

CENTRAL FEDERAL CORP
Form DEF 14A
April 21, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant ☒ [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 Section 240.14a-12

Central Federal Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

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

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

(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:

7000 N. High Street
Worthington, Ohio 43085

April 22, 2016

Fellow Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders (the “Meeting”) of Central Federal Corporation (the “Company”) which will be held at the New Albany County Club, located at 1 Club Lane, New Albany, Ohio 43054, on Wednesday, May 25, 2016, at 10:00 a.m., local time.

The attached Notice of Annual Meeting and Proxy Statement describe the formal business to be transacted at the Meeting. Directors and officers of the Company, as well as one or more representatives of the Company’s independent registered public accounting firm, will be present at the Meeting to respond to any questions stockholders may have regarding the business to be transacted. In addition, the Meeting will include management’s report on the Company’s financial performance for 2015. Attendance at the Meeting is limited to stockholders of record as of the close of business on April 11, 2016, their duly appointed proxies and guests of the Board of Directors and management.

Your vote is very important. Whether or not you expect to attend the Meeting, please read the enclosed Proxy Statement and then complete, sign and return the enclosed proxy card promptly in the postage-paid envelope provided, or follow the procedures on the proxy card to vote your shares electronically, so that your shares will be represented. If you attend the Meeting and are a stockholder of record, or hold a legal proxy from your bank or broker, you may vote in person even if you have previously submitted a proxy.

On behalf of the Board of Directors, management and all of the employees of Central Federal Corporation, thank you for your continued interest and support.

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Sincerely yours,

Timothy T. O'Dell

President and Chief Executive Officer

CENTRAL FEDERAL CORPORATION

7000 N. High Street

Worthington, Ohio 43085

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on May 25, 2016

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the “Meeting”) of Central Federal Corporation (the “Company”) will be held at the New Albany County Club, 1 Club Lane, New Albany, Ohio 43054, on Wednesday, May 25, 2016, at 10:00 a.m., local time, for the following purposes:

- 1.To elect two (2) Directors to serve for terms of three (3) years each;
- 2.To consider and vote upon a non-binding advisory resolution to approve the compensation of the Company’s named executive officers;
- 3.To ratify the appointment of BKD LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2016; and
- 4.To transact such other business as may properly come before the 2016 Annual Meeting and any adjournment(s) thereof.

Record holders of the common stock of the Company at the close of business on April 11, 2016 are entitled to receive notice of and to vote at the Meeting and any adjournment(s) or postponement(s) of the Meeting. A list of stockholders entitled to vote will be available at the Meeting and for the ten days preceding the Meeting at Central Federal Corporation, 7000 N. High Street, Worthington, Ohio 43085.

Included with this Notice are the Company's Proxy Statement for the Meeting, a form of proxy card and the Company's 2015 Annual Report to Stockholders.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on May 25, 2016: The Company's Proxy Statement for the Meeting, the form of proxy card and the Company's 2015 Annual Report to Stockholders are available at <http://CFBankonline.com>.

BY ORDER OF THE BOARD OF DIRECTORS

Timothy T. O'Dell

President and Chief Executive Officer

Worthington, Ohio

April 22, 2016

IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE THE COMPANY THE EXPENSE OF FURTHER REQUESTS FOR PROXIES IN ORDER TO ENSURE A QUORUM. PLEASE READ THE ENCLOSED PROXY MATERIALS AND FOLLOW THE PROCEDURES ON THE PROXY CARD TO VOTE YOUR SHARES ELECTRONICALLY, OR SIGN AND RETURN THE PROXY CARD IN THE SELF-ADDRESSED ENVELOPE ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

CENTRAL FEDERAL CORPORATION

7000 N. High Street

Worthington, Ohio 43085

(614) 334-7979

cfbankonline.com

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 25, 2016

INFORMATION CONCERNING SOLICITATION AND VOTING

This Proxy Statement is being furnished in connection with the solicitation by the Board of Directors of Central Federal Corporation (the “Company”) of proxies to be voted at the Annual Meeting of Stockholders of the Company (the “Meeting”) to be held at the New Albany County Club, 1 Club Lane, New Albany, Ohio 43054, at 10:00 a.m., local time, on May 25, 2016, and at any and all postponements or adjournments thereof. Your vote is very important. This Proxy Statement, the accompanying proxy card and the 2015 Annual Report to Stockholders are being first sent or given on or about April 22, 2016 to stockholders of record of the Company as of the close of business on April 11, 2016. The Board of Directors encourages you to read this Proxy Statement thoroughly and to take this opportunity to vote on the matters to be decided at the Meeting.

This Proxy Statement, the form of proxy card and the Company’s 2015 Annual Report to Stockholders are also available at <http://CFBankonline.com>.

ATTENDING THE MEETING AND VOTING PROCEDURES

WHO MAY ATTEND THE MEETING?

If you are a stockholder of record as of the close of business on April 11, 2016 (the “Record Date”), you are entitled to attend the Meeting. Please note, however, that if you hold your shares in street name (i.e., you are a beneficial owner of shares of Company common stock that are held by a broker, bank or other nominee), you will need proof of ownership to be admitted to the Meeting. See “HOW DO I VOTE” and “Must I VOTE BY proxy or may I vote in person at the annual meeting?” for additional information.

WHO IS ENTITLED TO VOTE?

You are entitled to vote your shares of common stock if the Company’s records show that you held your shares as of the close of business on the Record Date. As of the close of business on the Record Date, a total of 16,024,210 shares of common stock of the Company were outstanding and entitled to vote. Each share of common stock is entitled to one vote on each matter presented at the Meeting, except as described below.

As provided in the Company’s Certificate of Incorporation, as amended, record holders of common stock that is beneficially owned, either directly or indirectly, by a person (either a natural person or an entity) who, as of the close of business on the Record Date, beneficially owned a total number of shares of common stock in excess of 10% of the outstanding shares of common stock (the “10% limit”) are not entitled to vote any of their shares that are in excess of the 10% limit, and those shares are not treated as outstanding for voting purposes. For purposes of calculating the 10% limit, a person is deemed to beneficially own shares owned by an affiliate of, as well as by persons acting in concert with, such person. The Company’s Certificate of Incorporation, as amended, authorizes the Board of Directors (i) to make all determinations necessary to implement and apply the 10% limit, including determining whether persons are acting in concert, and (ii) to demand that any person who is reasonably believed to beneficially own stock in excess of the 10% limit supply information to the Company to enable the Board of Directors to implement and apply the 10% limit. As of the Record Date, the Company was not aware of any person who beneficially owned more than 10% of the Company’s outstanding common stock.

HOW DO I VOTE?

If you were a stockholder of record as of the Record Date, you may vote in person by attending the Meeting or you may vote by completing the enclosed proxy card and returning it signed and dated in the enclosed postage-paid envelope, or by following the procedures on the proxy card to vote your shares electronically. If you hold your shares through a broker, bank or other nominee, you are considered to hold your shares in “street name,” and you will receive separate instructions from the nominee describing how to vote your shares. Please note that if you hold your shares in street name and wish to vote those shares in person at the Meeting, you will need to obtain a “legal proxy” from the broker, bank or other nominee that holds those shares for you.

Must I VOTE BY proxy or may I vote in person at the annual meeting?

You may vote in person at the Meeting if you are a stockholder of record and you provide at the Meeting the identification required for admission. To be admitted at the Meeting, you may need to present personal photo identification. If your shares are held in street name (i.e., the shares are not registered in your name), you must (1) bring personal photo identification and proof of stock ownership to the Meeting to be admitted, and (2) obtain and bring with you to the Meeting a legal proxy from your broker, bank or other institution in whose name your shares are held in order to vote those shares at the Meeting. A copy of your account statement or a letter from your broker, bank or other institution reflecting the number of shares of common stock you owned as of the Record Date (April 11, 2016), will constitute adequate proof of stock ownership for admission to the Meeting.

HOW WILL MY SHARES BE VOTED?

Shares of Company common stock which are represented by properly executed proxy cards that are received prior to the Meeting, and not subsequently revoked, will be voted by your proxies in accordance with your instructions. If you submit a valid proxy card prior to the Meeting but do not provide voting instructions, your proxies will vote your shares as recommended by the Board of Directors, except in the case of broker non-votes where applicable, as follows:

- “FOR” the election as Directors of the Company of the two (2) nominees listed below under the heading “PROPOSAL 1 – ELECTION OF DIRECTORS”;
- “FOR” the non-binding advisory resolution to approve the compensation of the Company’s named executive officers as disclosed in this Proxy Statement; and
- “FOR” the ratification of the appointment of BKD, LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2016.

If any other matters are properly presented for voting at the Meeting, the persons appointed as proxies will vote on those matters, to the extent permitted by applicable law, in accordance with their best judgment. No appraisal or dissenters’ rights exist for any action proposed to be taken at the Meeting.

CAN I REVOKE OR CHANGE MY VOTE AFTER I SUBMIT MY PROXY?

You may revoke your proxy at any time before the vote is taken at the Meeting. To revoke your proxy, you must either advise the Corporate Secretary of the Company in writing before your shares have been voted at the Meeting, deliver to the Company another proxy that bears a later date, or attend the Meeting and vote your shares in person. Attendance at the Meeting will not, by itself, revoke your proxy. The last-dated proxy you submit (by any means) will supersede any previously submitted proxy. If you have instructed your broker, bank or nominee to vote your shares, you must follow directions received from your broker, bank or nominee to change your vote.

WHAT CONSTITUTES A QUORUM FOR THE MEETING?

A quorum exists if a majority of the outstanding shares of common stock entitled to vote (after subtracting any shares in excess of the 10% limit) at the Meeting is present in person or represented by proxy at the Meeting. The Meeting will be held if a quorum exists at the Meeting. If you return valid proxy instructions or attend the Meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining a quorum. If there are not sufficient shares present or represented by proxy at the Meeting to constitute a quorum or to approve or ratify any proposal at the time of the Meeting, the Meeting may be adjourned or postponed in order to permit the further solicitation of proxies.

WHAT VOTE IS REQUIRED FOR EACH PROPOSAL?

The rules of The NASDAQ Stock Market LLC (“NASDAQ”), the stock exchange on which the Company’s common stock is listed, determine whether proposals presented at stockholder meetings are routine or non-routine. If a proposal is routine, a broker holding common shares for a beneficial owner in street name may vote on the proposal without receiving instructions from the beneficial owner. If a proposal is non-routine, the broker may vote on the proposal only if the beneficial owner has provided voting instructions. A broker non-vote occurs when the broker is unable to vote on a proposal because the proposal is non-routine and the beneficial owner does not provide appropriate voting instructions.

The ratification of the appointment of the Company’s independent registered public accounting firm (Proposal 3) is the only routine matter. Each of the other proposals is considered a non-routine matter and, therefore, your broker may vote on these matters only if you provide voting instructions. Accordingly, it is important that you provide instructions to your broker on these matters.

- Proposal 1 – Election of Directors

Under Delaware law and the Company’s Bylaws, Directors are elected by a plurality of the votes cast. This means that the two (2) nominees receiving the greatest number of votes “FOR” election will be elected Directors. Shares as to which the authority to vote is withheld and broker non-votes will be counted for quorum purposes but will not affect whether a nominee has received sufficient votes to be elected.

- Proposal 2 – Non-Binding Advisory Resolution to Approve the Compensation of the Company’s Named Executive Officers

Under the Company’s Bylaws, the affirmative vote of a majority of the votes cast is required to approve the non-binding advisory resolution to approve the compensation paid to the Company’s named executive officers as disclosed in this Proxy Statement. The effect of an abstention is the same as a vote “AGAINST” the proposal. Broker non-votes will not be counted in determining whether the proposal has been approved.

- Proposal 3 – Ratification of the Appointment of the Company’s Independent Registered Public Accounting firm

Under the Company's Bylaws, the affirmative vote of a majority of the votes cast is required to ratify the appointment of BKD LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2016. The effect of an abstention is the same as a vote "AGAINST" the proposal.

WHO WILL COUNT THE VOTE?

Broadridge, a servicing company for the financial industry, will tally the vote, which will be certified by an Inspector of Election. The Board of Directors has designated John W. Helmsdoerfer, Executive Vice President and Chief Financial Officer of the Company, to act as the Inspector of Election for the meeting. Mr. Helmsdoerfer is an officer of the Company and an officer and employee of the Company's wholly-owned operating subsidiary, CFBank, a federally chartered savings association.

IS THE BOARD OF DIRECTORS AWARE OF ANY OTHER MATTERS THAT WILL BE PRESENTED AT THE ANNUAL MEETING?

The Company's Board of Directors is not aware of any other matters to be presented at the Meeting. If any matters not described in this Proxy Statement are properly presented at the Meeting, the persons named in the proxy card will use his or her best judgment to determine how to vote your shares. This includes a motion to adjourn or postpone the Meeting in order to solicit additional proxies.

WHO PAYS THE COST OF PROXY SOLICITATION?

The Company will pay the cost of this proxy solicitation. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of the Company's common stock. Directors, officers and regular employees of the Company may also solicit proxies personally or by telephone and will not receive additional compensation for these activities.

Delivery of Proxy Materials to Multiple Stockholders Sharing the Same Address

Unless we have received contrary instructions, we send a single copy of the annual report, proxy statement and notice of annual meeting to any household at which two or more stockholders reside if we believe the stockholders are members of the same family. Each stockholder in the household will continue to receive a separate proxy card. This process, known as "householding," reduces the volume of duplicate information received at those households and helps reduce our expenses.

If you would like to receive your own set of the annual report, proxy statement and notice of annual or special meetings this year or in future years, please follow the instructions described below:

If your shares are registered in your own name, please contact our transfer agent, Computershare, and inform them of your request to revoke householding by calling them at 1-800-368-5948 or writing to them at Computershare, 250 Royall Street, Canton, MA 02021. After receiving your revocation, we will promptly send individual documents to you.

If a bank, broker or other nominee holds your shares, please contact your bank, broker or other nominee directly.

If two or more stockholders residing in the same household individually receive copies of the annual report, proxy statement and notice of annual or special meeting and as a household wish to receive only one copy, you may contact our transfer agent at the address and telephone number listed above in the case of registered holders, or your bank, broker or other nominee directly if such bank, broker or other nominee holds your shares, and request that householding commence as soon as practicable.

WHO SHOULD I CALL IF I HAVE QUESTIONS?

If you have questions concerning this proxy solicitation, or the proposals to be considered at the Meeting, please call Timothy T. O'Dell, President and Chief Executive Officer, at (614) 334-7979.

Important Notice Regarding the Availability of Proxy Materials

for the Annual Meeting to Be Held on May 25, 2016:

The Company's Proxy Statement for the Annual Meeting, the form of proxy card and the Company's 2015 Annual Report to Stockholders are available at <http://CFBankonline.com>.

CORPORATE GOVERNANCE

DIRECTOR INDEPENDENCE

The Board of Directors of the Company has determined that the following directors of the Company are “independent directors,” as that term is defined by applicable listing standards of the NASDAQ Marketplace Rules and by the Securities and Exchange Commission (the “SEC”): Thomas P. Ash, Edward W. Cochran, James Frauenberg II, Robert E. Hoeweler and Robert H. Milbourne. Timothy O’Dell does not qualify as an “independent director” of the Company as a result of serving as Chief Executive Officer of the Company and CFBank during 2015, and Thad Perry did not qualify as an “independent director” during his service as a director of the Company until October 9, 2015, as a result of serving as President of the Company and CFBank until his resignation on October 9, 2015.

The NASDAQ independence definition includes a series of tests, such as that the director is not an employee of the Company and has not engaged in various types of business dealings with the Company. As required by the NASDAQ Marketplace Rules, the Board of Directors has made a subjective determination as to each independent director that no relationships exist that, in the opinion of the Board, would interfere with the exercise of his independent judgment in carrying out the responsibilities of a director. In making these determinations, the Board of Directors reviewed and discussed information provided by the directors and the Company with regard to each director’s business and personal activities as they may relate to the Company and its management, including those described under the heading “CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS” on page 9 of this Proxy Statement.

BOARD LEADERSHIP STRUCTURE

The Company’s current Chairman, Robert E. Hoeweler, has served in this capacity since August 24, 2012. Mr. Hoeweler has extensive experience in the banking industry and intimate familiarity with the operations of financial institutions. As a result, he is able to provide unique insights as Chairman that are valuable to the Board in determining and overseeing the strategic direction of the Company.

Currently, the Board of Directors has placed the responsibilities of Chairman with an “independent” member of the Board, which we believe provides strong accountability between the Board and our management team. Our Chairman is responsible for providing leadership to the Board of Directors and facilitating communication among the directors, setting the Board meeting agendas in consultation with the Chief Executive Officer, and presiding at Board meetings. The Chairman also actively provides oversight to the activities and controls of the Company and CFBank.

This delineation of duties allows the Chief Executive Officer to focus his attention on managing the day-to-day business of the Company and CFBank. We believe this structure provides strong leadership for our Board while positioning our Chief Executive Officer as the leader of the Company in the eyes of our customers, employees, stockholders and other stakeholders.

The Board also believes that the Company and its shareholders are best served by a Board that has the flexibility to establish and change the Board's leadership structure from time to time to fit the needs of the Company. Pursuant to the Company's Corporate Governance Guidelines, the Board of Directors has the power and authority to combine or separate the positions of Chairman and Chief Executive Officer. Thus, from time to time, the Board may consider combining the roles of Chief Executive Officer and Chairman, and/or appointing a Lead Independent Director. These decisions will be dependent upon the needs of the Company at that time, including the composition of the Board and the availability, willingness and qualifications of candidates to serve as Chairman and/or Lead Independent Director, as well as other factors.

BOARD ROLE IN RISK OVERSIGHT

The Board of Directors is responsible for consideration and oversight of risks facing the Company and CFBank and is responsible for ensuring that material risks are identified and managed appropriately. The Audit Committee meets at least eight (8) times annually and with management for a portion of each meeting in order to review our major financial risk exposures and the steps management is taking to monitor and control such exposures. Directors also serve on committees that focus on major areas of risk in the Company and CFBank that include loans and compensation. Directors discuss risk and risk mitigation strategies with management within these committees. All risk oversight discussions are included in committee and other reports to the full Board of Directors.

BOARD MEETINGS AND COMMITTEES

The Board of Directors of the Company holds four (4) regular meetings annually and special meetings as called from time to time in accordance with the Bylaws of the Company. During fiscal 2015, the Company's Board of Directors held twelve (12) meetings. The Board of Directors of CFBank has the same composition as the Board of the Company and holds regular meetings monthly and special meetings as called from time to time in accordance with the Bylaws of CFBank. During fiscal 2015, CFBank's Board of Directors held twelve (12) meetings. No director during the period he served attended less than 75% of the Company's Board meetings and any committees on which he served.

The Board's principal standing committees during fiscal 2015 were the Audit Committee, the Compensation and Management Development Committee, and the Corporate Governance and Nominating Committee. Information regarding the functions of the Board's committees, their present membership and the number of meetings held by each committee during fiscal 2015 is set forth below. All committees operate under formal written charters adopted by the Board of Directors.

AUDIT COMMITTEE. The Audit Committee provides assistance to the Board in fulfilling its oversight responsibility relating to the integrity of our consolidated financial statements and the financial reporting processes, the systems of internal accounting and financial controls, compliance with legal and regulatory requirements, the annual independent audit of our consolidated financial statements, the qualifications and independence of our independent registered public accounting firm, the performance of our internal audit function and of our independent registered public accounting firm, and any other areas of potential financial risk to the Company as specified by the Board. The Audit Committee also is responsible for the appointment, retention and oversight of our independent registered public accounting firm, including pre-approval of all audit and non-audit services to be performed by the independent registered public accounting firm, and for the review and approval, on an ongoing basis, of all related-party transactions for potential conflict-of-interest situations. The Audit Committee Report appears on page 25 of this Proxy Statement.

During fiscal 2015, the Audit Committee held thirteen (13) meetings. The following directors served as members of the Audit Committee during fiscal 2015:

Audit Committee Members

Thomas P. Ash (Chair)
Robert E. Hoeweler
Edward W. Cochran
James H. Frauenberg II
Robert H. Milbourne

Each director who currently serves on the Audit Committee qualifies, and each director who served as a member of the Audit Committee during 2015 qualified, as an “independent director” under Rule 5605(a)(2) of the NASDAQ Marketplace Rules and under SEC Rule 10A-3(b)(1). None of such members of the Audit Committee has participated in the preparation of the financial statements of the Company or any of its current subsidiaries at any time during the past three years, and all of such members are able to read and understand fundamental financial statements, including our balance sheet, income statement and cash flow statement. The Board has also determined that Thomas P. Ash, the Chair of the Audit Committee, qualifies as an “audit committee financial expert” for purposes of Item 407(d)(5) of SEC Regulation S-K.

EXECUTIVE COMMITTEE. The Executive Committee is responsible for strategy formulation, the detailed development of the Company’s and CFBank’s Business and Capital Plan and for oversight of the detailed operations of the Company. The Executive Committee is also the working committee of the Board responsible for various activities including: identification, analysis, scenario development and action planning regarding issues and opportunities impacting CFBank’s current operations and future success. The Executive Committee also signs off on all information releases to outside parties. The Executive Committee is comprised of the Board Chairman and the Chief Executive Officer and President, and meetings of the Executive Committee are also attended by the Company’s Chief Financial Officer. Effective as of October 28, 2015 the Board of Directors also appointed Director Robert H. Milbourne to serve on the Executive Committee. Executive Committee meetings are generally held on a monthly basis, or as matters arise requiring consideration by the Executive Committee, and its activities are discussed with the full Board at Board meetings.

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE. The Compensation and Management Development Committee (the “Compensation Committee”) has overall responsibility for reviewing, evaluating and approving the director, officer and employee compensation plans, policies and programs of the Company and CFBank. The Compensation Committee is responsible for administering our equity compensation plans and for establishing, in consultation with executive management, the Company’s general compensation philosophy and overseeing the development and implementation of executive compensation programs.

During fiscal 2015, the Compensation Committee held fourteen (14) meetings. All members of the Compensation Committee are independent as defined under the NASDAQ Marketplace Rules. The following directors served as members of the Compensation Committee during fiscal 2015:

Compensation Committee Members

Robert H. Milbourne (Chair)
Robert E. Hoeweler
James H. Frauenberg II

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE. The Corporate Governance and Nominating Committee is responsible for identifying individuals qualified to serve as Board members and recommending to the Board of Directors the director nominees for election or appointment to the Board. The Corporate Governance and Nominating Committee considers nominees in the context of standards codified in the Board’s Corporate Governance Guidelines. The Committee periodically reviews the size and composition of the Board of Directors and determines whether to add or replace directors. The Corporate Governance and Nominating Committee may employ professional search firms, for which the Company would pay a fee to assist in identifying potential members of the Board of Directors with the desired skills and disciplines. However, no such firms were engaged or otherwise utilized during 2015. Final approval of director nominees is determined by the full Board of Directors, based on the recommendation of the Corporate Governance and Nominating Committee.

During fiscal 2015, the Corporate Governance and Nominating Committee held one (1) meeting. The following directors served as members of the Corporate Governance and Nominating Committee during 2015:

Corporate Governance and Nominating Committee Members

Thomas P. Ash
Robert E. Hoeweler

Edward W. Cochran
James H. Frauenburg II
Robert H. Milbourne

All members of the Corporate Governance and Nominating Committee during fiscal 2015 qualified as independent under the NASDAQ Marketplace Rules.

COMMITTEE CHARTERS. The authority and responsibilities of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee are set forth in their charters, which are posted in the Investor Relations section of our website at <http://CFBankonline.com>.

NOMINATING PROCEDURE

The Corporate Governance and Nominating Committee recommends candidates, including incumbents, for election and appointment to the Board of Directors, subject to the provisions set forth in the Company's Certificate of Incorporation and Bylaws. Nominations are based on the criteria the Committee deems appropriate, which may include: business experience, education, integrity and reputation, independence, conflicts of interest, diversity, age, number of other directorships and commitments (including charitable obligations), tenure on the Board, attendance at Board and committee meetings, stock ownership, specialized knowledge (such as an understanding of banking, accounting, marketing, finance, regulation and public policy) and a commitment to the Company's communities and shared values, as well as overall experience in the context of the needs of the Board as a whole. Nominations received from stockholders will be considered and evaluated using the same criteria as all other nominations.

Nominations, other than those made by the Board of Directors after its review of the recommendations of the Corporate Governance and Nominating Committee, must be made by timely notice in writing to the Corporate Secretary as set forth in Article I, Section 6(c) of the Company's Bylaws. In general, to be timely, a stockholder's notice must be received by the Company not less than ninety (90) days before the date of the scheduled annual meeting; however, if less than one hundred (100) days' notice or prior disclosure of the date of the scheduled annual meeting is given by the Company, the stockholder has until the close of business on the tenth (10th) day following the day on which notice or prior disclosure of the date of the scheduled annual meeting was made. The stockholder's notice must include all the information set forth in Article I, Section 6(c) of the Company's Bylaws, which includes the following:

(i) As to each person whom a stockholder proposes to nominate for election as a director:

- All information relating to the proposed nominee that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and

(ii) As to the stockholder giving the notice:

- The name and address of the stockholder as they appear on the Company's books; and
- The class and number of shares of the Company's capital stock that are beneficially owned by the stockholder.

The description above is a summary of the Company's nominating process. Any stockholder wishing to propose a director candidate to the Company must comply in full with the procedures set forth in the Company's Certificate of Incorporation and Bylaws, the SEC's proxy rules, and Delaware law.