0%.

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 2018.

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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 directors or a director nominee;
- any person who is known by us to be the beneficial owner of more than 5% of any class of our voting securities;
- 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 an executive officer, director, director nominee or a beneficial owner of more than 5% of any class of our voting securities, and any person (other than a tenant or employee) sharing the household of such executive officer, director, director nominee or beneficial owner of more than 5% of any class of our voting securities; and
- any firm, corporation or other entity in which any of the foregoing persons is a partner or principal or in a similar position of control or in which such person has a 10% or greater beneficial ownership interest.

Our Board adopted a written Related Party Transactions policy prior to the completion of our IPO. Pursuant to this policy, the Audit Committee is required 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, the 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, 2018 that did not require review, approval or ratification under the procedures described above or where these procedures were not followed.

Well Operations

During the year ended December 31, 2018, certain of our directors, officers, 5% stockholders, their immediate family, 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, 2018 totaled $1.7 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.

Spraberry Production Services, LLC

At December 31, 2018, we owned a 42.5% interest in Spraberry Production Services, LLC (SPS). We account for this investment using the equity method. Using the equity method of accounting results in transactions between the Company and SPS and its subsidiaries being accounted for as related party transactions. During the year ended December 31, 2018, we incurred charges totaling $9.8 million for services performed by SPS for our well operations and drilling activities.

Lone Star Well Service, LLC

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, 2018, we incurred charges totaling $3.8 million for services performed by Lone Star for our well operations and drilling activities.

Exchange Right

In accordance with the terms of the Parsley LLC Agreement, the PE Unit Holders (other than the Company) generally have the right to exchange (the Exchange Right) their 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, if we or Parsley LLC so elects, cash. As a PE Unit Holder exchanges its PE Units, our interest in Parsley LLC will be correspondingly increased.

During the year ended December 31, 2018, certain PE Unit Holders, including Mr. Hinson, exercised their Exchange Right under the Parsley LLC Agreement and elected to exchange an aggregate of 25,580,526 PE Units (and a corresponding number of shares of Class B common stock) for an aggregate of 25,580,526 shares of Class A common stock. Mr. Hinson exchanged 250,000 PE Units (and a corresponding number of shares of Class B common stock) for 250,000 shares of Class A common stock on August 10, 2018. We exercised our call right under the Parsley LLC Agreement and elected to issue Class A common stock to each of the exchanging PE Unit Holders in satisfaction of their election notices.

Tax Receivable Agreement

In connection with our IPO, on May 29, 2014, we entered into a Tax Receivable Agreement (the TRA) with Parsley LLC and certain PE Unit Holders prior to the IPO (each such person, a TRA Holder), including certain executive officers. This agreement generally provides for the payment by us to a TRA Holder 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 in connection with the IPO 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 or, if either we or Parsley LLC so elects, cash, 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 hypothetical future tax benefits that could be paid under 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.

The actual amount and timing of payments to be made under the TRA will depend on a number of factors, including the amount and timing of taxable income generated in the future, changes in future tax rates, the use of loss carryovers and the portion of our payments under the TRA constituting imputed interest. As of December 31, 2018, there have been no payments associated with the TRA.

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Proposal Two: Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee of the Board has appointed KPMG LLP (KPMG) as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2019. The audit of the Company s consolidated financial statements for the fiscal year ended December 31, 2018 was completed by KPMG on February 26, 2019. KPMG has served as the Company s independent registered public accounting firm since 2013.

The Board 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 and the Audit Committee believe the submission provides an opportunity for stockholders through their vote to communicate with the Board 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 or expected to be billed by KPMG, the Company s independent registered public accounting firm, for services provided in the last two fiscal years:

	2018	2017
Audit Fees (1)	$ 2,157,025	$ 1,957,000
Audit-Related Fees		
Tax Fees		
All Other Fees		
Total	$ 2,157,025	$ 1,957,000

(1) Audit fees consist of the aggregate fees billed or expected to be 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 our quarterly financial statements included in our Quarterly Reports on Form 10-Q, (ii) the audit of internal control over financial reporting, (iii) the filing of our registration statements for equity securities offerings, (iv) research necessary to comply with generally accepted accounting principles, and (v) other filings with the SEC, including consents, comfort letters, and comment letters.

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, 2018, 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 of common stock present in person or represented by proxy at the Annual Meeting and entitled to vote. Votes cast FOR or AGAINST and abstentions with respect to this Proposal TWO will be counted as shares entitled to vote on the Proposal. Abstentions will have the effect of a vote AGAINST the Proposal. Because brokers, banks and other nominees have discretionary authority to vote your shares on this Proposal TWO, there will be no broker non-votes on this proposal.

Recommendation

The Board unanimously recommends that stockholders vote **FOR** the ratification of the appointment of KPMG LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2019.

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Proposal Three: Non-Binding Advisory Vote on the Company s Named Executive Officer Compensation

The Dodd-Frank Act enables our stockholders to vote to approve, on a non-binding advisory basis, the Company s named executive officer compensation for the fiscal year ended December 31, 2018, as disclosed in this Proxy Statement pursuant to the SEC s compensation disclosure rules (commonly referred to as a Say-on-Pay vote).

As described in detail in the Compensation Discussion and Analysis section above, we strive to maintain competitive pay practices within our industry while appropriately motivating our named executive officers to ensure that our stockholders receive maximum returns and security for their investment. We accomplish this by linking our executive compensation to several measures of the Company s short- and long-term performance. Further, the vast majority of our named executive officers compensation is at-risk (in 2018, approximately 84% for our Chief Executive Officer and an average of approximately 83% for our other named executive officers that were employed by us for the full 2018 fiscal year). We have worked extensively and deliberately to develop a thoughtful, fair, and effective compensation program for our named executive officers that helps us to deliver long-term sustainable growth to our stockholders. In an effort to achieve these goals, we have implemented the best practices described in the chart below.

What we do:	What we don t do:
Pay for performance and pay for sustained performance over multi-year performance periods	No single-trigger change of control vesting for time-based awards
Establish challenging performance metrics, including a cash return on capital invested metric	No guaranteed bonuses
Policy prohibiting hedging transactions	No excessive perquisites
Policy prohibiting pledging transactions subject to limited exceptions with Audit Committee approval	No payment of current dividends on unvested equity-based awards
Evaluate officer compensation levels against a peer group of similarly sized E&P companies	No gross-ups for severance or change of control payments

Substantial portion of pay at-risk

Utilize independent compensation consultant

Equity awards subject to extended vesting periods

Robust stock ownership guidelines for non-employee directors and senior executives

Performance-based awards vest on change of control based on actual performance

Cash incentive and all equity-based compensation subject to clawback in the event of a financial restatement or fraud or misconduct that adversely affects our financial performance or results in a material diminution in our stock price

Health, safety and environmental goals incorporated into the annual cash bonus incentive program

Annual advisory vote on executive compensation

Implemented a cap on performance-based equity awards granted in 2019 if absolute total stockholder return is negative over the performance period

Please read the Compensation Discussion and Analysis section beginning on page 14 for additional details about our executive compensation program, including information about the compensation of our named executive officers during 2018.

The Compensation Committee and our Board have determined that the Company s named executive officer compensation program is aligned with our business strategy, focused on long-term value creation for our stockholders and intended to deliver pay relative to our performance, while providing the opportunity for our named executive officers to earn levels of compensation competitive with the level of compensation paid by companies with which we compete for executive talent. Therefore, the Board recommends that you vote FOR the approval, on a non-binding advisory basis, of the Company s named executive officer

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Proposal Three: Non-Binding Advisory Vote on the Company s Named Executive Officer Compensation

compensation as disclosed pursuant to the SEC s compensation disclosure rules (which disclosure includes the Compensation Discussion and Analysis, the Summary Compensation Table and the other executive compensation-related tables and disclosure included this Proxy Statement).

Vote Required

Approval, on a non-binding advisory basis, of Proposal THREE requires the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy at the Annual Meeting and entitled to vote. Votes cast FOR or AGAINST and abstentions with respect to this Proposal THREE will be counted as shares entitled to vote on the Proposal. For these purposes, broker non-votes are not treated as entitled to vote and will have no impact on the outcome of this vote. Abstentions will have the effect of a vote AGAINST the Proposal. This advisory vote on executive compensation is not binding on the company, the Compensation Committee or the Board. However, the Compensation Committee and the Board value our stockholders opinions with respect to our named executive officer compensation program and will take into account the result of this vote when evaluating the compensation programs for our named executive officers in the future.

Recommendation

The Board unanimously recommends that stockholders vote **FOR** the approval, on a non-binding advisory basis, of the Company s Named Executive Officer compensation for the fiscal year ended December 31, 2018 pursuant to the compensation disclosure rules of the SEC.

Audit Committee Report

The following report of the Audit Committee of the Company 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 or the Exchange Act, except to the extent that the Company specifically incorporates such information by reference in such filing.

The Audit Committee s principal purpose is to assist the Board with its responsibilities related to the oversight of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the qualifications, independence and performance of our independent registered public accounting firm, and (iv) the effectiveness and performance of our internal audit function.

Our management is responsible for the preparation, presentation and integrity of our consolidated financial statements, accounting and financial reporting principles, and system of internal control over financial reporting. Our independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States of America, auditing our internal control over financial reporting, and issuing reports thereon. While the Audit Committee has the responsibilities set forth in its charter and our management and independent registered public accounting firm are accountable to the Audit Committee, it is not the duty of the Audit Committee to plan or conduct audits or to determine that our consolidated financial statements are complete and accurate or in accordance with generally accepted accounting principles and applicable laws, rules and regulations.

In performing its oversight role, the Audit Committee has reviewed and discussed with our management and independent registered public accounting firm the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2018, 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 our consolidated financial statements. The Audit Committee has also evaluated the qualifications, independence and performance of our independent registered public accounting firm, considering a number of factors, including the historical and recent performance of the firm and lead partner, its internal quality control procedures, its knowledge of our operations and industry, relationships that may impact its independence, and external data relating to audit quality and performance. The Audit Committee recognizes the importance of maintaining the independence of our independent registered public accounting firm, in both fact and appearance.

The Audit Committee has also discussed with our independent registered public accounting firm the matters required to be discussed by standards of the Public Company Accounting Oversight Board (PCAOB), including Auditing Standard No. 1301, Communications with Audit Committees. The Audit Committee has received the written disclosures and the written statement from our independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountant s communications with the Audit Committee concerning independence and has discussed with the independent registered public accounting firm its independence. In years where there is a provision of non-audit services, the Audit Committee will consider whether the provision of such services is compatible with maintaining our independent registered public accounting firm s independence.

In reliance on the reviews and discussions described in this Audit Committee Report, and subject to the limitations on the roles and responsibilities of the Audit Committee referred to herein and in its charter, the Audit Committee recommended to the Board that the audited consolidated financial statements for the year ended December 31, 2018 be included in our Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the SEC on February 27, 2019.

Audit Committee of the Board of Directors

William Browning, Chairman

Ronald Brokmeyer, Member

Dr. Hemang Desai, Member

Stockholder Proposals; Identification of Director Candidates

Any stockholder of the Company who desires to submit a proposal pursuant to Rule 14a-8 of the Exchange Act at the Company s 2020 Annual Meeting of Stockholders and to have the proposal included in the Company s 2020 proxy materials must submit such proposal to the Company at its principal executive offices (Parsley Energy, Inc., 303 Colorado Street, Suite 3000, Austin, Texas 78701, Attn: General Counsel) no later than December 10, 2019, unless the date of the 2020 Annual Meeting of Stockholders is changed by more than 30 days from May 24, 2020, 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 2020 proxy materials. Any such stockholder proposal must meet the requirements set forth in Rule 14a-8.

Pursuant to the proxy access provision in our bylaws, in order for a stockholder or group of stockholders to include a director nominee in the Company s proxy materials for the 2020 Annual Meeting of Stockholders, notice of the proxy access nomination must be delivered to the Company s principal executive offices (Parsley Energy, Inc., Attn: General Counsel, 303 Colorado Street, Suite 3000, Austin, Texas 78701) no later than the close of business on December 10, 2019 and no earlier than November 10, 2019, and the nomination must otherwise satisfy the requirements in our bylaws.

Any stockholder of the Company who desires to submit a proposal for action at the 2020 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 (Parsley Energy, Inc., 303 Colorado Street, Suite 3000, Austin, Texas 78701, Attn: General Counsel) between January 25, 2020 and the close of business on February 24, 2020. We will only consider proposals that meet the requirements of the applicable rules of the SEC and our bylaws.

The Nominating and Governance Committee will consider any director candidate informally recommended by stockholders if that recommendation is submitted in writing between January 25, 2020 and the close of business on February 24, 2020 to Parsley Energy, Inc., 303 Colorado Street, Suite 3000, Austin, Texas 78701, Attn: General Counsel. The Company will evaluate director candidates recommended by stockholders on the same basis as recommendations received from any other source.

With respect to any director candidate nominated by a stockholder or group of stockholders, 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;

- 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;

- a completed and signed questionnaire, representation and agreement and written director 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.

The Company may require any proposed director candidate to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed candidate 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 candidate.

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

Solicitation of Proxies

Our Board has sent you this proxy statement in connection with the solicitation by the Board of proxies to be voted at the Annual Meeting. Solicitation of proxies may be made via the internet, by mail, personal interview or telephone by directors, officers and regular employees of the Company. These directors, officers and employees will not receive any compensation for these services, but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation. Broadridge will assist the Company in the distribution of proxy materials and will provide voting and tabulation services for the Annual Meeting. 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 Morrow Sodali LLC to provide various services relating to the solicitation of proxies for an aggregate fee of approximately $15,000. 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 2018 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 2018 Annual Report on Form 10-K 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 2018 Annual Report on Form 10-K, including the financial statements and any schedules thereto. 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 the Audit, Compensation, Nominating and Governance and Reserves Committees, as well as our Corporate Governance Guidelines, our Code of Business Conduct and Ethics, and our Financial Code of Ethics, may be accessed via the Company s website at *www.parsleyenergy.com* by selecting Investors and then Governance, and are also available in print without charge upon written request to our General Counsel at the address above. The Company also intends to disclose any amendments or waivers to its Code of Business Conduct and Ethics via its website at *www.parsleyenergy.com*.

Stockholders residing in the same household who hold their stock through a bank, broker or other nominee 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, broker or other nominee 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.

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, broker or other nominee. 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, broker or other nominee.

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 2019 Annual Meeting of Stockholders will be held at the W Austin Hotel, 200 Lavaca Street, Austin, TX 78701. The W Austin Hotel is located in downtown Austin, Texas.

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PARSLEY ENERGY, INC.

303 COLORADO ST., SUITE 3000

AUSTIN, TX 78701

VOTE BY INTERNET - www.proxyvote.com

Use the internet to transmit your voting instructions and for electronic delivery of information. Vote by 11:59 P.M. ET on 05/23/2019. 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.

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. Vote by 11:59 P.M. ET on 05/23/2019. 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

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

The Board of Directors recommends you vote FOR the following:

1. Election of Directors

Nominees:	**For**	**Against**	**Abstain**
1A William Browning			
1B David H. Smith			
1C Jerry Windlinger			

NOTE: In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment, recess or postponement thereof.

The Board of Directors recommends you vote FOR proposals 2 and 3.

	For	**Against**	**Abstain**
2. To ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2019.			
3. To approve, on a non-binding advisory basis, the Company s named executive officer compensation for the fiscal year ended December 31, 2018.			

For address change/comments, mark here.

(see reverse for instructions)

	Yes	**No**
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 (Joint Owners)

Signature [PLEASE SIGN WITHIN BOX]

Date

Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Annual Report and Notice & Proxy Statement are available at www.proxyvote.com.

PARSLEY ENERGY, INC.

Annual Meeting of Stockholders

May 24, 2019 8:00 AM, CDT

This proxy is solicited by the Board of Directors

The undersigned hereby appoints Matt Gallagher 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. (the Company) held of record by the undersigned on the record date, April 1, 2019, at the Annual Meeting of Stockholders of the Company to be held at the W Austin Hotel, 200 Lavaca Street, Austin, Texas 78701, on Friday, May 24, 2019, at 8:00 AM, CDT, and any adjournment, recess or postponement 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 the election of the director nominees listed in proposal 1 and FOR proposals 2 and 3. In their discretion, the proxies are 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.)

Continued and to be signed on reverse side