

US ENERGY CORP
Form DEF 14A
April 29, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

SCHEDULE 14A

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 §240.14a-12

U.S. Energy Corp.
(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:
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 - 4) Proposed maximum aggregate value of transaction:
 - 5) Total fee paid:
-

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U.S. ENERGY CORP.

877 North 8th West
Riverton, Wyoming 82501

Notice of Annual Meeting of Shareholders

We are pleased to give you notice of our Annual Meeting of Shareholders:

Date: Friday, June 25, 2010.

Time: 10:00 AM MDT

Place: 877 North 8th West, Riverton, Wyoming 82501

Purposes: - Elect the two nominees for directors identified in the accompanying proxy statement (Mark J. Larsen and Stephen V. Conrad) to serve until the third succeeding annual meeting of shareholders, and until their successors have been duly elected or appointed and qualified;
- Ratify appointment of the independent auditor; and
- For any other purpose that properly may come before the meeting, in accordance with the Bylaws of the Company.

Record April 26, 2010. The stock transfer books will not be closed.

Date:

We have enclosed a copy of our Annual Report for the fiscal year ended December 31, 2009 with this Notice of Annual Meeting of Shareholders and Proxy Statement. Please read the enclosed information carefully before completing and returning the enclosed proxy card.

The Securities and Exchange Commission requires companies to furnish proxy materials over the Internet, which reduces environmental impact as well as printing and mailing costs. Unless otherwise requested by the shareholder we are mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials, instead of mailing paper copies of the proxy materials. The Notice of Availability contains instructions on how to access the materials on the Internet, and also on how to request a paper copy of the proxy materials. All stockholders who do not receive a Notice of Availability will receive a paper copy of the proxy materials by mail.

Whether or not you plan to attend the meeting, please take the time to vote -

- Ø By the Internet – Go to the website shown on your proxy card or the Notice of Internet Availability; or
- Ø By Telephone – Call the toll free number shown on the notice of availability; or
- Ø By mail – Complete, sign and date your proxy card and mail it in the postage paid envelope.

If you owned shares in the Company at the close of business on April 26, 2010, you may attend and vote at the meeting. The names of shareholders of record entitled to vote at the meeting will be available for review at the meeting and during regular business hours at our headquarters in Riverton, Wyoming.

If you wish to attend the meeting and vote in person, but you are a beneficial owner (the shares are held in “street name”), contact your broker, as soon as you receive this notice, to obtain a “legal proxy” which you must bring to the

meeting in order to vote in person at the meeting.

By Order of
the Board of
Directors

Dated: April 29, 2010

/s/ Steven R.
Youngbauer
Steven R.
Youngbauer,
Secretary

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U.S. ENERGY CORP.

877 North 8th West
Riverton, Wyoming 82501

PROXY STATEMENT
FOR ANNUAL MEETING OF SHAREHOLDERS
ON FRIDAY, JUNE 25, 2010

This proxy statement is provided in connection with a solicitation of proxies by the Board of Directors of U.S. Energy Corp. (“U.S. Energy” or “the Company”) for the annual meeting of shareholders to be held on Friday, June 25, 2010, at 10:00 am MDT, and at any adjournments of the meeting.

Who Can Vote

If you held any shares of common stock on the record date (April 26, 2010), then you will be entitled to vote at the meeting. If you held stock in your own name, you may vote directly by internet, telephone, mail or in person. If you own stock beneficially but in the record name (street name) of an institution, you may instruct the record holder how to vote when the record holder contacts you about voting and gives you the proxy materials. If you are a beneficial owner and you wish to attend the meeting and vote in person, contact your broker, as soon as you receive this notice, to obtain a “legal proxy” which you must bring to the meeting in order to vote in person at the meeting.

Common Stock Outstanding on the Record Date: 26,737,320 Shares

Quorum and Voting Rights

A quorum for the meeting will exist if a majority of the voting power of the shareholders is present at the meeting, in person or represented by properly executed proxy delivered to us prior to the meeting. Shares of common stock present at the meeting that abstain/withhold from voting, or that are the subject of broker non-votes, will be counted as present for determining a quorum. A broker non-vote occurs when a nominee holding stock in street name or otherwise for a beneficial owner does not vote on a particular matter because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

The Securities and Exchange Commission approved a change in the New York Stock Exchange Rule 452, which governs discretionary voting by brokers of shares held in street name when beneficial owners have not instructed how such shares should be voted. Because the Rule governs all brokers, the amendment affects all public companies that have shares held in street name, not just companies listed on the NYSE. While brokers continue to have discretionary authority to vote street name shares on “routine” items (including ratification of management’s appointment of auditors), the change to Rule 452 eliminates discretionary voting in the election of directors. Accordingly, unlike our previous annual meetings, if your broker does not receive instructions from you, your broker will not be able to vote your shares in the election of directors.

You are entitled to one vote for each share of U.S. Energy Corp. common stock you hold, except that in the election of directors you may cumulate your votes. Cumulative voting generally allows each holder of shares of common stock to multiply the number of shares owned by the number of directors being elected, and to distribute the resulting number of votes among nominees in any proportion that the holder chooses. Nominees in number equal to the seats to be filled, who receive a plurality of votes cast, will be elected as directors. If you withhold from voting, your shares will

not be counted for any director.

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Each of the other proposals, and any other matter which properly comes before the meeting in accordance with the Bylaws of the Company, will be approved if the number of votes cast in favor exceeds the number of votes opposed.

Withholdings and broker non-votes will have no effect on the election of directors. As noted above, if you do not give your broker instructions on how to vote for the director nominees, your shares will not be voted at all on this matter and according will be counted as a broker non-vote. Abstentions as to all other matters which properly may come before the meeting will be counted as votes against those matters. Broker non-votes as to all other matters will not be counted as votes for or against, and will not be included in calculating the number of votes necessary for approval of these matters.

How Your Proxy Will Be Voted; Recommendation of the Board

The Board of Directors is soliciting a proxy in the enclosed form to provide you with the opportunity to vote on all matters scheduled to come before the meeting (as stated in the Notice of Annual Meeting which accompanies this proxy statement), whether or not you attend in person.

The Board of Directors recommends you vote in favor of the nominees for directors (Mark J. Larsen and Stephen V. Conrad, as stated in the Notice of Annual Meeting), and in favor of ratifying management's appointment of the audit firm. These are the purposes of the meeting (as provided in the Company's Bylaws in conformity with Wyoming law), and they are also referred to as "matters" in this proxy statement. Only the matters identified in the Notice will be considered at the meeting and voted upon by the shareholders.

Granting Your Proxy

If you properly complete the appropriate form of proxy in accordance with the Notice and Access rules, your shares will be voted as you specify. If you make no specifications, your proxy will be voted in favor of all proposals.

We expect no matters to be presented for action at the meeting other than the matters stated in the Notice of Annual Meeting accompanying this proxy statement. However, as permitted by SEC rule 14a-4(c), the proxy will confer discretionary authority with respect to any other matter that may properly come before the meeting. The persons named as proxies intend to vote in accordance with their judgment on any matters that may properly come before the meeting.

Revoking Your Proxy

If you submit a proxy, you may revoke it later or submit a revised proxy at any time before it is voted. You also may attend the meeting in person and vote by ballot, which would cancel any proxy you previously submitted.

Proxy Solicitation

We will pay all expenses of soliciting proxies for this proxy statement provided by the Board of Directors for the meeting. In addition to solicitations by mail, arrangements have been made for brokers and nominees to send proxy materials to their principals, and we will reimburse them for their reasonable expenses. We have not hired a solicitation firm for the meeting. Our employees and directors will solicit proxies by telephone or other means, if necessary; these people will not be paid for these services.

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Requirement and Deadlines for Shareholders to Submit Proxy Proposals

Generally, we hold the annual meeting on the last Friday in June. Under the rules of the SEC, if a shareholder wants us to include persons to be considered for nomination as directors in our proxy statement for presentation at our Annual Meeting of Shareholders to be held in June 2011, information about the persons to be considered must be received by us in writing at least 150 calendar days in advance of the meeting date, at U.S. Energy Corp., 877 North 8th West, Riverton, Wyoming 82501; Attention: Steven R. Youngbauer, Secretary. In addition, the Board of Directors amended the Company's Bylaws in March 2009, to adopt "advance notice" requirements that apply to all other proposals which shareholders may wish to have included in the Company's proxy statement, or to be stated in a notice for a special meeting of shareholders. Information about other proposals must be provided to the Company at least 90 calendar days before the meeting date. Please see "Advance Notice Requirements for Proposed Nominees to the Board of Directors, and Other Proposals," below.

Corporate Governance, Audit Committee, Compensation Committee and Nominating Committee

Meetings of the Board. The Board of Directors, which held formal meetings in 2009, has primary responsibility for directing management of the business. The Board currently consists of seven members and met formally six times during 2009. All meetings were attended by the full Board of directors serving at the time of the meeting during 2009, except for Allen S. Winters and H. Russell Fraser who did not attend one meeting each. The Board conferred informally on several other occasions during the year. From time to time the directors also approve various matters by consent minutes without conducting formal meetings; there were four such proceedings in 2009.

Attendance by Directors at Annual Meetings. Although most of the directors attend annual meetings of shareholders, we do not require such attendance. All of the directors, except Mr. Fraser, attended the 2009 annual meeting in person, and the regular meeting of the Board of Directors following the 2009 annual meeting of shareholders.

Communications from Shareholders to the Board of Directors. Shareholders may send communications to the Board of Directors, by addressing their communications to Keith G. Larsen, Chief Executive Officer and Chairman of the Board of Directors, or Mark J. Larsen, President, at 877 North 8th West, Riverton, Wyoming 82501. The independent directors have established a process for collecting and organizing communications from shareholders. Pursuant to this process, Keith Larsen and Mark Larsen will determine which of the communications address matters of substance and which should be considered by all directors, and will send those communications to all the directors for their consideration.

Audit Committee. To provide effective direction and review of fiscal matters, the Board has established an Audit Committee. The Audit Committee has the responsibility of reviewing our financial statements, exercising general oversight of the integrity and reliability of our accounting and financial reporting practices, and monitoring the effectiveness of our internal control systems. The Audit Committee also recommends selection of auditing and internal audit firms and exercises general oversight of the activities of our independent auditors, principal financial and accounting officer and accounting employees and related matters. The Chairman of the Audit Committee is Michael T. Anderson, a Certified Public Accountant. Other members of the Audit Committee are Allen S. Winters, H. Russell Fraser and Michael H. Feinstein, a non-practicing Certified Public Accountant. All members of the Audit Committee are independent directors under criteria established by Rule 4200(a)(15) adopted by the Financial Industry Regulatory Authority.

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The Board of Directors has determined that Michael H. Feinstein and Michael T. Anderson both are Audit Committee financial experts as defined in Rule 401(h) of the SEC's regulation S-K. If Stephen V. Conrad is elected a director, the Board of Directors will appoint Mr. Conrad to the Audit Committee to fill the vacancy (as Chairman) when Mr. Anderson ceases service. The Board has determined that Mr. Conrad is a financial expert.

The Audit Committee met five times in 2009. All Committee members either attend in person or by telephone with the exception of Mr. Fraser who was not in attendance during one of the meetings. This Committee has reviewed our financial statements for each of the quarters ended March 31, June 30 and September 30, 2009 and for the twelve months ended December 31, 2009 and discussed them with management and our independent audit firm. After the quarterly and year end meetings, our Audit Committee met in Executive Session with our Independent Audit Firm. The Committee also discussed with the independent audit firm the various matters required to be discussed in SAS 114 (Codification of Statements on Auditing Standards, AU 380). Based on the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the twelve months ended December 31, 2009. The Audit Committee also reviews and reassesses the adequacy of the Audit Committee Charter on an annual basis.

Compensation Committee. The Company has a Compensation Committee, whose members are Allen S. Winters, H. Russell Fraser, Michael T. Anderson, and Michael H. Feinstein. These members are independent under criteria established by Nasdaq. Mr. Feinstein serves as the Chairman of the Compensation Committee. This Committee met formally on two occasions in 2009, and discussed compensation matters informally several times throughout the fiscal year. All Compensation Committee members attended all meetings of their Committee during 2009 either in person or by phone. If Mr. Conrad is elected a director at the meeting, he will replace Mr. Anderson on the Compensation Committee.

The Compensation Committee reviews and recommends to the Board of Directors compensation packages for the officers of U.S. Energy Corp. Please see the Compensation Discussion and Analysis under "Executive Compensation" below.

Nominating Committee. The Company has a Nominating Committee, whose members are Allen S. Winters, H. Russell Fraser, Michael T. Anderson and Michael H. Feinstein who are all independent directors. Mr. Winters serves as the Chairman of the Nominating Committee. The Nominating Committee met three times during 2009 with all members attending either in person or by telephone with the exception of Mr. Fraser who attended two meetings.

Leadership of the Board of Directors, and the Role of the Board of Directors in Risk Oversight.

Board Leadership

U.S. Energy Corp. traditionally has combined the roles of Chief Executive Officer and Chairman of the Board of Directors, and we are continuing this policy with Keith G. Larsen as CEO and Chairman. Mr. Larsen is responsible for setting the strategic direction for the Company, and sets the agenda for and presides over Board meetings. Mark J. Larsen, also a director and President and Chief Operating Officer, is primarily responsible for execution of strategies and daily operations.

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Risk Oversight

The Company faces various risks in its business, including liquidity and operational risks. We currently do not encounter credit risk, as the Company's business does not currently involve the guarantee of financial instruments or obligations of others. Liquidity risk is encountered in the context of balancing contract commitments for capital and operational expenses, and could be encountered if the Company enters into hedging arrangements. Management will seek full Board approval prior to hedging production.

General business operations are managed by the executives, who report to the full Board of Directors as needed on developments in approved areas. Operations are run in conformity with the annual budget presented by management and approved, with appropriate modifications as needed throughout the year, by the full Board. However, material budget variations (for examples, a proposed acquisition or disposition of a significant property or a entering into a joint venture) are subject to prior approval by the full Board, even if the category and fund allocation generally had been previously approved by the Board. In these situations, the Chairman will call a meeting of the full Board to discuss specific terms, costs and variables, and associated risks, before committing the Company. We believe this process provides the Board a continuing role in oversight of risk.

Compensation Risk Assessment

The Compensation Committee has determined that our overall compensation package provides a balanced mix of annual salary and cash bonuses, and longer-term incentives (through awards of stock and stock options, and the Company's funding of the ESOP and a 401(k) plan). We do not believe that the package stimulates excessive risk taking, but instead encourages behaviors that contribute to creating sustainable value for shareholders. Short term achievement (at a minimum, positive cash flow) is motivated by salaries plus a Performance Compensation Plan ("PCP") which provides for cash bonuses, capped at 100% of base salary, based primarily on meeting objective Company-wide and department goals. In this context, using positive adjusted cash flow from operations as both the trigger for the overall PCP, and also as a goal within the PCP matrix, is appropriate for the capital intensive oil and natural gas industry. Additionally, the PCP allows for payment in cash of a discretionary Outstanding Performance Compensation Award for extraordinary service, in a year, unrelated to the PCP matrix. See "Executive Compensation – Performance Compensation Plan" below. Longer-term incentives are provided through the award of stock options from time to time, as well as the stock award program (for executives) and Company-wide ESOP and 401(k) plan contributions.

The trigger for consideration of bonuses under the PCP is the Company having positive adjusted cash flow from operations in the prior year. Once triggered, the PCP allows all employees to be considered for cash bonuses in the current year. For executives, 60% of their maximum bonus is calculated on Company-level performance objectives: Positive adjusted cash flow from operations 20%, improved stock price based on the 200 day moving average 20%, return on equity 10% and improved earnings per share 10%. The remaining 40% of a potential bonus to executives is tied to the achievement of corporate, department and personal goals for the year and meeting the annual budget. None of these objectives are further quantified as to amounts or improvement from prior years. The matrix for bonuses under the PCP is dynamic and is established every year by the Compensation Committee and approved by the full Board of Directors. Changes are made to the matrix as needed to continue motivating officer and employee performance for the improvement of shareholder value.

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However, the policy of triggering consideration of bonus awards on attaining positive adjusted cash flow from operations, and also computing a portion of the amounts to be paid on cash flow, is payment for accomplishment of short term goals, and as such, might encourage risk taking more than a trigger based upon profitability. Positive adjusted cash flow from operations does not predict realization of operating net income in the year of bonus payment or thereafter. After payment, the risk continues that the Company will not realize net income in the current or future years, and there is an additional risk that payment of the bonus related to the cash flow goal reduces operating capital. By setting the positive cash flow from operations as the trigger for the payment of any bonus, the Company has insured that no bonuses will be paid unless there is operating cash to pay it. Total employee bonuses paid under the PCP in 2010 was \$1,317,360 (including \$150,000 for extraordinary service paid to executives); executives received \$890,683 (including the extraordinary service bonus). Each independent director also received a cash bonus of \$12,000 in 2010, for a total bonus to independent directors of \$48,000 for service in 2009.

Although there are risks associated with the positive adjusted cash flow from operations principle in the PCP, we believe that this component does not encourage inappropriate risk taking. These risks associated with the PCP are significantly offset by the other Company-wide bonus elements within the PCP, and are balanced by the longer-term incentives which focus on profitability and stock price.

Charters for the Audit, Compensation, and Nominating Committees; Code of Ethics. The charters of the Audit Committee, the Compensation Committee, and the Nominating Committee, may be viewed at our web site (www.usnrg.com), at the tab "Investor Relations," then go to "Corporate Governance." The Code of Ethics also may be viewed at that location. If these documents are amended (or if the Code of Ethics should be waived in any respect), the amendments (and the occurrence of a waiver of the Code of Ethics), will be disclosed on the website as required by the Securities and Exchange Commission. Copies of each of these documents are available without charge to any person who requests them, by sending a request to U.S. Energy Corp., Attn: Steven R. Youngbauer, Secretary, 877 North 8th West, Riverton, Wyoming 82501.

Executive Committee. The Executive Committee members are Mark J. Larsen, Chairman, Keith G. Larsen, Robert Scott Lorimer and Allen S. Winters. This Committee helps implement the Board of Directors' overall directives as necessary. This Committee usually does not conduct formal meetings.

Nominating Committee; Advance Notice Requirements for Proposed Nominees to the Board of Directors, and Other Proposals

Nominating Committee and Nominating Process. When needed as determined by the Board of Directors, the Nominating Committee considers and recommends to the Board of Directors individuals who may be suitable to be nominated to serve as directors. Allen S. Winters, H. Russell Fraser, Michael T. Anderson, and Michael H. Feinstein are the Nominating Committee members; they are independent under criteria established by FINRA. Mr. Winters serves as Chairman of the Nominating Committee. This Committee met three times in 2009, and held other proceedings by consent during 2009. If Mr. Conrad is elected a director at the meeting, he will replace Mr. Anderson on the Nominating Committee.

The Nominating Committee has adopted a written charter regarding the Company's director and officer nomination process; the charter does not require that diversity (whether of background, experience, gender or other attributes) be considered in the process. The Nominating Committee approves all nominations to serve on the Board of Directors, and all proposals to install new executive officers.

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Pursuant to its charter, the Nominating Committee has adopted a policy for consideration of any director candidates recommended by shareholders, and may (or may not) recommend to the Board of Directors that candidate(s) be put on an Annual Meeting election slate and identified in the Company's proxy statement, if:

- At least 150 calendar days before the meeting date, the shareholder requests in writing that the Nominating Committee consider an individual for inclusion as a director nominee in the next proxy statement for an Annual Meeting. The shareholder must identify the individual and provide background information about the individual sufficient for the Committee to evaluate the suggested nominee's credentials. Such requests should be addressed to Keith G. Larsen, Chief Executive Officer and Chairman of the Board of Directors who will forward the requests to the Nominating Committee.
- The candidate meets certain specific minimum qualifications: Substantial experience in top or mid-level management (or serving as a director) of public or private mineral exploration companies, with particular emphasis on understanding and evaluating mineral properties for either financing, exploration and development, or joint venturing with industry partners; contacts with mining or oil and gas industry companies to develop strategic partnerships or investments with the Company; and the ability to understand and analyze complex financial statements. A shareholder-recommended candidate also will have to possess a good business and personal background, which the Nominating Committee will independently verify. These same categories of qualifications will be used by the Nominating Committee in considering any nominee candidate, whether recommended by a shareholder, an officer, or another director.
- The Company is provided with all information relating to a shareholder-recommended candidate that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934;
- The Company is informed whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of the recommending shareholder or the candidate, with respect to stock of the Company, and whether any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock) has been made by or on behalf of such holder or candidate, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk of stock price changes for, such holder or candidate or to increase or decrease the voting power or pecuniary or economic interest of such holder or candidate with respect to stock of the Company; and
- The Company receives representations from the shareholder (i) that he, she or it is a holder of record of stock of the Company entitled to vote at a meeting of stockholders and intends to appear in person or by proxy at the meeting to propose such nomination; and (ii) whether the shareholder or the beneficial owner, if any, intends or is part of a group which intends to solicit proxies from other stockholders in support of such nomination (if the Company's Board of Directors determines to identify the candidate in the Company's proxy statement).

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These procedures also are mandated by the Company's Bylaws, as amended in March 2009.

All director candidates recommended by a shareholder, or a director or officer, will be evaluated by the Nominating Committee (comprised solely of independent directors) in good faith. Director nominee candidates must be recommended for the Board of Directors selection by the Nomination Committee. However, a majority vote of the Board of Directors in favor of a director nominee must also include a majority vote of the independent directors for the Company to include that individual's name in an Annual Meeting notice and identify that individual in the Company's proxy statement for that Annual Meeting.

For the June 2010 Annual Meeting, the Nominating Committee has not received a request from any shareholder for consideration of a nominee candidate.

Advance Notice Requirement for Other Shareholder Proposals

For any other matter to be considered as a proper purpose for consideration by the shareholders at an annual or special meeting (referred to below as an "Additional Purpose"), each of the conditions set forth below must be satisfied in order for the Additional Purpose to be included in the Company's notice of the meeting. If the conditions are satisfied, an Additional Purpose would be set forth in either the Company's proxy statement, or a proxy statement prepared by the shareholder or shareholders requesting that the matter be voted upon by all shareholders. Pursuant to the Bylaws, only the holder or holders of at least 50% of the outstanding shares may demand that the Company convene a special meeting of shareholders.

The conditions also must be met in order for a shareholder to make a motion from the floor of a meeting to nominate a person for election to the Board, if such person has not been included as a director candidate in the Company's notice of the meeting.

At least 90 calendar days before the date for the meeting, the requesting shareholder shall give written notice to the Secretary of the Company, providing:

- (a) a brief description of the Additional Purpose which the shareholder wishes to present to the meeting;
- (b) the reason why the Additional Purpose is sought to be presented at the meeting;
- (c) a statement of any material interest which the requesting shareholder or its beneficial owners have in the Additional Purpose;
- (d) as to the requesting shareholder giving the notice and the beneficial owner, if any, on whose behalf the proposal to nominate or another proposal is made, a statement of (1) the requesting shareholder's and such beneficial owner's name and address, (2) the number of shares of the Company owned of record or beneficially by the requesting shareholder and such beneficial owner, (3) the name of each nominee holder of shares owned beneficially but not of record by the requesting shareholder and the number of shares of stock held by each such nominee holder, and (4) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of the requesting shareholder with respect to stock of the Company and whether any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock) has been made by or on behalf of the requesting shareholder, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk of stock price changes for, such shareholder or to increase or decrease the voting power or pecuniary or economic interest of the requesting shareholder with

respect to stock of the Company;

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- (e) a description of all agreements, arrangements or understandings between the requesting shareholder and any other person or persons (including their names) in connection with the proposal of the Additional Purpose;
- (f) a representation that the shareholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination and a representation whether the shareholder or the beneficial owner, if any, intends or is part of a group which intends to solicit proxies from other stockholders in support of such nomination; and
- (g) the text of any amendment to the Articles of Incorporation of the Company, or the Bylaws of the Company, which would be part of the Additional Purpose.

Principal Holders of Voting Securities and Ownership by Officers and Directors

The following are record holders as of April 10, 2010 who owned more than five percent of the outstanding common stock, as well as the stock beneficially held by each director and nominee, and each officer, and by all officers and directors as a group. This information is based on SEC reports or as otherwise known to us. Beneficial ownership includes the shares underlying presently exercisable options.

Except as noted, each holder exercises sole voting and dispositive powers over the shares listed opposite the holder's name, excluding shares subject to forfeiture and those held in ESOP accounts established for the holder's benefit.

The ESOP Trustees, Keith G. Larsen and Mark J. Larsen, exercise voting powers over non-allocated ESOP shares and dispositive powers over all ESOP shares. It should be noted that voting and dispositive powers over certain shares are shared by one or more of the listed holders; those shares are reported for each holder having a shared interest.

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Name and Address of Beneficial Owner		Amount and Nature of Beneficial Ownership Voting Rights		Dispositive Rights		Total Beneficial Ownership	Percent of Class (1)
		Sole	Shared	Sole	Shared		
Keith G. Larsen	*(2)	1,183,715	466,513	1,098,975	1,109,426	2,293,141	8.4%
Mark J. Larsen	*(3)	911,254	-	840,095	642,913	1,554,167	5.7%
Robert Scott Lorimer	*(4)	1,074,961	-	982,097	-	1,074,961	4.0%