

RCM TECHNOLOGIES INC  
Form DEF 14A  
April 27, 2012

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 (Amendment No. )

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

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

RCM Technologies, Inc.  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on 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:
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  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

**RCM Technologies, Inc.**  
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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD JUNE 14, 2012**

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To Our Stockholders:

The RCM Technologies, Inc. 2012 Annual Meeting of Stockholders will be held at the offices of Morgan, Lewis & Bockius LLP, 1701 Market Street, Philadelphia, Pennsylvania 19103, on Thursday, June 14, 2012, at 6:00 p.m. local time.

The purposes of the meeting are to:

1. Elect a Class A director to serve until his term expires and until his successor is elected and qualified;
2. Ratify our Audit Committee's selection of EisnerAmper LLP as our independent accountants for our fiscal year ending December 29, 2012; and
3. Transact such other business as may properly come before the meeting or any adjournment(s) of the meeting.

We have fixed April 16, 2012 as the record date for determining the stockholders entitled to vote at the meeting. You are not entitled to notice of, or to vote at, the meeting if you were not a stockholder of record at the close of business on that date.

You are cordially invited to attend the meeting. Whether or not you expect to attend the meeting in person, please sign, date and promptly return the enclosed proxy to ensure that your shares will be represented at the meeting. The enclosed envelope requires no postage if mailed within the

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United States. Most of our stockholders hold their shares in street name through brokers, banks and other nominees and may choose to vote their shares by telephone instead of using the enclosed proxy card. If you wish to vote by telephone, please follow the instructions on your proxy card. If you attend the meeting, you may revoke your proxy and vote in person.

By Order of the Board of Directors,

Kevin D. Miller  
Secretary

Pennsauken, New Jersey  
April 27, 2012

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**RCM TECHNOLOGIES, INC.**

**2500 McClellan Avenue  
Suite 350  
Pennsauken, New Jersey 08109**

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**PROXY STATEMENT**

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**ANNUAL MEETING OF STOCKHOLDERS**

**JUNE 14, 2012**

**About this Proxy Statement**

Our Board of Directors is soliciting proxies to be used at our 2012 Annual Meeting of Stockholders. The meeting will be held at the offices of Morgan, Lewis & Bockius LLP, 1701 Market Street, Philadelphia, Pennsylvania 19103 on Thursday, June 14, 2012, at 6:00 p.m. local time. This proxy statement, the notice of annual meeting and the form of proxy will be mailed to stockholders beginning on or about April 27, 2012.

**VOTING PROCEDURES**

**Who Can Vote**

Only RCM common stockholders at the close of business on the record date, April 16, 2012, may vote at the annual meeting. You are entitled to cast one vote for each share of RCM common stock that you owned as of the close of business on the record date. At the close of business on the record date, there were 12,729,815 shares of RCM common stock outstanding.

**How You Can Vote**

You can vote by:

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- marking your proxy card, dating and signing it, and returning it in the postage-paid envelope we have provided,
- phoning in your vote using the information provided on your voting form, or
- attending the meeting and voting in person.

### **How You Can Revoke Your Proxy or Change Your Vote**

You can revoke your proxy at any time before it is voted at the meeting by:

- sending a written notice that you have revoked your proxy to our Secretary, Kevin D. Miller, at 2500 McClellan Avenue, Suite 350, Pennsauken, New Jersey 08109-4613,
- submitting a later-dated proxy card, or
- attending the meeting, giving our Secretary written notice of your revocation and voting your shares.

If a bank, broker or other holder of record holds your shares in its name, you must obtain a proxy card executed in your favor from the holder of record to be able to vote your shares at the meeting.

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### General Information on Voting

A quorum must exist for voting to take place at the meeting. A quorum exists if holders of a majority of the outstanding shares of our common stock are present at the meeting in person or are represented by proxy at the meeting.

Director nominees are elected by a plurality of the votes cast for the election of directors at the meeting. Thus, the nominees who receive the most votes will be elected as a director. All other matters to be voted upon at the meeting must be approved by a majority of the votes cast on those matters.

Shares represented by a proxy marked `abstain` or `withheld` on any matter will be considered present at the meeting for purposes of determining whether there is a quorum, but will not be considered as votes FOR or AGAINST that matter. Shares represented by a proxy as to which there is a `broker non-vote` (that is, where a broker holding your shares in `street` or `nominee` name indicates to us on a proxy that you have given the broker the discretionary authority to vote your shares on some but not all matters), will be considered present at the meeting for purposes of determining a quorum but will not be voted on matters as to which there is a `broker non-vote`. Abstentions and `broker non-votes` will therefore have no effect on the outcome of any vote taken at the meeting.

Shares that have been properly voted and not revoked will be voted at the meeting in accordance with the instructions on your proxy card. If you sign your proxy card but do not mark your choices, Leon Kopyt or Kevin D. Miller, the persons named on the enclosed proxy card, will vote the shares represented by your proxy card:

- `FOR` the person we nominated for election as director; and
- `FOR` the ratification of our Audit Committee's selection of EisnerAmper LLP as our independent accountants for our fiscal year ending December 29, 2012.

If any other matters are properly presented at the meeting for consideration, Mr. Kopyt and Mr. Miller will have the discretion to vote on those matters for you. Currently, we are not aware of any such matters.

### Costs of Solicitation

We will pay for preparing, assembling and mailing this proxy statement. Our directors, officers and employees may solicit proxies through the mails, direct communication or otherwise. None of our directors, officers or employees will receive additional compensation for soliciting proxies. We may reimburse brokerage firms and other custodians, nominees or fiduciaries for their reasonable expenses for forwarding proxy and solicitation materials to stockholders.

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**Important Notice Regarding the Availability of**

**Proxy Materials for the Annual Meeting of Stockholders to be Held on June 14, 2012**

This proxy statement and our 2011 annual report to stockholders are available at

<http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=08117>

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS,  
DIRECTORS AND MANAGEMENT**

**Security Ownership of Certain Beneficial Owners**

The following table lists the persons we know to be beneficial owners of at least five percent of our common stock as of April 16, 2012.

<u>Name and Address of Beneficial Owner</u>	<u>Number of Shares</u>	<u>Approximate Percentage of Outstanding Common Stock</u>
Columbia Wanger Asset Management, LLC 227 West Monroe Street, Suite 3000 Chicago, IL 60606	1,278,000(1)	10.0%
Heartland Advisors, Inc. 789 North Water Street Milwaukee, WI 53202	1,100,000(2)	8.6%
Dimensional Fund Advisors LP 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401	1,085,471(3)	8.5%
Michael O Connell c/o Stonnington Group, LLC 515 S. Figueroa Street, Suite 1100 Los Angeles, CA 90071	808,741(4)	6.5%

(1) Based on Amendment No. 13 to Schedule 13G, dated February 10, 2012, filed with the Commission by Columbia Wanger Asset Management, LLC ( CWAM ), a registered investment advisor. The Amendment states that CWAM has sole voting power over 1,045,000 of these shares and sole dispositive power over all of these shares. The Amendment also states that Columbia Acorn Trust holds 5.0% of RCM s outstanding common stock, which is included in amount owned by Columbia Wanger Asset Management, LLC.

(2) Based on Amendment No. 14 to Schedule 13G, dated February 10, 2012, filed with the Commission. The Amendment states that Heartland Advisors, Inc., a registered investment advisor, and William J. Nasgovitz have shared voting and dispositive power as to all of these shares. The Heartland Value Fund, an account managed by Heartland Advisors, Inc., owns all of these shares. Mr. Nasgovitz disclaims beneficial ownership of these shares.

(3) Based on Amendment No. 12 to Schedule 13G, dated February 10, 2012, filed with the Commission. The Amendment states that Dimensional Fund Advisors LP has sole voting power over 1,070,552 of these shares and sole dispositive power as to all of these shares. Dimensional Fund Advisors LP disclaims beneficial ownership of these shares, which are held by four investment companies to which Dimensional Fund Advisors LP provides investment advice.





**Security Ownership of Certain Beneficial Owners (Continued)**

(4) Based on Amendment No. 1 to Schedule 13D, dated February 3, 2012, filed with the Commission by IRS Partnership No. 19, L.P. ( IRS 19 ), The Leonetti/O Connell Family Foundation (the Foundation ), M2O, Inc. ( M2O ), The Michael F. O Connell and Margo L. O Connell Revocable Trust (the Trust ), Michael O Connell ( Mr. O Connell ) and, collectively with IRS 19, the Foundation, M2O and the Trust, the O Connell Entities ), Stonnington Group, LLC ( Stonnington ), Christopher Kiper ( MR. Kiper ) and Bradley Vizi (Mr. Vizi ). The Amendment states that IRS 19, M2O, the Trust and Mr. O Connell may be deemed to have the shared voting and dispositive power over the 537,367 shares owned by IRS 19, that the Foundation and Mr. O Connell may be deemed to have shared voting and dispositive power over 271,374 shares owned by the Foundation, and that all of such entities may be deemed to beneficially own the shares beneficially owned for such purposes by the others. The Amendment also states that Stonnington, a registered investment advisor, exclusively manages IRS 19 s and the Foundation s investment in Common Shares under an investment advisory agreement with Stonnington pursuant to which Mr. Kiper and Mr. Vizi on behalf of Stonnington manage such investment. As a result, Stonnington, Mr. Kiper and Mr. Vizi may be deemed to have shared dispositive power with respect to the 808,741 shares held by IRS 19 and the Foundation. Mr. Kiper and Mr. Vizi, respectively, also have sole voting and dispositive power over 22,000 and 1,000 shares. IRS 19, M2O and the Trust disclaim beneficial ownership of the shares owned by the Foundation. The Foundation disclaims beneficial ownership of the shares owned by IRS 19. The O Connell Entities disclaim beneficial ownership of the shares held by the other Reporting Persons. Each of Stonnington, Mr. Kiper and Mr. Vizi disclaims beneficial ownership of the shares held by each other.

**Security Ownership of Management**

The following table lists the number of shares of our common stock beneficially owned, as of April 16, 2012, by each director and director nominee, each of our executive officers, certain members of our senior management, and by our directors, nominees and executive officers as a group. In general, beneficial ownership includes those shares a person has the power to vote or transfer, as well as shares owned by immediate family members who live with that person.

<u>Name</u>	<u>Number of Shares</u>	<u>Approximate Percentage of Outstanding Common Stock</u>
Leon Kopyt(1)	603,157	4.7%
Robert B. Kerr(2)	72,727	*
Richard D. Machon(3)	10,000	*
Lawrence Needleman(4)	20,000	*
S. Gary Snodgrass(5)	10,000	*
Kevin D. Miller(6)	440,006	3.4%
Rocco Campanelli(7)	119,584	*
Michael Saks(8)	30,784	*
All directors and executive officers as a group (8 persons)(9)	1,306,258	9.9%

\* Represents less than one percent of our outstanding common stock.

(1) Includes 150,000 shares issuable upon the exercise of options under our stock option plans.

(2) Includes 30,000 shares issuable upon the exercise of options under our stock option plans.

(3) Includes 10,000 shares issuable upon the exercise of options under our stock option plans.

(4) Includes 19,000 shares issuable upon the exercise of options under our stock option plans.

(5) Includes 10,000 shares issuable upon the exercise of options under our stock option plans.

(6) Includes 75,000 shares issuable upon the exercise of options under our stock option plans.

- (7) Includes 75,000 shares, issuable upon the exercise of options under our stock option plans.
- (8) Includes 30,000 shares, issuable upon the exercise of options under our stock option plans.
- (9) Includes 399,000 shares issuable upon the exercise of options under our stock option plans.

**PROPOSAL 1**

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**ELECTION OF DIRECTORS**

Our Board of Directors is divided into three classes. There is one Class A director, two Class B directors and two Class C directors. Directors are elected to staggered three-year terms and serve until their successors have been elected and qualified.

The term of our current Class A director, Richard D. Machon, will expire at this year's annual meeting. The Class B directors, Robert B. Kerr and Lawrence Needleman, will serve until the annual meeting in 2013. The Class C directors, Leon Kopyt and S. Gary Snodgrass, will serve until the annual meeting in 2014.

**Board Independence**

The Board of Directors has determined that Robert B. Kerr, Richard D. Machon, Lawrence Needleman and S. Gary Snodgrass are independent directors as defined in Marketplace Rule 4200(a)(15) of the NASDAQ Stock Market LLC. In this Proxy, these four directors are referred to individually as an Independent Director and collectively as the Independent Directors.

The Class A director will be elected at this year's annual meeting to serve for a three-year term expiring at our annual meeting in 2015. Richard D. Machon has been nominated to serve as Class A director. Mr. Machon has consented to serve a term on our Board of Directors. The persons named as proxy holders on the enclosed proxy card, Mr. Kopyt and Mr. Miller, intend to vote FOR the election of Mr. Machon unless you mark a contrary instruction on your proxy card. Unless you indicate otherwise on your proxy card, if Mr. Machon is unable to serve as a director at the time of this year's annual meeting, Mr. Kopyt or Mr. Miller will vote FOR the election of another person that the Board may nominate in his place.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF RICHARD D. MACHON AS CLASS A DIRECTOR.**

**Nominees for Election as Director**

*Class A Director Nominee*

**Richard D. Machon**, Director since 2010, age 65

Mr. Machon has been providing independent consulting services to major utilities through Machon & Associates since 2000. Prior to his employment as an independent consultant, Mr. Machon held a number of key management positions at Tennessee Valley Authority, Portland General Electric, Impell and Boston Edison. Mr. Machon has also served as Senior Vice President of Operations at PSEG from 2008 to 2010 and as Nuclear Chief Operating Officer at Ontario Power Generation from 1997 to 2000.

Mr. Machon's extensive experience as an executive in the Power Systems industry facilitates his valuable insight in general and, more specifically, his contributions regarding industry contacts, project proposals, contract negotiations, project management and related matters.

**Current Board Members**

*Class B Directors terms expiring in 2013*

**Robert B. Kerr**, Director since 1994, age 69

Mr. Kerr was a founding partner of Everingham & Kerr, Inc., a merger & acquisition consulting firm which started in 1987. The company, formerly located in Haddon Heights, New Jersey, served small and medium-sized manufacturing, distribution and service businesses. Mr. Kerr retired from Everingham & Kerr, Inc. in 2008.

Mr. Kerr's extensive experience as a former CPA, entrepreneur and advisor on hundreds of mergers and acquisitions facilitates his valuable insight in general and, more specifically, his contributions regarding mergers and acquisitions, capital structure and his leadership as Chairman of our Audit Committee.

**Lawrence Needleman**, Director since 2007, age 70

Mr. Needleman is founding member of a financial services, consulting and tax practice located in Richboro, PA, which has been in operation since 1987. He is a member of Accreditation Council for Accountancy and Taxation and is an Enrolled Tax Agent in the Commonwealth of Pennsylvania.

Mr. Needleman's extensive experience as a CPA, financial and tax advisor and entrepreneur facilitates his valuable insight in general and, more specifically, his contributions regarding financial and tax matters.

*Class C Directors terms expiring in 2014*

**Leon Kopyt**, Director since 1991, age 67

Mr. Kopyt has been our President, Chief Executive Officer and Chairman of the Board since 1992. Previously, Mr. Kopyt served as our Chief Financial Officer and Treasurer from 1992 to 1994, and as our Chief Operating Officer from May 1990 to January 1992.

Mr. Kopyt's extensive experience in leading the Company in an executive capacity for twenty-one years makes Mr. Kopyt, in the collective opinion of the Board, the ideal person to Chair the Board.

**S. Gary Snodgrass**, Director since 2010, age 60

Mr. Snodgrass retired from Exelon Corporation in 2007 after ten years of employment as Executive Vice President and Chief Human Resources Officer. Prior to joining Exelon, Mr. Snodgrass was employed by USG Corporation as Vice President of Human Resources from 1973 to 1997. Since 2008, Mr. Snodgrass has been President of the Snodgrass Family Foundation and since 2011, City Commissioner of St. Augustine Beach, Florida.

Mr. Snodgrass's extensive experience as a human resources executive facilitates his valuable insights in general and, more specifically, his contributions regarding human resources operational initiatives and issues.



**OUR EXECUTIVE OFFICERS**

The following table lists our executive officers. Our Board elects our executive officers annually for terms of one year and may remove any of our executive officers with or without cause.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Leon Kopyt	67	Chairman, Chief Executive Officer, President and Director
Kevin D. Miller	45	Chief Financial Officer, Treasurer and Secretary
Rocco Campanelli	61	Executive Vice President
Timothy Brandt	51	Group Senior Vice President
Michael Saks	55	Senior Vice President

The business experience of Mr. Kopyt is summarized in Proposal 1 Election of Directors.

**Kevin D. Miller** has served as a Chief Financial Officer, Secretary and Treasurer since October 2008. From July 1997 until September 2008, he was Senior Vice President of RCM. From 1996 until July 1997, Mr. Miller served as an Associate in the corporate finance department of Legg Mason Wood Walker, Incorporated. From 1995 to 1996, Mr. Miller was a business consultant for the Wharton Small Business Development Center. Mr. Miller previously served as a member of both the audit and corporate finance groups at Ernst & Young LLP.

**Rocco Campanelli** has served as an Executive Vice President of RCM since June 1999. From September 1995 until June 1999, Mr. Campanelli served as a Senior Vice President of RCM and our General Manager of Professional Engineering. Previously, Mr. Campanelli was a Senior Vice President of Operations and Marketing for Cataract, Inc., a business we acquired in August 1995. From the time he joined Cataract in 1988 until August 1995, Mr. Campanelli held the position of Northeast Regional Manager and Vice President of Operations.

**Timothy Brandt** has served as a Group Senior Vice President of RCM since October 2011. From December, 2002 until joining RCM, Mr. Brandt held positions of increasing responsibility for Kforce and Pinkerton Computer Consultants (acquired by Kforce in 2006), ending his tenure in the position of Market President. Mr. Brandt has 20 years of senior leadership experience in IT consulting and solutions including positions with FYI Systems, Paragon Computer Professionals and Computer Systems Development. Mr. Brandt's professional experience started at Xerox Corporation, where he held positions in Sales, Sales Training and Sales Management over a 9 year period starting in 1984.

**Michael Saks** has served as Senior Vice President and General Manager of RCM's Health Care Services Division since May 2007. From January 1994 until May 2007 he was the Vice President and GM of RCM Health Care. Prior to joining RCM, Mr. Saks served as a corporate executive at MS Executive Resources, MA Management and Group 4 Executive Search. Mr. Saks has over 29 years of executive management, sales and recruiting experience.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

#### Overview of Compensation Program

The Compensation Committee (for purposes of this analysis, the *Committee*) of the Board has responsibility for establishing, implementing and continually monitoring adherence with the Company's compensation philosophy. The Committee seeks to ensure that the total compensation paid to the executives is fair, reasonable and competitive. Generally, the types of compensation and benefits provided to our executives, including the named executive officers, are similar to those provided to other executive officers.

Throughout this proxy statement, each of the individuals who served as the Company's Chief Executive Officer and Chief Financial Officer during fiscal 2011, as well as the other individuals included in the Summary Compensation Table on page 14, are referred to as the named executive officers.

#### Compensation Philosophy and Objectives

The Committee believes that the most effective executive compensation program is one that is designed to reward strong annual operating performance by the Company. Where named executive officers focus specifically on one or more areas of the Company's business, the Committee believes that a substantial portion of the cash incentive portion of their compensation should focus on those areas. For the Chief Executive Officer and Chief Financial Officer, the cash incentive portion of their compensation is substantially focused on overall Company financial performance, as the Committee believes that their incentive compensation should be aligned with their focus on overseeing the totality of the Company's operations. Where appropriate, the Committee also considers the achievement of the specific annual, long-term and strategic goals by the Company, and in such cases seeks to align executives' interests with those of the stockholders by rewarding performance above established goals, with the ultimate objective of improving stockholder value. The Committee evaluates both performance and compensation to ensure that the Company maintains its ability to attract and retain superior employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of our peer companies. To that end, the Committee believes executive compensation packages provided by the Company to its executives, including the named executive officers, should generally include both cash and stock-based compensation that reward performance as measured against established goals.

#### Role of Executive Officers in Compensation Decisions

The Committee makes all compensation decisions regarding the compensation of the Chief Executive Officer, Chief Financial Officer and the other named executive officers. In the case of named executive officers other than the Chief Executive Officer and the Chief Financial Officer, the Compensation Committee receives recommendations from the Chief Executive Officer regarding their compensation. Additionally the Committee receives recommendations from the Chief Executive Officer regarding equity awards to all elected officers of the Company.

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The Chief Executive Officer annually reviews the performance of each executive (other than the Chief Executive Officer and the Chief Financial Officer whose performance is reviewed solely by the Committee). The conclusions reached and recommendations based on these reviews, including with respect to salary adjustments and annual award amounts, are presented to the Committee. The Committee can exercise its discretion in modifying any recommended adjustments or awards to executives.

### Setting Executive Compensation

Based on the foregoing objectives, the Committee has structured the Company's annual and long-term incentive-based cash and non-cash executive compensation to motivate executives to achieve the business goals set by the Company and reward the executives for achieving such goals.

### Functions of the Compensation Committee

The Committee's primary functions include:

- reviewing, approving and determining the salaries, annual incentive awards, bonuses and other benefits of RCM's directors and executive officers,
- recommending to RCM's Board amendments to existing stock option plans and the adoption of new stock option plans,
- negotiating, reviewing, approving and determining the adoption of, or amendments to, any compensatory plans, arrangements or agreements between RCM and its executives, and
- establishing and reviewing management perquisites.

### Components of Compensation

The Committee generally structures RCM executives' compensation through a combination of the following:

- *Base Salary:* As a general rule, the Committee establishes base salaries for RCM's executives based upon the individual's performance and contribution to RCM. The Committee takes into account base salaries of executives in comparable positions in companies similar to RCM. Some of RCM's executives are parties to employment agreements. The salaries of those executives are based on their agreements.
- *Annual Incentive Compensation:* The Committee provides annual incentive awards to RCM's executives to reward their contributions to RCM. Generally, the Committee believes that the best metric for overall financial performance is either earnings before interest, taxes, depreciation and amortization (EBITDA) or operating income. As discussed in more detail below under 2011 Compensation, Mr. Kopyt's annual incentive award was based solely on RCM's EBITDA. Mr. Miller's annual incentive award is generally determined based on a combination of

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EBITDA and certain other factors at the discretion of the Chief Executive Officer and the Committee but in 2011 his annual incentive award was based solely on RCM's EBITDA. Other factors may include productivity goals such as organization leadership, mentoring and training of administrative staff, and meeting applicable financial and regulatory filing requirements. The annual incentive awards of all other executives are determined based on RCM's operating income and certain other factors at the discretion of the Chief Executive Officer, based on the guidelines established by the Committee.

- *Long-Term Incentive Compensation:* The Committee periodically considers granting stock options and other RCM securities to RCM executives. Any such awards are designed to align the interests of each RCM executive with those of the stockholders, and provide each executive with a significant incentive to manage RCM from the perspective of an owner with an equity stake in the business. When made, awards typically permit executives to acquire RCM's common stock at a fixed price per share (generally, the market price on the grant date) over a specified period of time (usually up to ten years). The awards provide a return to the executive only if the market price of the shares appreciates over the option term. No such awards were made in fiscal 2011.

**Components of Compensation (Continued)**

In considering any potential grant of an equity award, the Committee would consider each executive's:

- position with RCM,
- potential for future responsibility over the option term,
- performance in recent periods, and
- current holdings of RCM stock and options.

The Committee believes that RCM's financial performance is a better indicator of executive achievement than its stock price. The Committee examines a number of financial indicators in assessing RCM's performance, including:

- net sales,
- operating income,
- net income, and
- earnings per share.

The Committee does not base compensation decisions upon any precise formula or accord any one factor greater weight than the other factors.

**2011 Compensation**

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- *Base Salary:* For 2011, Mr. Kopyt, Mr. Miller and Mr. Campanelli received increases to their base salaries of \$60,000, \$30,000 and \$25,000, respectively, on January 1, 2011, increasing their base salaries from \$600,000 to \$660,000, \$300,000 to \$330,000 and \$275,000 to \$300,000, respectively. These increases were intended to bring their salaries more in line with what the Committee believes to be the standards in the industry, though no formal studies were made of either area.
- *Annual Incentive Compensation/Bonus:* Messrs. Kopyt, Miller, Campanelli, Gargano and Saks were eligible to receive annual cash incentive compensation based on the achievement of certain goals established by the Compensation Committee in late 2010.

Mr. Kopyt's overall compensation, which is called for by his employment agreement, reflects his high level of policy and decision-making authority and his level of responsibility with respect to RCM's strategic direction and financial and operational results.

For Mr. Kopyt, these goals were based on overall Company financial performance, measured by the Company's EBITDA. The Committee has chosen EBITDA as the appropriate measure for use as a performance goal as it closely correlates to cash flow. Mr. Kopyt was entitled to receive incentive compensation equal to 2.0% of the Company's EBITDA for fiscal year 2011. These levels were chosen because the Committee believes the percentages when applied to EBITDA will adequately compensate Mr. Kopyt with respect to the compensation philosophy described above. Accordingly, Mr. Kopyt received incentive compensation payment for 2011 of \$165,360. This payment represented 25.1% of his annual base salary.

**2011 Compensation (Continued)**

For Mr. Miller, these goals were based on overall Company financial performance, measured by the Company's EBITDA. The Committee has chosen EBITDA as the appropriate measure for use as a performance goal as it closely correlates to cash flow. Mr. Miller received annual incentive compensation equal to 1% of the Company's EBITDA for fiscal year 2011. These levels were chosen because the Committee believes the percentages when applied to EBITDA will adequately compensate Mr. Miller with respect to the compensation philosophy described above. Accordingly, Mr. Miller received annual incentive compensation payment for 2011 of \$82,860. This payment represented 25.1% of his annual base salary.

The Company's operating vice presidents are entitled to receive incentive compensation based on the achievement by their operating business units with respect to specific financial measures established prior to, or early in, each fiscal year. The Committee believes that linking the performance of the unit managers to their units provides them an incentive to maximize the financial performance of the areas of the Company's business for which they are directly responsible.

Subject to occasional modification, the methodology for structuring these incentive compensation goals and potential awards is as follows: For each pre-determined financial measure, minimum, target and maximum levels are set. Specified bonuses are established for achievement of the minimum and target levels. For achievement over target, the operating managers are entitled to receive an additional amount consisting of a predetermined percentage of the excess over the established target level, up to an established maximum payment. This is done to give incentive to the manager to exceed his target and be rewarded for growth.

Mr. Campanelli was entitled to receive annual incentive compensation based on the achievement of the Company's Engineering and Healthcare business units. Minimum targets were based on the achievement of certain percentages of budgeted financial performance. Thus, Mr. Campanelli received annual incentive compensation of \$121,688 with respect to the Engineering unit and \$0 with respect to the Healthcare unit for a total incentive compensation of \$121,688. Mr. Campanelli did not receive annual incentive compensation associated with the Health Care unit because that unit did not meet its financial objectives in 2011.

Mr. Brandt is Group Senior Vice President of the Company's IT Consulting Division. Mr. Brandt received a discretionary bonus of \$25,000 for 2011. The Committee determined that a discretionary bonus was warranted to reward and incent Mr. Brandt for his work in a very demanding position.

Mr. Saks is Senior Vice President of the Company's Health Care Division. Minimum targets are based on the achievement of certain percentages of budgeted financial performance. Mr. Saks received annual incentive compensation of \$74,375 for 2011.

- *Long-Term Incentive Compensation:* As discussed above, the Committee from time to time considers the granting of equity awards to the named executive officers. No options to purchase our common stock or restricted shares of common stock were granted to our executive officers or members of our senior management during our fiscal year ended December 31, 2011.





### **Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code limits the amount of executive compensation RCM may deduct for federal income tax purposes. In general, Section 162(m) only allows a publicly held corporation to deduct up to one million dollars per year of compensation paid to certain executives. The executives whose compensation is subject to limitation under Section 162(m) are those executives who, as of the close of a corporation's taxable year, are either the chief executive officer (or an individual acting in such capacity), or an executive whose compensation is required to be reported to stockholders under the Securities Exchange Act of 1934 by reason of that executive being among the four highest compensated officers of a corporation for the taxable year (other than the chief executive officer). Performance-based compensation is not, however, subject to this deduction limitation if it meets certain requirements. One of the requirements is that performance-based compensation be payable only on the attainment of performance goals that have been approved by a corporation's stockholders. Compensation attributable to the exercise of options that are granted with an exercise price at or above the fair market value of the stock subject to the option under a stockholder-approved stock option plan meeting certain requirements is also qualified as performance-based compensation. The compensation committee has generally attempted to structure the compensation it pays to RCM's executives subject to Section 162(m) so that compensation that would exceed the one million dollar limitation otherwise imposed under Section 162(m) will qualify for the exemption noted above for performance-based compensation.

**Summary Compensation Table**

The following table lists, for our fiscal years ended December 31, 2011, January 1, 2011 and January 2, 2010, cash and other compensation paid to, or accrued by us for, our chief executive officer, our chief financial officer and each of the persons who, based upon total annual salary, annual incentive compensation and bonus, was one of our other three most highly compensated executives during the fiscal year ended December 31, 2011.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Non-Equity Incentive Plan Compensation</b>	<b>Option Awards(1)</b>	<b>All Other Compensation(2)</b>	<b>Total</b>
Leon Kopyt President and CEO	2011	\$660,000	--	\$165,360	--	\$39,974	\$865,334
	2010	\$625,000	--	\$210,927	--	\$50,134	\$886,061
	2009	\$625,000	--	\$259,246	\$74,010	\$49,771	\$1,008,027
Kevin D. Miller CFO, Treasurer and Secretary	2011	\$330,000	--	\$82,680	--	\$32,431	\$445,111
	2010	\$300,000	--	\$52,732	--	\$31,457	\$384,189
	2009	\$300,000	\$23,728	\$64,811	\$49,340	\$29,280	\$467,159
Rocco Campanelli Executive Vice President	2011	\$300,000	--	\$121,688	--	\$22,844	\$444,532
	2010	\$275,000	--	\$207,328	--	\$22,219	\$504,547
	2009	\$250,000	--	\$130,000	\$24,670	\$21,374	\$426,044
Timothy Brandt Group Sr. Vice President	2011	\$46,154	\$25,000	--	--	\$2,768	\$73,922
Michael Saks Senior Vice President	2011	\$175,000	--	\$74,375	--	\$20,362	\$269,737
	2010	\$175,000	--	\$130,000	--	\$20,882	\$325,882
	2009	\$175,000	--	\$118,920	\$14,802	\$17,631	\$326,353

(1) These amounts are based upon the grant date fair value of the option awards calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification ( ASC ) Topic 718. The assumptions used in determining the amounts in the column are set forth in note 9 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed with the Commission.

(2) This amount represents (i) premiums in the amount of \$219 we paid in 2011 for life and disability insurance on each of the officers named in this table except Timothy Brandt whom the Company paid \$12; (ii) premiums we paid during our 2011 for medical and dental insurance on each of the officers named in this table as follows: Leon Kopyt: \$15,916; Kevin Miller: \$16,359; Rocco Campanelli: \$10,000; Timothy Brandt: \$1,371; and Michael Saks: \$8,718; (iii) matching contributions in the amount of \$625 that were made for the 2011 fiscal year for Kevin Miller, Rocco Campanelli, Timothy Brandt and Michael Saks in accordance with RCM's retirement savings plan adopted pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended; and (iv) the following approximated amounts for Company leased automobiles or monthly automobile allowances and related expenses: Leon Kopyt: \$23,839, Kevin Miller: \$15,228, Rocco Campanelli: \$12,000; Timothy Brandt: \$1,385; and Michael Saks: \$10,800.

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During our 2011 and 2010 fiscal years, certain of the officers named in this table received personal benefits not reflected in the amounts of their respective annual salaries or bonuses. The dollar amount of these benefits did not, for any individual in any fiscal year, exceed \$10,000.

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**Grants of Plan Based Awards**

No options to purchase our common stock or restricted shares of common stock were granted to our executive officers or members of our senior management during our fiscal year ended December 31, 2011. We have never granted any stock appreciation rights. As discussed above, cash incentive plan compensation was paid to certain of our named executive officers during the fiscal year ended December 31, 2011.

**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information concerning outstanding options to purchase shares of common stock as of December 31, 2011.

Name	Number of		Option Awards		Option Vesting
	Securities Underlying		Option Exercise Price	Option Expiration	
	Exercisable	Unexercisable			