

HENRY JACK & ASSOCIATES INC  
Form DEF 14A  
October 03, 2012

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-11(c) or §240.14a-12

JACK HENRY & ASSOCIATES, INC.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

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:

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JACK HENRY & ASSOCIATES, INC.  
663 Highway 60, P.O. Box 807  
Monett, Missouri 65708

NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF JACK HENRY & ASSOCIATES, INC.:

PLEASE TAKE NOTICE that the 2012 Annual Meeting of Stockholders of Jack Henry & Associates, Inc., a Delaware corporation, will be held in the Company's Executive Conference Center, lower level (Building J-7) at the Company Headquarters, 663 Highway 60, Monett, Missouri, on Wednesday, November 14, 2012, 11:00 a.m. local time, for the following purposes:

- (1) To elect eight (8) directors to serve until the 2013 Annual Meeting of Stockholders;
- (2) To approve the compensation of our named executive officers;
- (3) To approve the Company's 2012 Annual Incentive Plan;
- (4) To ratify the selection of the Company's independent registered public accounting firm; and
- (5) To transact such other business as may properly come before the Annual Meeting and any adjournments thereof.

The close of business on September 20, 2012, has been fixed as the record date for the Annual Meeting. Only stockholders' of record as of that date will be entitled to notice of and to vote at said meeting and any adjournment or postponement thereof.

The accompanying form of Proxy is solicited by the Board of Directors of the Company. The attached Proxy Statement contains further information with respect to the business to be transacted at the Annual Meeting.

ALL STOCKHOLDERS ARE INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND, PLEASE DATE AND SIGN THE ENCLOSED PROXY. IF YOU DECIDE TO ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON.

By Order of the Board of Directors

/s/ Janet E. Gray  
Janet E. Gray  
Secretary

Monett, Missouri  
October 3, 2012

## TABLE OF CONTENTS

Voting	<u>1</u>
Stock Ownership of Certain Stockholders	<u>2</u>
Election of Directors (Proposal 1)	<u>4</u>
Corporate Governance	<u>7</u>
Certain Relationships and Related Transactions	<u>11</u>
Section 16(a) Beneficial Ownership Reporting Compliance	<u>11</u>
Audit Committee Report	<u>12</u>
Executive Officers and Significant Employees	<u>13</u>
Compensation Committee Report	<u>13</u>
Compensation Discussion and Analysis	<u>14</u>
Compensation and Risk	<u>21</u>
Executive Compensation	<u>22</u>
Equity Compensation Plan Information	<u>26</u>
Advisory Vote on Executive Compensation (Proposal 2)	<u>26</u>
Approval of the Company's 2012 Annual Incentive Plan (Proposal 3)	<u>27</u>
Ratification of the Selection of the Company's Independent Registered Public Accounting Firm (Proposal 4)	<u>31</u>
Stockholders Proposals	<u>32</u>
Cost of Solicitation and Proxies	<u>33</u>
Financial Statements	<u>33</u>
Other Matters	<u>33</u>
Annex A - 2012 Annual Incentive Plan	<u>34</u>

JACK HENRY & ASSOCIATES, INC.  
663 Highway 60, P.O. Box 807  
Monett, Missouri 65708

PROXY STATEMENT  
FOR THE 2012 ANNUAL MEETING OF STOCKHOLDERS  
To Be Held Wednesday, November 14, 2012

This Proxy Statement and the enclosed proxy card (the Proxy) are furnished to the stockholders of Jack Henry & Associates, Inc., a Delaware corporation (the Company), in connection with the solicitation of Proxies by the Company's Board of Directors for use at the 2012 Annual Meeting of Stockholders, and any adjournment or postponement thereof (the Annual Meeting), to be held in the Company's Executive Conference Center, lower level (Building J-7) at the Company headquarters, 663 Highway 60, Monett, Missouri, at 11:00 a.m. local time, on Wednesday, November 14, 2012. The mailing of this Proxy Statement, the Proxy, the Notice of Annual Meeting and the accompanying 2012 Annual Report to Stockholders is expected to commence on or about October 3, 2012.

The Board of Directors does not intend to bring any matters before the Annual Meeting except those indicated in the Notice and does not know of any matter which anyone else proposes to present for action at the Annual Meeting. If any other matters properly come before the Annual Meeting, however, the persons named in the accompanying form of Proxy, or their duly constituted substitutes, acting at the Annual Meeting, will be deemed authorized to vote or otherwise to act thereon in accordance with their judgment on such matters.

If the enclosed Proxy is properly executed and returned prior to voting at the Annual Meeting, the shares represented thereby will be voted in accordance with the instructions marked thereon. Directors are elected by a plurality of the votes cast, in person or by proxy, by stockholders entitled to vote at the annual meeting for that purpose. The advisory votes with respect to the compensation of our named executive officers and the frequency of future stockholder votes on executive compensation, as well as the ratification of the selection of the Company's independent registered public accounting firm, will require the affirmative vote of a majority of the shares of Common Stock present at the Annual Meeting in person or by proxy and entitled to vote.

Any stockholder executing a Proxy retains the power to revoke it at any time prior to the voting of the Proxy. It may be revoked by a stockholder personally appearing at the Annual Meeting and casting a contrary vote, by filing an instrument of revocation with the Secretary of the Company, or by the presentation at the Annual Meeting of a duly executed later dated Proxy.

VOTING

At the 2012 Annual Meeting, Stockholders will consider and vote upon:

- (1) The election of eight (8) directors;
- (2) Approval of the compensation of our named executive officers;
- (3) Approval of the Company's 2012 Annual Incentive Plan;
- (4) Ratification of the selection of Deloitte & Touche, LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2013; and
- (5) Such other matters as may properly come before the Annual Meeting.

Only stockholders of record at the close of business on September 20, 2012, the record date for the Annual Meeting, are entitled to notice of and to vote at such meeting.

The Company's authorized capital stock currently consists of 250,000,000 shares of common stock, par value \$.01 per share (the Common Stock), and 500,000 shares of preferred stock, par value \$1.00 per share (the Preferred Stock). As of September 12, 2012, there were 86,052,892 shares of Common Stock outstanding and no shares of Preferred Stock outstanding. At such date, our executive officers and directors were entitled to vote, or to direct the voting of, shares of Common Stock representing 2.15% of the shares entitled to vote at the 2012 Annual Meeting. Unless otherwise specified, all share numbers and other share data have been adjusted to reflect all prior stock splits.

All shares represented by Proxy and all Proxies solicited hereunder will be voted in accordance with the specifications made by the stockholders executing such Proxies. If a stockholder does not specify how a Proxy is to be voted, the shares represented thereby will be voted: (1) FOR the election as directors of the eight (8) persons nominated by the Board of Directors; (2) FOR approval of the compensation of our named executive officers; (3) FOR approval of the Company's 2012 Annual Incentive Plan; (4) FOR the ratification of the selection of the Company's independent registered public accounting firm; and (5) upon other matters that may properly come before the Annual Meeting, in accordance with the discretion of the persons to whom the Proxy is granted.

Each share of our Common Stock outstanding on the record date will be entitled to one vote on each matter. The eight (8) nominees for election as directors who receive the most votes "for" election will be elected. Approval of each of the other proposals will require an affirmative vote of the majority of the shares of Common Stock present or represented and entitled to vote at the Annual Meeting.

For the election of directors, withheld votes do not affect whether a nominee has received sufficient votes to be elected. For the purpose of determining whether the stockholders have approved matters other than the election of directors, abstentions are treated as shares present or represented and voting, so abstaining has the same effect as a negative vote. Shares held by brokers that do not have discretionary authority to vote on a particular matter and that have not received voting instructions from their customers are not counted or deemed to be present or represented for the purpose of determining whether stockholders have approved that matter, but they are counted as present for the purpose of determining the existence of a quorum at the annual meeting. Please note that banks and brokers that have not received voting instructions from their clients cannot vote on their clients' behalf on "non-routine" proposals.

## STOCK OWNERSHIP OF CERTAIN STOCKHOLDERS

The following table sets forth information as of September 12, 2012, concerning the equity ownership of (a) those individuals who are known to be the beneficial owners, as defined in Rule 13d-3 of the Securities Exchange Act of 1934, of 5% or more of the Company's Common Stock, (b) the directors, (c) the executive officers named in the Summary Compensation Table and (d) all of our directors and executive officers as a group:

Title of Class	Beneficial Owner	Number of Shares Beneficially Owned (1)	Percentage of Shares Outstanding (1)
\$.01 par value Common Stock	BlackRock Inc. 40 East 52 <sup>nd</sup> St New York, NY 10022	6,022,380 (2)	7%
	The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	4,605,293 (3)	5.3%
	Jerry D. Hall	925,114 (4)	1.1%
	Tony L. Wormington	569,501 (5)	*

John F. Prim	164,075 (6)	*
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Wesley A. Brown	111,400 (7)	*
Kevin D. Williams	75,700 (8)	*
Marla K. Shepard	42,000 (9)	*
Matthew C. Flanigan	39,400 (10)	*
Mark S. Forbis	25,131 (11)	*
Thomas H. Wilson, Jr.	4,500 (12)	*
Jacque R. Fiegel	1,600 (13)	*
Thomas A Wimsett	1,400 (14)	*
All directors and executive officers as a group (11 persons)	1,959,821 (15)	2.3%

\* Less than 1%

Information is set forth as of September 12, 2012. The persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, except as noted below.

(1) With respect to shares held in the Company's 401(k) Plan (the "Retirement Plan"), a participant has the right to direct the disposition of shares allocated to his account. With respect to restricted shares, the executive officers have sole voting power but have no investment or dispositive power until the restrictions lapse.

(2) According to a Schedule 13G/A filed February 13, 2012, BlackRock Inc. has sole voting and dispositive power with respect to 6,022,380 shares.

(3) According to a Schedule 13G filed February 8, 2012, The Vanguard Group, Inc. has sole voting power and shared dispositive power with respect to 119,277 shares, and sole dispositive power with respect to 4,486,016 shares.

(4) Includes 191,882 shares beneficially owned by his wife.

(5) Includes 42,215 shares held in the Retirement Plan for Mr. Wormington's account and 13,255 restricted shares.

(6) Includes 23,312 shares held in the Retirement Plan for Mr. Prim's account and 56,087 restricted shares.

(7) Includes 50,000 shares that are currently acquirable by exercise of outstanding stock options and 7,000 restricted shares.

(8) Includes 9,754 shares held in the Retirement Plan for Mr. Williams' account and 11,950 restricted shares.

(9) Includes 30,000 shares that are currently acquirable by exercise of outstanding stock options and 7,000 restricted shares.

(10) Includes 30,000 shares that are currently acquirable by exercise of outstanding stock options and 7,000 restricted shares.

(11) Includes 13,050 shares held in the Retirement Plan for Mr. Forbis' account, and 6,616 restricted shares.

(12) Includes 3,500 restricted shares.

(13) Includes 1,400 restricted shares.

(14) Includes 1,400 restricted shares.

Includes 110,000 shares that are currently acquirable under outstanding stock options, 88,331 shares held in the Retirement Plan for the accounts of the executive officers and 115,208 restricted shares held by executive officers and directors.





## PROPOSAL 1 ELECTION OF DIRECTORS

### Procedure

At the meeting, the stockholders will elect eight (8) directors to hold office for one-year terms ending at the 2013 Annual Meeting of Stockholders or until their successors are elected and qualified. The Board of Directors has nominated the Company's eight (8) current directors for reelection at the Annual Meeting.

The stockholders are entitled to one vote per share on each matter submitted to vote at any meeting of the Stockholders. Unless contrary instructions are given, the persons named in the enclosed Proxy or their substitutes will vote "FOR" the election of the nominees named below.

Each of the nominees has consented to serve as director. However, if any nominee at the time of election is unable to serve or is otherwise unavailable for election, and as a result other nominees are designated by the Board of Directors, the persons named in the enclosed Proxy or their substitutes intend to vote for the election of such designated nominees.

### Director Qualifications and Selection

Under the Company's Corporate Governance Guidelines, the Governance Committee is charged with the responsibility for determining the appropriate skills and characteristics required of Board members and are to consider such factors as experience, strength of character, maturity of judgment, technical skills, diversity, and age in assessing the needs of the Board. The guidelines specify that a majority of the members shall qualify as independent under applicable NASDAQ listing standards. While the term "diversity" is not specifically defined in the Guidelines and there is no formal policy regarding application of the term, it has been the practice of the Governance Committee to apply the term broadly, resulting in Board composition over the years that has reflected diversity in race, sex and age, as well as diversity in business experience and in representation of the markets served by the Company.

While the Company has a nomination policy by which stockholders may recommend to the Governance Committee that it consider for nomination certain prospective directors (See "Corporate Governance - Nomination Policy," below), to date no such recommendation has ever been received. If such a recommendation is received in the future, it will be evaluated in the same manner as any other recommendation to the Governance Committee. The Governance Committee nomination process to date has been informal and has consisted of members of the Committee soliciting suggestions of possible candidates from other Board members and management, contacting candidates to determine interest level, in-person interviews to determine "fit", and background checks, followed by Governance Committee evaluation and nomination.

### Nominees for Election

The nominees for re-election as directors of the Company, as well as certain information about them, are as follows:

Name	Position with Company	Director Since
John F. Prim	Chairman and Chief Executive Officer	2007
Jerry D. Hall	Executive Vice President and Director	1977
Matthew C. Flanigan	Vice Chairman and Lead Director	2007
Wesley A. Brown	Director	2005
Marla K. Shepard	Director	2007
Thomas H. Wilson, Jr.	Director	2012
Jacque R. Fiegel	Director	2012
Thomas A. Wimsett	Director	2012



The following information relating to the Company's directors and nominees for director, all of whom are United States citizens, is with respect to their principal occupations, business experience and positions during the past five years, as well as the specific experiences, qualifications, attributes and skills that led to the conclusion that they should serve as directors of the Company:

John F. Prim, age 57, Chairman and Chief Executive Officer. Mr. Prim was appointed Chairman of the Board on August 24, 2012 and has served as Chief Executive Officer since 2004. He served as President from January 2003 to July 2004 and as Chief Operating Officer from July 2001 to January 2003. Mr. Prim joined the Company in 1995 as part of the acquisition of the Liberty division of Broadway & Seymour, Inc. He previously served as General Manager of the Company's E-Services and OutLink Services Divisions. Mr. Prim has been a director since 2007. Mr. Prim has spent his whole career in our industry, starting as a sales representative for Burroughs Corporation selling products and services to banks and thrifts before joining Broadway & Seymour's community banking unit in 1985, where he served in a number of positions including National Sales Manager. His broad experience in the industry in both operations and sales, as well as his extensive successful experience in various management roles at Jack Henry & Associates, led to his appointment as CEO in 2004, and these same factors informed the decision to appoint him to the Board in 2007 and name him Chairman in 2012. Mr. Prim earned a Master's in Business Administration degree in 1985 from Queens University in Charlotte, N.C.

Jerry D. Hall, age 69, Executive Vice President and Director. Mr. Hall, a co-founder of the Company, has served as Executive Vice President since 1994. He previously served as Vice Chairman from 2007 through 2012, as Chief Executive Officer from 1990 through 1994, as President from 1989 through 1993 and as Vice President-Operations from 1977 through 1988. Prior to joining Jack Henry in the founding of the Company, Mr. Hall was employed as data processing manager of a large manufacturer. He has been a director since the Company's incorporation in 1977. As the sole remaining founder of the Company and with management and operational experience as CEO, President and in other managerial positions, Mr. Hall brings to the Board deep knowledge of the Company's history, products and markets.

Matthew C. Flanigan, age 50, Vice Chairman and Lead Director. Mr. Flanigan, a director of the Company since his appointment in 2007, is Senior Vice President, Chief Financial Officer and a director of Leggett & Platt, Incorporated. Headquartered in Carthage, Missouri, Leggett & Platt is a leading manufacturer of spring components and other products for furniture, bedding, automobiles and other consumer products. Mr. Flanigan was appointed Senior Vice President in 2005 and became Chief Financial Officer in 2003. From 1999 until 2003, he served as President of the Office Furniture and Plastics Components Groups of Leggett & Platt. Prior to joining Leggett & Platt in 1997, Mr. Flanigan was employed in the banking industry for 13 years, the last 10 of which as executive manager for Societe Generale S.A. in Dallas, the largest non-U.S. lending institution in the Southwestern United States at that time. Mr. Flanigan brings to our Board expertise in banking and in finance, risk and compliance functions as well a unique perspective coming from his wide experience at a large, global S&P 500 manufacturer. Mr. Flanigan was appointed "Lead Director" by the independent directors on August 24, 2012.

Wesley A. Brown, age 58, Director. Mr. Brown, a director of the Company since his appointment in 2005, is a co-founder and Managing Director of St. Charles Capital, LLC in Denver, Colorado, where he also served as its first President and Compliance Officer. At St. Charles Capital, Mr. Brown specializes in merger transactions and financings for financial institutions, completing over 125 transactions totaling in excess of \$3.5 billion over his career. His connections with and to the community banking industry in the Rocky Mountain Region are extensive, as he has personally negotiated approximately half of all bank and thrift merger transactions that have occurred in Colorado since 1993. Prior to founding St. Charles Capital, he served as Managing Director of McDonald Investments, Inc. (2001-2004) and Executive Vice President of The Wallach Company (1991-2003). In addition to experience with finance and compliance, Mr. Brown brings a deep knowledge of the banking industry to the Board as well as unique insight to the Company's mergers and acquisitions. Mr. Brown earned a Master's in Business Administration with Honors from the University of Chicago.

Marla K. Shepard, Age 63, Director. Ms. Shepard, a director of the Company since her appointment in 2007, is the President and Chief Executive Officer of California Coast Credit Union of San Diego, California. California Coast is the surviving entity from a merger in 2008 with First Future Credit Union, also of San Diego, California, where Ms.

Shepard served as Chief Executive Officer for over 25 years. Ms. Shepard brings to the Board a thorough understanding of the credit union markets we serve, having started in 1972 as a teller at a small credit union. As CEO she led her institution through six merger transactions to become one of the largest credit unions in California, with \$1.6 billion in assets and 22 branches. She has received numerous service and other awards from the California Credit Union League as well as serving as the chair of its Governmental Relations Committee and has served on the Credit Union National Administration's Risk Oversight Committee. Ms. Shepard also brings to our Board the perspective of a major credit union customer, as her institution has used the

Company's Symitar core software system for over 25 years and utilizes many of our complementary software products and data processing services.

Thomas H. Wilson, Jr., age 50, Director. Mr. Wilson, a director of the Company since his appointment in January of 2012, is a managing Partner at DecisionPoint Advisors, LLC in Charlotte, N.C., a specialized merger and acquisition advisory firm for mid-market technology companies. Prior to joining DecisionPoint, from 2004 to 2008 he served as Chairman and CEO of NuTech Solutions, a business intelligence software company that was acquired by Netezza. From 1997 to 2004, Mr. Wilson was President of Osprey, a consulting and systems integration firm. Prior to his work at Osprey, Mr. Wilson was employed by IBM for 14 years in a variety of management and sales positions. Mr. Wilson earned a Master's in Business Administration from Duke University and has served on the Boards of various non-profit and community organizations, including North Carolina Innovative Development for Economic Advancement (NC IDEA), Junior Achievement and the Charlotte United Way. Mr. Wilson brings to the Board extensive management and sales experience in technology companies, as well as expertise in technology-oriented investment banking and mergers and acquisitions.

Jacque R. Fiegel, age 58, Director. Ms. Fiegel, a director of the Company since her appointment in July of 2012, is Senior Executive Vice President and Chief Operating Officer of Coppermark Bank in Oklahoma City, Oklahoma. She also serves as a director of the bank, as well as director and treasurer of affiliates Coppermark Bancshares, Inc. and Coppermark Card Services, Inc. She began her career at the bank in 1976 as a teller. Ms. Fiegel is a former member of the Oklahoma City Branch Board of the Federal Reserve Bank of Kansas City and is a current member of the board of directors of the Economic Club of Oklahoma, as well as a number of civic organizations in Oklahoma City. Ms. Fiegel was named in 2008 one of the US Banker "25 Most Powerful Women in Banking" and to the "25 Women to Watch" lists in both 2009 and 2010. Ms. Fiegel brings to the board a broad experience with and understanding of bank technology, banking operations, financial management and the overall banking business.

Thomas A. Wimsett, age 48, Director. Mr. Wimsett, a director of the Company since his appointment in July 2012, is the Chairman and Managing Partner of Wimsett & Company, a payments consulting firm formed this year. He is a 29 year veteran of the payments industry, most recently as a founder in 2003 and the Chairman and Chief Executive Officer of Iron Triangle Payment Systems (renamed NPC in 2006), a leading merchant payment processor, which was acquired by Fifth Third Processing Solutions (now Vantiv) in late 2010. Prior managerial and executive positions in the payments industry include President and CEO of National Processing Company (NYSE: NAP) from 1999 to 2002. He also currently serves as Chairman of Town & Country Bank and Trust Company in Bardstown, Kentucky. Mr. Wimsett brings deep knowledge and experience in the payments industry to the Board, including service for more than 10 years as a director or advisory board member of the Electronic Transaction Association, an international trade association, and prior roles as a director of MasterCard's US Board and on advisory boards for both Discover Card and Visa.

#### Director Independence

Non-employee directors Brown, Flanigan, Shepard, Wilson, Fiegel and Wimsett qualify as "independent" in accordance with the published listing requirements of NASDAQ. Messrs. Hall and Prim do not qualify as independent because they are employees of the Company. The NASDAQ rules have both objective and subjective tests for determining who is an "independent director." The objective tests state, for example, that a director is not considered independent if he or she is an employee of the company, has been an employee within the prior three years, or is a partner in or executive officer of an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenue for that year. The subjective test states that an independent director must be a person who lacks a relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Board of Directors relies upon evaluation of director independence by the Board's Governance Committee. In assessing independence under the subjective test, the Governance Committee took into account the standards in the objective tests and reviewed additional information provided by the directors with regard to each director's business and personal activities as they may relate to the Company and its management. Based on all of the foregoing, as

required by NASDAQ rules, the Governance Committee made a subjective determination as to each of Ms. Shepard and Fiegel and Messrs. Brown, Flanigan, Wilson and Wimsett that no relationship exists which, in the opinion of the Committee, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Governance Committee has not established categorical standards or guidelines to make these subjective determinations, but considers all relevant facts and circumstances.

In making its independence determinations, the Governance Committee considered transactions occurring since the beginning of its 2010 fiscal year between the Company and entities associated with the independent directors or members of their immediate family. While customer relationships do exist between the Company and the financial institutions associated with Ms. Shepard and Ms. Fiegel, the Governance Committee has determined that, because of the amounts involved in relationship to the total revenues of the Company and such institutions, the relationships do not impair the independence of these directors. The Governance Committee has also determined that the transactions with such financial institutions were on terms no less favorable to the Company than arrangements with other unaffiliated customers. In all cases and in all years reviewed, the amounts received by the Company from these institutions were less than 1% of the Company's total revenue for the year. See "Certain Relationships and Related Transactions", below.

In addition to the Board-level standards for director independence, the directors who serve on the Audit Committee each satisfy standards established by the Securities and Exchange Commission (the "SEC") providing that to qualify as "independent" for the purposes of membership, members of audit committees may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company other than their director compensation.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS. PROXIES RECEIVED BY THE BOARD OF DIRECTORS WILL BE VOTED FOR THE ELECTION OF EACH NOMINEE UNLESS STOCKHOLDERS SPECIFY IN THEIR PROXY A VOTE OF "WITHHOLD" WITH RESPECT TO A NOMINEE.

## CORPORATE GOVERNANCE

The Company and its businesses are managed under the direction of the Board of Directors. The Board generally meets a minimum of four times during the year, but has complete access to management throughout the year.

### Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines which address the following subjects:

- The majority of the Board should be independent under relevant NASDAQ standards
- Independent directors should not be compensated by the Company other than in the form of Director's fees (including any equity awards)
- Membership on the Audit, Compensation and Governance Committees should be limited to independent directors
- The Board should conduct an annual self-evaluation to determine whether it and its committees are functioning properly
- Non-management directors may meet in executive session from time to time without members of management
- The Chief Executive Officer shall provide an annual report to the Board on succession planning
- The Governance Committee is responsible for determining skills and characteristics of Board candidates, and should consider factors such as independence, experience, strength of character, judgment, technical skills, diversity and age
- The Board and its committees shall have the right at any time to retain independent counsel
- Board members should not sit on more than 3 other boards of public companies
- Board members are expected to attend all Annual Meetings of the Stockholders
- Stockholders may communicate with the Board by submitting written comments to the Secretary for the Company, who will screen out inappropriate communications and forward same to the directors
- Directors, executive officers and general managers of the Company should own minimum amounts of Company stock in relation to their base compensation
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When the Chairman is a member of management, the independent directors shall appoint a Lead Director to coordinate the activities of the independent directors, help to set the agenda and schedule for Board meetings, and chair Board and stockholder meetings in the absence of the Chairman.

#### Nomination Policy

The Board of Directors has also adopted a Nomination Policy with respect to the consideration of director candidates recommended by stockholders. A candidate submission from a stockholder will be considered at any time if the following information is submitted to the Secretary of the Company:

- The recommending stockholder's name and address, together with the number of shares, length of period held and proof of ownership

- Name, age and address of candidate

- Detailed resume of candidate, including education, occupation, employment and commitments

- Description of arrangements or understandings between the recommending stockholder and the candidate

- Statement describing the candidate's reasons for seeking election to the Board and documenting candidate's satisfaction of qualifications described in t