

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of the**  
**Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **January 11, 2017**

**MFA FINANCIAL, INC.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction  
of incorporation  
or organization)

**1-13991**  
(Commission File Number)

**13-3974868**  
(IRS Employer  
Identification No.)

**350 Park Avenue, 20th Floor**  
**New York, New York**  
(Address of principal executive offices)

**10022**  
(Zip Code)

Registrant's telephone number, including area code: **(212) 207-6400**

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 

**Item 5.02      Departure of Directors or Certain Officers; Election of Directors;**  
**Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

*(e) Form of PRSU Agreement*

On January 11, 2017, the Compensation Committee (the "Committee") of the Board of Directors of MFA Financial, Inc. (the "Company"), in its capacity as administrator of the MFA Financial, Inc. Equity Compensation Plan (the "Equity Compensation Plan"), approved forms of award agreement (the "2017 PRSU Form") to be used from time to time in connection with awards of performance-based phantom shares (also referred to as performance-based restricted stock units ("PRSUs")) granted to William S. Gorin, the Company's Chief Executive Officer, Craig L. Knutson, the Company's President and Chief Operating Officer, and certain other key employees of the Company under the Equity Compensation Plan.

Except as discussed below, the 2017 PRSU Form is substantially similar to the forms of PRSU award agreements used by the Committee for prior grants of PRSU awards (the "2014 PRSU Form") (which agreements were filed as Exhibits 10.4 and 10.8 to the Company's Current Report on Form 8-K, dated January 24, 2014). As in the 2014 PRSU Form, grants made under the 2017 PRSU Form contemplate a "target amount" of PRSUs being made to the grantee. Per the terms of the 2017 PRSU Form, one-half of such target amount will vest based on the Company's level of absolute total stockholder return ("TSR") during the applicable performance period and one-half of such target amount will vest based on the Company's level of TSR during the applicable performance period relative to the TSR during the same period of a peer group of companies designated by the Committee at the time of the grant. (The PRSUs that vest based on the Company's level of absolute TSR are hereinafter referred to as the "Absolute TSR PRSUs," and the PRSUs that vest based on the Company's level of relative TSR are hereinafter referred to as the "Relative TSR PRSUs.") Subject to certain exceptions, each grant of PRSUs will vest on the last day of the applicable performance period, subject to the level of performance achieved and the grantee's continued employment with the Company.

With respect to the Absolute TSR PRSUs, the actual number of Absolute TSR PRSUs that will vest will be based on the level of the Company's cumulative TSR (i.e., share price appreciation or depreciation, as the case may be, plus dividends divided by initial share price) relative to an 8% per annum simple TSR for the performance period (which under the Company's current compensation program has generally been three years) beginning on January 1 of the year of grant (e.g., the performance period for the PRSUs granted in 2017 will be January 1, 2017 through December 31, 2019). Specifically, the target amount of each grant of Absolute TSR PRSUs will be adjusted up or down at the end of the applicable performance period based on the Company's cumulative TSR relative to an 8% per annum simple TSR objective from 0% of the target amount (reflecting 0% per annum (or less) TSR during the performance period) to 200% of the target amount (reflecting at least 16% per annum TSR during the performance period), with 100% of the target amount vesting if TSR of 8% per annum is achieved during the performance period.

With respect to the Relative TSR PRSUs, the actual number of Relative TSR PRSUs that will vest will be based on the Company's cumulative TSR during the applicable performance period (beginning on January 1 of the year of grant) as compared to the cumulative TSR of

2

designated peer group companies for such performance period. To the extent that the Company's TSR rank is less than or equal to the 25th percentile when compared to the TSR of the members of the peer group, 0% of the target number of Relative TSR PRSUs awarded to the grantee in respect of the applicable performance period will vest. To the extent that the Company's TSR rank is in the 50th percentile, 100% of the target number of Relative TSR PRSUs awarded to the grantee in respect of the applicable performance period will vest. To the extent that the Company's TSR rank is greater than or equal to the 80th percentile, 200% of the target number of Relative TSR PRSUs awarded to the grantee in respect of the applicable performance period will vest. (To the extent that the Company's TSR ranking falls in between the percentiles identified in the preceding sentences, the number of Relative TSR PRSUs that vest will be interpolated.)

Upon vesting, the grantee will receive one share of the Company's common stock for each Absolute TSR PRSU and Relative TSR PRSU that vests. Absolute TSR PRSUs and Relative TSR PRSUs that do not vest at the end of the performance period will be forfeited for no consideration.

Dividend equivalents will not be paid in respect of the PRSUs during the performance period. Rather, dividend equivalents will accrue with respect to the PRSUs during the performance period and, to the extent that the underlying PRSUs vest, an amount equal to the amount of dividends that the grantee would have received had the grantee owned a number of shares of the Company's common stock equal to the number of vested PRSUs will be paid in the form of additional shares of the Company's common stock based on the closing price of such common stock on the vesting date.

\*\*\*\*\*

Copies of the forms of 2017 PRSU Form are attached hereto as Exhibits 10.1 and 10.2. The above descriptions of the principal terms of the 2017 PRSU Form are summaries only and are qualified in their entirety by reference to the applicable exhibit, each of which is incorporated by reference into this Item 5.02.

A description of the material terms of the Equity Compensation Plan was included in the Company's definitive proxy statement filed with the Securities and Exchange Commission on April 8, 2015 under the heading "4. Approval of the MFA Financial, Inc. Equity Compensation Plan" and is incorporated herein by reference. A copy of the Equity Compensation Plan was previously filed as Exhibit 10.1 to the Company's Current Form 8-K, dated May 22, 2015, and is also incorporated herein by reference.

#### **Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

10.1 Form of Phantom Share Award Agreement (Performance-Based Vesting) (Gorin and Knutson) relating to the Company's Equity Compensation Plan

10.2 Form of Phantom Share Award Agreement (Performance-Based Vesting) relating to the Company's Equity Compensation Plan

3

#### **SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MFA FINANCIAL, INC.  
(REGISTRANT)

By: /s/ Harold E. Schwartz  
Name: Harold E. Schwartz  
Title: Senior Vice President and  
General Counsel

Date: January 11, 2017

4

#### **EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
10.1	Form of Phantom Share Award Agreement (Performance-Based Vesting) (Gorin and Knutson) relating to the Company's Equity Compensation Plan
10.2	Form of Phantom Share Award Agreement (Performance-Based Vesting) relating to the Company's Equity Compensation Plan

5

**MFA FINANCIAL, INC.**  
**EQUITY COMPENSATION PLAN**

**PHANTOM SHARE AWARD AGREEMENT**  
**(PERFORMANCE BASED VESTING)**

AGREEMENT, dated as of the      day of      , 20      (the "Grant Date"), by and between MFA Financial, Inc., a Maryland corporation (the "Company"), and (the "Grantee").

WHEREAS, the Company maintains the MFA Financial, Inc. Equity Compensation Plan, as it may be amended from time to time (the "Plan") (capitalized terms used but not defined herein shall have the respective meanings ascribed thereto by the Plan);

WHEREAS, the Grantee, as an employee of the Company, is an Eligible Person;

WHEREAS, the Company and the Grantee entered into that certain Employment Agreement, dated November 4, 2016 (the "Employment Agreement"); and

WHEREAS, the Committee has determined that it is in the best interests of the Company and its stockholders to grant Phantom Shares to the Grantee subject to the terms and conditions set forth below.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

**1. Grant of Phantom Shares.**

The target amount of Phantom Shares granted pursuant to this Agreement is      Phantom Shares (the "Target Amount"); provided that the Grantee has the opportunity to earn up to      [2X] Phantom Shares (the "Maximum Amount") based upon achievement of performance goals and the terms and conditions described herein. As further described herein, 50% of the Target Amount (the "Absolute TSR Target Shares") will vest based on the Company's total shareholder return for a three-year period, and 50% of the Target Amount (the "Relative TSR Target Shares") will vest based on the Company's total shareholder return compared to the total shareholder return of the peer group companies listed on Appendix 1 to Exhibit A attached hereto (the "Peer Group Companies") for a three-year period.

The Phantom Shares are subject to the terms and conditions of this Agreement and are also subject to the provisions of the Plan. The Plan is hereby incorporated by reference as though set forth herein in its entirety.

**2. Vesting.**

(a) Subject to paragraph 2(b), the number of Phantom Shares that shall vest on December 31, 20      (the "Vesting Date"), if any, shall be calculated in accordance with Exhibit A attached hereto based upon the achievement of the performance goals set forth on Exhibit A (the "Performance Goals") during the period beginning on January 1, 20      and ending on December

---

31, 20      (the "TSR Performance Period"); provided that, to the extent that any fractional Shares result, the number of Phantom Shares that vest on the Vesting Date shall be rounded down to the nearest whole share. Any Phantom Shares that do not vest on the Vesting Date shall be forfeited.

(b) Except as otherwise provided in this paragraph 2, if the Grantee experiences a Termination of Service for any reason prior to the Vesting Date, the Phantom Shares shall, with no further action, be forfeited and cease to be outstanding as of the Grantee's Termination of Service.

(c) The following terms shall apply in the event of a Termination of Service:

(i) In the event that, prior to the Vesting Date, the Grantee experiences a Termination of Service by the Company without Cause (as defined in the Employment Agreement) or a Termination of Service by the Grantee for Good Reason (as defined in the Employment Agreement), then, subject to Section 5(k) of the Employment Agreement relating to execution of a release, the Grantee shall vest in a pro-rata portion of the Phantom Shares as of the Vesting Date. The pro-rata portion shall be calculated as the number of Phantom Shares that would have vested on the Vesting Date based upon achievement of the Performance Goals if the Grantee remained employed through the Vesting Date, multiplied by a fraction, (x) the numerator of which is the number of days in the TSR Performance Period that elapse through the anniversary of the Grant Date that immediately follows the Grantee's Termination of Service (but not beyond December 31, 20      ) and (y) the denominator of which is 1,095 [assumes three-year performance period].

(ii) In the event that, prior to the Vesting Date, the Grantee experiences a Termination of Service on account of the Grantee's death or Disability (as defined in the Employment Agreement), then the number of Phantom Shares that shall vest, if any, on the Vesting Date shall be the number of Phantom Shares that would have vested on the Vesting Date based upon achievement of the Performance Goals if the Grantee remained employed through the Vesting Date; provided that, such vesting shall be subject to Section 5(k) of the Employment Agreement relating to execution of a release, if the Grantee experiences a Termination of Service on account of the Grantee's Disability.

(iii) Notwithstanding the foregoing, in the event that, prior to the Vesting Date, the Grantee experiences a Termination of Service by the Company without Cause, a Termination of Service by the Grantee for Good Reason, or a Termination of Service on account of the Grantee's death or Disability, in each case within 12 months following a Change of Control, then, subject to Section 5(k) of the Employment Agreement relating to execution of a release (other than in the case of the Grantee's death), the Target Amount of Phantom Shares shall become fully vested as of the Grantee's termination date and all other Phantom Shares shall be forfeited by the Grantee and cease to be outstanding.

(d) Any Phantom Shares that do not vest as of the Vesting Date shall, with no further action, be forfeited and cease to be outstanding as of the Vesting Date.

**3. Dividend Equivalents**

(a) With respect to each outstanding Phantom Share that vests in accordance with paragraph 2 and Exhibit A, the Grantee shall have the right to receive an amount equal to the cash dividend distributions declared in the ordinary course on a share ("Share") of Common Stock of the

Company (each, a “Dividend Payment”) during the TSR Performance Period as set forth in this paragraph 3.

(b) Any such Dividend Payments shall only be payable with respect to Phantom Shares that vest and shall be paid in the form of additional Shares at the time Phantom Shares are settled pursuant to paragraph 4. At such time, the Grantee shall receive additional Shares with an aggregate value (determined as described below) equal to the aggregate value of the Dividend Payments declared during the TSR Performance Period with respect to the number of Shares equal to the number of vested Phantom Shares.

(c) The number of additional Shares to be distributed pursuant to sub-paragraph (b) shall be calculated as follows: (i) the accumulated Dividend Payments declared during the TSR Performance Period, multiplied by (ii) the number of Shares to be distributed with respect to the vested Phantom Shares, divided by (iii) the per Share stock price of Common Stock on December 31, 20 , or if distribution occurs pursuant to paragraph 2(c)(iii) above, on the date of Termination of Service, rounded down to the nearest whole share.

#### 4. Settlement.

Each vested and outstanding Phantom Share shall be settled in one Share within 30 days of the date on which such Phantom Share vests as set forth in paragraph 2 above (the “Settlement Date”). To the extent such payment is required to be delayed six months pursuant to the rules of Section 409A of the Code related to “specified employees,” such payment shall not be made before the date which is six months after the date of Termination of Service. Any delayed payment shall be made to the Grantee on the first day of the seventh month following the Grantee’s Termination of Service (or within 30 days following the Grantee’s death, if earlier).

#### 5. Miscellaneous.

(a) The value of a Phantom Share may decrease depending upon the Fair Market Value of a Share from time to time. Neither the Company nor the Committee, nor any other party associated with the Plan, shall be held liable for any decrease in the value of the Phantom Shares. If the value of such Phantom Shares decrease, there will be a decrease in the underlying value of what is distributed to the Grantee under the Plan and this Agreement.

(b) With respect to this Agreement, (i) the Phantom Shares are bookkeeping entries and the Grantee shall not have any rights of a shareholder with respect to Common Stock unless and until the Phantom Shares vest and are settled by the issuance of such Shares of Common Stock, (ii) the obligations of the Company under the Plan are unsecured and constitute a commitment by the Company to make benefit payments in the future, (iii) to the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of any general unsecured creditor of the Company, (iv) all payments under the Plan (including distributions of Shares) shall be paid from the general funds of the Company and (v) no special or separate fund shall be established or other segregation of assets made to assure such payments (except that the Company may in its discretion establish a bookkeeping reserve to meet its obligations under the Plan). The award of Phantom Shares is intended to be an arrangement that is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

(c) THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MARYLAND, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Committee may construe and interpret this Agreement and establish, amend and revoke such rules, regulations and procedures for the administration of this Agreement as it deems appropriate. In this connection, the Committee may correct any defect or supply any omission, or reconcile any inconsistency in this Agreement or in any related agreements, in the manner and to the extent it shall deem necessary or expedient to make the Plan fully effective. All decisions and determinations by the Committee in the exercise of this power shall be final and binding upon the Company and the Grantee.

(e) All notices hereunder shall be in writing and, if to the Company, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Committee and, if to the Grantee, shall be delivered personally or mailed to the Grantee at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this paragraph 5(e).

(f) The failure of the Grantee or the Company to insist upon strict compliance with any provision of this Agreement or the Plan, or to assert any right the Grantee or the Company, respectively, may have under this Agreement or the Plan, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement or the Plan.

(g) Nothing in this Agreement shall (i) confer on the Grantee any right to continue in the service of the Company or its Subsidiaries or otherwise confer any additional rights or benefits upon the Grantee with respect to the Grantee’s employment with the Company or (ii) interfere in any way with the right of the Company or its Subsidiaries and its stockholders to terminate the Grantee’s service at any time.

(h) If any change is made to the outstanding Common Stock or the capital structure of the Company, the Phantom Shares shall be adjusted in accordance with the Plan.

(i) The Phantom Shares and the rights relating thereto shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, garnishment, levy, execution, or other legal or equitable process, either voluntary or involuntary; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, attach or garnish, or levy or execute on the Phantom Shares and the rights relating thereto shall be void.

(j) The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Grantee and the Grantee’s beneficiaries, executors, administrators and the person(s) to whom the Phantom Shares may be transferred by will or the laws of descent or distribution.

(k) The Plan is discretionary and may be amended, suspended or discontinued by the Company at any time, in its discretion. The grant of the Phantom Shares in this Agreement does

not create any contractual right or other right to receive any Phantom Shares or other Grants in the future. Future Grants, if any, will be at the sole discretion of the Company. Any amendment, suspension or discontinuation of the Plan shall not constitute a change or impairment of the terms and conditions of the Grantee's employment with the Company.

- (l) The issuance and transfer of Shares shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Shares may be listed. No shares of Common Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.
- (m) The Grantee shall be required to pay to the Company, or make arrangements satisfactory to the Company regarding payment of any federal, state or local taxes of any kind that are required by law to be withheld with respect to the Phantom Shares. Except as may be otherwise permitted by the Committee, to satisfy such obligation, the Company shall withhold a number of Shares to be issued pursuant to this Agreement with an aggregate Fair Market Value as of the date withholding is effected that would satisfy the withholding amount due; provided, however, that no Shares shall be withheld with an aggregate value exceeding the minimum amount of tax required to be withheld by law or such higher amount that does not result in adverse accounting treatment for the Company, as approved in advance by the Committee. Notwithstanding anything contained in the Plan or this Agreement to the contrary, the Grantee's satisfaction of any tax withholding requirements imposed by the Committee shall be a condition precedent to the Company's obligation as may otherwise be provided hereunder to provide Shares to the Grantee, and the failure of the Grantee to satisfy such requirements with respect to this Grant shall cause this Grant to be forfeited.
- (n) The Phantom Shares shall be subject to any applicable clawback policy implemented by the Board from time to time.
- (o) The Phantom Shares are intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code and administered in accordance with Section 28 of the Plan. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non-compliance with Section 409A of the Code.
- (p) This Agreement, including Exhibit A and Appendix 1 to Exhibit A, contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto; provided that, for the avoidance of doubt, Section 7(f) of the Employment Agreement, which provides for forfeiture of equity awards and repayment of any shares or other amounts received pursuant to equity awards in the event that the Grantee breaches his obligations under Section 7 of the Employment Agreement, shall apply to the Phantom Shares and any amounts paid to the Grantee pursuant to this Agreement, and is hereby incorporated by reference.

*[remainder of the page left intentionally blank]*

5

IN WITNESS WHEREOF, the Company and the Grantee have executed this Agreement as of the day and year first above written.

MFA FINANCIAL, INC.

By:

Name:  
Title:

The Grantee hereby agrees and acknowledges that the Grantee will be bound by the terms and conditions of this Agreement and the Plan and that all determinations by the Committee will be final and binding on all persons.

Name:

6

**Exhibit A**

This Exhibit A sets forth the Performance Goals applicable to the Phantom Shares granted pursuant to the Agreement to which this Exhibit A is attached. Unless otherwise specified in this Exhibit A, all defined terms shall have the meanings set forth in the Agreement.

The Phantom Shares will vest based on the Company's total shareholder return for the TSR Performance Period. As further described below, the Absolute TSR Shares will vest based on the Company's average total shareholder return for the Performance Period, and the Relative TSR Shares will vest based on the Company's total shareholder return compared to the total shareholder return of the Peer Group Companies for the Performance Period.

For purposes of this Exhibit A, TSR for the TSR Performance Period shall be calculated as follows:

- "TSR" is equal to (x) the excess of the Average Final Price over the Average Initial Price, plus Dividends Paid on a share of common stock in respect of the TSR Performance Period, divided by (y) the Average Initial Price.
- The "Average Initial Price" is equal to the average closing daily price of a share of common stock during the first 20 trading days in the TSR Performance Period.
- The "Average Final Price" is equal to the average closing daily price of a share of common stock during the last 20 trading days in the TSR Performance Period.
- The "Dividends Paid" shall equal the cumulative dividends (including any stock dividends) paid per share of common stock in respect of the TSR Performance Period. For this purpose, dividends declared, but not yet paid, on a share within the 45 day period preceding the Vesting Date will be counted as Dividends Paid.

**Absolute TSR Shares**

For purposes of the Absolute TSR Shares, the “Average TSR” for the Performance Period is the TSR, divided by 3, and the “Target TSR” is an 8% per annum simple cumulative return over the TSR Performance Period.

The portion of the Absolute TSR Target Shares that will vest on the Vesting Date shall be determined by comparing the Average TSR of the Company to the Target TSR and may range from zero up to a maximum vesting of 200% of the Absolute TSR Target Shares.

The number of Absolute TSR Shares that will vest on the Vesting Date shall equal the product of (i) the Absolute TSR Target Shares and (ii) the sum of (A) one (1) plus (B) a fraction (which fraction can be a negative number), the numerator of which is the Company’s Average TSR less Target TSR and the denominator of which is eight (8). For purposes of the preceding sentence, in the event that the Company’s Average TSR is (x) less than zero, then the Company’s Average TSR shall be deemed to be zero, and (y) greater 16%, then the Company’s Average TSR shall be deemed to be 16%.

Any Absolute TSR Shares that do not vest on the Vesting Date shall be forfeited.

Within 30 days following the Vesting Date, vested Absolute TSR Shares and related Dividend Payments, if any, will be settled as described in the Agreement.

Set forth below are examples, which are intended to be used purely for illustrative purposes:

- Example 1:*
- Assume 10,000 Absolute TSR Target Shares. If the Company’s Average TSR over the TSR Performance Period were 2%, then the portion of the Absolute TSR Target Shares that would become vested would be equal to two-eighths (2/8) of the Absolute TSR Target Shares, or 2,500 Absolute TSR Shares.
- Example 2:*
- Assume 10,000 Absolute TSR Target Shares. If the Company’s Average TSR over the TSR Performance Period were 12%, then the portion of the Absolute TSR Target Shares that would become vested would be equal to 1.5 times (or twelve-eighths (12/8) of) the Absolute TSR Target Shares, or 15,000 Absolute TSR Shares.
- Example 3:*
- Assume 10,000 Absolute TSR Target Shares. If the Company’s Average TSR over the TSR Performance Period were 16%, then the portion of the Absolute TSR Target Shares that would become vested would be equal to two times (or sixteen-eighths (16/8) of) the Absolute TSR Target Shares, or 20,000 Absolute TSR Shares (maximum vesting).

**Relative TSR Shares**

At the end of each TSR Performance Period, the Company’s TSR and the TSR of each of the Peer Group Companies will be ranked from highest to lowest. The “Relative TSR Vesting Percentage” will be determined based on the Company’s TSR as compared to the TSR of the Peer Group Companies for the TSR Performance Period as follows:

Company TSR Rank	Relative TSR Vesting Percentage
80th percentile or above	200%
50th percentile	100%
At or below 25th percentile	0%

If the Company’s TSR Rank is between the 25th percentile and the 50th percentile or between the 50th percentile and the 80th percentile, the Relative TSR Vesting Percentage will be interpolated.

The number of Relative TSR Shares that will vest for the TSR Performance Period will be determined by multiplying the Relative TSR Target Shares by the Relative TSR Vesting Percentage.

For the avoidance of doubt, in no event shall any Relative TSR Shares vest if the Company’s Average TSR Rank is at or below the 25th percentile.

Not more than 200% of the Relative TSR Target Shares may vest based on the Company’s TSR Rank.

Any Relative TSR Shares that do not vest on the Vesting Date shall be forfeited.

Within 30 days following the Vesting Date, vested Relative TSR Shares and related Dividend Payments, if any, will be settled as described in the Agreement.

Set forth below are examples, which are intended to be used purely for illustrative purposes:

- Example 1:*
- Assume 10,000 Relative TSR Target Shares. If the Company’s TSR Rank at the end of the TSR Performance Period was 15 out of 18, the Company would be in the 17th percentile. Because the Company’s TSR Rank would be below the 25th percentile, the Relative TSR Vesting Percentage would be 0, so that none of the Relative TSR Shares would vest. 100% of the Relative TSR Target Shares would be forfeited.
- Example 2:*
- Assume 10,000 Relative TSR Target Shares. If the Company’s TSR Rank at the end of the TSR Performance Period was nine out of 18, the Company would be in the 50th percentile. The Relative TSR Vesting Percentage would be 100, so that 100% of the Relative TSR Target Shares (10,000 Phantom Shares) would vest.
- Example 3:*

Assume 10,000 Relative TSR Target Shares. If the Company's TSR Rank at the end of the TSR Performance Period was two out of 18, the Company would be in the 89th percentile. The Relative TSR Vesting Percentage would be 200, so that 200% of the Relative TSR Target Shares (20,000 Phantom Shares) would vest.

**Appendix 1 to Exhibit A**

**Relative TSR Peer Group Companies**

*[List of Peer Group Companies to be determined by Compensation Committee at time of grant]*

In the event of a merger, acquisition or business combination transaction of a Peer Group Company during the TSR Performance Period in which such Peer Group Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Group Company. Any entity involved in the transaction during the TSR Performance Period that is not the surviving company shall no longer be a Peer Group Company.

In the event of a merger, acquisition or business combination transaction of a Peer Group Company, a "going private" transaction or other event involving a Peer Group Company or the liquidation of a Peer Group Company (other than a bankruptcy as described below), in each case during the TSR Performance Period and where the Peer Group Company is not the surviving entity or is no longer publicly traded, such Peer Group Company shall no longer be a Peer Group Company.

Notwithstanding the foregoing, in the event of a bankruptcy of a Peer Group Company during the TSR Performance Period where the Peer Group Company is not publicly traded at the end of the Performance Period, such Peer Group Company shall remain a Peer Group Company but shall be deemed to be ranked last among all Peer Group Companies in the Peer Group.

**MFA FINANCIAL, INC.**  
**EQUITY COMPENSATION PLAN**

**PHANTOM SHARE AWARD AGREEMENT**  
**(PERFORMANCE BASED VESTING)**

AGREEMENT, dated as of the      day of      , 20      (the "Grant Date"), by and between MFA Financial, Inc., a Maryland corporation (the "Company"), and [      ] (the "Grantee").

WHEREAS, the Company maintains the MFA Financial, Inc. Equity Compensation Plan, as it may be amended from time to time (the "Plan") (capitalized terms used but not defined herein shall have the respective meanings ascribed thereto by the Plan);

WHEREAS, the Grantee, as an employee of the Company, is an Eligible Person; and

WHEREAS, the Committee has determined that it is in the best interests of the Company and its stockholders to grant Phantom Shares to the Grantee subject to the terms and conditions set forth below.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

**1. Grant of Phantom Shares.**

The target amount of Phantom Shares granted pursuant to this Agreement is      Phantom Shares (the "Target Amount"); provided that the Grantee has the opportunity to earn up to      [2X] Phantom Shares (the "Maximum Amount") based upon achievement of performance goals and the terms and conditions described herein. As further described herein, 50% of the Target Amount (the "Absolute TSR Target Shares") will vest based on the Company's total shareholder return for a three-year period, and 50% of the Target Amount (the "Relative TSR Target Shares") will vest based on the Company's total shareholder return compared to the total shareholder return of the peer group companies listed on Appendix 1 to Exhibit A attached hereto (the "Peer Group Companies") for a three-year period.

The Phantom Shares are subject to the terms and conditions of this Agreement and are also subject to the provisions of the Plan. The Plan is hereby incorporated by reference as though set forth herein in its entirety.

**2. Vesting.**

(a) Subject to Section 2(b), the number of Phantom Shares that shall vest on December 31, 20      (the "Vesting Date"), if any, shall be calculated in accordance with Exhibit A attached hereto based upon the achievement of the performance goals set forth on Exhibit A (the "Performance Goals") during the period beginning on January 1, 20      and ending on December 31, 20      (the "TSR Performance Period"); provided that, to the extent that any fractional Shares result, the number of Phantom Shares that vest on the Vesting Date shall be rounded down to the nearest whole share. Any Phantom Shares that do not vest on the Vesting Date shall be forfeited.

(b) In the event that, prior to the Vesting Date, the Grantee experiences a Termination of Service on account of the Grantee's death or Disability, then the number of Phantom Shares that shall vest, if any, on the Vesting Date shall be the number of Phantom Shares that would have vested on the Vesting Date based upon achievement of the Performance Goals if the Grantee remained employed through the Vesting Date.

(c) Except as otherwise provide in Section 2(b), in the event the Grantee experiences a Termination of Service for any reason prior to the Vesting Date, the Phantom Shares shall, with no further action, be forfeited and cease to be outstanding as of the Grantee's Termination of Service.

(d) Any Phantom Shares that do not vest as of the Vesting Date shall, with no further action, be forfeited and cease to be outstanding as of the Vesting Date.

**3. Dividend Equivalents.**

(a) With respect to each outstanding Phantom Share that vests in accordance with Section 2 and Exhibit A, the Grantee shall have the right to receive an amount equal to the cash dividend distributions declared in the ordinary course on a share ("Share") of Common Stock of the Company (each, a "Dividend Payment") during the TSR Performance Period as set forth in this Section 3.

(b) Any such Dividend Payments shall only be payable with respect to Phantom Shares that vest and shall be paid in the form of additional Shares at the time Phantom Shares are settled pursuant to Section 4. At such time, the Grantee shall receive additional Shares with an aggregate value (determined as described below) equal to the aggregate value of the Dividend Payments declared during the TSR Performance Period with respect to the number of Shares equal to the number of vested Phantom Shares.

(c) The number of additional Shares to be distributed pursuant to sub-section (b) shall be calculated as follows: (i) the accumulated Dividend Payments declared during the TSR Performance Period, multiplied by (ii) the number of Shares to be distributed with respect to the vested Phantom Shares, divided by (iii) the per Share stock price of Common Stock on December 31, 20      , rounded down to the nearest whole share.

**4. Settlement.**

Each vested and outstanding Phantom Share shall be settled in one Share within 30 days following the date on which such Phantom Share vests as set forth in Section 2 above (the "Settlement Date"), subject to delay to the extent required by Section 409A of the Code as set forth in Section 6(o) below.

**5. Confidentiality, Non-Competition and Non-Solicitation.**

(a) In consideration for the Grant under this Agreement, during the Grantee's term of employment and at all times thereafter, the Grantee hereby agrees to maintain the confidentiality of all confidential or proprietary information of the Company and any of its subsidiaries or affiliates, if any, or of any other person or entity with which the Grantee is involved as a direct or



indirect result of the Grantee's employment by, or performance of consulting or other services (including, without limitation, as a director, officer, advisor, agent, consultant or other independent contractor) for, the Company or any of its subsidiaries or affiliates, and, except in furtherance of the business of the Company or as specifically required by law or by court order, the Grantee shall not directly or indirectly disclose any such information to any person or entity nor shall the Grantee use any such confidential information for any purpose except for the legal benefit of the Company. This restriction shall apply regardless of whether such information is in written, graphic, recorded, photographic, data or any machine readable form or is orally conveyed to, or memorized by the Grantee.

(b) Intentionally omitted.

(c) Intentionally omitted.

(d) In consideration for the Grant under this Agreement, during the Grantee's employment with the Company and the one year period immediately following the Grantee's Termination of Service for any Reason, the Grantee agrees that the Grantee will not, without the prior written consent of the Company, directly or indirectly (individually, or through or on behalf of another entity as owner, partner, agent, employee, consultant, or in any other capacity), (i) solicit, encourage, or engage in any activity to induce any employee of the Company or its affiliates to terminate employment with the Company or its affiliates, or to become employed by, or to enter into a business relationship with, any other person or entity; or (ii) hire or retain any person who was an employee of the Company or its affiliates within the six month period preceding such action; provided that, (x) this Section 5(d) shall not apply to any administrative employee of the Company or its affiliates or any person who was an administrative employee of the Company or its affiliates and (y) any hiring or solicitation pursuant to a general solicitation conducted by an entity that has hired or agreed to hire the Grantee and that does not directly or indirectly target current or former employees of the Company or its affiliates, or by a headhunter employed by such entity, which in either case does not involve the Grantee, shall not be a violation of this Section 5(d).

(e) The Grantee acknowledges, agrees and represents that the type and periods of restrictions imposed in this Section 5 are fair and reasonable, and that such restrictions are intended solely to protect the legitimate interests of the Company, rather than to prevent the Grantee from earning a livelihood. The Grantee further acknowledges and agrees that the business of the Company is highly competitive and that the Company's confidential information and proprietary materials have been developed by the Company at significant expense and effort, and that the restrictions contained in this Section 5 are reasonable and necessary to protect the legitimate business interests of the Company. The Grantee represents that: (i) the Grantee is familiar with the covenants set forth in this Section 5, (ii) the Grantee is fully aware of his or her obligations hereunder, including, without limitation, the length of time and scope of these covenants, (iii) the Grantee finds the length of time and scope of these covenants to be reasonable and (iv) the Grantee is receiving valuable and sufficient consideration for the Grantee's covenant not to solicit.

(f) The Grantee acknowledges that each of the covenants in this Section 5 has a unique, very substantial and immeasurable value to the Company, that the Grantee has sufficient assets and skills to provide a livelihood while such covenants remain in force and that, as a result of the foregoing, in the event that the Grantee breaches such covenants, monetary damages would be an

3

---

insufficient remedy for the Company and equitable enforcement of the covenants would be proper. The Grantee therefore agrees that the Company, in addition to any other remedies available to it, will be entitled to preliminary and permanent injunctive relief against any breach by the Grantee of any of the covenants in this Section 5, without the necessity of showing actual monetary damages or the posting of a bond or other security. The Grantee also agrees that, in addition to any other remedies available to the Company and notwithstanding any provision of this Agreement to the contrary, in the event the Grantee breaches in any material respect any of his obligations under this Section 5, the Phantom Shares granted under this Agreement (whether vested or unvested) may be immediately forfeited, and the Company may require that the Grantee repay any Shares delivered or other amounts paid (each on an after-tax basis) with respect to the Phantom Shares granted hereunder.

(g) The Grantee and the Company further agree that, in the event that any provision of this Section 5 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, that provision will be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

(h) The provisions of this Section 5 shall not affect the Company's ability to enforce the provisions of any other agreement in effect between the Company and the Grantee, including without limitation, the covenants contained in any offer letter or employment agreement.

(i) Nothing in this Agreement, including the obligations set forth in this Section 5, restricts or prohibits the Grantee from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. The Grantee does not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide confidential information or documents to the Regulators, or make any such reports or disclosures to the Regulators. The Grantee is not required to notify the Company that he has engaged in such communications with the Regulators.

(j) The Company hereby notifies the Grantee that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law. Nothing in this Agreement is intended to limit any rights under such federal law.

## 6. Miscellaneous.

(a) The value of a Phantom Share may decrease depending upon the Fair Market Value of a Share from time to time. Neither the Company nor the Committee, nor any other party associated with the Plan, shall be held liable for any decrease in the value of the Phantom Shares. If the

4

---

value of such Phantom Shares decrease, there will be a decrease in the underlying value of what is distributed to the Grantee under the Plan and this Agreement.

(b) With respect to this Agreement, (i) the Phantom Shares are bookkeeping entries and the Grantee shall not have any rights of a shareholder with respect to Common Stock unless and until the Phantom Shares vest and are settled by the issuance of such Shares of Common Stock, (ii) the obligations of the Company under the Plan are

unsecured and constitute a commitment by the Company to make benefit payments in the future, (iii) to the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of any general unsecured creditor of the Company, (iv) all payments under the Plan (including distributions of Shares) shall be paid from the general funds of the Company and (v) no special or separate fund shall be established or other segregation of assets made to assure such payments (except that the Company may in its discretion establish a bookkeeping reserve to meet its obligations under the Plan). The award of Phantom Shares is intended to be an arrangement that is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

(c) THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MARYLAND, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Committee may construe and interpret this Agreement and establish, amend and revoke such rules, regulations and procedures for the administration of this Agreement as it deems appropriate. In this connection, the Committee may correct any defect or supply any omission, or reconcile any inconsistency in this Agreement or in any related agreements, in the manner and to the extent it shall deem necessary or expedient to make the Plan fully effective. All decisions and determinations by the Committee in the exercise of this power shall be final and binding upon the Company and the Grantee.

(e) All notices hereunder shall be in writing and, if to the Company, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Committee and, if to the Grantee, shall be delivered personally or mailed to the Grantee at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 6(e).

(f) The failure of the Grantee or the Company to insist upon strict compliance with any provision of this Agreement or the Plan, or to assert any right the Grantee or the Company, respectively, may have under this Agreement or the Plan, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement or the Plan.

(g) Nothing in this Agreement shall (i) confer on the Grantee any right to continue in the service of the Company or its Subsidiaries or otherwise confer any additional rights or benefits upon the Grantee with respect to the Grantee's employment with the Company or (ii) interfere in any way with the right of the Company or its Subsidiaries and its stockholders to terminate the Grantee's service at any time.

5

---

(h) If any change is made to the outstanding Common Stock or the capital structure of the Company, the Phantom Shares shall be adjusted in accordance with the Plan.

(i) The Phantom Shares and the rights relating thereto shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, garnishment, levy, execution, or other legal or equitable process, either voluntary or involuntary; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, attach or garnish, or levy or execute on the Phantom Shares and the rights relating thereto shall be void.

(j) The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors, administrators and the person(s) to whom the Phantom Shares may be transferred by will or the laws of descent or distribution.

(k) The Plan is discretionary and may be amended, suspended or discontinued by the Company at any time, in its discretion. The grant of the Phantom Shares in this Agreement does not create any contractual right or other right to receive any Phantom Shares or other Grants in the future. Future Grants, if any, will be at the sole discretion of the Company. Any amendment, suspension or discontinuation of the Plan shall not constitute a change or impairment of the terms and conditions of the Grantee's employment with the Company.

(l) The issuance and transfer of Shares shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Shares may be listed. No shares of Common Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

(m) The Grantee shall be required to pay to the Company or make arrangements satisfactory to the Company regarding payment of any federal, state or local taxes of any kind that are required by law to be withheld with respect to the Phantom Shares. Except as may be otherwise permitted by the Committee, to satisfy such obligation the Company shall withhold a number of Shares to be issued pursuant to this Agreement with an aggregate Fair Market Value as of the date withholding is effected that would satisfy the withholding amount due; provided, however, that no Shares shall be withheld with an aggregate value exceeding the minimum amount of tax required to be withheld by law or such higher amount that does not result in adverse accounting treatment for the Company, as approved in advance by the Committee. Notwithstanding anything contained in the Plan or this Agreement to the contrary, the Grantee's satisfaction of any tax withholding requirements imposed by the Committee shall be a condition precedent to the Company's obligation as may otherwise be provided hereunder to provide Shares to the Grantee, and the failure of the Grantee to satisfy such requirements with respect to this Grant shall cause this Grant to be forfeited.

(n) The Phantom Shares shall be subject to any applicable clawback policy implemented by the Board from time to time.

6

---

(o) The Phantom Shares are intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code and administered in accordance with Section 28 of the Plan. To the extent any payment pursuant to this Agreement is required to be delayed six months pursuant to the special rules of Section 409A of the Code related to "specified employees," each affected payment shall be delayed until six months after the Grantee's Termination of Service with the first such payment being a lump sum equal to the aggregate payments the Grantee would have received during such six-month period if no payment delay had been imposed. Any payments or distributions delayed in accordance with the prior sentence shall be paid to the Grantee on the first day of the seventh month following the Grantee's Termination of Service (or the Grantee's death, if earlier). Each payment hereunder shall be treated as a separate payment for purposes of Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non-compliance with Section 409A of the Code.

(p) This Agreement, including Exhibit A and Appendix 1 to Exhibit A, contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Agreement as of the day and year first above written.

MFA FINANCIAL, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

The Grantee hereby agrees and acknowledges that the Grantee will be bound by the terms and conditions of this Agreement and the Plan and that all determinations by the Committee will be final and binding on all persons.

\_\_\_\_\_  
Name:

7

#### **Exhibit A**

This Exhibit A sets forth the Performance Goals applicable to the Phantom Shares granted pursuant to the Agreement to which this Exhibit A is attached. Unless otherwise specified in this Exhibit A, all defined terms shall have the meanings set forth in the Agreement.

The Phantom Shares will vest based on the Company's total shareholder return for the TSR Performance Period. As further described below, the Absolute TSR Shares will vest based on the Company's average total shareholder return for the Performance Period, and the Relative TSR Shares will vest based on the Company's total shareholder return compared to the total shareholder return of the Peer Group Companies for the Performance Period.

For purposes of this Exhibit A, TSR for the TSR Performance Period shall be calculated as follows:

- "TSR" is equal to (x) the excess of the Average Final Price over the Average Initial Price, plus Dividends Paid on a share of common stock in respect of the TSR Performance Period, divided by (y) the Average Initial Price.
- The "Average Initial Price" is equal to the average closing daily price of a share of common stock during the first 20 trading days in the TSR Performance Period.
- The "Average Final Price" is equal to the average closing daily price of a share of common stock during the last 20 trading days in the TSR Performance Period.
- The "Dividends Paid" shall equal the cumulative dividends (including any stock dividends) paid per share of common stock in respect of the TSR Performance Period. For this purpose, dividends declared, but not yet paid, on a share within the 45 day period preceding the Vesting Date will be counted as Dividends Paid.

#### ***Absolute TSR Shares***

For purposes of the Absolute TSR Shares, the "Average TSR" for the Performance Period is the TSR, divided by 3, and the "Target TSR" is an 8% per annum simple cumulative return over the TSR Performance Period.

The portion of the Absolute TSR Target Shares that will vest on the Vesting Date shall be determined by comparing the Average TSR of the Company to the Target TSR and may range from zero up to a maximum vesting of 200% of the Absolute TSR Target Shares.

The number of Absolute TSR Shares that will vest on the Vesting Date shall equal the product of (i) the Absolute TSR Target Shares and (ii) the sum of (A) one (1) plus (B) a fraction (which fraction can be a negative number), the numerator of which is the Company's Average TSR less Target TSR and the denominator of which is eight (8). For purposes of the preceding sentence, in the event that the Company's Average TSR is (x) less than zero, then the Company's Average TSR shall be deemed to be zero, and (y) greater 16%, then the Company's Average TSR shall be deemed to be 16%.

Any Absolute TSR Shares that do not vest on the Vesting Date shall be forfeited.

8

Within 30 days following the Vesting Date, vested Absolute TSR Shares and related Dividend Payments, if any, will be settled as described in the Agreement.

Set forth below are examples, which are intended to be used purely for illustrative purposes:

#### ***Example 1:***

Assume 10,000 Absolute TSR Target Shares. If the Company's Average TSR over the TSR Performance Period were 2%, then the portion of the Absolute TSR Target Shares that would become vested would be equal to two-eighths (2/8) of the Absolute TSR Target Shares, or 2,500 Absolute TSR Shares.

#### ***Example 2:***

Assume 10,000 Absolute TSR Target Shares. If the Company's Average TSR over the TSR Performance Period were 12%, then the portion of the Absolute TSR Target Shares that would become vested would be equal to 1.5 times (or twelve-eighths (12/8) of) the Absolute TSR Target Shares, or 15,000 Absolute TSR Shares.

#### ***Example 3:***

Assume 10,000 Absolute TSR Target Shares. If the Company's Average TSR over the TSR Performance Period were 16%, then the portion of the Absolute TSR Target Shares that would become vested would be equal to two times (or sixteen-eighths (16/8) of) the Absolute TSR Target Shares, or 20,000 Absolute TSR Shares (maximum vesting).

#### ***Relative TSR Shares***

At the end of each TSR Performance Period, the Company's TSR and the TSR of each of the Peer Group Companies will be ranked from highest to lowest. The "Relative TSR Vesting Percentage" will be determined based on the Company's TSR as compared to the TSR of the Peer Group Companies for the TSR Performance Period as follows:

Company TSR Rank	Relative TSR Vesting Percentage
80th percentile or above	200%
50th percentile	100%
At or below 25th percentile	0%

If the Company's TSR Rank is between the 25th percentile and the 50th percentile or between the 50th percentile and the 80th percentile, the Relative TSR Vesting Percentage will be interpolated.

The number of Relative TSR Shares that will vest for the TSR Performance Period will be determined by multiplying the Relative TSR Target Shares by the Relative TSR Vesting Percentage.

For the avoidance of doubt, in no event shall any Relative TSR Shares vest if the Company's Average TSR Rank is at or below the 25th percentile.

Not more than 200% of the Relative TSR Target Shares may vest based on the Company's TSR Rank.

Any Relative TSR Shares that do not vest on the Vesting Date shall be forfeited.

Within 30 days following the Vesting Date, vested Relative TSR Shares and related Dividend Payments, if any, will be settled as described in the Agreement.

Set forth below are examples, which are intended to be used purely for illustrative purposes:

*Example 1:*

Assume 10,000 Relative TSR Target Shares. If the Company's TSR Rank at the end of the TSR Performance Period was 15 out of 18, the Company would be in the 17th percentile. Because the Company's TSR Rank would be below the 25th percentile, the Relative TSR Vesting Percentage would be 0, so that none of the Relative TSR Shares would vest. 100% of the Relative TSR Target Shares would be forfeited.

*Example 2:*

Assume 10,000 Relative TSR Target Shares. If the Company's TSR Rank at the end of the TSR Performance Period was nine out of 18, the Company would be in the 50th percentile. The Relative TSR Vesting Percentage would be 100, so that 100% of the Relative TSR Target Shares (10,000 Phantom Shares) would vest.

*Example 3:*

Assume 10,000 Relative TSR Target Shares. If the Company's TSR Rank at the end of the TSR Performance Period was two out of 18, the Company would be in the 89th percentile. The Relative TSR Vesting Percentage would be 200, so that 200% of the Relative TSR Target Shares (20,000 Phantom Shares) would vest.

**Appendix 1 to Exhibit A**

**Relative TSR Peer Group Companies**

*[List of Peer Group Companies to be determined by Compensation Committee at time of grant]*

In the event of a merger, acquisition or business combination transaction of a Peer Group Company during the TSR Performance Period in which such Peer Group Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Group Company. Any entity involved in the transaction during the TSR Performance Period that is not the surviving company shall no longer be a Peer Group Company.

In the event of a merger, acquisition or business combination transaction of a Peer Group Company, a "going private" transaction or other event involving a Peer Group Company or the liquidation of a Peer Group Company (other than a bankruptcy as described below), in each case during the TSR Performance Period and where the Peer Group Company is not the surviving entity or is no longer publicly traded, such Peer Group Company shall no longer be a Peer Group Company.

Notwithstanding the foregoing, in the event of a bankruptcy of a Peer Group Company during the TSR Performance Period where the Peer Group Company is not publicly traded at the end of the Performance Period, such Peer Group Company shall remain a Peer Group Company but shall be deemed to be ranked last among all Peer Group Companies in the Peer Group.