

ENSIGN GROUP, INC
Form DEFA14A
May 27, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)**

**SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 1)**

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

THE ENSIGN GROUP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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- Fee paid previously with preliminary materials.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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THE ENSIGN GROUP, INC.

Dear Shareholder:

We are supplementing our 2008 proxy statement with additional information regarding the compensation of our directors and officers. To this end, the Director Compensation section and 2007 Director Compensation table on pages 7 and 8 of our proxy statement are hereby updated and replaced with the following:

Director Compensation

From January 2007 to March 2007, Roy E. Christensen, our Chairman, received \$60,000 for continuing services following his resignation as our Chief Executive Officer in April 2006. In March 2007, Mr. Christensen finalized his transition from Chairman and CEO to Chairman exclusively, and his compensation accordingly changed. His prior annual compensation was reduced from \$360,000 per year to an annual retainer of \$100,000, and he retained certain benefits including the right to participate in the Company's health plan and life insurance program. He does not receive per-meeting fees or other compensation.

As disclosed in previous filings, since March 2007 the annual retainer for each of our non-employee directors has been \$30,000 per annum, plus fees of \$1,500 for each Board meeting and each committee meeting the director physically attends and \$500 for each Board meeting and each committee meeting the director attends telephonically. The chairperson of each of the compensation committee and the nomination and corporate governance committee also receives an additional \$5,000 retainer per year, and the chairperson of each of the audit committee and the quality assurance and compliance committee receives an additional \$12,500 retainer per year.

In addition, under the terms of our 2007 Omnibus Incentive Plan, each non-employee director who is elected to a three-year term receives an automatic option grant for 12,000 shares of common stock, with a three-year vesting schedule, on or about the date he or she is appointed, elected or re-elected. Directors elected to fill less than a three-year term receive a pro rata grant that vests over their term.

The following table sets forth a summary of the compensation earned by our directors, who are not included in the Summary Compensation Table, for 2007. Christopher R. Christensen does not receive any additional compensation for his service as a director. For a description of the compensation paid to Christopher R. Christensen, see our

Compensation Discussion and Analysis beginning on page 11 of our proxy statement, as supplemented and amended hereby.

Director Compensation - 2007

| | Fees Earned or Paid in Cash (\$) | Options Awards \$(1) | All Other Compensation (\$) | Total (\$) |
|-------------------------|---|----------------------------|-----------------------------------|---------------|
| Roy E. Christensen | 83,333 | | 60,066 ⁽²⁾ | 143,399 |
| Antoinette T. Hubenette | 60,292 | | | 60,292 |
| Thomas A. Maloof | 60,917 | | | 60,917 |
| Charles M. Blalack | 46,042 | | | 46,042 |

(1) None of these directors owned any stock options as of December 31, 2007.

(2) Consists of term life insurance and accidental

death and dismemberment insurance payments of \$66, and \$60,000 for transition related services following his resignation as our Chief Executive Officer in April 2006.

In addition, we have updated the Summary Compensation Table for officers on page 17 of our proxy statement to correct an inadvertent overstatement of the compensation earned by David M. Sedgwick in 2007. This correction requires us to include Cory R. Monette as a Named Executive Officer. The Summary Compensation Table is hereby updated and replaced with the following:

Summary Compensation Table

| Name and Principal Position | Year | Salary (\$) | Bonus \$(1) | Option Awards \$(2) | Non-Equity Incentive Plan | All Other Compensation (\$) | Total (\$) |
|---|------|----------------|----------------|---------------------------|---------------------------------|-----------------------------------|------------|
| | | | | | Compensation \$(3) | | |
| Christopher R. Christensen Chief Executive Officer and President | 2007 | 374,983 | 310,000 | | | 17,768 ⁽⁴⁾ | 702,751 |
| | 2006 | 346,213 | 500,000 | | 183,368 | 17,587 | 1,047,168 |
| Alan J. Norman Chief Financial Officer | 2007 | 228,308 | 169,633 | 9,682 | | 2,062 ⁽⁵⁾ | 409,685 |
| | 2006 | 216,689 | 350,000 | 4,195 | | 1,113 | 571,997 |
| Gregory K. Stapley Vice President and General Counsel | 2007 | 312,483 | 310,000 | | | 1,765 ⁽⁶⁾ | 624,248 |
| | 2006 | 296,631 | 600,000 | | | 1,525 | 898,156 |
| David M. Sedgwick Vice President of Organizational Development | 2007 | 174,980 | 140,000 | 62,931 | | 7,889 ⁽⁷⁾ | 385,800 |
| | 2006 | 133,805 | 15,000 | 18,037 | 246,365 | 1,588 | 414,795 |
| Barry R. Port (8) President, Keystone Care, Inc. | 2007 | 185,986 | | 114,244 | 244,765 | 11,977 ⁽⁹⁾ | 556,972 |
| Cory R. Monette (10) President, Northern Pioneer Healthcare, Inc. | 2007 | 200,816 | | 77,453 | 122,007 | 1,413 ⁽¹¹⁾ | 401,689 |

- (1) The amounts shown in this column constitute the cash bonuses made to certain Named Executive Officers. Christopher Christensen, Alan Norman, Gregory Stapley and David Sedgwick participated in our executive incentive program. In addition to his bonus under the executive incentive program for 2007, the compensation committee awarded Mr. Sedgwick a separate discretionary bonus of \$8,000 outside of the executive incentive program during 2007. These awards are discussed in further detail under the heading Principal Elements of Executive Compensation in the Compensation

Discussion and Analysis section of this Proxy Statement.

- (2) The amounts shown are the amounts of compensation cost recognized by us in fiscal years 2006 and 2007 related to options to purchase common stock which were granted in fiscal year 2006 and 2007, as a result of the adoption of SFAS 123R. These amounts disregard the estimated forfeiture rate which is considered when recognizing the SFAS 123R expense in the consolidated financial statements. For a discussion of valuation and forfeiture assumptions, see Note 15 to our consolidated financial statements in our Annual Report on Form 10-K for fiscal year ended December 31, 2007.
- (3) Barry Port and Cory Monette

participated in our bonus program for presidents of our portfolio companies for 2007. David Sedgwick participated in our executive director compensation program during a portion of 2006, and following his reassignment to the Service Center in late 2006, he participated ratably in the executive incentive program. Christopher Christensen received a bonus equal to one half of one percent of our income before provision for income taxes, which formula was established and communicated to Christopher Christensen when our 2006 income before provision for income taxes was undeterminable. 2007 awards are discussed in further detail under the headings
Principal

Economic
Elements of
Compensation
for Presidents of
Our Five
Portfolio
Companies and
Principal
Economic
Elements of
Executive
Compensation .

- (4) Consists of term life insurance and accidental death and dismemberment insurance payments of \$150, a matching contribution to The Ensign Group, Inc. 401(k) retirement plan of \$1,718, and a car allowance of \$15,900.
- (5) Consists of term life insurance and accidental death and dismemberment insurance payments of \$81 and a matching contribution to The Ensign Group, Inc. 401(k) retirement plan of \$1,981.
- (6) Consists of term life and accidental death and dismemberment

insurance
payments of
\$127 and a
matching
contribution to
The Ensign
Group, Inc.
401(k)
retirement
program of
\$1,638.

(7) Consists of term
life insurance
and accidental
death and
dismemberment
insurance
payments of
\$64, a matching
contribution to
The Ensign
Group, Inc.
401(k)
retirement plan
of \$625 and a
car allowance of
\$7,200.

(8) Mr. Port was not
a named
executive officer
in 2006. As a
result, only 2007
compensation
information is
included in the
Summary
Compensation
Table.

(9) Consists of term
life insurance
and accidental
death and
dismemberment
insurance
payments of
\$51, a matching
contribution to
The Ensign

Group, Inc.
401(k)
retirement plan
of \$926 and a
car allowance of
\$11,000.

(10) Mr. Monette
was not a named
executive officer
in 2006. As a
result, only 2007
compensation
information is
included in the
Summary
Compensation
Table.

(11) Consists of term
life insurance
and accidental
death and
dismemberment
insurance
payments of
\$38, and a
matching
contribution to
The Ensign
Group, Inc.
401(k)
retirement plan
of \$1,375.

The information on the following pages supplements, but does not replace, the tables included in our previously distributed 2008 Proxy statement.

Grants of Plan-Based Awards 2007

The following table sets forth information regarding grants of plan-based awards made to Cory R. Monette during 2007.

| Name | Estimated Future Payouts Under Non- Equity Incentive Plan Awards | | | All Other Option Awards: Number of Securities Underlying | Exercise or Base Price of Option Awards(\$/Sh) | Grant Date Fair Value of Option Awards(\$) | Closing Market Price on Grant Date (\$/Sh) |
|---|--|---------------|------------|---|---|--|--|
| | Grant Date | Threshold(\$) | Target(\$) | | | | |
| Cory R. Monette President, Northern Pioneer Healthcare, Inc. | | | 22,197(1) | | | | |

(1) Mr. Monette participates in our performance program for the presidents of our portfolio companies. Presidents of our portfolio companies may earn cash bonuses for helping their respective subsidiaries meet clinical standards and financial milestones pursuant to a predetermined formula based upon their respective

subsidiaries
income before
provision for
income taxes.
This
performance
program does
not provide for
threshold or
maximum
payout amounts.
The amount
reported in the
target
performance
column is
derived by
inputting the
results of the
applicable
subsidiary from
fiscal 2006 into
the formula
used in 2007
and computing
what the payout
would be in
2007 if such
subsidiary had
the same results
in 2007 that it
had in 2006.
This amount is a
projection based
on the foregoing
formula and
does not
correspond to
the actual
results for 2007.
The actual
bonus amount
earned by
Mr. Monette in
2007 is shown
in the Summary
Compensation
Table above.

Outstanding Equity Awards at Fiscal Year-End 2007

The following table lists the outstanding equity incentive awards held by Cory R. Monette as of December 31, 2007.

| Name | Option Awards | | | | Stock Awards | | | | |
|--|--|--|--|------------------------------|---------------------------|--|---|---|---|
| | Number of Securities Underlying Unexercised Options Exercisable (#)(1) | Number of Securities Underlying Unexercised Options (#)(2) | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)(3) | Option Exercise Price(\$)(4) | Option Expiration Date(5) | Number of Shares or Units of Stock That Have Not Vested (#)(6) | Market Value of Shares or Units of Stock That Have Not Vested (\$)(7) | Shares, Units or Other Rights That Have Not Vested (#)(8) | Equity Incentive Plan Awards: Market Payout Value of Unearned Shares, Units or Other Rights (\$)(9) |
| Cory Monette | 25,000(5) | | | 5.75 | 10/31/15 | | | | |
| President, Northern Pioneer Healthcare, Inc. | 40,000(6) | | | 7.50 | 07/25/16 | | | | |

(1) All options held by our named executive officers may be early exercised.

(2) Options vest in equal annual installments (20% each year) on the anniversary of the date of grant with the exercised portion of

partially exercised options vesting prior to the unexercised portion of such options.

- (3) The shares listed below were issued pursuant to the early exercise of stock options to purchase shares of our common stock. These shares are subject to a right of repurchase held by us that lapses over time based upon the vesting schedule of the originally issued stock options.
- (4) The market value of these shares at December 31, 2007 was \$14.40.
- (5) Represents stock options granted on November 1, 2005 to purchase up to 25,000 shares.
- (6) Represents stock options granted on July 26, 2006 to purchase up to 40,000 shares.

Option Exercises and Stock Vested 2007

The following table provides information for Cory Monette about options that were exercised and restricted stock that vested during 2007.

| Name | Option Awards | | Stock Awards | |
|---|------------------|-----------------|------------------|-------------------|
| | Number of Shares | Value Realized | Number of Shares | Value Realized on |
| | Acquired on | Realized | Acquired on | Value Realized on |
| | Exercise(#) | on Exercise(\$) | Vesting(#) | Vesting\$(1) |
| Cory Monette President, Northern Pioneer Healthcare, Inc. | | | 17,600(2) | 281,600 |

(1) The aggregate value realized upon the vesting of the stock award is based upon the aggregate market value of the vested shares of our common stock on the vesting date. For vesting dates prior to the Company's initial public offering (IPO) date of November 8, 2007, the aggregate market value is based on the IPO price of \$16.00.

(2) On June 29, 2005, Mr. Monette exercised a stock option in full to purchase 30,000 shares,

of which 18,000 shares were vested. On March 27, 2006, Mr. Monette exercised stock options to purchase 10,000 and 24,000 shares, respectively. To the extent that the stock options had not fully vested, such shares became restricted stock, subject to the same vesting schedule as the previously granted stock options, of which 10,800 shares vested during 2007. In addition, upon the effectiveness of the IPO, all early exercised unvested options granted to Mr. Monette under the 2001 Plan prior to January 1, 2006 immediately vested, of which 6,800 shares vested on November 8, 2007 at a market value of \$16.00.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information known to us with respect to beneficial ownership of our common stock as of March 31, 2008 for Cory R. Monette.

Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission. Shares subject to options that are exercisable within 60 days following March 31, 2008 are deemed to be outstanding and beneficially owned by the optionee for the purpose of computing share and percentage ownership of that optionee, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any

other person. The percentage of shares beneficially owned is based on 20,535,280 shares of common stock outstanding as of March 31, 2008. Except as affected by applicable community property laws, all persons listed have sole voting and investment power for all shares shown as beneficially owned by them.

| Name and Address of Beneficial Owner | Number of Shares Beneficially | Percent of Class |
|--|--|-----------------------------|
| Named Executive Officers And Directors: Cory Monette (1) | 141,000 | * |

(1) Includes stock options to purchase 65,000 shares of common stock that are currently exercisable or exercisable within 60 days after March 31, 2008.

If you have already delivered your proxy prior to receiving this letter, you do not need to take any action unless you wish to revoke or change your vote on any of the proposals. You may revoke a proxy at any time prior to its exercise by (i) delivering an instrument revoking it or a duly executed proxy bearing a later date to Gregory K. Stapley, 27101 Puerta Real, Suite 450, Mission Viejo, California 92691; or (ii) attending the annual meeting and voting in person.

Sincerely,

Gregory K. Stapley

Vice President and General Counsel

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