

Mastech Holdings, Inc.
Form DEF 14A
April 10, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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

Mastech Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

Edgar Filing: Mastech Holdings, Inc. - Form DEF 14A

(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:

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials:

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

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

MASTECH HOLDINGS, INC.

1000 Commerce Drive

Pittsburgh, Pennsylvania 15275

Telephone: (412) 787-2100

April 9, 2014

Dear Mastech Holdings, Inc. Shareholder:

You are cordially invited to attend our 2014 Annual Meeting of Shareholders to be held at the Pittsburgh Airport Marriott, 777 Aten Road, Coraopolis, Pennsylvania, 15108 on Wednesday, May 14, 2014, at 9:00 a.m. Eastern Time.

The following pages contain the formal Notice of the Annual Meeting and the Proxy Statement. At this year's Annual Meeting, you will be asked to (i) vote on the election of Class III directors; (ii) re-approve the Company's Stock Incentive Plan (the Plan), including the performance measures set forth therein, and approve an increase in the number of shares of common stock that may be issued pursuant to the Plan; and (iii) to cast an advisory (non-binding) vote to approve named executive officer compensation. Please read the accompanying Notice of Annual Meeting and Proxy Statement carefully. Whether or not you plan to attend, you can ensure that your shares are represented at the Annual Meeting by promptly completing, signing, dating and returning the enclosed proxy card in the envelope provided.

Thank you for your continued support.

Sincerely,

D. Kevin Horner

President and Chief Executive Officer

Table of Contents

MASTECH HOLDINGS, INC.

1000 Commerce Drive

Pittsburgh, Pennsylvania 15275

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on May 14, 2014

The Annual Meeting of Shareholders of Mastech Holdings, Inc. (the "Company") will be held at the Pittsburgh Airport Marriott, 777 Aten Road, Coraopolis, Pennsylvania, 15108 on Wednesday, May 14, 2014, at 9:00 a.m. Eastern Time, to consider and act upon the following matters:

1. The election of two (2) Class III directors to serve for three-year terms or until their respective successors shall have been selected or qualified;
2. Vote to (i) re-approve the Company's Stock Incentive Plan (the "Plan"), including the performance measures set forth therein and (ii) approve an increase in the number of shares of common stock that may be issued pursuant to the Plan;
3. Advisory (non-binding) vote to approve named executive officer compensation; and
4. The transaction of such other business as may properly come before the meeting and any adjournment or postponement thereof.

The Board of Directors has established the close of business on April 4, 2014, as the record date for the determination of the shareholders entitled to notice of and to vote at the Annual Meeting.

PLEASE VOTE AS SOON AS POSSIBLE TO ENSURE THAT YOUR VOTE IS RECORDED PROMPTLY EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING. YOU HAVE THREE OPTIONS FOR SUBMITTING YOUR VOTE BEFORE THE ANNUAL MEETING: VIA THE INTERNET, BY PHONE OR BY MAIL. FOR FURTHER DETAILS, SEE "VOTING RIGHTS AND SOLICITATION" IN THE PROXY STATEMENT. IF YOU HAVE INTERNET ACCESS, WE ENCOURAGE YOU TO RECORD YOUR VOTE ON THE INTERNET. IT IS CONVENIENT, AND IT SAVES YOUR COMPANY SIGNIFICANT PRINTING AND PROCESSING COSTS.

By Order of the Board of Directors

John J. Cronin, Jr.

Chief Financial Officer

and Corporate Secretary

Edgar Filing: Mastech Holdings, Inc. - Form DEF 14A

Pittsburgh, Pennsylvania

April 9, 2014

Table of Contents

TABLE OF CONTENTS

	Page
<u>PURPOSE OF MEETING</u>	1
<u>VOTING RIGHTS AND SOLICITATION</u>	1
<u>Voting</u>	1
<u>Proxies</u>	1
<u>Solicitation of Proxies</u>	2
<u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>	3
<u>General</u>	3
<u>Business Experience of Directors</u>	3
<u>Votes Required</u>	5
<u>Recommendation of the Board of Directors</u>	5
<u>PROPOSAL NO. 2 RE-APPROVE THE MASTECH HOLDINGS, INC. STOCK INCENTIVE PLAN (THE PLAN) AND APPROVE AN INCREASE IN THE NUMBER OF SHARES OF COMMON STOCK THAT MAY BE ISSUED PURSUANT TO THE PLAN</u>	6
<u>General</u>	6
<u>Background and Purpose of the Proposal</u>	6
<u>Summary of the Stock Incentive Plan</u>	7
<u>Votes Required</u>	15
<u>Recommendation of the Board of Directors</u>	15
<u>PROPOSAL NO. 3 ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION</u>	16
<u>General</u>	16
<u>Votes Required</u>	16
<u>Recommendation of the Board of Directors</u>	16
<u>BOARD COMMITTEES AND MEETINGS</u>	17
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	20
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	21
<u>NAMED EXECUTIVE OFFICERS</u>	22
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	22
<u>SUMMARY COMPENSATION TABLE</u>	32
<u>GRANTS OF PLAN-BASED AWARDS</u>	33
<u>OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END</u>	34
<u>POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL</u>	35
<u>OPTION EXERCISES AND STOCK VESTED</u>	36
<u>DIRECTOR COMPENSATION</u>	36
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	37
<u>REPORT OF THE AUDIT COMMITTEE</u>	38
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS</u>	39
<u>POLICIES AND PROCEDURES FOR APPROVING RELATED PERSON TRANSACTIONS</u>	39
<u>2015 SHAREHOLDER PROPOSALS OR NOMINATIONS</u>	39
<u>FORM 10-K</u>	40
<u>HOUSEHOLDING OF PROXY MATERIALS</u>	40
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	41
<u>OTHER MATTERS</u>	41

Table of Contents

MASTECH HOLDINGS, INC.

1000 Commerce Drive

Pittsburgh, PA 15275

PROXY STATEMENT FOR ANNUAL MEETING

OF SHAREHOLDERS

To Be Held on May 14, 2014

This Proxy Statement is being furnished to the shareholders of Mastech Holdings, Inc., a Pennsylvania corporation (Mastech or the Company), in connection with the solicitation by the Board of Directors of the Company (the Board of Directors or the Board) of proxies to be voted at the Annual Meeting of Shareholders (the Annual Meeting) scheduled to be held on Wednesday, May 14, 2014, at 9:00 a.m. Eastern Time, at the Pittsburgh Airport Marriott, 777 Aten Road, Coraopolis, Pennsylvania, 15108, or at any adjournment or postponement thereof. This Proxy Statement is being mailed to shareholders on or about April 14, 2014.

PURPOSE OF THE MEETING

The specific proposals to be considered and acted upon at the Annual Meeting are summarized in the accompanying Notice of Annual Meeting of Shareholders. The proposals are described in more detail in this Proxy Statement.

VOTING RIGHTS AND SOLICITATION

VOTING

Only holders of record of Mastech common stock, par value \$0.01 per share (Common Stock), as of the close of business on April 4, 2014 (the Record Date) are entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements thereof. On April 4, 2014, there were 4,297,950 shares of Common Stock outstanding.

The presence in person or by proxy of the shareholders owning at least a majority of the total number of outstanding shares of Common Stock entitled to vote at the Annual Meeting is required to constitute a quorum for the transaction of business at the Annual Meeting. The holders of Common Stock have one vote for each share held by them as of the Record Date. Shareholders may not cumulate votes.

Your shareholder vote is important. Please vote as soon as possible to ensure that your vote is recorded promptly, even if you plan to attend the annual meeting in person. You have three options for submitting your vote before the annual meeting: via the Internet, by phone or by mail. If you have Internet access, we encourage you to record your vote on the Internet. It is convenient, it saves your company significant printing and processing costs and your vote is recorded immediately. Internet and telephonic voting will be available until 11:59 p.m. Eastern Time on May 13, 2014. If you hold your shares in your name as a registered holder and not through a bank or brokerage firm, you may submit your vote in person. The vote you cast in person will supersede any previous votes that you submitted, whether by Internet, phone or mail. If you have any questions about submitting your vote, call our Investor Relations department at (800) 627-8323.

PROXIES

Edgar Filing: Mastech Holdings, Inc. - Form DEF 14A

All shares of Common Stock represented by proxies that are properly signed, completed and returned to the Corporate Secretary of the Company at 1000 Commerce Drive, Pittsburgh, PA 15275 at or prior to the Annual

Table of Contents

Meeting will be voted as specified in the proxy. If a proxy is signed and returned but does not provide instructions as to the shareholder's vote, the shares will be voted (a) FOR the election of the Board's nominees to the Board of Directors, (b) FOR the re-approval of the Company's Incentive Stock Plan and approval to increase the number of shares of common stock that may be issued pursuant to the Plan; and (c) FOR approval of the advisory (non-binding) proposal on executive compensation. We are not aware of any business for consideration at the Annual Meeting other than as described in the Proxy Statement; however, if matters are properly brought before the Annual Meeting or any adjournment or postponement thereof, then the persons appointed as proxies will have the discretion to vote or act thereon according to their best judgment. A shareholder giving a proxy has the power to revoke it at any time prior to its exercise by delivering to the Secretary of the Company a written revocation or a duly executed proxy bearing a later date (although no revocation shall be effective until notice thereof has been given to the Secretary of the Company), or by attendance at the meeting and voting his or her shares in person.

Under Pennsylvania law, proxies marked ABSTAIN are not considered to be cast votes and thus, although they will count for purposes of determining whether there is a quorum and for purposes of determining the voting power and number of shares entitled to vote at the Annual Meeting, such abstentions will have no effect on the approval of any matter to come before the meeting. Broker non-votes will be counted for purposes of determining whether there is a quorum at the Annual Meeting, but will have no effect on the approval of any matter to come before the meeting.

SOLICITATION OF PROXIES

All costs of solicitation of proxies will be borne by the Company. In addition to solicitations by mail, the Company's directors, officers and regular employees, without additional remuneration, may solicit proxies by telephone, facsimile and personal interviews. Copies of solicitation material will be timely furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners and the Company will reimburse them for reasonable out-of-pocket expenses in connection with the distribution of proxy solicitation material.

Important Notice Regarding the Internet Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on May 14, 2014.

A complete copy of this proxy statement and our annual report for the year ended December 31, 2013 are available at <http://www.mastech.com/proxy>.

Table of Contents

PROPOSAL NO. 1

ELECTION OF DIRECTORS

GENERAL

The Company's Articles of Incorporation currently provide that the number of directors constituting the entire Board shall be no less than three (3) and no more than nine (9). The Company's Board of Directors is divided into three (3) classes, with each class to be as nearly equal in number as possible and the classes to be elected for staggered terms of three (3) years as follows: two (2) Class I directors whose terms expire in 2015; two (2) Class II directors whose terms expire in 2016; and two (2) Class III directors whose terms expire in 2014. Therefore, two (2) directors are being elected to Class III at the Annual Meeting for a three-year term expiring in the year 2017.

The names of the persons nominated for Class III directors are *John Ausura and Brenda Galilee*, both of whom presently serve as Class III directors. The persons appointed as proxies intend to vote the shares represented by them at the Annual Meeting for the election of *John Ausura and Brenda Galilee* as Class III directors. The Board of Directors knows of no reason why *John Ausura and Brenda Galilee* would be unable to serve as Class III directors. If, at the time of the Annual Meeting, either of *Mr. John Ausura or Ms. Brenda Galilee* is unable or unwilling to serve as a Class III director, the persons named as proxies intend to vote for such substitute as may be nominated by the Board of Directors. All nominations were made by the Nominating and Corporate Governance Committee, as further described under the caption "Nominating and Corporate Governance Committee" below.

The following section captioned "Business Experience of Directors" sets forth certain information concerning the Board nominees for election to the Board of Directors at the Annual Meeting, as well as information about our other Directors.

BUSINESS EXPERIENCE OF DIRECTORS

Director Qualification Standards

We will only consider as candidates for director individuals who possess the highest personal and professional ethics, integrity and values, and who are committed to representing the long-term interests of our shareholders. In evaluating candidates for nomination as a director, the Nominating and Corporate Governance Committee will also consider other criteria, including current or recent experience as a chief executive officer of a public company or as a leader of another major complex organization in the public or private sector; business and financial expertise; geography; experience as a director of a public company; gender and ethnic diversity on the Board; independence; and general criteria such as independent thought, practical wisdom and mature judgment. In addition, directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively and should be committed to serving on the Board for an extended period of time. One or more of our directors must possess the education or experience required to qualify as an audit committee financial expert.

Nominees for Directors in Class III Whose Terms will Expire in 2017

John Ausura, age 61, has served as a Director since September 30, 2008. Mr. Ausura is the Founder and was the Managing Director of Capital Resolution, LLC, a professional services firm which provides interim management and operations improvement assistance to companies in transition, until his retirement on February 12, 2013. Mr. Ausura assumed this role with Capital Resolution in 2003. Prior to Capital Resolution and between 2000 and 2003, Mr. Ausura was a Principal with XRoads Solutions Group, LLC, a national restructuring professional services firm. Prior to 2000, Mr. Ausura was a Senior Vice President with PNC Financial Services Group, Inc. in Pittsburgh, PA, where he was Chief Financial Officer of the Consumer Bank

Table of Contents

and Chief Executive Officer of PNC's Credit Card Bank. Mr. Ausura completed his MBA at the Wharton School of the University of Pennsylvania and his BA from the University of Scranton.

Brenda Galilee, age 61, has served as a Director since September 30, 2008. Ms. Galilee was the Chief Executive Officer and Chairman of the Board of InTouch Corporation, a customer acquisition and retention services company serving the financial industries, until her resignation on January 1, 2013. Ms. Galilee assumed this role in March 2008, upon the completion of a management buyout. In March of 1991, Ms. Galilee founded and served as the Chief Executive Officer and Chairman of the Board of Hall Kinion and Associates (HAKI on NASDAQ), an information technology staffing company, until being acquired by Kforce Corporation in June 2004. From June 2004 until March 2008, Ms. Galilee pursued avocational interests in creative arts. Ms. Galilee completed the OPM program at Harvard University. Currently, Ms. Galilee is Chief Consulting Officer for CES - Customer Experience Solutions.

Directors in Class II Whose Terms Expire in 2016

Ashok Trivedi, age 64, has served as a Director and Co-Chairman since our formation. Mr. Trivedi is the Co-Founder of iGATE Corporation (iGATE) and Mastech. Mr. Trivedi served as Co-Chairman and President of iGATE from October 1996 until April 2008, when he resigned as President, but remains a director of iGATE and Co-Chairman of the iGATE Board. Mr. Trivedi also serves as the Chairman of the Board of iGATE Global Solutions Limited, a subsidiary of iGATE, and has held this position since July 2000. From 1988 through September 1996, Mr. Trivedi served as President of iGATE and held other offices, including Secretary and Treasurer. From 1976 to 1988, he held various marketing and management positions with Unisys Corporation. Mr. Trivedi holds a Master's degree in Business Administration from Ohio University and a Master's degree in Physics from Delhi University.

D. Kevin Horner, age 55, has served as a Director, President and Chief Executive Officer since October 10, 2011 and has served as a Director since September 30, 2008. Mr. Horner was the Chief Information Officer of Alcoa from 2008 until his retirement on October 1, 2011. From 2003 through 2007, Mr. Horner was Chief Information Officer of Alcoa North America. From 2000 to 2003, Mr. Horner was Director of Enterprise Global Solutions and Global Applications for Alcoa. From 1998 to 2000, Mr. Horner served as Chief Information Officer for Alcoa Europe. From 1981 to 1998, Mr. Horner held various management positions in business and information systems / information technology with Alcoa. Mr. Horner has a Bachelor's degree in Mathematics from Saint Francis College.

Directors in Class I Whose Terms Expire in 2015

Sunil Wadhvani, age 61, has served as a Director and Co-Chairman since our formation. Mr. Wadhvani is the Co-Founder of iGATE and Mastech. Mr. Wadhvani served as Co-Chairman and Chief Executive Officer of iGATE from 1986 until April 2008, when he resigned as Chief Executive Officer, but remains a director of iGATE and Co-Chairman of the iGATE Board. From 1986 through September 1996, Mr. Wadhvani served as Chairman of iGATE and held several other offices, including President and CEO. Mr. Wadhvani has a Bachelor's degree from the Indian Institute of Technology and a Master's degree from Carnegie Mellon University.

Gerhard Watzinger, age 53, has served as a Director since September 30, 2008. Mr. Watzinger was the Executive Vice President for Corporate Strategy and Mergers & Acquisitions of the McAfee business unit of Intel Corporation until his resignation on March 31, 2012. Mr. Watzinger joined Intel in February, 2011 upon Intel's acquisition of McAfee. Mr. Watzinger joined McAfee in November 2007 upon McAfee's acquisition of SafeBoot, a global leader in data protection software, where Mr. Watzinger served as Chief Executive Officer from 2004 to 2007. From 2003 to 2004, Mr. Watzinger was the Chief Executive Officer of Mascot Systems, a subsidiary of iGATE focused on offshore IT operations. From 1998 to 2003, Mr. Watzinger served as Senior Vice President of iGATE's staffing and solutions operations. Prior to joining iGATE, Mr. Watzinger held senior

Table of Contents

positions at APT, PricewaterhouseCoopers and Cap Gemini. Between April 2013 and September 2013, Mr. Watzinger served as the interim Chief Executive Officer of iGATE. Mr. Watzinger serves as a Director for two IT security companies, Telesign, Inc. and CrowdStrike. Mr. Watzinger has a Bachelor's degree in Computer Science from the University of Munich.

VOTES REQUIRED

The Class III Directors will be elected by a plurality of the votes of shares present and entitled to vote. Accordingly, the nominees who receive the largest number of votes actually cast will be elected.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors unanimously recommends that the shareholders vote FOR the nominees named herein.

Table of Contents

PROPOSAL NO. 2

RE-APPROVE THE MASTECH HOLDINGS, INC. STOCK INCENTIVE PLAN (THE PLAN) AND APPROVE AN INCREASE IN THE NUMBER OF SHARES OF COMMON STOCK THAT MAY BE ISSUED PURSUANT TO THE PLAN

GENERAL

We are asking our shareholders to approve the following:

1. the Mastech Holdings, Inc. Stock Incentive Plan (the Plan), including the performance measures set forth therein; and
2. an increase in the number of shares of common stock of the Company that may be issued pursuant to the Plan by 200,000 shares, to a total of 1,200,000.

No other changes to the Plan are being proposed.

The proposed amended and restated Plan, with updated provisions related to the increase in the number of shares available and the plan term, is attached hereto as Exhibit A.

BACKGROUND AND PURPOSE OF THE PROPOSAL

The grant of stock-based awards under the Plan has been a key component of the Company's compensation program since its original adoption in 2008. The Plan provides a means through which the Company and its subsidiaries may attract and retain talented persons as officers, employees, directors and consultants and provides a means whereby those persons, upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business, may acquire a proprietary interest in the Company. The Plan was adopted to serve the following purposes: (i) to advance the interests of the Company by attracting and retaining high-caliber employees and other key individuals, (ii) to align the interests of our stockholders and recipients of awards under the Plan by increasing the proprietary interest of such recipients in the Company's growth and success, and (iii) to motivate award recipients to act in the long-term best interests of the Company and its stockholders.

We are now requesting that our stockholders vote in favor of approving the material terms of the Plan, and the amendment to the Plan to increase the number of shares of our common stock issuable under the Plan, to allow us to continue providing equity compensation awards to such employees and other key individuals as a competitive compensation practices, and to align the interests of our employees and other key individuals with our stockholders.

Reaffirm Approval of the Material Terms of the Plan

The Company's shareholders are being asked to approve the material terms of the Plan in part so that awards granted under the Plan that are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986 (the Code) may be fully deductible by the Company and its subsidiaries. The Plan is intended to comply with the Section 162(m) requirements for awarding qualified performance-based compensation, if approved by stockholders and if the other technical requirements for granting awards under the Plan are met at the time that such performance-based awards are granted. If the Plan is not approved, then any future awards made under the Plan would not be exempt from the limits of Section 162(m) of the Code.

Although the Company has not adopted a policy that all compensation paid to our executive officers must be tax-deductible and the Company expressly reserves the discretion to pay compensation to its executives that is not fully deductible, the Plan is designed, in part, so that awards may qualify for exemption from the deduction

Table of Contents

limitations of Section 162(m) of the Code by providing performance-based compensation to covered employees (each within the meaning of Section 162(m) of the Code). Under Section 162(m), the federal income tax deductibility of compensation paid to the Company's Chief Executive Officer and three other most highly compensated officers (other than the Chief Financial Officer) determined pursuant to the executive compensation disclosure rules under the Securities Exchange Act of 1934 (Covered Employees) may be limited to the extent such compensation exceeds \$1,000,000 in any taxable year. However, the Company may deduct compensation paid to its Covered Employees in excess of that amount if it qualifies as performance-based compensation as defined in Section 162(m) of the Code. Section 162(m) of the Code requires that an arrangement providing performance-based compensation must impose a limit on the size of awards payable under the arrangement. The Plan provides that the maximum number of stock options, SARs, restricted stock, bonus stock awards or performance grants that may be issued to any individual during a calendar year is 250,000 shares of common stock of the Company (subject to adjustment in accordance with the terms of the Plan).

In addition to certain other requirements, in order for awards under the Plan to constitute performance-based compensation, the material terms of the Plan must be disclosed and approved by the Company's shareholders every five years. Under Section 162(m) regulations, the material terms of the Plan are (i) the maximum amount of compensation that may be paid to a participant under the Plan during a specified period; (ii) the employees eligible to receive compensation under the Plan; and (iii) the business criteria on which the performance goals are based. The Company intends that awards under the Plan may be designed to qualify for exemption from the deduction limits of Section 162(m) of the Code in the event it chooses to structure compensation in a manner that will satisfy the performance-based compensation exemption of Section 162(m) of the Code. Accordingly, the Company is asking shareholders to approve the material terms of the Plan for Section 162(m) of the Code purposes so that awards under the Plan that are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code may be deductible by the Company.

Approval to Increase the Number of Shares Issuable Under the Plan

As discussed above, equity compensation is a key component of our executive compensation program, and is the mechanism pursuant to which we provide long-term incentives to our employees. We believe that equity incentives are critical to attracting and retaining the most talented employees and to providing appropriate performance incentives.

The Plan currently authorizes the issuance of up to 1,000,000 shares of common stock of the Company. As of March 31, 2014, there were only 23,000 shares remaining available for future awards under the Plan. In addition, 436,000 shares of our common stock are currently subject to outstanding awards under the Plan. As further explained below, under the terms of the Plan, if any award expires or otherwise terminates for any reason without having been exercised or settled in full, or if shares subject to forfeiture are forfeited, any such shares reacquired or subject to a terminated award will again become available for issuance under the Plan.

If the amendment to increase the shares available for issuance under the Plan is not approved, we estimate that we will not have enough shares available under the Plan to make 2014 awards, assuming that our grant practices continue consistent with our historical practices. Based on historical usage and expected practices, we estimate that the 200,000 additional shares, when aggregated with the shares currently available for issuance under the Plan, would be sufficient for two additional years of awards under the Plan. Approval of the amendment would allow the Company to continue to grant incentive awards and reward opportunities under the Plan.

SUMMARY OF STOCK INCENTIVE PLAN

The following summary provides a general description of the material features of the Plan, and is qualified in its entirety by reference to the full text of the amended and restated Plan, attached as Exhibit A.

Table of Contents

General. As noted above, the Plan, effective as of September 30, 2008, was adopted to serve the following purposes: (i) to advance the interests of the Company by attracting and retaining high caliber employees and other key individuals; (ii) to align the interests of the Company's shareholders and recipients of awards under the Plan by increasing the proprietary interest of such recipients in the Company's growth and success; and (iii) to motivate award recipients to act in the long-term best interests of the Company and its shareholders.

Administration. The Plan is generally administered by our Compensation Committee; *provided*, that the Plan authorizes the full Board or a subcommittee of our Board to function as the plan administrator, and permits the Compensation Committee to delegate to Co-Chairmen of the Company or to the Chief Executive Officer the plan administrator's duties and authority under the Plan with respect to granting awards to individuals who are not subject to Section 16 of the Securities Exchange Act of 1934, as amended, and who are not expected to be covered employees for purposes of Section 162(m) of the Code. As discussed above under *Compensation Committee*, our Compensation Committee members meet the requirements of being non-employee directors within the meaning of Rule 16b-3(a)(3) and outside directors under Section 162(m). The administrator of the Plan is referred to herein as the plan administrator.

The plan administrator is authorized to determine the individuals who will receive awards (the participants), the types of awards to be granted, the number of shares to be subject to each award, the price of the awards granted, the terms and conditions of such awards, including any performance criteria, any payment terms, payment method and the expiration date applicable to each award. The plan administrator is also authorized to establish, adopt or revise rules relating to the administration of the Plan.

Authorized Shares. As originally adopted, 1,000,000 shares (800,000 pre-split shares) of the Company's common stock may be subject to awards under the Plan, subject to adjustment in the event of a stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar event. If any award granted under the Plan expires or otherwise terminates for any reason without having been exercised or settled in full, or if shares subject to forfeiture are forfeited, any such shares reacquired or subject to a terminated award will again become available for issuance under the Plan.

Eligibility. All employees and directors, officers and consultants who perform services for the Company or a subsidiary of the Company (as defined in the Plan) will be eligible to receive awards. The plan administrator has the discretion to select participants and determine the form, amount and timing of each award to such persons, the exercise price or base price associated with the award, the time and conditions of exercise or settlement of the award and all other terms and conditions of an award.

Forms of Awards. Awards under the Plan may include one or more of the following types: (i) stock options (both nonqualified and incentive stock options); (ii) stock appreciation rights (SARs); (iii) restricted stock awards; (iv) stock awards; and (v) performance share awards.

Stock options are rights to purchase a specified number of shares of the Company's common stock at a price fixed by the plan administrator as of the date of grant. The exercise price of each option may not be less than the fair market value of a share of common stock on the date of grant. Options expire no later than ten years after the date of grant. However, any incentive stock option may only be granted to an employee of the Company or a subsidiary (as defined in Section 424 of the Code), and if granted to a person who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company (10% Shareholder), must have an exercise price equal to at least 110% of the fair market value of a share of common stock on the date of grant and expire no later than five years after the date of grant. All options will become exercisable at such time and in such installments as the plan administrator determines. Payment of the option price (sometimes called the exercise price or strike price) must be made in full at the time of exercise in such form as the plan administrator permits. Payment methods include cash, the exchange of shares already owned, broker-cashless exercise, withholding of shares otherwise deliverable, or a combination of the preceding alternatives. The plan administrator may also authorize stock

Table of Contents

retention options, which provide upon the exercise of an option previously granted, using previously owned shares, for the automatic issuance of a new option under this Plan with an exercise price equal to the fair market value on the date of grant, for up to the number of shares equal to the previously-owned shares delivered in payment of the exercise price of the prior option.

A SAR entitles the holder to receive, upon exercise, an amount equal to the positive difference between the fair market value of one share of common stock of the Company on the date the SAR is exercised and the exercise price, multiplied by the number of shares of common stock with respect to which the SAR is exercised. The plan administrator has the discretion to determine whether the amount to be paid upon exercise of a SAR may be paid in cash, common stock (including restricted stock) or a combination of cash and common stock.

Restricted stock awards provide for a specified number of shares of common stock subject to a restriction against transfer during a period of time or until other conditions or performance measures are satisfied, as established by the plan administrator. Unless otherwise set forth in the agreement relating to a restricted stock award, the holder of an unvested restricted stock award does not have any of the rights of a shareholder, including voting rights and the right to receive dividends.

Stock awards are shares of the Company's common stock which are vested at the time of grant and are not subject to a restriction period or performance measures.

Performance share awards are awards entitling the recipient to acquire shares of our common stock upon the attainment of specified performance measures during a performance period set by the plan administrator. Performance measures that may be used include one or more of the following, and may be expressed in either, or a combination of, relative or absolute values:

earnings per share,

earnings per share growth,

net income,

net income growth,

revenue growth,

revenues,

expenses,

return on equity,

return on total capital,

return on assets,

earnings (including EBITDA and EBIT),

cash flow,

operating cash flow,

share price,

economic value added,

gross margin,

operating income,

market share, or

total shareholder return.

Table of Contents

Such criteria and objectives may relate to results obtained by the individual, the Company, a subsidiary, or an affiliate, or any branch, department, business unit or division thereof, or may relate to results obtained relative to a specific industry or a specific index, peer group of companies, prior performance periods or other measure selected or defined by the plan administrator at the time of grant. The plan administrator may also choose other performance objectives as performance criteria at the time of grant, even if such performance share award would not qualify under Section 162(m) of the Code.

Termination of Service. The effect of a participant's termination of service on his or her award depends on the reason for such termination, the provisions of the particular award and, in some cases, the terms of the participant's employment agreement. Generally, unless otherwise provided, unvested restricted stock awards and unvested performance share awards will terminate upon termination from employment for any reason. For stock options and SARs, unless otherwise specified in the agreement, termination of employment due to disability or retirement will result in vested options remaining exercisable for a period of one year from the date employment terminates or, if earlier, the date on which the option or SAR expires; termination of employment unless due to disability, retirement or for cause will result in the option or SAR remaining exercisable, to the extent vested on the date employment terminates, for a period of three months thereafter or, if earlier, the date on which the option or SAR expires; termination of employment for cause or commencement of services as an officer, director or consultant of a competing business will result in the immediate termination of the option or SAR. Cessation of service will generally result in options and SARs remaining exercisable for three months, unless cessation was due to disability, in which event the exercise period will generally be extended to one year following termination (provided, that removal for cause or commencement of services as an officer, director or consultant of a competing business will result in the immediate termination of the option or SAR).

Maximum Award. Stock options with regard to no more than 250,000 shares of common stock of the Company and stock appreciation rights with regard to no more than 250,000 shares of common stock may be granted in any calendar year period. In any one calendar year during any performance period, the maximum amount which may be earned by any one participant under performance share awards shall be limited to 250,000 shares of common stock. The limitations on the aggregate number of shares which may be subject to awards granted in any calendar year shall be interpreted in a manner consistent with the requirements of Section 162(m) of the Code.

Change in Control. Unless otherwise provided in an award agreement or employment agreement, upon a change in control, each outstanding award under the Plan shall (i) be assumed by the acquiring company; or (ii) accelerate and become exercisable or be released from all restrictions, as applicable, immediately prior to the change in control. The Board may determine, in its discretion, that outstanding awards will be surrendered for payment in cash or stock. The performance period with regard to any performance share awards will be deemed to end on the day prior to the effective date of the change of control.

Adjustments upon Certain Events. In the event of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction resulting in an increase or decrease in the outstanding shares of our common stock, or exchange of our common stock for a different number or kind of shares or other securities of the company, or the distribution of additional shares or new or different securities or other non-cash assets, the plan administrator will make an appropriate or proportionate adjustment in (i) the number of stock options, stock appreciation rights and performance share awards that can be granted to any one individual participant, (ii) the number and kind of shares or other securities subject to any outstanding awards, (iii) the price for each share subject to outstanding stock options or stock appreciation rights or other purchase rights under the Plan, without changing the aggregate purchase price, and (iv) the number of shares which may be issued under the Plan but are not then subject to awards. If the outstanding shares of Company common stock will be changed in value by reason of a spin-off, split-off or split-up, or dividend in partial liquidation, dividend in property other than cash, or extraordinary distribution to stockholders, then (i) the plan administrator will make any adjustment to any outstanding stock option, SAR, restricted stock performance share or other stock award which it determines is equitably required to prevent dilution or enlargement of the rights of participants,

Table of Contents

and (ii) unless otherwise determined by the plan administrator in its discretion, any stock, securities, cash or other property distributed with respect to any shares of restricted stock held in escrow or for which such shares of restricted stock will be exchanged shall also be held by the Company in escrow and subject to the same restrictions as apply to the restricted stock. No adjustment or substitution will require the Company to issue or sell a fractional share of stock, and total adjustments or substitutions will be limited accordingly.

Awards not Transferable. Generally, awards under the Plan may not be sold, pledged, assigned, transferred or otherwise encumbered or disposed of other than by will or by laws of descent and distribution or, subject to the consent of the plan administrator, pursuant to a domestic relations order. After the death of the participant, the award may be transferred to the Company upon such terms and conditions, if any, as the plan administrator and the personal representative or other person entitled to exercise the award may agree, within the remaining exercise period. Options and SARs are exercisable during the lifetime of the participant only by the participant.

Tax Withholding. As a condition to the issuance or delivery of shares of our common stock or payment of other compensation pursuant to the exercise or lapse of restrictions on any award, the Company has the authority to require participants to discharge all applicable withholding tax obligations. Shares held by or to be issued to a participant may also be used to discharge tax withholding obligations, subject to the discretion of the plan administrator to disapprove of such use.

Summary of United States Federal Income Tax Consequences

The following summary is intended only as a general guide to the United States federal income tax consequences of participation in the Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances.

Incentive Stock Options. A participant recognizes no taxable income for regular income tax purposes as a result of the grant or exercise of an incentive stock option qualifying under section 422 of the Code. Participants who neither dispose of their shares within two years following the date the option was granted nor within one year following the exercise of the option will normally recognize a capital gain or loss upon the sale of the shares equal to the difference, if any, between the sale price and the purchase price of the shares. If a participant satisfies such holding periods upon a sale of the shares, we will not be entitled to any deduction for federal income tax purposes. If a participant disposes of shares within two years after the date of grant or within one year after the date of exercise (a disqualifying disposition), the difference between the fair market value of the shares on the option exercise date and the exercise price (not to exceed the gain realized on the sale if the disposition is a transaction with respect to which a loss, if sustained, would be recognized) will be taxed as ordinary income at the time of disposition. Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. Any ordinary income recognized by the participant upon the disqualifying disposition of the shares generally should be deductible by us for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code.

In general, the difference between the option exercise price and the fair market value of the shares on the date of exercise of an incentive stock option is treated as an adjustment in computing the participant's alternative minimum taxable income and may be subject to an alternative minimum tax which is paid if such tax exceeds the regular tax for the year. Special rules may apply with respect to certain subsequent sales of the shares in a disqualifying disposition, certain basis adjustments for purposes of computing the alternative minimum taxable income on a subsequent sale of the shares and certain tax credits which may arise with respect to participants subject to the alternative minimum tax.

Nonqualified Stock Options. Options not designated or qualifying as incentive stock options are nonqualified stock options having no special tax status. A participant generally recognizes no taxable income upon receipt of such an option. Upon exercising a nonqualified stock option, the participant normally recognizes

Table of Contents

ordinary income equal to the difference between the exercise price paid and the fair market value of the shares on the date when the option is exercised. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of stock acquired by the exercise of a nonqualified stock option, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the exercise date, will be taxed as capital gain or loss. The Company generally should be entitled to a tax deduction equal to the amount of ordinary income recognized by the participant as a result of the exercise of a nonqualified stock option, except to the extent such deduction is limited by applicable provisions of the Code.

Stock Appreciation Rights. A participant recognizes no taxable income upon the receipt of a stock appreciation right. Upon the exercise of a stock appreciation right, the participant generally will recognize ordinary income in an amount equal to the excess of the fair market value of the underlying shares of common stock on the exercise date over the exercise price. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. The Company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant in connection with the exercise of the stock appreciation right, except to the extent such deduction is limited by applicable provisions of the Code.

Restricted Stock. A participant acquiring restricted stock generally will recognize ordinary income equal to the excess of the fair market value of the shares on the determination date over the price paid, if any, for such shares. The determination date is the date on which the participant acquires the shares unless the shares are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (i) the date on which the shares become transferable; or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture (e.g., when they become vested). If the determination date follows the date on which the participant acquires the shares, the participant may elect, pursuant to section 83(b) of the Code, to designate the date of acquisition as the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date on which the shares are acquired. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the determination date, will be taxed as capital gain or loss. The Company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

Performance Share, Restricted Unit and Other Stock-Based Awards. A participant generally will recognize no income upon the receipt of a performance share, restricted stock unit or other stock-based award. Upon the settlement of such awards, participants normally will recognize ordinary income in the year of settlement in an amount equal to the cash received and the fair market value of any substantially vested shares of stock received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the participant receives shares of restricted stock, the participant generally will be taxed in the same manner as described above under Restricted Stock. Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the determination date (as defined above under Restricted Stock), will be taxed as capital gain or loss. The Company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

Section 162(m) Limitation. In general, Section 162(m) of the Code imposes a limit on corporate tax deductions for compensation in excess of \$1 million per year paid by a public company to its Chief Executive Officer or any of the next three most highest paid executive officers (other than the Chief Financial Officer) as listed in the proxy statement. An exception to this limitation is provided for performance-based compensation that satisfies certain conditions in order to be exempt from the \$1 million deduction cap. In particular, the

Table of Contents

compensation must be paid solely on account of the attainment of one or more objective, pre-established performance goals, and three other requirements must be met:

the performance goals are determined within a specified time frame by a committee or subcommittee of the corporation's board of directors consisting solely of two or more outside directors (within the meaning of Section 162(m));

the material terms of the remuneration, including the performance goals, are disclosed to the corporation's stockholders and approved by a majority of the vote of such stockholders before such compensation is paid; and

the committee of outside directors certifies the attainment of the performance goals and satisfaction of other terms before such compensation is paid.

If the Plan is approved by stockholders, then awards under the Plan should be able to qualify as performance-based compensation under Section 162(m). As a result, if awarded by a qualifying compensation committee, stock options and SARs granted under the Plan should satisfy the performance-based compensation exception to Section 162(m) as the compensation payable is based solely on an increase in the stock price after the grant date (i.e., the option exercise price is equal to or greater than the fair market value of the stock subject to the award on the grant date). Restricted stock and performance share awards granted under the Plan may also qualify as qualified performance-based compensation for purposes of Section 162(m) if such awards are awarded by a qualifying compensation committee, such awards are granted or vest upon pre-established objective performance measures based on the performance goals described above under the section entitled *Performance Awards* and the other technical requirements for granting such awards are met at the time the performance-based awards are granted. We have attempted to structure the Plan in such a manner that awards would be able to qualify as performance-based compensation for purposes of the Section 162(m) compensation limit. However, we have not requested a ruling from the IRS or an opinion of counsel regarding this issue. This discussion will neither bind the IRS nor preclude the IRS from taking a contrary position with respect to the Plan. Additionally, nothing in the Plan requires or otherwise guarantees that awards will be qualified performance-based compensation under Section 162(m), and the Compensation Committee may in its discretion make awards that do not so qualify.

Amendment, Suspension or Termination

The Plan will continue in effect until its termination by the Board of Directors, *provided*, that no awards may be granted under the Plan following the tenth anniversary of the Plan's effective date, which will be the date on which it is approved by the shareholders. The Board of Directors may amend, suspend or terminate the Plan at any time, provided that no amendment may be made without shareholder approval if either (i) the amendment would increase the number of shares issuable as incentive stock options, or change the class of persons eligible to receive incentive stock options under the Plan, or (ii) if shareholder approval at the time of the amendment is required, either by the rules of any stock exchange on which our common stock is at the time listed, or for stock options, SARs and performance share awards granted under the plan to qualify as performance-based compensation within the meaning of Section 162(m) of the Code. No amendment, suspension or termination of the Plan may deprive any person of any rights previously granted under the Plan, without that person's consent.

New Plan Benefits

The grant of awards under the Plan is discretionary. It is within the discretion of the plan administrator to determine the recipients of awards, and as of the date of this Proxy Statement, the plan administrator has not determined future awards or who may receive them. Therefore, it is not possible at present to determine the amount or form of any award that will be available for future grant to any individual according to the Plan. For illustrative purposes, please refer to the Grants of Plan-Based Awards Table in this Proxy Statement to review equity awards made to our named executive officers in 2013.

Table of Contents

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 31, 2013, with respect to shares of our common stock that may be issued under the Plan, which is the Company's only existing equity compensation plan under which grants can be made. Shareholders previously approved the Plan on September 30, 2008.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding awards (a)	Weighted Average exercise price of outstanding awards	Number of securities remaining available for future issuance
---------------	---	---	--