

TUCOWS INC /PA/
Form DEF 14A
October 21, 2013

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

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 Rule 14a-11(c) or Rule 14a-12

TUCOWS INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(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:

TUCOWS INC.

96 Mowat Avenue

Toronto, Ontario, Canada M6K 3M1

Dear Fellow Shareholder:

You are cordially invited to attend the Special Meeting of Shareholders of Tucows Inc. to be held at the offices of the company, 96 Mowat Avenue, Toronto, Ontario, M6K 3M1, Canada, on December 4, 2013, at 4:30 p.m. (local time).

The accompanying Notice of Meeting and Proxy Statement on the following pages describe the matters to be presented and voted on at the Special Meeting.

It is important that your shares be represented at the Special Meeting, whether or not you attend the Special Meeting and regardless of the number of shares you own. Whether or not you plan to attend, you can ensure that your shares are represented and voted at the Special Meeting in accordance with your instructions by promptly completing, signing, dating and returning the enclosed proxy card in the envelope provided, or by voting your shares over the phone or Internet. You can revoke your proxy at any time before the Special Meeting and issue a new proxy as you deem appropriate. You will find the procedures to follow if you wish to revoke your proxy on page 2 of this proxy statement. If you decide to attend the Special Meeting and wish to change your proxy vote, you may do so by voting in person at the Special Meeting.

Your vote is very important. We look forward to seeing you on December 4, 2013.

Sincerely,

Elliot Noss

President and Chief Executive Officer

TUCOWS INC.

96 Mowat Avenue

Toronto, Ontario, Canada M6K 3M1

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held On December 4, 2013

The Special Meeting of Shareholders (the “Special Meeting”) of Tu cows Inc. will be held at the offices of the company, 96 Mowat Avenue, Toronto, Ontario, M6K 3M1, Canada, on December 4, 2013, at 4:30 p.m. (local time), for the following purposes.

1. To approve an amendment (the “Reverse Stock Split Amendment”) to the Company’s Fourth Amended and Restated Articles of Incorporation to implement a reverse stock split, within a range from 1-for-3 to 1-for-6 at any time prior to January 31, 2014, with the exact ratio of the reverse stock split to be determined by the Board of Directors of the Company at its sole discretion.
2. To transact such other business as may properly come before the Special Meeting or any adjournment or postponements thereof.

The holders of our common stock of record at the close of business on October 18, 2013 (the “Record Date”), are entitled to notice of and to vote at the Special Meeting, or any adjournment or postponements thereof. Your vote is important. Whether or not you plan to attend the Special Meeting, we encourage you to read our proxy statement and vote as soon as possible. As Tu cows’ shareholders, you should have received the formal Notice of Internet Availability of Proxy Materials (the “Availability Notice”) in the mail. If you did not receive the card in the mail, contact our Investor Relations at (416) 538-5493.

We will make available at the Special Meeting a complete list of the shareholders entitled to vote at the Special Meeting, and you may examine the list for any purpose relating to the Special Meeting.

If the Special Meeting cannot be organized because a quorum is not present, the shareholders present and entitled to vote at such meeting will have the power, except as otherwise provided by statute, to adjourn the Special Meeting to such time and place as they may determine. If the Special Meeting is adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, the shareholders entitled to vote and present, in person or by proxy,

at any subsequent adjournment of the Special Meeting, although less than a quorum, shall nevertheless constitute a quorum for the purpose of approving the Reverse Stock Split Amendment.

As part of our efforts to cut unnecessary expenses and conserve the environment, Tucows has elected to provide Internet access to the proxy statement and annual report rather than mailing paper reports. This reduces postage and printing expenses and paper waste. We are sending the Availability Notice to our shareholders on or about October 24, 2013. All shareholders will have the ability to access the proxy materials on the Internet. Shareholders will also have the ability to request a printed set of the proxy materials. Instructions on how to access the proxy materials on the Internet or to request a printed copy may be found in the Availability Notice.

Michael Cooperman

Chief Financial Officer and Secretary

October 21, 2013

Important Notice Regarding the Availability of Proxy Materials

for the Special Meeting of Shareholders to Be Held on December 4, 2013:

Your vote is important. Please vote by using the Internet, vote by telephone or sign and return the enclosed proxy card as soon as possible to ensure your representation at the Special Meeting. The prompt return of proxies will ensure a quorum and save the Company the expense of further solicitation. Each proxy granted may be revoked by the shareholder appointing such proxy at any time before it is voted. If you receive more than one proxy card because your shares are registered in different names or addresses, each proxy should be voted.

We are furnishing proxy materials to you on the Internet. No printed materials will be available unless you specifically request them by following the instructions in the “Notice of Internet Availability of Proxy Materials.” The Notice of Internet Availability will also instruct you as to how you may vote your proxy.

This proxy statement is available at: <http://www.cfpproxy.com/7175SM> for viewing, downloading and printing.

TUCOWS INC.

96 Mowat Avenue

Toronto, Ontario, Canada M6K 3M1

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the board of directors, or the “Board,” of Tucows Inc., a Pennsylvania corporation, referred to herein as the “Company,” “Tucows,” “we,” “us” or “our,” of proxies to be voted at our Special Meeting of shareholders to be held on December 4, 2013, at the offices of the company, 96 Mowat Avenue, Toronto, Ontario, M6K 3M1, Canada, at 4:30 p.m. (local time), and at any adjournment or postponements thereof. The holders of record of our common stock, no par value per share, as of the close of business on October 18, 2013 (the “Record Date”), will be entitled to notice of and to vote at the Special Meeting and any adjournment or postponements thereof. As of the Record Date, there were 43,579,736 shares of our common stock issued and outstanding and entitled to vote. Each share of our common stock is entitled to one (1) vote on any matter presented at the Special Meeting.

The Special Meeting will be held to for the following purposes.

1. To approve an amendment (the “Reverse Stock Split Amendment”) to the Company’s Fourth Amended and Restated Articles of Incorporation (the “Articles of Incorporation”) to implement a reverse stock split (the “Reverse Stock Split”) within a range from 1-for-3 to 1-for-6 at any time prior to January 31, 2014, with the exact ratio of the Reverse Stock Split to be determined by the Board at its sole discretion.
2. To transact such other business as may properly come before the Special Meeting or any adjournment or postponements thereof.

The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on the Reverse Stock Split Amendment shall constitute a quorum of the Special Meeting. Shares represented by a properly signed and returned proxy are considered present at the Special Meeting for purposes of determining a quorum, regardless of whether the holder of such shares or proxy withholds his, her or its vote or abstains. Broker non-votes also count as shares present at the Special Meeting for purposes of a quorum.

The affirmative vote of a majority of the votes cast by all shareholders entitled to vote on the proposal is required to approve the Reverse Stock Split Amendment. Abstentions and broker non-votes will have the same effect as voting against the proposal. Abstentions and broker non-votes are included in the shares present at the Special Meeting for purposes of determining whether a quorum is present, and are counted as a vote against for purposes of determining whether Reverse Stock Split Amendment is approved.

If proxies in the accompanying form are properly voted and received, the shares of our common stock represented thereby will be voted in the manner specified therein. If not otherwise specified, the shares of our common stock represented by the proxies will be voted:

1. FOR the approval the Reverse Stock Split Amendment to the Company's Fourth Amended and Restated Articles of Incorporation to implement the Reverse Stock Split, within a range from 1-for-3 to 1-for-6, with the exact ratio of the Reverse Stock Split to be determined by the Board of Directors of the Company, to be effected at any time prior to January 31, 2014;
2. In the discretion of the persons named in the enclosed form of proxy, on any other proposals which may properly come before the Special Meeting or any adjournment or postponements thereof.

Your vote is very important. All properly completed proxy cards delivered pursuant to this solicitation, whether via mail, telephone or the Internet, and not revoked will be voted at the Special Meeting in accordance with the directions given. You may vote in favor of, against, or you may abstain from, voting on the proposal. You should specify your respective choice on the proxy card. If you do not give specific instructions with regard to the matters to be voted upon, the shares of common stock represented by your completed proxy card will be voted in accordance with the board of directors' recommendation. We strongly encourage you to submit your voting instructions and exercise your right to vote as a shareholder.

Any shareholder who has submitted a proxy may revoke it at any time before it is voted, by timely delivery of a later dated proxy (including a telephone or Internet vote), by delivering a written notice of your revocation addressed to and received by our Corporate Secretary at TuCows Inc., 96 Mowat Avenue Toronto, Ontario, Canada M6K 3M1 or by electing to vote in person at the Special Meeting. The mere presence at the Special Meeting of the person appointing a proxy does not, however, revoke the appointment.

On or about October 24, 2013, this proxy statement, together with the related proxy card, is being mailed to our shareholders of record as of the Record Date.

Our common stock is quoted on the NYSE MKT under the symbol "TCX" and on the Toronto Stock Exchange under the symbol "TC". On October 18, 2013, the closing price for the common stock as reported by the NYSE AMEX was \$2.65 per share.

PROPOSAL 1 – APPROVAL OF THE REVERSE STOCK SPLIT AMENDMENT

The Board is recommending that our shareholders approve the Reverse Stock Split Amendment to implement the Reverse Stock Split within a range from 1-for-3 to 1-for-6 at any time prior to January 31, 2014, with the exact ratio of the Reverse Stock Split to be determined by the Board at its sole discretion.

If approved by the shareholders as proposed, the Board would have the sole discretion to effect the amendment and Reverse Stock Split at any time prior to January 31, 2014, and to fix the specific ratio for the combination, provided that the ratio would be within a range from 1-for-3 to 1-for-6. The Board would also have the discretion to abandon the amendment prior to its effectiveness. The Board is hereby soliciting shareholder approval for the Reverse Stock Split Amendment.

If approved by our shareholders, the Reverse Stock Split proposal would permit (but not require) our Board to effect the Reverse Stock Split of our common stock at any time by a ratio of not less than 1-for-3 and not more than 1-for-6 with the specific ratio to be fixed within this range by our Board in its sole discretion. We believe that enabling the Board to fix the specific ratio of the Reverse Stock Split within the stated range will provide us with the flexibility to implement it in a manner designed to maximize the anticipated benefits for our shareholders. In fixing the ratio, the Board may consider, among other things, factors such as: the historical trading price and trading volume of our common shares; the number of common shares outstanding; the then-prevailing trading price and trading volume of our common shares; the anticipated impact of the Reverse Stock Split on the trading market for our common shares and prevailing general market and economic conditions.

The Reverse Stock Split, if approved by our shareholders, would become effective upon the filing of the Reverse Stock Split Amendment with the Department of State of the Commonwealth of Pennsylvania, or at the later time set forth in the Reverse Stock Split Amendment. The exact timing of the Reverse Stock Split Amendment will be determined by the Board based on its evaluation as to if and when such action will be the most advantageous to our Company and our shareholders. In addition, the Board reserves the right, notwithstanding shareholder approval and without further action by the shareholders, to abandon the Reverse Stock Split Amendment and the Reverse Stock Split if, at any time prior to the effectiveness of the filing of the Reverse Stock Split Amendment with the Department of State of the Commonwealth of Pennsylvania, the Board, in its sole discretion, determines that it is no longer in our best interest and the best interests of our shareholders to proceed.

The proposed form of the Reverse Stock Split Amendment is attached as Appendix A to this proxy statement. Any amendment to our Articles of Incorporation to effect the Reverse Stock Split will include the Reverse Stock Split ratio fixed by the Board, within the range approved by our shareholders.

If the proposed Reverse Stock Split is implemented, then the number of issued and outstanding shares of our common stock would be reduced. The Reverse Stock Split will have no effect on our authorized shares of common stock, and the total number of authorized shares would remain the same as before the Reverse Stock split.

Purpose of Proposed Reverse Stock Split

The Board is proposing the Reverse Stock Split in order to reduce the number of issued and outstanding shares and to increase the per share trading value of our common stock. The Board believes that the Reverse Stock Split is desirable and should be approved by shareholders for a number of reasons, including, without limitation, the following:

A sufficiently large increase in the share price of our common stock, such as one that could result from the Reverse Stock Split, would put the Company in a better position to have our shares listed on the NASDAQ Stock Market LLC "NASDAQ". We believe that listing on NASDAQ will increase our overall trading volume, market capitalization and liquidity and decrease volatility. To be eligible for listing on NASDAQ, we are required to meet the NASDAQ listing standards, which include, among other things, that our shares must meet a minimum closing price per share for a certain period of time;

If we are successful in maintaining a higher stock price, we believe it will improve the perception of our common stock as an investment security and will generate greater interest among professional investors and institutions in us;

The Reverse Stock Split would reduce the number of our outstanding shares to a level more appropriate for a company with our market capitalization;

The reverse split could decrease price volatility, as small price movements now cause relatively large percentage changes in our stock price; and

The Reverse Stock Split may help increase analyst and broker interest in our stock as their policies can discourage them from following or recommending companies with lower stock prices. Because of the trading volatility often associated with lower-priced stocks, many brokerage houses and institutional investors have adopted internal policies and practices that either prohibit or discourage them from investing in such stocks or recommending them to their customers. Some of those policies and practices may also function to make the processing of trades in lower-priced stocks economically unattractive to brokers. Additionally, because brokers' commissions on transactions in lower-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current average price per share of our common stock can result in individual shareholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were substantially higher.

The reverse split could reduce shareholder transaction costs because investors would pay lower commission to trade a fixed dollar amount of our stock if our stock price were higher than they would if our stock price were lower.

If our share price increases sufficiently, we would be able to facilitate the implementation of a program with a financial institution under which our employees would be able to borrow funds to assist them, should the wish to hold the shares they acquire upon exercise of any stock options, with paying the exercise price and withholding taxes payable upon exercise. If we implement such a program, we will not be a party to any of the agreements between the financial institution and our employees;

You should consider that, although the Board believes that the Reverse Stock Split will in fact increase the price of our common stock, in many cases, because of variables outside of a company's control (such as market volatility, investor response to the news of a proposed Reverse Stock Split and the general economic environment), the market price of a company's shares of common stock may in fact decline in value after the Reverse Stock Split. You should also keep in mind that the implementation of the Reverse Stock Split does not have an effect on the actual or intrinsic value of our business or a shareholder's proportional ownership in our Company. However, should the overall value of our common stock decline after the proposed Reverse Stock Split, then the actual or intrinsic value of the shares of our common stock held by you will also proportionately decrease as a result of the overall decline in value.

Potential Effects of the Proposed Reverse Stock Split

The immediate effect of the Reverse Stock Split would be to reduce the number of shares of our common stock outstanding and to increase the trading price of our common stock. Notwithstanding the decrease in the number of outstanding shares following the proposed Reverse Stock Split, our Board of Directors does not intend for this transaction to be the first step in a “going private transaction” within the meaning of Rule 13e-3 of the Exchange Act.

However, we cannot predict the effect of the Reverse Stock Split upon the market price of our common stock over an extended period, and in many cases, the market value of a company’s Common Stock following the Reverse Stock Split declines. We cannot assure you that the trading price of our common stock after the Reverse Stock Split will rise in inverse proportion to the reduction in the number of shares of our common stock outstanding as a result of the Reverse Stock Split. Also, we cannot assure you that the Reverse Stock Split would lead to a sustained increase in the trading price of our common stock. The trading price of our common stock may change due to a variety of other factors, including our operating results and other factors related to our business and general market conditions.

Examples of Potential Reverse Stock Split at Various Ratios. The table below provides examples of Reverse Stock Splits at various ratios up to 1-for-6:

Shares outstanding at October 18, 2013	Reverse Stock Split Ratio	Shares outstanding after Reverse Stock Split	Reduction in Shares Outstanding
43,579,736	1-for-3	14,526,578	67%
43,579,736	1-for-4	10,894,934	75%
43,579,736	1-for-5	8,715,947	80%
43,579,736	1-for-6	7,263,289	83%

The resulting decrease in the number of shares of our common stock outstanding could potentially adversely affect the liquidity of our common stock, especially in the case of larger block trades.

Effects on Ownership by Individual Shareholders. If we implement the Reverse Stock Split, the number of shares of our common stock held by each shareholder would be reduced by multiplying the number of shares held immediately before the Reverse Stock Split by the appropriate ratio and then rounding up to the nearest whole share. The Reverse Stock Split would not affect any shareholder's percentage ownership interest in our Company or proportionate voting power.

Effect on Options. In addition, if we implement the Reverse Stock Split, we would adjust the number and value of all outstanding option grants under the terms of our 2006 Amended and Restated Equity Compensation Plan (the "2006 Plan") or its predecessor, our 1996 Equity Compensation Plan entitling the holders to purchase shares of our common stock in accordance with the terms of our equity compensation plans. In particular, we would utilize the conversion ratio to reduce the number of shares of our common stock subject to each such outstanding option grant, and would increase the exercise price per share proportionately in accordance with the terms of each grant and based on the 1-for-3, up to 1-for-6 ratio of the Reverse Stock Split (i.e., the number of shares issuable under such securities would decrease by 67%, up to 83%, respectively, and the exercise price per share would be multiplied by 3, up to 6 times, respectively). These adjustments will result in approximately the same aggregate exercise price being required to be paid for all outstanding options upon exercise. Also, we would reduce the number of shares reserved for issuance and any maximum number of shares with respect to which grants may be made to any participant or in the aggregate under our existing 2006 Plan proportionately, based on the ratio of the Reverse Stock Split. A Reverse Stock Split would not otherwise affect any of the rights currently accruing to holders of our common stock or options exercisable for our common stock.

Other Effects on Outstanding Shares. If we implement the Reverse Stock Split, the rights pertaining to the outstanding shares of our common stock would be unchanged after the Reverse Stock Split. Each share of our common stock issued following the Reverse Stock Split would be fully paid and nonassessable.

The Reverse Stock Split would result in some shareholders owning “odd-lots” of less than 100 shares of our common stock. Brokerage commissions and other costs of transactions in odd-lots are generally higher than the costs of transactions in “round-lots” of even multiples of 100 shares.

Our Common Stock is currently registered under Section 12(g) of the Securities Exchange Act of 1934. As a result, we are subject to the periodic reporting and other requirements of the Securities Exchange Act. The proposed Reverse Stock Split would not affect the registration of our common stock under the Securities Exchange Act.

Authorized Shares of Stock; Potential Anti-Takeover Effect

The Reverse Stock Split would affect all issued and outstanding shares of Common Stock and outstanding rights to acquire Common Stock. We will not change the number of shares of Common Stock currently authorized. However, upon the effectiveness of the Reverse Stock Split, the number of authorized shares of Common Stock that are not issued or outstanding would increase due to the reduction in the number of shares of Common Stock issued and outstanding as a result of the Reverse Stock Split.

As of October 18, 2013, we had (i) 250,000,000 shares of authorized common stock, no par value per share, of which 43,579,736 shares of common stock were issued and outstanding, 1,159,315 shares were unissued but reserved for issuance under our 2006 Equity Compensation Plan, and the remaining 205,260,949 shares were authorized but unissued and not reserved for issuance, and (ii) 1,250,000 shares of authorized preferred stock, no par value per share, none of which are issued and outstanding.

We will reserve for issuance any authorized but unissued shares of common stock that would be made available as a result of the proposed Reverse Stock Split.

We do not have any plans, arrangements or understandings for the remaining portion of the authorized but unissued shares that will be available following the Reverse Stock Split.

Because the number of authorized shares of common stock will not be reduced proportionately, the Reverse Stock Split will increase the ability of the Board to issue authorized and unissued shares without further shareholder action. We currently do not have any plans, arrangements or understandings to issue any of the authorized but unissued shares that would become available as a result of the Reverse Stock Split. However, the development of our business may require substantial additional capital, and our continued operations may depend on our ability to raise additional funding, which could occur through fundraising transactions that involve issuance of shares of common stock or securities convertible into or exercisable for common stock; depending on several factors including the number of shares that are issued or issuable in any such transaction, such shares could include authorized but unissued shares that would become available as a result of the Reverse Stock Split. Authorized but unissued shares of common stock are available for future issuance as may be determined by the Board without further action by our shareholders, unless shareholder approval is required by applicable law or securities exchange listing requirements in connection with a particular transaction. These additional shares may be issued in the future for a variety of corporate purposes including, but not limited to, raising additional capital, strategic partnering arrangements, equity incentive plans, acquisitions of assets or businesses, shareholder right plans, and stock splits or stock dividends. Except for a stock split or stock dividend, future issuances of common shares will dilute the voting power and ownership of our existing shareholders and, depending on the amount of consideration received in connection with the issuance, could also reduce shareholders' equity on a per share basis. If the Board authorizes the issuance of additional shares after the Reverse Stock Split, the dilution to the ownership interest of our existing shareholders may be greater than would occur had the Reverse Stock Split not been effected. Many stock issuances do not require shareholder approval, and the Board generally seeks approval of our shareholders in connection with a proposed issuance only if required at that time.

The authorized shares could also be used to resist or frustrate a third-party transaction that is favored by a majority of the independent shareholders (for example, by permitting issuances that would dilute the stock ownership of a person seeking to effect a change in the composition of the Board or management of the Company or contemplating a tender offer or other transaction for the combination of the Company with another company). This could have an anti-takeover effect, in that additional shares could be issued (within the limits imposed by applicable law) in one or more transactions that could make a change in control or takeover of us more difficult. For example, additional shares

could be issued by us so as to dilute the stock ownership or voting rights of persons seeking to obtain control of us. Similarly, the issuance of additional shares to certain persons allied with our management could have the effect of making it more difficult to remove our current management by diluting the stock ownership or voting rights of persons seeking to cause such removal. The newly available authorized shares resulting from the Reverse Stock Split have the potential to limit the opportunity for the Company's shareholders to dispose of their stock at a premium. Despite these possible anti-takeover effects, our board of directors is not proposing the Reverse Stock Split with the intent that it be utilized as a type of anti-takeover device, nor is the Reverse Stock Split being proposed in response to any effort of which we are aware to accumulate shares of our capital stock or obtain control of the Company.

Procedure for Effecting the Proposed Stock Split and Exchange of Stock Certificates

If shareholders approve Proposal 1, we will file with the Department of State of the Commonwealth of Pennsylvania the Articles of Amendment to our Fourth Amended and Restated Articles of Incorporation. The Reverse Stock Split will become effective at the time and on the date of filing of, or at such later time as is specified in, the Articles of Amendment, which we refer to as the "effective time" and "effective date," respectively. Beginning at the effective time, each certificate representing shares of common stock will be deemed for all corporate purposes to evidence ownership of the number of whole shares into which the shares previously represented by the certificate were combined pursuant to the Reverse Stock Split.

If the Reverse Stock Split is effected, as soon as practicable thereafter, shareholders will be notified that the Reverse Stock Split has occurred and instructions will be provided regarding what actions, if any, need to be taken at that time.

Registered and Beneficial Shareholders

Upon the effectiveness of the Reverse Stock Split, we intend to treat shareholders holding our common shares in "street name" (that is, held through a bank, broker or other nominee) in the same manner as registered shareholders whose common shares are registered in their names. Banks, brokers or other nominees will be instructed to effect the Reverse Stock Split for their beneficial holders holding our common shares in "street name;" however, these banks, brokers or other nominees may apply their own specific procedures for processing the Reverse Stock Split. If you hold your common shares with a bank, broker or other nominee, and if you have any questions in this regard, we encourage you to contact your nominee.

Registered "Book-Entry" Shareholders

Our registered shareholders may hold some or all of their shares electronically in book-entry form. These shareholders will not have stock certificates evidencing their ownership of our common shares. They are, however, provided with a statement reflecting the number of our common shares registered in their accounts.

If you hold registered common shares in book-entry form, you do not need to take any action to receive your post-Reverse Stock Split common shares in registered book-entry form. If you are entitled to post-Reverse Stock Split common shares, a transaction statement will automatically be sent to your address of record as soon as practicable after the effective date of the Reverse Stock Split indicating the number of our common shares you hold.

Registered Certificated Shares

Some registered shareholders hold our common shares in certificate form or a combination of certificate and book-entry form. If any of your common shares are held in certificate form, you will receive a transmittal letter from our transfer agent as soon as practicable after the effective date of the Reverse Stock Split. The Company expects that Registrar and Transfer Company will act as exchange agent for purposes of implementing the exchange of stock certificates. The transmittal letter will be accompanied by instructions specifying how you can exchange your certificate representing the pre-Reverse Stock Split of our common shares for a certificate representing the post-Reverse Stock Split shares.

Following the Reverse Stock Split, shareholders holding physical certificates must exchange those certificates for new certificates.

Our transfer agent will advise registered shareholders of the procedures to be followed to exchange certificates in a letter of transmittal to be sent to shareholders. No new certificates will be issued to a shareholder until the shareholder has surrendered the shareholder's outstanding certificate(s), together with the properly completed and executed letter of transmittal, to the transfer agent. Any old shares submitted for transfer, whether pursuant to a sale, other disposition or otherwise, will automatically be exchanged for new shares.

SHAREHOLDERS SHOULD NOT DESTROY ANY SHARE CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY CERTIFICATE(S) UNTIL REQUESTED TO DO SO.

Fractional Shares

We will not issue fractional shares in connection with the Reverse Stock Split. Instead, shareholders who otherwise would be entitled to receive fractional shares because they hold a number of shares not evenly divisible by the reverse stock split ratio will automatically be entitled to receive an additional fraction of a share of Common Stock to round up to the next whole share.

No Appraisal Rights

No appraisal rights are available under the Pennsylvania General Corporation Law, our Articles of Incorporation, as amended, or our Second Amended and Restated Bylaws, as amended (the "Bylaws") with respect to the Reverse Stock Split. There may exist other rights or actions under state law for shareholders who are aggrieved by Reverse Stock Splits generally.

Accounting Consequences

Our Common Stock would remain unchanged as no par shares after the Reverse Stock Split. Also, our capital account would remain unchanged, and we do not anticipate that any other accounting consequences would arise as a result of the Reverse Stock Split.

Material U.S. Federal Income Tax Consequences of the Reverse Stock Split

The following is a summary of the material U.S. federal income tax consequences of the Reverse Stock Split to holders of our shares. This summary is based on the Internal Revenue Code of 1986, as amended, or the Code, the Treasury regulations promulgated thereunder, and administrative rulings and court decisions in effect as of the date of this document, all of which may be subject to change, possibly with retroactive effect. This summary only addresses holders who hold their shares as capital assets within the meaning of the Code and does not address all aspects of U.S. federal income taxation that may be relevant to holders subject to special tax treatment, such as financial institutions, dealers in securities, insurance companies, foreign persons and tax-exempt entities. In addition, this summary does not consider the effects of any applicable state, local, foreign or other tax laws.

We have not sought and will not seek any ruling from the Internal Revenue Service, or the IRS, or an opinion from counsel with respect to the U.S. federal income tax consequences discussed below. There can be no assurance that the tax consequences discussed below would be accepted by the IRS or a court. The tax treatment of the Reverse Stock Split to holders may vary depending upon a holder's particular facts and circumstances.

We urge holders to consult with their own tax advisors as to any U.S. federal, state, local or foreign tax consequences applicable to them that could result from the Reverse Stock Split.

The receipt of common stock in the Reverse Stock Split should not result in any taxable gain or loss to a holder for U.S. federal income tax purposes. The aggregate tax basis of the common stock received by a holder as a result of the Reverse Stock Split (including the basis of any fractional share to which a holder is entitled) will be equal to the aggregate basis of the existing Common Stock exchanged for such stock. A holder's holding period for the common stock received in the Reverse Stock Split will include the holding period of the common stock exchanged therefor.

Required Vote

The affirmative vote of a majority of the votes cast by all shareholders entitled to vote on the proposal is required to approve the Reverse Stock Split Amendment. Abstentions and broker non-votes will have the same effect as voting against the proposal. Abstentions and broker non-votes are included in the shares present at the Special Meeting for purposes of determining whether a quorum is present, and are counted as a vote against for purposes of determining whether Proposal 1 is approved.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF THE REVERSE STOCK SPLIT AMENDMENT to implement THE reverse stock split within a range from 1-for-3 to 1-for-6 at any time prior to JANUARY 24, 2014, with the exact ratio of the Reverse Stock Split to be determined by the Board of Directors of the Company at its sole discretion. .

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Our common stock is the only class of stock entitled to vote at the Special Meeting. Only our shareholders of record as of the close of business on the Record Date are entitled to receive notice of and to vote at the Special Meeting. As of the Record Date, there were 301 holders of record of our common stock, and we had outstanding 43,576,736 shares of our common stock and each outstanding share is entitled to one (1) vote at the Special Meeting.

Stock ownership of directors and management

The following table sets forth certain information, as of October 18, 2013, with respect to holdings of our common stock by (i) each of our directors and our named executive officers; and (ii) all of our directors and our current executive officers as a group.