

CSP INC /MA/
Form DEF 14A
December 31, 2014

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

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 Sec. § 240.14a-12

CSP INC.
(Name of Registrant as Specified In Its Charter)

Not Applicable
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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(3) Filing Party:

(4) Date Filed:

CSP INC.

January 5, 2015

Dear Stockholders:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders of CSP Inc. Our Annual Meeting will be held on Tuesday, February 10, 2015, at 9:00 a.m. local time at our MODCOMP Inc. office located at 1500 S. Powerline Road, Deerfield Beach, Florida 33442.

We describe in detail the actions we expect to take at our Annual Meeting in the attached Notice of 2015 Annual Meeting of Stockholders and proxy statement.

Your vote is very important to us, regardless of the number of shares that you own. Whether or not you plan to attend the Annual Meeting, please vote as soon as possible to make sure your shares are represented at the meeting. To simplify this process, your vote may be cast over the Internet, by telephone or by mail.

We look forward to seeing you at the Annual Meeting.

Sincerely,
/s/Victor Dellovo
Chief Executive Officer
CSP INC.

NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS

Date: Tuesday, February 10, 2015
Time: 9:00 a.m. local time
Place: Modcomp Inc. Executive Offices
1500 S. Powerline Road
Deerfield Beach, Florida 33442

At the Annual Meeting you will be asked to:

1. elect the management nominees named in the proxy statement to the Board of Directors as directors;
2. approve and adopt the CSP Inc. 2015 Stock Incentive Plan;
3. consider an advisory vote to approve executive compensation;
4. ratify the appointment of McGladrey, LLP as the Company's independent auditors for fiscal year 2015;
5. consider a stockholder proposal entitled "Proxy Access for Shareholders," if such proposal is properly introduced at the Meeting; and
6. transact such other business as may properly come before the meeting or any adjournment thereof.

By order of the Board of Directors,

/s/Gary W. Levine
Secretary

Billerica, Massachusetts

January 5, 2015

YOUR VOTE IS IMPORTANT

TO ASSURE YOUR REPRESENTATION AT THE ANNUAL MEETING WHETHER OR NOT YOU ATTEND, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD OR VOTE YOUR PROXY OVER THE INTERNET OR TELEPHONE AS PROMPTLY AS POSSIBLE.

ANY STOCKHOLDER ATTENDING THE MEETING MAY VOTE IN PERSON EVEN IF HE OR SHE HAS RETURNED A PROXY. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE, YOU MUST FIRST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on February 10, 2015. The notice of Annual Meeting, proxy statement, proxy card and 2014 Annual Report on Form 10-K are also available at www.proxyvote.com

CSP INC.
(A Massachusetts Corporation)

PROXY STATEMENT

Annual Meeting of Stockholders
February 10, 2015
Table of Contents

	Page
INFORMATION CONCERNING THE PROXY MATERIALS AND THE ANNUAL MEETING	1
QUESTIONS AND ANSWERS REGARDING THE ANNUAL MEETING	1
PROPOSAL ONE: ELECTION OF DIRECTORS	5
Nominees for Election	5
CORPORATE GOVERNANCE	7
Independent Directors	7
Board Leadership Structure and Role in Risk Oversight	7
Meetings and Committees of the Board of Directors	7
Policies and Procedures for the Review and Approval of Transactions with Related Parties	7
Code of Ethics	8
Communications with our Board of Directors	8
Policy Regarding Board Attendance	8
Director Candidates and Selection Process	8
COMMITTEES OF THE BOARD OF DIRECTORS	9
Audit Committee	9
Nominating Committee	9
Compensation Committee	9
2014 COMPENSATION OF NON-EMPLOYEE DIRECTORS	10
OUR EXECUTIVE OFFICERS	11
Background Information About Executive Officers	11
COMPENSATION OF EXECUTIVE OFFICERS	12
2014 Summary Compensation Table	12

Employment Agreements and Arrangements	13
Change of Control Agreements	13
Clawback and Stock Ownership	14
Outstanding Equity Awards at 2014 Fiscal Year-End	15
PROPOSAL TWO: APPROVAL OF THE CSP INC. 2015 STOCK INCENTIVE PLAN	16
PROPOSAL THREE: ADVISORY VOTE ON EXECUTIVE COMPENSATION	19
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	22
Stock Owned by Directors, Executive Officers and Greater-Than-5% Stockholders	22
Section 16(a) Beneficial Ownership Reporting Compliance	23
INFORMATION ABOUT OUR AUDIT COMMITTEE AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	24
Audit Committee Report	24
Our Independent Registered Public Accounting Firm	25
Fees for Professional Services	25
Pre-Approval Policies and Procedures	25
Whistleblower Procedures	25
PROPOSAL FOUR: RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT AUDITORS	26
PROPOSAL FIVE: STOCKHOLDER PROPOSAL ENTITLED “PROXY ACCESS FOR SHAREHOLDERS”	26
OTHER MATTERS	28
Other Business	28
Stockholder Proposals for 2016 Annual Meeting	28
SOLICITATION	29
EXHIBIT A: CSP INC. 2015 STOCK INCENTIVE PLAN	30

INFORMATION CONCERNING THE PROXY MATERIALS AND THE ANNUAL MEETING

Our Board of Directors is soliciting proxies to be voted at the 2015 Annual Meeting of Stockholders to be held on February 10, 2015, which is referred to in this proxy statement as the Annual Meeting. Your vote is very important. For this reason, our Board is requesting that you permit your common stock to be represented at the Annual Meeting by the persons named as proxies for the Annual Meeting. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the Annual Meeting. Please read it carefully. Our principal executive offices are located at 43 Manning Road, Billerica, Massachusetts 01821. Our main telephone number is (978) 663-7598. In this proxy statement, CSP Inc. is sometimes referred to as the Company or CSPI. Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on February 10, 2015.

Pursuant to the rules adopted by the Securities and Exchange Commission, which is referred to in this proxy statement as the SEC, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a notice of Annual Meeting, proxy card and our 2014 Annual Report on Form 10-K, and by notifying you of the availability of our proxy materials on the Internet. The notice of Annual Meeting, proxy statement, proxy card and 2014 Annual Report on Form 10-K are also available at www.proxyvote.com. In accordance with SEC rules, the materials on the site are searchable, readable and printable and the site does not have “cookies” or other tracking devices which identify visitors.

We are mailing this proxy statement and the enclosed form of proxy to stockholders on or about January 5, 2015.

QUESTIONS AND ANSWERS REGARDING THE ANNUAL MEETING

Where and when is the Annual Meeting of Stockholders?

Our Annual Meeting of stockholders will be held at our subsidiary Modcomp Inc. executive offices, 1500 South Powerline Road, Deerfield Beach, Florida at 9:00 a.m. local time on February 10, 2015.

Who may vote at the Annual Meeting?

You may vote if our records show that you owned your shares on December 19, 2014, which is the record date. At the close of business on the record date 3,655,648 shares of our common stock were issued and outstanding and eligible to vote. You may cast one vote for each share of common stock held of record by you on the record date on all matters presented.

Why did I receive the proxy materials by e-mail?

You requested that the Company deliver proxy materials to you electronically by e-mail. If you wish to terminate this request, please contact American Stock Transfer & Trust Company, LLC by calling (800) 937-5449 or writing to 6201 15th Avenue, Brooklyn, New York 11219.

What is the difference between holding shares as a stockholder of record and beneficial owner?

Most of our stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially. **Stockholder of Record.** If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Co., you are considered the stockholder of record with respect to those shares, and the proxy materials, including your proxy card, were sent directly to you by us. As the stockholder of record, you have the right to grant your voting proxy directly to us via the Internet, by telephone or by mail, or to vote in person at the Annual Meeting.

Beneficial Owner. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares, which are held in “street name,” and the proxy materials, including your proxy card, are being provided to you by your broker, bank or nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or nominee on how to vote and are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you request, complete and deliver a proxy from your broker, bank or nominee. Your broker, bank or nominee has sent you a voting instruction card for you to use in directing the broker, bank or nominee how to vote your shares.

How many votes can be cast by all stockholders?

Each share of our common stock is entitled to one vote. There is no cumulative voting. We had 3,655,648, shares of common stock outstanding and entitled to vote on the record date.

How many votes must be present to hold the Annual Meeting?

We must have a quorum in order to hold the Annual Meeting and conduct business. A majority of our issued and outstanding shares as of the record date constitutes a quorum. Shares are counted if you are present at the Annual Meeting or a proxy card has been properly submitted by you or on your behalf. In general, abstentions are counted as present for the purpose of determining the presence of a quorum at a meeting of stockholders. Proxies received from brokers that express a vote on any matter will also be counted as present, even if they show a broker “non-vote” on any other matter(s). The vote on each matter submitted to stockholders is tabulated separately. American Stock Transfer & Trust Co. will tabulate the votes.

If on the date scheduled for the Annual Meeting a quorum does not exist for purposes of conducting business at the Annual Meeting, the management persons named as proxies in the proxy card will use the discretionary authority granted to them thereby to adjourn the meeting to a future date for purposes of seeking a quorum.

I own my shares in “street name.” Will my broker vote my shares for me?

The ability of brokers to vote your shares for you without instructions from you is governed by Rule 452 of the New York Stock Exchange, which regulates the behavior of brokers who are “member organizations” of the NYSE (without regard to what exchange the shares are traded on). The NYSE has identified 18 specific types of “Broker May Not Vote” matters, also known as non-routine matters. At our Annual Meeting, the election of directors (Proposal One), approval and adoption of our 2015 Stock Incentive Plan (Proposal Two) the “say-on-pay” proposal (Proposal Three), and the stockholder proposal on proxy access (Proposal Five) are all “Broker May Not Vote” matters, and therefore your broker will not express a vote on those proposals without instructions from you. In cases where the broker is otherwise able to return your proxy card (for example, because your broker receives instructions from you on one such matter but not on others), the broker will submit your proxy card in accordance with your instructions on the matter(s) for which you gave instructions or on which the broker had discretion, and will show other matters as a broker “non-vote.”

Proposal Four, the ratification of the appointment of our independent auditors, is ordinarily a “Broker May Vote,” or routine matter. Your broker may vote in accordance with management's recommendation on a routine matter, without instructions from you.

How many votes are required to elect directors?

Directors are elected by a plurality of the votes cast. This means that the individuals nominated for election to the Board of Directors who receive the most “FOR” votes (among votes properly cast in person or by proxy) will be elected; a nominee does not need to receive a majority to be elected. If you withhold authority to vote with respect to the election of a nominee, your shares will not be voted with respect to that nominee. Your shares will be counted for purposes of determining whether there is a quorum.

How many votes are required to approve and adopt the 2015 Stock Incentive Plan?

To be approved, Proposal Two requires the affirmative vote of the majority of the shares of common stock entitled to vote and present in person or represented by proxy at the Annual Meeting. You may cast a vote “FOR” or “AGAINST” the proposal, or you may abstain. Because approval requires a majority of the votes cast, a vote to abstain is equivalent of a vote “AGAINST” the proposal. A broker “non-vote” will not be counted as a vote cast.

How many votes are required to approve the advisory vote on the compensation paid to the Company’s named executive officers (the “say-on-pay proposal”)?

Approval of the say-on-pay proposal requires the affirmative vote of a majority of the shares represented and entitled to vote at the Annual Meeting. You may cast a vote either “FOR” or “AGAINST” the say-on-pay proposal, or you may abstain. A vote to abstain is the equivalent of a vote “AGAINST” the proposal. A broker “non-vote” will not be counted as a vote cast. Because your vote is advisory, it will not be binding on the Board or the Company. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

How many votes are required to approve the stockholder proposal on proxy access?

To be approved, Proposal Five requires the affirmative vote of the majority of the shares of common stock entitled to vote and present in person or represented by proxy at the Annual Meeting. You may cast a vote “FOR” or “AGAINST”

the proposal, or you may abstain. Because approval requires a majority of the votes cast, a vote to abstain is equivalent of a vote "AGAINST" the proposal. A broker "non-vote" will not be counted as a vote cast. Because the proposal is precatory, it is advisory in nature and will not be binding on the Board or the Company. However, the Board will review the voting results and take them into consideration when making future decisions on this subject.

How many votes are required to ratify the appointment of the Company's independent auditors?

2

Ratification of the appointment of McGladrey, LLP as the Company's independent auditors requires the affirmative vote of a majority of the shares represented and entitled to vote at the Annual Meeting. You may vote either "FOR" or "AGAINST" ratification of the appointment, or you may abstain. A vote to abstain is the equivalent of a vote "AGAINST" the proposal.

How do I vote?

You may vote in one of four ways:

- Over the Internet

If your shares are registered in your name: Vote your shares over the Internet by accessing the proxy online voting website at: www.proxyvote.com and following the on-screen instructions. You will need the control numbers that appear on your proxy card when you access the web page.

If your shares are held in the name of a broker, bank or other nominee: Vote your shares over the Internet by following the voting instructions that you receive from such broker, bank or other nominee.

- By Telephone

If your shares are registered in your name: Vote your shares over the telephone by accessing the telephone voting system toll-free at 1-800-690-6903 in the United States and from foreign countries using any touch-tone telephone and following the telephone voting instructions. The telephone instructions will lead you through the voting process. You will need the Company number, account and control numbers that appear on your proxy card.

If your shares are held in the name of a broker, bank or other nominee: Vote your shares over the telephone by following the voting instructions you receive from such broker, bank or other nominee.

- By Mail

Vote by signing and dating the proxy card(s) and returning the card(s) in the prepaid envelope.

- In Person

What if I submit my proxy but do not vote for one or more of the proposals?

If you submit your proxy via the Internet, by telephone or by returning your signed proxy card, but do not mark or specify selections, then the shares covered by your proxy will be voted as recommended by the Board of Directors in this proxy statement. If you indicate a choice with respect to any matter to be acted upon on your proxy, the shares you hold will be voted in accordance with your instructions.

If you are a beneficial owner and hold your shares through a broker and do not submit your selections in accordance with the instructions received from your broker, the broker or other nominee will determine if it has discretionary authority to vote on the particular matter. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have discretion to vote such shares on routine matters, but not on non-routine matters.

Can I change or revoke my vote after submitting it?

Yes. After you submit your vote via the Internet, by telephone or by mail, you retain the power to revoke your proxy or change your vote. You can revoke your proxy or change your vote at any time before it is exercised by giving written notice to our corporate secretary specifying such revocation. You may change your vote by timely delivery of a valid, later-dated proxy or by voting by ballot at the Annual Meeting if you are a record holder. If you are a beneficial owner and vote your shares through your broker, bank or nominee and have previously given instructions that you wish to change or revoke, you can provide new, later-dated instructions to your broker, bank or nominee to act as you so instruct.

What should I do if only one set of proxy materials for the Annual Meeting are sent and there are multiple CSPI stockholders in my household?

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy materials and annual reports. This means that only one copy of the proxy materials may have been sent to multiple stockholders in your household. You may promptly obtain an additional copy of the proxy materials and our 2014 Annual Report at no charge by sending a written request to Broadridge Financial Solutions, Householding

Department, 51 Mercedes Way, Edgewood, New York 11717, or by calling Broadridge toll-free at 800-542-1061. Alternatively, if you participate in householding and wish to revoke your consent and receive separate copies of our Proxy Statement and Annual Report, please contact Broadridge, as described above. A

3

number of brokerage firms have instituted householding. If you hold your shares in street name, please contact your bank, broker or other holder of record to request information about householding.

Who can attend the Annual Meeting?

All stockholders as of the record date, or their duly appointed proxies, may attend. Each stockholder may also bring guests to the meeting if there is space available.

Where can I find more information?

We file annual, quarterly and current reports, proxy statements, and other information with the SEC. Our common stock is traded on the NASDAQ Global Market (NASDAQ) under the symbol "CSPI." You may read and copy any document that we file at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Our SEC filings are also available to the public on the SEC's website at <http://www.sec.gov>.

Who can help answer my questions?

If you have additional questions about the matters proposed for consideration at the Annual Meeting, you should contact:

CSP Inc.

43 Manning Road

Billerica, MA 01821

Attn: Gary W. Levine, Chief Financial Officer

Phone: (978) 663-7598

What should I do now?

Carefully read this document and either submit your vote via the Internet or by telephone or, if voting by mail, indicate on the proxy card how you want to vote. If voting by mail, sign, date and mail your proxy card in the enclosed prepaid return envelope as soon as possible. You should submit your vote now even if you expect to attend the Annual Meeting and vote in person. Submitting your vote now will not prevent you from later canceling or revoking your proxy right until the meeting, and will ensure that your shares are voted if you later find you cannot attend the Annual Meeting.

How do I find out the voting results?

Preliminary voting results will be announced at the Annual Meeting, and the final voting results will be published in a Form 8-K filed with the SEC within four business days after the Annual Meeting.

You may obtain a copy of the filed Form 8-K by visiting our website or the SEC's website, contacting our Investor Relations department by calling 978-663-7598, or writing to Investor Relations, CSP Inc., 43 Manning Road, Billerica, Massachusetts 01821.

What if I have questions about lost stock certificates or I need to change my mailing address?

Stockholders may contact our transfer agent, American Stock Transfer & Trust Company, LLC, by calling the Customer Support Document (800) 937-5449 or writing 6201 15th Avenue, Brooklyn, New York 11219.

PROPOSAL ONE:
ELECTION OF DIRECTORS

Our Board of Directors currently consists of five members. The Board, upon recommendation of the Nominating Committee, unanimously nominated the five directors listed below for election to the Board at the Annual Meeting. Each of the five nominees currently serves as a member of the Board. Directors elected at the Annual Meeting will be elected to hold office until the 2016 Annual Meeting of stockholders and until their successors are duly elected and qualified.

If you withhold authority to vote with respect to the election of any of our nominees, your shares will not be voted in favor of such nominee's election. Your shares will be counted for purposes of determining whether there is a quorum.

Nominees for Election

Listed below are the nominees with his or her age, the year he or she was first elected as a director of the Company, his or her business experience, as well as the director's particular experiences, qualifications, attributes and skills that led our Board to conclude that the director should serve as a member of our Board.

Name and Age	Business Affiliations, Qualifications and Directorships
Victor Dellovo (45)	<p>Director of CSPI since August 2012; President and Chief Executive Officer since August 2012; President of Modcomp's worldwide operations since October 2010; President of Modcomp's U.S. operations from October 2005 to September 2010; President of Modcomp's Systems and Solutions division from June 2003 to September 2005, following Modcomp's acquisition of Technisource Hardware Inc., a company he co-founded in 1997.</p> <p>Mr. Dellovo is an industry veteran with more than 17 years of technology industry experience and leadership, as well as comprehensive knowledge of the Company and its operations. Mr. Dellovo led our Modcomp Inc. subsidiary for five years. He was responsible for managing all facets of Modcomp Inc.'s domestic and international business, a role that provided him with insight into our operations and the challenges and opportunities faced by the Company. In addition, his prior positions with Technisource Hardware Inc. as an executive, a co-founder and in various sales and engineering positions have given him a strong knowledge and understanding of the technology industry. Mr. Dellovo's experience in the industry and in executive management, coupled with his in-depth knowledge of our Company, contributes to his selection as our President and CEO by our Board and facilitates the Board's strategic and financial planning as well as other critical management functions.</p>
Charles Blackmon (65)	<p>Director of CSPI since July 2013; from 2005 to the present, served as Senior Vice President for Timberland Harvesters, LLC, a company that buys and sells timber and land; from June 2004 to March 2005 served as Chief Financial Officer of Interline Brands Inc., a public company that acts as a direct marketer and distributor of maintenance, repair and operating products including, plumbing, electrical, hardware, HVAC and</p>

other related items; from 1994 to 2004 served in various senior management positions, including Chief Financial Officer, for MAGNATRAX Corporation or its predecessor American Buildings Company, a public company specializing in manufacturing products for the construction industry; 1971-1979, in public accounting except for one year; Director of Concurrent Computer Corporation.

Mr. Blackmon has over 40 years of financial management experience and is a certified public accountant. His extensive executive management and financial experience adds invaluable knowledge to our Board. He is Chairman of our Audit Committee, and his expertise in accounting, financial reporting and controls and experience as a chief financial officer of public companies qualifies him as an “audit committee financial expert” under SEC rules and further qualifies him to serve as a member of the Board of Directors.

Robert Bunnett (55)

Director of CSPI since July 2013; Senior Vice President of SM&A, a business advisory services provider, from September 2013 to the present; President of Atlas Consulting, a management consulting firm, from April 2013 to the present; President and founder of Accelerate Inc., a management consulting firm for technology clients, from April 2006 to April 2013; Senior Vice President and served in various positions with SM&A from 1995 to 2006; Senior Manager of Advanced Product Development at Boeing (formerly McDonnell Douglas). Mr. Bunnett has 31 years of executive management experience in public and private companies. He has extensive experience in the defense department procurement of IT products and services. He provides the Board with in-depth understanding of the U.S. defense procurement markets and assists us with the systems segments and advice on procurement requirements.

C. Shelton James (75)

Director of CSPI since 1994; Chairman of the Board of Directors since August 2012; Principal, C. Shelton James Associates, a business consulting firm, from 1990 to present; President from 1993 until June 1998 and Director from 1993 until February 2000 of Fundamental Management Corporation; Director from December 1994 until March 2000 and Chief Executive Officer from August 1998 to March 1999 of Cyberguard Corp.; Director from August 1998 to July 2002 and Chief Executive Officer from December 2001 to July 2002 of Technisource, Inc.; Chief Executive Officer and Chairman of the Board of Elcotel from May 1991 to February 2000; Director of Concurrent Computer Corporation. Mr. James is a member of the Company's Audit Committee. Mr. James was a CPA and worked in public accounting. He was Chief Financial Officer of Systems Engineering Laboratories for over eleven years.

Mr. James's experience overseeing financial reporting processes, internal accounting and financial controls, as well as managing independent auditor engagements, qualifies him as an "audit committee financial expert" within the meaning of SEC regulations. Mr. James has served on ten boards of public companies and nine audit committees during his career. His extensive executive management experience, in addition to his financial expertise, adds invaluable knowledge to our Board and qualifies him for service as a director of our Company.

Marilyn T. Smith (66)

Director of CSPI since July 2013; Vice President for Information Technology and Chief Information Officer (CIO) for George Mason University, December 2013 to present; Head of Information Services and Technology CIO, Massachusetts Institute of Technology (MIT), 2009 to 2013; President of Life Insurance Co. of the Hanover Insurance Group, and various other management positions from 2000 to 2009; Vice President and CIO for multiple information systems groups within Liberty Mutual Insurance Co. and various positions at John Hancock

Financial Services .

Ms. Smith has served in various executive roles for numerous insurance companies and CIO for MIT. Ms. Smith's operational executive management experience, knowledge and experience at a premier technology educational center brings a unique understanding of the technology markets to the Board and qualifies her for service as a director of our Company.

We believe that the qualifications for serving as a director of CSPI include these: that a nominee demonstrates significant accomplishment in his or her field, together with an ability to make a meaningful contribution to the Board's oversight of business affairs in our industries. Each director must also have an excellent record and reputation for honesty and ethical conduct in both his or her professional and personal activities. We consider Messrs. Blackmon, Bunnett, Dellovo, James and Ms. Smith to be well qualified to serve as directors of our Company.

6

The Board's five director-nominees for election at the Annual Meeting – Charles Blackmon, Victor Dellovo, Robert Bunnett, C. Shelton James and Ms. Marilyn T. Smith – have been recommended to the Board by the Nominating Committee and unanimously nominated.

The Board of Directors unanimously recommends that you vote "FOR" the election of each of Ms. Smith and Messrs. Blackmon, Bunnett, Dellovo and James, to serve as a director of the Company.

Unless marked to the contrary, proxies received will be voted "FOR" the election of each of the nominees listed above.

CORPORATE GOVERNANCE

We believe that good corporate governance and fair and ethical business practices are crucial not only to the proper operation of our company, but also to building and maintaining confidence in the integrity, reliability and transparency of the securities markets. We endeavor to stay abreast of the actions taken in the past few years by Congress, the SEC and NASDAQ to improve and enhance corporate governance, and we take our responsibilities in this area very seriously. This section explains some of the things we have done, or are considering, to improve the way we run CSPI.

Independent Directors

Rules and regulations of the SEC and NASDAQ require that a majority of our Board be "independent." The Board has reviewed those rules and regulations and has determined that Messrs. Blackmon, Bunnett, James and Ms. Smith are independent directors. As required by NASDAQ rules, the independent directors convene regularly scheduled meetings at which only independent directors are present.

Board Leadership Structure and Role in Risk Oversight

The Board believes that separating the positions of Chairman and Chief Executive Officer offers independent Board leadership and objective oversight of management. The Board believes that this separation will give better clarity of leadership and is in the best interests of CSPI and its stockholders at this time. The non-management directors regularly meet alone in executive session at Board meetings.

Management is responsible for the day-to-day management of the risks that we face, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board is responsible for satisfying itself that the risk management processes are adequate and functioning as designed. The Board's involvement in risk oversight includes receiving regular reports from members of senior management and evaluating areas of material risk to the Company, including operational, financial, legal, regulatory, strategic and reputational risks.

The Compensation Committee regularly considers the risks associated with our compensation policies and practices for employees, including those related to executive compensation programs. As part of the risk assessment, the Compensation Committee reviewed our compensation programs for certain design features that have been identified as having the potential to encourage excessive risk-taking, such as compensation mix overly weighted toward annual incentives and unreasonable goals or thresholds. The Compensation Committee determined that, for all employees, our compensation programs encourage our employees to take appropriate risks and encourage behaviors that enhance sustainable value creation in furtherance of the Company's business, but do not encourage excessive risk and accordingly are not reasonably likely to have a material adverse effect on the Company. The Compensation Committee believes that because we closely link our variable compensation with attaining performance objectives, we are encouraging our employees to make decisions that should result in positive short-term and long-term returns for our business and our stockholders without providing an incentive to take unnecessary risks. The Compensation Committee on an on-going basis reviews our compensation policies and programs to ensure that our compensation programs and risk mitigation strategies continue to discourage imprudent risk-taking activities.

Meetings and Committees of the Board of Directors

Our Board met four times during the fiscal year ended September 30, 2014. In addition, the Audit Committee met nine times, the Compensation Committee met three, and the Nominating Committee met once. All members attended all of the meetings of the Board and of the committees of which they were a member.

Policies and Procedures for the Review and Approval of Transactions with Related Parties

Our Board has no formal policies and procedures for the review and approval of transactions with related parties. However, the Audit Committee has the responsibility of reviewing and approving transactions with related parties. In connection with the review of any related party transactions, the Audit Committee considers, among other matters, the nature, timing and duration of the transactions, the relationships of the parties to the transactions, whether the transactions are in the ordinary course of the Company's business, the dollar value of the transactions and whether the transactions are in the interests of the Company. In June 2014, Mr. Nicholas Monfredo, the brother-in-law of Mr. Dellovo, was hired as the Sales Manager of the US Operations of Modcomp at an annual salary of \$180,000 and a target annual bonus for FY 2015 equal to 50% of his annual salary, with 75% of the bonus based on

7

meeting the revenue and operating profit goals of the operation and 25% of the bonus based on meeting key performance indicators. The Audit Committee ratified this transaction. There were no other related party transactions considered by the Audit Committee in fiscal year 2014.

Code of Ethics

We have adopted a code of ethics that applies to all of our executive officers, directors and employees, and which is available in the Investor Relations section (under Corporate Governance) of our website at www.cspi.com. A copy of the code of ethics can also be obtained, without charge, by written request to Investor Relations, CSP Inc., 43 Manning Road, Billerica, Massachusetts 01821.

Communications with our Board of Directors

Our stockholders may communicate directly with the members of our Board or the individual chair person of the standing Board committees by writing directly to those individuals c/o CSP Inc. at the following address: 43 Manning Road, Billerica, Massachusetts 01821. Our policy is to forward, and not intentionally to screen, any mail received at our corporate office for an individual to that individual.

Policy Regarding Board Attendance

It is our policy that all members of the Board attend the Annual Meeting of stockholders in person, although we recognize that our directors occasionally may be unable to attend for personal or professional reasons. We generally hold a meeting of the Board on the same date as the Annual Meeting of stockholders. In 2014, all directors attended the Annual Meeting.

Director Candidates and Selection Process

Under our by-laws, nominations for election to our Board may be made only by or at the direction of the Board (which has established the Nominating Committee in connection with this process) or by a stockholder who satisfies the substantive and procedural requirements set forth in our by-laws. Candidates nominated by or at the direction of the Board will appear as the Company's nominees in our proxy materials. An eligible stockholder who complies with our by-laws is able to nominate a candidate for election at our Annual Meeting, and stockholders who are present in person or by proxy at the meeting may vote for such a nominee. However, the Company's proxy materials are not available for that nominee. That is, any eligible stockholder wishing to nominate a non-Board endorsed candidate for election as a director and solicit proxies for such nominee must prepare and file with the SEC, at his own expense, proxy materials meeting the applicable requirements of law for a proxy contest.

The Nominating Committee believes that the minimum qualifications for serving as one of our directors are that a nominee demonstrate significant accomplishment in his or her field, ability to make a meaningful contribution to the Board's oversight of our business affairs and have an excellent record and reputation for honest and ethical conduct in both his or her professional and personal activities. In addition, the Nominating Committee examines a candidate's specific knowledge, experience and skills, availability in light of other commitments, potential conflicts of interest and independence from our management and CSPI. Although the Nominating Committee does not have a standalone policy with regard to consideration of diversity in identifying director nominees, it considers diversity in professional background, experience, expertise (including as to financial matters) and perspective (including as to age, gender and ethnicity) with respect to the Board composition as a whole when evaluating a director nominee. In February 2012 we adopted a policy requiring directors to resign at age 75. Two former directors resigned under this policy. The Board reserves the right to extend a waiver of this policy when it considers such a waiver to be in the best interests of the Company, and the Board did waive the requirement as it would have applied to Mr. James in connection with this Annual Meeting.

The Nominating Committee may use any number of methods to identify potential nominees, including personal, management, and industry contacts, recruiting firms and, as described above, candidates recommended by stockholders. The Nominating Committee did not engage any third-party recruiting firms to identify nominees in fiscal 2014.

Once a person has been identified by the Nominating Committee as a potential candidate, the Committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Nominating Committee determines that the candidate warrants further consideration, the chairman or another member of the Committee will contact the person. Generally, if the person expresses a willingness to be

considered and to serve on the Board, the Nominating Committee will request information from the candidate, review the person's accomplishments and qualifications, including in light of any other candidates that the Committee might be considering, and conduct one or more interviews with the candidate, other members of the business community or other persons that may have greater first-hand knowledge of the candidate's accomplishments, and may seek management input on the candidate. The Nominating Committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder.

The Nominating Committee will consider, for possible Board endorsement, director candidates recommended by stockholders. In considering candidates submitted by stockholders, the Nominating Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Nominating Committee may also take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held. To have a candidate considered by the Nominating Committee, a stockholder must submit the recommendation in writing and must include the following information, among other things:

8

the name and address of the stockholder and the class and number of shares of our stock beneficially owned by the stockholder and owned of record by the stockholder; and all information relating to the candidate that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, or any other applicable statute, rule or regulation.

Article III, Section 4 of our by-laws requires that the stockholder recommendation and information described above must be received by our corporate secretary at our executive offices not less than 90 days prior to the date of our Annual Meeting of stockholders; provided, however, that if the Annual Meeting (or a special meeting in lieu of the Annual Meeting) is to be held on a date prior to such specified date, and if less than 100 days' notice or prior public disclosure of the date of such annual or special meeting is given or made, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the scheduled meeting was mailed or the day on which public disclosure was made of the date of such annual or special meeting. Therefore, the deadline for submission of notice for our 2016 Annual Meeting will be November 11, 2015. Our by-laws contain a number of other substantive and procedural requirements, which should be reviewed by any interested stockholder. This description is qualified in its entirety by the text of our by-laws, to which readers are referred for additional information.

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

Our Audit Committee consists of Messrs. Blackmon (chairman) and James and Ms. Smith. The Board determined that the members of our Audit Committee are not only independent, but also are "financially literate" for purposes of NASDAQ rules (that is, able to read and understand financial statements). In addition, the Board has concluded that each of Messrs. Blackmon and James qualifies as an "audit committee financial expert." Mr. Blackmon is a CPA and worked in public accounting for eight years. He was chief financial officer of Interline Brands, Inc. from 2004-2005 and MAGNATRAX Corporation from 1994-2004. Mr. Blackmon currently serves on the audit committee of Concurrent Computer Corporation. Mr. James was a CPA and worked in public accounting from 1962 to 1965. He was chief financial officer of Systems Engineering Laboratories in Ft. Lauderdale, Florida from 1969 to 1980, has served on numerous audit committees and currently serves as chairman on the audit committee of Concurrent Computer Corporation.

Our Audit Committee is responsible for overseeing our accounting and financial reporting processes and the audits of our financial statements. The Committee acts in an oversight capacity and relies on the work and assurances of both management, which has primary responsibility for our financial statements, and our independent auditors, who are responsible for expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles. Our Audit Committee has adopted a written charter, a current copy of which is available in the Investor Relations section (under Corporate Governance) of our web site at www.cspi.com. A copy of the charter is also available to stockholders upon request, addressed to CSP Inc., Attn: Corporate Secretary, 43 Manning Road, Billerica, Massachusetts 01821.

Nominating Committee

The members of the Nominating Committee are Messrs. Bunnett (chairman), Blackmon and Ms. Smith, each of whom is an independent director. In addition to performing the duties and functions set forth above under "Director Candidates and Selection Process," the functions of our Nominating Committee include the following: recommend directors to serve on committees of the Board; and advise the Board with respect to matters of Board composition and procedures.

Our Nominating Committee has adopted a written charter, a current copy of which is available in the Investor Relations section (under Corporate Governance) of our web site at www.cspi.com. A copy of the charter is also available to stockholders upon request, addressed to CSP Inc., Attn: Corporate Secretary, 43 Manning Road, Billerica, Massachusetts 01821.

Compensation Committee

Our Compensation Committee is composed of Ms. Smith (chairperson) and Messrs. Bunnett and James, each of whom is an independent director. This Committee is charged with reviewing and approving executive officers' compensation and administering our stock option plans. The Committee also reviews and recommends the compensation to be paid to directors. For fiscal 2014, compensation consultants had no role in determining or recommending the amount or form of executive or director compensation.

9

NASDAQ rules require that the compensation of the chief executive officer be determined, or recommended to the Board for its determination, by either a majority of independent directors or a wholly independent Compensation Committee. NASDAQ rules prohibit a company's CEO from being present during voting or deliberations with respect to his compensation. Compensation of all other executive officers is required to be determined in the same manner, except that the CEO is permitted to be present.

Our Compensation Committee has adopted a written charter, a current copy of which is available in the Investor Relations section (under Corporate Governance) of our web site at www.cspi.com. A copy of the charter is also available to stockholders upon request, addressed to CSP Inc., Attn: Corporate Secretary, 43 Manning Road, Billerica, Massachusetts 01821.

2014 COMPENSATION OF NON-EMPLOYEE DIRECTORS

The following table and footnotes provide certain information regarding the fiscal year 2014 compensation of CSPI's non-employee directors.

Name (a)	Fees Earned or Paid in Cash ¹ (b)	Stock Awards ^{2,(c)}	Total (h)
Charles Blackmon	\$34,592	\$32,520	\$67,112
Robert Bunnett	\$29,960	\$32,520	\$62,480
C. Shelton James	\$55,169	\$32,520	\$87,689
Marilyn T. Smith	\$31,864	\$32,520	\$64,384

Notes:

Each non-employee director receives (a) a \$23,000 annual cash retainer, (b) an additional \$552 annual retainer for each Committee membership, (c) a meeting fee of \$1,500 per meeting, and (d) out of pocket travel expenses in connection with the meetings. In addition, the Chairman of the Board receives an annual fee of \$25,000, the chairman of the Audit Committee receives an annual fee of \$4,000 and the chairman of the Compensation Committee receives an annual fee of \$2,000.

On February 10, 2014 each non-employee director received a restricted stock award of 4,000 shares of common stock. The price per share was \$8.13, the fair market value on the date of grant. The restricted stock awards vest on February 9, 2015. The restricted stock awards do not reflect compensation actually received by the non-employee directors. Instead, the amounts in the stock awards column reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718.

OUR EXECUTIVE OFFICERS

Background Information about Executive Officers

In addition to Mr. Dellovo, we have three other executive officers, who are listed below with information showing their ages and business affiliations.

Name and Age	Business Affiliations
Gary W. Levine (66)	<p>Vice President of Finance and Chief Financial Officer of CSPI since September 1983; Controller of CSPI from May 1983 to September 1983.</p> <p>Vice President, MultiComputer Product Line and Engineering December 2014; Vice President of CSPI and General Manager of MultiComputer Division since July 2000 to December 2014; Vice President of Engineering for MultiComputer Division from October 1999 to July 2000; Director of Engineering for MultiComputer Group from March 1996 to October 1999; Senior Technical Manager of Optronics, an Intergraph Division, from 1989 to March 1996.</p>
William E. Bent, Jr. (59)	<p>Vice President of Finance and Chief Accounting Officer of CSPI since November 2014; VP of Financial Planning and Accounting for Direct Capital Corporation, a financial technology company specializing in financing solutions for small businesses, 2014; Director of Finance and Accounting for Beacon Roofing Supply, Inc., 2010 to 2013; Senior Manager of Financial Reporting and Manager of Financial Reporting for Vicor Corporation, 2006 to 2010; other senior financial accounting positions for the prior 17 years with NextQuarter LLC, Syratech Corp., Cerplex Inc. and International Paper Co. Mr. Leydon is a CPA and was employed as a tax specialist and auditor for Pricewaterhouse Coopers LLP and Ernst & Young LLP for three years.</p>
John M. Leydon (52)	<p>Vice President and General Manager of High Performance Products segment of CSPI. since December 2014.</p> <p>Principal, Local Knowledge, business consulting firm with technology-oriented market research and business planning services including high-performance computing technology 1991-1999 and 2008-2014. Chief Technology Officer and Vice President 1999-2008, Acting Chief Technology Officer as a part time consultant 1989-1999, Director of Engineering 1986-, 1989 for Mercury Computer Systems, a global manufacturer of highly specialized software and hardware. He also held engineering and marketing roles at Charles River Data Systems.</p>
Craig Lund (54)	<p>Vice President and General Manager of High Performance Products segment of CSPI. since December 2014.</p> <p>Principal, Local Knowledge, business consulting firm with technology-oriented market research and business planning services including high-performance computing technology 1991-1999 and 2008-2014. Chief Technology Officer and Vice President 1999-2008, Acting Chief Technology Officer as a part time consultant 1989-1999, Director of Engineering 1986-, 1989 for Mercury Computer Systems, a global manufacturer of highly specialized software and hardware. He also held engineering and marketing roles at Charles River Data Systems.</p>

COMPENSATION OF EXECUTIVE OFFICERS

The following table provides certain summary information concerning compensation paid or accrued by the Company for services rendered in all capacities for our CEO and our two other highest paid executive officers for the years ended September 30, 2014 and 2013.

2014 SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Salary (\$)(c)	Bonus (\$)(d)	Stock Awards (\$)(e)	Option Awards (\$)(f)	Non-Equity Incentive Plan Compensation (\$) ⁷ (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) ¹⁰ (h)	All Other Compensation (\$)(i)
Victor Dellovo, President and CEO	2014	\$376,922	N/A	\$172,598 ¹	N/A	\$126,631 ⁸	\$46,154	\$24,333
	2013	\$350,000	N/A	\$160,500 ²	N/A	\$367,818 ⁹	\$94,512	\$19,855
Gary Levine, CFO, Treasurer and Secretary	2014	\$186,787	N/A	\$57,533 ³	N/A	\$37,990 ⁸	\$32,826	—
	2013	\$179,083	N/A	\$21,400 ⁴	N/A	\$110,345 ⁹	\$93,345	\$34,590
William E. Bent, Vice President and General Manager MultiComputer Division	2014	\$281,005	N/A	\$19,178 ⁵	N/A	\$85,639 ⁸	—	—
	2013	\$190,608	N/A	\$5,350 ⁶	N/A	\$86,573 ⁹	—	—

Notes:

1. On November 1, 2013, Mr. Dellovo received a restricted stock award of 22,500 shares of common stock. The price per share was \$7.671 the fair market value on the date of award. The restricted stock award vests over four years from the date of the award.

2. On October 18, 2012, Mr. Dellovo received a restricted stock award of 30,000 shares of common stock. The price per share was \$5.35, the fair market value on the date of award. Half of the restricted stock award (15,000) vests over four years from the date of the award. The other 15,000 shares vest based on performance. If the Company meets the revenue and earnings plan in each of the three fiscal years beginning with FY 2013 5,000 restricted shares will vest. Mr. Dellovo met the plan for FY2004 and FY2013.

3. On November 1, 2013, Mr. Levine received a restricted stock award of 7,500 shares of common stock. The price per share was \$7.671, the fair market value on the date of award. The restricted stock award vests over four years from the date of the award.

4. On December 14, 2012, Mr. Levine received a restricted stock award of 4,000 shares of common stock. The price per share was \$5.35, the fair market value on the date of award. The restricted stock award vests over four years from the date of the award.

5. On November 1, 2013, Mr. Bent received a restricted stock award of 2,500 shares of common stock. The price per share was \$7.671, the fair market value on the date of award. The restricted stock award vests over four years from the date of the award.

6. On December 14, 2012, Mr. Bent received a restricted stock award of 1,000 shares of common stock. The price per share was \$5.35, the fair market value on the date of award. The restricted stock award vests over four years from the date of the award.

7.

Payments are based on achievement of the (i) Company revenues target and (ii) Company earnings before interest and taxes (EBIT) per share target. The earnings calculation was adjusted to exclude the net amount of a bargain purchase by the Company. Each named executive officer has a target annual incentive opportunity amount expressed as a percentage of his base salary.

12

For Mr. Dellovo, Non-Equity Incentive Plan Compensation reflects achievement of approximately 67% of his target bonus of 50% of his base salary in 2014. For Mr. Levine, Non-Equity Incentive Plan Compensation reflects 8. achievement of approximately 67% of his target bonus of 30% of his base salary in 2014. For Mr. Bent, Non-Equity Incentive Plan Compensation reflects achievement of approximately 178% of his target bonus of 30% of his base salary in 2014.

For Mr. Dellovo, Non-Equity Incentive Plan Compensation reflects achievement of approximately 210% of his target bonus of 50% of his base salary in 2013. For Mr. Levine, Non-Equity Incentive Plan Compensation reflects 9. achievement of approximately 210% of his target bonus of 30% of his base salary in 2013. For Mr. Bent, Non-Equity Incentive Plan Compensation reflects achievement of approximately 180% of his target bonus of 30% of his base salary in 2013.

The Company provides to Messrs. Dellovo and Levine a supplemental “death benefit” retirement plan, the benefits of which are vested for Mr. Levine. Upon retirement the plan provides for an annual pay-out of \$250,000 and 10. \$50,000 in the case of Messrs. Dellovo and Levine, respectively. For more information, see Note 11 to our Consolidated Financial Statements as of and for the years ended September 30, 2014 and 2013, filed with our Annual Report on Form 10-K for the fiscal year ended September 30, 2014.

For Mr. Dellovo, the amount represents \$9,181 and \$6,731 in employer contributions to Mr. Dellovo’s 401(k) plan for 2014 and 2013 respectively, and \$15,150 and \$13,124 for the cost of a Company-provided vehicle for 2014 and 11. 2013 respectively. For Mr. Levine, the amount represents \$5,250 in employer contributions to Mr. Levine’s 401(k) plan, and \$29,340 for a split life insurance policy for Mr. Levine’s benefit in 2013. For Mr. Levine in 2014 and Mr. Bent in FY 2014 and 2013, the amounts of All Other Compensation were less than \$10,000 and therefore omitted.

Employment Agreements and Arrangements

In addition to the employment arrangements described in the footnotes to the Summary Compensation Table, we have an employment agreement with Mr. Dellovo dated September 4, 2012, under which Mr. Dellovo became one of our directors and our President and Chief Executive Officer. On November 11, 2013, Mr. Dellovo’s base salary under the agreement was increased to \$378,000. Mr. Dellovo is eligible to receive a bonus based on the attainment of certain financial objectives. If the Company is acquired through an asset sale or merger, all of Mr. Dellovo's shares would be fully vested. We also provide Mr. Dellovo with the use of an automobile.

Under his employment agreement, in the event Mr. Dellovo’s employment is terminated other than for cause (as defined), he will be entitled to 12 months of severance pay at his then effective monthly salary. However, as discussed below, Mr. Dellovo’s employment agreement has been supplemented and modified by a change of control agreement with us.

Change of Control Agreements

Mr. Dellovo and Mr. Levine have change of control agreements with the Company executed in September 2012 and January 2008, respectively. Under those agreements, in exchange for the right to severance benefits under the circumstances described in the agreements, each executive agrees that for a period of six months after he leaves the Company he will not solicit customers or employees of the Company, directly or indirectly. In case of either a change of control (as defined, and including a change in the majority of the incumbent directors over a two-year period, except for new directors nominated or selected by a majority of the then incumbent board), or termination of employment without cause (as defined) or termination or an adverse change in status of the executive in anticipation of or as required to accomplish a change of control, the executive will be entitled to:

• a multiple of his base compensation for the Company’s fiscal year then in effect or, if greater, a multiple of his base compensation for the Company’s previous fiscal year, plus

• a multiple of his annual target variable compensation bonus for the fiscal year then in effect or, if there is no bonus plan in effect that year, the highest variable compensation bonus paid to the executive in any of the three preceding fiscal years.

For Mr. Dellovo, the payouts are two times base compensation and bonus (with the target compensation equal to 50% of annual base pay). For Mr. Levine, the payouts are one times base compensation and bonus (with the target compensation equal to 30% of annual base pay). To receive payment, the executive must deliver to the Company a

satisfactory release of claims.

Following a change of control, Mr. Dellovo and Mr. Levine would be entitled to two years and one year, respectively, of comparable health and welfare benefits, by continuing in the Company's health and welfare plans, or by payment by the Company of amounts sufficient to purchase equivalent coverage in a lump sum or periodically. The executive's stock options and restricted stock awards would vest, and the executive would be entitled to exercise stock options and satisfy any tax withholding obligations under restricted stock awards by delivering shares of our common stock to the Company, or having shares of common stock withheld by the Company, in each case at the fair market value of the common stock and sufficient to meet the relevant requirement. In case of

13

voluntary resignation or termination of employment for cause or by reason of death or disability, then no severance payments would be payable to the executive.

As an illustration of the payments available to Mr. Dellovo and Mr. Levine, if there had been a change of control of the Company as of December 1, 2014, then, based on fiscal year 2014 compensation, Mr. Dellovo would have received \$1,009,266 under his employment and change of control agreement, plus the value of health and welfare benefits as described above, plus other vested benefits in the form of retirement funds. In addition, the value of Mr. Dellovo's accelerated stock awards would be \$278,588 based on the closing price of our common stock on the NASDAQ Global Market (\$7.82) as of the close of trading on December 1, 2014.

Under the same hypothetical circumstances, Mr. Levine would have received \$226,990 under his change of control agreement, plus the value of health and welfare benefits, plus other vested benefits in the form of retirement funds. In addition, the value of Mr. Levine's accelerated stock awards would be \$90,908 based on the closing price of our common stock on the NASDAQ Global Market (\$7.82) as of the close of trading on December 3, 2014.

These illustrations do not take account of tax effects and are intended only as examples.

Clawback and Stock Ownership Policies

The Company's Board of Directors approved a clawback policy and stock ownership guidelines for elected officers and non-employee members of the Board of Directors. The clawback policy is designed to ensure that incentive-based compensation is paid to executive officers based on accurate financial statements. In the event that the Company is required to prepare an accounting restatement due to the material noncompliance with accounting rules, the policy applies to incentive-based compensation that is granted to current or former executive officers of the company who received incentive-based compensation during three-year period preceding the date that the Company is required to prepare a restatement. In addition, when final rules are adopted by the SEC regarding any addition clawback requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we intend to review our policy and amend it to comply with the new rules.

The Company has also instituted stock ownership guidelines for elected officers and non-employee members of the Board of Directors. Such persons will be required to own shares of the Company's Common Stock with a value equal to at least the following amounts within five years from the date they are elected:

Chief Executive Officer: 100% of annual base salary

Chief Financial Officer: 100% of annual base salary

Vice Presidents or other officers: 75% of annual base salary

Board of Directors: 300% of annual retainer

For purposes of the guidelines, ownership will not include unexercised stock option