

BLONDER TONGUE LABORATORIES INC  
Form DEF 14A  
April 23, 2012

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 Rule 14a-12

BLONDER TONGUE LABORATORIES, INC.  
(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

1. Title of each class of securities to which transaction applies:

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:

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1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

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BLONDER TONGUE LABORATORIES, INC.

One Jake Brown Road  
Old Bridge, New Jersey 08857

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 23, 2012

To Our Stockholders:

The 2012 Annual Meeting of Stockholders of Blonder Tongue Laboratories, Inc. (“Blonder” or “we”) will be held at our executive offices located at One Jake Brown Road, Old Bridge, New Jersey, on May 23, 2012, beginning at 10:00 a.m., local time, for the following purposes:

1. To elect as the Directors constituting Class II of the Board of Directors the two nominees named in the attached Proxy Statement to serve until the 2015 Annual Meeting of Stockholders and until qualified successor directors have been elected or until their resignation or removal;
2. To ratify the appointment of Marcum LLP, certified public accountants, as our independent registered public accountants for the year ending December 31, 2012; and
3. To transact any other business as may properly come before the meeting or any adjournments thereof. In their discretion, the Proxies are authorized to vote upon any other business as may properly come before the Annual Meeting or any adjournments thereof.

Please read the attached Proxy Statement for further information regarding each proposal to be made. A proxy, if properly executed and received in time for the voting, will be voted in the manner directed on the proxy. If no direction is made, the proxy will be voted FOR all proposals on the proxy card.

Our Board of Directors has fixed the close of business on March 30, 2012 as the record date for determining stockholders entitled to notice of the meeting and to vote at the meeting or any adjournments thereof. Only stockholders of record at the close of business on March 30, 2012 are entitled to notice of and to vote at the meeting or any adjournments thereof.

We cordially invite you to attend the meeting. Regardless of whether you plan to attend, please complete, date and sign the enclosed proxy and return it promptly. If you receive more than one form of proxy, it is an indication that your shares are registered in more than one account, and therefore you should complete and return each proxy if you wish to vote all of your shares that are eligible to be voted at the meeting.

By Order of the Board of Directors

Robert J. Pallé, Jr., President, Chief Operating Officer and Secretary  
April 23, 2012

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 23, 2012

The proxy statement and annual report to stockholders are available at:  
<http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=07796>

PLEASE COMPLETE AND RETURN THE PROXY IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. IF YOU ATTEND THE MEETING AND DESIRE TO VOTE IN PERSON AT THE MEETING, YOUR PROXY WILL BE RETURNED TO YOU UPON WRITTEN NOTICE TO THE SECRETARY OF THE COMPANY REVOKING YOUR PROXY.

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BLONDER TONGUE LABORATORIES, INC.  
One Jake Brown Road  
Old Bridge, New Jersey 08857

PROXY STATEMENT FOR  
THE ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON  
MAY 23, 2012

This Proxy Statement is being furnished to the stockholders of Blonder Tongue Laboratories, Inc., a Delaware corporation (“Blonder” or “we”), in connection with the solicitation of proxies by our Board of Directors for our 2012 Annual Meeting of Stockholders (the “Annual Meeting”) and at any adjournment or adjournments thereof.

You are invited to attend the Annual Meeting on May 23, 2012, at 10:00 a.m., local time. The meeting will be held at our executive offices located at One Jake Brown Road, Old Bridge, New Jersey.

The mailing address of our principal executive office is One Jake Brown Road, Old Bridge, New Jersey 08857. Our telephone number is (732) 679-4000. This Proxy Statement and the enclosed form of proxy will be mailed to each stockholder on or about April 23, 2012, together with the Annual Report on Form 10-K for the year ended December 31, 2011.

#### Voting and Proxies

You can vote by completing, signing, dating and mailing the enclosed proxy card in the envelope provided. When a proxy is returned properly, the shares represented by the proxy will be voted in accordance with your instructions.

You may also attend the Annual Meeting in person and cast your vote there. If your shares are held in the name of your broker, bank or other nominee and you wish to vote at the Annual Meeting, you must bring a legal proxy from the record holder of your shares indicating that you were the beneficial owner of the shares on March 30, 2012, the record date for voting, and that you have a right to vote your shares.

Regarding the election of Class II Directors to serve until the 2015 Annual Meeting of Stockholders, stockholders may vote in favor of all nominees or withhold their votes as to all nominees or withhold their votes as to specific nominees. With respect to any other proposals to be voted upon, stockholders may vote in favor of a proposal, against a proposal or may abstain from voting. You should specify your choices on the enclosed form of proxy. If no specific instructions are given with respect to the matters to be acted upon, the shares represented by a signed proxy card will be voted (i) FOR the election of all nominees; and (ii) FOR ratification of the appointment of Marcum LLP as independent registered public accountants for the fiscal year ending December 31, 2012. Directors will be elected by a plurality of the votes cast by the holders of the shares of our common stock, \$.001 par value per share (“Common Stock”), voting in person or by proxy at the Annual Meeting. Votes withheld from one or more directors will have the same effect as abstentions and will have no effect on the vote for election of Directors. Approval of any other matters to come before the Annual Meeting will require the affirmative vote of the holders of a majority of the shares of our Common Stock present in person or by proxy at the Annual Meeting. Abstentions are deemed present for quorum purposes and entitled to vote and, therefore, will have the effect of a vote against any matter other than the election of Directors. Broker non-votes occur when a broker or other nominee holding shares for a beneficial owner does not vote on a proposal because the beneficial owner has not provided voting instructions and the broker does not have discretionary authority to vote shares on the matter. Broker non-votes are not considered to be shares “entitled to vote” (other than for quorum purposes), will not be included in vote totals and will have no effect on the outcome of any

matters to be voted upon at the Annual Meeting.

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#### Revocation of a Proxy

All proxies delivered pursuant to this solicitation are revocable at any time before they are exercised, by (i) filing written notice with our Secretary before the Annual Meeting, (ii) signing and delivering a later dated proxy to our Secretary before the Annual Meeting (each to the mailing address of our executive offices), or (iii) voting in person at the Annual Meeting if you are a record holder. Your attendance at the Annual Meeting will not, without taking one of actions described in the immediately preceding sentence, constitute revocation of a proxy. If your shares are held in the name of a broker, bank or other nominee, you need to contact the record holder of your shares regarding how to revoke your proxy.

#### Voting on Other Matters

We know of no other business to be transacted at the Annual Meeting other than the election of Class II Directors and the other proposal described in the attached Notice of Annual Meeting of Stockholders. If any other matters do arise and are properly presented, the persons named in the proxy will have the discretion to vote on those matters for you according to their best judgment and with the instructions of the Board of Directors.

#### Costs of Proxy Solicitation

We will pay the expenses associated with this solicitation of proxies for the Annual Meeting, including the cost of preparing, assembling and mailing the notice, proxy and Proxy Statement. We will solicit proxies by use of the mails, through brokers and banking institutions, and by our officers and regular employees. We may also solicit proxies by personal interview, mail, telephone or facsimile transmission.

#### Voting Securities

Only owners of record of our Common Stock at the close of business on March 30, 2012 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting or any adjournments or postponements thereof. Each owner of record on the Record Date is entitled to one vote for each share of our Common Stock so held. There is no cumulative voting. On the Record Date, there were 6,215,556 shares of Common Stock issued, outstanding and entitled to vote.

### PROPOSAL NO. 1 - ELECTION OF DIRECTORS

Our Certificate of Incorporation, as amended, provides that our Board shall consist of between five and eleven members, as determined from time to time by the Board, divided into three classes as nearly equal in number as possible. The size of the Board has currently been set at seven directors. Class I is comprised of three directors and Classes II and III are each comprised of two directors. The term of the current Class II Directors expires at the 2012 Annual Meeting, the term of the current Class III Directors expires at the 2013 Annual Meeting and the term of the current Class I Directors expires at the 2014 Annual Meeting. The successors to each class of Directors whose terms expire at an Annual Meeting will be elected to hold office for a term expiring at the Annual Meeting of Stockholders held in the third year following the year of their election.

The Directors whose terms will expire at the 2012 Annual Meeting of Stockholders are Robert J. Pallé, Jr. and Gary P. Scharmatt, each of whom has been recommended for nomination by our Nominating Committee and nominated by our Board to stand for re-election as a Director at the 2012 Annual Meeting of Stockholders, to hold office until the 2015 Annual Meeting of Stockholders and until a qualified successor Director has been elected or until he resigns or is removed. Messrs. Pallé and Scharmatt have each consented to serve for the new terms, if elected.

#### Recommendation of the Board of Directors Concerning the Election of Directors

Our Board of Directors recommends a vote FOR Robert J. Pallé, Jr. and Gary P. Scharmatt as Class II Directors to hold office until the 2015 Annual Meeting of Stockholders and until qualified successor Directors have been elected or until their resignation or removal. Proxies received by the Board of Directors will be so voted unless stockholders specify in their proxy a contrary choice.

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## DIRECTORS AND EXECUTIVE OFFICERS

## Nominee and Continuing Directors

The following table sets forth the names and certain information about each of the nominees for election as Director and our continuing Directors:

Name	Age	Director Since
Nominees for a three-year term expiring in 2015 (Class II Directors):		
Robert J. Pallé, Jr.	66	1993
Gary P. Scharmett(1)	56	1997
Directors not standing for election this year whose terms expire in 2013 (Class III Directors):		
James F. Williams	54	1993
Charles E. Dietz(2)	64	2011
Directors not standing for election this year whose terms expire in 2014 (Class I Directors):		
Anthony J. Bruno(3)(4).	71	2008
Steven L. Shea(5)(6)	53	2009
James A. Luksch .	81	1988

(1) Since February, 2004, a member of the Nominating Committee of the Board of Directors.

(2) Since January, 2012, a member of the Audit and Compensation Committees of the Board of Directors.

(3) Since February, 2008, a member of the Audit Committee of the Board of Directors.

(4) Since May, 2008, a member of the Nominating and Compensation Committees of the Board of Directors.

(5) Since September, 2009, a member of the Audit and Compensation Committees of the Board of Directors.

(6) Since February, 2010, a member of the Nominating Committee of the Board of Directors.

Set forth below is a brief summary of the recent business experience and background of each nominee for election as a Director, continuing Director and executive officer. The Board of Directors believes that each nominee, and each continuing Director, possesses the qualities and experience that Directors should possess as such criteria for Board membership is described below in the section entitled "Meetings of the Board of Directors; Committees – Nominating Committee." Also included below is information about each Director's specific experience, qualifications, attributes or skills that led the Board to conclude that he should serve as a Director of Blonder at the time of filing this Proxy Statement. As reflected, the Nominating Committee seeks out, and the Board is comprised of, individuals with diverse professional backgrounds, experiences and skills.

Anthony J. Bruno has been one of our Directors since February 1, 2008. Since 2007, Mr. Bruno has been a financial consultant providing corporate acquisition advisory services to various companies located in the United States. Prior to 2007, Mr. Bruno was the Vice-President of Finance for 18 years for Besam Entrance Solutions, the United States subsidiary of ASSA ABLOY Entrance Systems, a Swedish Company, managing all aspects of its financial activities in North America. Mr. Bruno also previously served as Blonder's Vice President of Finance from 1981 to 1989.

The Board concluded that Mr. Bruno should serve as a Director due to his significant executive management experience with a large, multi-national corporation and his expertise in finance and auditing matters, including

financial reporting and corporate acquisitions.

Charles E. Dietz has been one of our Directors since September 2011. Since 2008, Mr. Dietz has been an independent cable industry consultant to various clients within the cable industry. Prior to 2008, Mr. Dietz was Senior Vice President of Engineering for 12 years at Insight Communications, a multiple systems operator, and from 2001 to 2008 served as Insight Communications' Chief Technical Officer. Mr. Dietz was responsible for all technical aspects of Insight Communications' operations, including technology development and implementation, system construction and maintenance, purchasing, and technical regulatory compliance. Mr. Dietz has been a member of the Society of Cable Telecommunications Engineers since 1978, and a member of Cable TV Pioneers since 2010.

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The Board concluded that Mr. Dietz should serve as a Director due to his extensive industry knowledge and executive and technical experience in the cable television and communications industry, including the analysis, evaluation, purchase, use and deployment of products, equipment and technology substantially similar to Blonder's. Accordingly, Mr. Dietz brings valuable insight to our customer and vendor relationships and strong relationships with the cable industry to the Board.

James A. Luksch has been one of our Directors and our Chief Executive Officer since November, 1988. He has been the Chairman of our Board since November, 1994. Mr. Luksch also served as our President from November, 1988 until May, 2003. In November, 2008 Mr. Luksch and his spouse filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. See "Certain Relationships and Related Transactions" below for additional details regarding this bankruptcy. Mr. Luksch is the father of Emily Nikoo, our Executive Vice President, and the father-in-law of Nezam Nikoo, one of our Vice Presidents.

The Board concluded that Mr. Luksch should serve as a Director due to his forty-plus years of leadership and experience in the cable television and technology industry and his in-depth knowledge and understanding of our business, operations and strategies, as well as bringing an important historical perspective of our company to the Board's deliberations.

Robert J. Pallé, Jr. has been one of our Directors since September, 1993, our President since May, 2003 and our Chief Operating Officer and Secretary since April, 1989. He also served as our Executive Vice President from April, 1989 until May, 2003 and as our Interim Treasurer from March through April, 2001.

The Board concluded that Mr. Pallé should serve as a Director due to his extensive business and management experience with us in various senior management positions and his in-depth knowledge of our products, lines of business, long-term strategies, challenges and opportunities. Mr. Pallé brings a broad perspective to the Board's deliberations due to his position as one of our top leaders.

Gary P. Scharmatt has been one of our Directors since December, 1997. Since January, 1989, Mr. Scharmatt has been a partner in the law firm of Stradley, Ronon, Stevens & Young, LLP, our outside counsel, and served on the Board of Directors of that firm from January, 2001 until December, 2003. He presently serves as the Co-Chair of that firm's Finance & Restructuring Practice Group. Mr. Scharmatt is also currently a Vice President and a member of the Board of Directors of The Association of Commercial Finance Attorneys, Inc., and a Director of the Philadelphia Chapter of the Turnaround Management Association.

The Board concluded that Mr. Scharmatt should serve as a Director due to the important experience, judgment and perspective he brings to the Board based upon his thirty-plus years of experience as a corporate attorney representing a diverse range of companies on complex matters, including financing, regulatory and corporate governance matters. In addition, having served as our principal legal advisor since 1989, Mr. Scharmatt has a unique understanding of our business and the industry in which we operate and compete.

Steven L. Shea has been one of our Directors since September, 2009. Mr. Shea has more than twenty-five years of investment banking experience. Since January, 2011, he has served as President of Hardesty Capital Management, LLC (an SEC registered investment advisor) and Hardesty Capital Corporation, which provide investment advisory services to corporations, institutions and individuals. Prior thereto, Mr. Shea was an Executive Vice President of Ferris, Baker Watts, Inc. ("Ferris Baker"), from 1999 until the sale of such firm in 2008. Mr. Shea also served as the Executive Director of the Capital Markets Division of Ferris Baker and was a member of their Board of Directors and Executive and Strategic Alternative Committees of the Board of Directors. Prior to his position at Ferris Baker, Mr. Shea was a Vice President with Mercantile Safe Deposit and Trust Company from 1989 to 1993, and was a Vice President at Maryland National Bank from 1981 to 1989.

The Board concluded that Mr. Shea should serve as a Director due to his extensive financial, merchant banking, capital markets and executive management experience gained as an investment banker, including his knowledge of growth strategies, acquisition analysis and shareholder relations. He also has an in-depth familiarity with the technology and manufacturing sectors, along with experience as a Director of other corporations.

James F. Williams has been one of our Directors since September, 1993. He has served as the Vice-President and a Director of Ontario Specialty Contracting, Inc., a demolition and environmental contracting company, since June, 1999. Since July, 2007, Mr. Williams has served as a director, managing member and vice president of Buffalo City Center Leasing, LLC, which, until February 2011 was a lessor of electronic route tracking equipment to the trucking industry. See "Certain Relationships and Related Transactions" below for additional details regarding Buffalo City.

The Board concluded that Mr. Williams should serve as a Director due to his strong experience in strategic planning, leadership, finance and executive management with various organizations. As a Director for over eighteen years, Mr. Williams also provides perspective, institutional knowledge and a deep understanding of our business.

#### Other Executive Officers

Eric S. Skolnik, 47, has been a Senior Vice President since May, 2003 and our Chief Financial Officer, Treasurer and Assistant Secretary since May, 2001. Mr. Skolnik served as our Interim Chief Financial Officer from January, 2001 through April, 2001. He was our Corporate Controller from May, 2000 through January, 2001. From 1994 until May, 2000, Mr. Skolnik worked as a certified public accountant with BDO Seidman, LLP.

Emily M. Nikoo, 46, has been our Executive Vice President since May, 2011 and was Senior Vice President – Operations from February, 2007 to May, 2011. Ms. Nikoo served as Vice President - Marketing and Technical Services from February, 2004 to February, 2007. She was hired by us in March, 1995 as a product manager and has held several supervisory and management positions. From 1994 until 1995, Ms. Nikoo was the Vice President of Electronic Systems Advanced Technology, and from 1987 to 1994 she worked as an electrical engineering and project manager for Lockheed Martin Corporation in its space systems business segment. Ms. Nikoo is the spouse of Nezam Nikoo, one of our Vice Presidents, and the daughter of James A. Luksch, our Chief Executive Officer and one of our Directors.

Norman A. Westcott, 71, has been our Senior Vice President - Operational Services since October, 1999 and was one of our Vice Presidents from July, 1994 until October, 1999. Mr. Westcott is responsible for material purchasing and production.

Allen Horvath, 60, has been our Vice President - Manufacturing since May, 2003 and is responsible for our manufacturing activities. Mr. Horvath served as our Manufacturing Manager from 1998 until May, 2003. Since 1976, Mr. Horvath has served us in various management positions in the areas of production testing, engineering, quality control and manufacturing.

Kant Mistry, 71, has been our Vice President - Engineering since May, 2003, and has been our Chief Technical Officer since July, 2000. From October, 1990 to July, 2000, Mr. Mistry served as our Chief Engineer.

Nezam Nikoo, 48, has been our Vice President – Advanced Digital Technologies since February, 2009. Mr. Nikoo served as our Chief Digital Engineer from July, 2000 until February, 2009 and as our Senior Design Engineer from 1995 until 2008. From 1988 to 1995, Mr. Nikoo held several positions at Lockheed Martin Corporation, including his final position as Lead Electrical Design Engineer integrating space shuttle payload experiments. Mr. Nikoo is the spouse of Emily Nikoo, our Executive Vice President, and the son-in-law of James A. Luksch, our Chief Executive Officer and one of our Directors.

Jeff Smith, 48, has been our Vice President - Sales since May, 2011. Mr. Smith served as our Vice President - North American Sales from October 2007 through May 2011, as our National Director of Sales from December 2006 through October 2007, and as our Director of South Central Regional Sales from January 2006 through December 2006. From February 2002 through May 2005, Mr. Smith worked as Director of Commercial Installations at Dish Network®.

#### Board Leadership Structure and Risk Oversight

The Board believes that our Chief Executive Officer, Mr. Luksch, is best situated to serve as Chairman of the Board at this time because he is the Director most familiar with our business and industry, and most capable of effectively

identifying strategic priorities and leading the discussion and execution of strategy. Independent Directors and management have different perspectives and roles in strategy development. Our independent Directors bring experience, oversight and expertise from outside the company and industry, while the Chief Executive Officer brings company-specific experience and expertise. The Board currently believes that having Mr. Luksch serve the combined role of Chairman and Chief Executive Officer promotes strategy development and its execution, and facilitates information flow between management and the Board, which are essential to effective governance. We do not currently have a lead independent director. The Board believes that the appointment of a lead independent director is not presently necessary due to Blonder's size and the active role of the independent Directors in Board and Committee matters. Moreover, in addition to the oversight and feedback provided by the independent Directors during the course of our Board of Directors meetings, our independent Directors have regular executive sessions, following which the presiding Director acts as a liaison between the independent Directors and the Chairman of the Board regarding any specific feedback or issues. The Nominating Committee will evaluate alternative governance policies and procedures, such as having a lead independent director, from time to time as deemed necessary.

The Board believes that establishing the right “tone at the top” and that full and open communication between management and the Board of Directors are essential for effective risk management and oversight. At each regular Board meeting, the Board receives reports from members of senior management on areas of material risk to Blonder, including operational, financial, strategic and performance risks. The full Board receives these reports from the appropriate "risk owner" within the organization to facilitate our risk identification, risk management and risk mitigation strategies. This enables the Board to coordinate risk oversight, particularly with respect to risk interrelationships across corporate disciplines.

The Board has an active role, as a whole and also at the committee level, in overseeing management of our risks. The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to areas of financial reporting and compliance with laws, rules and regulations applicable to us, including those related to accounting regulation, insider trading, antitrust, and employment discrimination, whistle blowing and conflicts of interest faced by employees, officers and directors. The Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to our compensation policies and programs. The Nominating Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks associated with Board organization and membership, and succession planning for our Directors and senior executive officers.

#### Director Independence

The Board of Directors has considered the independence of our Directors pursuant to Section 803A of the Rules of NYSE Amex. Based on this consideration, our Board has determined that Anthony J. Bruno, Charles E. Dietz, Steven L. Shea and Gary P. Scharnett, all current Directors, are independent pursuant to Section 803A. Previously, the Board also determined that Robert B. Mayer, who served as a Class III Director until his death on April 1, 2011, was independent. As permitted by the Section 801(h) of the Rules of the NYSE Amex related to smaller reporting companies, from April 1, 2011 until September 14, 2011, when the Class III vacancy was filled by the appointment of Mr. Dietz, the Board was comprised of at least 50% independent Directors. Since September 14, 2011, the Board has consisted of a majority of independent Directors.

In determining that Mr. Shea meets the independence requirements of NYSE Amex Section 803A, the Board considered Mr. Shea’s role during 2008 and 2009 as an expert witness with respect to the value of our Common Stock, in our Chief Executive Officer’s personal bankruptcy case, noting that Mr. Shea received compensation of approximately \$15,000, which amount was paid by our Chief Executive Officer. The Board also considered Mr. Shea’s prior service to Blonder, which was more than ten years ago, in the area of investment banking and corporate transactional services while in his position at Ferris Baker.

#### Meetings of the Board of Directors; Committees

The Board of Directors has three standing committees: the Compensation Committee, the Nominating Committee and the Audit Committee. During the year ended December 31, 2011, the Board of Directors held nine meetings, the Compensation Committee held five meetings, the Nominating Committee held six meetings, and the Audit Committee held five meetings. Each member of the Board of Directors attended (either in person or via teleconference) at least 75% of the aggregate of the total number of Board meetings and Committee meetings held during the period he served as a director and/or committee member.

Compensation Committee. The Compensation Committee is currently comprised of Steven L. Shea, Charles E. Dietz, and Anthony J. Bruno, each of whom is a non-employee Director. Robert B. Mayer, a non-employee Director at the time, was a member of the Compensation Committee and served as its Chairman until his death on April 1, 2011. On April 7, 2011, Mr. Shea was appointed as Chairman of the Compensation Committee to fill the vacancy in this position created by the death of Mr. Mayer. On January 31, 2012, Mr. Dietz was appointed as a member of the Compensation Committee. Each of the members of the Compensation Committee who served during the 2011 fiscal year was independent, as independence for compensation committee members is defined by NYSE Amex.

The Compensation Committee currently does not have a formal charter. The Compensation Committee determines compensation for our executive officers and administers our stock incentive plans, other than the Amended and Restated 1996 Director Option Plan, as amended, and the 2005 Director Equity Incentive Plan, as amended, both of which are administered by the Board.

The Compensation Committee's responsibilities include, among other duties, the responsibility to:

- evaluate the performance of the Chief Executive Officer and the President;
- review and approve the base salary (subject to Board approval), bonus, incentive compensation and any other compensation for the Chief Executive Officer and the President;
- review the Chief Executive Officer's recommendations for the compensation of the other executive officers, make appropriate adjustments and approve;
- monitor our cash bonus and equity-based compensation plans and discharge the duties imposed on the Compensation Committee by the terms of those plans; and
  - perform other functions or duties deemed appropriate by the Board.

Compensation decisions for the Chief Executive Officer, President and all other executive officers are reviewed and approved by the Compensation Committee, subject to ratification by the Board of Directors of the base salary for the Chief Executive Officer and the President. The Compensation Committee relies upon the Chief Executive Officer to assist the Compensation Committee in performing its duties with regard to all other executive officers. The Compensation Committee does not delegate any of its authority to other persons. While the Compensation Committee has not retained a compensation consultant, in determining the base salary for our executive officers, the Compensation Committee obtains, from time to time, salary survey information from companies such as Watson Wyatt Data Services. In addition, during 2009, at the request of the Compensation Committee, one of our non-executive employees prepared an Officer Salary Survey, which included competitive salary data from a wide range of companies.

With regard to the compensation of the Chief Executive Officer and the President, Messrs. Luksch and Pallé, respectively, the Compensation Committee reviews their individual performance, the relevant compensation information from salary surveys, summary information and comments from peer review questionnaires and written comments received from members of the Board regarding their performance. The Chief Executive Officer also provides the Compensation Committee with a summary review of the President's performance. Based upon its review of all of the foregoing information, the Compensation Committee determines the form and amount of compensation for each of Messrs. Luksch and Pallé, subject to Board approval of their base salaries. The base salary of the Chief Executive Officer and the President is presently reviewed every year.

With regard to compensation for the other executive officers, the Compensation Committee reviews summary information and comments from peer review questionnaires and the Chief Executive Officer's written summary review of the executive officers' performance. The Chief Executive Officer also provides a recommendation as to the appropriate form and amount of compensation for each executive officer. The Compensation Committee reviews and considers the recommendation of the Chief Executive Officer, makes adjustments as appropriate and approves



them. This review and adjustment procedure is performed annually for the other executive officers.

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The Compensation Committee does not establish or recommend the amount or form of Director compensation. These determinations are made and approved by the full Board of Directors. Grants of stock option awards to non-employee Directors are generally made annually upon consideration and approval by the full Board of Directors with the non-employee Directors abstaining from such vote.

Nominating Committee. The Nominating Committee is currently comprised of Gary P. Scharmatt, Anthony J. Bruno and Steven L. Shea, each of whom is a non-employee Director. Mr. Scharmatt is the Chairman of the Nominating Committee. Each of the members of the Nominating Committee who served during the 2011 fiscal year was independent, as independence for nominating committee members is defined by NYSE Amex.

The Nominating Committee, among other things, considers and makes recommendations to the Board of Directors concerning the appropriate size of the Board and nominees to stand for election or fill vacancies on the Board, as well as the composition of our standing committees. In particular, the Nominating Committee identifies, recruits, considers and recommends candidates to fill positions on the Board in accordance with its criteria for Board membership (as such criteria are generally described below). In searching for qualified director candidates to nominate for election at an annual meeting of stockholders, the Nominating Committee will initially consider nominating the current Directors whose terms are expiring and will consider their past performance on the Board, along with the criteria for Board membership, in determining whether to nominate them for re-election. In connection with nominations for elections at annual meetings or to fill vacancies in the Board, the Nominating Committee may solicit the current members of the Board to identify qualified candidates through their business and other organizational networks and may also retain director search firms as it determines necessary in its own discretion. The Nominating Committee will then consider the potential pool of Director candidates derived from the foregoing process, select the top candidates to fill the number of openings based on their qualifications, the Board's needs (including the need for independent directors) and the criteria for Board membership. The Nominating Committee will then conduct a thorough investigation of the proposed candidates' backgrounds to ensure there is no past history that would disqualify such candidates from serving as Directors. Those candidates that are selected and pass the background investigation will be recommended to the full Board for nomination.

The criteria for a nominee to the Board include, among other things:

- The highest personal and professional ethics, strength of character, integrity and values;
- Experience as a senior manager, chief operating officer or chief executive officer of a relatively complex organization or, if in a professional or scientific capacity, be accustomed to dealing with complex problems, or otherwise shall have obtained and excelled in a position of leadership;
- Education, experience, intelligence, independence, fairness, reasoning ability, practical wisdom, and vision to exercise sound, mature judgments on a macro and entrepreneurial basis on matters which relate to our current and long-term objectives;
- Competence and willingness to learn our business, and the breadth of viewpoint and experience necessary for an understanding of the diverse and sometimes conflicting interests of stockholders and other constituencies;
- The nominee should be of such an age at the time of election to assure a minimum of three years of service as a director, and should be free and willing to attend regularly scheduled meetings of our Board of Directors and its committees over a sustained period and otherwise be able to contribute a reasonable amount of time to our company affairs;

- The stature and capability to represent us before the public, stockholders, and other various individuals and groups that affect us; and

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- Willingness to appraise objectively the performance of management in the interest of the stockholders and question management's assumptions when inquiry is appropriate.

The Nominating Committee does not have a formal policy with respect to diversity. However, in order to enhance the overall quality of the Board's deliberations and decisions, the Nominating Committee seeks candidates with diverse professional backgrounds and experiences, representing a mix of industries and professions with varied skill sets and expertise.

The Nominating Committee does not have a formal charter, but our Board has adopted guidelines addressing the purpose and responsibilities of the Nominating Committee in connection with its formation. The guidelines include procedures for recruiting, considering and recommending nominees to our Board and criteria for Board membership. Although the Nominating Committee will not consider any director candidates recommended by stockholders, our Board believes this is appropriate as our certificate of incorporation and bylaws permit stockholders to directly nominate persons for election as Directors by following the procedures set forth therein.

**Audit Committee.** We have a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) under the Securities Exchange Act of 1934, as amended. The Audit Committee is currently comprised of Anthony J. Bruno, Charles E. Dietz and Steven L. Shea, each of whom is a non-employee Director. Robert B. Mayer, a non-employee Director at the time, served on the Audit Committee until his death on April 1, 2011. Mr. Dietz was appointed to the Audit Committee on January 31, 2012 to fill the vacancy created by the death of Mr. Mayer. Mr. Bruno is the Chairman of the Audit Committee. As permitted by Section 801(h) of the Rules of the NYSE Amex related to smaller reporting companies, from April 1, 2011 until January 31, 2012, the Audit Committee consisted of only two members. As of January 31, 2012, the Audit Committee has been comprised of three members. The Audit Committee, among other things:

- oversees our accounting and financial reporting process and audits of our financial statements;
  - selects, retains or terminates our independent registered public accountants;
- reviews the plans and results of the audit engagement with the independent registered public accountants;
- discusses with the independent registered public accountants all necessary accounting policies and practices to be used and alternative treatments of financial information discussed with management;