

LAKELAND INDUSTRIES INC
Form DEF 14A
May 22, 2015

United States

Securities and Exchange Commission

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Information Required In Proxy Statement

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Lakeland Industries, 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)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Lakeland Industries, Inc.

May 22, 2015

Dear Stockholder,

I am pleased to extend to you my personal invitation to attend the 2015 Annual Meeting of Stockholders of Lakeland Industries, Inc. (the “Company”) on Wednesday, July 8, 2015 at 10:00 a.m. at the Hilton Garden Inn, 3485 Veterans Memorial Highway, Ronkonkoma, NY 11779.

The accompanying Notice of Annual Meeting and Proxy Statement contain a description of the formal business to be acted upon by the stockholders. At the meeting, we intend to discuss our performance for the fiscal year ended January 31, 2015 and our plans for the current fiscal year. Certain officers of the Company will be available to answer any questions you may have.

While I am looking forward to seeing you at the meeting, it is very important that those of you who cannot personally attend assure your shares are represented. I urge you therefore to sign and date the enclosed form of proxy and return it promptly in the accompanying envelope. If you attend the meeting, you may, if you wish, withdraw any proxy previously given and vote your shares in person.

Sincerely,

Christopher J. Ryan
Chief Executive Officer and Secretary

Lakeland Industries, Inc.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Wednesday, July 8, 2015

To Our Stockholders:

WHAT: Our 2015 Annual Meeting of Stockholders

WHEN: Wednesday, July 8, 2015, at 10:00 a.m., local time

WHERE: Hilton Garden Inn
3485 Veterans Memorial Highway
Ronkonkoma, NY 11779

PURPOSE: At this meeting, you will be asked to:

1. Elect one director to serve for a term of three years or until his successor has been duly elected and qualified;
2. Approve the Lakeland Industries, Inc. 2015 Stock Plan;
3. Ratify the selection of WeiserMazars LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2016; and
4. Transact any other business as may properly come before the Annual Meeting of Stockholders or any adjournments, postponements or rescheduling of the Annual Meeting of Stockholders

Only stockholders of record at the close of business on May 12, 2015 and owners of restricted stock granted pursuant to our stock plans will receive notice of, and be eligible to vote at, the Annual Meeting of Stockholders or any adjournment thereof. The foregoing items of business are more fully described in the Proxy Statement accompanying this notice.

Your vote is important. Please read the Proxy Statement and the voting instructions on the enclosed proxy card. Then, whether or not you plan to attend the Annual Meeting of Stockholders in person, and no matter how many shares you own, please sign, date and promptly return the enclosed proxy card in the enclosed envelope, which requires no additional postage if mailed in the United States.

INTERNET AVAILABILITY OF PROXY MATERIALS

Important Notice Regarding the Availability of Proxy Materials for the 2015 Annual Meeting of Stockholders to be held on Wednesday, July 8, 2015 at 10:00 a.m. Pursuant to Securities and Exchange Commission rules we have elected to utilize the “notice and access” option of providing proxy materials to our stockholders whereby we are delivering to all stockholders electronic copies of all of our proxy materials, including a proxy card, as well as providing access to our proxy materials on a publicly assessable website. **Lakeland’s Notice of Annual Meeting, Proxy Statement and Annual Report to Stockholders for the fiscal year ended January 31, 2015 are available on the Internet at www.proxyvote.com.**

This Notice and Proxy Statement are first being sent or given to stockholders of record on or shortly after May 22, 2015.

Ronkonkoma, New York By Order of the Board of Directors,
May 22, 2015

Christopher J. Ryan
Secretary

Lakeland Industries, Inc.

701 Koehler Avenue, Suite 7

Ronkonkoma, New York 11779

(631) 981-9700

PROXY STATEMENT

Annual Meeting of Stockholder to be Held on Wednesday, July 8, 2015

GENERAL INFORMATION

This proxy statement and accompanying proxy are being furnished in connection with the solicitation by the Board of Directors (the "Board") of Lakeland Industries, Inc., a Delaware corporation (referred to as "Lakeland," the "Company," "we," "our," or "us"), of proxies to be used at the annual meeting of stockholders of Lakeland to be held on Wednesday, July 8, 2015, which we refer to as the Annual Meeting, and at any adjournment or postponement thereof. Lakeland will bear the costs of this solicitation. This proxy statement and accompanying proxy are first being sent or given to our stockholders on or about May 22, 2015.

Who may vote

Stockholders of Lakeland recorded in our stock register on May 12, 2015 and holders of restricted shares of our common stock may vote at the meeting. As of that date, Lakeland had 7,071,779 shares of common stock outstanding and issued 244,497 shares of restricted stock. Each share is entitled to one vote on each matter submitted to the stockholders at the Annual Meeting.

How proxies work

Lakeland's Board is asking for your proxy. Giving us your proxy means you authorized us to vote your shares at the Annual Meeting in the manner you direct. You may vote or withhold your vote in respect of our director nominee. You may also vote for or against each of the other proposals or abstain from voting.

All proxies properly signed will, unless a different choice is indicated, be voted "FOR" the election of the one nominee for director proposed by our Nominating and Corporate Governance Committee, "FOR" the Lakeland Industries, Inc. 2015 Stock Plan and "FOR" the ratification of WeiserMazars LLP ("WeiserMazars") as our independent registered public accounting firm for fiscal year ending January 31, 2016.

You may receive more than one proxy or voting card depending on how you hold your shares. Shares registered in your name are covered by one card. If you hold shares through someone else, such as a stockbroker or bank, you may get material from them asking how you want to vote. Specifically, if your shares are held in the name of your stockbroker or bank and you wish to vote in person at the meeting, you should request your stockbroker or bank to issue you a proxy covering your shares.

If any other matters come before the meeting or any postponement or adjournment, each proxy will be voted in the discretion of the individuals named as proxies on the card.

Revoking a proxy

You may revoke your proxy at any time before the vote is taken by submitted a new proxy with a later date, by voting via the Internet or by telephone at a later time, by voting in person at the meeting or by notifying Lakeland's Secretary in writing at the address under "Questions" on page 35.

Quorum

In order to carry on the business of the meeting, we must have a quorum. This means at least a majority of the outstanding shares eligible to vote must be represented at the meeting, either by proxy or in person.

Attending in Person

Only stockholders, their proxy holders and Lakeland guests, each of which must be properly registered as described in the Notice, may attend the Annual Meeting.

What vote is required to approve each proposal?

Proposal No. 1, the election of one director requires a plurality of the votes cast. Shares not voted on the election of one director nominee will have no effect on the outcome of the vote for election of one director.

Proposal No. 2, approval of the Lakeland Industries, Inc. 2015 Stock Plan requires a “For” vote by a majority of the shares present in person or represented by proxy and entitled to vote thereon. In determining whether the proposal has received the requisite number of votes, abstentions will be counted and will have the same effect as a vote against the proposal. Brokers are not permitted to vote shares held for a customer without specific instructions from the customer. Broker non-votes, as described below, will be disregarded and will have no effect on the outcome of the vote.

Proposal No. 3, the ratification of the appointment of WeiserMazars as our independent registered public accounting firm, requires a “For” vote by the majority of the shares present in person or represented by proxy and entitled to vote thereon. In determining whether the proposal has received the requisite number of votes, abstentions will be counted as a vote against this proposal.

How votes are counted and how are brokers non-votes treated?

Votes will be counted by the inspector of election appointed for the Annual Meeting, who will separately count “For” votes, “Against” votes, abstentions, withheld votes and broker non-votes.

A “broker non-vote” is when a broker, bank or other nominee has not received voting instructions from the beneficial owner of shares held in “street name” and the broker, bank or other nominee does not have, or declines to exercise, discretionary authority to vote on a particular matter. Brokers, banks or other nominees only have discretionary authority to vote your uninstructed shares on “routine” matters, but will not be allowed to vote your uninstructed shares with respect to certain “non-routine” matters. Under current Nasdaq Stock Market rules, the ratification of the appointment of independent registered public accountants (Proposal No. 3) is considered routine and your broker, bank or other nominee will be able to vote on that proposal even if it does not receive instructions from you. The election of a director (Proposal No. 1) and approval of our 2015 Stock Plan (Proposal No. 2) are each “non-routine” matters. This means that if you hold your shares through a broker, bank or other nominee in “street name” and do not provide voting instructions, the broker, bank or other nominee will have the discretion to vote your shares on Proposal No. 3 but not on Proposal No. 1 and Proposal No. 2.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in a Current Report on Form 8-K to be filed with the Securities and Exchange Commission (“SEC”) within four business days following the conclusion of our Annual Meeting.

Householding of proxy material.

Some banks, brokers and other nominee record holders may be participating in the practice of “householding,” which the SEC has approved. Under this procedure, you may only receive one copy of the Notice of Internet Availability of Proxy Materials and, if applicable, this Proxy Statement and our annual report, for multiple stockholders in your household. Upon written or oral request, we will deliver promptly another copy of the Notice of Internet Availability of Proxy Materials and, if applicable, this Proxy Statement and our annual report to any stockholder at a shared address to which we delivered a single copy of any of these documents. To receive a separate copy, please contact Secretary, Lakeland Industries, Inc., 701 Koehler Avenue, Suite 7, Ronkonkoma, New York, 11779, by mail. If you want to receive separate copies of our proxy statements and annual reports in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder.

Has the Lakeland Board made a recommendation regarding the matters to be acted upon at the Annual Meeting?

Lakeland Board recommends that you vote “FOR” the election of the one director proposed by the Nominating and Corporate Governance Committee, “FOR” the Lakeland Industries, Inc. 2015 Stock Plan, and “FOR” the ratification of WeiserMazars as our independent registered public accounting firm for the fiscal year ended January 31, 2016.

ELECTION OF DIRECTOR

(Item 1 on the Proxy Card)

General

Our Bylaw's provide for a Board of Directors consisting of at least five and not more than seven directors, classified into three classes as nearly equal in number as possible. Our Board of Directors now consists of seven directors. As indicated below, Stephen M. Bachelder, a director in Class II, is nominated for election at this Annual Meeting of Stockholders to hold office for a three-year term, which will expire at the 2018 Annual Meeting of Stockholders, or until his successor is duly elected and qualified or until his earlier resignation or removal. Our Nominating and Governance considered the qualifications of Mr. Bachelder for election prior to the Annual Meeting, and unanimously recommended that he be nominated for election to the Board. Douglas B. Benedict and James M. Jenkins are each not standing for reelection to the Board. Accordingly, following the election, our Board will consist of five directors consisting of (i) two directors serving in Class I, (ii) one director serving in Class II, and (iii) two directors serving in Class III, as further set forth below. The reduction in the size of the Board from seven to five directors was effectuated to save costs. The Board believes that it can operate efficiently and effectively at this new size.

Vote Required

Directors are elected by a plurality of the votes properly cast in person or by proxy. Shares represented by executed proxy cards will be voted, if authority to do so is not withheld, for the election of the nominee named below. Abstentions and broker non-votes will have no effect on the outcome. If the Board nominee becomes unavailable for election as a result of an unexpected occurrence, your shares will be voted for the election of a substitute nominee determined by our Board. The person nominated by the Board for election has agreed to serve if elected. We have no reason to believe that the Board nominee will be unavailable or, if elected, will decline to serve.

NOMINEE DIRECTOR - CLASS II

Term Expiring in 2018

Name	Age	Position	Director Since
Stephen M. Bachelder	64	COO, Director	2004

Stephen M. Bachelder has served as our Chief Operating Officer since November 2012 and a director since 2004. From February 2011 to November 2012, he served as Chairman of our Board of Directors. From March 2011 until November 2012 he served as our National Sales Manager. Mr. Bachelder was an executive and President of Swiftview, Inc., a Portland, Oregon based software company, from 1999 to 2007. Swiftview, Inc. was sold to a private

equity firm in October 2006. From 1991 to 1999 Mr. Bachelder operated a consulting firm advising technology companies in the Pacific Northwest. Mr. Bachelder was the president and owner of an apparel company, Bachelder Imports, from 1982 to 1991 and worked in executive positions for Giant Foods, Inc. and Pepsico, Inc. between 1976 and 1982. Mr. Bachelder is a 1976 Graduate of the Harvard Business School. Mr. Bachelder's qualifications to serve on our Board include his business education and multiple prior executive positions at a number of companies, including Lakeland.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR”

THE FOREGOING NOMINEE FOR DIRECTOR

INCUMBENT DIRECTORS - CLASS I

Terms Expiring in 2017

Name	Age	Position	Director Since
Christopher J. Ryan	63	Chief Executive Officer, President, Secretary and Director	1986
A. John Kreft	64	Director	2004

Christopher J. Ryan has served as our Chief Executive Officer and President since November 2003, Secretary since April 1991, and a director since May 1986. Mr. Ryan was our Executive Vice President - Finance from May 1986 until becoming our President in November 2003. Mr. Ryan also worked as a Corporate Finance Partner at Furman Selz Mager Dietz & Birney, Senior Vice President-Corporate Finance at Laidlaw Adams & Peck, Inc., Managing-Corporate Finance Director of Brean Murray Foster Securities, Inc. and Senior Vice President-Corporate Finance of Rodman & Renshaw, respectively, between 1983-1991. Mr. Ryan served as a Director of Lessing, Inc., a privately held restaurant chain based in New York, from 1995-2008. Mr. Ryan received his BA from Stanford University, his MBA from Columbia Business School and his J.D. from Vanderbilt Law School. Mr. Ryan’s qualifications to serve on our board include his business and legal education as well as his lengthy experience as a director at our Company and at other companies.

A. John Kreft has served as a director since 2004. Mr. Kreft has been President of Kreft Interests, a Houston based private investment firm, since 2001. Between 1998 and 2001, he was the Chief Executive Officer of Baker Kreft Securities, LLC, a NASD broker-dealer. From 1996 to 1998, Mr. Kreft was a co-founder and manager of TriCap Partners, a Houston based venture capital firm. From 1994 to 1996 he was employed as a director at Alex Brown and Sons. Mr. Kreft has also held senior positions at CS First Boston, including as a managing director from 1989 to 1994. Mr. Kreft received his MBA from the Wharton School of Business in 1975. Mr. Kreft’s qualifications to serve on our board include his extensive capital markets experience with debt and equity financings and bank facilities. In addition, his familiarity with acquisition due diligence and integration issues assists him in his directorship of our company.

INCUMBENT DIRECTORS - CLASS III

Terms Expiring in 2016

Name Age Position Director Since

Duane W. Albro 68 Director 2009

Thomas McAteer 62 Director 2011

Duane W. Albro has served as a director since April 2009 and as our Chairman of the Board since October 2012. He currently serves as Executive Partner with N-Squared Growth Capital, a mid-tier private equity firm since 2013. Mr. Albro was the CEO of Alteva (NYSE “ALTV”) from May 2007 until March 2013. From 2005 to 2006, he was President and CEO of Refinish LP, a privately held company in the cellular phone refurbishing business. Prior to that, from 2004 to 2005, Mr. Albro was a business consultant with the Gerson Lehrman Group in NY, NY, providing strategic and tactical analysis and advice to investors and businesses. He has extensive experience in the telecommunications and cable TV industry having worked in executive positions at Cablevision, Net 2000 Communications, Bell Atlantic and Nynex between 1966 and 2003. Mr. Albro has also been active in supporting the positive impact of telecommunications used in education, having served on a White House Advisory Council on Technology in Education and provided testimony to Congress on the benefits of technology used in education. Mr. Albro has demonstrated his commitment to workforce issues as the founder, Chairman and President of the Long Island Works Coalition, a non-profit organization dedicated to enhancing the available workforce for technology industries. Mr. Albro holds an MBA from New York Institute of Technology. Mr. Albro’s qualifications to serve on our Board include his extensive executive business experience.

Thomas J. McAteer has served as a director since 2011. Mr. McAteer currently serves as Executive Vice President of Management Development and Strategic Initiatives of Suffolk Transportation. He served as the Senior Vice President and Regional Market Head for Aetna's Medicaid Division from March 2007 until March 2013. Prior to joining Aetna Medicaid, Mr. McAteer served as the President and CEO of Vytra Health Plans. In a thirteen year career at Vytra, Mr. McAteer played an executive leadership role in growing Vytra from annual revenues of \$70 million in 1993 to over \$375 million in 2005. In 2001, Mr. McAteer facilitated the sale of Vytra to HIP Health Plans and, thereafter assumed the additional responsibilities of Executive Vice President for Brand Leadership, as well as joining the Executive Committee of the enterprise. Before joining Vytra, Mr. McAteer served as the Chief Deputy County Executive in Suffolk County, New York and prior to that as the Director of Human Resources for the Metropolitan Transportation Authority. Mr. McAteer's qualifications to serve on our Board include his business experience and multiple prior executive positions.

DIRECTOR COMPENSATION

Non-employee directors each receive \$4,000 quarterly as compensation for serving as a member of the Board and on its committees, and a fee of \$500 for each Board or committee meeting attended. Members of the Board of Directors are reimbursed for all travel related expenses to and from meetings of the Board and committees. There are no charitable awards or director legacy programs and no deferred compensation programs for our directors. Directors who are also officers of the Company are not compensated for their duties as directors. In its deliberations relating to directors' compensation, the Compensation Committee reviewed a study conducted by The Conference Board, entitled "Director Compensation and Board Practices 2013 Edition."

The following table sets forth compensation paid by the Company to non-employee directors during the fiscal year ended January 31, 2015 (sometimes referred to in this proxy statement as "FY15"). Disclosures relating to the compensation of Christopher J. Ryan and Stephen M. Bachelder can be found in the "Executive Officer Compensation" section below.

DIRECTOR COMPENSATION - FISCAL 2015

Name	Fees Earned or Paid in Cash (\$)	Stock Awards ⁽¹⁾ (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Duane W. Albro	22,000	—	—	—	—	—	22,000
Douglas B. Benedict	21,000	—	—	—	—	—	21,000
A. John Kreft	22,500	—	—	—	—	—	22,500
Thomas McAteer	—	22,000	(2)	—	—	—	22,000
James M. Jenkins	5,500	16,000	(3)	—	—	—	21,500

Represents the aggregate grant date fair value of restricted stock granted to the director during FY15. The amounts in this column do not necessarily correspond to the actual value that will be realized by the director. The assumptions used to calculate the fair value are set forth in the Footnotes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for 2015 as filed with the SEC.

(2) Mr. McAteer was paid his fees in restricted stock totaling \$22,000 for FY15, subject to two-year vesting.

(3) Mr. Jenkins was paid a portion of his fees in restricted stock totaling \$16,000 for FY15, which shares of restricted stock were fully vested by action of the Board on May 12, 2015.

Approval of the Lakeland Industries, Inc. 2015 Stock Plan

(Item 2 on the Proxy Card)

Overview

The Board of Directors recommends that our stockholders approve the Lakeland Industries, Inc. 2015 Stock Plan (the “Stock Plan”). On February 4, 2015, the Compensation Committee recommended to our Board, and on May 12, 2015 our Board adopted, the Stock Plan, subject to stockholder approval. The general purpose of the Stock Plan is to attract, motivate and retain selected employees and directors for our Company, to provide them with incentives and rewards for superior performance and to better align their interests with the interests of our stockholders.

If the Stock Plan is approved by our stockholders, no new grant of any award will be made pursuant to any of the following plans as of the date of such approval: (i) the Lakeland Industries, Inc. 2006 Incentive Plan (ii) the Lakeland Industries, Inc. 2009 Equity Plan and (iii) the Lakeland Industries, Inc. 2012 Stock Incentive Plan.

The summary below of the principal features of the Stock Plan is qualified in its entirety by reference to the Stock Plan, a copy of which is attached hereto as Exhibit A.

Summary of the Plan

General. The Stock Plan authorizes us to provide equity-based compensation in the form of (i) Restricted Stock and Restricted Stock Unit Awards (“RSUs”), (ii) Performance Shares and Performance Units and (iii) Other Share-Based Awards (collectively called “Awards”).

Number of Shares Authorized. The number of shares of our common stock available for award under the Stock Plan is 100,000 shares. The maximum number of shares of our common stock subject to Awards that may be granted to any individual during any calendar year is 20,000 shares.

If any Award is forfeited, expires, lapses or otherwise terminates or is settled for any reason whatsoever without the issuance of shares of our common stock subject to such Award, such shares will again be available for future grant. In addition, any shares under the Stock Plan that are used to satisfy award obligations under the plan of another entity that is acquired by our Company will not count against the remaining number of shares available. Finally, if there is any change in our corporate capitalization, the Compensation Committee may cancel and make substitutions of Awards or may adjust the number of shares available for award under the Stock Plan and the number and kind of shares covered by Awards then outstanding under the Stock Plan.

Administration. The Compensation Committee (or any subcommittee thereof formed by the Compensation Committee) (the “Committee”) will administer the Stock Plan; provided, however, with respect to non-employee directors, the Stock Plan shall be administered by the full Board. Subject to the other provisions of the Stock Plan, the Committee has the authority to:

- construe and interpret the Stock Plan;
- establish and amend rules, regulations and guidelines relating to the Stock Plan;
- select the participants and determine the type of Awards to be made to participants, the number of shares subject to Awards and the terms, conditions, restrictions and limitations of Awards;
- determine whether performance goals to which an Award relates have been satisfied; and
- make all other determinations it deems necessary or advisable for the administration of the Stock Plan.

Eligibility. The Stock Plan provides that Awards may be granted to employees and non-employee directors of our Company. As of May 8, 2015, the Company has 1,300 employees and seven directors.

Each Award granted under the Stock Plan will be evidenced by a written award agreement between the participant and our Company, which will describe the Award and state the terms and conditions to which the Award is subject. The principal terms and conditions of each particular type of Award are described below.

The Awards Authorized Under the Stock Plan

Restricted Stock and Restricted Stock Unit Awards

An Award of Restricted Stock is a grant to the recipient of ownership of a specified number of shares of common stock which are subject to restrictions that lapse separately or in combination at such time or times as the Committee, in its discretion, determines. Each grant of Restricted Stock will specify the relevant restriction period which may be related to a vesting schedule based upon the passage of time, the attainment of performance goals or a combination thereof and will include a restriction on transfer to third parties during the restriction period. Unless otherwise provided in the award agreement, the participant shall become a stockholder of the Company, with voting, dividend and other stockholder rights, with respect to the restricted stock awarded as of the date of grant.

Restricted Stock Units represent the right of the grantee of the RSU to receive from the Company a payment upon or after vesting of the RSU equal to the per share value of the common stock as of the date of grant, vesting date or other date determined by the Committee at the date of grant of the RSU. Each RSU grant will specify the relevant restriction period which may be related to a vesting schedule based upon the passage of time, the attainment of performance goals or a combination thereof and will include a restriction on transfer to third parties during the restriction period. At the discretion of the Committee, RSUs may be settled by delivery of cash or shares, or a combination thereof, as determined by the Committee. RSUs may entitle the participant to receive credits for dividend equivalents, but not voting or other rights as a stockholder.

Performance Awards

Awards of Performance Shares and Performance Units may be made under the Stock Plan. Performance Shares granted under the Stock Plan will have an initial value equal to 100% of the fair market value of a share of common stock on the date of grant. Performance Units granted under the Stock Plan will have an initial value that is established by the Committee on or before the date of grant, which value need not relate to the fair market value of a share of common stock. A grant of Performance Shares or Performance Units will vest and become payable to the participant upon the achievement of pre-established performance goals during a specified period of time which shall be not less than one year or more than four years (the "Performance Cycle") as established by the Committee. Performance goals, the number of shares and/or units to which they pertain, the relevant Performance Cycle, and the time and manner of payment of the Award shall be specified in the award agreement. Payment of performance awards may be made in shares, cash or any combination thereof.

Other Share-Based Awards

Other Share-Based Awards may be granted by the Committee, either alone or in addition to other Awards granted under the Stock Plan, in the form and on such terms and conditions as the Committee shall determine.

Other Share-Based Awards may include, without limitation, an award of an unspecified number of shares, entitled “Restricted Shares,” which is not tied to a formula or comparable company target ranges, but rather is determined at the end of a two or three-year performance period or such other vesting period established at the discretion of the Committee. The number of Restricted Shares awarded will be at either baseline (target), maximum or zero amounts as determined by the Committee, in its discretion, at the time of vest.

General Provisions

Vesting. Each grant of Performance Shares and Performance Units will specify the performance goals that must be achieved during the relevant Performance Cycle in order for payment to be made. Each grant of Restricted Stock or Restricted Stock Units shall specify the duration of the restriction period and any other conditions under which the Restricted Stock or Restricted Stock Unit would be forfeitable to our Company, including any applicable performance goals. Each grant may provide for the early exercise of rights or termination of a restriction or deferral period in the event of a Change in Control or similar transaction or event.

Performance Goals. The Committee may condition the grant and vesting of any Award on the achievement of certain pre-established performance goals. Performance goals may be established based on company-wide objectives or objectives that are related to the performance of the individual participants; with respect to one or more subsidiaries, business units, divisions, department or functions; and in either absolute terms or relative to the performance of one or more comparable companies or an index covering multiple companies. Performance goals may be based upon one or more of the following:

- specified levels of or increases in the Company’s, a division’s or a subsidiary’s return on capital, equity or assets;

earnings measures/ratios (on a gross, net, pre-tax or post-tax basis), including diluted earnings per share, total earnings, operating earnings, earnings growth, earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA);

net economic profit (which is operating earnings minus a charge to capital);

net income;

operating income;

sales;

sales growth;

gross margin;

direct margin;

operating profit;

per period or cumulative cash flow (including but not limited to operating cash flow and free cash flow) or cash flow return on investment (which equals net cash flow divided by total capital);

inventory turns;

financial return ratios;

market share;

balance sheet measurements such as receivable turnover;

improvement in or attainment of expense levels;

improvement in or attainment of working capital levels;

debt reduction;

strategic innovation, including but not limited to entering into, substantially completing, or receiving payments under, relating to, or deriving from a joint development agreement, licensing agreement, or similar agreement;

customer or employee satisfaction;

individual objectives; and

any financial or other measurement deemed appropriate by the Committee as it relates to the results of operations or other measurable progress of the Company and its subsidiaries (or any business unit of the Company or any of its subsidiaries).

The Committee may modify performance goals in whole or in part, during the Performance Cycle or other restriction period, as applicable, as it deems appropriate and equitable, other than for Awards intended to qualify as “qualified performance-based compensation” subject to Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), which Awards generally may not be modified if such modification will cause the Award to no longer qualify under Section 162(m) of the Code.

Dividends/Ownership Rights. Unless otherwise provided by the Committee, an Award of Restricted Stock entitles the participant to dividend, voting and other ownership rights during the restriction period. Notwithstanding the foregoing, any dividends paid with respect to the Restricted Stock shall be subject to the same restrictions that apply to the underlying Award during the restriction period, unless otherwise provided by the Committee. A participant receiving a Restricted Stock Unit Award will not possess any rights of a stockholder with respect to such Award.

Transferability of Awards. In general, during a participant’s lifetime, his or her Awards shall be exercisable only by the participant and shall not be transferable other than by will or laws of descent and distribution. However, the Committee may provide for limited transfers of Awards to certain family members, trusts for the benefit of certain

family members, or partnership in which such family members are the only members.

Termination of Employment. Unless otherwise provided in an award agreement or as may be determined by the Committee: (a) upon a participant's termination of employment before the end of a restriction period or Performance Cycle, as applicable, by reason of his or her death or permanent disability, the relevant restriction period or Performance Cycle for such participant for purposes of determining the amount of the Award of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units payable, shall end at the end of the calendar quarter immediately preceding the date on which said participant ceased to be employed. Provided that the relevant performance goals or other restrictions were satisfied during such restrictive period or Performance Cycle, as applicable, the participant shall be paid his or her proportionate share of any such Award; and (b) upon a participant's termination of employment for any reason other than death or disability or a qualifying retirement (as defined below) with respect to any outstanding Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units, the unvested portion of any such Awards shall be forfeited with no compensation due the participant.

Award Deferrals and Dividend Equivalents. An award agreement may provide for the deferral of the payment of any Award. The recipient of any Award may be entitled to receive, on a deferred basis, amounts of cash, stock or other property dividends on shares of common stock underlying the Award. Any dividends or dividend equivalents provided with respect to Performance Awards, Restricted Stock, RSUs or other Share-Based Awards that are subject to the attainment of performance goals will be subject to the same restrictions and risk of forfeiture as the underlying Awards.

Qualifying Retirement and Disqualifying Activity

If a participant's employment with the Company terminates for any reason other than death, permanent disability or the participant's involuntary termination for cause, and if immediately prior to the date of such termination of employment (i) the participant is 55 years of age or older, and (ii) the sum of the participant's age and completed years of employment as an employee of the Company (disregarding fractions in both cases) totals 70 years or more (a "qualifying retirement"), the following provisions will apply: (a) with respect to any time-based Award of Restricted Stock or Restricted Stock Units which has not vested, effective as of the participant's retirement date: (1) the Award will remain in effect with respect to fifty percent (50%) of the shares or units covered thereby, and such Award will vest on the participant's retirement date and such shares or units will be free of restrictions as of the vesting date; and (2) the Award will be terminated with respect to the remaining fifty percent (50%) of the shares or units covered thereby; (b) with respect to any performance-based Award of Restricted Stock, RSUs, Performance Shares or Performance Units which has not vested, effective as of the participant's retirement date: (1) the Award will remain in effect with respect to fifty percent (50%) of the shares or units covered thereby and will vest upon the achievement of the related performance goals (unless an Award expires according to its terms prior to the satisfaction of the performance goals, in which event the Award will terminate and applicable shares of Restricted Stock, RSUs, Performance Shares or Performance Units will be forfeited); and (2) the Award will terminate as to the remaining fifty percent (50%) of the shares or units covered thereby. However, if the participant is the Chief Executive Officer of the Company or a member of his or her direct reporting group, and such person has given the Company written notice at least one (1) full year prior to his or her qualifying retirement, no unvested performance-based Award of Restricted Stock, RSUs, Performance Shares or Performance Units will terminate upon such retirement, and one hundred percent (100%) of the shares or units covered by such Award will remain in effect and will vest upon the achievement of the related performance goals (unless an Award expires according to its terms prior to the satisfaction of the performance goals, in which event the Award will terminate and applicable shares of Restricted Stock, RSUs, Performance Shares or Performance Units will be forfeited).

Notwithstanding the foregoing, if the Committee determines that the participant is engaged or has engaged in any disqualifying activity (as defined below), then (1) to the extent that any Award held by such participant has vested as of the date such participant engaged in such disqualifying activity (the "disqualification date"), the participant will have the right to receive all shares or units which are vested as of such date, and (2) to the extent that any Award held by such participant has not vested as of the disqualification date, the Award will terminate, and all related shares or units will be forfeited, as of such date. Any determination by the Committee, which may act upon the recommendation of the Chief Executive Officer or other senior officer of the Company, that the participant is or has engaged in any disqualifying activity, and as to the disqualification date, will be final and conclusive.

The term “disqualifying activity” is defined in the Stock Plan to include, among other activities: (i) directly or indirectly being an owner, officer, employee, advisor or consultant to a company or other entity that competes with the Company or its subsidiaries or affiliates to an extent deemed material by the Committee, or (ii) disclosure to third parties or misuse of any confidential information or trade secrets of the Company, its subsidiaries or affiliates, or (iii) any material violation of the Company’s Code of Business Conduct and Ethics or any other agreement between the Company and the participant, or (iv) failing in any material respect to perform his or her assigned responsibilities as an employee of the Company, as determined by the Committee, in its sole judgment, after consulting with the Chief Executive Officer of the Company. The ownership of less than 2% of the outstanding voting securities of a publicly traded corporation which competes with the Company or any of its subsidiaries or affiliates will not constitute a disqualifying activity.

Change in Control

Unless otherwise provided in a participant's employment agreement with the Company, and notwithstanding any provision in the Stock Plan to the contrary, upon the occurrence of a Change in Control of the Company, the Board, in its sole discretion, may take one or more of the following actions with respect to any Awards that are outstanding immediately prior to such Change in Control: (a) accelerate the vesting of all outstanding Awards such that all outstanding Awards are fully vested (effective immediately prior to such Change in Control); (b) require the successor corporation (or its parent), following a Change in Control, to assume outstanding Awards and/or to substitute such Awards with awards involving the common stock of such successor corporation (or its parent) on terms and conditions necessary to preserve the rights of participants with respect to such Awards; or (c) take such other actions as the Board deems appropriate to preserve the rights of participants with respect to their Awards.

A "Change in Control" is defined in the Stock Plan as occurrence of any of the following events: (a) the acquisition in one or more transactions by any "person" (as such term is used for purposes of Section 13(d) or Section 14(d) of the Exchange Act of 1934, as amended (the "Exchange Act")) but excluding, for this purpose, (i) the Company or its subsidiaries, and (ii) any employee benefit plan of the Company or its subsidiaries, of "beneficial ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of more than fifty percent (50%) of the combined voting power of the Company's then outstanding voting securities (the "Voting Securities"); (b) the consummation of a merger or consolidation involving the Company if the stockholders of the Company, immediately before such merger or consolidation, do not own, directly or indirectly, immediately following such merger or consolidation, at least fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger or consolidation in the same proportions as owed immediately prior to the merger or consolidation; (c) individuals who, as of the effective date of the Stock Plan constitute the Board (the "Incumbent Board"), cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such effective date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, as a member of the Incumbent Board, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of any "person" (as such term is used for purposes of Section 13(d) or Section 14(d) of the Exchange Act) other than the Board; or (d) the acquisition by any "person" (as such term is used for purposes of Section 13(d) or Section 14(d) of the Exchange Act) in a single transaction or in a series of related transactions occurring during any period of 12 consecutive months, of assets from the Company that have a total gross fair market value equal to or more than 51% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions.

Effective Date, Amendments, and Termination of the Stock Plan. The Stock Plan will be effective as of the date of approval by our stockholders. The Board of Directors has the authority to amend, alter, suspend or terminate the Stock Plan at any time; provided, however, that stockholder approval is required for any such action that (i) increases the number of shares subject to the Stock Plan, (ii) decreases the price at which Awards may be granted, or (iii) as otherwise required by applicable federal, state or foreign law or regulation or the rules of any applicable stock exchange. Further, no amendment, alteration, suspension, discontinuation, or termination of the Stock Plan may materially and adversely affect the rights of any participant under any outstanding Award without the consent of the affected participant, unless modification is necessary to ensure a deduction under Section 162(m) of the Code or avoid

the additional tax described in Section 409A of the Code. The Stock Plan terminates automatically on the second anniversary of its adoption by the stockholders. Any shares which remain available for grant under the Stock Plan on the date of termination shall expire as of such date. Any shares subject to an Award which have not vested as of the date of termination of the Stock Plan, shall remain in effect until they expire pursuant to the terms of such Award.

Certain Federal Income Tax Considerations

The following discussion is a summary of certain federal income tax considerations that may be relevant to participants in the Stock Plan. The discussion is for general informational purposes only and does not purport to address specific federal income tax considerations that may apply to a participant based on his or her particular circumstances, nor does it address state or local income tax or other tax considerations that may be relevant to a participant.

