

ARI NETWORK SERVICES INC /WI
Form DEF 14A
November 26, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A INFORMATION

(Rule 14a – 101)

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant

Filed by the 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

ARI NETWORK SERVICES, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required

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

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

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

- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
-

(3) Filing Party:

(4) Date Filed:

2

ARI NETWORK SERVICES, INC.

10850 West Park Place, Suite 1200

Milwaukee, Wisconsin 53224

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

January 6, 2015

To the Shareholders of ARI Network Services, Inc.:

The 2015 Annual Meeting of Shareholders of ARI Network Services, Inc. (the “Company”) will be held at the Company’s headquarters located at 10850 West Park Place, Suite 1200, Milwaukee, Wisconsin, on Tuesday, January 6, 2015, at 9:00 a.m., local time, for the following purposes:

To elect two directors nominated by the Company’s Board of Directors to serve until the Company’s fiscal 2018 annual meeting of shareholders and until their successors are elected and qualified;

To ratify the appointment of Wipfli LLP as the Company’s independent auditors for the Company’s fiscal year ending July 31, 2015; and

To transact such other business as may properly come before the meeting.

Shareholders of record at the close of business on October 28, 2014 are entitled to notice of and to vote at the meeting and at all adjournments thereof.

Holders of a majority of the outstanding shares must be present in person or by proxy in order for the meeting to be held. Accordingly, we have mailed to our shareholders of record and beneficial owners a Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access the attached proxy statement and our Annual Report on Form 10-K via the Internet and how to vote online. Whether or not you expect to attend the annual meeting in person, you are urged to vote by a telephone vote, by voting electronically via the Internet or, as applicable, by completing and mailing the proxy card. Instructions for telephonic voting and electronic voting via the Internet are contained in the Notice or, as applicable, on the accompanying proxy card. If you attend the meeting and wish to vote your shares personally, you may do so by revoking your proxy at any time prior to the voting thereof. In addition, you may revoke your proxy at any time before it is voted by advising the Secretary of the Company in writing (including executing a later dated proxy or voting via the Internet) or by telephone of such revocation.

If your shares are held in “street name” (through a broker, bank or other nominee), you may receive a separate voting instruction with this proxy statement, or you may need to contact your broker, bank, or other nominee to determine whether you will be able to vote telephonically, electronically using the Internet, or what is required to vote your shares in person at the annual meeting.

By order of the Board of Directors,

William A. Nurthen, Secretary

November 26, 2014

ARI NETWORK SERVICES, INC.

10850 West Park Place, Suite 1200

Milwaukee, Wisconsin 53224

(414) 973-4300

PROXY STATEMENT

The Board of Directors of ARI Network Services, Inc. (the “Company”) submits the accompanying proxy for the annual meeting to be held on the date, at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. Each shareholder of record at the close of business on October 28, 2014 will be entitled to one vote for each share of common stock registered in such shareholder’s name. As of October 28, 2014, the Company had outstanding 14,197,438 shares of common stock, par value \$0.001 (the “common stock”).

The presence, in person or by proxy, of a majority of the shares of common stock outstanding on the record date is required for a quorum at the meeting. Under rules adopted by the Securities and Exchange Commission, the Company is making this proxy statement and other annual meeting materials available on the Internet instead of mailing a printed copy of these materials to each shareholder. Shareholders who received a Notice of Internet Availability of Proxy Materials (the “Notice”) by mail will not receive a printed copy of these materials other than as described below. Instead, the Notice contains instructions as to how shareholders may access and review all of the important information contained in the materials on the Internet, including how shareholders may submit proxies by telephone or over the Internet.

If you received the Notice by mail and would prefer to receive a printed copy of the Company’s proxy materials, please follow the instructions for requesting printed copies included in the Notice.

The Notice is being mailed to shareholders commencing on or about November 26, 2014.

Any shareholder may revoke a previously granted proxy at any time before it is voted by advising the Secretary of the Company in writing of such revocation (including executing a later-dated proxy) or by voting via the Internet or by telephone.

Unless otherwise directed, all proxies will be voted as follows:

1. FOR the election of two individuals nominated by the Company’s Board of Directors to serve as directors; and
2. FOR the ratification of the appointment of Wipfli LLP as the Company’s independent auditors for the Company’s fiscal year ending July 31, 2015.

Under the Company’s Amended and Restated By-Laws, directors are elected by a plurality of votes cast at the meeting (assuming a quorum is present). In other words, the nominees receiving the largest number of votes will be elected. Any shares not voted, whether by withheld authority, broker non-vote or otherwise, will have no effect on the election of directors except to the extent that a failure to vote for an individual results in another individual receiving a larger number of votes. Any votes attempted to be cast “against” a candidate are not given legal effect and are not counted as votes cast in an election of directors. The proposal to ratify the appointment of the Company’s independent auditors will be approved if the affirmative votes exceed the votes cast against. Broker non-votes and abstentions are counted for purposes of determining whether a quorum is present at the meeting but are not affirmative votes or votes against and, therefore, will have no effect on the outcome of the voting.

IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY
OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING

TO BE HELD ON JANUARY 6, 2015

The Company's Annual Report to Shareholders, including this proxy statement, is available at www.proxyvote.com.
Instructions on how to access and review the materials on the Internet can be found on the Notice and the accompanying proxy card.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information regarding the beneficial ownership of shares of common stock by each person known by the Company to beneficially own 5% or more of the common stock, by each director or nominee of the Company, by certain executive officers of the Company, and by all directors and executive officers of the Company as a group as of October 28, 2014 (unless otherwise indicated). The address for each of the persons listed below is 10850 West Park Place, Suite 1200, Milwaukee, Wisconsin 53224, unless otherwise specified.

Name and Address of Beneficial Owners	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Wynnefield Funds (2) 450 Seventh Avenue, Suite 509 New York, NY 10123	1,727,989	11.70 %
Wellington Trust Company, NA (3) Wellington Management Company, LLP Boston, MA 02210	280 Congress Street 1,365,500	9.25 %
Michael D. Sifen, Inc. (4) 500 Central Drive, Suite 106 Virginia Beach, VA 23454	1,205,128	8.16 %
Peter H. Kamin (5) One Avery Street, 17B Boston, MA 02111	972,654	6.59 %
Briggs & Stratton Corporation (6) 12301 West Wirth Street Milwaukee, WI 53201	840,000	5.69 %
Roy W. Olivier (7)	721,262	4.88 %
William C. Mortimore	116,016	*
P. Lee Poseidon	76,981	*
Chad J. Cooper	91,467	*

Edgar Filing: ARI NETWORK SERVICES INC /WI - Form DEF 14A

William H. Luden, III	63,955	*
Robert Y. Newell, IV	54,253	*
Marvin A. Berg	48,405	*
James R. Johnson	28,000	*
William A. Nurthen	18,750	*
All current executive officers and directors as a group (9 persons)	1,219,089	8.25 %

* denotes less than 1%

- (1) Except as otherwise noted, the persons named in the above table have sole voting and investment power with respect to all shares shown as beneficially owned by them. Includes options exercisable within 60 days of October 28, 2014 as follows: Mr. Olivier (375,000 shares), Mr. Mortimore (89,375 shares), Mr. Poseidon (19,000 shares), Mr. Luden (10,000 shares), Mr. Newell (10,000 shares), Mr. Berg (38,750 shares), Mr. Johnson (10,000 shares), Mr. Nurthen (18,750 shares), and all executive officers and directors as a group (570,875 shares). Mr. Cooper's total includes 41,000 shares owned by a family trust of which Mr. Cooper is co-trustee, and 16,667 and 28,800 shares subject to exercisable warrants held by the family trust and Mr. Cooper, respectively.
- (2) Ownership information is provided as of July 30, 2013 based in part upon Schedule 13D/A filed on July 31, 2013 by Wynnefield Partners Small Cap Value, L.P. ("Partners"), Wynnefield Partners Small Cap Value, L.P. I ("Partners I"), Wynnefield Small Cap Value Offshore Fund, Ltd. ("Offshore"), Wynnefield Capital Management, LLC ("WCM"), Wynnefield Capital, Inc. ("WCI"), Nelson Obus and Joshua Landes (collectively the "Wynnefield Reporting Persons") and Form 4 filed on July 31, 2013. According to the filings, Partners, Partners I, Offshore, WCM, and WCI are each separate and distinct entities with different beneficial owners (whether designated as limited partners, shareholders or members). WCM, a New York limited liability company, is the general partner of Partners and Partners I, each a private investment company organized as a limited partnership under the laws of the State of Delaware. Nelson Obus and Joshua Landes are the co-managing members of WCM. WCM is the sole general partner of Partners and Partners I and, accordingly, may be deemed to be the indirect beneficial owner of the shares of common stock that Partners and Partners I beneficially own. WCM, as the sole general partner of Partners and Partners I, has the sole power to direct the voting and disposition of the shares of common stock that Partners and Partners I beneficially own. Messrs. Obus and Landes are the co-managing members of WCM and, accordingly, they may be deemed to be the indirect beneficial owners of the shares of common stock that WCM may be deemed to beneficially own. Messrs. Obus and Landes, as co-managing members of WCM, have the sole power to direct the voting and disposition of the shares of common stock that WCM may be deemed to beneficially own. Total includes 518,201, 822,558 and 387,230 shares of common stock held by Partners, Partners I and Offshore, respectively.
- (3) Ownership information is provided as of August 29, 2014 based upon Schedules 13G filed on September 10, 2014 by each of Wellington Trust Company, NA ("Wellington Trust") and Wellington Management Company, LLP ("Wellington Management"). According to the Schedules 13G, each of Wellington Trust and Wellington Management, in its respective capacity as investment adviser, may be deemed to beneficially own 1,365,000 shares of the Company that are held of records by their clients, and each reports shared voting and dispositive power with respect to such shares. According to the Schedules 13G, the shares are owned of record by clients of the respective entities, and such clients have the right to receive , or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such shares; and no such client is known to have the right or power with respect to more than five percent of the Company's common stock except for Wellington Trust (a client of Wellington Management) and Wellington Trust Company, National Association Multiple Common Funds Trust, Micro Cap Equity Portfolio.
- (4) Ownership information is provided as of March 15, 2013 based upon Schedule 13G filed on May 22, 2013 by Michael D. Sifen, Inc. Total includes 498,461 shares of common stock held by Michael D. Sifen and 706,667 shares of common stock held by Michael D. Sifen, Inc., an entity controlled by Mr. Sifen. Ownership information is based on the Company's information with respect to (i) share certificates transferred to Mr. Sifen by the Company's transfer agent on October 17, 2011 related to shares of common stock acquired by Channel Blade Technologies Corporation ("Channel Blade") on April 29, 2009 in connection with the Company's acquisition of substantially all of the assets of Channel Blade; (ii) shares of common stock issued by the Company to Michael D. Sifen, Inc., an entity controlled by Mr. Sifen, as of December 4, 2012; and (iii) shares of common stock issued to Michael D. Sifen, Inc. as a result of the exercise of the Warrant issued in connection with the Company's private placement.
- (5) Ownership information is provided as of January 2, 2014 based on an amended Schedule 13G/A filed on such date. Total includes 586,720 shares of common stock held by Mr. Kamin, 123,400 shares held by the Peter H. Kamin Children's Trust, 175,233 shares held by the Peter H. Kamin Profit Sharing Plan, 30,700 shares held by the

Peter H. Kamin Family Foundation and 56,601 shares held by 3K Limited Partnership.

- (6) Ownership information is provided as of March 16, 2000 based upon Schedule 13D amendment filed April 3, 2000.
- (7) Mr. Olivier's total includes 193,200 shares held in the Company's 401(k) plan, of which Mr. Olivier is a trustee with voting power. Mr. Olivier disclaims any beneficial ownership in these shares in excess of his pecuniary interest 13,246 shares.

6

PROPOSAL ONE: ELECTION OF DIRECTORS

The Company’s directors are divided into three classes, with staggered terms of three years each. At the annual meeting, shareholders will vote on the election of two directors nominated by the Company’s Board of Directors to serve until the Company’s fiscal 2018 annual meeting of shareholders and until their successors are elected and qualified. The following list identifies all directors of the Company:

Name	Age	Capacity Served
William H. Luden, III	72	Chairman of the Board, Director
Roy W. Olivier	55	President, Chief Executive Officer and Director
Chad J. Cooper	44	Director
James R. Johnson	68	Director
P. Lee Poseidon	59	Director
William C. Mortimore	69	Director
Robert Y. Newell, IV	66	Director

Nominees for Election to Serve Until
the Fiscal 2018 Annual Meeting

Roy W. Olivier

Mr. Olivier joined the Company in September 2006 as Vice President of Global Sales and Marketing, and was appointed as President and CEO in May 2008. He has been a director since 2008. Before joining ARI, Mr. Olivier was a consultant to start-up, small and medium-sized businesses. Prior to that, he was Vice President of Sales and Marketing for ProQuest Media Solutions, a business he founded in 1993 and sold to ProQuest in 2000. Before that, Mr. Olivier held various sales and marketing executive and managerial positions with several other companies in the telecommunications and computer industries, including Multicom Publishing Inc., BusinessLand and PacTel.

The Nominating and Corporate Governance Committee of the Board of Directors (the “Nominating Committee”) believes that Mr. Olivier’s experience with the Company as its President, Chief Executive Officer, and director, as well as his prior experience as the Company’s Vice President of Global Sales and Marketing, as well as his other business and industry background, has given him substantial and valuable knowledge of all aspects of the Company’s business.

P. Lee Poseidon

Mr. Poseidon was appointed to the Board of Directors in June of 2008. Mr. Poseidon’s business experience includes his services as Venture Partner at Jumpstart, Inc., and Chief Operating Officer at Quorum Information Technologies and at the National Automobile Dealers Association. From 2001 to 2003, he served as Senior Vice President and General Manager of ProQuest’s Global Automotive business unit. Prior to joining ProQuest, Mr. Poseidon spent 15 years in a series of executive positions in marketing, business development, product management and strategic planning at The Reynolds and Reynolds Company. His early career included financial analysis and management positions at NCR Corporation. Mr. Poseidon earned his MBA from Xavier University and his B.A. from Ohio Wesleyan University.

The Nominating Committee believes that the Board benefits from the extensive management, business and industry experience Mr. Poseidon has obtained through his positions with a number of technology, publishing, manufacturing, distribution, and professional services businesses. In addition, Mr. Poseidon's experience as a director of the Company and his membership on various committees has provided him with a deep understanding of the business of the Company and makes him a valuable member of the Board of Directors.

7

Directors Whose Terms Expire at

the Fiscal 2016 Annual Meeting

Chad J. Cooper

Mr. Cooper, a director since October 2014, is the Chief Executive Officer of Digital Offering LLC, a technology-driven merchant bank. He has more than 15 years' experience in the investment banking and capital markets industry. Prior to joining Digital Offering, Mr. Cooper was a Managing Director at Ascendant Capital Markets from 2013 to 2014. Prior to Ascendant, Mr. Cooper was a Managing Director at Global Hunter Securities, an investment bank, from 2012 to 2013. Mr. Cooper also served as Director of Institutional Sales and in other various capacities at Roth Capital Partners, an investment bank, from 2002 to 2011. Mr. Cooper holds a B.A. in International Relations from the University of Southern California, and an M.B.A. from Georgetown University.

The Nominating Committee believes that Mr. Cooper's background and experience in investment banking and capital markets provide significant benefits to the Board as the Company continues to execute its growth strategy.

James R. Johnson

Mr. Johnson, a director since April 2012, served as Chairman and Chief Executive Officer of BakBone Software, Inc., a provider of data protection technology, from November 2004 until April 2010. Before joining BakBone, Mr. Johnson served as President and Chief Technology Officer of the Hospitality Group of SoftBrands Inc., an enterprise software company. Prior to joining SoftBrands, Mr. Johnson was President and Senior Vice President of the Asia Pacific Group of Sterling Commerce. Currently, Mr. Johnson serves as one of the founding directors on the board of Lister Technologies (P) Ltd, a privately-held offshore development company located in Chennai, India. Mr. Johnson holds a Bachelor's Degree in Operational Research from California State University, Fresno.

The Board of Directors believes that Mr. Johnson's breadth and depth of firsthand knowledge of the international marketplace and successful track record of growing global software and enterprise applications services companies make him a valuable member of the Board of Directors.

William H. Luden, III

Mr. Luden, a director since March 2012, served as Chief Executive Officer of InfoPartners, Inc., which provides information systems management and consulting services to hospitals, from 2002 until 2010. Prior to InfoPartners, Mr. Luden held CEO positions with several technology companies, including ShowMeTV, Purdy Electronics and Corporate Finance Associates. Earlier in his career, he served as CEO of the InfoSystems and Cellular One divisions of Pacific Telesis, and owned Crisman AudioVision, a chain of high-end stereo retail stores in the Rocky Mountain area. Mr. Luden holds a Bachelor of Arts degree in Philosophy from the University of Colorado-Boulder and a Master of Business Administration from the Harvard Business School.

The Nominating Committee believes that the Board benefits from Mr. Luden's extensive experience and proven track record of growing businesses and his strong connections in the technology industry, which the Board believes will be a valuable asset to the Board of Directors as the Company continues its strategic and tactical development.

Directors Whose Terms Expire at
the Fiscal 2017 Annual Meeting

William C. Mortimore

Mr. Mortimore, a director since 2004, has been on the Audit Committee since 2004 and has been the Audit Committee Chair since 2007. Mr. Mortimore has been the Managing Director of Keystone Insights, LLC, a provider of high technology solutions, since 2009. Mr. Mortimore was the founder of Merge Technologies Incorporated (“MTI”) and was its Chief Strategist from September 2000 until July 2006, Interim Chief Executive Officer from May 2006 until July 2006, Chairman of the Board from September 2000 until May 2006, President and Chief Executive Officer from November 1987 through August 2000 and a member of the Board of Directors since its inception in November 1987 until July 2006. MTI is a global healthcare software and services company that trades on the NASDAQ Stock Market under the symbol MRGE. Mr. Mortimore has served as co-founder and a senior manager of several businesses in the fields of information communications technology, healthcare services and

8

real estate and has been responsible for securing public and private financing for these organizations. Mr. Mortimore is an original member of the American College of Radiology/National Association of Electrical Manufacturers committee responsible for establishing and maintaining the DICOM medical imaging standard. Mr. Mortimore has also served as a member of the Board of Directors of MRI Devices, Inc., a privately held diagnostic imaging manufacturer, from November 2002 until its sale to Intermagnetics General Corporation in mid-2004. Mr. Mortimore received a B.S. in Electrical Engineering from Michigan State University, an M.E.E. from the University of Minnesota and pursued doctoral studies in Electrical Engineering at the University of Minnesota.

The Nominating Committee believes that the Board benefits from Mr. Mortimore's substantial technical and management experience, which he has obtained through his positions with various healthcare and information technology companies, as well as public company leadership and shareholder value growth experience. In addition, Mr. Mortimore's experience as a director of the Company, Chairman of the Audit Committee and the "audit committee financial expert," has provided him with an in-depth understanding of the business of the Company and the markets in which it competes.

Robert Y. Newell, IV

Mr. Newell was appointed to the Board of Directors in November of 2012. Since 2003, Mr. Newell has been the Chief Financial Officer of Cardica, Inc., (NASDAQ: CRDC), a publicly traded designer and manufacturer of surgical devices. Prior to this, he was the Chief Financial Officer of Omnicell, a hospital supply and medication management company. He was a partner in the Beta Group, a business development firm from 1998 to 1999. From 1992 to 1997, he was Chief Financial Officer of Cardiometrics. He has held financial management positions with medical and technology companies in the Silicon Valley for over 25 years and has completed four initial public offerings. Prior to his business career, he was a pilot in the United States Air Force. He received a BA in mathematics from the College of William & Mary and an MBA from the Harvard Business School.

The Nominating Committee believes that the Board benefits from Mr. Newell's substantial financial and public company experience, which he has obtained through his financial management positions with various medical and technology companies.

CORPORATE GOVERNANCE

The Board of Directors held eight meetings in fiscal 2014. Each director attended 75 percent or more of the combined number of meetings of the Board and of the committees on which such director served. While the Company has not adopted a formal policy requiring Board members to attend the annual meeting, all directors are encouraged to attend. All of the Company's directors who were members of the Board of Directors on the date of the annual meeting of shareholders held January 7, 2014 attended the meeting.

The positions of Chairman of the Board and Chief Executive Officer of the Company are currently separate, with Mr. Luden serving as Chairman of the Board and Mr. Olivier serving as President and Chief Executive Officer. The Company believes this leadership structure is appropriate at this time because it allows the Company to fully benefit from the leadership ability, industry experience and history with the Company that each of these individuals possesses.

The Board of Directors currently does not have a formal process for shareholders to send communications to the Board of Directors. Nevertheless, efforts are made to ensure that the views of shareholders are heard by the Board of Directors or individual directors, as applicable, and that appropriate responses are provided to shareholders on a timely basis. The Board of Directors believes that informal communications are sufficient to communicate questions, comments and observations that could be useful to the Board of Directors. However, shareholders wishing to

formally communicate with the Board of Directors may send communications directly to ARI Network Services, Inc., Attention: Chairman, 10850 West Park Place, Suite 1200, Milwaukee, Wisconsin 53224. The Chairman will review such communications and, if appropriate, forward such communications to other Board members.

The Company's Board of Directors has established an Audit Committee that currently is composed of Mr. Mortimore (chairman), Mr. Johnson, Mr. Luden and Mr. Newell. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which can be accessed online at www.investor.arinet.com/governance. Information regarding the functions performed by the Audit Committee, its membership, and the number of meetings held during fiscal 2014 is provided in the "Report of the Audit Committee" included in this proxy statement. The members of the Audit Committee are independent under the listing standards of the NASDAQ Stock Market regarding the independence of directors, including Audit Committee members. The Board of Directors has determined that Mr. Mortimore is an "audit committee financial expert" and

is “independent” as those terms are defined under the Securities and Exchange Commission (“SEC”) regulations and the listing standards of the NASDAQ Stock Market.

The Company’s Board of Directors has established a Compensation Committee that currently is composed of Mr. Newell (Chairman), Mr. Luden and Mr. Poseidon, each of whom is “independent” as such term is defined under the listing standards of the NASDAQ Stock Market. The Compensation Committee has overall responsibility for approving and evaluating the director and executive officer compensation plans, policies and programs of the Company. The Board of Directors has adopted a written charter for the Compensation Committee, a copy of which can be accessed online at www.investor.arinet.com/governance. Under the charter, the authority and responsibilities of the Compensation Committee include, among other things: reviewing and approving corporate goals and objectives related to chief executive officer compensation and making recommendations to the Board regarding the chief executive officer’s compensation levels; reviewing and approving the compensation packages of the senior executives of the Company; reviewing and making recommendations to the Board with respect to the compensation of the Company’s directors; and exercising all rights, authority and functions of the Board of Directors under all of the Company’s equity compensation plans. Although it is authorized to do so, the Compensation Committee does not currently engage the services of a compensation consultant in determining or recommending the amount or form of executive or director compensation. However, the Compensation Committee does review information compiled by several third-party services with respect to executive compensation.

The Company’s chief executive officer makes recommendations to the Compensation Committee regarding the numbers of options to be granted to the Company’s executive officers based in part on input he receives from the Company’s human resources personnel. The chief executive officer also makes recommendations to the Compensation Committee with respect to other executive compensation, though he recuses himself from portions of Compensation Committee meetings during which his own compensation is discussed. The Compensation Committee met five times during fiscal 2014.

The Company’s Board of Directors has also established a Nominating Committee that is currently composed of Mr. Luden (Chairman), Mr. Mortimore, Mr. Newell and Mr. Cooper, each of whom is “independent” as such term is defined under the requirements of the listing standards of the NASDAQ Stock Market. The Board of Directors has adopted a written charter for the Nominating Committee, a copy of which can be accessed online at www.investor.arinet.com/governance. The duties of the Nominating Committee include, among others: developing guidelines for selecting candidates for election to the Board of Directors, and periodically reviewing such guidelines; recommending to the Board of Directors the nominees to stand for election to or to fill vacancies on the Board of Directors; identifying new candidates for Board membership; coordinating self-evaluations of the Board of Directors and its committees; developing corporate governance guidelines; and developing director and officer succession plans. The Nominating Committee met four times during fiscal 2014.

The Nominating Committee and the Board of Directors will consider candidates for director that are nominated by shareholders in accordance with the procedures set forth in the Company’s by-laws. Under the by-laws, nominations, other than those made by the Board of Directors, must be made pursuant to timely notice in proper form to the secretary of the Company. To be timely, a shareholder’s request to nominate a person for director, together with the written consent of such person to serve as a director, must be received by the secretary of the Company at the principal office not later than 90 days and not earlier than 150 days prior to the anniversary date of the annual meeting of shareholders in the immediately preceding year. To be in proper written form, the notice must contain certain information concerning the nominee and the shareholder submitting the nomination.

The Nominating Committee and the Board of Directors will also consider proposed nominees whose names are submitted to it by shareholders. However, it does not have a formal process for that consideration because it believes that the informal consideration process has been adequate given the historical lack of shareholder director

nominations. The Nominating Committee and the Board of Directors intend to review periodically whether a formal policy should be adopted.

The Board of Directors has generally identified nominees based upon suggestions by non-management directors, management members and/or shareholders. Under the guidelines set forth in its charter, the Nominating Committee and other directors recognize that the contribution of the Board of Directors depends not only on the character and capacities of the directors taken individually but also on their collective strengths. It is the Nominating Committee's policy that the Board should be composed of directors who bring a variety of experience and backgrounds; who will form a central core of business executives with substantial senior management experience and financial expertise; who represent the balanced interests of the shareholders as a whole and the interests of the Company's stakeholders; a majority of whom are independent under the requirements of the listing standards of the NASDAQ Stock Market; and whose experience and backgrounds are relevant to the

10

Company's business operations and strategy. The Board of Directors does not evaluate proposed nominees differently based on who made the proposal.

Code of Ethics

The Company has adopted a code of ethics that applies to all employees, including our principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. The code of ethics is designed to promote honest and ethical conduct, including the ethical handling of conflicts of interest, compliance with applicable laws, and full, accurate, timely and understandable disclosure in reports we send to our shareholders or file with the SEC. Violations of the code of ethics are to be reported to the Audit Committee. A copy of the code of ethics is available online at www.investor.arinet.com or may be obtained, without charge, by sending a request to ARI Network Services, Inc., Attention: Chief Financial Officer, 10850 West Park Place, Suite 1200, Milwaukee, Wisconsin 53224.

Board Oversight of Risk

The Audit Committee is responsible for assisting the Board of Directors with its oversight of the performance of the Company's risk management functions including periodically reviewing and discussing with management the Company's major financial risk exposures and the steps that management has taken to assess, monitor and control such exposures and periodically reporting to the Board of Directors on its activities in this oversight role.

EXECUTIVE COMPENSATION

Overview

We believe that a skilled, experienced and dedicated executive team is essential to the future performance of our Company and to building shareholder value. The Company, through the efforts of the Compensation Committee, has sought to establish a competitive executive compensation program that enables us to attract and retain executive officers with these qualities, and to motivate our executive officers to achieve strong financial performance, particularly revenue growth and stock price appreciation, and to achieve our corporate strategic objectives. We offer our executive officers salary, an annual management incentive bonus plan, and a Long Term Executive Bonus Plan focused on equity-based compensation, each of which is described in additional detail below. We believe these elements, taken together, serve the goals of the executive compensation program and provide for the best interests of our shareholders.

Summary Compensation Table

The following table sets forth compensation for the Company's fiscal year ended July 31, 2014 for Mr. Olivier, the Company's chief executive officer, and William A. Nurthen and Marvin A. Berg, who were the Company's next two most highly compensated executive officers at the end of fiscal 2014. We refer to these individuals collectively as the Company's "named executive officers."

Fiscal	Stock	Option	Non-Equity Incentive Plan Compensa-	All Other Compensa-
--------	-------	--------	--	------------------------

Edgar Filing: ARI NETWORK SERVICES INC /WI - Form DEF 14A

Name and Principal Position	Year	Salary	Bonus (1)	Awards (2)	Awards (3)	tion (4)	tion (5)	Total
Roy W. Olivier, President and Chief Executive Officer	2014	\$ 310,000	\$ —	\$	\$ 330,000	\$ 157,663	\$ 6,076	\$ 803,738
	2013	285,000	\$ 40,000	\$ 22,500	\$ —	117,188	6,404	471,092
William A. Nurthen (6), Chief Financial Officer, Treasurer and Secretary	2014	\$ 151,442	\$ 10,000	\$ —	\$ 243,750	\$ 46,333	\$ 2,423	\$ 453,949
Marvin A. Berg III, Vice President of Operations	2014	\$ 190,000	\$ —	\$ —	\$ —	\$ 62,775	\$ 4,362	\$ 257,137
	2013	180,000	—	—	—	28,125	3,737	211,862

(1)Fiscal 2014 amount represents a sign on bonus paid to Mr. Nurthen in November 2013.

(2)The values set forth in this column represent the grant date fair values computed in accordance with FASB ASC Topic 718 for the applicable fiscal year, disregarding the estimate of forfeitures for service-based vesting conditions. Amounts shown for fiscal 2014 represent restricted stock awards earned under the 2013 LTEB plan, but granted in fiscal 2014. The assumptions used to determine these values are described in “Stock-Based Compensation,” Note 10 to the Consolidated Statements.

(3)The values set forth in this column represent the grant date fair values computed in accordance with FASB ASC Topic 718 for the applicable fiscal year, disregarding the estimate of forfeitures for service-based vesting conditions. The assumptions used to determine these values are described in “Stock-Based Compensation,” Note 10 to the Consolidated Statements.

(4)Amounts shown for fiscal 2013 represent annual incentive payments in cash and common stock earned during fiscal 2013. Amounts shown for fiscal 2014 represent annual incentive payments and payments made under the LTEB plan in cash to cover taxes on awards earned during fiscal 2013 and fiscal 2014, respectively as follows: Mr. Olivier—\$68,600, \$57,889, and \$25,156; Mr. Nurthen—\$46,333, \$0 and \$6,133; and Mr. Berg—\$41,175, \$14,338 and \$6,161.

(5)Amounts represent a Company match under the Company’s 401(k) plan.

(6)William A. Nurthen commenced employment with the Company effective November 29, 2013.

Stock Option Grants

All of the Company’s employee stock option grants qualify as incentive stock options up to the \$100,000 per year limitation and, with limited exceptions, vest 25% per year on July 31, provided the participant is an employee of the Company at such date. Options are exercisable up to ten years after the date of grant, one year from the date of a termination of employment upon death or disability of the participant, and 90 days from the date of termination for any reason other than “cause” or immediately upon termination for “cause.”

Annual Incentive Compensation

The annual component of the Company’s Management Incentive Bonus Plan (“MIBP”) provides for annual cash incentives for the participants, which included Mr. Olivier, Mr. Nurthen and Mr. Berg, among others. The amount of the annual incentive opportunity was based on two management bonus objectives (“MBOs”) for each of the four fiscal quarters agreed upon by the executive officer and the chief executive officer (or Compensation Committee for the CEO) at the beginning of fiscal 2014 and fiscal 2013. Each employee’s objectives are designed to align with the Company’s core strategies.

Under the MIBP for fiscal 2014, participants were eligible for a payout of up to 100% of the quarterly incentives based on achievement of performance toward each of the established objectives. At the end of the fiscal year, participants employed by the Company became eligible for an additional payment (subject to a maximum of 150%) based on the Company’s overall performance against its MBOs. The combined results for the fiscal year ended July 31, 2014 under the annual incentive arrangements described above resulted in payouts of 92% of the participants’ target incentive amounts for the fiscal years ended July 31, 2014.

Equity Performance Bonus Plan

Effective beginning in fiscal 2013, the Company established a Long Term Executive Bonus Plan (“LTEB”) for Executives of ARI. The purpose of the LTEB is to advance the interests of ARI by providing a competitive level of

incentive for eligible executives, which will encourage them to more closely identify with shareholder interests and to place additional emphasis on achieving the corporate strategic objectives. In addition, the LTEB is intended to attract and retain key executives by offering a competitive incentive program based on ownership in ARI.

The LTEB is administered by the Compensation Committee. All Awards require the approval of the ARI Board of Directors. The amount of the Award will be determined after the close of the fiscal year based on a percentage of base salary. Except as otherwise provided by the Committee, awards consist of (i) restricted stock as determined by the closing price of the shares at the time the Committee grants the award, and (ii) cash, to cover the minimum withholding taxes on the Award. The restricted stock is granted under the ARI 2010 Equity Incentive Plan and vest in four installments beginning on the date of grant and the next three anniversaries of the date of grant.

Performance criteria are approved by the Compensation Committee (after its evaluation of the recommendations of the CEO) as soon as possible after the beginning of each fiscal year and the actual Award is measured based upon the satisfaction of the performance criteria during the fiscal year. Adjustments may be made, at the sole discretion of the Committee, to the value of the Award where performance results for the fiscal year are below the criteria established for the maximum award.

Except as otherwise determined by the Committee, where the Award is earned by satisfaction of the performance criteria, the portion of the Award to be made in restricted stock will be equal to the dollar amount of (i) 15% of base salary for officers and 25% of base salary for the CEO, less (ii) the minimum amount of any withholding taxes due (as calculated with respect to both the taxes on the restricted stock and the cash portion of the award). The remaining portion of the award will be paid in cash and will be equal to the minimum amount of withholding taxes required to be withheld by ARI in connection with the full value of the Award (restricted stock and cash portions). In determining the minimum amount of withholding taxes required to be withheld by ARI, it will be assumed and is required that all recipients will make a Code Section 83(b) election at the time they receive the restricted stock portion of the Award. The cash portion of such Award will be paid (in the form of withholding taxes) on the same date as the grant date of the restricted stock or on the first payroll date immediately thereafter. Executives may not transfer vested shares of restricted stock for at least one year after the grant date. Executives may not sell more than 50% of their accumulated vested restricted shares until terminating employment. Upon termination of employment, any unvested restricted shares will be forfeited, except as otherwise provided in any Change in Control Agreement between the Executive and ARI.

Shares issued pursuant to the LTEB are expensed over the requisite service period plus the vesting period. The Company expensed \$76,000 and \$40,000 in fiscal 2014 and 2013, respectively, related to the fiscal 2013 LTEB, pursuant to which shares were issued in January 2014. The Company expensed \$85,696 in fiscal 2014 related to the fiscal 2014 LTEB, pursuant to which shares were issued in October 2014.

Outstanding Equity Awards at Fiscal Year-End

Name	Option Awards Number of Securities Underlying Unexercised Options			Option Price	Option Expiration	Stock Awards	
	Exercisable	Unexercisable				Shares or Units of Stock that have Not Vested	Market Value of Shares or Units of Stock that have Not Vested
Roy W. Olivier	50,000			\$ 2.100	09/15/2016	4,500 (3)	\$ 13,365 (4)
	300,000			1.530	05/01/2018		
	25,000	75,000	(1)	3.300	03/04/2024		
William A. Nurthen	18,750	56,250	(1)	3.250	01/10/2024	—	—
Marvin A. Berg III	2,500			0.810	03/22/2020	—	—

17,500			0.625	12/13/2020	—	—
7,500	2,500	(2)	0.813	08/24/2021	—	—
11,250	3,750	(2)	1.510	04/03/2022		

-
- (1) Unexercisable options will vest on July 31, 2014.
 - (2) 50% of unexercisable options will vest on each of July 31, 2014 and 2015.
 - (3) The Compensation Committee granted 18,000 shares of restricted stock in October 2012 under the 2010 Plan as a discretionary bonus to Mr. Olivier. The shares vest as follows: 4,500 shares vested immediately; 4,500 shares vested in October 2013; 4,500 shares vest in October, 2014; and 4,500 shares vest in October, 2015.
 - (4) Based on a closing market price of the Company's common stock on July 31, 2013 of \$3.00 per share.

13

Agreements with Named Executive Officers

Mr. Olivier. Effective October 31, 2011, the Company entered into an amended and restated employment agreement with Mr. Olivier. The term of the amended and restated employment agreement is three years, subject to earlier termination in accordance with its terms. Following the three-year term, the amended and restated employment agreement will automatically be renewed for successive one-year periods unless terminated by Mr. Olivier or the Company's Board of Directors at least 30 days prior to the third year of the employment term or prior to the commencement of each renewal term.

The amended and restated employment agreement provides that Mr. Olivier will receive an annual salary of \$250,000, subject to annual review and adjustment by the Compensation Committee of the Company's Board. During the term of the amended and restated employment agreement, Mr. Olivier will continue to be eligible to participate in the MIBP and is eligible to participate in stock option plans and grants, if any, that are offered to senior executive/officer employees of the Company, and will be entitled to receive perquisites and benefits provided by the Company to its senior executives, subject to applicable eligibility criteria.

In the event that Mr. Olivier is terminated without "cause," by death or "disability" or for "good reason" (as such terms are defined in the amended and restated employment agreement), the amended and restated employment agreement provides that Mr. Olivier will have the right to receive any unpaid base salary and any earned but unpaid bonus due to him as of the effective date of the termination. In addition, in the event Mr. Olivier is terminated without "cause" and for "good reason," or if the Company does not renew the amended and restated employment agreement under such circumstances, he will have the right to receive (1) his base salary, at the rate in effect at the time of termination, for one year following the date of termination; (2) a bonus for the fiscal year in which the termination occurs, equal to the average of his annual bonus for the three fiscal years ending prior to the effective date of the termination; and (3) acceleration of all of his outstanding unvested options as of the date of the termination. If Mr. Olivier is terminated for "cause" or if he resigns from employment with the Company, or if the amended and restated employment agreement is not renewed by Mr. Olivier, he will have the right to receive any unpaid base salary and any earned but unpaid bonus due to him as of the effective date of the termination. If Mr. Olivier retires in accordance with any retirement plan or policy for senior executives adopted by the Company, he will have the right to receive any unpaid base salary and any earned but unpaid bonus due to him as of the effective date of the termination, and any additional benefits provided under the retirement plan or policy.

The amended and restated employment agreement also provides that the Board will nominate Mr. Olivier to serve as a director of the Company during the term of the amended and restated employment agreement, upon each expiration of Mr. Olivier's term as a director, and will use its best efforts to encourage the shareholders to elect him as a director of the Company. The amended and restated employment agreement contains customary confidentiality, non-competition and non-solicitation and other provisions.

Mr. Nurthen. In connection with the commencement of his employment with the Company as its Chief Financial Officer, on November 19, 2013, the Company entered into an employment agreement with Mr. Nurthen. The term of Mr. Nurthen's employment under the employment agreement is for an indefinite period and may be terminated by either party at any time and for any reason or for no reason upon written notice to the other party.

The employment agreement provides that Mr. Nurthen will receive an annual salary of \$225,000, subject to annual review by the Company's President and/or Chief Executive Officer. Mr. Nurthen is eligible to participate in the MIBP as determined from time to time by the Compensation Committee, and he is also entitled to participate in the LTEB, and to receive perquisites and benefits provided by the Company to its senior executives, subject to applicable eligibility criteria.

In the event that Mr. Nurthen is terminated without “cause” (as defined in the employment agreement) or in connection with Mr. Nurthen’s death or disability, or if Mr. Nurthen resigns his employment with the Company for “good reason” (as defined in the employment agreement), Mr. Nurthen will have the right under the employment agreement to receive any unpaid base salary and any earned but unpaid bonus due to him as of the effective date of the termination.

In addition, in the event of a termination without cause or for good reason, Mr. Nurthen will be entitled (contingent upon his execution of a severance agreement) to receive his base salary as then in effect for nine months following the effective date of the termination and a prorated bonus payment. If Mr. Nurthen is terminated for “cause” or if he resigns his employment with the Company without good reason, he will have the right to receive any unpaid base salary with respect to the period prior to the date of termination and any earned but unpaid bonus due to him as of the effective date of termination. The Employment Agreement also contains customary confidentiality, non-competition, non-solicitation and other provisions.

In connection with the commencement of his employment, Mr. Nurthen received a signing bonus of \$10,000, subject to prorated reimbursement if Mr. Nurthen’s employment were to be terminated for any reason prior to his one-year anniversary.

Mr. Berg. The Company entered into an employment agreement with Mr. Berg as of August 14, 2012. The term of Mr. Berg's employment under the employment agreement is for an indefinite period and may be terminated by either party at any time and for any reason or for no reason upon written notice to the other party.

The employment agreement provides that Mr. Berg will receive an annual salary of \$180,000, subject to annual review by the Company's President and/or Chief Executive Officer. Mr. Berg is eligible to participate in the MIBP as determined from time to time by the Compensation Committee in any stock option and equity plan and grants offered to senior executives of the Company, and to receive perquisites and benefits provided by the Company to its senior executives, subject to applicable eligibility criteria.

In the event that Mr. Berg is terminated without "cause" (as defined in the employment agreement) or in connection with Mr. Berg's death or disability, or if Mr. Berg resigns his employment with the Company for "good reason" (as defined in the employment agreement), Mr. Berg will have the right under the employment agreement to receive any unpaid base salary and any earned but unpaid bonus due to him as of the effective date of the termination. In addition, in the event of a termination without cause or for good reason, Mr. Berg will be entitled (contingent upon his execution of a severance agreement) to receive his base salary as then in effect for nine months following the effective date of the termination and a prorated bonus payment. If Mr. Berg is terminated for "cause" or if he resigns his employment with the Company without good reason, he will have the right to receive any unpaid base salary with respect to the period prior to the date of termination and any earned but unpaid bonus due to him as of the effective date of termination. The employment agreement also contains customary confidentiality, non-competition, non-solicitation and other provisions.

Change of Control Agreements. The Company has entered into Change of Control Agreements ("Change of Control Agreements") with each of its executive officers. The Change of Control Agreements are intended to reduce the incentive for officers not to support a transaction that is beneficial to shareholders for fear that their employment would be terminated, to retain the services of these officers and to provide for continuity of management in the event of any "Change of Control," as defined below. These Change of Control Agreements provide that each officer will receive severance benefits equal to two times the sum of salary and targeted bonuses and medical and dental plan continuation for two years if, within two years following a "Change of Control," as defined below, the officer's employment is terminated without cause or by the executive for good reason. For this purpose, "good reason" is defined to include: (i) a material diminution of or interference with the officer's duties and responsibilities; (ii) a change in the principal workplace of the officer to a location outside of a 50-mile radius from Milwaukee, Wisconsin; (iii) a reduction or adverse change in the salary, bonus, perquisites, benefits, contingent benefits or vacation time previously provided to the officer; or (iv) an unreasonable increase in the workload of the officer. In addition, the officer will receive a prorated portion of the officer's average annual bonus for the preceding three fiscal years. If the officer leaves ARI for any other reason, within two years following a Change of Control, the officer will receive a prorated portion of the officer's average annual bonus for the preceding three fiscal years. The officer is under no obligation to mitigate amounts payable under the Change of Control Agreements. In addition, upon a Change of Control, all stock options and similar awards become immediately vested and all deferred compensation becomes payable.

For purposes of the Change of Control Agreements, a "Change of Control" means any of the following events: the acquisition (other than from the Company) by any individual, entity or group, subject to certain exceptions, of beneficial ownership, directly or indirectly, of 50% or more of the combined voting power of the Company's then outstanding voting securities; (ii) a merger, consolidation, share exchange, or sale or disposition of substantially all of the assets of the Company; or (iii) approval by the Company's shareholders of a complete liquidation or dissolution of the Company.

Director Compensation for Fiscal 2014

Name	Fees Earned				Total
	or Paid in Cash	Stock Awards (1)	Option Awards (2) (3)	All Other Compensation (4)	
Gordon J. Bridge (5)	\$ 99,856	\$ 29,250	\$ —	\$ 50,625	\$ 179,731
Brian E. Dearing (6)	30,399	34,300	21,331	—	86,030
James R. Johnson	35,000	29,250	—	—	64,250
William H. Luden, III	36,947	41,122	—	—	78,069
Dwight B. Mamanteo (7)	26,436	29,250	—	—	55,686
William C. Mortimore	34,354	29,250	—	—	63,604
Robert Y. Newell, IV	29,458	29,250	—	—	58,708
P. Lee Poseidon	31,875	29,250	—	—	61,125

15

-
- (1) The values set forth in this column represent the grant date fair values computed in accordance with FASB ASC Topic 718 for the applicable fiscal year.
 - (2) The values set forth in this column represent the fair market value of the fiscal 2014 option grants in accordance with FASB ASC Topic 718. The assumptions used to determine these values are described in “Stock-based Compensation Plans”, Note 10 to the consolidated financial statements.
 - (3) Total stock options held as of October 14, 2014 by individuals who were non-employee members of the Company’s Board of Directors during fiscal 2014 were as follows: Mr. Bridge—0; Mr. Dearing—6,666; Mr. Johnson—10,000; Mr. Luden—10,000; Mr. Mamanteo—10,000; Mr. Mortimore—89,375; Mr. Newell—10,000; and Mr. Poseidon—19,000.
 - (4) Mr. Bridge received prepayments of \$50,625 in July 2014 for consulting services to be performed from August 2014 through December 2014 subsequent to his resignation from the Company’s Board.
 - (5) Mr. Bridge resigned from the Company’s Board effective as of July 10, 2014.
 - (6) Mr. Dearing resigned from the Company’s Board effective as of May 15, 2014.
 - (7) Mr. Mamanteo resigned from the Company’s Board effective as of October 7, 2014.

For fiscal 2014 service, each non-employee director received an annual cash retainer of \$22,000 and 9,000 shares of the Company’s restricted common stock, which were granted in January 2014 and which will vest one year from the date of grant. Audit Committee members receive an additional \$6,000 per year (\$10,000 for the chairman); Compensation Committee and Acquisitions Committee members receive an additional \$4,000 per year (\$7,000 for the chairman); and non-employee members of the Nominating Committee receive an additional \$2,500 per year (\$4,000 for the chairman).

The Chairman of the Board (currently Mr. Luden) is compensated for his or her service as such at the rate of (a) one and one-half times that of the other non-employee directors for the cash portion of his or her regular Board service, (b) one and one-half times that of the other Directors for the equity portion of his or her regular Board service, and (c) one times that of the other Directors for service, including in an ex officio capacity, on any committee of the Board of Directors.

CERTAIN TRANSACTIONS

The Company’s Audit Committee Charter provides that the responsibilities of the Audit Committee include a review and approval of all material related party transactions with directors, executive officers, persons that are beneficial owners of more than 5% of the Company’s common stock (“5% Holders”). While the Audit Committee Charter does not provide specific procedures as to the review of related party transactions, any such transactions are subject to review and evaluation by the Audit Committee based on the specific facts and circumstances of each transaction.

Securities Purchase Agreement and Warrant Issuance

On March 12, 2013, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain institutional and accredited investors (the “Purchasers”) whereby the Company agreed to sell and the Purchasers agreed to purchase (1) an aggregate of 3,200,000 shares of the Company’s common stock, for an amount equal to a per share purchase price of \$1.50, and (2) Warrants to purchase an aggregate of 1,066,667 shares of common stock. In connection with the private placement and the subsequent exercise of 916,667 Warrants, the Company received gross cash proceeds of \$6,150,000 and retirement of \$300,000 of indebtedness.

Each of Peter H. Kamin and Michael D. Sifen were 5% Holders prior to the private placement, and purchased shares pursuant to the Purchase Agreement. WCM became a 5% Holder as a result of the private placement. The table below summarizes the participation of each of the 5% Holders and their affiliates in the private placement.

The table below summarizes the participation of each of the 5% Holders and their affiliates in the private placement.

Name	Investment Amount	Shares of Common Stock	Shares Subject to Warrant
Peter H. Kamin Revocable Trust (1)	\$ 375,000	250,000	83,333
Wynnefield Partners Small Cap Value, LP (2)	\$ 405,000	270,000	90,000
Wynnefield Partners Small Cap Value, LP I (2)	\$ 643,950	429,300	