

PERFORMANCE TECHNOLOGIES INC \DE\  
Form DEF 14A  
April 23, 2012

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

**SCHEDULE 14A**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/>            | Preliminary Proxy Statement   |
| <input type="checkbox"/>            | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement  |
| <input type="checkbox"/>            | Definitive Additional Materials   |
| <input type="checkbox"/>            | Soliciting Material Pursuant to Rule 14a-12                                     |

**PERFORMANCE TECHNOLOGIES, INCORPORATED**

(Name of Registrant as Specified in Its Charter)

N/A

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

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**PERFORMANCE TECHNOLOGIES, INCORPORATED**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To Be Held May 24, 2012

The Annual Meeting of Stockholders of Performance Technologies, Incorporated will be held at our **NEW headquarters located at 140 Canal View Boulevard, Rochester, New York 14623**, on Thursday, May 24, 2012 at 10:00 a.m., New York time, for the following purposes, which are more fully described in the accompanying Proxy Statement:

1. To elect two Class III directors to our Board of Directors to hold office until our 2015 Annual Meeting of Stockholders and until such directors' successors are duly elected and qualified.
2. To consider and act upon a proposal to adopt the Performance Technologies, Incorporated 2012 Omnibus Incentive Plan.
3. To consider and act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012.

4. To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

Stockholders of record at the close of business on March 26, 2012 are entitled to notice of and to vote at the Annual Meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting, please promptly vote by the Internet, by telephone or by completing and returning the enclosed proxy card. Voting early will help avoid additional solicitation costs and will not prevent you from voting in person at the Annual Meeting if you wish to do so.

Stuart B. Meisenzahl

Secretary

Rochester, New York

April 23, 2012

**PERFORMANCE TECHNOLOGIES, INCORPORATED**

**205 Indigo Creek Drive**

**Rochester, New York 14626**

April 23, 2012

**PROXY STATEMENT**

**GENERAL INFORMATION**

This proxy statement is solicited on behalf of the Board of Directors of Performance Technologies, Incorporated (“PT”, the “Company”, “we”, “us”, “our”) to be used at our Annual Meeting of Stockholders, which will be held at our **NEW principal executive office, 140 Canal View Boulevard, Rochester, New York 14623**, at 10:00 a.m., New York time, on Thursday, May 24, 2012 (the “Meeting”), and at any adjournments thereof. This proxy statement, the accompanying form of proxy, and our 2011 annual report to stockholders are first being mailed to our stockholders on or about April 23, 2012.

The proxy, when properly executed and received by our Secretary prior to the Meeting, will be voted as therein specified unless revoked by filing a written revocation or a duly executed proxy bearing a later date with our Secretary prior to the Meeting. A stockholder of record may also revoke a proxy in person at the Meeting. Unless authority to vote for the director nominee is specifically withheld, a signed proxy will be voted FOR the election of the director nominee named herein and, unless otherwise indicated, FOR the adoption of our 2012 Omnibus Incentive Plan and the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012.

The full cost of soliciting proxies will be borne by the Company. In addition to solicitation by use of the mails, directors, officers or our regular employees, without extra compensation, may solicit proxies personally, by telephone, email or facsimile transmission. We requested persons holding stock for others in their names or in the names of nominees to forward soliciting material to the beneficial owners of such shares and will, if requested, reimburse such persons for their reasonable expenses in so doing.

**Important Notice Regarding the Availability of Proxy Materials for the Meeting of Stockholders to Be Held on May 24, 2012**

As required by rules adopted by the Securities and Exchange Commission, we are making this Proxy Statement, form of proxy and 2011 Annual Report to stockholders available to you on the Internet at [www.pt.com/about-pt/investors](http://www.pt.com/about-pt/investors).

The information contained on our website is not part of the Proxy Statement and is not deemed incorporated by reference into this Proxy Statement or any other public filing made with the SEC.

**VOTES REQUIRED**

Stockholders may vote by mail, telephone or the Internet. For some stockholders, information regarding telephone and Internet voting is included in the proxy card instructions. Our total outstanding shares of capital stock as of March 26, 2012, the Record Date for the Meeting (the "Record Date"), consisted of 11,116,397 shares of Common Stock, par value \$.01 per share (the "Common Stock"). Only holders of record of Common Stock on the books of the Company at the close of business on the Record Date are entitled to notice of and to vote at the Meeting and at any adjournments thereof. Each holder of Common Stock is entitled to one vote for each share of Common Stock registered in the holder's name. A majority of the outstanding shares of Common Stock, represented in person or by proxy at the Meeting, will constitute a quorum for the transaction of all business, as provided in the Company's by-laws.

Pursuant to the provisions of the Delaware General Corporation Law, directors shall be elected by a plurality of the votes cast by the holders of shares of our Common Stock present in person or represented by proxy at the Meeting and entitled to vote at the Meeting. Because directors are elected by a plurality of the votes cast, withholding authority to vote with respect to the nominee will have no effect on the outcome of the election, although such shares would be counted as present for purposes of determining the existence of a quorum. Provided each nominee receives at least one vote in favor of his election, abstentions will have no effect on the election of directors.



The affirmative vote of holders of a majority of shares of Common Stock represented at the Meeting and entitled to vote on the proposal to adopt the Performance Technologies, Incorporated 2012 Omnibus Incentive Plan is required for approval of that proposal. Abstentions are treated as shares present and voting, so abstaining has the same effect as a negative vote. The affirmative vote of a majority of the shares present or represented by proxy at the Meeting and entitled to vote at the Meeting is required to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012. Abstentions are treated as shares present and voting, so abstaining has the same effect as a negative vote.

With respect to “routine” matters, such as the ratification of the selection of the independent registered public accounting firm, a brokerage firm, bank or other nominee has authority (but is not required), under the rules governing self-regulatory organizations (the “SRO rules”), to vote its clients’ shares if the clients do not provide instructions. When a brokerage firm, bank or other nominee votes its clients’ securities on routine matters without receiving voting instructions, these shares are counted both for establishing a quorum to conduct business at the meeting and in determining the number of shares voted “**FOR**” or “**AGAINST**” such routine matters.

With respect to “non-routine” matters, including the election of directors and the adoption of our 2012 Omnibus Incentive Plan, a brokerage firm, bank or other nominee is not permitted under the SRO rules to vote its clients’ shares if the clients do not specifically instruct their brokerage firm, bank or other nominee on how to vote their shares. The brokerage firm, bank or other nominee will so note on the vote card, and this constitutes a “broker non-vote.” “Broker non-votes” will be counted for purposes of establishing a quorum to conduct business at the meeting but not for determining the number of shares voted “**FOR**,” “**AGAINST**” or “**ABSTAINING**” from any non-routine matters. At the 2012 Annual Meeting of Stockholders, two non-routine matters, the election of two Class III directors of the Company with term expiring in 2015 and the adoption of the Performance Technologies, Incorporated 2012 Omnibus Incentive Plan, will be presented for a vote.

**Accordingly, if you do not vote your proxy, your brokerage firm, bank or other nominee may either: (i) vote your shares on routine matters and cast a “broker non-vote” on non-routine matters, or (ii) leave your shares un-voted altogether. Therefore, we encourage you to provide instructions to your brokerage firm, bank or other nominee by voting your proxy. This action ensures that your shares and voting preferences will be fully represented at the meeting.**

## CORPORATE GOVERNANCE

### Overview

The Company has a history of good corporate governance practices, which have aided our long-term success. The Board of Directors (the “Board”) and management have recognized for many years the need for sound corporate governance practices in fulfilling their respective duties and responsibilities to our stockholders.

The Board provides oversight with respect to our overall performance, strategic direction and key corporate policies. It approves major initiatives, advises on key financial and business objectives, and monitors progress with respect to these matters. Members of the Board are kept informed of our business by various reports and documents provided to them on a regular basis, including operating and financial reports made at Board and committee meetings by the chairman and other officers. The Board has three standing committees: Audit Committee, Compensation Committee and Nominating Committee.

On an annual basis, each director and executive officer is obligated to complete a director and officer questionnaire. The questionnaire requires disclosure of any transactions with the Company in which the director or executive officer, or any member of his or her immediate family, has a direct or indirect material interest. The Board is charged with addressing any conflict of interest involving the chairman, the chief executive officer, the chief financial officer, or any elected officer of the Company.

### **Director Independence**

On an annual basis, our directors and executive officers submit responses to the Company's Directors and Officers Questionnaire on which the directors and officers are required to disclose to the Company any transactions with related persons, as defined by the rules of the Securities and Exchange Commission, which occurred during the year. There were no such transactions with related persons during 2011.

Each year, the Board affirmatively determines the independence of each director and nominee for election as a director as required by the NASDAQ Listing Standards.

Based on these standards, the Board affirmatively determined that each of the following non-employee directors is independent and has no relationship with the Company, except as a director and, if applicable, stockholder of the Company:

(1) Dennis C. Connors  
(2) Charles E. Maginness

(3) Stuart B. Meisenzahl  
(4) Robert L. Tillman

In addition, based on such standards, the Board affirmatively determined that John M. Slusser is not independent because he is the chairman, president and chief executive officer of the Company.

## **Board Leadership and Risk Management**

### *Current Leadership Structure*

John M. Slusser holds the position of Chairman, Chief Executive Officer and President. The Board currently believes that the Company and its stockholders are best served by having Mr. Slusser serve in both positions. As PT's founder, Mr. Slusser is most familiar with our business and the unique challenges we face in the current environment. The Board believes Mr. Slusser is best positioned to set the agenda items and lead discussions on the important matters affecting us. Mr. Slusser's wealth of knowledge regarding Company operations and the markets in which we compete qualifies him to best identify matters for Board review and deliberation. Additionally, the combined role of Chairman and CEO facilitates centralized Board leadership in one person so there is no ambiguity about accountability. This structure also eliminates conflict between two leaders and minimizes the likelihood of two spokespersons sending different messages. Other than Mr. Slusser, all members of the Board are independent and our key committees are comprised solely of independent Board members. In addition, at each regularly scheduled Board meeting, independent directors are provided an opportunity to meet in an executive session without Mr. Slusser present to review Company performance, management effectiveness, proposed programs and transactions and items for subsequent Board meeting agendas.

### *The Board's Role in Risk Oversight*

Our Board is responsible for oversight of PT's risk assessment and risk management process. The Audit Committee is responsible for financial and accounting risk oversight, including risk associated with financial statements and internal controls. The Compensation Committee is responsible for compensation risk oversight, including the design of compensation programs. Our Board is responsible for enterprise-wide risk management oversight, including risks associated with our operations and strategic direction. Our Board performs this function in a number of ways,

including:

- at its regularly scheduled meetings, the Board receives management updates on our business operations, financial results, and strategy, and discusses risks related to the business; and
- at its regularly scheduled meetings, the Board receives committee reports and management updates on risks overseen by the Board committees, and discusses such risks.

Management is responsible for day-to-day risk management. This risk management responsibility includes identifying, evaluating and addressing potential risks that may exist at the enterprise, operational, strategic, financial, regulatory and/or reporting levels and reporting material and significant risks to the Board. In addition, our Chief Financial Officer reports to our Audit Committee on financial statement and internal controls risk.

## **Nominations of Directors**

### *Identifying Candidates*

The Nominating Committee has a written charter available in the Investors section of our website at [www.pt.com/about-pt/investors](http://www.pt.com/about-pt/investors), which specifically sets forth the duties of the Nominating Committee. The Nominating Committee is responsible for identifying and screening potential director candidates and recommending qualified candidates to the Board for nomination. The Committee uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. In addition, the Nominating Committee considers recommendations of potential candidates from current directors, management and stockholders. The Committee intends to evaluate candidates, whether the candidate was recommended by a stockholder or by the Nominating Committee, in the same manner. Stockholders who wish to recommend individuals for consideration by the Nominating Committee to become nominees for election to the Board may do so by delivering a written recommendation to the attention of the Nominating Committee at the address set forth on the cover of this proxy statement. Submissions must include the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation that the nominating stockholder is a beneficial or record owner of our Common Stock. In addition, any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

### *Qualifications and Diversity*

The Nominating Committee selects individuals as director nominees based on their business and professional accomplishments, integrity, demonstrated ability to make independent analytical inquiries, ability to understand our business, absence of conflicts of interest, and willingness to devote the necessary time to Board duties. Neither the Board nor the Nominating Committee has set minimum requirements with respect to age, education or years of business experience or set specific required skill sets for directors, but the Committee requires that each director has a proven record of success and leadership. The Nominating Committee seeks to structure the Board of Directors such that it consists of a diverse group of individuals, each with a unique combination of skills, experience, and background. The Committee has no set diversity policy or targets, but will place appropriate emphasis on certain skills, experience, or background that it determines add or would add value to our Board. Knowledge of our industry and strategic perspective, as well as financial and accounting expertise and experience on other Boards are examples of attributes that our Board and the Nominating Committee consider to be key. The Nominating Committee also considers effective interaction among Board members and between the Board of Directors and management to be crucial factors in considering individuals for nomination.

### *Candidate Selection Process*

New candidates for director nominees are reviewed in the context of the current composition of the Board, our operating requirements and the long-term interests of our stockholders. In conducting this assessment, the Nominating Committee considers diversity, maturity, skills and such other factors as it deems appropriate given our current needs and the needs of our Board to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Nominating Committee reviews such directors' overall service to us during their terms, including the number of meetings attended, level of participation, quality of performance and any other relationships and transactions that might impair such directors' independence. In the case of new director candidates, the Nominating Committee also determines whether the nominee is independent, which determination is based upon applicable NASDAQ Listing Standards, applicable rules and regulations of the United States Securities and Exchange Commission (the "SEC"), and the advice of counsel, if necessary. The Nominating Committee conducts inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board.

Regardless of how a candidate is brought to the Nominating Committee's attention, qualified candidates are asked to conduct one or more personal interviews with members of the Board. Chosen candidates are extended invitations to join the Board. If a candidate accepts, he or she is formally nominated.

### **Communications with the Board**

Stockholders and other interested parties may communicate with one or more members of the Board or the non-management directors as a group in writing by regular mail. The following address may be used by those who wish to send such communications:

[Board of Directors] or [Name of Individual Director(s)]

PT

c/o Secretary

140 Canal View Boulevard

Rochester, NY 14623

The Board has instructed the Secretary to review all communications so received and to exercise his discretion not to forward to the Board correspondence that is inappropriate, such as business solicitations, frivolous communications and advertising, and routine business matters (i.e. business inquiries, complaints, or suggestions). However, any director may, at any time, request the Secretary to forward any and all communications received by the Secretary but not previously forwarded to the directors.

## **Code of Business Conduct and Ethics**

The Company's Code of Business Conduct and Ethics (the "Code") applies to all directors, officers and employees or associates of the Company and its subsidiary companies. It is intended to promote the highest standards of honesty and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, full and understandable disclosure in reports and documents filed with the SEC, compliance with applicable governmental rules and regulations, the prompt reporting of violations of the Code to an appropriate person or persons identified in the Code, and accountability for adherence to the Code. The Code complies with the requirements of Item 406 of the SEC's Regulation S-K.

The Board has established a means for employees, customers, suppliers, stockholders and other interested parties to submit confidential and anonymous reports of suspected or actual violations of the Company's Code of Business Conduct and Ethics.

Any employee, stockholder or other interested party can send an email to [auditcommittee@pt.com](mailto:auditcommittee@pt.com) to submit a report of suspected or actual violations of the Company's Code of Business Conduct and Ethics. In addition, communications can be sent to the Chairman of our Audit Committee at:

Mr. Dennis C. Connors

2300 McDermott, Suite 200

P.O. Box 149

Plano, TX 75025

The Company's Code of Business Conduct and Ethics is available in the Investors section of our website at [www.pt.com/about-pt/investors](http://www.pt.com/about-pt/investors) .

## **MEETINGS AND COMMITTEES OF THE BOARD**

### **The Board**

Each director is expected to devote sufficient time, energy and attention to ensure diligent performance of his duties and to attend all Board, committee and stockholders' meetings. Our Board held nine meetings during 2011, of which four were regularly scheduled meetings and five were held to address particular matters. All of the directors attended at least 75 percent of the Board and committee meetings that required their attendance. As required by the NASDAQ Listing Standards, it is the policy of the Board that the independent members of the Board meet regularly in executive (private) sessions at which only independent directors are present. The Board met in executive session four times during 2011. All but one of our current directors attended the 2011 Annual Meeting of Stockholders.

## Committees of the Board

The Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, the Nominating Committee and the Compensation Committee. In accordance with the NASDAQ Listing Standards, all the committees are comprised solely of non-employee, independent directors. The table below shows current membership for each of the Board committees:

<u>Audit Committee</u>	<u>Nominating Committee</u>	<u>Compensation Committee</u>
Dennis C. Connors*	Dennis C. Connors	Charles E. Maginness*
Stuart B. Meisenzahl	Charles E. Maginness	Stuart B. Meisenzahl
Robert L. Tillman	Robert L. Tillman*	Robert L. Tillman

\* Denotes Committee Chairperson

In addition to the three standing committees mentioned above, on occasion the Board convenes a special Strategic Planning Committee to provide input and advice to senior management with respect to certain initiatives and other matters related to the strategic direction of the Company. This committee is comprised of Dennis C. Connors, Charles E. Maginness, John M. Slusser and Robert L. Tillman, all of whom (with the exception of Mr. Slusser) are independent directors. This special committee did not meet during 2011.



### *Audit Committee*

The Audit Committee has three members and met four times during 2011. The Audit Committee is responsible for reviewing our financial reporting procedures and attending to related matters, as discussed in the Audit Committee's charter. The written charter for the Audit Committee, which was adopted by the Board, more specifically sets forth the duties of the Audit Committee and is available in the Investors section of our website at [www.pt.com/about-pt/investors](http://www.pt.com/about-pt/investors). All of the members of the Audit Committee are financially literate and qualify as being "independent" under the NASDAQ Listing Standards and applicable SEC rules. The Board has determined that the Audit Committee does not currently have an "audit committee financial expert" under applicable SEC rules, as E. Mark Rajkowski declined to seek re-election to the Board of Directors when his current Board term expired at the 2011 Annual Meeting. The Company is currently engaged in efforts to identify an appropriate replacement to serve as an "audit committee financial expert." Until these efforts are successful, the Company will at least temporarily not have an Audit Committee member who qualifies as an "audit committee financial expert."

The Audit Committee's responsibilities, which are set forth in detail in its charter, include the following:

- Establish policies and procedures for, and review and approve the appointment, compensation and termination of, the independent registered public accounting firm;
- Review with the independent registered public accounting firm and financial management of the Company and approve the scope of the audit;
- Pre-approve all audit and permissible non-audit fees;
- Hold meetings periodically with the independent registered public accounting firm, the Board and management to review and monitor the adequacy and effectiveness of reporting, internal controls and compliance with Company policies;
- Review consolidated financial statements and disclosures;
- Review with management and the registered independent public accounting firm and approve disclosure controls and procedures and accounting principles and practices; and
- Perform other functions or duties deemed appropriate by the Board.

### *Nominating Committee*

The Nominating Committee has three members and met once during 2011. The Committee is comprised solely of non-employee directors, all of whom the Board has determined are independent pursuant to the NASDAQ Listing Standards. The Board has adopted a charter for the Nominating Committee, which is available in the Investors section

of our website at [www.pt.com/about-pt/investors](http://www.pt.com/about-pt/investors).

The Nominating Committee's responsibilities, which are set forth in detail in its charter, include the following:

- Develop qualifications/criteria for selecting and evaluating director nominees and evaluating current directors;
- Consider and propose director nominees for election at the Annual Meeting of Stockholders;
- Select candidates to fill Board vacancies as they may occur;
- Make recommendations to the Board regarding Board committee memberships;
- Consider the independence of each director and nominee for director; and
- Perform other functions or duties deemed appropriate by the Board.

#### *Compensation Committee*

The Compensation Committee has three members and met once during 2011. The Compensation Committee is comprised solely of non-employee directors, all of whom the Board has determined are independent pursuant to the NASDAQ Listing Standards. The Board has adopted a charter for the Compensation Committee, which is available in the Investors section of our website at [www.pt.com/about-pt/investors](http://www.pt.com/about-pt/investors).

The Compensation Committee's responsibilities, which are set forth in detail in its charter, include the following:

- Establish the base salary, incentive compensation and any other compensation for the Company's president and chief executive officer, review the chief executive officer's recommendations for the compensation of certain executive officers reporting to him, and set and approve such compensation;
- Monitor the Company's management incentive and stock-based compensation plans and discharge the duties imposed on the Committee by the terms of those plans; and
- Perform other functions or duties deemed appropriate by the Board.

Compensation decisions for the executive officers of the Company and the Company's directors are made by the Compensation Committee. Periodically, the Compensation Committee has engaged outside executive compensation consultants to assist in evaluating the components of the executive compensation program, although no such firm was engaged during 2011. The competitive analysis developed by these firms has been helpful in constructing the compensation package for the chief executive officer and the other executive officers.

The Compensation Committee's chairman reports the Committee's recommendations on executive compensation to the Board. The Compensation Committee has authority under its charter to retain, approve fees for and terminate advisors and consultants as it deems necessary to assist in the fulfillment of its responsibilities.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table, with notes thereto, sets forth as of March 26, 2012 certain information regarding the Common Stock held by (i) persons known to us who own beneficially more than 5% of our Common Stock, (ii) each of our directors, (iii) each of our Named Executive Officers, and (iv) all of our directors and executive officers as a group. Unless otherwise indicated immediately beneath the beneficial owner's name, the address of each beneficial owner listed in the table below is, until May 14, 2012, c/o PT, 205 Indigo Creek Drive, Rochester, New York 14626. Thereafter, the address will be c/o PT, 140 Canal View Boulevard, Rochester, New York 14623.

<u>Name of Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	
	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class<sup>(1)</sup></u>
Quaker Capital Management Corp. 601 Technology Drive, Suite 310 Canonsburg, PA 15317	1,394,115 <sup>(2)</sup>	12.5%

Ameriprise Financial, Inc.

145 Ameriprise Financial Center, Minneapolis, MN 55474	1,330,492 <sup>(3)</sup>	12.0%
Dimensional Fund Advisors LP 1299 Ocean Avenue, Santa Monica, CA 90401 Harris B. Leviton	887,357 <sup>(4)</sup>	8.0%
91 Revere Street, Boston, MA 02114 Charles E. Maginness	600,600 <sup>(5)</sup>	5.4%
John M. Slusser	641,242 <sup>(6)</sup>	5.7%
Dorrance W. Lamb	491,261 <sup>(7)</sup>	4.3%
J. Patrick Rice	166,918 <sup>(8)</sup>	1.5%
Robert L. Tillman	118,500 <sup>(9)</sup>	1.1%
Stuart B. Meisenzahl	65,000 <sup>(10)</sup>	*
Dennis C. Connors	43,250 <sup>(11)</sup>	*
	38,333 <sup>(12)</sup>	*
All Directors and Executive Officers as a Group (8 persons)	1,725,404 <sup>(13)</sup>	14.5%

\* Less than 1%.

(1) Percentage of common shares beneficially owned is based upon 11,116,397 shares of Common Stock outstanding as of March 26, 2012.

(2) The following information is derived from Form 4 filed on February 24, 2012 and Amendment No. 4 to Schedule 13G, dated February 14, 2012, filed by Quaker Capital Management Corporation. Quaker Capital Partners I, L.P.; Quaker Premier, L.P.; Quaker Capital Partners II, L.P.; Quaker Premier II, L.P.; and Mark G. Schoeppner are the listed affiliates of Quaker Capital Management Corporation through which the securities being reported by Quaker Capital Management Corporation were acquired. Quaker Premier, L.P. is the sole general partner of Quaker Capital Partners I, L.P. Quaker Premier II, L.P. is the sole general partner of Quaker Capital Partners II, L.P. Quaker Capital Management Corporation has shared voting and dispositive power over 1,394,115 shares. Quaker Capital Partners I, L.P. and Quaker Premier, L.P. report sole voting and dispositive power over 908,300 shares. Quaker Capital Partners II, L.P. and Quaker Premier II, L.P. report sole voting and dispositive power over 485,815 shares. Mark G. Schoeppner disclaims beneficial ownership of 1,394,115 shares that may be deemed to be beneficially owned by Quaker Capital Partners I, L.P. and Quaker Capital Partners II, L.P.

(3) The following information is derived from Amendment No. 2 to Schedule 13G, dated February 13, 2012, filed by Ameriprise Financial, Inc. Columbia Investment Management Advisors, LLC is a listed subsidiary which acquired the securities being reported by the parent holding company. Columbia Investment Management Advisors, LLC is an investment advisor to Columbia Small Cap Core Fund, which is a registered investment company. Ameriprise Financial, Inc. has shared dispositive power over 1,330,492 shares and shared power to vote or to direct the voting of 891,917 shares. Columbia Management Investment Advisors, LLC has shared dispositive power over 1,330,492 shares, and shared power to vote or to direct the voting of 891,917 shares. Columbia Small Cap Core Fund has shared dispositive power over 643,041 shares, and sole power to vote or to direct the voting of 643,041 shares.

(4) The following information is derived from Amendment No. 5 to Schedule 13G, dated February 10, 2012 filed by Dimensional Fund Advisors LP. Dimensional Fund Advisors LP has sole voting power over 875,448 shares and sole dispositive power over 887,357 shares.

(5) The following information is derived from Amendment No. 4 to Schedule 13G, dated February 2, 2012 filed by Harris B. Leviton. Mr. Leviton has sole voting and dispositive power over 598,750 shares and shared voting and dispositive power over 1,850 shares.

(6) Includes (a) 40,000 shares of Common Stock issuable upon exercise of options currently exercisable; and (b) 93,247 shares of Common Stock owned of record by Mr. Maginness' wife. Mr. Maginness disclaims beneficial ownership of the shares owned by his wife. Excludes 10,000 shares of Common Stock issuable upon exercise of options not yet vested.

(7) Includes (a) 221,500 shares of Common Stock issuable upon exercise of options currently exercisable; and (b) 10,000 shares of Common Stock owned of record by Mr. Slusser's wife. Mr. Slusser disclaims beneficial ownership of the shares owned by his wife. Excludes 193,500 shares of Common Stock issuable upon exercise of options not yet vested.

(8) Includes 126,250 shares of Common Stock issuable upon exercise of options currently exercisable. Excludes 109,500 shares of Common Stock issuable upon exercise of options not yet vested.

(9) Includes 118,500 shares of Common Stock issuable upon exercise of options currently exercisable. Excludes 80,000 shares of Common Stock issuable upon exercise of options not yet vested.

(10) Includes 40,000 shares of Common Stock issuable upon exercise of options currently exercisable. Excludes 10,000 shares of Common Stock usable upon exercise of options not yet vested.

(11) Includes 40,000 shares of Common Stock issuable upon exercise of options currently exercisable. Excludes 10,000 shares of Common Stock usable upon exercise of options not yet vested.

(12) Includes 38,333 shares of Common Stock issuable upon exercise of options currently exercisable. Excludes 10,000 shares of Common Stock usable upon exercise of options not yet vested.

(13) Includes 770,833 shares of Common Stock issuable upon exercise of options currently exercisable. Excludes 495,000 shares of Common Stock issuable upon exercise of options not yet vested.

## **PROPOSAL 1**

### **ELECTION OF DIRECTORS**

Our Board currently consists of five members: John M. Slusser, Dennis C. Connors, Charles E. Maginness, Stuart B. Meisenzahl and Robert L. Tillman. The Board is divided into three classes with staggered terms. At this year's Annual Meeting, proxies will be solicited to re-elect Dennis C. Connors and Robert L. Tillman as Class III directors to serve until the 2015 annual meeting or until their successors are elected and qualified. Messrs. Connors and Tillman have agreed to serve as directors if elected. Proxies may not be voted for more than two Class III directors. After the election at the Annual Meeting, we will have directors in each of our three classes, a majority of whom will be independent under the NASDAQ Listing Standards. The terms of our directors are staggered so that only one class is elected at each Annual Meeting of Stockholders.

Our Board recommends the election of both nominees named below, both of whom are currently serving as directors. Our Board does not contemplate that the nominees will be unable to serve as directors, but if this should occur prior to the voting of the proxies, the persons named in the enclosed proxy reserve the right to vote for such substitute nominee or nominees as they, in their discretion, shall determine.

#### **Information about the Directors**

The following table sets forth certain information with respect to the directors who are nominated for re-election as Class III directors at the Meeting for a three-year term expiring in 2015.

**PROPOSED FOR ELECTION AS CLASS III DIRECTORS AT THE 2012 ANNUAL MEETING OF STOCKHOLDERS FOR A THREE-YEAR TERM EXPIRING IN 2015**

**Director**

**Names and Background of Class III director nominees:**

**Since**

*Dennis C. Connors*, age 58, has been an advisor to senior management of a number of private and public companies since 2005. Mr. Connors served from 2003-2004 as executive vice president of worldwide operations for 3Com, and served from 2002-2003 as president of CommWorks, a 3Com subsidiary which provided both wireless and wireline solutions to service providers worldwide. Mr. Connors previously was president of 3Com's Business Connectivity Company. Prior to joining 3Com, Mr. Connors was executive vice president and general manager of the service business for Ericsson, Inc., and previously served the Ericsson/GE joint venture as vice president of worldwide marketing and vice president of global product development and operations for the Private Radio Systems Business. Mr. Connors came to the Ericsson/GE joint venture from GE where he held a number of executive positions. Mr. Connors is considered to be uniquely qualified to serve as a director of the Company because of his extensive executive management experience in our industry, his broad knowledge of business, and his network of contacts within our industry.