

MICROFINANCIAL INC  
Form DEF 14A  
April 14, 2011

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**SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (AMENDMENT NO.    )**

FILED BY THE REGISTRANT

FILED BY A PARTY OTHER THAN THE REGISTRANT

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to sec.240.14a-11(c) or sec.240.14a-12

**MICROFINANCIAL INCORPORATED**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

**PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):**

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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16 New England Executive Park, Suite 200  
Burlington, Massachusetts 01803

April 14, 2011

Dear Stockholder:

I am pleased to invite you to the 2011 Special Meeting of Stockholders in Lieu of Annual Meeting of MicroFinancial Incorporated, which will be held on Thursday, May 12, 2011, at 4:00 p.m., at the offices of Edwards Angell Palmer & Dodge LLP, 111 Huntington Avenue, Boston, Massachusetts.

The accompanying Notice of Special Meeting of Stockholders and proxy statement describe the matters to be considered and acted upon. Please read these materials carefully.

Matters scheduled for consideration at the Special Meeting are the election of two directors for three-year terms and the ratification of the selection of independent auditors for 2011.

I hope you will be able to attend the meeting, but if you cannot do so, it is important that your shares be represented and voted. **ACCORDINGLY, I URGE YOU TO MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY IN THE RETURN ENVELOPE PROVIDED.**

Very truly yours,

PETER R. BLEYLEBEN  
*Non-Executive Chairman*

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**MicroFinancial Incorporated  
16 New England Executive Park, Suite 200  
Burlington, Massachusetts 01803**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
IN LIEU OF ANNUAL MEETING**

**To Be Held May 12, 2011**

The Special Meeting of Stockholders in Lieu of Annual Meeting of MicroFinancial Incorporated, a Massachusetts corporation ( MicroFinancial ), will be held Thursday, May 12, 2011, at 4:00 p.m., at the offices of Edwards Angell Palmer & Dodge LLP, 111 Huntington Avenue, Boston, Massachusetts for the purpose of considering and voting upon:

1. The election of the two directors named in MicroFinancial s proxy statement for three-year terms.
2. The ratification of the selection of McGladrey & Pullen, LLP as independent auditors for MicroFinancial for 2011.
3. The transaction of such other business as may properly come before the Special Meeting.

The record date for determining stockholders entitled to notice of, and to vote at, the Special Meeting is the close of business on April 5, 2011. MicroFinancial s transfer books will not be closed.

By Order of the Board of Directors,

RICHARD F. LATOUR  
*Clerk*

Burlington, Massachusetts  
April 14, 2011

**YOUR VOTE IS IMPORTANT. PLEASE COMPLETE, DATE, SIGN AND MAIL THE ENCLOSED PROXY AT YOUR EARLIEST CONVENIENCE, USING THE RETURN ENVELOPE ENCLOSED WITH THE PROXY. IF YOU ATTEND THE SPECIAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY.**

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**Notice of Internet Availability of Proxy Materials:**  
**The Notice of Meeting, proxy statement and annual report to shareholders**  
**are available at [www.microfinancial.com/proxyinfo/](http://www.microfinancial.com/proxyinfo/)**

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**MicroFinancial Incorporated  
16 New England Executive Park, Suite 200  
Burlington, Massachusetts 01803  
Telephone 781-994-4800**

**2011 SPECIAL MEETING OF STOCKHOLDERS  
IN LIEU OF ANNUAL MEETING**

**PROXY STATEMENT**

**GENERAL**

The enclosed proxy is solicited by the Board of Directors ( MicroFinancial Board ) of MicroFinancial Incorporated ( MicroFinancial or the Corporation ) in connection with the Special Meeting of Stockholders in Lieu of Annual Meeting (the Special Meeting ) to be held on May 12, 2011. This proxy statement and the enclosed proxy are first being sent to stockholders on or about April 14, 2011. The proxy will be voted at the Special Meeting in accordance with the instructions indicated on the proxy by the stockholder. If no instructions are indicated, all shares represented by valid proxies received pursuant to this solicitation (and not revoked before they are voted) will be voted:

FOR the election of the two director nominees named in this proxy statement;

FOR the ratification of the selection of McGladrey & Pullen, LLP as our independent registered public accounting firm for fiscal year 2011; and

in accordance with the judgment of the proxy holders as to any other matters that may be properly brought before the meeting or any adjournments or postponements of the meeting.

The record date for determining stockholders entitled to vote at the Special Meeting is the close of business on April 5, 2011. On this date, there were outstanding and entitled to vote 14,231,692 shares of Common Stock, par value \$0.01 per share, of the Corporation (the Common Stock ), each of which is entitled to one vote on each matter to be voted on at the Special Meeting. The presence (in person or by proxy) of a majority of the aggregate number of shares of Common Stock outstanding and entitled to vote on the record date is necessary to constitute a quorum at the Special Meeting. Abstentions and broker non-votes will be counted as present at the Special Meeting for purposes of determining whether there is a quorum. A broker non-vote occurs when a bank, broker or other nominee, holding shares for a beneficial owner, submits a proxy but does not vote on a particular matter because it has not received voting instructions on the matter from the beneficial owner and is barred by stock exchange rules from exercising discretionary authority to vote on the matter.

**VOTING PROCEDURES**

A plurality of votes of the shares of Common Stock represented at the Special Meeting is required to elect directors. In voting for the election of directors, stockholders may cast their votes in favor of a nominee or may withhold authority to vote, but votes against may not be specified. The affirmative vote of a majority of the votes cast at the Special Meeting is required to ratify the selection of auditors. If a broker's authority to vote on a particular matter is limited, thus resulting in a broker non-vote, such broker non-vote will not be counted in determining the number of votes cast at the Special Meeting, and will have no effect on either proposal. Abstentions are likewise not considered votes cast and so will have no effect on either proposal. At the Special Meeting, a broker nominee will not be able to submit a vote on the director elections unless it receives specific instructions from the beneficial owner.

A stockholder of record may revoke a proxy by delivering written notice of revocation to Richard F. Latour, Clerk of MicroFinancial, at the address set forth above, by filing a duly executed proxy bearing a later date, or by attending the Special Meeting in person, notifying the Clerk, and voting by ballot at the Special Meeting. Any stockholder of record attending the Special Meeting may vote in person whether or not a proxy has been previously given, but the mere presence (without notifying the Clerk) of a stockholder at the Special Meeting will not constitute revocation of a previously given proxy. Stockholders who hold their shares in street name (i.e., through brokers or other nominees) will need to follow the instructions on their broker's or other nominee's voting instruction form to revoke any prior voting instruction. In addition, stockholders whose shares of Common Stock are not registered in their own name will need additional documentation from the record holder of the shares to vote in person at the Special Meeting.

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The following table sets forth information as of March 1, 2011 with respect to the beneficial ownership of Common Stock of each person known by the Corporation to be the beneficial owner of more than 5% of the 14,253,428 shares of Common Stock outstanding as of such date, each director and executive officer of the Corporation and all directors and executive officers of the Corporation as a group.

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned(2)	Percentage of Outstanding Common Stock
<b>Directors and Executive Officers</b>		
Torrence C. Harder(3)	1,759,443	12.3%
Peter R. Bleyleben	1,437,863	10.1%
Brian E. Boyle(4)	1,514,953	10.6%
Richard F. Latour(5)	650,470	4.5%
Alan J. Zakon(6)	259,346	1.8%
Fritz von Mering	115,967	*
John W. Everets	80,310	*
James R. Jackson, Jr.(7)	131,536	*
Steven J. LaCreta(8)	31,186	*
Stephen Constantino(9)	39,994	*
All directors and executive officers as a group (10 persons)	6,021,068	40.8%
<b>Others</b>		
Austin W. Marxe(10)	1,808,814	12.7%
David M. Greenhouse(10) c/o AWM Investment Company, Inc. 527 Madison Avenue, Suite 2600 New York, New York 10022		
SKIRITAI Capital LLC(11) 388 Market Street, Suite 700 San Francisco, CA 94111	721,534	5.1%

\* Less than 1%

- (1) Unless otherwise indicated, the business address of each officer and director of the Corporation is 16 New England Executive Park, Suite 200, Burlington, Massachusetts 01803.
- (2) Unless otherwise indicated in the footnotes, each of the stockholders named in this table has sole voting and investment power with respect to the shares of Common Stock shown as beneficially owned by such stockholder, except to the extent that authority is shared by spouses under applicable law.
- (3) Includes 95,000 shares of Common Stock issuable upon the exercise of options issued to Mr. Harder which vest on or before April 29, 2011; 92,200 shares of Common Stock held in trust for Mr. Harder's daughter, Lauren E. Harder, over which Mr. Harder retains sole voting and investment power as the sole trustee and for which



Mr. Harder disclaims beneficial ownership; 92,200 shares of Common Stock held in trust for Mr. Harder's daughter, Ashley J. Harder, over which Mr. Harder maintains voting and investment power as the sole trustee and for which Mr. Harder disclaims beneficial ownership; and 276,045 shares of Common Stock owned by Entrepreneurial Ventures, Inc. over which Mr. Harder retains shared voting and investment power through his ownership in, and positions as President and Director of, Entrepreneurial Ventures, Inc.

- (4) Includes 95,000 shares of Common Stock issuable upon the exercise of options issued to Dr. Boyle, which vest on or before April 29, 2011. Also includes 1,000 shares held directly by a family member, as to which Mr. Boyle disclaims beneficial ownership.
- (5) Includes 159,207 shares of Common Stock issuable upon the exercise of options granted to Mr. Latour, which vest on or before April 29, 2011. Excludes 25,568 shares of Common Stock underlying unvested restricted stock units.
- (6) Includes 95,000 shares of Common Stock issuable upon the exercise of options granted to Dr. Zakon, which vest on or before April 29, 2011.

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- (7) Includes 35,285 shares of Common Stock issuable upon the exercise of options granted to Mr. Jackson, which vest on or before April 29, 2011. Excludes 17,841 shares of Common Stock underlying unvested restricted stock units.
- (8) Includes 21,334 shares of Common Stock issuable upon the exercise of options granted to Mr. LaCreta, which vest on or before April 29, 2011. Excludes 11,705 shares of Common Stock underlying unvested restricted stock units.
- (9) Includes 20,047 shares of Common Stock issuable upon the exercise of options granted to Mr. Constantino, which vest on or before April 29, 2011. Excludes 11,448 shares of Common Stock underlying unvested restricted stock units.
- (10) The number of shares and the following information is based upon information set forth in the amended Schedule 13G filed with the SEC on February 12, 2010 by Austin W. Marxe ( Marxe ) and David M. Greenhouse ( Greenhouse ), who are the controlling principals of AWM Investment Company, Inc. ( AWM ), the general partner of and investment adviser to Special Situations Cayman Fund, L.P. ( Cayman ). AWM also serves as the general partner of MGP Advisers Limited Partnership ( MGP ) and the general partner of Special Situations Fund III QP, LP ( SSFQP ). AWM serves as the investment adviser to SSFQP. Of the 1,808,814 shares reported in the Schedule 13G as being beneficially owned by Marxe and Greenhouse, 339,695 shares are owned by Cayman and 1,469,119 shares are owned by SSFQP. Marxe and Greenhouse have shared power to vote and the shared power to dispose of all 1,808,814 shares.
- (11) The number of shares and the following information is based upon information contained in the amended Schedule 13G filed by Skiritai Capital LLC ( Skiritai ) with the Securities and Exchange Commission on February 2, 2011. According to the filing, Skiritai is the general partner of the Leonidas Opportunity Fund L.P. and the L2 Opportunity Fund, L.P. Russell R. Silvestri is Managing Director of Skiritai.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 (as amended, the Exchange Act ) requires the Corporation s directors and officers and persons who beneficially own more than ten percent (10%) of the Common Shares (each, a Reporting Person ) to file reports of ownership and changes of ownership with the Securities and Exchange Commission. Copies of all filed reports are required to be furnished to the Corporation pursuant to Section 16(a) of the Exchange Act. Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Corporation pursuant to Rule 16a-3(e) of the Exchange Act during fiscal year ended December 31, 2010 and on written representations from Reporting Persons, the Corporation believes that each Reporting Person complied with all applicable filing requirements during its fiscal year ended December 31, 2010.

**GOVERNANCE OF THE CORPORATION**

**Members of the Board of Directors and their Committee Assignments**

The members of the Board of Directors on the date of this proxy statement, and the committees of the Board on which they serve, are identified below:

**Audit**

**Strategic  
Planning**

<b>Director</b>	<b>Committee</b>	<b>Nominating and Corporate Governance Committee</b>	<b>Compensation and Benefits Committee</b>	<b>Credit Policy Committee</b>	<b>Committee</b>
Peter R. Bleyleben				*	
Brian E. Boyle	*	*	**	*	*
John W. Everets					**
Torrence C. Harder	*			**	*
Richard Latour					
Fritz von Mering	**	*	*		
Alan Zakon		**	*		*

\* Member

\*\* Chairperson

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**Description of the Roles of the Committees**

The Board of Directors has standing Audit, Nominating and Corporate Governance, Compensation and Benefits, Credit Policy and Strategic Planning Committees.

*Audit Committee.* The Audit Committee is appointed by the Board of Directors to assist the Board in monitoring (1) the integrity of the financial statements of the Corporation, (2) compliance by the Corporation with legal and regulatory requirements, (3) the independent registered public accounting firm's qualifications and independence, (4) performance of the Corporation's independent auditors, and (5) the business practices and ethical standards of the Corporation. The Audit Committee is also directly responsible for the appointment, compensation, retention and oversight of the work of the Corporation's independent registered public accounting firm, and the preparation of the audit committee report included in this proxy statement.

MicroFinancial is required by the rules of the SEC and the Nasdaq Stock Market to satisfy certain requirements with respect to its Audit Committee. In conformity with those requirements, the MicroFinancial Board has approved the Audit Committee's written charter which may be found on the Corporation's web site at [www.microfinancial.com](http://www.microfinancial.com).

All of the members of the Audit Committee are independent and financially literate within the meaning of SEC regulations, the listing standards of the Nasdaq Stock Market and the Corporation's *Corporate Governance Guidelines*. The Board has determined that Mr. von Mering is qualified as an audit committee financial expert within the meaning of SEC regulations and that he meets the financial sophistication standards of the Nasdaq Stock Market.

The Audit Committee met 6 times during fiscal 2010.

*Nominating and Corporate Governance Committee.* The Nominating and Corporate Governance Committee is appointed by the Board of Directors to assist the Board in identifying qualified individuals to become directors, recommend to the Board qualified director nominees for election at the stockholders' annual meeting, determine membership on the Board committees, recommend a set of Corporate Governance Guidelines, oversee annual self-evaluations by the Board and evaluate itself annually, and report annually to the Board on the Chief Executive Officer succession plan. The written charter of the Nominating and Corporate Governance Committee may be found on the Corporation's web site at [www.microfinancial.com](http://www.microfinancial.com).

All of the members of the Nominating and Corporate Governance Committee are independent within the meaning of the listing standards of the Nasdaq Stock Market and the Corporation's *Corporate Governance Guidelines*.

The Nominating and Corporate Governance Committee met 3 times during fiscal 2010.

*Compensation and Benefits Committee.* The Compensation and Benefits Committee is appointed by the Board of Directors to discharge the Board's responsibilities relating to compensation of the Corporation's directors and officers. The committee has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs of the Corporation. The committee is also responsible for reviewing and recommending to the Board of Directors the Compensation Discussion and Analysis that is included in this proxy statement. The written charter of the Compensation and Benefits Committee may be found on the Corporation's web site at [www.microfinancial.com](http://www.microfinancial.com).

The committee has the sole authority to retain and terminate any legal counsel or compensation or other consultant to be used to assist in the evaluation of director or executive compensation and also has the sole authority to approve the

consultant's fees or other retention terms. Since 2007, the compensation committee has engaged Mercer Human Resources Consulting ( Mercer ) to review the annual compensation of executive officers and make recommendations with respect to setting the appropriate targeted compensation levels. The committee engaged Mercer directly and has sole authority to make decisions relating to that engagement. Mercer is not otherwise engaged to perform any other activities or services for MicroFinancial or its management. The committee is copied on all final work product developed, and receives copies of the final invoices from Mercer. Based on all of these factors, the committee is satisfied that Mercer is independent of management in evaluating and making

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recommendations with respect to executive compensation. See Compensation Discussion and Analysis Compensation Consultant for more information on Mercer's role.

As provided for in the committee's charter, the committee may form and delegate authority to subcommittees when it determines that such action is appropriate under the circumstances. The committee did not delegate any of its authority during 2010.

It also has the authority, subject to ratification of the full Board, to adopt or amend certain equity compensation plans that are to be submitted to shareholders for approval, and any approval, amendment or termination of severance or change in control arrangements involving our directors or officers.

All of the members of the Compensation and Benefits Committee are independent within the meaning of the listing standards of the Nasdaq Stock Market and the Corporation's *Corporate Governance Guidelines*.

The Compensation and Benefits Committee met one time during fiscal 2010.

*Credit Policy Committee.* The Credit Policy Committee is appointed by the Board to discharge the Board's responsibilities relating to oversight of the Corporation's credit policies. The Committee has responsibility for approving and evaluating the Corporation's policies and programs relating to customer credit scoring parameters, including industry segments, product lines, and overall strategic direction. The Committee will evaluate management's recommendations consistent with those parameters, as established from time to time, and further as consistent with the Corporation's legal and regulatory requirements.

*Strategic Planning Committee.* The purpose of the Strategic Planning Committee is to support the Board in reviewing and assessing the long-range strategic objectives of the Corporation, and ensuring that the Corporation's strategies, priorities and policies are consistent with the Corporation's overriding goals of creating and building long-term sustainable value for its shareholders, and that the Corporation is carrying out its business in accordance with its values. These duties include providing guidance to management in the development of a long-term strategic (as opposed to operating) plan, assessing resource allocations decided by management for consistency with the long-term plan, reviewing the Corporation's performance on major capital investment projects, and reviewing proposed significant changes in the business operations, new or discontinued lines of business, asset or stock purchases or other extraordinary transactions.

## **The Board's Leadership Structure**

Since 2002, the Corporation has separated the roles of Chief Executive Officer and Chairman in recognition of the differences between the two functions. The Chief Executive Officer sets, with the guidance of the Board of Directors, the strategic direction of the Corporation and is responsible for the day to day management and leadership of the Corporation. The non-executive Chairman coordinates the activities of the various Board committees, may from time to time act as a liaison between the Board and management, assists in setting the agenda for meetings of the Board and presides over meetings of the full Board and shareholders. The Board determined that this separation of duties provides an appropriate structure for the Corporation since it separates the day to day management of the Corporation from its oversight.

Because Dr. Bleyleben, the current non-executive Chairman, is not considered an independent director due to his prior employment with the Corporation, the Board has named a presiding independent director, whose primary responsibility is to preside over periodic executive sessions of the Board in which management directors and other members of management do not participate and to act as a liaison between the Board and management. The presiding director also advises the non-executive Chairman of the Board and, as appropriate, committee chairs with respect to

agenda and information needs relating to Board and committee meetings, provides advice with respect to the selection of committee chairs, facilitates communication among independent directors, and performs other duties that the Board may from time to time delegate to assist the Board in the fulfillment of its responsibilities. Fritz von Mering currently serves as the presiding director, replacing Alan Zakon who had held the position during our fiscal year 2010.

In late 2010 and early 2011, the Nominating and Corporate Governance Committee met to review the Board's leadership structure and recommend any changes to the Board that the committee felt appropriate. The committee

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determined to retain the separation of the roles of Chief Executive Officer and Chairman, and also determined that it would be in the best interest of the Board to implement a rotating leadership policy among the non-executive directors in order to bring different perspectives and backgrounds to the Board's leadership from time to time, with changes on a periodic basis. With that in mind, the committee recommended to the Board, and the Board approved, that beginning with our Annual Meeting of Stockholders in 2012, the non-executive Chairman position will be rotated on an annual basis. The identification of the first director to assume the non-executive Chairman role under this rotation policy has not yet been made. The Nominating and Corporate Governance Committee anticipates that the position of presiding director will no longer be needed at that time, assuming that the non-executive Chairman meets applicable independence tests.

### **The Board's Role in Risk Oversight**

The Board's role in the Corporation's risk oversight process includes receiving regular reports from members of senior management on specific areas of material risk to the Corporation, including operational, financial, strategic, legal, and reputational risks. Either the full Board, or in the case of certain types of risk, an appropriate committee of the Board, receives reports from each of the executive officers of the Corporation in order to enable it to understand the Corporation's risk identification, management and mitigation strategies. In particular, the Credit Committee of the Board was established in 2005 in order to oversee risks to the Corporation relating to the credit quality of its lease originations. The Audit Committee generally oversees financial risks relating to the Corporation including risks relating to the availability of credit under its credit facilities and interest rate risk relating to the use of those facilities. Where risk oversight is handled primarily by a committee of the Board, the chairman of the applicable committee makes regular reports to the full Board for discussion. It is the full Board's responsibility to evaluate the totality of the risks facing the Corporation in combination.

### **Selection of Nominees for the Board of Directors**

The Nominating and Corporate Governance Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and stockholders. A stockholder who wishes to recommend a prospective nominee for the Board should notify the Corporation's Corporate Secretary or any member of the Nominating and Corporate Governance Committee in writing with whatever supporting material the stockholder considers appropriate. The Nominating and Corporate Governance Committee will also consider whether to nominate any person nominated by a stockholder pursuant to the provisions of the Corporation's bylaws relating to stockholder nominations.

Once the Nominating and Corporate Governance Committee has identified a prospective nominee, the Committee makes an initial determination as to whether to conduct a full evaluation of the candidate. This initial determination is based on whatever information is provided to the Committee with the recommendation of the prospective candidate, as well as the Committee's own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or expand the size of the Board and the likelihood that the prospective nominee can satisfy the evaluation factors described below. If the Committee determines, in consultation with the Non-Executive Chairman of the Board and other Board members as appropriate, that additional consideration is warranted, it may gather additional information about the prospective nominee's background and experience. The Committee then evaluates the prospective nominee against the standards and qualifications set out in the Corporation's *Corporate Governance Guidelines*, including:

the ability of the prospective nominee to represent the long-term interests of the stockholders of the Corporation;



the prospective nominee's standards of integrity, commitment and independence of thought and judgment;

the prospective nominee's ability to dedicate sufficient time, energy and attention to the diligent performance of his or her duties, including the prospective nominee's service on other public company boards, as specifically set out in the Corporation's *Corporate Governance Guidelines*; and

the extent to which the prospective nominee contributes to the range of talent, skill and expertise appropriate for the Board.

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The Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee expertise, potential conflicts of interest, and the evaluations of other prospective nominees. In connection with this evaluation, the Committee determines whether to interview the prospective nominee, and if warranted, one or more members of the Committee, and others as appropriate, interview prospective nominees in person or by telephone. After completing this evaluation and interview, the Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Committee.

The Nominating and Corporate Governance Committee does not have a formal policy on diversity with respect to its Board composition. In considering new nominees and considering whether to renominate existing members of the Board, the Committee examines each person's specific skills and attributes in the context of the skill set represented on the Board as a whole, and seeks to achieve a Board with strength in its collective knowledge and a diversity of perspectives, skills and business and professional experience in a broad sense.

### **Determination of Director Independence**

The Board and the Nominating and Corporate Governance Committee have adopted *Corporate Governance Guidelines* for the Corporation. The *Guidelines* may be found on the Corporation's web site at [www.microfinancial.com](http://www.microfinancial.com).

Pursuant to the *Guidelines*, the Board undertakes a review of director independence annually. During this review, the Board considers transactions and relationships between each director or any member of his or her immediate family and the Corporation and its subsidiaries and affiliates. The Board also examines transactions and relationships between directors or their affiliates and members of the Corporation's senior management or their affiliates. As provided in the *Guidelines*, the purpose of this review is to determine whether any such relationships or transactions are inconsistent with a determination that the director is independent.

As a result of this review, the Board has affirmatively determined that all of the directors are independent of the Corporation and its management under Nasdaq Stock Market rules and the standards set forth in the *Corporate Governance Guidelines*, with the exception of Peter Bleyleben and Richard Latour who are considered inside directors because of their past or present employment by the Corporation. In making this decision, the Board considered all relationships between the Corporation and the directors. The Board also considered the former employment relationship of Dr. Boyle to the Corporation which ended in 1987, and the stock ownership positions of each director. The Board determined each such relationship, and the aggregate of such relationships, to be immaterial to the applicable director's ability to exercise independent judgment.

### **Meetings of the Board of Directors during Fiscal 2010**

In 2010, all MicroFinancial Board members attended over 75% of the aggregate of the meetings of the MicroFinancial Board and its committees on which they served. The Corporation does not have a formal policy relating to attendance of Board members at its annual meeting of stockholders, but it encourages all members of its Board to attend. Four of the seven Board members attended the 2010 Special Meeting of Stockholders in Lieu of Annual Meeting.

The Board of Directors met five times during fiscal 2010.

### **Compensation of Directors**

Since 2008, the annual compensation package for non-employee directors is comprised of:

an annual retainer of \$20,000, to be paid at the director's election either entirely in shares of stock or 40% in cash and 60% in shares of stock, in each case with full vesting upon the date of issuance;

a cash fee of \$1,250 for meetings, including committee meetings not held by telephone and not held on the same day as a full Board meeting;

committee meeting fees of \$500 for telephonic meetings and meetings on the same day as Board meetings;

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a fee for the chair of the Corporation's Audit Committee of \$10,000 per year, to be paid either entirely in shares of stock or 40% in cash and 60% in shares of stock, in each case with full vesting upon the date of issuance;

a fee for the non-executive Chairman of the Board of \$20,000 per year, to be paid either entirely in shares of stock or 40% in cash and 60% in shares of stock, in each case with full vesting upon the date of issuance;

a stock grant made annually to each non-employee director valued at \$42,000 on the date of grant, with all shares of stock fully vested upon the date of issuance; and

health insurance benefits for those non-employee directors who elect to participate, with the cost to be borne partially by the Corporation, consistent with its past practices.

For each of 2009 and 2010, the Compensation Committee determined, with the full Board's approval, that for purposes of determining the number of shares to be issued under the annual stock grant valued at \$42,000, the Corporation would use the greater of the market value of a share of common stock on the grant date or the book value of a share of common stock on the last day of the fiscal year. For 2010, these awards were made in February 2011, resulting in a grant of 8,607 shares of stock to each director (based on the \$4.88 book value of the common stock as of December 31, 2010).

The Compensation Committee has also determined that effective January 1, 2011, the fee payable to the non-executive Chairman would be reduced by \$10,000, and that a fee for the chairman of each of the Compensation and Benefits Committee and the Nominating and Corporate Governance Committee would be established at \$5,000 each, leaving aggregate director compensation unchanged.

Committee chairs decide at the time of any meeting whether the meeting is substantive enough to merit the committee fees described above.

The following table sets forth the compensation paid to each director of the Corporation for 2010, with the exception of Mr. Latour (whose compensation is presented in the executive compensation tables elsewhere in this proxy statement):

Name	Fees Earned or	Stock	Option	Non-Equity Incentive Plan	All Other	Total (\$)
	Paid in Cash \$(1)	Awards \$(2)	Awards \$(3)	Compensation (\$)	Compensation \$(4)	
Peter R. Bleyleben	21,000	52,267			10,222	83,489
Brian E. Boyle	13,000	40,269			10,222	63,491
John W. Everets	5,000	61,329			10,222	76,551
Torrence C. Harder	5,000	48,267			10,222	63,489
Fritz von Mering	5,000	58,269			10,222	73,491
Alan Zakon	5,000	48,267			10,222	63,489

(1) Fees earned or paid in cash represents payment of Board meeting and committee service fees, and any portion of the Board retainer fees taken in cash.

- (2) Represents the aggregate grant date fair value of stock awards made during the year in accordance with ASC Topic 718. These amounts include any portion of the annual retainer elected to be paid in stock during the year, as well as the grant date fair value of the stock grant made in February 2010. The stock grants made in February 2011, which had a grant date fair value of \$35,375 for each director (based on the closing market price on the grant date of the common stock on the grant date) are not reflected in this table.
- (3) At December 31, 2010, the aggregate number of option awards outstanding to directors was: Dr. Bleyleben 0 shares; Dr. Boyle 95,000 shares; Mr. Everets 0 shares; Mr. Harder 95,000 shares; Mr. von Mering 0 shares; Dr. Zakon 95,000 shares.
- (4) All other compensation represents payments made by MicroFinancial relating to health insurance benefits.

**Certain Relationships and Related Person Transactions**

There are no transactions since the beginning of fiscal 2010, and no presently proposed transactions, in which the Corporation was or is to be a participant, of the nature required to be disclosed under Item 404(a) of Regulation S-K.

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Consistent with the requirements of the Nasdaq Stock Market, the Audit Committee of the Board of Directors of the Corporation reviews and oversees any transactions with a related person within the scope of the SEC's rules on disclosure of such transactions. The Corporation does not have a written policy relating to such review.

## **Communications with the Board of Directors**

Stockholders and other parties interested in communicating directly with the non-management directors may do so by writing to any non-management director, c/o MicroFinancial Incorporated, 16 New England Executive Park, Suite 200, Burlington, Massachusetts 01803. The Nominating and Corporate Governance Committee of the Board has approved a process for handling letters received by the Corporation and addressed to non-management members of the Board. Under that process, the Chief Financial Officer of the Corporation reviews all such correspondence and regularly forwards to the Board a summary of all such correspondence and copies of all correspondence that, in the opinion of the Chief Financial Officer, deals with the functions of the Board or committees thereof or that he otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by the Corporation that is addressed to members of the Board and request copies of any such correspondence. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Chairman of the Corporation's Audit Committee and handled in accordance with procedures established by the Audit Committee with respect to such matters.

## **The Corporation's Code of Ethics**

The Corporation has adopted a Code of Business Conduct and Ethics, which is applicable to all directors and employees of the Corporation, including the principal executive officer, the principal financial officer and the principal accounting officer. The Code of Business Conduct and Ethics may be found on the Corporation's web site at [www.microfinancial.com](http://www.microfinancial.com). The Corporation intends to post amendments to or waivers from its Code of Business Conduct and Ethics (to the extent applicable to its chief executive officer, principal financial officer or principal accounting officer) on its website.

## **AUDIT COMMITTEE REPORT**

*Notwithstanding anything to the contrary set forth in any of the Corporation's previous filings under the Securities Act of 1933, as amended, or the Exchange Act that might incorporate future filings, including this proxy statement, in whole or in part, the following Audit Committee Report set forth herein shall not be incorporated by reference into any such filings and shall not otherwise be deemed filed under such Acts.*

In connection with the preparation and filing of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010, the Audit Committee (i) reviewed and discussed the audited financial statements with management, (ii) discussed with McGladrey & Pullen, LLP, the Corporation's independent registered public accounting firm (McGladrey), the matters required to be discussed by Statement of Auditing Standards 61, as amended and as adopted by the Public Company Accounting Oversight Board (United States), or PCAOB, and (iii) received the written disclosures and the letter from McGladrey required by applicable requirements of the PCAOB regarding its communications with the Audit Committee concerning independence, and discussed the independence of McGladrey with such firm. Based on the review and discussions referred to above, among other things, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010.

## **Audit Committee:**

Fritz von Mering, Chairman,

Brian E. Boyle,  
Torrence C. Harder

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction**

The Compensation and Benefits Committee of our Board of Directors has the responsibility of developing, overseeing and implementing our overall compensation philosophy, which is described in more detail below. It has the sole authority to establish the total compensation of our Chief Executive Officer and other executive officers, as well as the specific elements of compensation that make up their total compensation. It also has the sole authority to establish compensation for our Non-Executive Chairman and other members of our Board of Directors. In practice, the Compensation and Benefits Committee has historically recommended its compensation decisions to the full Board of Directors for approval.

In this analysis, the term named executive officers refers to our Chief Executive Officer, our Chief Financial Officer, and the other executive officers included in the Summary Compensation Table on page 18. We also refer to the Compensation and Benefits Committee as the committee or the compensation committee.

**Overview and Philosophy**

The primary objectives of the compensation committee are to ensure that our executive compensation and benefits programs:

- reflect our entrepreneurial orientation;
- are competitive with other companies of similar size and business;
- safeguard our interests and the interests of our stockholders;
- are effective in driving performance to achieve financial goals and create stockholder value;
- foster teamwork on the part of management;
- are cost-efficient and fair to employees, management and stockholders; and
- are well communicated to and understood by program participants.

The committee's executive compensation policies are designed to attract, motivate and retain highly qualified executive officers who can enhance stockholder value, and to support a performance-oriented environment that rewards achievement of the financial goals we establish. The compensation committee meets at least once and usually several times during each fiscal year to review our existing compensation and benefits programs and to consider modifications that seek to provide a direct relationship between executive compensation and sustained corporate performance.

The philosophy of the committee is to create and maintain an environment where compensation is linked to performance. The committee seeks to ensure that a significant portion of each executive's compensation is contingent upon the achievement of company-wide goals and objectives. The committee also strives to ensure that the compensation packages provided to our executive officers are competitive with those of other companies engaged in the equipment financing industry to ensure that we can attract, motivate, and retain seasoned industry talent.



We compensate our executive officers through three principal types of compensation: annual base salary, annual bonus payments (which may include both a cash and an equity component), and long-term equity incentive awards through either stock options, stock awards or restricted stock units. The committee, as a matter of policy, places substantial emphasis on the bonus plans and long-term equity awards, or combinations of these components, since it believes that rewarding executive officers with respect to both our annual financial performance and our long-term share appreciation is in the best interest of the shareholders.

The committee reviews its compensation philosophy annually during the first quarter of each year. The annual compensation program described in more detail below was initially established substantially in its current form in 2007 for the named executive officers, and has been modified each year since then in light of the committee's review

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of the appropriate mix of compensation elements, including the mix of cash and equity, and the appropriate form that equity components should represent.

### **Committee Purpose and Responsibilities**

One of the primary responsibilities of the compensation committee is to determine the total target compensation levels for the senior executive officers and to establish annually the executive goals and objectives which will determine the actual rewards against those targets.

The committee is charged with ensuring that the target compensation levels and the allocation of short term and long term components is sufficient to attract, motivate, and retain seasoned professional managers, while at the same time ensuring that the pay is reasonable and fair to our stockholders when compared to executive officers of similar position and responsibility at other firms.

The committee also recommends to the Board any changes to the total annual compensation for service on our Board of Directors or for service as a member or chair of any of the various committees of the Board.

The agenda for a meeting of the committee is typically determined by its chairman. Compensation committee meetings are generally attended by the committee members, the President and Chief Executive Officer, the Non-Executive Chairman and, where applicable, the compensation consultant. The committee meets in an executive session at every committee meeting. The committee chairman reports the committee's determinations and recommendations on executive compensation matters to the full Board.

Our President and Chief Executive Officer, our Chief Financial Officer, our Vice President of Human Resources, our outside counsel, and our compensation consultant, as applicable, are typically called upon to supply information to the committee to support their review process.

The committee typically receives materials in advance of each meeting which will vary according to the specific meeting agenda. These materials may include, among other items:

- financial reports compared to budget goals and objectives;
- qualitative goals and objectives of the President and Chief Executive Officer;
- calculations and reports on levels of achievement against performance objectives; and
- information on officers' current stock ownership levels and other compensation.

### **Compensation Consultant**

As noted above, since 2007, the compensation committee has engaged Mercer to review the annual compensation for our executive officers and make recommendations with respect to setting the appropriate targeted compensation levels. Mercer provided the committee with relevant market data and alternatives to consider when making compensation decisions for our Non-Executive Chairman and our President and Chief Executive Officer and on the recommendations being made by our President and Chief Executive Officer for our other executive officers. Mercer periodically meets with management to solicit feedback on the structure of the compensation program, and that feedback is communicated to the committee for consideration in designing the following year's plan and subjective and objective goals. Mercer has also in the past been consulted in connection with mid-year adjustments to the quantitative application of the bonus plan formulas, although no such mid-year adjustment was made during 2009 or 2010.

Following the end of 2010, Mercer advised the committee on its view of appropriate total bonus levels on a comparable basis considering current economic conditions, which the committee took into account when it determined certain supplemental bonus amounts described below. Mercer also advised the committee during 2009 with respect to the adoption of stock ownership guidelines for our executive officers and directors, described below.

**Role of Executive Officers in Compensation Decisions**

Our President and Chief Executive Officer reviews annually the performance of each of the senior executive officers. He also presents a review of his own performance against specific agreed upon goals to the committee and

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the full Board. He makes this report to the committee along with any proposed recommendations for salary adjustments and/or annual bonus amounts. As noted above, our Chief Executive Officer, Chief Financial Officer, Vice President of Human Resources and outside advisors are often called upon to provide information to the committee. The committee has the sole discretion for the ultimate approval for any targets or adjustments proposed by management or any other party.

## **Consideration of Regulatory Requirements**

Under Section 162(m) of the Internal Revenue Code, deductions for compensation of named executive officers in excess of \$1 million, other than compensation that qualifies as performance-based, are disallowed for publicly traded companies. Since levels of compensation we pay are typically expected to be significantly below \$1 million, the compensation committee has determined that it is unnecessary in most years to seek to qualify the components of its compensation program as performance-based compensation within the meaning of Section 162(m). The committee's present intention remains that, as long as it is consistent with its overall compensation objectives, substantially all federal income tax deductions attributable to executive compensation should not be subject to the deduction limitation of Section 162(m). In this regard, none of the named executive officers had compensation in excess of \$1 million and as such, all of the compensation paid to the named executive officers in 2009 was Internal Revenue Code Section 162(m) qualified.

We account for stock based payments, including our stock options, in accordance with the requirements of Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 718, Compensation - Stock Compensation. This statement generally requires us to measure the expense of share-based payments to employees and directors based upon the grant date fair value of the award, and to recognize that expense over the vesting period of the award. The committee considers the impact of this statement on our financial statements in determining the mix of total compensation to named executive officers between equity and non-equity awards.

## **Compensation Program Design for 2010**

For fiscal year 2010, as in previous years, we paid our executive officers through three principal types of compensation: (i) annual base salary, (ii) an annual bonus payment, and (iii) a long term incentive equity award in the form of restricted stock units, or RSUs. The bonus payment was paid under an incentive plan that was designed to pay, if certain threshold performance measures were met, an annual bonus in cash or a combination of cash and stock. Under the plan, up to the targeted bonus amount, the bonus is paid in cash, and any amounts above that up to the maximum award are paid in RSUs, as described more fully below. For 2010, for the reasons described in more detail below, our compensation committee determined to supplement the cash bonus calculated under the incentive plan with a discretionary cash award. The long term incentive equity award consisted of a separate RSU grant that was measured by reference to the executive officers' base salary rather than performance. The committee, as a matter of policy, places substantial emphasis on the equity component of the annual total compensation since it believes that rewarding executive officers with respect to both our annual financial performance and our long-term share valuation is in the best interest of the shareholders. The committee will continue to evaluate, and adjust if necessary, the appropriate mix of cash and equity compensation elements for each member of the executive team during 2011.

### ***Base Salary***

The annual base salary of each executive officer is based on the scope of his or her responsibility and accountability within the corporation, as well as on performance and experience criteria. In addition, the compensation committee considers the prior year's base salary and the internal pay equity of each executive in determining base salary for the current year. The compensation committee determines and makes final decisions regarding base salary of executives on an annual basis, typically in February of each year when the committee determines the annual compensation plan.

Salary levels are also considered upon promotion of an individual, a new hire, or a change in responsibility. The compensation committee recognizes that, to some degree, the determination of an executive officer's base salary involves subjective considerations. In 2007, Mercer conducted a survey of broad-based and industry-specific compensation data in order to confirm that each executive officer's previously

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established total target compensation fell between the market median and the 75th percentile for his position. Base salaries for subsequent years have increased over the prior years' levels at rates that approximated Consumer Price Index (CPI) rates for the Northeast region.

***Bonus Plans***

A significant component of the executive officers' total target compensation consists of an annual bonus payment, which is intended to tie the executive officers' compensation closely to our performance and to provide executive officers with incentives to achieve our goals, increase stockholder value, and function as a team.

For purposes of determining the bonus payment eligibility and target payouts, the compensation committee annually establishes specific goals and objectives for the senior executives to achieve during the year. These objectives are typically finalized in the first quarter of each year and communicated to the executive officers in such a way that the plans are easily understood by each member of the senior management team. These objectives are based primarily on total company performance, and have generally been substantially the same for each of the named executive officers, so as to foster a spirit of teamwork and cooperation among senior management in achieving common goals.

The amount of the bonus payment for each executive officer was determined by reference to a matrix that evaluated performance on two company-wide financial tests (net income and increases in unearned income) and also on a subjective component that took into account personal achievement, progress on our strategic plan, credit quality, origination growth, product and vendor diversification, funding achievements, productivity improvements and similar matters. The total potential award for the named executive officers was weighted with 60% of the target award based on objective factors, and 40% based on the qualitative or subjective factors. The subjective factors for 2010 were evaluated on a company-wide basis for the management team as a whole, and not on the basis of individual performance. Achievement of subjective measurements was determined by the committee after reviewing each qualitative goal in light of its relative importance and determining whether the goal had been met, not met, or exceeded (taking into account the assessment of the Chief Executive Officer).

With respect to both the objective and subjective components of the 2010 plan, awards would be made on a graduated basis between 70% and 80% overall achievement of the applicable goals, such that 5% of the targeted bonus amount is payable for each percentage point above 70%, and the officer would receive 50% of the targeted bonus amount under the applicable component for achievement of 80% of the applicable goal for such component. The targeted bonus amounts would be paid in full at 100% achievement, and up to 120% of the target payment would be possible under the plan (at 120% achievement or above on all measurements). Achievement at levels between those thresholds is prorated. The target payment was set as a percentage of each officer's base salary. The quantitative nature of the plan metrics significantly limits the committee's ability to exercise any positive or negative discretion in the determination of the achievement of the objectives; however, the committee does retain the discretion to adjust awards on the basis of other factors it may consider appropriate at the time.

The compensation committee imposed two additional limitations on potential payouts under the 2010 incentive plan: First, total bonus amounts payable to the executive officers under the 2010 incentive plan could not exceed 10% of the Corporation's net income for fiscal 2010. If the bonuses payable would otherwise exceed that limitation, the amounts payable would be reduced on a pro rata basis. Second, the total bonus amounts payable in cash under the incentive plan would not exceed 20% of total dividends paid to stockholders for the year. If the total cash amount payable under the plan would otherwise exceed this limitation, then the total award would not be reduced, but amounts above the dividend limit would be paid in RSUs rather than in cash, calculated in the same manner as other RSUs and described in more detail below. For the 2010 incentive plan, the final award determinations were not affected by either of these limitations.

For future years, in the discretion of the compensation committee, these limitations on the aggregate executive bonus pool (with respect to both net income and dividends paid) are expected to be reduced, in accordance with the Corporation's overall strategic plan and growth objectives, with the intention that the absolute amount of the bonus pool cap should increase year over year. The committee retains the discretion to amend or modify the application of these limits in future years, as it does with other aspects of the executive compensation program.

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The elements of the 2010 incentive plan are reflected in the following table, together with the actual awards made under the 2010 plan as a percentage of base salary, as determined in February 2010.

<b>Executive Officer</b>	<b>Net Income</b>	<b>Growth in Unearned Income</b>	<b>Subjective Analysis</b>	<b>Target Bonus (as Percentage of Base Salary)</b>	<b>Actual Bonus (as Percentage of Base Salary)</b>
<b>Richard F. Latour</b> President and Chief Executive Officer	30%	30%	40%	100%	84.5%
<b>James R. Jackson, Jr.</b> Vice President and Chief Financial Officer	30%	30%	40%	50%	42.2%
<b>Stephen Constantino</b> Vice President, Human Resources	30%	30%	40%	20%	16.9%
<b>Steven J. LaCreta</b> Vice President, Legal and Vendor/Lessee Relations	30%	30%	40%	30%	25.4%

Our fiscal 2010 net income of \$5.296 million represented achievement of 96.4% of the \$5.494 million target. Our unearned income increased during 2010 from \$55.82 million to \$59.25 million, representing an increase of \$3.43 million, which was 34.8% of the targeted increase of \$9.86 million. Because less than 70% of the unearned income target was met for the year, no amounts were paid under the incentive plan with respect to the unearned income metric. Finally, the committee determined that the management team had met 96.6% of its subjective targets for the year, with an emphasis on operational achievements, the negotiation of an amended and increased bank credit facility during the year, growth in our vendor base and other factors. In the aggregate, these metrics resulted in the final bonus awards noted above.

Under the 2010 plan, any bonus would be paid in cash up to 100% of the target award. Any amounts payable above 100% of the target award (up to the cap of 120% of the target award) would be payable in RSUs. For purposes of determining the number of RSUs (if any) payable under the plan, the dollar amount by which the final bonus determination exceeded the target bonus would be divided by the greater of the market price per share of the Corporation's common stock on the determination date, or the book value per share on the last day of the Corporation's fiscal year. RSUs issued under the 2010 plan would vest ratably over a period of five years, in 25% annual increments beginning on the second anniversary of the grant. However, since the final awards were less than 100% of the target award, no RSUs were paid under the plan for 2010.

Following the end of our 2010 fiscal year, in reviewing the total amounts payable under the 2010 incentive plan as well as management's quantitative and qualitative objectives and the Corporation's growth over the fiscal year in a difficult economic and sales environment (as well as taking into account, among other things, the achievement of management in negotiating a larger credit facility on better terms than our previous facility), the compensation committee determined that it would be appropriate to exercise its discretion and add \$100,000 to the total bonus pool payable to the executive officers, divided on a pro rata basis. The committee felt that this amount was appropriate to recognize the efforts of the management team members in the 2010 economic environment, without undermining the overall pay-for-performance philosophy under which bonus payments are highly dependent on achieving growth



targets.

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The table below outlines, in dollar amounts, the total cash awards under the 2010 plan and the discretionary payment for each of the named executive officers, all resulting from the various factors described above.

<b>Executive Officer</b>	<b>Payment under 2010 Incentive Plan</b>	<b>2010 Discretionary Payment</b>	<b>Total Cash Bonus</b>
<b>Richard F. Latour</b> President and Chief Executive Officer	\$ 198,202	\$ 63,460	\$ 261,662
<b>James R. Jackson, Jr.</b> Vice President and Chief Financial Officer	\$ 69,153	\$ 22,141	\$ 91,294
<b>Stephen Constantino</b> Vice President, Human Resources	\$ 17,749	\$ 5,683	\$ 23,432
<b>Steven J. LaCreta</b> Vice President, Legal and Vendor/Lessee Relations	\$ 27,221	\$ 8,716	\$ 35,937

***Incentive Equity Awards***

In February 2010, our Board, acting upon the recommendation of the committee, approved the grant of long term equity incentive awards in the form of restricted stock units (or RSUs) to the named executive officers. The grant was valued at 20% of each named executive officer's annual salary, with the number of RSUs determined by dividing such dollar amount by the greater of the market price of the common stock on the grant date or the book value per share as of the end of fiscal 2010. Under this formula, the committee used the book value per share of \$4.88 as of December 31, 2010 to determine the number of RSUs subject to the award. These RSUs vest over five years, in 25% annual increments beginning on the second anniversary of the grant. Dividends will accumulate on the RSU awards and be payable upon vesting. Although these awards were determined at the same time as the 2009 bonus plan determinations, and each such award was considered payable with respect to 2009 performance and service, the grant date fair value of these RSU awards is reflected as compensation for 2010 under the Summary Compensation Table below because they were made during fiscal 2010.

The use of RSUs has been designed to facilitate the retention of key executives through the use of a five year vesting schedule, while better aligning executive performance with shareholder value appreciation and rewarding the executives for such appreciation.

In February 2011, the committee made a similar long term equity award in the form of RSUs, also representing 20% of the named executive officers' salary, under the same terms as the February 2010 awards. These amounts are not reflected in the Summary Compensation Table for 2010, because they were made in a subsequent fiscal year.

The total long-term incentive RSU grants awarded in February 2010 for services during fiscal 2009, and the RSU grants awarded in February 2011 for services during fiscal 2010, were as follows:

<b>Executive Officer</b>	<b>Title</b>	<b>Feb. 2010 RSUs</b>	<b>Feb. 2011 RSUs</b>
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Richard F. Latour	President and Chief Executive Officer	12,875	12,693
James R. Jackson, Jr.	Vice President and Chief Financial Officer	8,984	8,857
Stephen Constantino	Vice President, Human Resources	5,765	5,683
Steven J. LaCreta	Vice President, Legal and Vendor/ Lessee Relations	5,894	5,811

*Bonuses for Other Management Team Members.* To enhance the retention of other management personnel and to foster a spirit of teamwork, the compensation committee also establishes a bonus pool, using the same philosophy used for executive officers, and delegates to our President and Chief Executive Officer the decision as to how and to whom to allocate the approved funds. Any such bonuses are also determined and paid upon completion of our annual audit. These funds are paid out in cash only.

*Stock Ownership Objectives and Guidelines.* The compensation committee believes that providing our key employees, including executive officers, with the opportunity to acquire stock ownership over time is the most

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desirable way to align their interests with those of our stockholders. Shares of common stock (or, in previous years, options) awarded under the bonus plan provide an incentive that focuses the attention of executive officers on managing the corporation from the perspective of an owner with an equity interest in the business. In addition, equity awards are a key part of our program for motivating and rewarding managers and other employees over the long term. Through the grant of stock and option awards, we have encouraged our managers and other employees to obtain and hold our stock. The value that employees will receive upon the sale of stock granted to employees or the sale of shares underlying stock options (from previous years) is tied to future performance of our stock. Since 2007, the Board has instituted a policy with respect to awards granted under the bonus plan and the incentive options and RSUs that will not permit more than 50% of the shares underlying any portion that has vested to be sold by the executive officer until the end of the full five-year vesting period. In 2009, with the advice of Mercer, the committee adopted additional stock ownership guidelines that will require the named executive officers to hold and retain during their employment specified numbers of shares (excluding shares underlying options but including RSUs), approximating three times annual salary for the Chief Executive Officer, two times annual salary for the Chief Financial Officer, and one times annual salary for the other named executive officers, with a period of five years from the date of implementation or employment to achieve compliance. Members of the Board will be required to hold and retain shares representing three times the annual retainer.

*Timing of Awards.* The committee does not grant awards of stock (including options) on the basis of price other than the closing price on the determination date, nor does it typically grant awards of stock based upon a date different from the grant date. (As noted above, in determining the number of RSUs issuable pursuant to a dollar-based award, the committee does use a value of the RSU equal to the greater of the market price on the grant date or the book value per share as of the most recent fiscal year-end.) The timing of grants is based upon the meeting schedule of the audit and compensation committees or on dates set in advance at such meetings, without regard to stock price at the time or the anticipated disclosure of material news or other pending corporate developments. Because the performance measures for the annual bonus plan are based on year-end corporate financial results, actual awards are determined as soon as possible after substantial completion of the annual audit, and consequently the payouts under the plan, if any, may be made shortly before our year-end earnings release.

**Perquisites and Other Personal Benefits**

The named executive officers are entitled to very few benefits that are not otherwise available to all of our employees.

In addition, all of the named executive officers were eligible to participate in an executive disability insurance plan with the policy premiums paid by us. The total amount of the premiums we paid under this plan in 2010 was \$9,458.

**401(k) Savings Plan**

The 401(k) savings plan is a tax-qualified retirement savings plan pursuant to which all full-time employees, including the named executive officers, are eligible to contribute the lesser of 100% of their annual base salary or the limit prescribed by the Internal Revenue Service on a before tax basis. We match 50% of the first 6% of pay that is contributed to the plan. All contributions made by the employee are fully vested upon contribution while our matching contributions vest over a five year period from the employee's date of hire regardless of his or her plan participation date. For 2010, an aggregate of \$96,274, net of forfeitures, was allocated to the company match for all employees who participated in our sponsored 401(k) plan. All of the named executive officers participated in the plan for 2010.

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**COMPENSATION COMMITTEE REPORT**

The Compensation and Benefits Committee of the MicroFinancial Board of Directors has reviewed and discussed the Compensation Discussion and Analysis with management and, based upon such review and discussions, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

**Compensation and Benefits Committee**

Brian E. Boyle, Chairman

Alan Zakon

Fritz von Mering

Table of Contents**COMPENSATION OF EXECUTIVE OFFICERS**

The following table sets forth the compensation of (i) Mr. Latour, our Chief Executive Officer, (ii) Mr. Jackson, our Chief Financial Officer, and (iii) Messrs. Constantino and LaCreta, our two other executive officers serving in such capacities as of December 31, 2010. We refer to each of the persons for whom compensation is reported in the table below as the named executive officers.

**Summary Compensation Table**

Name and Principal Position(a)	Year (b)	Salary (\$)(c)	Bonus (\$)(d)	Stock Awards (\$)(e)(1)	Option Awards (\$)(f)(1)	Change in Pension Value and Non-Equity-Qualified Incentive			Total (\$)(j)
						Plan Compensation (\$)(g)	Deferred Compensation (\$)(h)	All Other Compensation (\$)(i)(2)	
<b>Richard F. Latour</b>	2010	309,709	63,460	40,556		198,202		15,972	627,899
President and Chief Executive Officer	2009	301,273			55,119	206,071		15,972	578,435
	2008	298,290			122,394	172,324		15,522	608,530
<b>James R. Jackson, Jr.</b>	2010	216,117	22,141	28,300		69,153		7,350	343,061
Chief Financial Officer	2009	210,230			38,463	73,055		7,350	329,098
	2008	207,681			63,929	60,682		6,900	339,192
<b>Stephen Constantino</b>	2010	138,675	5,683	18,160		17,749		5,457	185,724
Vice President, Human Resources	2009	134,898			24,680	17,132		2,867	179,577
	2008	132,998			31,777	14,296		4,335	183,406
<b>Steven J. LaCreta</b>	2010	141,787	8,716	18,566		27,221		1,693	197,983
Vice President, Legal and Vendor/Lessee Relations	2009	137,925			25,234	28,137		1,430	192,726
	2008	135,982			35,475	23,441		1,360	196,258

(1) Represents the aggregate grant date fair value of option or RSU awards made during the applicable year computed in accordance with ASC Topic 718, using the assumptions described in footnote F to the Corporation's Financial Statements included in the Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2010.

(2) Amounts shown in the table under All Other Compensation for 2010 reflect: for Mr. Latour, a 401(k) contribution from us of \$7,350 and payment of a disability insurance premium of \$8,622; for Mr. Constantino, a 401(k) contribution from us of \$4,621 and payment of a disability insurance premium of \$836; and for Messrs. Jackson and LaCreta, a 401(k) contribution from us.

In the table above, amounts reflected for 2010 under the Non-Equity Incentive Plan Compensation column reflect the cash bonus paid in the first quarter of 2011 under our 2010 incentive bonus plan. No equity awards were made under the 2010 incentive bonus plan, nor were any equity awards made during our fiscal year 2010 under the 2009 incentive bonus plan. Amounts under Stock Awards and Option Awards reflect the aggregate grant date fair value of RSUs and option awards, respectively, made during the applicable year, computed in accordance with ASC Topic 718. For 2010, these awards consisted of the February 2010 long term incentive grants in the form of RSUs. No stock awards were made in 2008 or 2009, nor were any option awards made in 2010. For a more detailed description of the 2010 incentive bonus plan and the long term incentive option grants, see Compensation Discussion and Analysis Compensation Program Design for 2010 above.

The following table reflects potential payments that could have been made under our 2010 incentive plan. The actual amounts we paid under that plan are reflected in the Summary Compensation Table above and under Compensation Discussion and Analysis Compensation Program Design for 2010 . Since restricted stock unit (RSU) awards under the plan are denominated in dollars, with the number of RSUs awarded under the plan determined by reference to the greater of the book value of the common stock at the end of our fiscal year or the

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market value of the common stock at the time the payment is made, amounts under Estimated Possible Payouts Under Equity Incentive Plan Awards in the table below are reflected in dollars, rather than in numbers of shares.

**Grants of Plan-Based Awards**

	Grant Date (b)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Underlying Stock (#)(i)	All Other Option Awards: Number of Base Option Awards (\$/Sh)(k)	Grants of Restricted Stock Awards (#)(j)
		Threshold (\$)(c)	Target (\$)(d)	Maximum (\$)(e)	Threshold (\$)(f)	Target (\$)(g)	Maximum (\$)(h)			
rd F. Latour	3/9/2010	\$ 154,855	\$ 309,709	\$ 309,709	\$ 0	\$ 0	\$ 61,942			
	02/2/2010							12,875	\$ 3.15	\$ 40
R. Jackson, Jr.	3/9/2010	\$ 54,029	\$ 108,058	\$ 108,058	\$ 0	\$ 0	\$ 21,612			
	02/2/2010							8,984	\$ 3.15	\$ 28
en Constantino	3/9/2010	\$ 13,867	\$ 27,735	\$ 27,735	\$ 0	\$ 0	\$ 5,547			
	02/2/2010							5,765	\$ 3.15	\$ 18
n J. LaCreta	3/9/2010	\$ 21,268	\$ 42,536	\$ 42,536	\$ 0	\$ 0	\$ 8,507			
	02/2/2010							5,894	\$ 3.15	\$ 18

The Compensation and Benefits Committee of the Board of Directors finalized the 2010 incentive plan in March 2010 for each of the named executive officers. All awards under the plan were to be paid out in cash up to 100% of the total target bonus, and all amounts above the target were to be paid in restricted stock units (RSUs) valued at the greater of the book value of the common stock at the end of the fiscal year or the market value of the common stock as of the payment date. Amounts under Threshold in column (c) of the table represent a cash amount equal to 50% of the total target payout; amounts under both Target and Maximum in columns (d) and (e) each represent a cash grant of 100% of the total target payout (since any amounts above the target would be reflected in RSU grants rather than cash). Amounts under both Threshold and Target with respect to equity awards (columns (f) and (g)) are reported as zero, since no RSUs would be awarded under the plan unless achievement exceeds 100% of the performance targets. Equity award amounts under Maximum (column (h)) represent 20% of the target payout (the difference between the total maximum of 120% of the target payout, less the amount equal to 100% of the target that would be paid in cash). Mr. Latour's target was 100% of his base salary or \$309,709; Mr. Jackson's target was 50% of his base salary or \$108,058; Mr. Constantino's target was 20% of his base salary or \$27,735; and Mr. LaCreta's target was 30% of his base salary or \$42,536. The amounts to be paid out under the 2010 incentive plan were finalized in accordance with the compensation plan upon finalization of our 2010 audited financial statements on February 1, 2011. Since less than 100% of the target payout was achieved, no RSUs were awarded under the 2010 incentive plan.

RSU grants for 2010 under our salary-based long term incentive plan are not reflected in the table above because they were awarded during 2011. These grants were made on February 1, 2011, when the closing market price of our common stock was \$4.11 and the book value of our common stock as of December 31, 2010 was \$4.88, as follows: 12,693 for Mr. Latour; 8,857 for Mr. Jackson; 5,683 for Mr. Constantino; and 5,811 for Mr. LaCreta. Grants reported



under All Other Option Awards (column (j)) in the table reflect the long-term incentive RSU grant for fiscal 2009; these awards were made in February 2010, in the amounts indicated, when the closing market price of our common stock was \$3.15 and the book value of our common stock as of December 31, 2009 was \$4.68.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercised Options (#)	Equity Incentive Plan Awards: Number of	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of	Equity Incentive Plan Awards: Market Value of
Richard F. Latour	90,000	0		\$ 13.10	2/20/2011	12,875	\$ 51,886			
	100,000	0		\$ 6.70	2/28/2012					
	0	20,272		\$ 5.77	2/26/2017					
	17,181	51,543		\$ 5.85	2/5/2018					
	0	99,380		\$ 2.30	2/3/2019					
James R. Jackson, Jr.	0	7,073		\$ 5.77	2/26/2017	8,984	\$ 36,205			
	8,974	26,922		\$ 5.85	2/5/2018					
	0	69,348		\$ 2.30	2/3/2019					
Stephen Constantino	0	1,815		\$ 5.77	2/26/2017	5,765	\$ 23,233			
	4,461	13,382		\$ 5.85	2/5/2018					
	0	44,498		\$ 2.30	2/3/2019					
Steven J. LaCreta	0	2,763		\$ 5.77	2/26/2017	5,894	\$ 23,753			
	4,980	14,939		\$ 5.85	2/5/2018					
	0	45,497		\$ 2.30	2/3/2019					

The table above reflects outstanding equity awards at December 31, 2010. See Compensation Program Design for 2010 under the heading Compensation Discussion and Analysis above for a description of RSU grants made in February 2011 to each of the named executive officers. The table above does not reflect the RSU grants made in February 2011.

### **Option Exercises and Stock Vested**

None of our named executive officers exercised any options in 2010, nor did any executive officer hold any restricted stock awards that vested during 2010.

### **Potential Payments Upon Termination or Change in Control**

The following information and the table below set forth the amount of payments to each of our current executive officers in the event of his termination from employment for cause, without cause, upon disability or death, upon termination by the executive for good reason, termination by the executive without good reason, and in the event of a termination of employment in connection with a change in control. These payment obligations arise under the individual employment agreements that we have entered into with each of our executive officers. A more detailed summary of those agreements is provided below under the caption Employment Agreements .

The amounts shown in the table below assume that each executive was terminated on December 31, 2010, under the other assumptions indicated. Accordingly, the table reflects amounts earned as of December 31, 2010 and includes an estimate of amounts that would be payable to the officer upon the occurrence of a termination or a change in control. The actual amounts to be paid to an executive can only be determined at the time of the termination or change in control.

An executive is entitled to receive amounts earned during his term of employment regardless of the manner in which he is terminated. These amounts include base salary, any amounts deferred under our bonus plans, unused vacation pay and any amounts that had previously been earned but deferred. These amounts are not shown in the table.

In the table below, where an executive is entitled to acceleration of the vesting of unvested stock options or stock awards, amounts are reported as zero where the executive has no outstanding awards that are in the money. Certain amounts reported below as disability payments or continued health care benefits may be reduced to the

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extent that the executive receives disability benefits under our current plans or finds new employment which offers health care coverage, respectively.

	<b>Richard F. Latour</b>	<b>James R. Jackson, Jr.</b>	<b>Stephen Constantino</b>	<b>Steven J. LaCreta</b>
<b>By company without cause</b>				
Cash severance	\$ 1,083,982	\$ 216,117	\$ 208,013	\$ 141,787
Prorated bonus	206,071			
Health care benefits	158,400	19,800	29,700	19,800
Disability premiums	68,976			
Total	\$ 1,517,429	\$ 235,917	\$ 237,713	\$ 161,587
<b>By company for cause</b>				
No payments	N/A	N/A	N/A	N/A
<b>By executive with good reason</b>	Same as By company without cause above.	N/A	N/A	N/A
<b>By executive without good reason</b>	Same as By company for cause above.	N/A	N/A	N/A
<b>Upon death</b>				
Twelve months salary	\$ 309,709			
Pro rated bonus	258,577	N/A	N/A	N/A
Accelerated stock options	171,927			
Accelerated restricted stock				
Total	\$ 740,213			
<b>Upon disability</b>				
Twelve months salary	\$ 309,709	\$ 216,117	\$ 208,013	\$ 141,787
Pro rated bonus	258,577			
Accelerated stock options	171,927			
Accelerated restricted stock				
Total	\$ 740,213	\$ 216,117	\$ 208,013	\$ 141,787
<b>Termination without cause (or by executive with good reason) following change in control</b>				
Cash severance	\$ 1,083,982	\$ 216,117	\$ 208,013	\$ 141,787
Prorated bonus	206,071			
Continued health care benefits	158,400	9,900	9,900	9,900
Disability premiums	68,976			
Total	\$ 1,517,429	\$ 226,017	\$ 217,913	\$ 151,687
<b>Termination for cause (or by executive without good reason) following change in control</b>				
No payments	N/A	N/A	N/A	N/A
<b>Death during change in control period</b>	Same as Upon death above.	Same as Termination without cause	Same as Termination without cause	Same as Termination without cause

<b>Disability during change in control period</b>	Same as disability	Upon above.	following change in control above. Same as Termination without cause following change in control above.	following change in control above. Same as Termination without cause following change in control above.	following change in control above. Same as Termination without cause following change in control above.
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All payments described in the table above would qualify for a tax gross-up in the event they would be subject to an excise tax as excess parachute payments under Section 280G of the Internal Revenue Code, in order to put the executive in the post-tax position he would be in if the tax had not applied. However, under the assumptions outlined above, no such payments would be taxable as excess parachute payments because the payments do not exceed the applicable thresholds, which are based on a multiple of the individual's average annualized compensation over the past five years.

In addition to the amounts that will become payable to Mr. Latour in the event he is terminated without cause, or in the event he terminates his employment for good reason, his employment contract provides that his equity awards will not be terminated, but will remain outstanding with the same expiration provisions that would pertain in the absence of his termination.

In the event of a change in control of the Corporation, regardless of whether an executive's employment is terminated in connection with or following the change in control, certain stock options and equity awards that are not vested at the time of the change in control will accelerate and become immediately exercisable for a period of 15 days prior to the scheduled date of the change in control, unless determined otherwise by the Compensation and Benefits Committee. To the extent they are not exercised, such options will terminate upon the change in control. If the options are assumed in writing by the successor company, or if the options are substituted with like options of the successor company, then these acceleration and termination provisions will not apply. At December 31, 2010, the aggregate intrinsic value of unvested in-the-money options held by the named executive officers (i.e., the difference between the exercise price and the market value of the Corporation's common stock at that date) was \$171,927 for Mr. Latour, \$119,972 for Mr. Jackson, \$76,982 for Mr. Constantino and \$78,710 for Mr. LaCreta. Similarly, unvested RSU awards may be accelerated by the Compensation and Benefits Committee in connection with a change in control of the Corporation. At December 31, 2010, the market value of unvested RSU awards held by the named executive officers was \$51,886 for Mr. Latour, \$36,206 for Mr. Jackson, \$23,233 for Mr. Constantino and \$23,233 for Mr. LaCreta.

**Employment Agreements**

*Richard F. Latour.* We have entered into an employment agreement with Mr. Latour, which was amended and restated in March 2004. The agreement provides for automatically renewing successive one-year terms in March of each year unless it is terminated with six months notice. In the event of a termination of Mr. Latour's employment agreement by MicroFinancial without cause, or by Mr. Latour for specified good reason, the employment agreement provides for three years of severance payments to Mr. Latour on the basis of his highest base salary during the employment period. In addition, Mr. Latour would also be entitled to a prorated payment of his base salary to the date of termination, the acceleration of any deferred compensation, and a pro rated percentage of the annual bonus amount paid to him for the prior year. Furthermore, his outstanding options or other equity awards would remain outstanding, without termination as a result of the termination. The table above under Potential Payments Upon Termination or Change in Control reflects three years plus six months of salary to give effect to the six month notice requirement. Mr. Latour's current base salary is \$319,000.

If Mr. Latour's employment is terminated by his death, his estate will receive his base salary at the rate in effect at the time of his death for a period of twelve months, and any accrued but unpaid amounts under the bonus program. In the event that his employment is terminated on account of a disability (meaning a mental or physical incapacity to perform his services for a period of six months), he would also receive his base salary for a period of twelve months, plus accrued and unpaid amounts under the bonus program. In the event of either his death or his disability, all unvested stock options or restricted stock awards would become vested. If, in connection with a payment under his employment agreement, Mr. Latour incurs any excise tax liability on the receipt of excess parachute payments as defined in Section 280G of the Internal Revenue Code of 1986, as amended, we would make gross-up payments to

return him to the after-tax position he would have been in if no excise tax had been imposed. Except in cases where his employment is terminated for cause or by his death, Mr. Latour would be entitled to receive a continuation of health and disability benefits until the earlier of his death or his 65th birthday, but those amounts would be offset by any benefits provided by any new employer. As used in Mr. Latour's employment agreement, "for good reason" means the assignment to him of duties inconsistent with his position, authority, duties or responsibilities; our failure to pay the agreed base salary and provide him with benefits; moving him to a location outside of the metropolitan Boston, Massachusetts area; and our failure to require a successor to assume all obligations under the employment

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agreement. In exchange for these payments, Mr. Latour has agreed not to compete in certain respects with us for two years following the termination of his employment.

*Other Executives.* We have also entered into separate employment agreements with Messrs. Jackson, Constantino and LaCreta, each amended and restated in May 2005, which are designed to provide an incentive to each executive to remain with us pending and following a change in control. Each employment agreement had an initial term of three years from May 2005, with an automatic renewal for a new three year period each one-year anniversary of the date of the agreement unless we give 60 days notice to the executive that the period will not be renewed. If a change in control occurs within that term, the agreement provides for an employment period of one year following the change in control, with automatic extensions upon the expiration of the initial one-year term for successive one-month periods. Pursuant to each employment agreement, the executive will be entitled to receive an annual base salary of not less than twelve times the highest monthly base salary paid or payable to the executive within the twelve months preceding the change in control, as well as participation in bonus, incentive and benefit plans generally no less favorable than those provided or available to the executive prior to the change in control. If the employment agreement is terminated by us other than for cause, death or disability, or is terminated by the executive for specified good reason, we will pay, in a lump sum, the executive the aggregate of the following amounts: (i) one times annual base salary, in the case of Messrs. Jackson and LaCreta and one and one-half times annual base salary, in the case of Mr. Constantino; (ii) any other compensation or bonus previously deferred by the executive, together with any accrued interest or earnings on those amounts; and (iii) any accrued vacation pay. In addition, we would continue to provide health benefits to the executive and the executive's family for at least six months and, if longer, until the next renewal date of the contract.

If the executive's employment is terminated before a change in control, we are obligated to pay the amounts referenced above; however, payments of the executive's annual base salary would be payable over twelve months, in the case of Messrs. Jackson and LaCreta, and eighteen months in the case of Mr. Constantino, with payment to be made at the same time that we pay other peer executives of MicroFinancial. In that case, the executive would also be entitled to a continuation of health benefits over the same period. If the employment is terminated because of the executive's disability prior to a change in control, then we would pay the executive the salary amounts described above (including any previously deferred compensation and accrued vacation), less amounts that the executive would be entitled to receive under our disability benefit plans. Each of the executives has agreed not to become employed by a microticket leasing company that competes with us for the twelve months following any termination.

A change in control is defined more specifically in each of these agreements, but it generally means one of the following:

the acquisition by any person, entity or group of beneficial ownership of 50% or more of our common stock or of the voting power entitled to vote in the election of our directors;

members of our Board of Directors at the date of the agreements ceasing to make up the majority of the Board, except where the new members of the Board are approved by majority vote of the Board at the time;

approval by our stockholders (or, if applicable, by a bankruptcy judge) of a merger, reorganization or consolidation, unless more than 60% of the common stock and voting power of the company resulting from the transaction continue to be owned by stockholders who were the owners of such stock before the transaction; or

approval by our stockholders (or, if applicable, a bankruptcy judge) of a complete liquidation or dissolution of the company or the sale of all or substantially all of our assets.

Each of the above named executive officers entered into amendments to their respective employment agreements with us in December 2008 in order to clarify the timing of certain of the payments that could be made thereunder, for the



purpose of complying with newly applicable requirements of Section 409A of the Internal Revenue Code. The Compensation and Benefits Committee did not consider these amendments to be material.

The Compensation and Benefits Committee believes that these employment agreements are in our best interests and in the best interests of our shareholders as they provide the executives with the proper incentives to ensure that they fully cooperate with any new ownership pending a change in control event. In addition, they promote the stability and continuity of the senior management team at other times. The committee reviews these agreements annually to ensure that they are appropriate and adequate for each of the executives covered.

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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

The MicroFinancial Board currently consists of 7 persons. The MicroFinancial Board is divided into three classes, with each class serving staggered terms of three years, so that only one class is elected in any one year. Two directors are to be elected at the Special Meeting to serve until the 2014 annual meeting and until their successors are elected and have qualified. The nominees for this class of directors are Torrence C. Harder and Fritz von Mering. A director is elected by a plurality of votes of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Special Meeting when there is a quorum. Each of the nominees for director are presently directors of MicroFinancial. They have consented to being named a nominee in this proxy statement and have agreed to serve as a director if elected at the Special Meeting. In the event that the nominees are unable to serve, the persons named in the proxy have discretion to vote for other persons if those other persons are designated by the MicroFinancial Board. The MicroFinancial Board has no reason to believe that the nominees will be unavailable for election.

The paragraphs below set forth information as of the date of this proxy statement about each nominee and each director continuing in office. This information includes certain biographical information, such as the nominee's or continuing director's age, principal occupation, business experience in the past five years, and the names of other publicly held companies for which he serves as a director or has served as a director in the past five years. The paragraphs below also present information regarding each nominee's and each continuing director's current Board committee roles as well as the specific experience, qualifications, attributes and skills that led the MicroFinancial Board to conclude that he should serve as a director. In addition to the specific experience, qualifications, attributes and skills presented below, the Corporation also believes that each of the nominees and continuing directors has demonstrated the personal and professional integrity, good business judgment, adherence to high ethical standards, and commitment to service to the Corporation that are required of all directors of the Corporation.

**THE MICROFINANCIAL BOARD RECOMMENDS  
A VOTE FOR THE NOMINEES FOR ELECTION AS DIRECTORS.**

**Nominees for Director (Terms to Expire in 2014)**

*Torrence C. Harder, 67*

*Chairman, Credit Policy Committee; Audit Committee; Strategic Planning Committee*

Mr. Harder has served as a Director of the Corporation since 1986, served as Chairman of the Credit Policy Committee since January 2005, and has been a member of the Audit Committee since 1997 and of the Strategic Planning Committee since March 2006. He has been the President and Director of Harder Management Company, Inc., a registered investment advisory firm, since its establishment in 1971. He has also been the President and Director of Entrepreneurial Ventures, Inc., a private equity investment firm, since its founding in 1986. Mr. Harder is a Director of Command Credit Corporation and MindEdge, Inc., both privately held companies, and was a Director of RentGrow, Inc., a privately held company, through February 2010. Mr. Harder earned an M.B.A. from the Wharton School of the University of Pennsylvania, and a B.A. with honors from Cornell University.

The Board believes that Mr. Harder's qualifications to serve on the Board include the experience he has gained from approximately twenty-five years of investing in computer and finance-related companies.

*Fritz von Mering, 58*

*Chairman, Audit Committee; Compensation and Benefits Committee; Nominating and Corporate Governance Committee*

Mr. von Mering has served as a Director of the Corporation and a member of the Audit Committee since 2004, Chairman of the Audit Committee since January 2005, and a member of the Compensation and Benefits Committee and the Nominating and Corporate Governance Committee since January 2005. Mr. von Mering is currently managing director of Miles River Management, a strategic planning and financial management consultancy. He was a member of the board of directors of Syniverse Holdings, Inc., from 2008 to 2011, and served on its audit and

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compensation committees. From 1989 to 2006, he held various roles at Boston Communications Group, Inc. ( Boston Communications ), a Boston-based provider of call processing to the global wireless industry, including Chief Operating Officer, Vice President of Corporate Development, and Chief Financial Officer, and served on the Board of Boston Communications through March 2007. Prior to joining Boston Communications, Mr. von Mering was the Chief Financial Officer of Massachusetts Gas & Electric from 1986 to 1989. Before joining Massachusetts Gas & Electric, Mr. von Mering was regional vice president and general manager for Metromedia's paging division from 1980 to 1986. Prior to Metromedia, Mr. von Mering held various positions at Coopers & Lybrand, where he earned his C.P.A. Mr. von Mering earned his B.S. in Accounting from Boston College and an M.B.A. from Babson College.

The Board believes that Mr. von Mering's qualifications to serve on the Board include his qualifications as a financial expert within the meaning of SEC regulations and the financial sophistication he has obtained through his previous experiences as a chief financial officer of a public company, his public accounting experience, and general accounting knowledge.

## **Continuing Directors**

### *Terms Expiring in 2012*

*Brian E. Boyle, 63*

*Chairman, Compensation and Benefits Committee; Nominating and Corporate Governance Committee; Audit Committee; Credit Policy Committee; Strategic Planning Committee*

Dr. Boyle, the Chief Executive Officer of the Corporation from 1985 to 1987 and Chairman of the MicroFinancial Board from 1985 to 1995, has served as a Director of the Corporation or its predecessor since 1985. He has been a member of the Audit Committee and the Compensation Committee since 1997 (and the chairman of the Compensation Committee since January 2010); a member of the Nominating and Corporate Governance Committee since January 2004 (and its chairman until January 2010); a member of the Credit Policy Committee since January 2005; and a member of the Strategic Planning Committee since March 2006. He was the Vice Chairman and a Director of Boston Communications from 1995 through 2007. Prior to joining Boston Communications, Dr. Boyle was the Chairman and Chief Executive Officer of Credit Technologies, Inc., a Massachusetts-based provider of credit decision and customer acquisition software, from 1989 to 1993. Dr. Boyle is also a director of several private companies. Dr. Boyle earned his A.B. in Mathematics from Amherst College and a B.S. in Electrical Engineering and Computer Science, an M.S. in Operations Research, an E.E. in Electrical Engineering and Computer Science and a Ph.D. in Operations Research, all from the Massachusetts Institute of Technology.

The Board believes that Dr. Boyle's qualifications to serve on the Board include his over three decades of experience in executive leadership of public and private financial and technology companies, including as the Corporation's founding Chief Executive Officer and former Chairman.

*Alan J. Zakon, 75*

*Chairman, Nominating and Corporate Governance Committee; Compensation and Benefits Committee; Strategic Planning Committee*

Dr. Zakon has served as a Director of the Corporation since 1988. He has served on the Compensation and Benefits Committee since 1997 (and as its chairman from January 2005 through January 2010); on the Nominating and Corporate Governance Committee since January 2004 (and its chairman since January 2010); and on the Strategic Planning Committee since March 2006. Dr. Zakon served as Managing Director of Bankers Trust Corporation from 1989 to 1995 where he was Chairman of the Strategic Policy Committee. Dr. Zakon is a Director and a member of the Audit Committee of Arkansas Best Corporation, a nationwide commercial transportation and trucking company.

Dr. Zakon holds a B.A. from Harvard University, an M.S. in Industrial Management from the Sloan School at the Massachusetts Institute of Technology and a Ph.D. in Economics and Finance from the University of California at Los Angeles.

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The Board believes that Dr. Zakon's qualifications to serve on the Board include his twenty years of management consulting experience as well as his past service as chief executive of the Boston Consulting Group and current and past membership on six public company Boards, as well as his extensive background in finance.

*Terms Expiring in 2013*

*Peter R. Bleyleben, 58*  
*Credit Policy Committee*

Dr. Bleyleben serves as Non-Executive Chairman of the Board of Directors of the Corporation since 2002 and on the Credit Policy Committee since 2005. He served as first President and later as Chairman, Chief Executive Officer and Director of the Corporation or its predecessor from 1987 until 2002. He is also a director of Nimbit, Inc. and Get-up-and-play-piano, Inc., both privately held companies, and serves on the board of Common Angels, a membership based angel financing organization. He was a director of UpToDate in Medicine, Inc., a privately held company, until its sale in 2008. Before joining the Corporation, Dr. Bleyleben was Vice President and Director of the Boston Consulting Group, Inc. in Boston. Dr. Bleyleben earned an M.B.A. with distinction and honors from the Harvard Business School, an M.B.A. and a Ph.D. in Business Administration and Economics, respectively, from the Vienna Business School in Vienna, Austria and a B.S. in Computer Science from the Vienna Institute of Technology.

The Board believes that Dr. Bleyleben's qualifications to serve on the Board include his nearly 15 years as the Corporation's chief executive officer, from its early days through its initial public offering and beyond, which give him valuable insight and experience in the Corporation's business, operations, industry and history. He also brings a first hand understanding of successful long-term business strategies from his experiences as chief executive officer, his membership on other boards of directors, and his work as a senior strategic business consultant.

*John W. Everets, 64*  
*Chairman, Strategic Planning Committee*

Mr. Everets is currently chairman and Chief Executive Officer of SBM Financial, Inc., a bank holding company, since May 2010. Mr. Everets has also been chairman of Yorkshire Capital LLC since 2006. Mr. Everets was Chairman of the Board and Chief Executive Officer of HPSC, Inc. from 1993 through January 2006. HPSC was acquired by General Electric Healthcare Financial Services in 2004. Established in 1974, HPSC was a publicly-owned, non-bank specialty finance company providing leasing and healthcare equipment financing on a nationwide basis. Previous to his becoming CEO of HPSC, Mr. Everets was Chairman of the Board and Chief Executive Officer of T.O. Richardson Co., Inc., an investment management company. He was also Executive Vice President and Director of Advest, Inc., an investment banking firm, from 1977 to January 1990, as well as Chairman of Advest Credit Corp., both subsidiaries of Advest Group, Inc. Mr. Everets was Vice Chairman of the Connecticut Development Authority and Chairman of the Loan Committee of this \$1.8 billion quasi-government agency. He is a director of the Eastern Company, and serves as the chair of its audit committee and a member of its compensation committee. He was a director of Financial Security Assurance Holdings Ltd., and a member of its audit committee, from 2007 to 2009.

The Board believes that Mr. Everets' qualifications to serve on the Board include his extensive executive experience in the field of equipment financing. As the former Chairman of the Board and Chief Executive Officer of HPSC, Mr. Everets has first hand knowledge of the skills and responsibilities associated with growing and maintaining a successful financial services organization.

*Richard F. Latour, 57*

Mr. Latour has served as President, Chief Executive Officer, Treasurer, Clerk and Secretary of the Corporation since October 2002 and as President, Chief Operating Officer, Chief Financial Officer, Treasurer, Clerk and Secretary, as well as a director of the Corporation, since February 2002. From 1995 to January 2002, he served as Executive Vice President, Chief Operating Officer, Chief Financial Officer, Treasurer, Clerk and Secretary. From 1986 to 1995, Mr. Latour served as Vice President of Finance and Chief Financial Officer. Prior to joining the Corporation, Mr. Latour was Vice President of Finance with Trak Incorporated, an international manufacturer and

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distributor of consumer goods, where he was responsible for all financial and operational functions. Mr. Latour earned a B.S. in accounting from Bentley College in Waltham, Massachusetts.

The Board believes that Mr. Latour's qualifications to serve on the Board include his experience from more than two decades in senior positions at the Corporation, including over eight years as President, and his extensive knowledge of both the day to day operations of the Corporation and its strategic vision. The Board believes it is critical to have the insight of the Chief Executive Officer and President reflected in its strategic thinking.

**PROPOSAL 2**

**RATIFICATION OF THE SELECTION OF  
MICROFINANCIAL'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The selection of McGladrey & Pullen, LLP ( McGladrey ) to serve as independent auditors of MicroFinancial for the current fiscal year ending December 31, 2011, will be submitted to the stockholders of the Corporation for ratification at the Special Meeting. Although ratification is not legally required, the Corporation is submitting the appointment of McGladrey to stockholders as a matter of good corporate governance. If the ratification is not approved, then the Audit Committee of the Corporation's Board of Directors will reconsider the appointment. Representatives of McGladrey will be present at the Special Meeting, will have the opportunity to make a statement if they so desire and will be available to answer appropriate questions.

McGladrey has been MicroFinancial's independent auditors since September 20, 2010. Prior to that time, MicroFinancial's independent auditors were Caturano and Company, P.C. ( Caturano ). The Audit Committee of MicroFinancial's Board of Directors approved the change following McGladrey's acquisition in 2010 of certain assets of Caturano, as a result of which substantially all of the officers and employees of Caturano joined McGladrey. During the two most recently completed fiscal years prior to the change, and for the interim period preceding the change, Caturano's reports on MicroFinancial's financial statements did not contain an adverse opinion or disclaimer of opinion, nor were these reports qualified or modified as to uncertainty, audit scope or accounting principles. During that time, there were no disagreements with Caturano on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, and none of the events listed in Item 304(a)(1)(v) of Regulation S-K occurred, and MicroFinancial did not consult with McGladrey on either of the matters referred to in Item 304(a)(2) of Regulation S-K.

McGladrey has advised MicroFinancial that neither it nor any of its members has any direct financial interest in MicroFinancial as a promoter, underwriter, voting trustee, director, officer or employee. All professional services rendered by McGladrey during the year ended December 31, 2010 were furnished at customary rates.

The ratification of the selection of independent auditors requires the affirmative vote of a majority of the outstanding Common Stock, present in person or represented by proxy, and entitled to vote thereon at the Special Meeting when there is a quorum.

**THE MICROFINANCIAL BOARD RECOMMENDS A VOTE FOR THIS PROPOSAL  
WHICH IS IDENTIFIED AS PROPOSAL 2 ON THE ENCLOSED PROXY.**

**Fees to Independent Registered Public Accounting Firm for Fiscal 2010 and 2009**

Aggregate fees billed to MicroFinancial and described in the following paragraphs for fiscal 2010 represent the fees either accrued or paid to McGladrey or fees paid to Caturano. Aggregate fees billed to MicroFinancial and described in the following paragraphs for fiscal 2009 represent the fees either accrued or paid to Caturano.



*Audit Fees.* The aggregate fees billed for professional services rendered for the audit of the Corporation's annual financial statements for the fiscal year ended December 31, 2010 and for the reviews of the financial statements included in the Corporation's Quarterly Reports on Form 10-Q for that fiscal year and for services provided in connection with statutory or regulatory filings or engagements were \$237,243.

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The aggregate fees billed for professional services rendered for the audit of the Corporation's annual financial statements for the fiscal year ended December 31, 2009 and for the reviews of the financial statements included in the Corporation's Quarterly Reports on Form 10-Q for that fiscal year and for services provided in connection with statutory or regulatory filings or engagements were \$282,916.

*Audit-Related Fees.* The aggregate fees billed for assurance and related services reasonably related to employee benefit plan audits and not reported under the foregoing *Audit Fees* section rendered to the Corporation for the fiscal year ended December 31, 2010 were \$17,350.

The aggregate fees billed for assurance and related services reasonably related to employee benefit plan audits and not reported under the foregoing *Audit Fees* section rendered to the Corporation for the fiscal year ended December 31, 2009 were \$17,189.

*Tax Fees.* The aggregate fees billed for professional services rendered to the Corporation related to tax compliance, tax advice and tax planning for the fiscal year ended December 31, 2010 were \$5,000, which includes review of the annual tax returns.

The aggregate fees billed for professional services rendered to the Corporation related to tax compliance, tax advice and tax planning for the fiscal year ended December 31, 2009 were \$5,000, which includes review of the annual returns.

*All Other Fees.* There were no other fees billed by McGladrey or Caturano for services rendered to the Corporation, other than the services described under *Audit Fees*, *Audit-Related Fees*, and *Tax Fees* for the fiscal years ended December 31, 2010 and December 31, 2009.

## **Approval by Audit Committee**

The charter of the Audit Committee requires that the Committee approve in advance any audit or permissible non-audit engagement or relationship between the Corporation and the independent auditors. The Committee has delegated to the Chairman of the Audit Committee the authority to approve in advance all audit-related or non-audit services to be provided by the independent auditor if presented to the full Committee at the next regularly scheduled meeting of the Audit Committee.

## **OTHER MATTERS**

Management does not know of any matters which will be brought before the Special Meeting other than those specified in the Notice of Special Meeting of Stockholders. However, if any other matters properly come before the Special Meeting, the persons named in the form of proxy, or their substitutes, will vote on such matters in accordance with their best judgment.

## **2012 STOCKHOLDER PROPOSALS**

Proposals of stockholders to be included in the proxy statement and form of proxy for the Corporation's 2012 annual meeting of stockholders must be received by December 16, 2011. Stockholders who wish to make a proposal at the aforementioned meeting of stockholders, other than one that will be included in the Corporation's proxy materials, must notify the Corporation no later than January 15, 2012 of such a proposal. If a stockholder makes such a timely notification, the proxies solicited by the MicroFinancial Board will confer discretionary voting authority on the persons named as attorneys in the proxy and such persons may exercise discretionary voting authority under circumstances consistent with the rules of the Securities and Exchange Commission. If a stockholder who wishes to

present a proposal fails to notify the Corporation by January 15, 2012, the stockholder shall not be entitled to present the proposal at the meeting. Notwithstanding the failure to timely notify the Corporation, if the proposal is brought before the meeting, then the proxies solicited by the MicroFinancial Board will confer discretionary voting authority on the persons named as attorneys in the proxy.

Proposals should be mailed to Richard F. Latour, Clerk of MicroFinancial, at 16 New England Executive Park, Suite 200, Burlington, Massachusetts 01803.

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**FINANCIAL STATEMENTS**

The financial statements of the Corporation are contained in the Corporation's Annual Report on Form 10-K for its fiscal year ended December 31, 2010 that was filed with the Securities and Exchange Commission on March 31, 2011, a copy of which is included with this proxy statement. Such report and the financial statements contained therein are not to be considered as a part of this soliciting material.

**MISCELLANEOUS**

All the expenses of preparing, assembling, printing and mailing the material used in the solicitation of proxies by the Board will be paid by the Corporation. In addition to the solicitation of proxies by use of the mails, officers and regular employees of the Corporation may solicit proxies on behalf of the Board by telephone, electronic communication or personal interview, the expenses of which will be borne by the Corporation. Arrangements may also be made with brokerage houses and other custodians, nominees and fiduciaries to forward soliciting materials to the beneficial owners of stock held of record by such persons at the expense of the Corporation.

Submitted by Order of the Board of Directors,

RICHARD F. LATOUR

*Clerk*

Burlington, Massachusetts

April 14, 2011

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**PROXY**

**MICROFINANCIAL INCORPORATED**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE CORPORATION FOR THE SPECIAL MEETING OF STOCKHOLDERS IN LIEU OF ANNUAL MEETING TO BE HELD ON MAY 12, 2011, OR ANY ADJOURNMENTS THEREOF. THE SHARES REPRESENTED HEREBY WILL BE VOTED AS DIRECTED BY THEIR STOCKHOLDER(S).**

The undersigned stockholder of MicroFinancial Incorporated (the Corporation) hereby appoints Peter R. Bleyleben and Richard F. Latour (each a Proxy Agent), jointly and severally with full power of substitution to each as proxies for and on behalf of the undersigned, to attend the Special Meeting of Stockholders in Lieu of Annual Meeting of MicroFinancial Incorporated, to be held at Edwards Angell Palmer & Dodge LLP, 111 Huntington Avenue, Boston, Massachusetts on Thursday, May 12, 2011, at 4:00 P.M., or any adjournments thereof, and to vote as directed below all stock of the Corporation which the undersigned would be entitled to vote if personally present.

By acceptance, each Proxy Agent agrees that this Proxy will be voted in the manner directed by the stockholder giving this Proxy. If no direction is specified, the Proxy will be voted FOR the election of the nominees for Director for three-year terms and FOR the ratification of the appointment of McGladrey & Pullen, LLP as the Corporation's independent registered public accounting firm for the year ending December 31, 2011, each as set forth on the reverse. Discretionary authority is hereby conferred as to all other matters which may properly come before the meeting or any

adjournments thereof. This Proxy, if properly executed and delivered, will revoke all other Proxies.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE NOMINEES FOR DIRECTOR FOR THREE-YEAR TERMS AND FOR THE RATIFICATION OF THE APPOINTMENT OF MCGLADREY & PULLEN, LLP AS THE CORPORATION'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2011.**

**CONTINUED, AND TO BE SIGNED, ON REVERSE SIDE**

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**SPECIAL MEETING OF STOCKHOLDERS IN LIEU OF ANNUAL MEETING OF  
MICROFINANCIAL INCORPORATED**

**Thursday, May 12, 2011**

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:**

The Notice of Meeting, proxy statement and annual report to shareholders are available at [www.microfinancial.com/proxyinfo/](http://www.microfinancial.com/proxyinfo/)  
Please sign, date and mail your proxy card in the envelope provided as soon as possible.

â Please detach and mail in the envelope provided. â

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**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS AND  
FOR PROPOSAL 2.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK  
YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

- |                                                              |                                                                                                                                                                                                    | FOR                   | AGAINST               | ABSTAIN               |
|--------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| 1. Election of the following directors for three-year terms. |                                                                                                                                                                                                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
|                                                              | <b>NOMINEES:</b>                                                                                                                                                                                   |                       |                       |                       |
|                                                              | ï Torrence C. Harder                                                                                                                                                                               |                       |                       |                       |
| <input type="radio"/> <b>FOR ALL NOMINEES</b>                | ï Fritz von Mering                                                                                                                                                                                 |                       |                       |                       |
|                                                              | 2. Ratification of the appointment by the Board of Directors of McGladrey & Pullen, LLP as independent registered public accounting firm of the Corporation for the year ending December 31, 2011. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

- WITHHOLD AUTHORITY FOR ALL NOMINEES**
- FOR ALL EXCEPT**  
(See instructions below)

**THE BOARD OF DIRECTORS OF THE CORPORATION RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES FOR DIRECTOR FOR THREE-YEAR TERMS AND FOR THE RATIFICATION OF THE APPOINTMENT OF MCGLADREY & PULLEN, LLP AS THE CORPORATION S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2011. PLEASE SIGN, DATE AND MAIL THIS PROXY CARD IN THE ACCOMPANYING ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.**

**INSTRUCTION:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: =

**MARK HERE IF YOU  
PLAN TO ATTEND  
THE MEETING.**

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder	Date:	Signature of Stockholder	Date:
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**Note:** This proxy must be signed exactly as the name appears hereon. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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