

GSE SYSTEMS INC
Form DEF 14A
April 29, 2011

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(A) of the Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to ss.240.14a-11(c) or ss.240.14a-12

GSE SYSTEMS, INC.
(Name of Registrant as Specified in its Charter))

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

GSE SYSTEMS, INC.
1332 Londontown Blvd., Suite 200
Sykesville, MD 21784
(410) 970-7800

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of GSE Systems, Inc. on June 14, 2011. The Annual Meeting will begin at 11:00 a.m. local time at our headquarters located at 1332 Londontown Blvd, Suite 200, Sykesville, Maryland 21784.

The Annual Meeting will cover only the business contained in the Proxy Statement. We urge you to read the Proxy Statement carefully. In addition to the formal items of business, I will be available at the meeting to answer your questions.

Under rules adopted by the Securities and Exchange Commission, we are primarily furnishing proxy materials to our stockholders on the Internet rather than mailing paper copies of the materials to each shareholder. As a result, some of you will receive an Important Notice Regarding Availability of Proxy Materials instead of paper copies of this proxy statement and our annual report. The notice contains instructions on how to access the proxy statement and the annual report over the Internet, as well as instructions on how to request a paper copy of our proxy materials, if you so desire.

We look forward to seeing you at the meeting.

Very truly yours,

Jerome I. Feldman
Chairman of the Board

GSE SYSTEMS, INC.
1332 Londontown Blvd., Suite 200
Sykesville, MD 21784

NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS
JUNE 14, 2011

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders (the "Annual Meeting") of GSE Systems, Inc. (the "Company") will be held on June 14, 2011, at 11:00 a.m. local time, at our headquarters located at 1332 Londontown Blvd, Suite 200, Sykesville, Maryland 21784 and thereafter as it may from time to time be adjourned, for the purposes stated below:

1. To elect three Class I directors to serve until the 2014 Annual Meeting or until their respective successors are elected and qualified, or, if earlier, such director's resignation, death or removal;
2. To ratify the selection of the Audit Committee of the Board of Directors of KPMG LLP, independent registered public accountants, as the Company's independent registered public accountants for the fiscal year ending December 31, 2011;
3. To approve the Company's 1995 Long-Term Incentive Plan (as Amended and Restated effective March 7, 2011);
4. To vote on an advisory resolution on the Company's executive compensation;
5. To vote on the frequency of future stockholder advisory votes on the Company's executive compensation; and
6. To transact such other business as may properly come before the Annual Meeting or at any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on April 18, 2011 as the record date for the Annual Meeting. This means that owners of the Company's common stock at the close of business on that day are entitled to (a) receive this notice of the Annual Meeting, and (b) vote at the Annual Meeting or at any adjournments or postponements thereof. Information regarding each of the matters to be voted on at the Annual Meeting is contained in the attached Proxy Statement and this Notice of Annual Meeting of Stockholders. We urge you to read the Proxy Statement carefully. In addition to the formal items of business, I will be available at the meeting to answer your questions.

The list of stockholders as of the record date will be open for the examination by any stockholder present at the meeting. Please note that information relating to stockholder proposals and submissions is located at the end of this proxy statement for your reference. If you plan to attend the Annual Meeting, please mark the appropriate box on the proxy card to help us plan for the Annual Meeting.

By Order of the Board of Directors

Jeffery G. Hough
Senior Vice President, Chief Financial Officer,
Secretary & Treasurer
Sykesville, Maryland
April 29, 2011

GSE SYSTEMS, INC.
1332 Londontown Blvd., Suite 200
Sykesville, MD 21784
(410) 970-7800

PROXY STATEMENT
FOR THE ANNUAL MEETING OF STOCKHOLDERS

To be Held on Tuesday, June 14, 2011

ANNUAL MEETING INFORMATION

This proxy statement contains information related to the annual meeting (the “Annual Meeting”) of stockholders of GSE Systems, Inc. (the “Company”) to be held on Tuesday, June 14, 2011 at 11:00 a.m. local time at our headquarters located at 1332 Londontown Blvd., Suite 200, Sykesville, Maryland 21784. The notice of the Annual Meeting will be mailed to stockholders on or about May 3, 2011.

WHY DIDN'T I RECEIVE PAPER COPIES OF THE PROXY MATERIALS IN THE MAIL?

Under rules adopted by the Securities and Exchange Commission (“SEC”), we are now primarily furnishing proxy materials to our stockholders on the Internet, rather than mailing paper copies of the Proxy Statement and the Annual Report to each shareholder. If you received only an Important Notice Regarding the Availability of Proxy Materials (the “Notice”) by mail, you will not receive a paper copy of these proxy materials unless you request one. Instead, the Notice will instruct you on how you may vote your shares. The Notice will also instruct you as to how you may access your proxy card to vote over the Internet. If you received a Notice by mail or electronic mail and would like to receive a paper copy of our proxy materials, free of charge, please follow the instructions included in the Notice.

HOW MANY VOTES DO I HAVE?

Stockholders who owned GSE Systems Common Stock (“Common Stock”) at the close of business on April 18, 2011 (the “Record Date”) are entitled to one vote for each share of common stock they held on that date, in all matters properly brought before the Annual Meeting.

On the Record Date, there was one class of stock issued and outstanding, the Common Stock. On that date there were 19,224,031 shares of Common Stock outstanding. Each share of Common Stock is entitled to one vote.

The Company will continue its long-standing practice of holding the votes of all stockholders in confidence from directors, officers and employees except: (a) as necessary to meet applicable legal requirements and to assert and defend claims for or against the Company; (b) in case of a contested proxy solicitation; or (c) if a stockholder makes a written comment on the proxy card or otherwise communicates his/her vote to management.

WHAT PROPOSALS WILL BE ADDRESSED AT THE ANNUAL MEETING?

We will address the following proposals at the Annual Meeting:

1. Election of three Class I directors;

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2. Ratification of the selection of KPMG LLP as the Company's independent registered public accountants;
3. Approval of the Company's 1995 Long-Term Incentive Plan (as Amended and Restated effective March 7, 2011);
4. Approval of an advisory resolution on the Company's executive compensation; and
5. The frequency of future stockholder advisory votes on the Company's executive compensation.

Our Board has taken unanimous affirmative action with respect to each of the foregoing proposals and recommends that the stockholders vote (i) FOR each of the first four proposals set forth above and (ii) to conduct future advisory votes on executive compensation every THREE years.

WHO MAY VOTE ON THESE PROPOSALS?

All of the holders of record of GSE Systems Common Stock at the close of business on April 18, 2011 will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, the Company had 19,224,031 shares of Common Stock outstanding and entitled to vote.

HOW DO I VOTE?

If you are a holder of record (that is, if your shares are registered in your name with Continental Stock Transfer & Trust Company, our transfer agent (the "Transfer Agent")), there are four ways to vote:

Telephone Voting: You may vote by calling the toll-free telephone number indicated on the Notice or if you received a proxy card, by following the instructions on the proxy card. Please follow the voice prompts that allow you to vote your shares and confirm that your instructions have been properly recorded.

Internet Voting: You may vote by logging on to the website indicated on the Notice, or if you received a proxy card, by following the instructions on the proxy card. Please follow the website prompts that allow you to vote your shares and confirm that your instructions have been properly recorded.

Return Your Proxy Card By Mail: If you received your proxy materials by mail, you may vote by completing, signing and returning the proxy card in the postage-paid envelope provided with this proxy statement. The proxy holders will vote your shares according to your directions. If you sign and return your proxy card without specifying choices, your shares will be voted by the persons named in the proxy in accordance with the recommendations of the Board of Directors as set forth in this proxy statement.

Vote at the Meeting: You may cast your vote in person at the annual meeting. Written ballots will be passed out to anyone who wants to vote in person at the meeting.

Telephone and Internet voting for shareholders of record will be available 24 hours a day and will close at 11:59 p.m. local time on June 13, 2011. Internet or telephone voting is convenient, provides postage and mailing cost savings and is recorded immediately, minimizing the risk that postal delays may cause votes to arrive late and therefore not be counted.

Even if you plan to attend the Annual Meeting, you are encouraged to vote your shares by proxy. You may still vote your shares in person at the Annual Meeting even if you have previously voted by proxy. If you are present at the

Annual Meeting and desire to vote in person, your vote by proxy will not be counted.

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WHAT IF I HOLD MY SHARES IN “STREET NAME?”

You should follow the voting directions provided by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in most cases, submit voting instructions by telephone or the Internet to your broker or nominee. If you provide specific voting instructions by mail, telephone or the Internet, your broker or nominee will vote your shares as you have directed.

WILL MY SHARES BE VOTED IF I DO NOT PROVIDE MY PROXY?

If you are the stockholder of record and you do not vote or provide a proxy, your shares will not be voted.

Your shares may be voted if they are held in street name, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority under the NYSE Amex Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain “routine” matters.

The proposal to ratify the selection of KPMG as our independent registered public accounting firm for fiscal 2011 is considered a “routine” matter for which brokerage firms may vote unvoted shares.

WHY WOULD THE ANNUAL MEETING BE POSTPONED?

The Annual Meeting will be postponed if a quorum is not present at the Annual Meeting on June 14, 2011. The presence in person or by proxy of at least a majority of the shares of Common Stock outstanding as of the Record Date, will constitute a quorum and are required to transact business at the Annual Meeting. If a quorum is not present, the Annual Meeting may be adjourned until a quorum is obtained.

Shares that abstain from voting as to a particular matter will not be counted as votes in favor of such matter, and also will not be counted as votes cast or shares voting on such matter. Accordingly, abstentions will not be included in vote totals and will not affect the outcome of the voting for any of the proposals. Shares held by brokers who do not have discretionary authority to vote on a particular matter and who have not received voting instructions from their customers are not counted or deemed to be present or represented for the purpose of determining whether stockholders have approved that matter, but they are counted as present for the purposes of determining the existence of a quorum at the Annual Meeting.

A broker non-vote occurs when a broker submits a proxy card with respect to Securities held in a fiduciary capacity (typically referred to as being held in “street name”), but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such Securities on routine matters, but not on non-routine matters. Routine matters include the ratification of auditors. Non-routine matters include the election of directors, the Amendment of the 1995 Long Term Incentive Plan, the approval of an advisory resolution on the Company’s executive compensation, and the frequency of future stockholder advisory votes on the Company’s executive compensation.

CAN I CHANGE MY MIND AFTER I VOTE?

Yes. If you are a stockholder of record, you may change your vote or revoke your proxy at any time before it is voted at the Annual Meeting by:

- submitting a new proxy by telephone or via the Internet after the date of the earlier voted proxy;
- signing another proxy card with a later date and returning it to us prior to the Annual Meeting; or
- attending the Annual Meeting and voting in person.

If you hold your shares in street name, you may submit new voting instructions by contacting your broker, bank or other nominee. You may also vote in person at the Annual Meeting if you obtain a legal proxy from your broker, bank or other nominee.

WHAT VOTE IS REQUIRED TO APPROVE EACH PROPOSAL?

Proposal 1: Election of Directors

A plurality of the eligible votes cast is required to elect director nominees. A nominee who receives a plurality means he has received more votes than any other nominee for the same director's seat. There are three nominees for the three Class I seats. A withheld vote will not affect the required plurality. Abstentions shall not be considered to be votes cast.

Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm

The approval of Proposal 2 requires the affirmative vote of a majority of the votes cast, voting in person or by proxy. Abstentions will not be counted as votes cast. Accordingly, abstentions will not affect the outcome of the voting for this proposal.

Proposal 3: Approval of the 1995 Long-term Incentive Plan (as amended and restated effective March 7, 2011)

The approval of Proposal 3 requires the affirmative vote of a majority of the votes cast, voting in person or by proxy. Abstentions will not be counted as votes cast. Accordingly, abstentions will not affect the outcome of the voting for this proposal.

The results of the voting on Proposal 4, Approval of an advisory resolution on the Company's executive compensation, and Proposal 5, Vote on the frequency of future stockholder advisory votes on the Company's executive compensation, are non-binding on the Board of Directors. Although non-binding, the Board of Directors and the Compensation Committee will carefully review and consider the voting results.

ARE THERE ANY DISSENTERS' RIGHTS OF APPRAISAL?

The Board is not proposing any action for which the laws of the State of Delaware, the Certificate of Incorporation, as amended, or the By-Laws, as amended, of GSE Systems provide a right of a stockholder to dissent and obtain appraisal of or payment for such stockholder's shares.

WHO BEARS THE COST OF SOLICITING PROXIES?

The Company will bear the cost of preparing, assembling and mailing the Notice and requested proxy materials and of reimbursing brokers, nominees, fiduciaries and other custodians for out-of-pocket and clerical expenses of transmitting the Notice and requested copies of the proxy material to the beneficial owners of our shares. A few of our officers and employees may participate in the solicitation of proxies without additional compensation. We estimate that the costs associated with solicitations of the proxies requested by this proxy statement will be approximately \$30,000.

WHERE ARE GSE SYSTEMS' PRINCIPAL EXECUTIVE OFFICES?

The principal executive offices of GSE Systems are located at 1332 Londontown Blvd., Suite 200, Sykesville, MD 21784 and our telephone number is (410) 970-7800.

HOW CAN I OBTAIN ADDITIONAL INFORMATION ABOUT GSE SYSTEMS?

The Company will, upon written request of any stockholder, furnish without charge a copy of its Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (the "2010 Form 10-K"), as filed with the Securities and Exchange Commission ("SEC"), including financial statements and financial statement schedules required to be filed with the SEC pursuant to Rule 13a-1 under the Act, but without exhibits. A list describing the exhibits not contained in the 2010 Form 10-K will be furnished with the 2010 Form 10-K. Please address all written requests to GSE Systems, Inc., 1332 Londontown Blvd., Suite 200, Sykesville, MD 21784 Attention: Corporate Secretary. Exhibits to the Form 10-K will be provided upon written request and payment of an appropriate processing fee which is limited to the Company's reasonable expenses incurred in furnishing the requested exhibits. In addition, the 2010 Form 10-K can be found on the Company's website, www.gses.com, under Investor Relations/Financials.

GSE Systems is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") which requires that GSE Systems file reports, proxy statements and other information with the SEC. The SEC maintains a website on the Internet that contains reports, proxy and information statements and other information regarding registrants, including GSE Systems, that file electronically with the SEC. The SEC's website address is www.sec.gov. In addition, GSE Systems' Exchange Act filings may be inspected and copied at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549; and at the SEC's regional offices at 233 Broadway, New York, NY 10279 and Citicorp Center, 500 West Madison Street, Room 1400, Chicago, IL 60661. Copies of the material may also be obtained upon request and payment of the appropriate fee from the Public Reference Section of the SEC located at 100 F Street, N.E., Washington, D.C. 20549.

DO ANY OF THE OFFICERS OR DIRECTORS HAVE AN INTEREST IN THE MATTERS TO BE ACTED UPON?

Messrs. Glashow, Hagengruber and Michael Feldman have been nominated to stand for re-election as Class I directors and therefore have an interest in the outcome of Proposal 1. Each of the Company's officers and directors has an indirect interest in the outcome of Proposal 3 as any future compensation granted in the form of an option, warrant or grant of shares of Company common stock relate to the number of shares reserved and available for issuance under the 1995 Long-Term Incentive Plan. To the best of our knowledge, no directors or officers have an interest, direct or indirect, in any other matters to be acted upon at the Annual Meeting except as described herein.

The principal place of business for Dr. Sheldon L. Glashow, Dr. Roger L. Hagenruber and for Michael D. Feldman is GSE Systems, Inc., 1332 Londontown Blvd., Suite 200, Sykesville, MD 21784.

Within the past year, none of the Officers and Directors listed below was party to any contract, arrangements or understandings with any person with respect to any Company securities including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies.

To the best of our knowledge, no person, other than a director or executive officer of the Company acting solely in that capacity, is a party to an arrangement or understanding pursuant to which a nominee for election as director is proposed to be elected.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

WHO IS ENTITLED TO VOTE?

Only stockholders of record at the close of business on April 18, 2011 will be entitled to vote at the annual meeting or at any adjournments or postponements thereof. On April 18, 2011, there were 19,224,031 shares of common stock issued and outstanding. Each share of Common Stock is entitled to one vote on all matters that may properly come before the Annual Meeting.

WHICH STOCKHOLDERS OWN AT LEAST FIVE PERCENT OF THE COMPANY?

The Common Stock is the only class of voting securities of the Company. Except as otherwise indicated in the footnotes to the tables below, the Company believes that the beneficial owners of the Common Stock have sole investment and voting power with respect to such shares and subject to community property laws where applicable. As of the close of business on the Record Date, 19,224,031 shares of Common Stock were issued and outstanding. We are not aware of any material proceedings to which any of the parties identified under footnotes (2) – (5) in the “Common Stock” section below, or any associate thereof, is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

Common Stock

The following table sets forth certain information known to the Company regarding the beneficial ownership of the Common Stock as of April 18, 2011 by (1) all beneficial owners of more than 5% of the Common Stock; (2) each director and nominee for election as director; (3) each executive officer named in the Summary Compensation Table appearing elsewhere in this Proxy Statement; and (4) all executive officers, directors and nominees of the Company as a group. The number of shares beneficially owned by each person is determined under the rules of the Securities and Exchange Commission (the “SEC”) and the information is not necessarily indicative of beneficial ownership for any other purpose. Under the rules of the SEC, a person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days after the date on which the determination of beneficial ownership is made. Unless otherwise indicated, the address for each of the stockholders listed below is c/o GSE Systems, Inc., 1332 Londontown Blvd., Suite 200, Sykesville, MD 21784.

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Name of Beneficial Owner	GSE Common Stock Amount and Nature of Beneficial Ownership (A)	Percent of Class (B) (1)
Beneficial Owners:		
NSB Advisors LLC 200 Westage Business Center Drive Suite 228 Fishkill, NY 12524	2,662,067(2)	13.8%
Newland Capital Management LLC 350 Madison Avenue, 8th Floor New York, NY 10017	1,909,141(3)	9.9%
Dolphin Offshore Partners, LP c/o Dolphin Asset Management 129 East 17th St., 2nd Floor New York, NY 10003	1,464,972(4)	7.6%
S Squared Technology, LLC 515 Madison Avenue New York, NY 1022	1,370,800(5)	7.1%
Management:		
Jerome I. Feldman	402,030(6)	2.1%
Michael D. Feldman	402,030(7)	2.1%
O. Lee Tawes, III	256,196(8)	1.3%
John V. Moran	183,668(9)	0.9%
George J. Pedersen	105,288(10)	0.5%
Chin-Our Jerry Jen	101,510(11)	0.5%
Jeffery G. Hough	88,082(12)	0.5%
Gill R. Grady	45,255(13)	0.2%
Roger L. Hagengruber	41,000(14)	0.2%
Sheldon L. Glashow	36,438(15)	0.2%
Joseph W. Lewis	31,000(16)	0.2%
Lawrence M. Gordon	30,000(17)	0.2%
Jane Bryant Quinn	12,666(18)	0.1%
James A. Eberle	- (19)	0.0%
Directors and Executive Officers as a group (14 persons)	1,333,133(20)	6.7%

(A) This table is based on information supplied by officers, directors and principal stockholders of the Company and on any Schedules 13D or 13G filed with the SEC including but not limited to certain Schedules 13G/A filed for 2010 by NSB Advisors LLC, Newland Ca