

NATIONAL HEALTHCARE CORP  
Form DEF 14A  
March 30, 2018

**UNITED  
STATES  
SECURITIES  
AND  
EXCHANGE  
COMMISSION  
WASHINGTON,  
DC 20549**

**SCHEDULE 14A  
(Rule 14a-101)**

**INFORMATION  
REQUIRED IN  
PROXY  
STATEMENT  
SCHEDULE 14A  
INFORMATION**

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

**Filed by the Registrant**

Filed by a party other than the registrant \_\_\_\_\_

Check the appropriate box:

Preliminary proxy statement

Confidential, for use of the Commission only [as permitted by Rule 14a-6(e)(2)].

**Definitive Proxy Statement.**

Definitive Additional Materials.

Soliciting Material Pursuant to §240.14a-12.

**National HealthCare Corporation**

(Name of Registrant as Specified in Its Charter)

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

Payment of  
Filing fee  
(check the  
appropriate  
box):

**No Fee  
required.**

Fee  
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- (1) Title of each class of securities to which transaction applies:
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Fee paid previously with preliminary materials.

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

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

March 30, 2018

Dear Fellow Shareholder:

It is our pleasure to invite you to attend NHC's 2018 Annual Meeting of Shareholders. The annual meeting will be held on Thursday, May 3, 2018 at 4:00 PM CDT on the 14<sup>th</sup> Floor of the City Center located at 100 E. Vine Street, Murfreesboro, Tennessee 37130.

The Notice of Annual Meeting and Proxy Statement in this mailing describe the business items we plan to address at the annual meeting. We also will present a brief report on our business and respond to your questions. Our 2017 Annual Report to Shareholders, which is not a part of our proxy solicitations materials, is also enclosed. We encourage you to read our Annual Report.

Your vote is very important. Please take the time to cast your vote regardless of the number of shares you own. You have the option to cast your proxy vote by telephone (1-800-690-6903) or online at [www.proxyvote.com](http://www.proxyvote.com) as provided by Broadridge Financial Solutions. These are quick, cost-effective and easy ways for you to submit your proxy. If you vote by telephone or via the internet, you do not need to return the enclosed proxy card by mail. If you prefer to vote by mail, please promptly sign, date and return the enclosed proxy card in the postage-paid envelope provided.

We look forward to seeing you on Thursday, May 3, 2018.

Best regards,

Robert G. Adams      Stephen F. Flatt

Chairman of the Board   Chief Executive Officer

City Center – 100 E. Vine Street – Murfreesboro, TN  
37130 – (615) 890-2020

NHC

**100 E. Vine Street**

**Murfreesboro, TN 37130**

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## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

The 2018 Annual Meeting of the Shareholders of National HealthCare Corporation will be held on the 14<sup>th</sup> Floor of the City Center at 100 E. Vine Street, Murfreesboro, Tennessee, on Thursday, May 3, 2018, at 4:00 PM CDT. At the meeting, we will vote on the following items and any other matters that are properly presented at the meeting:

- 1) The re-election of J. Paul Abernathy and Robert G. Adams as directors to hold office for a three (3) year term and until their successors have been duly elected and qualified; and
  
- 2) Transact such other business as may properly come before the meeting or any continuances of it.

The nominees for re-election as directors currently serve as directors of the Company.

The Board has chosen the close of business on Wednesday, March 14, 2018 as the record date for the determination of shareholders who must be notified of and who are eligible to vote at the meeting or at any postponement or adjournment of the meeting.

Please use the toll-free phone number 1-800-690-6903 or vote online at [www.proxyvote.com](http://www.proxyvote.com) (provided by Broadridge Financial Solutions) or sign, date, and return the proxy card promptly in the enclosed envelope. All proxy materials are also available via the website at [www.nhccare.com](http://www.nhccare.com). If you attend the meeting, you may vote in person even if you have previously mailed a proxy card.

As authorized by the Board of Directors,

John K. Lines

SVP, General Counsel & Secretary  
March 30, 2018

Murfreesboro, TN

**Your Vote is Important!**

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NHC

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**100 E. Vine Street**

**Murfreesboro, Tennessee 37130**  
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## **PROXY STATEMENT**

### **GENERAL INFORMATION ABOUT THE MEETING**

#### **Why are you receiving these proxy materials?**

We are providing these proxy materials to you because NHC's Board of Directors (the "Board") is asking (or soliciting) shareholders to provide proxies to be voted at our 2018 Annual Meeting of the Shareholders (the "Meeting"). The Meeting is scheduled for Thursday, May 3, 2018 at NHC's principal executive office, located on the 14<sup>th</sup> Floor of the City Center at 100 E. Vine Street, Murfreesboro, Tennessee. Your proxy will be used at the Meeting or at any adjournment or postponement of the Meeting. In this Proxy Statement, we refer to National HealthCare Corporation as "NHC," "we," "our" or the "Company."

#### **What is a proxy?**

A proxy is a legal designation of another person to vote your shares. You may authorize the other person by phone or via an Internet website. You also may do so in writing by filling out your proxy card if you hold shares in your own name. If you hold shares through a broker or other nominee, you may instruct your broker or other nominee to vote your shares by following the instructions that the broker or nominee provides to you with these materials. Most brokers offer voting by mail, by completion of a voting instruction card, by telephone or via the Internet.

#### **When is this Proxy Statement (with Annual Report) being mailed?**

This Proxy Statement and the proxy card are first being sent to shareholders on or near March 30, 2018. A copy of the Annual Report on Form 10-K for the Company for the year ended December 31, 2017, including audited financial statements, is also enclosed.



### **Are the proxy materials available on the Internet?**

A full set of proxy materials is available on the NHC website at [www.nhccare.com](http://www.nhccare.com). Just click on the button labeled “2018 Proxy Materials” after clicking on the “Investor” tab. Our Company maintains the confidentiality of shareholders who use our website. We do not utilize “cookies” or other tracking features on the NHC website.

### **What is a shareholder of record?**

A shareholder of record or registered shareholder is a shareholder whose ownership of NHC Common Stock is reflected directly on the books and records of the Company’s transfer agent. If you hold NHC Common Stock through an account with a bank, broker or similar organization, you are considered the beneficial owner of shares held in “street name” and are not a shareholder of record. For shares held in street name, the shareholder of record is your bank, broker or similar organization.

### **How can you vote?**

If you are a shareholder of record, you may vote by using the toll-free number 1-800-690-6903 or via the Internet at [www.proxyvote.com](http://www.proxyvote.com). Your proxy card includes instructions for using these quick, cost-effective and easy voting methods. You also may simply fill out, sign and date your proxy card and mail it in the prepaid envelope included with these proxy materials. **If you vote by telephone or the Internet, DO NOT return your proxy card by mail.** You will need to follow the instructions when you vote using any of these methods to make sure your vote will be counted at the Meeting. You also may vote by submitting a ballot in person if you attend the Meeting; however, we encourage you to vote by proxy card, by telephone, or via the Internet even if you plan to attend the Meeting.

If you hold shares through a broker or other nominee, you may instruct your broker or other nominee to vote your shares by following the instructions that the broker or nominee provides to you with these materials. Most brokers offer voting by mail (with the completion of a voting instruction card), by telephone and the Internet. If you hold shares through a broker or other nominee and wish to vote your shares at the meeting, you must obtain a legal proxy from your broker or nominee and present it to the inspector of election with your ballot when you vote at the Meeting.

**Can I revoke my proxy or change my vote?**

You have the power and right to revoke the proxy or change your vote at any time before the Meeting. If you are a shareholder of record, you may change or revoke your proxy by filing with the Secretary of the Company (i) a written revocation or (ii) your proxy with a later date than the prior proxy. Furthermore, if you attend the Meeting, you may elect to vote in person, thereby canceling the proxy. Attendance at the Meeting will not cause your previously granted proxy to be revoked unless you specifically make that request at the Meeting.

If you hold your shares through a broker or other nominee, you may change or revoke your voting instructions by following the specific directions provided to you by your bank, broker or other nominee. If you have obtained a legal proxy from your bank, broker or other nominee you may cancel your prior proxy by attending the Meeting and voting in person. Attendance at the Meeting will not cause your previously granted proxy to be revoked unless you specifically make that request at the Meeting.

**Who is entitled to vote at the Meeting?**

All shareholders who held shares of Common Stock at the end of the business day on Wednesday, March 14, 2018 (the "Record Date") are entitled to receive notice of and to vote at the Meeting.

**Who attends the Meeting?**

Shareholders (or their authorized representatives) and our guests are invited to attend the Meeting.

**How will your shares be represented at the Meeting?**

At the Meeting, the officers named in the proxy card will vote your shares in the manner you requested if you correctly submitted your proxy. If you sign your proxy card and return it without indicating how you would like to vote your shares, your proxy will be voted as our Board recommends, which is:

**"FOR"** the re-election of each of the nominees for director named in this Proxy Statement (Proposal I);



**Are there any other matters to be addressed at the Meeting?**

We know of no other matters to be brought before the Meeting, but if other matters are brought up before or at the Meeting, the officers named in your proxy would take action in their judgment in the best interests of our Company and its shareholders.

**How many shares will be voted at the Meeting?**

All shareholders who hold shares of Common Stock at the end of the business day on the Record Date are entitled to vote at the Meeting. As of March 14, 2018, there were 15,226,539 shares of Common Stock, par value \$0.01 per share (“Common Stock”) outstanding. Each holder of shares of Common Stock is entitled to one vote per share on all matters properly brought before the Meeting. Shareholders are not permitted to cumulate votes for the purpose of electing directors or otherwise.

**What constitutes a quorum for the Meeting?**

The holders of a majority of the voting power of the shares of Common Stock outstanding on the Record Date will constitute a quorum at the Meeting. Shares of Common Stock represented in person or by proxy at the Meeting (including shares which abstain or do not vote with respect to one or more of the matters presented at the Meeting) will be tabulated by the Company’s Secretary who will determine whether or not a quorum is present.

**How many votes are required for the proposals?**

The affirmative vote of a majority of the shares voted at the meeting is required for the approval of the election of directors.

**How will abstentions be counted?**

Abstentions will be counted as shares that are present and entitled to vote for purposes of determining the number of shares that are present and entitled to vote with respect to any particular matter but will not be counted as votes cast on

such matter. As a result, once a quorum is established, abstentions will have no effect of Proposal I.

**What is a broker non-vote and how is it counted?**

If a broker holding stock in “street name” indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter. Each of the proposals to be voted on at the Meeting is a non-routine matter. Consequently, without your voting instructions, your brokerage firm cannot vote your shares on any of the proposals. These unvoted shares, called “broker non-votes,” refer to shares held by brokers who have not received voting instructions from their clients and who do not have discretionary authority to vote on non-routine matters. Accordingly, a “broker non-vote” may affect establishment of a quorum, but, once a quorum is established, will have no effect on the voting on Proposal I.

**Are there any dissenters’ rights or appraisal rights with respect to any of the proposals described in this Proxy Statement?**

There are no rights of appraisal or similar dissenter’s rights with respect to any matter to be acted upon pursuant to this Proxy Statement.

**Where can I find the voting results of the Meeting?**

The Company will announce preliminary or final voting results at the Meeting and publish final results in a Current Report on Form 8-K filed with the Securities and Exchange Commission (the “SEC”) within four business days of the completion of the Meeting.

**Are there any shareholders that beneficially own more than 5% of NHC's Common Stock?**

The following information is based upon filings made by the persons or entities identified below with the SEC. Except as set forth below, as of the close of business on March 14, 2018, no person or entity was known to us to beneficially own more than 5% of the outstanding Common Stock.

Name and Address of Beneficial Owner	Amount & Nature of Beneficial Ownership of Common Stock	Percent of Class <sup>(1)</sup>
National Health Corporation <sup>(2)</sup>		
P. O. Box 1398	1,084,763	7.1%
Murfreesboro, TN 37133 Dorothy B. Adams		
5380 Gulf of Mexico Dr., Ste. 105	1,141,376 <sup>(3)</sup>	7.5%
Longboat Key, FL 34228 The Vanguard Group		
100 Vanguard Blvd.	895,165 <sup>(4)</sup>	5.9%
Malvern, PA 19355		

\*Columns that do not apply have been deleted.

<sup>(1)</sup> The percentages shown are based on 15,226,539 shares of Common Stock outstanding plus, as to each individual and group listed, the number of shares of Common Stock deemed to be owned by such holder pursuant to Rule 13d-3 under the Exchange Act, assuming the exercise of options that are exercisable within 60 days

<sup>(2)</sup> National Health Corporation is owned solely by the National Health Corporation Leveraged Employee Stock Ownership Plan & Trust. Its board of directors is composed of John K. Lines, Jeffrey R. Smith and Michael Ussery, all of whom disclaim any beneficial ownership thereof.

<sup>(3)</sup> Of these shares, 139,312 Common Shares are owned by the Adams Group, of which Ms. Adams has beneficial ownership. Based solely on a Schedule 13G filed October 19, 2009.

<sup>(4)</sup> Based solely on information provided by The Vanguard Group on a Schedule 13G/A filed February 9, 2018.





**DIRECTORS OF THE COMPANY**

NHC has an eight person Board. Directors each serve a three-year term (except that directors appointed or elected to fill a vacancy may serve a shorter initial term) and may be removed from office for cause only. The following table gives information about our directors:

<b>Name and Address of Directors</b>	<b>Age</b>	<b>Position</b>	<b>Expiration of Term</b>
J. Paul Abernathy, M.D. 2102 Greenland Dr. Murfreesboro, TN 37130	82	Director	2018
Robert G. Adams 100 Vine St., Ste. 1400 Murfreesboro, TN 37130	71	Chairman of the Board	2018
W. Andrew Adams 222 Robert Rose Drive Murfreesboro, TN 37129	72	Director	2020
Ernest G. Burgess III 7097 Franklin Road Murfreesboro, TN 37128	78	Director	2020
Stephen F. Flatt 100 Vine St. Ste 1400 Murfreesboro, TN 37130	62	Director & CEO	2019
Emil E. Hassan 8400 Heirloom Blvd College Grove, TN 37046	71	Director	2020
Richard F. LaRoche, Jr. 2103 Shannon Dr.	72	Director	2019

Murfreesboro, TN 37129  
Lawrence C. Tucker

140 Broadway                      75 Director                      2019

New York, NY 10005

J. Paul Abernathy, M.D. (Independent Director) joined the Board in 2003 and is a retired board-certified general surgeon. He was in private practice at Murfreesboro Medical Clinic from 1971 until retirement in 1995. Previously, he served as a general practice physician for Hazard Memorial Hospital in Hazard, Kentucky. Lt. Col. Abernathy additionally served as a flight surgeon for the Homestead Air Force Base in Florida and Chief of Surgery for the United States Air Force at Keesler Air Force Base in Mississippi. Dr. Abernathy twice served as President of the Rutherford County Stones River Academy of Medicine and is a member of the American College of Surgeons. Dr. Abernathy has a B.S. degree from Middle Tennessee State University and an M.D. degree from the University of Tennessee. From his many years as a practicing physician, Dr. Abernathy brings a unique perspective to the Board on physician matters and the business of health care. He serves on the Company's Audit Committee, Compensation Committee and is chairman of the Nominating and Corporate Governance Committee.

Robert G. Adams (Chairman & Affiliated Director) has served NHC for 43 years - 18 years as Senior Vice President, 11 years as Chief Operating Officer, 5 years as President, 12 years as CEO and 25 years on the Board. He became Chairman of the Board on January 1, 2009 and served as Chief Executive Officer from November 1, 2004 until December 31, 2016. Mr. Adams retired from his position as CEO effective December 31, 2016 but remains non-executive Chairman of the Board. He has extensive long-term health care experience, including serving NHC as a healthcare center administrator and Regional Vice President. As the former CEO, Mr. Adams provides a valuable perspective regarding the business and strategic direction of the Company and brings his experience in all aspects of the Company's business to the Board's deliberations. Mr. Adams has a B.S. degree from Middle Tennessee State University. He also served on the board of National Health Realty, Inc. from December 1997 through October 2007. He is the brother of W. Andrew Adams.

W. Andrew Adams (Affiliated Director) served NHC as a full-time employee and director for 32 years and served as its President and CEO until he resigned those positions in 2004, remaining as Chairman of the Board through 2008. At its inception in December 1997, he served National Health Realty, Inc. as President and Chairman of the Board, resigning his position as President in November 2004. Mr. Adams has been President (through February 25, 2009) and CEO (through February 28, 2011) and Director of National Health Investors, Inc. ("NHI") since its inception in 1991; he continues as Chairman of the Board. Mr. Adams currently serves on the Board of Trustees at Middle Tennessee State University and on its Audit and Compliance Committee. He previously served on the boards of American Health Care Association, National Council of Health Centers, Assisted Living Concepts, SunTrust Bank, Lipscomb University and the Boy Scouts of America. Mr. Adams' years of experience in the health care industry are invaluable to the Board along with his thorough financial acumen and leadership skills. He received his B.S. and M.B.A. from Middle Tennessee State University. He is the brother of Robert G. Adams.

Ernest G. Burgess, III (Independent Director) served as NHC's Senior Vice President of Operations for 20 years before retiring in 1994. In his past role as Senior Vice President of Operations, he gained significant operational experience in the long-term care business as well as experience with financial and accounting matters. He has a M.S. degree from the University of Tennessee and is currently the Mayor of Rutherford County, Tennessee. He brings to the Board unique leadership skills as well as the current government relations experience he has acquired as Mayor. Mr. Burgess also served on the board of National Health Realty, Inc. from December 1997 through October 2007. Mr. Burgess has been an NHC director since 1992 and serves on NHC's Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee.

Stephen F. Flatt (CEO & Inside Director) was appointed to the Board and named Chief Executive Officer effective January 1, 2017. He joined NHC in June 2005 as Senior Vice President-Development. On January 1, 2009, Mr. Flatt became NHC's President. He served as the President of Lipscomb University from 1997 through June 2005 and, prior to that, President of Ezell Harding Christian School in Nashville and Vice President of Financial Affairs and Institutional Planning at Lipscomb. Mr. Flatt currently serves as Co-Chair of the Council for Post Acute Care (CPAC), on the Board of Directors of The Community Foundation of Middle Tennessee, and the Board of Directors of the Nashville Health Care Council. In 2013, he was a member of the Council's inaugural "Health Care Fellows" Program led by Senator Bill Frist. Also in 2013 he was named one of Middle Tennessee's "Health-Care Heroes" by the *Nashville Business Journal*. Mr. Flatt's role as Chief Executive Officer and his considerable experience in the health care field provides the Board with valued insight and leadership. He received his B.A. degree from David Lipscomb College and his M.S. degree and Ph.D. from George Peabody College of Vanderbilt University.

Emil E. Hassan (Independent Director) joined the Board in April 2004. In 2004, he retired from the position of Senior Vice President of manufacturing, purchasing, quality and logistics for Nissan North America, Inc. Prior to joining Nissan, he was with Ford Motor Co. for twelve years, where he held various management positions in engineering and manufacturing. Mr. Hassan brings to the Board, among other skills and qualifications, years of management and financial experience from his positions with Nissan and Ford Motor Company. He is the chairman of the Business/Education Partnership of Murfreesboro and Rutherford County and sits on the St. Thomas Health board of directors and serves on its Quality and Safety Committee along with the Finance Committee. He is a member of the Society of Automotive Engineers, the Leadership Rutherford Alumni Association, the Leadership Nashville Alumni Association and the Rutherford County Chamber of Commerce. He is a former board member of the Federal Reserve Bank of Atlanta, Nashville Branch. Mr. Hassan is chairman of NHC's Compensation Committee and also serves on NHC's Nominating and Corporate Governance Committee and Audit Committee.

Richard F. LaRoche, Jr. (Independent Director) served NHC for 27 years as Secretary and General Counsel and 14 years as Senior Vice President, retiring from these positions in May 2002. He has served as an NHC Board member since 2002. He has a law degree from Vanderbilt University and an A.B. degree from Dartmouth College. Mr. LaRoche serves as a director of privately held Lodge Manufacturing Company and is a member of its Compensation Committee. He has previously served on the publicly held boards of National Health Investors, Inc. (1991 through 2008), National Health Realty, Inc. (1997 through 2007) and Trinsic, Inc. (2003 through 2006). Mr. LaRoche's long career as former Secretary and General Counsel of the Company, during which time he was responsible for the Company's finance and development initiatives, provides the Board with invaluable experience in addressing the issues and challenges facing the Company. He serves on NHC's Nominating and Corporate Governance Committee, Compensation Committee and as chairman of the Audit Committee.

Lawrence C. Tucker (Independent Director) has been with Brown Brothers Harriman & Co., private bankers, for 49 years, became a general partner of the firm in January 1979 and became a limited partner of the firm in January 2017. He served on that firm's steering committee and was responsible for its corporate finance activities, which included management of the firm's private equity funds. Mr. Tucker's experience on several publicly traded company boards provides our Board with a unique national perspective needed for our growth strategy. His experience and expertise in the financial industry have proven invaluable. Mr. Tucker has been an NHC director since 1998 and serves on NHC's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

**EXECUTIVE OFFICERS OF THE COMPANY**

Officers serve at the pleasure of the Board. The following table gives information about our executive officers (those not serving on the Board):

<u>Name and Address of Executive Officers</u>	<u>Age</u>	<u>Position</u>
B. Anderson Flatt, Sr. 100 E. Vine St., Ste. 1400, Murfreesboro, TN Brian F. Kidd	56	Senior V.P. & Chief Information Officer
100 E. Vine St., Ste. 1200, Murfreesboro, TN John K. Lines	43	Senior V.P. & Controller, Principal Accounting Officer
100 E. Vine St., Ste. 1400, Murfreesboro, TN Leroy E. McIntosh, Jr.	58	Senior V.P., Secretary & General Counsel
100 E. Vine St., Ste. 1400, Murfreesboro, TN Julia W. Powell	57	Senior V.P., Ancillary Services And Service Line Strategy
100 E. Vine St., Ste. 800, Murfreesboro, TN Jeffrey R. Smith	68	Senior V.P., Patient Services & Chief Nursing Officer
100 E. Vine St., Ste. 1100, Murfreesboro, TN Michael Ussery	54	Senior V.P. & Treasurer
100 E. Vine St., Ste. 1400, Murfreesboro, TN	59	President/ Chief Operating Officer

B. Anderson Flatt, Sr. (Senior Vice President & Chief Information Officer) brought more than 32 years of experience in health care technology when he joined the Company in 2017, including roles at Corizon Health, Cigna-HealthSpring, and AIM HealthCare (now a division of Optum). Mr. Flatt serves on the boards of Ascend Federal Credit Union and Second Harvest Food Bank of Middle Tennessee. Mr. Flatt is the recipient of the Nashville Technology Council CIO and Volunteer of the Year (2011), Nashville Business Journal Technology Power Leader (2011 and 2012), Healthcare Hero (2014) and CIO Award (2015). He holds a B.S. degree in Computer Science from Lipscomb University.

Brian F. Kidd (Senior Vice President & Controller, Principal Accounting Officer) joined the Company in 2008. Prior to being promoted to Senior Vice President, Controller and Principal Accounting Officer in 2017, Mr. Kidd served as Vice President of Financial Reporting and Director of Financial Reporting. His responsibilities at NHC have included overseeing and reviewing all aspects of internal and external financial reporting, which includes compliance and

monitoring of Generally Accepted Accounting Principles and SEC requirements. Mr. Kidd also oversees federal and state tax compliance and Sarbanes-Oxley requirements for NHC. He is very active in the community and currently serves on the boards of the Rutherford County Chamber of Commerce, Middle Tennessee State University Accounting Advisory Board, Murfreesboro Water Resources Board, Main Street: Murfreesboro/Rutherford County, Candle Wishes Foundation, Providence Christian Academy, and the One Hundred Club of Rutherford County, Inc. Prior to joining NHC, Mr. Kidd was in public accounting for 10 years. Mr. Kidd is a Certified Public Accountant and received his B.S. in Accounting from Middle Tennessee State University in 1998.

John K. Lines (Senior Vice President, General Counsel & Secretary) joined the Company in 2006. In addition to his role as General Counsel, Mr. Lines is also responsible for legislative activities as well as investor and public relations. He served as General Counsel of Trinsic, Inc. from May 2005 through August 2006. Prior to that Mr. Lines was the Assistant General Counsel of Quest Communications International from April 2003 to May 2005. Prior to April 2003, Mr. Lines acted as General Counsel to several companies including Sorento Networks, Inc., ResortQuest International, Inc. and Insignia Financial Group, Inc. He was also an associate with the law firm of Squire, Sanders and Dempsey. Mr. Lines has a B.S. in both Accounting and Finance from Purdue University and a J.D. from Indiana University-Bloomington.

Leroy E. McIntosh, Jr. (Senior Vice President, Ancillary Services and Service Line Strategy) brought more than 27 years of healthcare leadership experience when he joined the Company in 2017. Prior to joining NHC, he served in key leadership roles with HCA's TriStar Division and Ascension Health in the Nashville Market. Mr. McIntosh received his B.S. from Middle Tennessee State University and his M.H.A from University of St. Francis. He received designation as a Fellow from the American College of Healthcare Executives in 2008. Mr. McIntosh serves on the Arthritis Foundation Board and Life Credit Union Board.

Julia W. Powell (Chief Nursing Officer and Senior Vice President, Patient Services) has been with the Company since 1974, becoming Senior Vice President, Patient Services in 2004 and Chief Nursing Officer in 2017. She has served as a nurse consultant and director of patient assessment computerized services for NHC. Ms. Powell has a B.S. in nursing from the University of Alabama, Birmingham, and an M.A. in sociology with an emphasis in gerontology from Middle Tennessee State University. She is an ANCC Board certified Nurse Executive, Advanced. Ms. Powell is involved professionally as a member of the American Nurses' Association, the National Gerontological Nurses Association, the American Medical Directors Association, the American Organization of Nurse Executives, the Association of Rehabilitation Nurses, and the American Society of Consultant Pharmacists. She is also involved in the local community, with membership in the Board of the League of Women Voters and the Murfreesboro Breakfast Rotary.



Jeffrey R. Smith (Senior Vice President and Treasurer) has been with the Company since 1994. Prior to being promoted to Senior Vice President and Treasurer in 2017, Mr. Smith served as the Vice President of Treasury from 2009-2016, and prior to that as the Assistant Vice President and an Accounting Manager at NHC. He serves on the boards of Project One Four and the Nashville Inner City Ministry. Mr. Smith is a C.P.A. (inactive) and earned his B.S. in Accounting from Lipscomb University in Nashville, Tennessee in 1985. Mr. Smith also earned his law degree from the Nashville School of Law in 1998 and is a licensed attorney (TN).

Michael Ussery (President and Chief Operating Officer) has been with the Company since 1980. On January 1, 2009, Mr. Ussery was appointed Chief Operating Officer and on January 1, 2017 he was appointed President of NHC. During his tenure with NHC he has served as Senior Vice President-Operations, Senior Vice President-Central Region, Regional Vice President, and Administrator in multiple locations. Mr. Ussery also won the top honor of Administrator of the Year in 1989. He was promoted to Senior Vice President, Operations in early January 2005. Mr. Ussery has a B.B.A. from The University of Notre Dame and an M.B.A. from Middle Tennessee State University.

## **BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD**

The Board held four meetings during 2017. All directors were present at the regularly scheduled meetings of the Board and of committees on which they served. The Company strongly urges, but does not require, directors to attend the 2018 annual meeting of the shareholders. At the 2017 annual meeting, all directors were in attendance. The NYSE American listing rules require that a majority of the Board be comprised of independent directors. The Board has identified Dr. Abernathy, Mr. Burgess, Mr. Hassan, Mr. LaRoche and Mr. Tucker as independent directors according to Section 802A of the NYSE American Company Guide.

Historically we have followed the traditional board leadership model – with our Chief Executive Officer also serving as Chairman of our Board. However, effective December 31, 2016, Mr. Robert Adams retired as Chief Executive Officer but remains as the non-executive Chairman of our Board. As a result, we have changed our board leadership. As our Chairman, Mr. Robert Adams is charged with presiding over all meetings of the Board of Directors and our shareholders and providing advice and counsel to the CEO and our Company's other officers regarding our business and operations. With 43 years of experience with NHC, including 12 as the CEO and 25 years on the Board, Mr. Adams is well positioned to provide our CEO with guidance, advice and counsel regarding our Company's business, operations and strategy. We believe that having Mr. Adams as Chairman allows us to continue to draw upon his extensive knowledge of the healthcare industries. Our customers, suppliers and other business partners have always viewed Mr. Robert Adams as a visionary leader in our industry, and we believe that having him remain as the Chairman of the Board even though he has retired as the CEO is good for our business. Accordingly, we believe that now having separate Chairman and CEO positions is currently the best governance model for our Company and our shareholders.

Our Board committees, each comprised solely of five independent directors and each with a separate chair, are the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Each of our current independent directors serves on each of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The Audit Committee oversees the accounting and financial reporting processes, as well as legal and compliance matters and some aspects of the Company's risk management processes. The Compensation Committee oversees the annual performance evaluation of our CEO and other top executives, and, along with the full Board, is also responsible for overseeing succession planning. The Nominating and Corporate Governance Committee monitors matters such as the composition of the Board and its committees, Board performance and “best practices” in corporate governance.

Our Board's Audit Committee is responsible for overseeing the risk management function of the Board. As part of this function, the Audit Committee has appointed a Certification Committee comprised of the Company's Compliance Officer, Chairman of the Audit Committee, Chief Audit Executive, Principal Accounting Officer, Assistant Vice President of Reimbursement, Treasurer, and General Counsel to meet quarterly with a designated member of the Board's Audit Committee. In 2017, NHC's Certification Committee met four times. These officers meet with the designated Audit Committee representative separately and then jointly to report on risk related matters and to ensure proper communication between senior management, the Audit Committee and the full Board. While the Audit Committee discharges this responsibility, our entire Board is also actively involved in overseeing risk management. For example, at each of its meetings, the Board receives a report from the Chair of the Audit Committee and discusses risks that we are currently facing. In addition, each of our Board committees considers the risks within its area of responsibilities. For example, our Compensation Committee considers risks that may be implicated by our executive compensation programs and, consistent with NYSE American Listing Standards, our Audit Committee considers the impact of risk on our financial position and the adequacy of our risk-related internal controls.

Our directors bring a broad range of leadership experience to the boardroom and regularly contribute to thoughtful discussion involved in effectively overseeing the business and affairs of the Company. We believe the atmosphere of our Board is collegial, that all Board members are well engaged in their responsibilities, and that all Board members express their views and consider the opinions expressed by other directors.

On an annual basis, as part of our governance review and succession planning, the Board (led by the Nominating and Corporate Governance Committee) evaluates our leadership structure to ensure that it remains the optimal structure for our Company and our shareholders. We recognize that different board leadership structures may be appropriate for companies with different histories and cultures, as well as companies with varying sizes and performance characteristics. The Board is comprised of experienced independent directors, the Board committees are led by independent directors and the independent directors hold regular meetings in executive session which we believe remains the optimal structure for our Company and our shareholders.

The Board publishes the charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee on NHC's website at [www.nhccare.com](http://www.nhccare.com). Each committee is submitting a report in this Proxy Statement. Each committee adopted its respective charter, which provides that each committee elects a chairman. These committee meetings serve as the vehicle for regularly scheduled executive sessions of the non-management directors. The committee chairman serves as the presiding officer at committee meetings.

The Audit Committee has adopted procedures to receive and address complaints regarding accounting, internal control, and auditing issues. The full Board has adopted the NHC Code of Conduct and the NHC Valuesline, which are each available on the Company's website (under the tab labeled "Investors Info") and described in this Proxy Statement on pages 43 and 44.

Finally, we note that the Board has found that Audit Committee member and Chairman Richard F. LaRoche, Jr. meets the SEC definition of audit committee financial expert, and he meets the NYSE American definition of an independent director.

## **BOARD OF DIRECTORS**

## **COMMITTEE REPORTS**

### **Report of the Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee's responsibilities include providing assistance to the Board in identifying and recommending candidates qualified to serve as directors of the Company; to review the composition of the Board; to develop, review and recommend governance policies and principles for the Company; and to review periodically the performance of the Board. The process followed by the Committee is to identify qualified individuals for Board membership and recommend them to the full Board for consideration. This includes all potential candidates, whether initially recommended from management, other Board members or shareholders of the Company. Nominations by shareholders should be sent to National HealthCare Corporation, 100 E. Vine Street, Suite 1400, Murfreesboro, Tennessee 37130, Attn: Nominating and Corporate Governance Committee. Any such nominations by shareholders shall include the candidate's name, together with appropriate biographical information of the candidate and a statement as to whether the shareholder or group of shareholders making the recommendation has beneficially owned more than 3% of the Company's Common Stock for at least three years as of the date the recommendation is made. If the appropriate biographical information is provided on a timely basis, the Committee will evaluate shareholder recommended candidates by following substantially the same process, and applying the same criteria, as it follows for candidates submitted by others.

In determining whether to recommend a candidate for the Board's consideration, the Committee looks at various criteria including diversity, independence, experience, expertise, skills and an understanding of the health care industry, finance and accounting. The Committee's evaluation of director nominees includes consideration of their ability to contribute to the diversity of personal and professional experiences, opinion, perspectives and backgrounds on the Board. Nominees are not discriminated against on the basis of race, color, religion, sex, ancestry, national origin, sexual orientation, disability or any other basis proscribed by law. The principal qualification of a director is the ability to act successfully on the shareholders' behalf. The Committee then evaluates each nominee and does an internal rank ordering. Because of their experience with the Company, existing Board members are automatically considered by the Committee for re-election. The Company believes that the collective experience and qualifications of the directors should provide a variety of understanding and abilities that will allow the Board to fulfill its responsibilities. The Company has not paid a fee to any third party to identify, evaluate or assist in identifying or evaluating potential nominees.

Given the retirements that were scheduled to occur in December 2016, the Nominating and Corporate Governance Committee met earlier than usual, in November of 2016, then did not meet in 2017. The Nominating and Corporate Governance Committee met again in 2018, on February 13, which resulted in the nominations of J. Paul Abernathy and Robert G. Adams for re-election to the Board at this 2018 Annual Meeting.

Submitted by the National HealthCare Corporation Nominating and Corporate Governance Committee.