STONERIDGE INC
Form DEF 14A
April 07, 2014

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

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))
x Definitive Proxy Statement
¨Definitive Additional Materials
¨Soliciting Material Pursuant to § 240.14a-12

Stoneridge, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials:

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

(1) Amount Previously Paid:

Not Applicable

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

Not Applicable

(3) Filing Party:

Not Applicable

(4) Date Filed:

Not Applicable

STONERIDGE, INC.

9400 East Market Street

Warren, Ohio 44484

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholder:

We will hold our 2014 Annual Meeting of Shareholders on Tuesday, May 6, 2014, at 11:00 a.m. Eastern Time, at the Cleveland Airport Marriott, 4277 West 150th Street, Cleveland, Ohio 44135.

The purpose of the Annual Meeting is to consider and vote on the following matters:

1. Election of eight directors, each for a term of one year;
2. Ratification of the appointment of Ernst & Young LLP;
3. An advisory vote on executive compensation; and
4. Any other matters properly brought before the meeting.

Only shareholders of record at the close of business on March 31, 2014, are entitled to notice of and to vote at the meeting or any adjournment thereof. Shareholders are urged to complete, sign and date the enclosed proxy and return it in the enclosed envelope or to vote by telephone or Internet.

By order of the Board of Directors,

ROBERT M. LOESCH,
Secretary

Dated: April 7, 2014

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 6, 2014:

This Proxy Statement and the Company's 2013 Annual Report to Shareholders are also available at *www.edocumentview.com/sri*.

YOUR VOTE IS IMPORTANT.

PLEASE SUBMIT YOUR PROXY BY COMPLETING AND MAILING THE ENCLOSED PROXY CARD OR PROVIDE YOUR VOTE BY TELEPHONE OR INTERNET.

STONERIDGE, INC.

2014 Proxy Statement Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting. We are mailing this Proxy Statement to our shareholders on or about April 7, 2014, and it is also available online at www.edocumentview.com/sri. The Board of Directors is soliciting proxies in connection with the 2014 Annual Meeting of Shareholders and encourages you to read this Proxy Statement and vote your shares online, by telephone or by mailing your proxy card or voting instruction form.

Stoneridge, Inc. 2014 Annual Meeting Information

· Date and Time: Tuesday, May 6, 2014, at 11:00 a.m. Eastern Time

· Location: Cleveland Airport Marriott, 4277 West 150th Street, Cleveland, OH 44135

· Record Date: March 31, 2014

· Voting: Shareholders as of the record date are entitled to vote. Each share of common shares is entitled to one vote for each Director nominee and one vote for each of the other proposals to be voted on.

Matters to be Considered:

Management Proposals	Board Vote Recommendation	Page (for more information)
1. Elect eight directors named in this Proxy Statement	FOR ALL	5
2. Ratification of the appointment of Ernst & Young LLP	FOR	8
3. Advisory vote on executive compensation	FOR	15

Company Performance

(In thousands, except earnings per share and share price)

	2013	2012	Percent Change	
Net Sales	$947,830	$938,513	1.0	%
Operating Income	39,704	28,729	38.2	%
Net Income	15,131	5,361	182.2	%
Earnings Per Share, Diluted	$0.56	$0.20	180.0	%
Share Price at 12/31	$12.75	$5.12	149.0	%

Net sales increased by $9.3 million and net income increased by $9.8 million in 2013 compared with 2012 and our closing share price at year end 2013 increased 149% from a year earlier. These improved results are worth noting, however, they were below our consolidated financial performance expectations for the year. Sales performance was below our growth targets and was negatively impacted by continuing weak trends in the commercial vehicle markets, market share loss by a significant customer and currency devaluation of the Brazilian real, which were partially offset by continued growth in the North American automotive markets and new program awards in Europe.

Profitability, while significantly above the prior year on a modest revenue increase, was below expectations for 2013 due to unfavorable volume, exchange rate fluctuations, operational performance in our Wiring segment, and changes in product mix in our PST segment all of which reduced marginal contributions. Partially offsetting these impacts were reductions in selling, general and administrative costs.

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Director Nominees

Stoneridge's Directors are elected for one-year terms by a majority of the votes cast. Below is a summary of the Director nominees. Additional information about each director nominee and his or her qualifications may be found beginning on page 5 of this Proxy Statement.

Name	Age	Director Since	Primary Occupation	Independent	Committee Memberships AC	CC	NCGC
John C. Corey	66	2004	President and CEO of Stoneridge, Inc.				
Jeffrey P. Draime	47	2005	Self-employed business consultant	ü		ü	ü
Douglas C. Jacobs	74	2004	Executive Vice President-Finance and CFO of Brooklyn NY Holdings, LLC	ü	C	ü	
Ira C. Kaplan	60	2009	Managing Partner of Benesch, Friedlander, Coplan & Arnoff LLP	ü	ü		ü
Kim Korth	59	2006	President and CEO of Dickten Masch Plastics, LLC and TECHNIPLAS™	ü		C	ü
William M. Lasky	66	2004	Former President and CEO of Accuride Corporation	L	ü	ü	C
George S. Mayes, Jr.	55	2012	Executive Vice President and COO of Diebold, Inc.	ü	ü		
Paul J. Schlather	61	2009	Self-employed business consultant	ü	ü		

AC	Audit Committee	C	Committee Chairperson
CC	Compensation Committee	L	Lead Independent Director
NCGC	Nominating & Corporate Governance Committee		

Ratification of the appointment of Ernst & Young LLP

As a matter of good governance, we are asking our shareholders to ratify the appointment of Ernst & Young LLP to serve as our independent registered public accounting firm for the year ending December 31, 2014. Below is summary information with respect to the fees billed to us for services provided to us during the years ended December 31, 2013 and 2012. For more information, see page 8 of this Proxy Statement.

	2013	2012
Audit Fees	$1,654,130	$1,454,846

Tax Fees	380,200	463,896
Total Fees	$2,034,330	$1,918,742

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Executive Compensation Highlights

Our executive compensation program is designed to attract, retain, motivate and reward talented executives who advance our strategic, operational and financial objectives and, thereby, enhance shareholder value. The primary objectives of our compensation programs for executive officers are to:

- Attract and retain talented executive officers by providing a compensation package that is competitive with that offered by similarly situated companies;
- Create a compensation structure under which a substantial portion of total compensation is based on achievement of performance goals; and
- Align total compensation with the objectives and strategies of our business and shareholders.

Key elements of our 2013 compensation program are as follows:

- Base Salary. Base salary has been targeted at the 50th percentile of our peer group. For 2013, Mr. Corey and Mr. Strickler did not receive increases to their base salaries.
- Annual Incentive Plan (AIP). The 2013 AIP was comprised of consolidated and, where appropriate, divisional or functional financial performance metrics. The 2013 AIP target was set as a percentage of base salary. For 2013, the AIP target percentage for Mr. Corey and Mr. Strickler was increased by 5% in lieu of a base salary increase, putting more compensation at risk if performance is not achieved. Mr. Corey and Mr. Strickler did not receive AIP payouts for 2013 as their financial performance metrics were not achieved.
- Long-Term Incentive Plans. Long-term incentives were awarded under our Long-Term Incentive Plan and our Long-Term Cash Incentive Plan for 2013 and generally targeted the 75th percentile of our peer group. These awards vest in three years and 20% were performance-based restricted common shares that vest based on our Total Shareholder Return compared to a group of peer companies, 20% were phantom shares that vest based on achievement of an annual earnings per share target and the remaining 60% were restricted shares that vest based on the passage of time. For 2013, there were no restricted phantom shares earned under the first tranche of the award as our earnings per share did not meet the threshold for achievement.

Additionally, during 2013, we implemented a Share Ownership policy for our executive officers whereby the CEO, CFO and other executive officers must retain our common shares equal in market value to five, four and three times, respectively, their annual base salaries.

For more information related to our executive compensation program, see page 15 of this Proxy Statement.

STONERIDGE, INC.

PROXY STATEMENT

The Board of Directors (the “Board”) of Stoneridge, Inc. (the “Company”) is sending you this Proxy Statement to ask for your vote as a Stoneridge shareholder on certain matters to be voted on at our Annual Meeting of Shareholders to be held on Tuesday, May 6, 2014, at 11:00 a.m. Eastern Time, at the Cleveland Airport Marriott, 4277 West 150th Street, Cleveland, Ohio 44135. This Proxy Statement and the accompanying notice and proxy will be mailed to you on or about April 7, 2014.

Annual Report; Internet Availability

A copy of our Annual Report to Shareholders for the fiscal year ended December 31, 2013, is enclosed with this Proxy Statement. Additionally, this Proxy Statement and our Annual Report to Shareholders for the fiscal year ended December 31, 2013 are available at *www.edocumentview.com/sri*.

Solicitation of Proxies

The Board is making this solicitation of proxies and we will pay the cost of the solicitation. We have retained Georgeson Inc., at an estimated cost of $8,000, to assist in the solicitation of proxies from brokers, nominees, institutions and individuals. In addition to the solicitation of proxies by mail by Georgeson Inc., our employees may solicit proxies by telephone, facsimile or electronic mail.

Proxies; Revocation of Proxies

The common shares represented by your proxy will be voted in accordance with the instructions as indicated on your proxy. In the absence of any such instructions, they will be voted to (a) elect the director nominees set forth under “Election of Directors”; (b) ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2014; and (c) approve the compensation paid to our Named Executive Officers. Your presence at the Annual Meeting of Shareholders, without further action, will not revoke your proxy. However, you may revoke your proxy at any time before it has been exercised by signing and delivering a later-dated proxy or by giving notice to the Company in writing at our address indicated on the attached Notice of Annual Meeting of Shareholders or in the open meeting. If you hold your common shares in “street name”, in order to change or revoke your voting instructions you must follow the specific voting directions provided to you by your bank, broker or other holder of record.

Voting Eligibility

Only shareholders of record at the close of business on the record date, March 31, 2014, are entitled to receive notice of the Annual Meeting of Shareholders and to vote the common shares held on the record date at the meeting. On the record date, our outstanding voting securities consisted of 28,330,031 common shares, without par value, each of which is entitled to one vote on each matter properly brought before the meeting.

Voting Procedures

If you are a record holder:

- You may vote by mail: Complete and sign your proxy card and mail it in the enclosed, prepaid and addressed envelope.
- You may vote by telephone: Call toll-free 1-800-652-VOTE (8683) on a touch-tone phone and follow the instructions. You will need your proxy card available if you vote by telephone.
- You may vote by Internet: Access *www.envisionreports.com/sri* and follow the instructions. You will need your proxy card available if you vote by Internet.
- You may vote in person at the meeting, however, you are encouraged to vote by mail, telephone or Internet even if you plan to attend the meeting.

If you are a "street name" holder:

- You must vote your common shares through the procedures established by your bank, broker, or other holder of record. Your bank, broker, or other holder of record has enclosed or otherwise provided a voting instruction card for you to use in directing the bank, broker, or other holder of record how to vote your common shares.
- You may vote at the meeting, however, to do so you will first need to ask your bank, broker or other holder of record to furnish you with a legal proxy. You will need to bring the legal proxy with you to the meeting and hand it in with a signed ballot that you can request at the meeting. You will not be able to vote your common shares at the meeting without a legal proxy and signed ballot.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common shares as of February 28, 2014, by: (a) our directors and nominees for election as directors; (b) each other person who is known by us to own beneficially more than 5% of our outstanding common shares; (c) the executive officers named in the Summary Compensation Table; and (d) all of our executive officers and directors as a group.

Name of Beneficial Owner	**Number of Shares Beneficially Owned** [1]	Percent Of Class	
Systematic Financial Management, LP [2]	2,557,890	9.0	%
The Goldman Sachs Group, Inc. [3]	2,005,111	7.1	
BlackRock, Inc. [4]	1,858,860	6.6	
JPMorgan Chase & Co. [5]	1,430,300	5.0	
John C. Corey [6]	821,938	2.9	
Jeffrey P. Draime [7]	403,514	1.4	
George E. Strickler [8]	338,429	1.2	
Thomas A. Beaver [9]	160,181	*	
William M. Lasky [10]	110,880	*	
Michael D. Sloan [11]	110,105	*	
Richard P. Adante [12]	97,900	*	
Paul J. Schlather [13]	89,877	*	
Ira C. Kaplan [14]	39,952	*	
Douglas C. Jacobs [15]	35,160	*	
Kim Korth [16]	29,900	*	
George S. Mayes, Jr. [17]	18,420	*	
All Executive Officers and Directors as a Group (15 persons)	2,295,656	8.1	%

* Less than 1%.

(1) Unless otherwise indicated, the beneficial owner has sole voting and investment power over such common shares.

(2) According to a Schedule 13G filed with the Securities and Exchange Commission ("SEC") by Systematic Financial Management, LP. The address of Systematic Financial Management, LP is 300 Frank W. Burr Boulevard, Glenpointe East, 7th Floor, Teaneck, New Jersey 07666.

(3) According to a Schedule 13G filed with the SEC by The Goldman Sachs Group, Inc., the filing reflects the securities beneficially owned by certain operating units (collectively the "Goldman Sachs Reporting Units") of Goldman Sachs Group, Inc. and its subsidiaries and affiliates. The Goldman Sachs Reporting Units disclaims beneficial ownership of the securities beneficially owned by (i) any client accounts with respect to which the Goldman Sachs Reporting Units or their employees have voting or investment discretion or both, or with respect to which there are limits on their voting or investment authority or both and (ii) certain investment entities of which Goldman Sachs Reporting Units act as the general partner, managing general partner or other manager, to the extent interests in such entities are held by persons other than the Goldman Sachs Reporting Units. The address of The Goldman Sachs Group, Inc. is 200 West Street, New York, New York 10282.

(4) According to a Schedule 13G filed with the SEC by BlackRock, Inc. The address of BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022.

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(5) According to a Schedule 13G filed with the SEC by JPMorgan Chase & Co. The address of JPMorgan Chase & Co. is 270 Park Avenue, New York, New York, 10017.

(6) Represents 10,000 common shares that Mr. Corey has the right to acquire upon the exercise of share options, 488,900 restricted common shares, which are subject to forfeiture, 150,000 common shares held in trust for which Mr. Corey’s wife is trustee, and 173,038 common shares owned by Mr. Corey directly.

(7) Represents 347,714 common shares held in trust for the benefit of Draime family members, of which Mr. Draime is trustee, 6,910 restricted common shares, which are subject to forfeiture, and 48,890 common shares owned by Mr. Draime directly.

(8) Represents 152,150 restricted common shares, which are subject to forfeiture, and 186,279 common shares owned by Mr. Strickler directly.

(9) Represents 98,950 restricted common shares, which are subject to forfeiture, and 61,231 common shares owned by Mr. Beaver directly.

(10) Represents 10,000 common shares that Mr. Lasky has the right to acquire upon the exercise of share options, 6,910 restricted common shares, which are subject to forfeiture, and 93,970 common shares owned by Mr. Lasky directly.

(11) Represents 70,500 restricted common shares, which are subject to forfeiture and 39,605 common shares owned by Mr. Sloan directly.

(12) Represents 97,400 restricted common shares, which are subject to forfeiture and 500 common shares owned by Mr. Adante directly.

(13) Represents 6,910 restricted common shares, which are subject to forfeiture, 47,500 common shares held in an investment retirement account for the benefit of Mr. Schlather, and 35,467 common shares owned by Mr. Schlather directly.

(14) Represents 6,910 restricted common shares, which are subject to forfeiture, and 33,042 common shares owned by Mr. Kaplan directly.

(15) Represents 6,910 restricted common shares, which are subject to forfeiture, and 28,250 common shares owned by Mr. Jacobs directly.

(16) Represents 6,910 restricted common shares, which are subject to forfeiture, and 22,990 common shares owned by Ms. Korth directly.

(17) Represents 6,910 restricted common shares, which are subject to forfeiture, and 11,510 common shares owned by Mr. Mayes directly.

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PROPOSAL ONE: ELECTION OF DIRECTORS

In accordance with the Company's Amended and Restated Code of Regulations, the number of directors has been fixed at eight. At the Annual Meeting of Shareholders, shareholders will elect eight directors to hold office until our next Annual Meeting of Shareholders and until their successors are elected and qualified. The Board proposes that the nominees identified below be elected to the Board. John C. Corey, the Company's President and Chief Executive Officer, has an employment agreement with the Company, which provides that, during the term of the agreement, Mr. Corey shall be entitled to be nominated for election to the Board. At our Annual Meeting of Shareholders, the common shares represented by proxies, unless otherwise specified, will be voted for the election of the eight nominees hereinafter named.

The director nominees are identified below. If for any reason any of the nominees is not a candidate when the election occurs (which is not expected), the Board expects that proxies will be voted for the election of a substitute nominee designated by the Board. The following information is furnished with respect to each person nominated for election as a director.

The Board of Directors recommends that you vote FOR the following nominees.

Nominees to Serve for a One-Year Term Expiring in 2015

John C. Corey	Mr. Corey, 66, was elected to the Board in 2004. Mr. Corey is the President and Chief Executive Officer of the Company and has served in this role since January 2006. Mr. Corey served as the President and Chief Executive Officer of Safety Components International, a supplier of air bags and components, from October 2000 until January 2006 and Chief Operating Officer from 1999 to 2000.
	Since 2004 Mr. Corey has served as a director and Chairman of the Board of Haynes International, Inc., a producer of metal alloys. Mr. Corey serves as Chairman of the Motor and Equipment Manufacturers Association, an organization that represents motor vehicle parts suppliers, and was a past Chairman of the Board of Directors for the Original Equipment Suppliers Association, an organization dedicated to supporting and promoting automotive suppliers.
	In addition to his professional experience described above, the Company believes that Mr. Corey should serve as a director because he has successfully guided companies through restructuring initiatives and executed performance and strategy development initiatives throughout his career. Through his leadership

and industry experience, from both an operational and financial perspective, he provides valuable insight to the Board and strengthens the Board's collective qualifications, skills and experience.

Mr. Draime, 47, was elected to the Board in 2005. Since 2005 Mr. Draime has been a self-employed business consultant. Mr. Draime is a partner and the President of AeroMax Aviation Holdings LLC, a charter aircraft corporation. From 1999 to 2011 he was the owner of QSL Columbus/QSL Dayton, a restaurant franchise.

Jeffrey P. Draime

Mr. Draime served in various roles with the Company from 1988 through 2001, including operations, sales, quality control, product costing, and marketing. Since 2012, Mr. Draime has served as a director of Servantage Dixie Sales, Inc., an independent, full service, value added distributor serving consumer products markets. The Company believes that Mr. Draime should serve as a director because he provides an historical as well as an internal perspective of our business to the Board and strengthens the Board's collective qualifications, skills and experience. Mr. Draime's father, D.M. Draime, was the founder of Stoneridge.

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Douglas C. Jacobs	Mr. Jacobs, 74, was elected to the Board in 2004. He is the Executive Vice President-Finance and Chief Financial Officer of Brooklyn NY Holdings LLC, a

privately held investment advisory company established to manage the assets of a family and family trust. Prior to serving in this position, from 1999 until 2005 Mr. Jacobs held various financial positions with the Cleveland Browns. Mr. Jacobs is a former partner of Arthur Andersen LLP.

Mr. Jacobs has served as a director of Standard Pacific Corporation, a national residential home builder in southern California, since 1998 and serves as Chairman of the Audit Committee and a member of the Compensation, Executive and Nominating and Corporate Governance Committees. Mr. Jacobs is a member of the boards of SureFire, Inc., a manufacturer of high-performance flashlights, weapon-mounted lights and other tactical equipment, and M/G Transport Services LLC, a barge line and inland waterways carrier.

Mr. Jacobs qualifies as an audit committee financial expert due to his extensive background in accounting and finance built through his career in public accounting. In addition to his professional and accounting experience described above, the Company believes that Mr. Jacobs should serve as a director because he provides valuable business experience and judgment to the Board, which strengthens the Board's collective qualifications, skills and experience.

Ira C. Kaplan	Mr. Kaplan, 60, was elected to the Board in 2009. He has served as the Managing Partner of Benesch, Friedlander, Coplan & Aronoff LLP, a national law firm, since January 2008, is a member of the firm's Executive Committee, and has been a partner with the firm since 1987. Mr. Kaplan focuses his practice on mergers and acquisitions as well as public and private debt and equity financings. Mr. Kaplan counsels clients in governance and business matters in his role at the law firm. In addition to his legal and management experience described above, the Company believes that Mr. Kaplan should serve as a director because he brings thoughtful analysis, sound judgment and insight to best practices to the Board, in addition to his professional experiences, which strengthens the Board's collective qualifications, skills and experience.
Kim Korth	Ms. Korth, 59, was elected to the Board in 2006. Since December 2012, Ms. Korth has served as the President and Chief Executive Officer of Dickten Masch Plastics, LLC, a thermoplastics and thermoset manufacturer, and as the President and Chief Executive Officer of TECHNIPLAS™, a privately held group of plastics-focused manufacturing businesses. Prior to that, she served as President, Chief Executive Officer and as a Director of Supreme Corporation, a manufacturer of truck and van bodies, from 2011 to 2012. Ms. Korth is the founder and owner of IRN, Inc., an international automotive consulting firm. She founded the consulting firm in 1983 and is a recognized expert on automotive supplier strategy and issues.

Ms. Korth is a member of the boards of Shape Corporation, a manufacturer of automotive bumper and impact energy management systems, Burke E. Porter Machinery Company, a manufacturer of industrial test systems, and Unique Fabricating LLC, a niche supplier of acoustic parts for the automotive industry.

Ms. Korth has several decades of experience in corporate governance issues, organizational design, and development of strategies for growth and improved financial performance for automotive suppliers. In addition to the knowledge and experience described above, the Company believes that Ms. Korth should serve as a director because she provides insight to industry trends and expectations to the Board, which strengthens the Board's collective qualifications, skills and experience.

William M. Lasky	Mr. Lasky, 66, was elected to the Board in 2004. Mr. Lasky served as President and Chief Executive Officer of Accuride Corporation ("Accuride"), a manufacturer and supplier of commercial vehicle components, from 2008 until his retirement in 2011. He has served as the Chairman of the Board of Accuride from 2009 to 2012. On October 8, 2009 Accuride filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. On February 26, 2010, after successfully completing its plan of reorganization, Accuride emerged from Chapter 11 bankruptcy. Mr. Lasky served as President and Chief Executive Officer of JLG Industries, Inc., a diversified construction and industrial equipment manufacturer, from 1999 through 2006 and served as Chairman of the Board from 2001 through 2006. Since 2011 Mr. Lasky has served as a director of Affinia Group, Inc., a designer, manufacturer and distributor of industrial grade replacement parts and services for automotive and heavy-duty vehicles. In addition to his professional experience described above, the Company believes that Mr. Lasky should serve as a director because he provides in-depth industry knowledge, business acumen and leadership to the Board, which strengthens the Board's collective qualifications, skills and experience.
George S. Mayes, Jr.	Mr. Mayes, 55, was elected to the Board in 2012. Mr. Mayes was appointed Executive Vice President and Chief Operating Officer of Diebold, Inc., a provider of integrated self-service delivery and security systems and services, in 2013. Prior to that, he served as Executive Vice President of Operations from 2008, as Senior Vice President, Supply Chain Management from 2006 to 2008, and as Vice President, Global Manufacturing upon joining Diebold, Inc. in 2005. Mr. Mayes has extensive experience in lean manufacturing and Six Sigma processes and has managed manufacturing facilities in Canada, Mexico, France, Hungary, Brazil, China, Poland, Italy and the United States. The Company believes that Mr. Mayes should serve as a director because he provides in depth knowledge of manufacturing theories and operations, business acumen and leadership to the Board, which strengthens the Board's collective qualifications, skills and experience.
Paul J. Schlather	Mr. Schlather, 61, was elected to the Board in 2009. Mr. Schlather was a partner at PricewaterhouseCoopers LLP, serving as co-head to the Private Client Service group from August 2002 until his retirement in 2008. Mr. Schlather currently provides independent business consulting services. Mr. Schlather qualifies as an audit committee financial expert due to his extensive background in accounting and finance built through his career in public accounting. In addition to his professional and

accounting experience described above, the Company believes that Mr. Schlather should serve as a director because he provides financial analysis and business acumen to the Board, which strengthens the Board's collective qualifications, skills and experience.

PROPOSAL TWO: RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP

The Audit Committee of the Board currently expects to appoint Ernst & Young LLP ("Ernst & Young") as our independent registered public accounting firm for the year ending December 31, 2014. For 2013, Ernst & Young was engaged by us to audit our annual financial statements and to perform audit-related and tax services. We expect that representatives of Ernst & Young will be present at the Annual Meeting of Shareholders, will have an opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions from shareholders.

The Board seeks an indication from our shareholders of their approval or disapproval of the Audit Committee's anticipated appointment of Ernst & Young as our independent registered public accounting firm for the 2014 fiscal year. The submission of this matter for approval by shareholders is not legally required, however, the Board believes that the submission is an opportunity for the shareholders to provide feedback to the Board on an important issue of corporate governance. If our shareholders do not approve the appointment of Ernst & Young, the appointment of our independent registered public accounting firm will be re-evaluated by the Audit Committee but will not require the Audit Committee to appoint a different accounting firm. If our shareholders do approve the appointment of Ernst & Young, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interest of the Company and its shareholders. Approval of this proposal requires the affirmative vote of a majority of the common shares present in person or by proxy and entitled to be voted on the proposal at our Annual Meeting of Shareholders. Abstentions will have the same effect as votes against the proposal. Broker non-votes will not be considered common shares present and entitled to vote on the proposal and will not have a positive or negative effect on the outcome of this proposal, however, there should be no broker non-votes on this proposal because brokers should have the discretion to vote uninstructed common shares on this proposal.

The Board of Directors recommends that you vote FOR Proposal Two.

Service Fees Paid to the Independent Registered Public Accounting Firm

The following table sets forth the aggregate fees billed by and paid to Ernst & Young by fee category for the fiscal years ended December 31, 2013 and 2012. The Audit Committee has considered the scope and fee arrangements for all services provided by Ernst & Young, taking into account whether the provision of non-audit-related services is compatible with maintaining Ernst & Young's independence.

	2013	2012
Audit Fees	$1,654,130	$1,454,846

Tax Fees	380,200	463,896
Total Fees	$2,034,330	$1,918,742

Audit Fees. Audit fees include fees associated with the annual audit of our financial statements, the assessment of our internal control over financial reporting as integrated with the annual audit of our financial statements, the quarterly reviews of the financial statements included in our SEC Form 10-Q filings, statutory and regulatory audits and general assistance with the implementation of new regulatory pronouncements.

Tax Fees. Tax fees relate to tax compliance and both domestic and international tax advisory services.

Pre-Approval Policy

The Audit Committee's policy is to approve in advance all audit and permitted non-audit services to be performed for the Company by its independent registered public accounting firm. Pre-approval is generally provided for up to one year, is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit Committee also pre-approves particular services on a case-by-case basis. In accordance with this policy, the Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee. The Chairman may pre-approve services and then inform the Audit Committee at the next scheduled meeting.

All services provided by Ernst & Young during fiscal year 2013, as noted in the previous table, were authorized and approved by the Audit Committee in compliance with the pre-approval policies and procedures described above.

Audit Committee Report

In accordance with its written charter, the Audit Committee assists the Board in fulfilling its responsibility relating to corporate accounting, our reporting practices, and the quality and integrity of the financial reports and other financial information provided by us to any governmental body or to the public. Management is responsible for the financial statements and the financial report