

MATTHEWS INTERNATIONAL CORP
Form DEF 14A
January 21, 2014

SCHEDULE 14A INFORMATION

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:

- Preliminary Proxy Statement Confidential, for use of the
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 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material pursuant to Rule 14a-11c or Rule 14a-12

MATTHEWS INTERNATIONAL CORPORATION
(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.

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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
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3) Filing Party: _____

4) Date Filed: _____

2014
NOTICE
OF
ANNUAL
MEETING
AND
PROXY
STATEMENT

Notice of
ANNUAL MEETING OF SHAREHOLDERS
To be held February 20, 2014

To Our Shareholders:

The Annual Meeting of the Shareholders of Matthews International Corporation will be held at 9:00 AM on Thursday, February 20, 2014 at the Renaissance Baltimore Harborplace Hotel, 202 East Pratt Street, Baltimore, Maryland 21202 for the purpose of considering and acting upon the following:

1. To elect one director of the Company for a term of three years and one director of the Company for a term of two years.
2. To approve the adoption of the 2014 Director Fee Plan.
3. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm to audit the records of the Company for the fiscal year ending September 30, 2014.
4. To provide an advisory (non-binding) vote on the executive compensation of the Company's named executive officers.
5. To transact such other business as may properly come before the meeting.

Shareholders of record as of December 31, 2013 will be entitled to vote at the Annual Meeting or any adjournments thereof.

Please indicate on the enclosed proxy card whether you will or will not be able to attend this meeting. Return the card in the enclosed envelope as soon as possible. If you receive more than one proxy card (for example, because you own common stock in more than one account), please be sure to complete and return all of them.

We hope you can be with us for this important occasion.

Sincerely,

Steven F. Nicola
Corporate Secretary

January 21, 2014

Matthews International Corporation
Proxy Statement

Table of Contents

	Page
Proxy Statement	1
Outstanding Stock and Voting Rights	2
General Information Regarding Corporate Governance	3
Board of Directors	3
Board Composition	3
Board Committees	4
Executive Committee	4
Nominating and Corporate Governance Committee	4
Audit Committee	5
Finance Committee	5
Compensation Committee	5
Meeting Attendance	6
Compensation of Directors	6
Director Compensation Table	7
Access to Directors	7
Proposal 1 – Election of Directors	7
Nominees	8
Continuing Directors	9
Proposal 2 – Adoption of the 2014 Director Fee Plan	12
Proposal 3 – Selection of Independent Registered Public Accounting Firm	23
Proposal 4 – Advisory (non-binding) vote on the executive compensation of the Company’s named executive officers	24
Stock Ownership	25
Stock Ownership Guidelines	26
Executive Compensation and Retirement Benefits	27
Compensation Committee Report	27
Compensation Discussion and Analysis	27
Annual Compensation of the Named Executive Officers	43
	43

Summary Compensation Table	
Grants of Plan-Based Awards Table	44
Outstanding Equity Awards at Fiscal Year-End Table	45
Option Exercises and Stock Vested Table	46
Retirement Benefits Pension Benefits Table	46
Potential Payments Upon Termination or Change in Control	47
Audit Committee Matters	48
Report of the Audit Committee	51
Relationship with Independent Registered Public Accounting Firm	52
Certain Transactions	52
Compliance with Section 16(a) of the Exchange Act	53
Shareholder Proposals for the 2015 Annual Meeting	53
Other Matters	53
Exhibit A	55
Exhibit B	84

Matthews International Corporation
Two NorthShore Center
Pittsburgh, PA 15212 - 5851
412 / 442-8200

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on February 20, 2014

The 2014 Proxy Statement and the Annual Report to Shareholders for the year ended September 30, 2013 are also available at www.matw.com under the section entitled "Reports".

PROXY STATEMENT

The accompanying proxy is solicited by the Board of Directors of Matthews International Corporation ("Matthews" or the "Company") whose principal executive offices are located at Two NorthShore Center, Pittsburgh, Pennsylvania 15212. This Proxy Statement and the accompanying proxy were first released to shareholders on or about January 21, 2014.

Execution of the proxy will not affect a shareholder's right to attend the meeting and vote in person. Any shareholder giving a proxy has the right to revoke it at any time before it is voted by giving notice to the Corporate Secretary or by attending the meeting and voting in person.

Matters to be considered at the Annual Meeting are those set forth in the accompanying notice. Shares represented by proxy will be voted in accordance with instructions. In the absence of instructions to the contrary, the proxy solicited will be voted FOR the proposals set forth therein.

Management does not intend to bring before the meeting any business other than that set forth in the Notice of Annual Meeting of Shareholders. If any other business should properly come before the meeting, it is the intention of management that the persons named in the proxy will vote in accordance with their best judgment.

OUTSTANDING STOCK AND VOTING RIGHTS

The Company has one class of stock outstanding: Class A Common Stock, par value \$1.00 per share, referred to as the "Common Stock."

Each outstanding share of Common Stock of the Company entitles the holder to one vote upon any business properly presented at the shareholders' meeting. Cumulative voting is not applicable to the election of directors.

The Board of Directors of the Company has established December 31, 2013 as the record date for shareholders entitled to vote at the Annual Meeting. The transfer books of the Company will not be closed. A total of 27,332,183 shares of Common Stock are outstanding and entitled to vote at the meeting. The holders of 13,666,092 shares will constitute a quorum at the meeting.

Abstentions and broker non-votes (explained herein) will be counted for purposes of determining a quorum. If your shares are held by a broker (in street name), the broker will ask you how you want your shares to be voted. If you give the broker instructions, your shares will be voted as you direct. If you do not give instructions to your broker, one of two things can happen, depending on the type of proposal. For the ratification of the selection of independent auditors, which is considered a non-significant matter, the broker may vote your shares in its discretion. The broker does not have the discretion to vote your shares for the election of directors, for the non-binding advisory vote to approve the compensation paid to our named executive officers, as disclosed in this Proxy Statement, or for the vote to approve the 2014 Director Fee Plan; these are considered significant matters. If you do not provide voting instructions to your broker for these significant matters, the broker may not vote your shares on these proposals at all. When that happens, it is called a "broker non-vote."

GENERAL INFORMATION REGARDING CORPORATE GOVERNANCE

Board of Directors

The Board of Directors is the ultimate governing body of the Company. As such, it functions within a framework of duties and requirements established by statute, government regulations, court decisions and the Company's organizational documents. Generally, the Board of Directors reviews and confirms the basic objectives and broad policies of the Company, approves various important transactions, appoints the officers of the Company and monitors Company performance in key results areas. The Board also has oversight responsibility of the processes established to report and monitor systems for material risks applicable to the Company. The full Board regularly reviews enterprise-wide risk management, which includes relationships with significant customers, volatility of commodity costs, changes in the markets in which the Company operates and existing and potential competitors. In addition, each Board committee plays a significant role in carrying out the risk oversight function. The Nominating and Corporate Governance Committee oversees risks related to corporate governance and ethics. The Audit Committee oversees risks related to financial reporting and control; environmental, health and sustainability matters; management policies and guidelines; legal claims and issues; and information technology. The Finance Committee oversees the Company's financial policies, strategies and capital structure. The Compensation Committee oversees risks related to human resources, succession planning and compensation.

Board Composition

The Articles of Incorporation of the Company provide that the Board of Directors has the power to set the number of directors constituting the full Board, provided that such number shall not be less than five nor more than fifteen. Until further action, the Board of Directors has fixed the number of directors constituting the full Board at eight, divided into three classes. The terms of office of the three classes of directors end in successive years.

After reviewing the independence standards contained in the NASDAQ listing requirements, the Board of Directors has determined that each of its directors is independent under these standards, other than the Company's President and Chief Executive Officer, Joseph C. Bartolacci. The Company's Governance Guidelines provide that an employee member can remain on the Board for a period of no longer than one year following retirement from employment with the Company.

The Board of Directors has determined that an independent, non-employee member should be appointed to serve as Chairman of the Board. The Board believes that separation of the positions of Chairman of the Board and Chief Executive Officer, with the appointment of an independent, non-employee director as Chairman of the Board, strengthens the Company's corporate governance. John D. Turner is the Company's current independent, non-employee Chairman of the Board.

Mr. Turner and the other independent directors meet at such times as are necessary and generally on the dates of regularly scheduled Board meetings. The independent directors met a total of five times in fiscal 2013.

During fiscal 2013, there were five regularly scheduled meetings and two special meetings of the Board of Directors.

Board Committees

There are five standing committees appointed by the Board of Directors -- the Executive, Nominating and Corporate Governance, Audit, Finance and Compensation Committees.

Management has the same responsibility to each Committee as it does to the Board of Directors with respect to providing adequate staff services and information. Furthermore, each Committee has the same power as the Board of Directors to employ the services of outside consultants and to have discussions and interviews with personnel of the Company and others.

The principal functions of the five standing Committees are summarized as follows:

Executive Committee

The Executive Committee is appointed by the Board of Directors to have and exercise during periods between Board meetings all of the powers of the Board of Directors, except that the Executive Committee may not elect directors, change the membership of or fill vacancies on the Executive Committee, change the By-laws of the Company or exercise any authority specifically reserved by the Board of Directors. Among the functions customarily performed by the Executive Committee during periods between Board meetings are the approval, within limitations previously established by the Board of Directors, of the principal terms involved in sales of securities of the Company, and such reviews as may be necessary of significant developments in major events and litigation involving the Company. In addition, the Executive Committee is called upon periodically to provide advice and counsel in the formulation of corporate policy changes and, where it deems advisable, make recommendations to the Board of Directors.

The members of the Executive Committee are John D. Turner (Chairperson), Gregory S. Babe, Katherine E. Dietze, Alvaro Garcia-Tunon and John P. O'Leary, Jr. The Executive Committee holds meetings at such times as are required. The Executive Committee did not meet in fiscal 2013.

Nominating and Corporate Governance Committee

The principal functions of the Nominating and Corporate Governance Committee are to (1) identify individuals qualified to become members of the Board of Directors, (2) recommend to the Board of Directors the director nominees for the next annual meeting of shareholders, (3) monitor and recommend to the Board of Directors changes, as necessary, to the Company's Corporate Governance Guidelines, (4) lead the Board of Directors in complying with its Corporate Governance Guidelines and (5) review and make recommendations to the Board of Directors concerning director compensation. The Nominating and Corporate Governance Committee is also responsible for the annual evaluations of the performance of the Board of Directors and Committees of the Board, including individual directors. The Committee is committed to ensuring that (i) the nominees for membership on the Board of Directors are of the highest possible caliber and are able to provide insightful, intelligent and effective guidance to the management of the Company and (ii) the governance of the Company is in full compliance with law, reflects generally accepted principles of good corporate governance, encourages flexible and dynamic management without undue burdens and effectively manages the risks of the business and operations of the Company. From time to time, the Nominating and Corporate Governance Committee has retained the services of a third-party search firm to assist in the identification and evaluation of potential nominees for the Board of Directors. The Nominating and Corporate Governance Committee operates pursuant to a Charter and the Company's Corporate Governance Guidelines, which are available for viewing on the Company's website at www.matw.com under the section entitled "Corporate Governance".

All members of the Nominating and Corporate Governance Committee are independent in accordance with the listing standards of NASDAQ. The Nominating and Corporate Governance Committee met seven times during fiscal 2013. The current members of the Nominating and Corporate Governance Committee are John P. O’Leary, Jr. (Chairperson), Gregory S. Babe and Jerry R. Whitaker.

Audit Committee

The principal functions of the Audit Committee are to provide oversight of (1) the integrity of the Company's financial statements, reports on internal controls and other financial information provided by the Company, (2) the Company's compliance with legal and regulatory requirements, (3) the qualifications and independence of the Company's independent registered public accounting firm and (4) the performance of the Company's internal audit function (including disclosure controls and procedures for internal controls over financial reporting) and independent registered public accounting firm. The Committee will serve as a vehicle to provide an open avenue of communication between the Company's Board of Directors and financial management, the internal audit department, and the independent registered public accounting firm. The Audit Committee is responsible for appointing the Company's independent registered public accounting firm. The Audit Committee operates pursuant to a Charter, which is available for viewing on the Company’s website at www.matw.com under the section entitled “Corporate Governance”.

The Audit Committee members are Alvaro Garcia-Tunon (Chairperson), Katherine E. Dietze and Morgan K. O’Brien, all of whom the Board of Directors has determined in its business judgment are independent from the Company and its management as defined by the relevant provisions of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). Mr. Garcia-Tunon has been designated as the Audit Committee financial expert as determined by the Sarbanes-Oxley Act. During fiscal 2013, the Audit Committee met six times.

Finance Committee

The Finance Committee provides oversight of the Company’s financial policies, strategies and capital structure. The Committee’s principal responsibilities include review and monitoring of significant capital expenditures; mergers, acquisitions and divestitures; the Company’s capital structure, debt and equity offerings; the dividend policy and share repurchase program; risk management programs; and the Company’s investor relations program. The Committee also provides oversight to the Pension Board on employee benefit plan matters and related plan investment management. Members of the Finance Committee are Katherine E. Dietze (Chairperson), Morgan K. O’Brien and Jerry R. Whitaker. The Finance Committee met ten times in fiscal 2013.

Compensation Committee

The principal functions of the Compensation Committee, the members of which are Gregory S. Babe (Chairperson), Alvaro Garcia-Tunon and Morgan K. O’Brien, are to review periodically the suitability of the remuneration arrangements (including benefits) for the principal executives of the Company, and to prepare an annual report on executive compensation for inclusion in the Company’s Proxy Statement. The Committee also reviews, at least annually, succession plans for the position of Chief Executive Officer and other senior executive positions of the Company. The Compensation Committee operates pursuant to a Charter, which is available for viewing on the Company’s website at www.matw.com under the section entitled “Corporate Governance”. During fiscal 2013, the Compensation Committee met four times.

Meeting Attendance

Under the applicable rules of the Securities and Exchange Commission, the Company's Proxy Statement is required to name those directors who during the preceding year attended fewer than 75% of the total number of meetings held by the Board and by the Committees of which they are members. During fiscal 2013, all directors attended at least 75% of such meetings for which they were eligible.

The Company does not have a formal policy with regard to Board members attending the Annual Meeting of Shareholders, but it is customary for the Board members to do so, and in general all or most of the Board members have attended annual meetings in the recent past. All of the Board members attended the 2013 Annual Meeting of Shareholders.

Compensation of Directors

Director compensation is administered and determined by the Nominating and Corporate Governance Committee. In performing its duties, the Committee consults with various independent third-party advisors. In fiscal 2013, the Committee consulted primarily with PayGovernance, an independent human resources consulting firm.

Under the Company's 1994 Director Fee Plan, as amended, each eligible independent director received an annual retainer valued at \$60,000 in 2013. Such annual retainer may be paid either in cash or in shares of the Company's Common Stock, as determined by the Nominating and Corporate Governance Committee. If the Nominating and Corporate Governance Committee decides to pay the annual retainer in cash, a director may instead elect to receive the annual retainer in current shares of the Company's Common Stock or Common Stock credited to a deferred stock account as phantom stock. If the Nominating and Corporate Governance Committee chooses to pay such annual retainer in Common Stock, a director may defer the receipt of such Common Stock.

Each independent director also receives an annual stock-based grant (non-statutory stock options, stock appreciation rights and/or restricted shares). The value of this grant was \$100,000 in the form of restricted stock in 2013, and will be \$100,000 in the form of restricted stock in 2014. The precise annual stock-based awards to be granted and their valuation are determined by the Nominating and Corporate Governance Committee. At December 31, 2013, there were 77,913 shares available for future grant under the 1994 Director Fee Plan.

The non-employee Chairman of the Board receives an additional annual retainer fee of \$70,000 which, at the election of the Chairman, may be received in cash, current shares of the Company's Common Stock or Common Stock credited to a deferred stock account as phantom stock. Each Committee chairperson receives an additional retainer fee for a year of service as a Committee chairperson. The chairperson retainer fee was \$7,500 (\$12,000 in the case of the Audit Committee chairperson) in 2013. Meeting fees are not paid to Directors.

The Company is submitting the 2014 Director Fee Plan to a vote of the shareholders as Proposal 2 of this Proxy Statement. If adopted, each eligible independent director will be compensated as described in Proposal 2 of this Proxy Statement.

The Company does not provide any retirement benefits or perquisites to any of its non-employee directors.

The following table summarizes the director compensation earned by the non-employee directors of the Company for fiscal 2013.

Director Compensation Table

Name	Fees Earned or Paid in Cash (1)	Stock Awards (2)	Option Awards	Non-Equity Incentive Plan Compen-sation	Change in Pension Value and Nonqualified Deferred	All Other Compen-sation	Total
					Compensation Earnings		
J.D. Turner	\$130,000	\$100,000	-	-	-	-	\$230,000
G.S. Babe	67,500	100,000	-	-	-	-	167,500
K.E. Dietze	67,500	100,000	-	-	-	-	167,500
A. Garcia-Tunon	72,000	100,000	-	-	-	-	172,000
M.K. O'Brien	60,000	100,000	-	-	-	-	160,000
J.P. O'Leary, Jr.	67,500	100,000	-	-	-	-	167,500
J.R. Whitaker	60,000	100,000	-	-	-	-	160,000

- (1) Mr. Babe elected to receive fees of \$67,500 in shares of the Company's Common Stock credited to a deferred stock account as phantom shares.
- (2) Amounts in this column reflect the grant date fair value of awards of restricted shares of the Company's Common Stock granted during fiscal 2013 computed in accordance with Financial Accounting Standards Board ASC Topic 718; however, the estimate of forfeiture related to service-based vesting conditions is disregarded for purposes of this valuation. There were no forfeitures of restricted shares by any of the directors during fiscal 2013. On March 14, 2013, Messrs. Turner, Babe, Garcia-Tunon, O'Brien, O'Leary, Whitaker and Ms. Dietze were each awarded 2,872 restricted shares with a grant date fair value of \$100,000.

Access to Directors

The shareholders of the Company may communicate in writing to the Board of Directors by sending such communication to the Board or a particular director in care of Steven F. Nicola, Corporate Secretary, at the Company. At present, such communications will be directly forwarded to the Board or such particular director, as applicable.

PROPOSAL 1

ELECTION OF DIRECTORS

Nominations for election to the Board of Directors may be made by the Nominating and Corporate Governance Committee or by the shareholders. Section 3.01 of the Company's Bylaws provides that "no one shall be eligible for nomination as a Director for any term during which, or before which, he will attain 70 years of age." John D. Turner, whose term of office is expiring, has been nominated by the Nominating and Corporate Governance Committee to serve for a two-year term that will end in 2016. Gregory S. Babe, whose term of office is expiring, has been nominated by the Nominating and Corporate Governance Committee to serve for a three-year term that will end in

2017. Nominations made by the shareholders must be made in writing in accordance with Section 6.1 of the Articles of Incorporation. No such nominations have been received.

The Company's process for filling director vacancies includes determination of the professional skills and background desired to serve the best interests and current needs of the Company and its shareholders, retention of a third-party search firm to assist in the identification and evaluation of director candidates, consideration of candidates nominated by shareholders (if any), evaluation of candidate's credentials and experience by the Nominating and Corporate Governance Committee (including personal interviews with selected candidates), and a formal recommendation by the Nominating and Corporate Governance Committee to the Board of Directors regarding the candidate considered to be the most qualified to fill the director vacancy.

The Committee assesses a candidate's background, skills, diversity, personal characteristics and business experience and applies the the following criteria and qualifications. Candidates are to be of the highest ethical character, share the values of the Company, have reputations, both personal and professional, consistent with the image and reputation of the Company, be highly accomplished in their respective field, with superior credentials and recognition, and provide the relevant expertise and experience necessary to assist the Board and the Company to increase shareholder value. The Board may prioritize the criteria depending on the current needs of the Board and the Company. The Board does not have a formal diversity policy for selecting directors, but considers diversity of race, gender and national origin to be relevant factors that are weighed with other criteria in recommending and nominating directors for election to the Board of Directors of Matthews.

Under the Company's Corporate Governance Guidelines, any director who experiences a change in principal occupation or primary business affiliation from that in which such director was engaged upon their last election to the Board, must offer to submit a letter of resignation from the Board.

The Board of Directors has no reason to believe that any of the nominees will become unavailable for election. If any nominee should become unavailable prior to the meeting, the accompanying proxy will be voted for the election in the nominee's place of such other person as the Board of Directors may recommend.

Only affirmative votes are counted in the election of directors. The nominee for election as a director at the Annual Meeting in the Class of 2016 and the Class of 2017 who receives the highest number of votes cast for the election of directors by the holders of the Company's Common Stock present in person or voting by proxy, a quorum being present, will be elected as directors.

The Board of Directors recommends that you vote FOR the election of the nominated directors.

The following information is furnished with respect to the persons nominated by the Board of Directors for election as directors and with respect to the continuing directors.

Nominees

Class of 2016

John D. Turner, age 67, has been a director of the Company since 1999. Mr. Turner retired as Chairman and Chief Executive Officer of Copperweld Corporation, a manufacturer of tubular and bimetallic wire products, in 2003, where he had served as Chief Executive Officer since 1988. Mr. Turner's experience, knowledge and expertise as an executive in the metal manufacturing industry are valuable resources to the Company. During his tenure as a Director, Mr. Turner has also served or participated on each of the Committees of the Board, providing him with the experience and perspective of the Board's decision making process in all areas of the Company's operations. Mr. Turner also has experience as a director for several large public companies. Mr. Turner serves as Chairman of the Executive Committee. Mr. Turner received a Bachelor's Degree in Biology from Colgate University. He currently

also serves on the Board of Directors of Allegheny Technologies Incorporated, a position he has held since February, 2004, and is the chairman of the Technology Committee of that Board.

Class of 2017

Gregory S. Babe, age 56, was elected to the Board of Directors in November 2010. Mr. Babe currently serves as President and Chief Executive Officer of start-up Liquid X Printed Metals, Inc., a Carnegie Mellon University spin out. From July 2012 to June 2013 Mr. Babe served as Chief Executive Officer of Orbital Engineering, Inc., a privately held engineering services company. Mr. Babe retired as President and Chief Executive Officer of Bayer Corporation and Bayer MaterialScience LLC in June 2012. Mr. Babe was appointed President and Chief Executive Officer of Bayer Corporation and Senior Bayer Representative for the United States and Canada in October 2008. Mr. Babe was responsible for the North American activities of the worldwide Bayer Group, an international health care, nutrition and high-tech materials group based in Leverkusen, Germany. In addition, he held the position of President and Chief Executive Officer of Bayer MaterialScience LLC, a producer of polymers and high-performance plastics in North America, since July 2004. Mr. Babe is considered well-qualified to serve on the Company's Board of Directors based on his experience as a Chief Executive Officer of a multinational manufacturing company. He possesses a strong background in manufacturing and regulatory and government affairs. Mr. Babe is Chairman of the Compensation Committee and is a member of the Executive and Nominating and Corporate Governance Committees. Mr. Babe serves on the Board and chairs the Audit Committee of the Benedum Foundation. He is also a member of the Foundation Board of West Virginia University. Mr. Babe holds a Bachelor of Science degree in mechanical engineering from West Virginia University.

Continuing Directors

Joseph C. Bartolacci, age 53, was appointed Chief Executive Officer of the Company in 2006. Prior to his appointment as Chief Executive Officer, he was President and Chief Operating Officer of the Company since 2005. Mr. Bartolacci was elected to the Board of Directors in 2005. Prior thereto, he held various positions within Matthews, including President, Casket Division; Executive Vice President of Matthews; President, Matthews Europe; President, Caggiati, S.p.A. (a wholly-owned subsidiary of Matthews) and General Counsel of Matthews. As the only Matthews employee on the Board of Directors, Mr. Bartolacci provides management's perspective in Board decisions about the business and strategic direction of the Company. He has first hand operating experience in many of the Company's diverse global businesses, and brings a well-developed understanding of the industries in which the Company operates, and the opportunities within those industries to drive shareholder value. Mr. Bartolacci received a Bachelor of Science degree in Accounting from Saint Vincent College and a Juris Doctor from the University of Pittsburgh. Mr. Bartolacci serves on the Company's Pension Board, the Board of the Jas. H. Matthews & Co. Educational and Charitable Trust, and on the boards of various subsidiaries of Matthews. Mr. Bartolacci is a member of the Board of Directors of Saint Vincent College and serves as a member of the Citizen's Bank Mid-Atlantic Regional Advisory Board.

Katherine E. Dietze, age 56, was elected to the Board of Directors of the Company in July 2008. Ms. Dietze was Global Chief Operating Officer, Investment Banking Division of Credit Suisse First Boston, a financial services company, until her retirement in 2005. She had also held the position of Managing Director, Investment Banking. Prior to joining Credit Suisse First Boston, Ms. Dietze was a Managing Director for Salomon Brothers Inc, a financial services company. Ms. Dietze brings a strong background in global investment and financial matters.

With her background in investment banking, Ms. Dietze provides a unique and valuable perspective on global financial markets, investments and financial transactions. Ms. Dietze received a Bachelor of Arts degree from Brown University and graduated from Columbia University with a Masters in Business Administration in Finance and Marketing. Ms. Dietze serves as Chairperson of the Finance Committee and is a member of the Executive and Audit Committees. She is also a director and member of the Audit Committee and Governance Committee of Cowen Group, Inc., a financial services firm. She previously served as Chairperson of the Audit Committee and member of both the Governance and Compensation Committees for LaBranche, LLC, a financial services firm purchased by the Cowen Group in June 2011. In January 2011, Ms. Dietze was elected to the Board of Trustees of Liberty Property Trust, a real estate investment trust.

Alvaro Garcia-Tunon, age 61, was elected to the Board of Directors in October 2009. Mr. Garcia-Tunon retired as the Chief Financial Officer of Wabtec Corporation (“Wabtec”), a provider of products and services for the global rail industry, effective January 1, 2014. He will remain with Wabtec as a strategic advisor going forward. Mr. Garcia-Tunon was named Executive Vice President and Chief Financial Officer for Wabtec in February 2012. Prior to that, he was Executive Vice President, Chief Financial Officer and Secretary of Wabtec since December 2010. Prior thereto he served as Senior Vice President, Chief Financial Officer and Secretary of Wabtec since 2003. Having served as the Chief Financial Officer of a public company with global operations, Mr. Garcia-Tunon has leadership skills in international business, corporate governance and risk management. He also provides the Board and the Audit Committee, of which he is a Chairman, the strong financial and accounting skills required to be considered a financial expert. Mr. Garcia-Tunon also is also a member of the Executive and Compensation Committees. Mr. Garcia-Tunon currently is serving on the Board of Directors of Mine Safety Appliances Company, a global leader in the development, manufacture and supply of safety products that protect people and facility infrastructures, since 2012, and serves on the Audit, Legal and Finance Committees of that Board. He also is a board member of the Pittsburgh Civic Light Orchestra and Senator John Heinz History Center, where he serves as its Treasurer. Mr. Garcia-Tunon graduated from the College of William and Mary with a Juris Doctor degree and is a graduate of the University of Virginia with a Bachelor of Science degree in Commerce and Accounting.

Morgan K. O’Brien, age 53, was elected to the Board of Directors of the Company in July 2011. Mr. O’Brien has served as the President and Chief Executive Officer of Peoples Natural Gas Company LLC, a utility serving the southwestern Pennsylvania market, since February 2010. Prior thereto, Mr. O’Brien served as President and Chief Executive Officer of Duquesne Light Holdings, an electric utility company serving western Pennsylvania, since 2001. He held various senior executive positions at Duquesne Light Holdings since 1991. Prior to joining Duquesne Light Holdings, Mr. O’Brien served in various management positions at PNC Bank and at major accounting firms. As a current Chief Executive Officer with more than 10 years experience in that role, Mr. O’Brien brings significant leadership skills to the Board of Directors. With his experience in the areas of accounting and taxation, he also provides the Board and the Audit Committee, of which he is a member, with strong financial skills. Mr. O’Brien is also a member of the Compensation and Finance Committees. Mr. O’Brien received a Bachelor’s degree in Business Administration and a Masters degree in taxation from Robert Morris University. Mr. O’Brien serves on the Board of Directors of Peoples Natural Gas Company LLC, HFF, Inc. and on the Board of Trustees of the University of Pittsburgh as Vice Chairman of the Board. He also serves on the Boards of several civic and charitable organizations in western Pennsylvania.

John P. O'Leary, Jr., age 67, has been a director of the Company since 1992. Mr. O'Leary retired as Senior Vice President, SCA North America, a packaging supplier, in June 2004, a position that he held since May 2002. Prior thereto, he was President and Chief Executive Officer of Tuscarora Incorporated ("Tuscarora"), a wholly-owned subsidiary of SCA Packaging International B.V. and a division of SCA North America. Tuscarora is a producer and manufacturer of custom design protective packaging. Preceding SCA's acquisition of Tuscarora, Mr. O'Leary served as Chairman of Tuscarora's Board of Directors. Mr. O'Leary's background as Chief Executive Officer of Tuscarora (formerly a publicly-traded company) and Senior Vice President of SCA North America provide valuable experience for the Board of Directors of Matthews. He has also served on the Company's Audit, Nominating and Corporate Governance and Executive Committees, providing a broad knowledge of the Company's operating, financial and compliance objectives. Mr. O'Leary is currently Chairman of the Nominating and Corporate Governance Committee and is a member of the Executive Committee. Mr. O'Leary holds a Masters in Business Administration from the University of Pennsylvania Wharton School of Business and received a Bachelor's Degree in Economics from Gettysburg College. He currently serves on the Board of Directors of Kenson Plastics, a small private custom plastic converter.

Jerry R. Whitaker, age 63, was elected to the Board of Directors of the Company in July 2011. Mr. Whitaker was President of Electrical Sector-Americas, Eaton Corporation, a global manufacturer of highly engineered products, until his retirement in June 2011. Prior thereto, he served in various management positions at Eaton Corporation since 1994. Prior to joining Eaton Corporation, Mr. Whitaker spent 22 years with Westinghouse Electric Corp. Mr. Whitaker's experience and knowledge as an executive in global manufacturing industries and acquisition integration are valuable resources to the Company. Mr. Whitaker is a member of the Nominating and Corporate Governance and Finance Committees. Mr. Whitaker received a Bachelor of Science degree from Syracuse University and a Masters in Business Administration from George Washington University. He currently serves as a director on the boards of Crescent Electric Company, an independent distributor of electrical hardware and supplies, where he is a member of the Audit Committee and Chairman of the Compensation Committee; and Sealed Air Corporation, a global leader in food safety and security, where he serves on the Nominating and Governance Committee. He is also on the advisory board for Universal Electric Company, a manufacturer of customizable power distribution systems. Mr. Whitaker also serves on the Board of Trustees for the Carnegie Museums of Pittsburgh as well as the boards of the Carnegie Science Center, the American Middle East Institute, Renewable Manufacturing Gateway and the Advisory Board of the L.C. Smith School of Engineering at Syracuse University.

The term for each nominee and director is listed below:

Nominees:	Term to expire at Annual Meeting of Shareholders in:
John D. Turner	2016
Gregory S. Babe	2017
Continuing Directors:	
Joseph C. Bartolacci	2015
Katherine E. Dietze	2015
Morgan K. O'Brien	2015
Alvaro Garcia-Tunon	2016
John P. O'Leary, Jr.	2016
Jerry R. Whitaker	2016

PROPOSAL 2

ADOPTION OF THE 2014 DIRECTOR FEE PLAN

The full text of the 2014 Director Fee Plan (the “2014 Plan”) is set forth as Exhibit A to this Proxy Statement. The following description of the 2014 Plan is qualified in its entirety by reference to Exhibit A.

The 2014 Plan in General. The purposes of the 2014 Plan are to provide eligible non-employee directors of the Company with a fee arrangement that is not only competitive with those at corporations similar to the Company but which increases the alignment of interests between the non-employee directors and the shareholders of the Company, and to provide a program which is suitable for the recruitment and retention of capable people to serve as non-employee directors of the Company. As of December 31, 2013, there were seven (7) such directors. Directors who are employees of the Company are not separately compensated for service as a director.

The total number of shares of stock which may be issued under the 2014 Plan or credited to a deferred stock compensation account for subsequent issuance is 150,000 shares of Common Stock as of November 14, 2013. This total will be adjusted upon certain events such as a stock dividend on, or stock split of, the Common Stock. The shares which may be issued under the 2014 Plan may be either authorized but unissued shares or shares previously issued and thereafter acquired by the Company, or a combination of each. On December 31, 2013, the fair market value of a share of the Company’s Common Stock was \$42.61.

The Board of Directors of the Company will have full power and authority to administer the 2014 Plan. The Board may delegate some or all of those rights to the Nominating and Corporate Governance Committee or other committees of the Board. The Board of Directors also has, subject to certain limitations, the right to amend or terminate the 2014 Plan.

The 2014 Plan includes an annual director fee retainer (the “Retainer”). The Retainer is \$60,000 for each non-employee director and, in the case of the non-employee chairperson (“NE Chairperson”), an additional \$70,000 (or such other amounts determined by the Board or by any committee of the Board which the Board authorizes to determine such amounts). The 2014 Plan also provides that the Retainer can be paid in cash or in Common Stock of the Company. Whether the payment is made in cash or Common Stock will be determined by the Nominating and Corporate Governance Committee of the Company (or another committee of the Board designated to act for these matters) (the “Governance Committee”). Whether the Retainer is paid in cash or Common Stock, a director may elect to receive the Retainer in Common Stock or defer the Retainer payment into a deferred stock compensation account.

In addition to the annual Retainer, other cash fees to be paid under the 2014 Plan are as follows:

Board Meeting Fees:	None
Committee Meeting Fees:	None
Committee Chairperson	\$7,500 (or \$12,000 in the case of the Audit Committee Chairperson) for a year of
Retainer Fees:	service as a Committee Chairperson
Shareholders’ Meeting Fees:	None

In addition, if the Board elects a Lead Director, in addition to the annual Retainer, the Lead Director would receive other cash fees of \$5,000 for a year of service as the Lead Director.

The 2014 Plan also permits the grant of stock options, stock appreciation rights and restricted shares under the 2014 Plan. The 2014 Plan provides that each director will receive an annual grant of non-statutory stock options, stock appreciation rights and/or restricted shares with a total value of \$100,000 (or such other amounts determined by the Board or by any committee of the Board which the Board authorizes to determine such amounts). The precise awards to be granted and their valuation will be determined by the Governance Committee. The terms applicable to these awards are described below.

In certain instances, the 2014 Plan provides for the accelerated vesting of and extension of time to exercise stock options and stock appreciation rights and the accelerated vesting of restricted shares upon a change in control at the Company. A description of the change in control provisions is set forth below.

The term of the 2014 Plan runs until March 31, 2019.

The 2014 Plan also permits a director to name a death beneficiary with respect to the director's deferred stock compensation account, provides for hardship withdrawals, and allows a director to make subsequent elections to further delay payments under a previous deferral made by the director.

Director Fees and Deferrals. Under the 2014 Plan, each eligible non-employee director will receive an annual Retainer valued at \$60,000 and, in the case of the NE Chairperson, an additional \$70,000 (or such other amounts determined by the Board or by any committee of the Board which the Board authorizes to determine such amounts). Such annual Retainer will be paid either in cash or in shares of the Common Stock of the Company, as determined by the Governance Committee. If the Governance Committee decides to pay the Retainer in cash, a director may instead elect to receive the Retainer in current shares of Common Stock or Common Stock credited to a deferred stock compensation account. If the Governance Committee chooses to pay such Retainer in Common Stock, a Director may defer the receipt of such Common Stock.

Upon inception, each non-employee director will not receive meeting fees for Board, Committee and Shareholder meetings attended, and each Committee chairperson will receive an annual retainer fee, in the amounts set forth above. Under the 2014 Plan, the Board has the authority to increase or decrease the amount of the annual Retainer, Committee chairperson retainer, and meeting fees.

Annual Retainer fees will be paid or credited fifteen (15) business days after the annual meeting of shareholders, for each non-employee director as of that payment or crediting date. Annual Retainer fees will thereby be paid or credited in advance and are not subject to proration or refund in the event that a director receiving such fees should die or resign prior to the next annual meeting of shareholders.

Committee chairperson retainer fees will be paid on the fifteenth (15th) business day after a director's annual election or re-election as a Committee chairperson. A director may elect to receive all committee chairperson retainer fees for a calendar year in shares of Common Stock rather than cash, provided the director elects to defer the receipt of such shares of Common Stock through credit of shares to his or her deferred stock compensation account.

A director may elect to defer receipt of his or her annual Retainer or committee chairperson retainer fees by filing a notice of election with the Company. When such election becomes effective, the amount of Common Stock representing these fees is credited by the Company to a separate deferred stock compensation account for each director electing deferred treatment. An election to defer receipt of fees will remain effective until a director files a notice of termination with the Company and such notice becomes effective.

Payment of shares of Common Stock credited to a director's deferred stock compensation account for any year would be made either in a lump sum or in installments. Payment would commence on April 1 of the year following the year a person ceases to be a director of the Company, or on a different date under conditions set forth in the 2014 Plan. Notwithstanding the foregoing, a director is permitted to further defer the receipt of payments from his or her deferred stock compensation account by making a further deferral election at least twelve months prior to the date on which payments would have otherwise commenced, and by deferring for at least five years from the date payments would have otherwise commenced. Further, a director may file a notice with the Company pursuant to which the director would be paid amounts credited to his or her deferred stock compensation account after the effective date of such notice upon the occurrence of certain changes in control at the Company as described in the 2014 Plan.

Upon the death of a director, payment would be made to the beneficiary designated by the director or to the estate of the director. Advance payment of deferred amounts may be permitted by the Board only to the extent necessary to avoid severe financial hardship resulting from an unanticipated financial emergency beyond the control of the director or his or her beneficiary.

Under the 2014 Plan, any deferral election will be valid only if technical timing rules have been met.

Stock Options, Stock Appreciation Rights and Restricted Stock. The 2014 Plan provides for the grant of nonstatutory stock options, stock appreciation rights, and restricted share awards.

Administration. Subject to the provisions of the 2014 Plan, the Governance Committee has full and final authority, in its discretion, to grant nonstatutory stock options and stock appreciation rights and to make restricted share awards under the 2014 Plan, totaling \$100,000 per year per director (or such other amount determined by the Board or by any committee of the Board which the Board authorizes to determine such amount). Grants and awards will be made effective as of the same date as annual Retainers are paid after the annual meeting. Under the 2014 Plan, the Board has the authority to increase or decrease the value of the grants and awards to be made; the Governance Committee has the sole discretion to determine whether the grants and awards should be stock options, stock appreciation rights or restricted shares or partly of each.

The Board and the Governance Committee have the power to interpret the 2014 Plan and to prescribe such rules, regulations and procedures in connection with the operations of the 2014 Plan as they deem necessary and advisable in their administration of the 2014 Plan.

Terms of Stock Options and Stock Appreciation Rights. The option price for each stock option may not be less than 100% of the fair market value of the Company's Common Stock on the date of the grant of the stock option. Fair market value of the Common Stock for all purposes under the 2014 Plan is the mean between the publicly reported highest and lowest sales prices per share of Common Stock of the Company as quoted on the NASDAQ Exchange on the date as of which fair market value is determined.

Except in certain cases (principally certain change of control events) and as the Governance Committee may otherwise determine, no stock option may be exercised prior to two years from the date of grant or after the expiration of ten years from the date of grant. Unless the Governance Committee, in its discretion, otherwise determines, an exercisable stock option may be exercised in whole or in part. Otherwise, stock options may be exercised at such times, in such amounts and subject to such restrictions as are determined in its discretion by the Governance Committee.

The option price for each stock option is payable in full in cash at the time of exercise; however, in lieu of cash the person exercising the stock option may, if authorized by the Governance Committee, pay the option price in whole or in part by delivering to the Company shares of Common Stock having a fair market value on the date of exercise of the stock option equal to the option price for the shares being purchased, except that any portion of the option price representing a fraction of a share must be paid in cash.

If the person exercising a stock option participates in a broker or other agent-sponsored exercise or financing program, the Company will cooperate with all reasonable procedures of the broker or other agent to permit participation by the person exercising the stock option in the exercise or financing program. But, in such a case, the exercise of the stock option shall not be deemed to occur and no shares of the Common Stock will be issued until the Company has received full payment in cash for the option price from the broker or other agent.

The grant of stock appreciation rights provides the holder with the right, upon the exercise of the stock appreciation rights, to receive a number of shares of Common Stock with a fair market value equal to the difference between the fair market value of the Common Stock on the date of exercise of the stock appreciation rights and the base price of the stock appreciation rights when granted (which may not be less than 100% of the fair market value of the Company's Common Stock on the date of the grant of the stock appreciation rights). The Governance Committee also has the right to pay cash upon the exercise of the stock appreciation rights in certain circumstances.

Unless the Governance Committee determines otherwise, the provisions of the following sentence will apply in the event that a grantee ceases to be a director of the Company for any reason other than removal for cause or resignation without consent of the Board. Any outstanding stock option and stock appreciation right held by such grantee will vest and be exercisable at any time prior to the second anniversary of the date on which the grantee ceases to be a director or the expiration date of the stock option or stock appreciation right, whichever is the shorter period. Unless the exercise period has been extended pursuant to the change in control provisions of the 2014 Plan, if a grantee is removed from office for cause or resigns without the consent of the Board, any then outstanding stock option and stock appreciation right held by such grantee will terminate as of the close of business on the last day on which the grantee is a director.

Unless the Governance Committee in its discretion otherwise determines, no stock option or stock appreciation right granted under the 2014 Plan is transferable other than by Will, by the laws of descent and distribution, or to certain types of trusts. A stock option or stock appreciation right may be exercised during a grantee's lifetime only by the grantee or the trustee of such trust.

Each grant of a stock option or stock appreciation right must be confirmed by an agreement between the Company and the grantee which sets forth the terms of the grant.

Restricted Shares. Restricted share awards are subject to such restrictions (including restrictions on the right of the awardee to sell, assign, transfer or encumber the shares awarded while such shares are subject to restrictions) as the Governance Committee may impose thereon and are subject to forfeiture to the extent events (which may, in the discretion of the Governance Committee, include termination of service as a director and/or performance-based events) specified by the Governance Committee occur prior to the time of restrictions lapse.

Each restricted share award must be confirmed by a restricted share agreement between the Company and the awardee, which sets forth the number of restricted shares awarded, the restrictions imposed thereon, the duration of such restrictions, events the occurrence of which would cause a forfeiture of the restricted shares, and such other terms and conditions as the Committee in its discretion deems appropriate. Following a restricted share award and prior to the lapse of the applicable restrictions, at the Company's discretion, the Company may hold share certificates representing the restricted shares in escrow, issue share certificates to the awardee with a legend referring to the restrictions, or issue the shares in book-entry form in the name of the awardee. Except in certain circumstances, the Governance Committee, in its discretion, may determine that dividends and other distributions on the restricted shares shall not be paid to the awardee until the lapse or termination of the applicable restrictions. Unless otherwise provided, in its discretion, by the Governance Committee, any such dividends or other distributions shall not bear interest. Upon the lapse of the applicable restrictions, unlegended share certificates representing the restricted shares and unpaid dividends, if any, will be delivered to the awardee. From the date a restricted share award is effective, however, the awardee will be a shareholder with respect to all of the restricted shares and will have all the rights of a shareholder with respect to the restricted shares, including the right to vote the restricted shares and to receive all dividends and other distributions paid with respect to the restricted shares, subject only to the preceding provisions of this paragraph and the restrictions imposed by the Governance Committee.

Additional Rights in Certain Events. The 2014 Plan provides for acceleration of the exercisability and extension of the expiration date of stock options and stock appreciation rights, and for lapse of the restrictions on restricted share awards, upon the occurrence of one or more events described in Section 13 of the 2014 Plan ("Section 13 Events"). Such an event is deemed to have occurred when (i) the Company acquires actual knowledge that any person (other than the Company, a subsidiary or any employee benefit plan sponsored by the Company) has acquired beneficial ownership, directly or indirectly, of securities representing 20% or more of the voting power of the Company, (ii) at any time less than 60% of the members of the Board of Directors are persons who were either directors on November 14, 2013 or individuals whose election or nomination for election was approved by a vote of at least two-thirds of the directors then still in office who were directors on November 14, 2013 or who were so approved, (iii) the consummation of a merger, consolidation, share exchange, division or sale or other disposition of assets of the Company as a result of which the shareholders of the Company immediately prior to such transaction shall not hold, directly or indirectly, immediately following such transaction, a majority of the voting power of (a) in the case of a merger or consolidation, the surviving or resulting corporation, (b) in the case of a share exchange, the acquiring corporation, or (c) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation which, immediately following the transaction, holds more than 30% of the consolidated assets of the Company immediately prior to the transaction, or (iv) commencement of any liquidation or dissolution of the Company (other than pursuant to any transfer of 70% or more of the consolidated assets of the Company to an entity or entities controlled by the Company and/or its shareholders following such liquidation or dissolution). The Section 13 Events described above may be limited in effect and otherwise subject to the requirements of Section 409A of the Internal Revenue Code of 1986, which provides certain limitations on the ability to accelerate deferred compensation upon changes in control.

Unless the confirming agreement or an amendment thereto otherwise provides, notwithstanding any other provision contained in the 2014 Plan, upon the occurrence of any Section 13 Event all outstanding stock options and stock appreciation rights become immediately and fully exercisable whether or not otherwise exercisable by their terms, and all stock options and stock appreciation rights held by a director whose service on the Board terminates within one year of any Section 13 Event for any reason are exercisable for the longer of a period of three months from the date of such termination of service or the standard periods of expiration or termination as described above, but in no event after the expiration date of the stock option or the stock appreciation rights.

Unless the restricted share agreement or an amendment thereto otherwise provides, notwithstanding any other provision contained in the 2014 Plan, upon the occurrence of any Section 13 Event prior to the scheduled lapse of all restrictions applicable to restricted share awards under the 2014 Plan, all such restrictions lapse regardless of the scheduled lapse of such restrictions.

Miscellaneous. Deferred stock compensation accounts shall be maintained only on the books of the Company, and no shares of Common Stock or other assets shall be set aside until shares of Common Stock actually become payable to a director or his beneficiary. No person shall have voting rights with respect to shares of Common Stock credited to a deferred stock compensation account and not yet payable to the director or his beneficiary.

If, as of any payment or crediting date, insufficient shares are available to pay or credit the annual Retainer or meeting fees into a deferred stock compensation account, the Company shall pay or credit such fees in cash to the account.

In the event that any outstanding stock option or stock appreciation right is cancelled by mutual consent, terminates, or expires for any reason without having been exercised in full, the shares of Common Stock not purchased under the stock option or stock appreciation right are again available for all purposes of the 2014 Plan. If any shares of Common Stock are forfeited to the Company pursuant to the restrictions applicable to restricted shares awarded under the 2014 Plan, the number of shares so forfeited are again available for all purposes of the 2014 Plan. The number of shares of Common Stock which are surrendered in full or partial payment to the Company of the option price of a stock option will be available for the purpose of granting awards under the 2014 Plan.

The Board of Directors may alter or amend the 2014 Plan at any time, except that, without approval of the shareholders of the Company, no alteration or amendment may be made if shareholder approval of the amendment is at the time required for shares under the 2014 Plan to qualify for the exemption from Section 16(b) of the Securities and Exchange Act of 1934, as amended, provided by Rule 16b-3, or by the rules of the NASDAQ Stock Exchange or any stock exchange on which the Common Stock may then be listed. In addition, no alteration or amendment of the 2014 Plan may, without the written consent of the holder of a stock option, stock appreciation rights, or restricted shares granted or awarded under the 2014 Plan prior thereto, adversely affect the rights of such holder with respect thereto.

No shares of Common Stock shall be issued or credited, nor any options or stock appreciation rights granted, nor restricted stock awarded under the 2014 Plan after March 31, 2019, provided that this does not preclude the issuance of shares in payment of the balance of a director's deferred stock compensation account or the exercise of previously granted stock options or stock appreciation rights. Additionally, the Board of Directors may terminate the 2014 Plan at any time, but termination of the 2014 Plan would not terminate any outstanding stock options or stock appreciation rights granted under the 2014 Plan or cause a revocation or forfeiture of any restricted share award under the 2014 Plan.

The 2014 Plan contains anti-dilution provisions providing for proportionate adjustment in the maximum aggregate number of shares of Common Stock for which stock options and stock appreciation rights may be granted, as to which restricted shares may be awarded, and in the number of shares covered by outstanding stock options and stock appreciation rights in certain events, including stock dividends on shares of outstanding Common Stock. The 2014 Plan also contains provisions providing for the substitution of shares in the event of a reorganization, recapitalization, merger or similar event. The 2014 Plan provides for adjustments to stock options and stock appreciation rights and restrictions on distributions with respect to, or exchanges for restricted shares in the case of, any spin-off, split-off, dividend in partial liquidation or in property other than cash, or extraordinary distribution to holders of the Common Stock.

If a director who has been granted stock options or stock appreciation rights or awarded restricted shares under the 2014 Plan engages in the operation or management of a business, whether as owner, partner, officer, director, employee or otherwise and whether during or after Board service, which is in competition with the Company or any of its subsidiaries, the Governance Committee may in its discretion immediately terminate all stock options and stock appreciation rights held by such person (except when the exercise period of a stock option or stock appreciation right has been extended because one or more of the events described under “Additional Rights in Certain Events” above has occurred) and declare forfeited all restricted shares held by such person as to which the restrictions have not yet lapsed.

Possible Anti-takeover Effect

The provisions of the 2014 Plan providing for the acceleration of the exercise date of outstanding stock options and stock appreciation rights upon the occurrence of a Section 13 Event, the extension of the period during which outstanding stock options and stock appreciation rights may be exercised upon termination of Board service following a Section 13 Event and the lapse of restrictions applicable to restricted stock awards upon the occurrence of a Section 13 Event may be considered as having an anti-takeover effect.

New Plan Benefits

The Governance Committee has determined that commencing in 2014 the annual Retainer will be paid in cash and grants of restricted shares to each independent director with a value of \$100,000 will be made.

Federal Income Tax Consequences

The rules governing the federal tax treatment of an award are very technical. Consequently, the following discussion of federal income tax consequences is necessarily general in nature and does not purport to be exhaustive or complete, and among other things, does not describe state, local or foreign tax consequences. Moreover, statutory provisions are subject to change, as are their interpretations, and their applications may vary in individual circumstances.

Although the Company may endeavor to (i) qualify the payment of fees or a grant or award for favorable United States tax treatment or avoid adverse tax treatment (e.g., under Section 409A of the Code), the Company has made no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment. Section 409A is a provision of the Code that imposes a number of strict and complex requirements that deferred compensation plans and arrangements must satisfy in order for participants of such compensation plans or arrangements to avoid immediate taxation, plus a 20% penalty tax, on the deferred compensation provided by such plan or arrangement.

The Retainer

Current Payment. Directors who receive current payment of the Retainer in cash or in shares of Common Stock generally recognize compensation income on the date on which they receive payment equal to the amount of cash received or the fair market value of the shares received on the payment date.

Deferred Stock Payment. Directors who properly elect to defer receipt of the Retainer in shares of Common Stock generally should recognize compensation income only on the date on which the Retainer is payable to the director from the director's deferred stock compensation account in shares of Common Stock. In general, the compensation income to be recognized by a director upon distribution of Common Stock from a deferred stock compensation account is equal to the fair market value of the shares of Common Stock on the date on which the shares are payable to the director from such account, plus the amount of cash, if any, received in lieu of a fractional share.

Meeting Fees (Including Committee Chairperson Retainer Fees)

Current Cash Payment. Meeting fees paid in cash constitute compensation and must be recognized as compensation income by the directors for the taxable year in which they are received.

Deferred Stock Payment. Directors who properly elect to defer receipt of meeting fees otherwise payable in cash and receive a credit to a deferred stock compensation account should recognize compensation income only on the date on which meeting fees are payable to the director from the director's deferred stock compensation account in shares of Common Stock. In general, the compensation income to be recognized by a director upon distribution of Common Stock from a deferred stock compensation account is equal to the fair market value of the shares of Common Stock on the date on which the shares are payable to the director from such account, plus the amount of cash, if any, received in lieu of a fractional share.

Nonstatutory Stock Options

A director does not recognize any taxable income for Federal income tax purposes upon receipt of a nonstatutory stock option. Upon the exercise of a nonstatutory stock option with cash, the amount by which the fair market value of the shares received, determined as of the date of exercise, exceeds the option price is generally treated as compensation income received in the year of exercise. If the option price of a nonstatutory stock option is paid in whole or in part in shares of Common Stock, no income, gain or loss is recognized on the receipt of shares equal in value on the date of exercise to the shares delivered in payment of the option price. The fair market value of the remainder of the shares received upon exercise of the nonstatutory stock option, determined as of the day of exercise, less the amount of cash, if any, paid upon exercise is generally treated as compensation income received on the date of exercise.