

AIR PRODUCTS & CHEMICALS INC /DE/
Form PRE 14A
December 03, 2013
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SCHEDULE 14A INFORMATION

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

EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

AIR PRODUCTS AND CHEMICALS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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Air Products and Chemicals, Inc.

7201 Hamilton Boulevard

Allentown, PA 18195-1501

December 13, 2013

Dear Fellow Stockholder:

On behalf of your Board of Directors, I am pleased to invite you to attend the 2014 Annual Meeting of Stockholders of Air Products and Chemicals, Inc. to be held at 2:00 p.m., Thursday, January 23, 2014, at the Company's Corporate Headquarters in Allentown, Pennsylvania. Admission procedures are explained in the attached Proxy Statement, and directions appear on the last page of these materials. We have made arrangements to keep parking and navigating our corporate campus easy for you. I hope you will be able to join us.

Attached you will find a Notice of Annual Meeting and Proxy Statement that contains additional information about the meeting, including the methods that you can use to vote your proxy, such as the telephone or Internet. Your vote is important. I encourage you to sign and return your proxy card or use telephone or Internet voting prior to the meeting, so that your shares of common stock will be represented and voted at the meeting even if you cannot attend.

We place great importance on maintaining an active dialogue with, and fully informing stockholders about, our governance policies and practices. In the 2013 Highlights section of this Proxy Statement, you will see summaries of some important governance actions the Board has taken this year. The Board responded to some new challenges in 2013. When evaluating the appropriate response to these challenges, the Board sought, as always, to ensure that the Company's governance processes, as well as its business, were managed in a manner that serves your long-term interests.

We would like to thank Mario Baeza, Michael Donahue, and Ursula Fairbairn who, after contributing invaluable to the Company's direction and governance for over a decade each, are retiring from our Board in January. This year we have also welcomed three excellent new independent directors who are excited about the opportunity to represent our stockholders in helping the Company achieve its strategic objectives.

I have also announced that I will be retiring in 2014, so this will be my last Annual Meeting on the podium. I have very much enjoyed the opportunity to meet with stockholders at our Annual Meetings over the years, and I look forward to seeing you in January.

Cordially,

John E. McGlade

Chairman, President, and Chief Executive Officer

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This section summarizes information contained elsewhere in the proxy statement. These highlights do not contain all the information that you should consider before voting or provide a complete description of the topics covered. Please read the entire proxy statement before voting.

Meeting Information

Date and Time: Thursday, January 23, 2014, at 2:00 p.m.

Place: Auditorium, Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195

Record Date: November 29, 2013

Items of Business

	Board Vote Recommendation	Votes Required	Page
Elect the four nominees proposed by the Board of Directors as directors for a term ending in 2017.	For	Majority of Votes Cast	6
Ratify the appointment of KPMG LLP as the Company's independent registered public accountants for the fiscal year ending September 30, 2014.	For	Majority of Votes Cast	6
Conduct an advisory vote on Executive Officer compensation.	For	Majority of Votes Cast	6
Amend the Company's Certificate of Incorporation to phase out and eliminate the classified board to provide for the annual election of all directors.	For	Majority of Shares	7
		Outstanding	
Other business that properly comes before the meeting or any postponement or adjournment of the meeting.	N/A		

Director Nominees

Name	Primary Career
Chad Deaton	Former Chairman and Chief Executive Officer, Baker Hughes, Inc.
Edward Monser	President and Chief Operating Officer, Emerson Electric Co.

Matthew Paull Former Senior Executive Vice President and Chief Financial Officer, McDonald's Corporation

Lawrence Smith Former Executive Vice President and Chief Financial Officer, Comcast Corporation

2013 Performance Highlights

Sales from continuing operations increased 6% versus prior year.

Earnings per share increased 2.4%.¹

We returned \$1,027,264,192 to stockholders through dividends and share repurchases, increasing dividends for the 31st consecutive year.

Total shareholder return was 33%.

We strengthened leadership positions in key markets, announcing new projects in China, natural gas liquefaction equipment, and hydrogen, and expanded our project backlog to 3.5 billion.

We were named to the Dow Jones Sustainability Index, the Carbon Disclosure Project Global and S&P 500 Disclosure and Performance Leadership Indexes, the FTSE4 Good Index, Corporate Responsibility Magazine's 100 Best Corporate Citizens, and China's Top 100 Ideal Employers.

¹ Comparison is non-GAAP and based on continuing operations, excluding certain items for fiscal years 2012 and 2013. See Appendix A for a reconciliation to GAAP measures.

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In February, the Board of Directors (Board) announced the election of David H. Y. Ho to the Board as part of its ongoing process to refresh the skills and experience of the Board.

In May, the Board announced plans to recommend phase out and elimination of the Company s classified board structure to stockholders at the 2014 Annual Meeting.

In July, responding to a rapid accumulation of a substantial block of the Company s shares, the Board adopted a stockholder rights plan to ensure that control of the Company s future direction would not be effectively ceded without the consent of the stockholders or an opportunity for action by the Board.

In September, the Company announced that the Board added three new independent directors and that three current Board members would retire in January. The Board also announced that Chairman, President, and Chief Executive Officer John E. McGlade would retire in 2014, and the Board would form a search committee to identify a successor.

Four New Independent Directors in 2013

Name	Primary Occupation	Key Skills, Experience, and Qualifications
Seifi Ghasemi	Chairman and Chief Executive Officer, Rockwood Holdings, Inc.	Extensive industry experience in industrial gases and specialty chemicals
		Governance and leadership of multinational organizations
David H. Y. Ho	Chairman and Founder of Kiina Investment Ltd.	Strategic planning and portfolio management Extensive experience establishing and building businesses in China
		Government relations and international trade
Edward L. Monser	President and Chief Operating Officer, Emerson Electric Co.	Asian operations and marketing; joint venture operations Significant international business experience with focus on emerging markets

Deep understanding of industrial operations, supply chain optimization, and continuous improvement

Matthew H. Paull Former Senior Vice President and Chief Financial Officer, McDonald's Corporation	Strategic planning and organizational development Significant financial expertise
	Understanding of capital markets, corporate finance, accounting and controls, and investor relations
	Broad experience in global operations

Compensation Highlights

At the January 2013 Annual Meeting of Stockholders, stockholders supported the Company's Executive Officer compensation program by a vote of 95.1% of the votes cast.

The Management Development and Compensation Committee of the Board determined to tie a larger percentage of Executive Officer long-term incentives to specific performance goals rather than solely to stock performance. For fiscal year 2014, the mix of long-term incentives will be changed as follows:

	2013	2014
Stock Options	50%	40%
Performance Shares	25%	35%
Restricted Shares	25%	25%

The Committee believes this allocation will preserve strong incentives to drive stock performance and specific performance goals and continue to promote retention.

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The Committee also determined to differentiate the performance measures used in the long-term and short-term incentive programs. Underlying sales growth and earnings per share growth will be used as the performance measures for the Annual Incentive Plan for fiscal year 2014. The Committee evaluated several performance measures and reviewed peer group practices, after which it determined to add underlying sales growth to focus management on loading capacity in existing assets. This measure will be balanced with the earnings measure to ensure that it drives profitable growth.

We continued our demonstrated commitment to performance-driven pay:

The chart below compares Target and Realizable Pay for the chief executive officer over successive three-year periods to Total Shareholder Return (TSR) for the same period.² The chart shows the sensitivity of Realizable Pay to TSR, as Target Pay remains relatively stable.

² Target pay is target total direct compensation. Please see page 43 for an explanation of total direct compensation. We use the definition of Realizable Pay recommended by The Conference Board Working Group on Supplemental Pay Disclosure in Supplemental Pay Disclosure: Overview of Issues, Proposal Definitions, and a Conceptual Framework (The Conference Board, 2013). Realizable Pay includes base salary, actual annual incentive awards, and the year-end value of the equity awards issued during the relevant period using the closing market price of our common stock on the last trading day of the period. Year-end value for stock options is the intrinsic value of the option; i.e., the amount of the difference between the exercise price of the option and the closing market price of a share of stock on the last day of the fiscal year. Performance shares are reflected at the target level. Total Shareholder Return is stock price appreciation from the first day of the period through the last, plus dividends paid for the year.

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Notice of Annual Meeting of Stockholders

Date and Time Thursday, January 23, 2014
2:00 p.m. (Eastern Standard Time)

Location Corporate Headquarters Auditorium
7201 Hamilton Boulevard

Allentown, PA 18195

(Free parking will be available. Admission procedures are explained on page 5. Directions appear on the last page of this Proxy Statement.)

- Items of Business**
1. To elect the four nominees proposed by the Board of Directors as directors for a three-year term.
 2. To ratify the appointment of KPMG LLP as the Company's independent registered public accountants for the fiscal year ending September 30, 2014.
 3. To conduct an advisory vote on Executive Officer compensation.
 4. To amend the Company's Certificate of Incorporation to phase out and eliminate the classified Board of Directors to provide for the annual election of all directors.
 5. To attend to such other business as may properly come before the meeting or any postponement or adjournment of the meeting.

Record Date Stockholders of record at the close of business on November 29, 2013 are entitled to receive this notice and to vote at the meeting.

Ways to Submit Your Vote Instructions on how to vote your shares online are contained in the Notice of Availability of Proxy Materials or on your proxy card. If you received paper copies of your proxy materials by mail, you may also fill in, sign, date, and mail a proxy card or vote using a toll-free telephone number. We encourage you to vote online or by telephone if these options are available to you.

Important Whether you plan to attend the meeting or not, please submit your proxy as soon as possible in order to avoid additional soliciting expense to the Company. The proxy is revocable and will not affect your right to vote in person if you attend the meeting.

By order of the Board of Directors,

Mary T. Afflerbach

Corporate Secretary and Chief Governance Officer

December 13, 2013

**Important Notice Regarding Internet Availability of Proxy Materials for the
Air Products and Chemicals, Inc. January 23, 2014 Stockholders Meeting**

**Our Proxy Statement and Annual Report on Form 10-K for the fiscal year ended
September 30, 2013 are available at www.materials.proxyvote.com/009158.**

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QUESTIONS AND ANSWERS ON VOTING AND THE ANNUAL MEETING

AIR PRODUCTS AND CHEMICALS, INC.

PROXY STATEMENT

We have sent you this Notice of Annual Meeting and Proxy Statement because the Board of Directors (the Board) of Air Products and Chemicals, Inc. (the Company or Air Products) is soliciting your proxy to vote at the Company's Annual Meeting of Stockholders on January 23, 2014 (the Annual Meeting). This Proxy Statement contains information about the items to be voted on at the Annual Meeting and information about the Company. Instructions on how to access this Proxy Statement and our Annual Report on Form 10-K on the Internet or paper copies of the Proxy Statement and Annual Report are first being sent to stockholders on or about December 13, 2013.

**QUESTIONS AND ANSWERS ON VOTING AND
THE ANNUAL MEETING**

How many shares can vote at the Annual Meeting?

As of the Record Date, which was November 29, 2013, 211,485,211 shares of Company common stock were issued and outstanding, which are the only shares entitled to vote at the Annual Meeting. Every owner of Company stock is entitled to one vote for each share owned.

Who counts the votes?

A representative of Broadridge Financial Solutions, Inc. will tabulate the votes and act as the independent inspector of election.

What is a proxy?

A proxy is your legal appointment of another person to vote the shares of Company stock that you own in accordance with your instructions. The person you appoint to vote your shares is also called a proxy. You can find an electronic proxy card at www.proxyvote.com that you can use to vote your shares online. If you received these proxy materials by mail, you can also vote by mail or telephone using the proxy card enclosed with these materials.

On the proxy card, you will find the names of the persons designated by the Company to act as proxies to vote your shares at the Annual Meeting. The proxies are required to vote your shares in the manner you instruct.

What shares are included on my proxy card?

If you are a registered stockholder, your proxy card(s) will show all of the shares of Company stock registered in your name with our Transfer Agent, American Stock Transfer & Trust Company, LLC, on the Record Date, including shares in the Investors Choice Dividend Reinvestment

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and Direct Stock Purchase and Sale Plan administered for Air Products stockholders by our Transfer Agent. If you also have shares registered in the name of a bank, broker, or other registered owner or nominee, they will not appear on your proxy card.

How do I vote the shares on my proxy card?

If you received a Notice of Availability of Proxy Materials and accessed these proxy materials online, follow the instructions on the Notice to obtain your records and vote electronically.

AIR PRODUCTS AND CHEMICALS, INC.

Table of Contents**QUESTIONS AND ANSWERS ON VOTING AND THE ANNUAL MEETING**

If you received these proxy materials by mail, you may vote by signing and dating the proxy card(s) and returning the card(s) in the prepaid envelope. You also can vote online or by using a toll-free telephone number. Instructions about these ways to vote appear on the proxy card. If you vote by telephone, please have your paper proxy card and control number available. The sequence of numbers appearing on your card is your control number, and your control number is necessary to verify your vote.

If you received these proxy materials via e-mail, the e-mail message transmitting the link to these materials contains instructions on how to vote your shares of Company stock and your control number.

Whether your proxy is submitted by mail, telephone, or online, your shares will be voted in the manner you instruct. If you do not specify in your proxy how you want your shares voted, they will be voted according to the Board's recommendations below:

Item	Board Recommendation
1. Election of the Board's Four Nominees As Directors	For
2. Ratification of KPMG as the Company's Independent Registered Public Accountants	For
3. Advisory Vote on Executive Officer Compensation	For
4. Amend the Company's Certificate of Incorporation to Declassify Board	For

How do I vote shares held by my broker or bank?

If a broker, bank, or other nominee holds shares of Company stock for your benefit, and the shares are not in your name on the Transfer Agent's records, then you are considered a beneficial owner of those shares. If your shares are held this way, sometimes referred to as being held in street name, your broker, bank, or other nominee will send you instructions on how to vote. If you have not heard from the broker, bank, or other nominee who holds your Company stock, please contact them as soon as possible. If you plan to attend the meeting and would like to vote your shares held by a bank or broker in person, you must obtain a legal proxy, as described in the admission procedures section on page 5.

If you do not give your broker instructions as to how to vote, under New York Stock Exchange (NYSE) rules, your broker has discretionary authority to vote your shares for you on item 2 to ratify the appointment of auditors. Your broker may not vote for you without your instructions on the other items of business. Shares not voted on these other matters by your broker because you have not provided instructions are sometimes referred to as broker nonvotes.

May I change my vote?

Yes. You may revoke your proxy at any time before the Annual Meeting by submitting a later dated proxy card, by a later telephone or on-line vote, by notifying us that you have revoked your proxy, or by attending the Annual Meeting and giving notice of revocation in person.

How is Company stock in the Company's Retirement Savings Plan voted?

If you are an employee who owns shares of Company stock under the Retirement Savings Plan and you have regular access to a computer for performing your job, you were sent an e-mail with instructions on how to view the proxy materials and provide your voting instructions. Other

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participants in the Retirement Savings Plan will receive proxy materials and a proxy card in the mail. The Trustee, Fidelity Management Trust Company, will vote shares of Company stock represented by units allocated to your Plan account on the Record Date in accordance with the directions you give on how to vote. The Trustee will cast your vote in a manner which will protect your voting privacy. If you do not give voting instructions or your instructions are unclear, the Trustee will vote the shares in the same proportions and manner as overall Retirement Savings Plan participants instruct the Trustee to vote shares allocated to their Plan accounts.

AIR PRODUCTS AND CHEMICALS, INC.

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QUESTIONS AND ANSWERS ON VOTING AND THE ANNUAL MEETING

What is a quorum ?

A quorum is necessary to hold a valid meeting of stockholders. A quorum exists if a majority of the outstanding shares of Company stock are present in person at the Annual Meeting or represented there by proxy. If you vote including by Internet, telephone, or proxy card your shares voted will be counted towards the quorum for the Annual Meeting. Proxies marked as abstentions and broker discretionary votes are also treated as present for purposes of determining a quorum.

What vote is necessary to pass the items of business at the Annual Meeting?

Election of Directors. Our Bylaws provide that if a quorum is present at the Annual Meeting, the four director candidates will be elected if they receive a majority of the votes cast at the meeting in person or by proxy. This means the nominees will be elected if the number of shares voted for the nominee exceeds the number of shares voted against the nominee. Abstentions and broker nonvotes are not counted as votes cast and therefore will have no effect.

Under our Corporate Governance Guidelines, any incumbent director who is not reelected by a majority of the votes cast must tender his or her resignation to the Corporate Governance and Nominating Committee of the Board for its consideration. The Corporate Governance and Nominating Committee then recommends to the Board whether to accept the resignation. The director will continue to serve until the Board decides whether to accept the resignation, but will not participate in the Committee's recommendation or the Board's action regarding whether to accept the resignation. The Board will publicly disclose its decision and rationale within 90 days after certification of the election results. If the Board does not accept the director's resignation, the director will continue to serve until the next annual meeting of stockholders or until the director's successor is duly elected and qualified.

Amendment of the Certificate of Incorporation. The proposal to amend the Certificate of Incorporation to phase out and eliminate classification of the Board will be approved if a majority of the outstanding shares of stock as of the record date are voted in favor of the amendment. Abstentions and broker nonvotes will have the same effect as a vote against the proposal.

All Other Items. The other two items of business will be approved if shares voted in favor of the proposal exceed shares voted against the proposal. Abstentions and broker nonvotes will not affect the outcome of the vote.

How will voting on any other business be conducted?

We do not know of any business or proposals to be considered at the Annual Meeting other than the items described in this Proxy Statement. If any other business is proposed and the chairman of the Annual Meeting permits it to be presented at the Annual Meeting, the signed proxies received from you and other stockholders give the persons voting the proxies the authority to vote on the matter according to their judgment.

When are stockholder proposals for the Annual Meeting to be held in 2015 due?

To be considered for inclusion in next year's proxy statement, proposals and nominations of persons to serve as directors must be delivered in writing to the Secretary of the Company, Air Products and Chemicals, Inc., 7201 Hamilton Boulevard, Allentown, PA 18195-1501 no later than August 14, 2014. To be presented at the 2015 Annual Meeting, proposals and nominations must be delivered in writing by October 25, 2014 and must comply with the requirements of our bylaws (described in the next paragraph).

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Our Bylaws require adequate written notice of a proposal to be presented by delivering it in writing to the Secretary of the Company in person or by mail at the address stated above, on or after September 25, 2014, but no later than October 25, 2014. To be considered adequate, the notice must contain other information specified in the Bylaws about the matter to be presented at the meeting and the stockholder proposing the matter. A copy of our Bylaws can be found in the Governance section of our website at www.airproducts.com. A proposal received after October 25, 2014, will be considered untimely and will not be entitled to be presented at the meeting.

AIR PRODUCTS AND CHEMICALS, INC.

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QUESTIONS AND ANSWERS ON VOTING AND THE ANNUAL MEETING

What are the costs of this proxy solicitation?

We hired Morrow & Co., LLC to help distribute materials and solicit votes for the Annual Meeting. We will pay them a fee of \$250,000, plus out-of-pocket costs and expenses. We also reimburse banks, brokers, and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials to you because they hold title to Company stock for you. In addition to using the mail, our directors, officers, and employees may solicit proxies by personal interview, telephone, telegram, or otherwise, although they will not be paid any additional compensation. The Company will bear all expenses of solicitation.

May I inspect the stockholder list?

For a period of 10 days prior to the Annual Meeting, a list of stockholders registered on the books of our Transfer Agent as of the Record Date will be available for examination by registered stockholders during normal business hours at the Company's principal offices, provided the examination is for a purpose germane to the meeting.

How can I get materials for the Annual Meeting?

Under rules adopted by the U.S. Securities and Exchange Commission (the "SEC"), we are furnishing proxy materials to most of our stockholders via the Internet, instead of mailing printed copies of those materials to each stockholder. On December 13, 2013, we mailed to our stockholders (other than those who previously requested electronic or paper delivery) a Notice of Availability of Proxy Materials containing instructions on how to access our proxy materials, including our Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended September 30, 2013 ("fiscal year 2013"). The Notice of Availability of Proxy Materials also instructs you on how to access your proxy card to vote through the Internet.

This process is designed to expedite stockholders' access to proxy materials.