

Solera National Bancorp, Inc.
Form DEFN14A
May 05, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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 under §240.14a-12

SOLERA NATIONAL BANCORP, INC.
(Name of Registrant as Specified In Its Charter)

MICHAEL D. QUAGLIANO

ROBERT J. FENTON

LARS JOHNSON

JACKSON LOUNSBERRY

CARLYLE F. GRIFFIN

DREW QUAGLIANO

MELISSA ALLEN
(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.
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 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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MICHAEL D. QUAGLIANO

ROBERT J. FENTON

LARS JOHNSON

JACKSON LOUNSBERRY

CARLYLE F. GRIFFIN

DREW QUAGLIANO

MELISSA ALLEN

PROXY STATEMENT

**2014 ANNUAL MEETING OF STOCKHOLDERS
OF
SOLERA NATIONAL BANCORP, INC.**

This proxy statement (Proxy Statement) and accompanying **BLUE** proxy form are being furnished to stockholders of Solera National Bancorp, Inc., a Delaware corporation (the Company), by Michael D. Quagliano (for convenience throughout this Proxy Statement we sometimes refer to Mr. Quagliano as Quagliano, we, our or us) for use in the solicitation of proxies from you, the holders (the Stockholders) common stock, par value \$0.01 per share, of the Company (the Common Stock), in connection with the 2014 Annual Meeting of Stockholders, including any and all adjournments, postponements, continuations or reschedulings thereof, or any other meeting of stockholders held in lieu thereof (the 2014 Annual Meeting). The 2014 Annual Meeting is scheduled to be held at Pinehurst Country Club, 6255 West Quincy Avenue, Denver, Colorado 80235, on Thursday, May 22, 2014, at 10:00 a.m., local time.

THIS SOLICITATION IS BEING MADE BY QUAGLIANO AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY (THE BOARD).

This Proxy Statement is dated May 5, 2014 and this Proxy Statement and the accompanying **BLUE** proxy form are first being sent or given to holders of Common Stock on or about May 5, 2014.

**Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting to Be Held on May 22, 2014:
The proxy materials are available at www.proxyvote.com.**

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We are soliciting proxies in connection with the 2014 Annual Meeting in order to take the following actions:

1. approve an amendment to the Company's Amended and Restated By-Laws of the Company (the By-Laws) to reduce the number of directors serving on the Board to five;
2. elect Lars Johnson, Jackson Lounsberry, Michael D. Quagliano, Carlyle F. Griffin, Drew Quagliano and Melissa Allen (each, a Nominee and, collectively, the Nominees) to serve as directors on the Board until the 2015 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified;
3. approve the Company's proposal to ratify the selection by the Audit Committee of the Board (the Audit Committee) of the firm of McGladrey LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014; and
4. transact such other business as may properly come before the 2014 Annual Meeting.

WE URGE YOU TO VOTE THE **BLUE** PROXY FORM FOR THE PROPOSAL TO AMEND THE BYLAWS AND FOR LARS JOHNSON, JACKSON LOUNSBERRY, MICHAEL D. QUAGLIANO, CARLYLE F. GRIFFIN, DREW QUAGLIANO AND MELISSA ALLEN AS DIRECTORS. YOUR SHARES WILL BE VOTED IN ACCORDANCE WITH YOUR INSTRUCTIONS ON THE BLUE PROXY CARD.

The principal executive offices of the Company are located at 319 S. Sheridan Blvd. Lakewood, Colorado 80226. The Company has set the close of business on March 31, 2014 as the record date (the Record Date) for determining the Stockholders entitled to vote at the 2014 Annual Meeting.

According to the Company's Proxy Statement, as of March 31, 2014, there were 2,679,162 shares of Common Stock of the Company issued and outstanding and expected to be entitled to vote on all matters presented at the 2014 Annual Meeting. As of the date hereof, Quagliano is the direct record owner and beneficial owner of 623,970 shares of Common Stock, which represents approximately 23.29% of the issued and outstanding shares of Common Stock (based on information disclosed in the Company's Proxy Statement regarding the number of issued and outstanding shares of Common Stock on March 31, 2014).

We intend to vote all of the Common Stock that we beneficially own at the 2014 Annual Meeting **FOR** the proposal to approve an amendment to the Company's By-Laws to reduce the number of directors serving on the Board to five, **FOR** the election of our Nominees, **FOR** the Company's proposal to ratify the selection by the Audit Committee of the firm of McGladrey LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014 and in our discretion with respect to such other business as may properly come before the 2014 Annual Meeting.

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We are soliciting your vote because we are not satisfied with the Company's performance under the current board of directors. (Seven of the Company's nominees have served on the board since 2006, one has served on the board since 2009, two have served on the board since 2012 and one has served on the board since 2013.) In particular:

- The market price of the Common Stock has declined more than 40% since the Company's initial public offering in 2007, from \$10 per share on March 7, 2007 to \$5.80 per share on April 29, 2014;
- From January 1, 2008 through December 31, 2013, the Company had cumulative losses of approximately \$3.5 million (as reported in audited financial statements included in the Company's annual reports on Form 10-K);
- From the Company's inception through December 31, 2013, the Company lost a total of approximately \$8.0 million after giving effect to start-up costs incurred in 2004 through 2006 and partial year operations in 2007 (as reported in audited financial statements included in the Company's annual reports on Form 10-K);
- The Company's net loss for the twelve months ended December 31, 2013 was \$656,000, compared to net income of \$281,000 for the twelve months ended December 31, 2012 (as reported in audited financial statements included in the Company's annual reports on Form 10-K);
- The Company generated a net loss for the six months ended December 31, 2013 of \$1,276,000 (based on the financial statements included in the Company's Form 10-K for the year ended December 31, 2013 and the Company's Form 10-Q for the quarter ended June 30, 2013);
- The Company incurred \$358,000 in restructuring charges during the fourth quarter of 2013 to terminate a facility lease and suspend plans to convert its Boulder loan production office into a full-service banking facility (as reported in statements included in the Company's Form 10-K). The Company announced on September 12, 2013, that it had reached an agreement to lease office space in the Cherry Creek neighborhood of Denver, Colorado, and announced on July 22, 2013 its desire to open a full-service branch in Boulder, Colorado, and
- For the quarter ended March 31, 2014, the Company generated a net loss of \$369,000, or \$0.14 per share (as reported in the Company's 8-K filed April 29, 2014).

We believe our Nominees would consider strategies and opportunities for improving Company performance and enhancing shareholder value. We urge the Stockholders to support us in this effort by voting **FOR** our Nominees.

This proxy solicitation is being made by Quagliano and *not* on behalf of the Board or the Company's management.

WHETHER OR NOT YOU INTEND TO ATTEND THE 2014 ANNUAL MEETING, YOUR PROMPT ACTION IS IMPORTANT. MAKE YOUR VIEWS CLEAR TO THE COMPANY BY AUTHORIZING A PROXY TO VOTE AS INDICATED ABOVE BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED **BLUE** PROXY FORM TODAY.

YOUR VOTE IS IMPORTANT, NO MATTER HOW MANY OR HOW FEW SHARES OF COMMON STOCK YOU OWN.

IMPORTANT VOTING INFORMATION

If your shares of Common Stock are held in your own name, please authorize a proxy to vote by signing and returning the enclosed **BLUE** proxy form in the postage-paid envelope provided to you by us or follow the instructions located on the **BLUE** proxy form to vote by telephone or Internet.

If you hold your shares of Common Stock in street name with a bank, brokerage firm, dealer, trust company or other nominee, only they can exercise your right to vote with respect to your shares of Common Stock and only upon receipt of your specific instructions. Accordingly, it is critical that you promptly give instructions to your bank, brokerage firm, dealer, trust company or other nominee to ensure that a **BLUE** proxy form is submitted on your behalf. Please follow the instructions to authorize a proxy to vote on the enclosed **BLUE** proxy form provided to you by us. If your bank, brokerage firm, dealer, trust company or other nominee provides for voting instructions to be delivered to them by Internet or telephone, instructions will be included with the enclosed **BLUE** proxy form. We urge you to confirm in writing your instructions to the person responsible for your account and to provide a copy of those instructions to us, care of Advantage Proxy, Inc., P.O. Box 13581, Des Moines, WA 98198, so that we may be aware of all instructions given and can attempt to ensure that such instructions are followed.

PLEASE **DO NOT** RETURN ANY **WHITE** PROXY CARD YOU MAY RECEIVE FROM THE COMPANY OR ANY **GOLD** PROXY CARD YOU MAY RECEIVE FROM KATHLEEN STOUT OR OTHERWISE AUTHORIZE A PROXY TO VOTE YOUR SHARES OF COMMON STOCK AT THE 2014 ANNUAL MEETING, NOT EVEN AS A PROTEST VOTE. IF YOU HAVE ALREADY RETURNED A **WHITE** OR **GOLD** PROXY CARD TO THE COMPANY OR OTHERWISE AUTHORIZED A PROXY TO VOTE YOUR SHARES OF COMMON STOCK AT THE 2014 ANNUAL MEETING, IT IS NOT TOO LATE TO CHANGE YOUR VOTE. TO REVOKE YOUR PRIOR PROXY AND CHANGE YOUR VOTE, SIMPLY DATE, SIGN AND RETURN THE ENCLOSED **BLUE** PROXY FORM IN THE POSTAGE-PAID ENVELOPE PROVIDED OR FOLLOW THE INSTRUCTIONS LOCATED ON THE **BLUE** PROXY FORM TO VOTE BY TELEPHONE OR INTERNET. ONLY YOUR LATEST DATED PROXY WILL BE COUNTED.

Only the Stockholders of record on the Record Date are entitled to vote at the 2014 Annual Meeting.

Advantage Proxy, Inc. is assisting Quagliano with our effort to solicit proxies. If you have any questions or require assistance in authorizing a proxy or voting your shares of Common Stock, please contact:

Advantage Proxy, Inc.
P.O. Box 13581, Des Moines, WA 98198
(206) 870-8565
Stockholders Call Toll-Free at: (877) 870-8565
E-mail: ksmith@advantageproxy.com

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It is important that your shares of Common Stock be represented and voted at the 2014 Annual Meeting. Accordingly, regardless of whether you plan to attend the 2014 Annual Meeting in person, please complete, date and sign the **BLUE** proxy form that has been provided to you by us (and NOT the **WHITE** proxy card that has been provided to you by the Company or the **GOLD** proxy card that has been provided to you from Kathleen Stout or any other proxy card or form that has been provided to you) and vote **FOR** the proposal to approve an amendment to the Company's By-Laws to reduce the number of directors serving on the Board to five, **FOR** the election of our Nominees and **FOR** the Company's proposal to ratify the selection by the Audit Committee of the firm of McGladrey LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014. To ensure that your vote is counted, please remember to submit your vote so that it is received by us by 11:59 p.m. Eastern Time on May 21, 2014, the day prior to the Annual Meeting.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Proxy Statement contains forward-looking statements. Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as may, will, expects, believes, anticipates, plans, estimates, projects, targets, forecasts, seeks, could or the negative of such terms or other variations on such terms or comparable terminology. Similarly, statements that describe our objectives, plans or goals are forward-looking. Our forward-looking statements are based on our current intent, belief, expectations, estimates and projections regarding the Company and projections regarding the industry in which it operates. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict and that could cause actual results to differ materially. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results and actual results may vary materially from what is expressed in or indicated by the forward-looking statements. This cautionary statement is applicable to all forward-looking statements contained in this Proxy Statement and the material accompanying this Proxy Statement.

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QUESTIONS AND ANSWERS RELATING TO THIS PROXY SOLICITATION

The following are some of the questions you may have as a Stockholder, as well as the answers to those questions. The following is not a substitute for the information contained in this Proxy Statement, and the information contained below is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this Proxy Statement. We urge you to read this Proxy Statement carefully and in its entirety.

Who is making this solicitation?

The solicitation for election of the Nominees and the other proposals described in this Proxy Statement at the 2014 Annual Meeting is being made by Michael D. Quagliano, Mr. Robert J. Fenton (Fenton) and the Nominees. Fenton is a stockholder of the Company and the Company's former Chief Financial Officer, and he is assisting Quagliano with the solicitation of proxies as described in this Proxy Statement. Quagliano, Fenton and the Nominees are participants under the Exchange Act. For additional information regarding Quagliano, Fenton and the Nominees please see the information set forth below and in *Annex A* attached to this Proxy Statement.

What are we asking you to vote for?

We are asking you to vote on the following actions on the **BLUE** proxy form at the 2014 Annual Meeting:

1. vote **FOR** the proposal to approve an amendment to the Amended and Restated By-Laws of the Company (the By-Laws) to reduce the number of directors serving on the Board to five;
2. vote **FOR** the election of Lars Johnson, Jackson Lounsberry, Michael D. Quagliano, Carlyle F. Griffin, Drew Quagliano and Melissa Allen (each, a Nominee and, collectively, the Nominees) to serve as directors on the Board until the 2015 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified; and
3. vote **FOR** the Company's proposal to ratify the selection by the Audit Committee of the firm of McGladrey LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014.

Please see the sections entitled Proposal 1: Proposal to Amend the Company's By-Laws to Reduce the Number of Directors Serving on the Board to Five, Proposal 2: Election of Directors, and Proposal 3: Proposal to ratify the selection by the Audit Committee of the firm of McGladrey LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014, for a more complete description of each of these proposals.

Why are we soliciting your vote?

We are soliciting your vote because we are not satisfied with the Company's performance under the current board of directors. (Seven of the Company's nominees have served on the board since 2006, one has served on the board since 2009, two have served on the board since 2012 and one has served on the board since 2013.) In particular:

- The market price of the Common Stock has declined more than 40% since the Company's initial public offering in 2007, from \$10 per share on March 7, 2007 to \$5.80 per share on April 29, 2014;
- From January 1, 2008 through December 31, 2013, the Company had cumulative losses of approximately \$3.5 million (as reported in audited financial statements included in the Company's annual reports on Form 10-K);
- From the Company's inception through December 31, 2013, the Company has lost a total of approximately \$8.0 million after giving effect to start-up costs incurred in 2004 through 2006 and partial year operations in 2007 (as reported in audited financial statements included in the Company's annual reports on Form 10-K);
- The Company's net loss for the twelve months ended December 31, 2013 was \$656,000, compared to net income of \$281,000 for the twelve months ended December 31, 2012 (as reported in audited financial statements included in the Company's annual reports on Form 10-K);
- The Company generated a net loss for the six months ended December 31, 2013 of \$1,276,000 (based on the financial statements included in the Company's Form 10-K for the year ended December 31, 2013 and the Company's Form 10-Q for the quarter ended June 30, 2013);
- The Company incurred \$358,000 in restructuring charges during the fourth quarter of 2013 to terminate a facility lease and suspend plans to convert its Boulder loan production office into a full-service banking facility (as reported in statements included in the Company's Form 10-K). The Company announced on September 12, 2013, that it had reached an agreement to lease office space in the Cherry Creek neighborhood of Denver, Colorado, and announced on July 22, 2013 its desire to open a full-service branch in Boulder, Colorado, and
- For the quarter ended March 31, 2014, the Company generated a net loss of \$369,000, or \$0.14 per share (as reported in the Company's 8-K filed April 29, 2014).

We believe our Nominees would consider strategies and opportunities for improving Company performance and enhancing shareholder value. We urge the Stockholders to support us in this effort by voting **FOR** our Nominees.

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Who are the Nominees?

We are proposing that Lars Johnson, Jackson Lounsberry, Michael D. Quagliano, Carlyle F. Griffin, Drew Quagliano and Melissa Allen be elected as directors of the Company to serve on the Board until the 2015 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified.

Set forth below are the names, ages, business addresses and business experience for the past five years and certain other information for Messrs. Johnson, Lounsberry, Quagliano and Griffin and for Mses. Quagliano and Allen, the individuals nominated by Quagliano as the Nominees to stand for election at the 2014 Annual Meeting. This information has been furnished to Quagliano by the Nominees. In addition, the table below sets forth a brief discussion of the specific experience, qualifications, attributes or skills that led to the conclusion that the Nominee should serve as a director for the Company as of the date hereof, in light of the Company's business and structure.

Nominees

Name and Age	Business Address	Principal Occupation or Employment and Public Company Directorships, in Each Case During the Last Five Years
Lars Johnson (38)	405 Broadway Eagle, CO 81631	Mr. Johnson is and has been since July 2011, the Managing Member of Lars Johnson & Associates, LLC, a law firm, where he practices as an attorney specializing in the representation of bankruptcy trustees. In his practice, Mr. Johnson investigates and liquidates non-exempt property and distressed assets, files fraudulent conveyance, preference and recovery actions, and generally assists trustees in the administration of bankruptcy estates. From August 2010 until July 2011, Mr. Johnson served as a realty specialist at the U.S. Department of Agriculture, where he was responsible for acquiring, managing and disposing of real property on behalf of the federal government. From July 2007 to August 2010, Mr. Johnson practiced as a self-employed attorney and consultant, representing commercial landlords in the negotiation of commercial loans and leases and consulting on the operation of large commercial operations. Mr. Johnson has also worked as an attorney at Faegre & Benson, LLP in the Banking and Bankruptcy Group. Mr. Johnson is a 2001 graduate of Harvard Law School, a licensed attorney in Colorado and has held a license as a FINRA Series 7 Registered Representative since January 2014 and has been a registered representative at TradingBlock since such time. Mr. Johnson and his family currently reside in Eagle, Colorado. Mr. Quagliano believes that the attributes, skills and qualifications that Mr. Johnson has obtained through his experience as an attorney will provide the Board and the Company with valuable knowledge and experience.

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Nominees

Name and Age	Business Address	Principal Occupation or Employment and Public Company Directorships, in Each Case During the Last Five Years
Jackson Lounsberry (45)	601 S. Main Street #205 Grapevine, TX 76051 405 Broadway Eagle, CO 81631	Since September 2013, Mr. Lounsberry has been a co-owner and Managing Member of SIA-Summit Investment Advisors and SIA Capital Management. SIA-Summit Investment Advisors and SIA Capital Management are the general partners of the SIA Capital Options Fund I, a hedge fund that was founded in March of 2010. In 2006, Mr.Lounsberry founded Eagle Valley Investments, a boutique wealth management firm based in the Vail Valley of Colorado, which he left in September 2013 to join Summit Investment Advisors. Although not currently associated with a securities broker-dealer, Mr. Lounsberry has held a Series 7 securities license since 1997, beginning as a Trust & Investment Officer with Bank Iowa. During his ten years at BankIowa, Mr. Lounsberry developed a \$65 million book of business and served on various Executive Planning Committees. Mr. Lounsberry is a 1994 graduate of Northwestern University where he was a varsity basketball letterman. He and his family currently reside in Eagle, Colorado. Quagliano believes that the attributes, skills and qualifications that Mr. Lounsberry has obtained through his experience in the securities and banking industry will provide the Board and the Company with valuable knowledge and experience.

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Nominees

Name and Age	Business Address	Principal Occupation or Employment and Public Company Directorships, in Each Case During the Last Five Years
Michael D. Quagliano (51)	3520 Broadway Quincy, IL 62301 3430 Dodge St., Unit 6, Dubuque, IA 52003 (for QHQ Partnership)	<p>Since 1982, Mr. Quagliano has owned and operated various businesses and investments, including restaurant franchises and real estate investments. Such businesses are conducted under various names, including Best Buy of Hiram, Inc., Best Buy of Cedar Rapids, Inc., BBQ Too, Inc., Serendipitous, Inc., Rainmaker Management, Inc., Wenco of Carbondale, Inc., Wenco of Palmyra, Inc., Wenco of Hannibal, Inc., Win Mgmt, Inc., A Shapiro, LLC, QHQ Partnership and Mr. Quagliano's own name.</p> <p>Mr. Quagliano has been involved with the Company since its inception and has engaged in discussions with and has responded to inquiries from various persons, including, without limitation, the Company's Board of Directors, management, other shareholders of the Company and other relevant parties concerning matters with respect to the Company and Mr. Quagliano's investment in the Company, including, without limitation, the business, operations, governance, management, strategy and future plans of the Company. Mr. Quagliano has made various recommendations to the Company's Board and management to improve the performance of the Company, including, without limitation, (i) reducing or eliminating certain real estate leases, (ii) considering appropriate staff reductions and (iii) decreasing executive compensation. Mr. Quagliano served on the Board of Directors from December 5, 2008 to May 21, 2009. He believes that his commercial experience and knowledge of and history with the Company, as well as his financial stake in the Company as its largest stockholder, provide a unique perspective on the Company, including its operations, intended markets and historical strategies and the results thereof.</p>

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Nominees

Name and Age	Business Address	Principal Occupation or Employment and Public Company Directorships, in Each Case During the Last Five Years
Carlyle F. Griffin (69)	none	<p>Mr. Griffin has thirty years of marketing and management experience in complex situations and ten additional years experience consulting with various customers implementing management computer systems. Mr. Griffin has served on Boards of smaller for-profit and non-profit organizations and has experience in financial planning, executive transition and management training. Mr. Griffin worked at IBM in various roles including as a marketing manager, marketing representative, regional support manager and financial marketing consultant until his retirement from IBM in 2000. From 2000 until his retirement in 2007, he provided marketing consulting services to various entities. Quagliano believes that the attributes, skills and qualifications that Mr. Griffin has obtained through his marketing and management experience will provide the Board and the Company with valuable knowledge and experience.</p>

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Nominees

Name and Age	Business Address	Principal Occupation or Employment and Public Company Directorships, in Each Case During the Last Five Years
Drew Quagliano (22)	none	Ms. Quagliano is a student at the University of Colorado Boulder, where she takes classes in the Leeds School of Business. Ms. Quagliano has horse sales experience and has interned at a public relations firm in New York. Ms. Quagliano is the daughter of Michael D. Quagliano. Mr. Quagliano believes that, due to Ms. Quagliano's age, she will bring the perspective of the next generation to the Board which may be valuable in promoting the Company to younger customers and fulfilling their needs.

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Nominees

Name and Age	Business Address	Principal Occupation or Employment and Public Company Directorships, in Each Case During the Last Five Years
Melissa Allen (28)	3352 Olde Hampton Dr. Wellington, FL 33414	Ms. Allen has served as the manager of Rosiano Farm, a horse farm, in Wellington, Florida and Lexington, Kentucky since 2009. At Rosiano Farm, she has managed logistics and care of top level show jumping horses on a national level. She also had three months of basic-training in the Israeli Defense Force. Ms. Allen is the fiancée of Mr. Quagliano. Mr. Quagliano believes that, due to Ms. Allen's age, she will bring the perspective of younger business managers to the Board which may be valuable in promoting the Company to customers and fulfilling their needs.

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The Board currently consists of 13 directors. According to the Company's Proxy Statement, the Board intends to nominate 11 candidates for election as directors at the 2014 Annual Meeting and reduce the size of the Board to 11 directors. This Proxy Statement is soliciting proxies to elect Messrs. Johnson, Lounsberry, Quagliano and Griffin and Ms. Quagliano and Allen to serve as directors on the Board.

The Nominees, if elected, will constitute a majority of the directors and will alone be able to adopt resolutions or otherwise cause the Board to act. In the event that Proposal No. 1 to reduce the size of the Board to five members is adopted by the Shareholders, the five Nominees receiving the most "FOR" votes will be the five Nominees to fill the open positions on the Board of Directors, provided that none of the other Nominees withdraws or resigns. In the event that Proposal No. 1 to reduce the size of the Board to five members is not adopted by the Shareholders, the Nominees, if elected, would still constitute a majority of an 11 person board. Quagliano will vote proxies granted to him pursuant to this proxy solicitation only in favor of his six Nominees, regardless of the size of the board or the ability for any one or more of the Nominees to sit for election to the Board. Quagliano will only be able to vote proxies for his Nominees, and in the event that any Nominee is not eligible to sit for election, Quagliano will not be able to vote for any other person in place of such Nominee. Additionally, in the event that Proposal No. 1 to reduce the size of the Board to five members is not adopted by the Shareholders, there would be 11 director positions available. In that event, if you return the blue proxy card to vote for the Quagliano Nominees, then (i) you will be disenfranchised with respect to the remaining five seats of an 11 person Board and (ii) Quagliano would not have discretionary authority to vote your shares on the remaining five seats.

If the Nominees are elected, there can be no assurance that the individuals who are elected to fill the remaining Board seats (i.e., the Company nominees and/or the Stout nominees) would agree to serve on the Board. If the Nominees are elected and one or more vacancies exist on the Board, then the newly-elected Board would have the authority to fill any such vacancies. Quagliano and the participants in this solicitation do not have any current plans or intentions to fill any such vacancies.

Based on the information furnished by the Nominees, Quagliano believes each of the Nominees is independent within the meaning of Rule 5605(a)(2) of the Nasdaq listing standards and Quagliano has no knowledge of any facts that would prevent the determination that each of the Nominees is independent under such standards. (The Company has elected to use the definition of "independence" that is contained in Rule 5605(a)(2) of the Nasdaq listing standards.)

Who can vote at the 2014 Annual Meeting?

According to the Company's Proxy Statement, holders of record of Common S