

LEE ENTERPRISES, INC  
Form DEF 14A  
January 10, 2014  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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 §240.14a-12

LEE ENTERPRISES, INCORPORATED  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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LEE ENTERPRISES, INCORPORATED  
201 N. Harrison Street, Suite 600  
Davenport, Iowa 52801-1924

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD FEBRUARY 19, 2014

TO OUR STOCKHOLDERS:

The Annual Meeting of Stockholders (the "Annual Meeting") of Lee Enterprises, Incorporated, a Delaware corporation (the "Company"), will be held on the 4th floor of the Company's offices, 201 N. Harrison Street, Davenport, Iowa, 52801-1924, on February 19, 2014, at 9:00 a.m. CST, for the following purposes:

- (1) To elect three directors for terms of three years;
- (2) To ratify the selection of KPMG LLP as the Company's independent registered public accounting firm;
- (3) To consider and act upon a proposal to amend the 1996 Stock Plan for Non-Employee Directors (as amended and restated in 2010);
- (4) To consider and act upon a proposal to amend and restate the Incentive Compensation Program; and
- (5) To approve, by non-binding vote, the Company's compensation of its executive officers (the "Say-On-Pay" vote).

We will also transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed December 27, 2013 as the record date for the determination of stockholders entitled to notice of, and to vote at the Annual Meeting.

We are furnishing our proxy materials to you under Securities and Exchange Commission rules that allow public companies to deliver proxy materials to their stockholders using the Internet. On or about January 10, 2014, you were provided with a Notice of Internet Availability of Proxy Materials ("Notice") and provided access to our proxy materials over the Internet.

We encourage you to attend the Annual Meeting. However, it is important that your shares be represented whether or not you plan to attend. Even if you plan to attend the Annual Meeting, please vote, as instructed in the Proxy Statement as promptly as possible to ensure that your vote is recorded. Alternatively, you may follow the procedures outlined in the Notice to request a paper proxy card to submit your vote by mail. If you attend the meeting and your shares are registered in your name, you may withdraw your proxy at that time and vote your shares in person.

C. D. Waterman III, Secretary

Davenport, Iowa  
January 10, 2014



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LEE ENTERPRISES, INCORPORATED  
2014 ANNUAL MEETING OF STOCKHOLDERS  
PROXY STATEMENT

References to “we”, “our”, “us” and the like, except under "Executive Compensation", refer to Lee Enterprises, Incorporated (the "Company"). References to "2014", "2013", "2012" and the like refer to the fiscal year ending, or ended, the last Sunday in September.

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the Annual Meeting of Stockholders (the “Annual Meeting”) to be held on the 4th floor of our offices, 201 N. Harrison Street, Davenport, Iowa, 52801-1924, on February 19, 2014, at 9:00 a.m. CST, for the purposes set forth in the Notice of Annual Meeting of Stockholders.

In accordance with rules adopted by the Securities and Exchange Commission (“SEC”), we have provided Internet access to this Proxy Statement and our Annual Report on Form 10-K for the year ended September 29, 2013. Accordingly, a Notice of Internet Availability of Proxy Materials (the “Notice”) has been sent to our stockholders of record and beneficial owners. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request that a printed set of the proxy materials be sent to them by following the instructions in the Notice. If you requested printed versions of these materials by mail, these materials also include the proxy card for the Annual Meeting.

Also, the Notice provides you with instructions to inform us how to send our future proxy materials to you electronically by email, or in printed form by mail. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email, or in printed form by mail, will remain in effect until you terminate it.

## PROXIES

Your vote is very important. If you are a stockholder of record, you may vote your Common Stock in person at the Annual Meeting. We will give you a ballot when you arrive. If you do not wish to vote in person or if you will not be attending the Annual Meeting, you may vote by proxy. You may vote by proxy over the Internet (at [www.eproxy.com/lee](http://www.eproxy.com/lee)), by telephone (1-800-560-1965) or through the mail. If you received these proxy materials by mail, you may vote by signing and dating the proxy card(s) and returning the card(s) in the prepaid envelope or you may also vote by Internet or telephone (as indicated above). If you received these proxy materials via e-mail, the e-mail message transmitting the link to these materials contains instructions on how to vote your shares of Common Stock and your control number. Instructions on how to vote by Internet are also contained in the Notice.

You may revoke the proxy before the Annual Meeting, whether delivered by Internet, telephone or through the mail, by using, respectively, the Internet voting procedures, the telephone voting procedures or by mailing a signed instrument revoking the proxy to: C. D. Waterman III, Secretary, Lee Enterprises, Incorporated, at the address shown on the cover of this Proxy Statement. To be effective, a mailed revocation must be received by the Secretary on or before February 18, 2014. A stockholder may also attend the Annual Meeting in person, withdraw the proxy and vote in person.

If a broker, bank or other nominee holds your Common Stock, you will receive instructions from them that you must follow in order to have your shares voted. Shares held by a broker, bank or other nominee cannot be voted in person at the Annual Meeting.

## FORMER HOLDERS OF CLASS B COMMON STOCK

In 2011, all shares of Class B Common Stock were converted into an equal number of shares of Common Stock, in accordance with sunset provisions for Class B Common Stock established in 1986. If you still hold shares of Class B Common Stock, contact Wells Fargo Shareowner Services at 1-877-536-3552 to have the shares converted to Common Stock.

#### VOTING PROCEDURES

Stockholders of record at the close of business on December 27, 2013 will be entitled to vote at the Annual Meeting or any adjournment thereof. As of November 30, 2013, there were 53,444,441 shares of Common Stock outstanding. Each share of Common Stock is entitled to one vote at the Annual Meeting.

The presence, in person or by proxy, of a majority of the shares of our Common Stock issued and outstanding and entitled to vote is necessary to constitute a quorum at the Annual Meeting. The affirmative vote of the holders of a plurality of the shares of Common Stock represented in person or by proxy at the Annual Meeting is required to elect directors under Proposal 1, and the affirmative vote of the holders of a majority of the shares of Common Stock represented at the Annual Meeting is required to act on Proposals 2, 3, 4 and 5 as more fully set forth in this Proxy Statement, and on any other matter properly brought before the meeting.

Proposal 5 is a non-binding, advisory vote. As described more fully below, because of the advisory nature of this vote, the Board of Directors and its committees will not be bound to follow the recommendation of the stockholders. In order for the stockholders to recommend approval of the compensation of our executive officers under Proposal 5, the affirmative vote of the holders of a majority of the shares of Common Stock represented at the Annual Meeting is required.

Abstentions from voting on Proposals 2, 3, 4, and 5 will be included for purposes of determining whether the requisite number of affirmative votes is received on any matters other than the election of directors submitted to the stockholders for vote and, accordingly, will have the same effect as a vote AGAINST such matter. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will be considered as present and entitled to vote, but will have no effect on the vote with respect to that matter.

In voting by proxy with regard to the election of directors, stockholders may vote in favor of all nominees, withhold their votes as to all nominees, or withhold their votes as to specific nominees. Stockholders should specify their choices by using the Internet or telephone voting procedures, or on the proxy card, if printed copies of the proxy materials are requested by mail. All properly executed proxies delivered to us and not subsequently revoked will be voted at the Annual Meeting in accordance with the directions given. For any stockholder of record, if no specific instructions are provided the shares represented by the proxy will be voted FOR the election of all directors in Proposal 1 and FOR the approval of Proposals 2, 3, 4, and 5, as more fully set forth in this Proxy Statement. If any other matters properly come before the Annual Meeting, the persons named as proxies will vote upon such matters according to their judgment.

New York Stock Exchange ("NYSE") rules prohibit its member-brokers from voting shares held by them in elections for directors, any material revision to the terms of any existing equity compensation plan, and on any matters relating to executive compensation, without voting instructions from you. Accordingly, YOUR BROKER MAY NOT VOTE on Proposals 1, 3, 4 and 5 in its discretion, though your shares will be counted for purposes of determining whether a quorum is present. NYSE member-brokers are allowed to vote shares held by them for their customers only on matters the NYSE determines are routine, unless the brokers have received voting instructions from their customers. Your broker, therefore, will need to return a proxy card without voting on these matters if you do not give voting instructions with respect to these matters. This is referred to as a "broker non-vote".

We encourage you to provide voting instructions to the broker, bank or other nominee that holds your shares by carefully following the instructions provided in the Notice from such entity.

#### PROPOSAL 1 - ELECTION OF DIRECTORS

Three directors are to be elected to hold office for three-year terms expiring at the annual meeting in 2017.

Proxies will be voted for the election of the nominees unless the stockholder giving the proxy withholds such authority. If, as a result of circumstances not now known, any of such nominees shall be unable to serve as a director, proxies will be voted for the election of such other person as the Board of Directors may select. Information about the nominees and directors continuing in office, including business experience for at least the last five years, is set forth



below. Also included is a description of the specific experience, qualifications, attributes and skills of each nominee and director continuing in office that led the Board of Directors to conclude that each is well qualified to serve as a member of our Board of Directors.

Nominees for Election as Directors with Terms Expiring in 2017

Each of the individuals named below is a nominee of the Nominating and Corporate Governance Committee of the Board of Directors and has been nominated by the full Board of Directors for election as a director at the Annual Meeting. Each nominee is independent, as defined in the listing standards of the NYSE. The current terms of directors Cole, Donovan and Elmore expire February 19, 2014.

Richard R. Cole, 71, Director since 2006

Dr. Cole is the John Thomas Kerr Jr. Distinguished Professor-Emeritus at the School of Journalism and Mass Communication, University of North Carolina at Chapel Hill. From 1979 to 2005, Dr. Cole served as dean of the school and brings to the Board of Directors over 40 years experience in the profession of journalism and journalism-mass communication education.

Dr. Cole is chairman of the Nominating and Corporate Governance Committee.

Nancy S. Donovan, 62, Director since 2003

Ms. Donovan is a founding partner of Circle Financial Group, LLC, New York, NY, a wealth advisory and private equity firm, and the founding partner of Oakmont Partners, LLC, Lake Forest, IL, a private equity firm. From 1989 to 2001, Ms. Donovan was President and Chief Operating Officer of Morgan Stanley Credit Corporation, Riverwoods, IL. Prior to 1989, Ms. Donovan was instrumental in the development of the Discover Card, and led all marketing and merchant sales. Ms. Donovan provides the Board of Directors with experience in corporate finance, capital markets, risk analysis and strategic investment.

Ms. Donovan is a member of the Audit Committee.

Leonard J. Elmore, 61, Director since 2008

Mr. Elmore is an attorney. Mr. Elmore is also a basketball analyst for ESPN and CBS Sports. Mr. Elmore served as a board member of iHoops, the official youth basketball initiative of the NCAA and the NBA, from its inception in April 2009, and from May 2010 as its Chief Executive Officer, until October 2011. Prior to joining iHoops, Mr. Elmore was a partner with the law firm of Dreier LLP from September 2008 until December 2008, and senior counsel with the law firm of Dewey & LeBoeuf from 2004 to 2008. Mr. Elmore served as a trustee of the University of Maryland, and is a commissioner on the John S. and James L. Knight Foundation's Knight Commission on Intercollegiate Athletics. Mr. Elmore also serves as a member of the board of directors and chairman of the nominating and corporate governance committee of 1-800-FLOWERS.COM, Inc. Mr. Elmore brings to the Board of Directors his skills and experience in diverse roles as a lawyer, broadcaster and executive and in public sector board service.

Mr. Elmore is a member of the Audit Committee.

#### Vote Required

The affirmative vote of the holders of a plurality of the shares of our Common Stock, represented in person or by proxy at the Annual Meeting, is required to elect directors.

#### Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR Proposal 1 for the election of each of the nominees listed herein.

#### INCUMBENT DIRECTORS WITH TERMS EXPIRING IN 2015

Brent Magid, 48, Director since 2010

Mr. Magid is President and Chief Executive Officer of Frank N. Magid Associates, Inc., a research-based strategy consulting company with expertise in a wide range of media. From 2007 to 2009, Mr. Magid served as a director of

Quattro Wireless, a mobile advertising company. Mr. Magid provides the Board of Directors with experience and insight into key marketing and advertising trends and related media industry strategies.

Mr. Magid is a member of the Audit Committee and the Executive Compensation Committee.

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William E. Mayer, 73, Director since 1998

Mr. Mayer is a founding partner of Park Avenue Equity Partners, L.P., New York, NY, a private equity firm. He is also a director of BlackRock Kelso Capital Corporation, a closed-end management investment company, DynaVox, Inc. and Premier Inc., and a member of the Board of Trustees of the Columbia Group of Mutual Funds. Since 1976, Mr. Mayer has served on the boards of directors of 17 public companies, and as chairman of the board of the University of Maryland, College Park, and The Aspen Institute. Mr. Mayer also served as a professor and dean of the College of Business and Management at the University of Maryland from 1992 to 1996. Mr. Mayer provides the Board of Directors with business leadership experience, an understanding of the strategic, operational and financial issues confronting public companies, and experience with respect to corporate governance matters.

Mr. Mayer is a member of the Executive Committee, the Executive Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Mayer has been designated as our Lead Director by the independent directors to preside over executive sessions of non-management directors, among other duties.

Gregory P. Schermer, 59, Director since 1999

Mr. Schermer is Vice President-Strategy of the Company. From 1989 to July 2006, Mr. Schermer also served as Corporate Counsel of the Company, and from July 2006 until October 2012, he served as Vice President-Interactive Media of the Company. Mr. Schermer leads the development of our digital media strategies and platforms and represents the Company in several industry digital media initiatives, including The Local Media Consortium (the "Consortium"), a group of 29 companies that represent more than 700 local newspapers helping local advertisers to reach digital audiences. Mr. Schermer serves as a member of the Consortium's executive committee. Mr. Schermer provides the Board of Directors with insight and operational perspective on the Company's digital media strategies.

Mark B. Vittert, 65, Director since 1986

Mr. Vittert has been a private investor for more than 20 years. Over the past 40 years, Mr. Vittert has been involved as a founder, developer of, or investor in several companies involved in market research and youth marketing, publishing, sporting goods and the food and beverage industries. Mr. Vittert was a founder of Business Journals Publishing Corp., with publications in major metropolitan markets including Indianapolis, St. Louis, Pittsburgh, Philadelphia, Baltimore and Cincinnati. Since the sale of the business, he continues to be an investor in several publications. Mr. Vittert has also served on the boards of directors of several public companies, and provides the Board of Directors with insight and experience in corporate governance, risk management and the publishing industry.

Mr. Vittert is a member of the Executive Compensation Committee and the Nominating and Corporate Governance Committee.

#### INCUMBENT DIRECTORS WITH TERMS EXPIRING IN 2016

Mary E. Junck, 66, Director since 1999

Ms. Junck was elected Chairman, President and Chief Executive Officer of the Company in 2002. She is also a director of TNI Partners, which is owned 50% by the Company. Ms. Junck is a director and chairman of the board of directors of The Associated Press. Ms. Junck leads our senior executive team and provides the Board of Directors with in-depth knowledge of the Company and the publishing industry, in which she has worked in executive and senior management positions for more than 30 years. Ms. Junck provides a valuable and unique perspective in Board deliberations about the Company's business, competitive landscape, strategic relationships and opportunities, senior leadership and operational and financial performance.

Ms. Junck is Chairman of the Executive Committee.

Herbert W. Moloney III, 62, Director since 2001

From December 2006 through July 2011, Mr. Moloney was President and Chief Operating Officer of Western Colorprint, Inc., a privately-held company that provided advertising supplements and commercial printing services to the publishing industry. From April 2005 to November 2006, Mr. Moloney was President and Publisher of the Washington Examiner. From 2000 to March 2005, Mr. Moloney was the Chief Operating Officer, North America, and an Executive Vice President of Vertis, Inc., a premium provider of targeted advertising and marketing solutions to leading retail and consumer

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services companies. Mr. Moloney provides the Board of Directors over 30 years of executive and management experience in the publishing and television industries.

Mr. Moloney is Chairman of the Executive Compensation Committee and a member of the Audit Committee and the Executive Committee.

Andrew E. Newman, 69, Director since 1991

Mr. Newman is Chairman of Hackett Security, Inc., a security systems company with operations in several states; a private investor; and a trustee of Washington University, St. Louis. Mr. Newman has been a founder, principal and/or chief executive officer of several retail and restaurant companies and a group of business publications. Mr. Newman's business, executive and financial experience provide the Board of Directors with strong oversight of its financial and disclosure responsibilities, procedures and controls, and qualify him to serve as Chairman of our Audit Committee and as its designated financial expert. He is also a member of the Executive Compensation Committee.

#### PROPOSAL 2 - RATIFICATION OF SELECTION OF KPMG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee ("Audit Committee") has selected KPMG LLP ("KPMG") to serve as the independent registered public accounting firm to audit our financial statements for 2014. KPMG also served as our independent registered public accounting firm in 2013. Our Amended and Restated By-laws ("By-laws") do not require that the stockholders ratify the appointment of KPMG as our independent registered public accounting firm. The Board of Directors is requesting the stockholders to ratify this appointment as a means of soliciting stockholders' opinions and as a matter of good corporate practice.

Representatives of KPMG are expected to be present at the Annual Meeting, will have an opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions from stockholders.

#### Vote Required

The affirmative vote of a majority of the shares of our Common Stock, represented in person or by proxy at the Annual Meeting, is required to ratify the selection of KPMG. If the stockholders do not ratify the appointment, the Audit Committee will consider any information submitted by the stockholders in determining whether to retain KPMG as our independent registered public accounting firm for 2014. Even if the appointment is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that a change would be in the best interests of the Company and its stockholders.

#### Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR Proposal 2 to ratify the appointment of KPMG LLP as the Company's Independent Registered Public Accounting Firm.

#### PROPOSAL 3 - APPROVAL OF AMENDMENT TO AMENDED AND RESTATED 1996 STOCK PLAN FOR NON-EMPLOYEE DIRECTORS

The Board of Directors has unanimously approved, and is proposing for stockholder approval, an amendment to our Amended and Restated 1996 Stock Plan for Non-Employee Directors (the "Stock Plan Amendment"). At our 1996 Annual Meeting, our stockholders approved the Company's 1996 Stock Plan for Non-Employee Directors, which was amended and restated at our 2010 Annual Meeting (the "Stock Plan"). The purpose of the Stock Plan is to promote the interests of the Company and its stockholders by: (1) encouraging non-employee directors to own shares of our

Common Stock and thereby link their interest more closely with the interests of our other stockholders; (2) attracting and retaining non-employee directors of outstanding ability; (3) providing incentive compensation opportunities which are competitive with those of other major corporations; and (4) enabling such directors to participate in our long-term growth and financial success. A copy of the Stock Plan is included as Appendix A to this Proxy Statement.

The Stock Plan authorized the Board of Directors to (1) reserve an aggregate of 450,000 shares of our Common Stock (as such number may be adjusted for stock splits and dividends and certain other corporate changes in accordance with the Stock Plan) and (2) make an annual grant of 10,000 shares of our Common Stock to each non-employee

director, subject to an annual cap in the value on the date of grant equal to that non-employee director's annual cash retainer (which was \$40,000 in 2013 and will be \$50,000 in 2014), exclusive of Board committee service and meeting fees. The Stock Plan requires any annual grant of our Common Stock to any non-employee director to be held for a minimum of ten (10) years, unless such director retires, resigns or dies while holding the position of director prior to satisfying this holding requirement. The Stock Plan has no expiration date except that awards may not be granted in excess of the 450,000 shares of our Common Stock that have been reserved for award.

Pursuant to the terms of the Stock Plan, 437,545 shares of Common Stock have been issued to our non-employee directors through December 27, 2013 (the record date for the Annual Meeting), leaving 12,455 shares available for issuance, which is not sufficient to enable us to meet our expected annual awards for the next several years. For the amount of shares that were issued to our non-employee directors as a group in 2013, see Compensation of Non-Employee Directors below.

In order to continue the Stock Plan, we are asking our stockholders to approve the Stock Plan Amendment, which modifies the Stock Plan to increase the number of shares of Common Stock authorized under the Stock Plan by 300,000 shares. We estimate these additional shares will provide an additional three to four years of grants to our non-employee directors, depending on the number of non-employee directors serving on our Board of Directors during such time and the price of our Common Stock.

Under the proposed Stock Plan Amendment, the maximum number of shares available for future grant or issuance would be increased to 312,455 shares of our Common Stock. This amount is subject to adjustment for stock splits and dividends and certain other corporate changes in accordance with the Stock Plan. The addition of 300,000 shares of our Common Stock to the available total shares under the Stock Plan amounts to less than one percent of our 53,444,441 shares of Common Stock outstanding as of November 30, 2013. The closing price of our Common Stock on the NYSE on December 27, 2013 was \$3.46 per share.

#### Summary of Stock Plan

The following summary sets forth the principal features of the Stock Plan as amended by the Stock Plan Amendment. This summary is qualified in its entirety by the complete text of the Stock Plan, as amended, set forth in Appendix A to this Proxy Statement.

#### Eligibility

Awards may be granted only to our non-employee directors. Awards may not be granted to any person who is an employee of the Company.

#### Annual Awards

Under the Stock Plan, an award of 10,000 shares of our Common Stock is made automatically to each non-employee director on the first business day of June of each year, subject to an annual cap in the fair market value equal to each non-employee director's annual cash retainer for that year. No consideration will be paid by a participant upon award of the shares. A non-employee director who is elected by the Board of Directors to fill a vacancy or newly created directorship between annual meetings of stockholders will automatically receive an award of 10,000 shares of our Common Stock on the earlier of the first business day of the fourth month after taking office or the last business day of the year in which he or she takes office, subject to an annual cap in the fair market value equal to each non-employee director's annual cash retainer for that year and receipt of only one award per fiscal year.

#### Administration



The Stock Plan is administered by our Chief Executive Officer (the “Administrator”), who is authorized to interpret the plan but has no authority with respect to the selection of directors to receive awards, the number of shares subject to the plan, grants thereunder, or the price or timing of awards to be made except as provided below. The Administrator has no authority to increase materially the benefits under the Stock Plan. The Administrator may amend, suspend or terminate the plan as he or she deems advisable or to comply with changes in the Internal Revenue Code of 1986 (the “Code”), the Employee Retirement Income Security Act of 1974, or the rules and regulations thereunder, but may not amend the Stock Plan without further approval of the stockholders if such approval is required by law. The determinations of the Administrator are final, binding and conclusive upon all persons. Adjustments shall be made in the number and kind of shares subject to the Stock Plan for stock splits or stock dividends. The Administrator presently

intends that any annual award be accompanied by an agreement with each director providing, among other matters, that the shares of Common Stock covered by the award must be held for a minimum of ten (10) years, unless such director retires, resigns or dies while holding the position of director prior to satisfying this holding requirement. If such requirement is not met, the shares will be subject to forfeiture in the discretion of the Administrator.

#### U.S. Income Tax Considerations

Our non-employee directors are considered to have earned directors' compensation at the time of the stock awards. The amount of taxable compensation equals the fair market value of the shares on the date awarded.

#### Vote Required

The affirmative vote of a majority of the shares of our Common Stock represented in person or by proxy at the Annual Meeting, is required for the approval of the foregoing proposal. The Amended and Restated Stock Plan, as amended by the Stock Plan Amendment, becomes effective upon its approval by our stockholders.

#### Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR Proposal 3 to amend the Amended and Restated 1996 Stock Plan for Non-Employee Directors.

#### PROPOSAL 4 - APPROVAL OF AMENDED AND RESTATED INCENTIVE COMPENSATION PROGRAM

Under section 162(m) of the Code, in order for compensation in excess of \$1 million for any taxable year paid to a person named in the Summary Compensation Table and employed by us on the last day of the taxable year to be deductible by the Company, such compensation must qualify as "performance-based". At the 2004 Annual Meeting, our stockholders approved the Annual Incentive Bonus Program, under which annual cash incentive compensation to be paid to executive officers subject to Code section 162(m) would be performance-based for purposes of exemption from the limitations of Code section 162(m). At the 2005 Annual Meeting, the stockholders approved the Company's Incentive Compensation Program (the "Program"), which extended the authority of the Executive Compensation Committee ("ECC") to pay annual bonus compensation and/or make incentive-based restricted stock awards that constitute performance-based compensation within the meaning of Code section 162(m).

Stock awards under the Program were suspended in 2008 and no awards under the Program have been made since 2007 until November 2013. Annual cash incentive compensation awards were also suspended in 2008 and reinstated by the ECC in 2012. Under Code section 162(m), our stockholders must periodically reapprove the Program in order for any awards thereunder to be tax deductible.

If reapproved by the stockholders, restricted stock awards granted to executives by the ECC, in its discretion, under the Company's 1990 Long-Term Incentive Plan ("LTIP") based on terms and conditions, including performance-based goals, established by the ECC would qualify as performance-based compensation within the meaning of Code section 162(m). A copy of the Program is included as Appendix B to this Proxy Statement. The principal terms of the Program are as follows:

¶ The class of persons covered consists of our key executives who are from time to time designated by the ECC.

¶ The performance criteria for the Program applicable to covered executives are limited to objective tests based on one or more of the following: net earnings, operating cash flow, customer satisfaction, revenue, financial growth, operating income, return and margin ratios, market performance, and total shareholder return, any of which may be measured either in absolute terms or as compared to another company or companies. Use of any other criterion will

require ratification by stockholders if failure to obtain such approval would jeopardize the tax deductibility of future incentive payments.

In administering the Program and determining incentive awards, the ECC will not have the flexibility under the Program to pay a covered executive an incentive payment or grant a restricted stock award greater than the incentive award indicated by his or her attainment under the applicable standards. The ECC will have the flexibility, based on its business judgment, to reduce an award of cash or

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restricted stock. The ECC also has the flexibility to make other compensation payments, including discretionary cash bonus or stock awards, outside the Program at its discretion.

There will be a maximum individual annual cash incentive amount limit equal to 200% of the annual base salary of any covered executive for any performance year. No participant may receive an annual cash incentive compensation award under the Program in excess of \$2 million.

The maximum incentive-based restricted stock award for any fiscal year of the Program shall not exceed 200,000 shares of our Common Stock.

The Program is unchanged from provisions approved by stockholders on February 23, 2005, except that the maximum restricted stock award has been increased to 200,000 shares.

It should be noted that it is the ECC's intent to prevent Code section 162(m) from limiting the deductibility of incentive compensation payments. However, because of possible unforeseen future events, it is impossible to be certain that all incentive compensation paid by us to named executive officers will be tax deductible. The foregoing shall not preclude the ECC from making other compensation payments under different terms even if they do not qualify for tax deductibility under Code section 162(m).

#### Hypothetical Payments Based on 2013 Results

As discussed above, awards under the terms adopted by the ECC will be based upon performance goals established with respect to 2014 and future years. No incentive-based restricted stock awards under the Program have been earned by any covered executive, since the performance period has not concluded. Additionally, the amount of annual incentive compensation to be paid in the future to our current or future executive officers subject to Code section 162(m) cannot be determined at this time, since actual amounts will depend on actual performance measured against the attainment of the ECC's pre-established performance goals and to the ECC's discretion to reduce such amounts.

The only participant under the Program in 2013 was Mary E. Junck, our Chief Executive Officer. Based on attainment of pre-determined performance goals established by the ECC under the Program, Ms. Junck's annual cash incentive compensation was \$450,000. The ECC also awarded Ms. Junck a discretionary cash bonus of \$225,000 for 2013.

If the Program is not approved, in 2014 and thereafter, the Company will not be entitled to a deduction to the extent that the aggregate of salary, discretionary compensation payments, if any, and the value of restricted stock awards vesting in that year, exceeds \$1 million to a named executive officer.

Because benefits under the Program depend upon the ECC's actions, it is not possible to determine the benefits that will be received by participants under the Program.

#### Federal Income Tax Consequences

Participants will recognize ordinary compensation income when any cash amounts are paid to them under the Program. Participants will also recognize ordinary compensation income when shares are delivered to them upon vesting of stock awards issued under the LTIP in settlement of awards under the Program. The amount of income recognized in this situation will be based on the fair market value of the shares received. Subject to any limitations under Code section 162(m), the Company generally will be entitled to a deduction equal to the amount of ordinary income that a participant is required to recognize. As noted above, the Company cannot guarantee the deductibility of awards under the Program that we intend to qualify as performance-based compensation under Code section 162(m).

#### Vote Required

The affirmative vote of a majority of the shares of our Common Stock represented in person or by proxy at the Annual Meeting, is required for the approval of the foregoing proposal.

## Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR Proposal 4 to adopt the Company's Amend and Restated Incentive Compensation Program.

## PROPOSAL 5 - APPROVAL, BY NON-BINDING VOTE, OF THE COMPANY'S COMPENSATION OF ITS EXECUTIVE OFFICERS

We are providing our stockholders with the opportunity to cast an advisory vote regarding executive compensation as described below. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers ("NEOs") as disclosed in this Proxy Statement in accordance with the SEC's rules. This vote is also referred to as a "Say-On-Pay" vote.

As required by the Securities Exchange Act of 1934 (the "Exchange Act"), stockholders may vote to approve (or not approve) the resolution below on the compensation of our NEOs, as disclosed in the Compensation Discussion and Analysis and accompanying executive compensation tables and narrative on pages 15-26.

Our goal is to be an employer of choice for our key executives. In order to achieve this status, our strategies are to have compensation programs in place that will:

- Reward executives for their contribution to our success;
- Create an ownership mentality in our executives;
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