

TRANSCAT INC
Form DEF 14A
July 27, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

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 §240.14a-12

TRANSCAT, INC.

(Name of Registrant as Specified in its Charter)

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

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(4) Date Filed:

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TRANSCAT, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

SEPTEMBER 11, 2012

The annual meeting of shareholders of Transcat, Inc. will be held at our corporate headquarters, which are located at 35 Vantage Point Drive, Rochester, New York 14624, on Tuesday, September 11, 2012, at 12:00 noon, local time, for the following purposes, which are more fully described in the accompanying proxy statement:

to elect three directors;

to ratify the selection of Freed Maxick CPAs, P.C. as our independent registered public accounting firm for the fiscal year ending March 30, 2013; and

to transact such other business as may properly come before the annual meeting or at any adjournment or postponement of the meeting.

The board of directors has fixed the close of business on July 20, 2012 as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting and any adjournment or postponement thereof.

By Order of the Board of Directors

Charles P. Hadeed

President and Chief Executive Officer

Rochester, New York

July 27, 2012

Your Vote is Important. If you own your shares through a bank or broker, we encourage you to follow the instructions provided by your bank or broker about how to vote. Your bank or broker cannot vote your shares for director nominees unless you provide your bank or broker with your voting instructions.

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TRANSCAT, INC.

PROXY STATEMENT

The enclosed proxy is solicited on behalf of the board of directors of Transcat, Inc., an Ohio corporation, for use at the annual meeting of shareholders to be held on Tuesday, September 11, 2012, at 12:00 noon, local time, or at any adjournment or postponement of the meeting, for the purposes set forth in this proxy statement and in the accompanying notice of annual meeting of shareholders.

Location of the Annual Meeting

The annual meeting will be held at our corporate headquarters, which are located at 35 Vantage Point Drive, Rochester, New York 14624. Our telephone number is (585) 352-7777.

Mail Date

These proxy solicitation materials are first being mailed to shareholders on or about July 27, 2012.

Record Date and Outstanding Shares

Shareholders of record at the close of business on July 20, 2012, the record date for the annual meeting, are entitled to notice of and to vote at the annual meeting. We have one class of shares outstanding, designated common stock, \$0.50 par value per share. As of the record date, 7,409,652 shares of our common stock were issued and outstanding.

Voting; Cumulative Voting

Generally, each shareholder is entitled to one vote for each share of common stock held as of the record date. With respect to the election of directors, shareholders can cumulate their votes in certain circumstances. Cumulative voting is a system of voting whereby each shareholder receives a number of votes equal to the number of shares that the shareholder holds as of the record date multiplied by the number of directors to be elected. Thus, for example, if you held 100 shares as of the record date, you would be entitled to cast 300 votes (100, the number of shares held, multiplied by three, the number of directors to be elected) for the election of directors. Cumulative voting can be used only for the election of directors and is not permitted for voting on any other proposal.

To employ cumulative voting at the annual meeting, you must notify our president, a vice president or our corporate secretary that you desire that cumulative voting be used at the annual meeting for the election of directors. Such notice must be in writing, and it must be given at least 48 hours before the time fixed for holding the annual meeting. In addition, a formal announcement must be made at the commencement of the annual meeting by our chairman, our corporate secretary or by you or on your behalf, stating that such notice has been given.

You may vote your shares either by signing, dating and returning your proxy or by attending the annual meeting and voting in person.

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When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the annual meeting in accordance with the instructions on such proxies. If no specific instructions are given, shares represented by such proxies will be voted:

FOR the election of the three director nominees; and

FOR the ratification of the selection of Freed Maxick CPAs, P.C. as our independent registered public accounting firm for the fiscal year ending March 30, 2013.

Such shares may also be voted by the named proxies for such other business as may properly come before the annual meeting or at any adjournment or postponement of the meeting.

We will provide ballots to any shareholder who wishes to vote in person at the annual meeting.

Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote in person at the annual meeting, you must bring to the annual meeting a letter from the broker, bank or other nominee confirming both (1) your beneficial ownership of such shares on July 20, 2012, the record date for the meeting, and (2) that such broker, bank or other nominee is not voting the shares at the meeting.

Revocability of Proxies

You may change your vote by revoking your proxy at any time before it is voted at the annual meeting in one of three ways:

submit a signed proxy card with a later date;

notify our corporate secretary in writing before the annual meeting that you are revoking your proxy; or

attend the annual meeting and vote in person.

Solicitation of Proxies

We are making this solicitation of proxies in order to provide all shareholders of record on July 20, 2012 with the opportunity to vote on all matters that properly come before the annual meeting. We will bear all costs related to this solicitation. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited on our behalf, in person or by telephone or other telecommunication, by our directors, officers and employees, none of whom will receive additional compensation for doing so. In addition, we have retained Regan & Associates, Inc., a professional solicitation firm, which will assist us in delivering these proxy materials and soliciting proxies for a fee of approximately \$5,000.

Quorum

A quorum is required for shareholders to conduct business at the annual meeting. Our code of regulations provides that a quorum will exist at the annual meeting if the holders of a majority of the issued and outstanding shares of our common stock are present, in person or by proxy, at the meeting.

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Vote Required

The table below shows the vote required to approve each of the proposals described in this proxy statement, assuming the presence of a quorum, in person or by proxy, at the annual meeting.

Proposal Number	Proposal Description	Vote Required
One	Election of three directors	Plurality of the votes duly cast at the annual meeting
Two	Ratification of the selection of Freed Maxick CPAs, P.C. as our independent registered public accounting firm for the fiscal year ending March 30, 2013	Majority of the votes duly cast at the annual meeting*

* The selection of Freed Maxick CPAs, P.C. is being presented to our shareholders for ratification. The audit committee will consider the outcome of this vote when selecting our independent registered public accounting firm for subsequent fiscal years.

Recommendations of our Board of Directors

Our board of directors recommends that shareholders vote their shares FOR the three director nominees and FOR the ratification of the selection of Freed Maxick CPAs, P.C. as our independent registered public accounting firm for the fiscal year ending March 30, 2013.

Effect of Abstentions

An abstention represents a shareholder's affirmative choice to decline to vote on a proposal other than the election of directors. Shares that abstain from voting on a proposal are counted for the purpose of determining the presence of a quorum, but are not considered votes duly cast for a proposal. Thus, abstentions will have no effect on the outcome of the vote on the proposal to ratify the selection of our independent registered public accounting firm since abstentions are not counted as votes duly cast.

Effect of Not Casting Your Vote and Broker Non-Votes

If you own your shares through a bank or broker, we encourage you to follow the instructions provided by your bank or broker about how to vote. The rules that govern how banks and brokers vote your shares prevents your bank or broker from voting your shares for director nominees unless you provide voting instructions. These rules allow banks and brokers to vote shares on routine matters but not on non-routine matters. Shares that banks and brokers are not authorized to vote because the bank or broker has not received voting instructions from the beneficial owner are referred to as broker non-votes.

The ratification of the selection of our independent registered public accounting firm is considered a routine matter. Accordingly, banks and brokers may vote your shares on this proposal without your voting instructions and there will be no broker non-votes.

The election of directors is considered a non-routine matter and therefore banks and brokers cannot vote your shares on this matter without your voting instructions. If you want your vote to count

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in the election of directors, you must provide your bank or broker with voting instructions. If you do not provide voting instructions, no votes will be cast on your behalf in the election of directors.

Broker non-votes are counted for the purpose of determining the presence of a quorum but are not counted for the purpose of determining the number of shares voting in the election of directors and therefore will have no effect on this proposal.

Annual Report to Shareholders and Annual Report on Form 10-K

We have enclosed our 2012 annual report to shareholders with this proxy statement. Our annual report on Form 10-K for the fiscal year ended March 31, 2012, as filed with the Securities and Exchange Commission, is included in the 2012 annual report. The 2012 annual report includes our audited consolidated financial statements, along with other information about us, which we encourage you to read.

You can obtain, free of charge, an additional copy of our Form 10-K by:

accessing our website, transcat.com, and going to SEC Filings under Investor Relations;

writing to us at: Transcat, Inc., 35 Vantage Point Drive, Rochester, New York 14624, Attention: Corporate Secretary; or

telephoning us at 585-352-7777.

You can also obtain a copy of our annual report on Form 10-K and all other reports and information that we file with, or furnish to, the Securities and Exchange Commission from the Securities and Exchange Commission's EDGAR database at sec.gov.

The information contained on our website is not a part of this proxy statement.

Important Notice Regarding the Availability of Proxy Materials for the

Shareholder Meeting to be held on September 11, 2012

As required by rules adopted by the Securities and Exchange Commission, we are making this proxy statement and our 2012 annual report to shareholders available to you online at:

www.envisionreports.com/TRNS

For directions on how to attend the annual meeting and vote in person, see the Voting; Cumulative Voting and Revocability of Proxies sections above.

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PROPOSAL ONE

ELECTION OF DIRECTORS

Nominees Proposed for Election as Directors for a Term Expiring in 2015

Our code of regulations provides for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms. As a result, only a portion of our board of directors is elected each year.

The number of directors is currently fixed at nine. At this year's annual meeting, shareholders are being asked to elect three directors to hold office for a term expiring in 2015 or until each of their successors is duly elected and qualified. Based on the recommendation of the corporate governance and nominating committee, we have nominated Francis R. Bradley, Alan H. Resnick, and Carl E. Sassano for election as directors. All three nominees currently serve on our board, and we recommend their re-election at the annual meeting.

Unless authority to vote for one or more of the nominees is specifically withheld according to the instructions on your proxy card, proxies will be voted FOR the election of Mr. Bradley, Mr. Resnick and Mr. Sassano. The votes represented by such proxies may be cumulated if proper notice is given (see "Voting; Cumulative Voting" above).

We do not contemplate that any of the nominees will be unable to serve as a director, but if that contingency should occur prior to the voting of the proxies, the persons named in the enclosed proxy reserve the right to vote for such substitute nominee or nominees as they, in their discretion, determine, provided that proxies cannot be voted for a greater number of persons than the number of nominees named in this proxy statement.

Securities and Exchange Commission's rules require us to discuss briefly the particular experience, qualifications, attributes or skills that led our board of directors to conclude that each director or nominee for director should serve on our board of directors. We have provided this discussion in a separate paragraph immediately below the biographical information provided by each director.

Director

Name and Background

Since

2000

Francis R. Bradley, age 66, retired in 2000 from E.I. DuPont de Nemours & Co., Inc. (global science and technology) following a 32-year career. Mr. Bradley was the founding global business manager of the DuPont Instrumentation Center after having held a variety of business and technical management positions. He managed the DuPont Engineering Test Center and was responsible for corporate materials engineering consulting for several years. After his retirement from DuPont, Mr. Bradley served as an executive associate with Sullivan Engineering Company (engineering and construction) and consulted independently on business and technology matters. Since 2000, Mr. Bradley has also been the principal of FRBConsulting, a privately-owned travel and business consulting firm in association with TravelBridge, Inc., Scottsdale, Arizona. Mr. Bradley also serves on the board of directors of two not-for-profit organizations.

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Director

Name and Background

Since

Mr. Bradley brings extensive instrumentation calibration and repair business experience and technological expertise to our board of directors by virtue of his career with DuPont and Sullivan Engineering Company. Mr. Bradley's insights are key to the scalability of our calibration services business segment and in developing synergies between our product and calibration services businesses.

Alan H. Resnick, age 68, is president of Janal Capital Management LLC (investment management), a position he has held since August 2004 after a 31-year career at Bausch & Lomb Incorporated. Mr. Resnick served as vice president and treasurer and a member of Bausch & Lomb's corporate strategy board until his retirement in October 2004. He also served as a member of the advisory board of FM Global, a leading property insurance carrier, until his retirement. Mr. Resnick is a member of the board of directors of the Visiting Nurse Service of Rochester and Monroe County and serves on the boards and committees of several other not-for-profit organizations in the greater Rochester, New York area. He also serves as chairman of the board of ACM Medical Laboratory, a division of Unity Health System, Rochester, New York.

2004

As the former treasurer of Bausch & Lomb for more than 15 years, Mr. Resnick brings invaluable knowledge of financial instruments and the financial markets to our board as we continue our effort to increase financial market awareness of our performance and improve our market capitalization. Mr. Resnick's creative skills set with respect to executive compensation by virtue of his experience in managing and implementing compensation policies in the context of executive compensation uniquely position him to serve as the chairman of our compensation committee.

Carl E. Sassano, age 62, is our chairman of the board. From April 2007 to May 2008, he served as our executive chairman of the board. Mr. Sassano became our president and chief executive officer in March 2002 and was named chairman of the board in October 2003. In May 2006, he ceased serving as our president when Charles P. Hadeed assumed that position. Mr. Sassano was president and chief operating officer of Bausch & Lomb Incorporated in 1999 and 2000. He also held positions in Bausch & Lomb as president-global vision care (1996-1999), president-contact lens division (1994-1996), group president (1993-1994) and president-Polymer Technology (1983-1992), a subsidiary of Bausch & Lomb. Mr. Sassano is a trustee of Rochester Institute of Technology and a member of the board of directors of IEC Electronics Corp. (NYSE MKT: IEC).

2000

Mr. Sassano's experience in small-to-medium size divisions within Bausch & Lomb as well as the processes associated with Bausch & Lomb's overall corporate organization provided Mr. Sassano with the necessary skills set to grow Transcat out of financial turmoil in 2002 and then position it on a path toward growth in the years that followed. Mr. Sassano's leadership skills and institutional knowledge of our company coupled with his significant corporate experience provides our board with a strong understanding of the issues we face in our growth strategy.

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The following table provides certain information with respect to each of our directors whose term in office does not expire at this year's annual meeting.

Name and Background	Director Since	Term Expires
<p>Charles P. Hadeed, age 62, is our president and chief executive officer. Mr. Hadeed joined us in April 2002 as our vice president of finance and chief financial officer. He was named chief operating officer in October 2004 and president in May 2006. In April 2007, he was named chief executive officer. In November 2011, he ceased serving as our chief operating officer when Lee D. Rudow was appointed to that position. Prior to joining us, Mr. Hadeed most recently served as vice president-healthcare ventures group with Henry Schein Inc. Prior to that, he served as group vice president-operations at Del Laboratories Inc., and in various executive positions during his 20-year career at Bausch & Lomb Incorporated. Mr. Hadeed also serves on the board of directors of Rochester Rehabilitation Center, Inc. and Rehabilitation Enterprises, Inc.</p> <p>As our president and chief executive officer, former chief operating officer, and former vice president of finance and chief financial officer, Mr. Hadeed provides our board with invaluable institutional knowledge of the operations of our company, its markets and its customers. When Mr. Hadeed joined us in April 2002, our company was facing a number of critical challenges. His financial and management skills contributed to resolving those challenges as well as the financial turnaround and growth the company has experienced during his tenure with us. As our chief executive officer, Mr. Hadeed has provided the leadership for our sustained growth, profitability and financial stability, including our acquisition strategy, while maintaining a strong and vibrant employee culture.</p>	2007	2013
<p>Richard J. Harrison, age 67, is executive vice president and senior retail lending administrator of Five Star Bank (a wholly-owned subsidiary of Financial Institutions, Inc.), a position he has held since July 2009. Mr. Harrison previously served as senior vice president and senior retail lending administrator of Five Star Bank from 2003 until 2009. From January 2001 through January 2003, he served as executive vice president and chief credit officer of the Savings Bank of the Finger Lakes, as well as a director from 1997 through 2000. Prior to that, he served as an independent financial consultant from January 1999 through January 2000 and held senior executive management positions with United Auto Finance, Inc., American Credit Services, Inc. (a subsidiary of Rochester Community Savings Bank), and Security Trust Company/Security New York State Corporation (now Fleet/Bank of America). Mr. Harrison also serves on the board of directors or as manager of several privately-held for profit and not-for-profit entities.</p>	2004	2014

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Name and Background	Director Since	Term Expires
<p>Mr. Harrison's experience in analyzing complex financial transactions as well as his skills in credit, financial statement analysis and risk management qualify him as our audit committee financial expert. Mr. Harrison's work with small to medium-size businesses throughout his career in banking and finance has provided him with an understanding of business to business marketing and provides our board with an understanding of the financial and business environment in which our company operates. His prior service on a publicly-traded company board also provides our board with valuable insight.</p>		
<p>Nancy D. Hessler, age 66, joined Integrated People Solutions, Boulder, Colorado (strategic human resources consultant) as a vice president in March 2003. Prior to that, she was director of human resources of the wireless internet solutions group of Nortel Networks Corp., Rochester, New York (telecommunications systems) from October 1998 until June 2002. From May 1996 until September 1998, she was group manager of human resources for Rochester Gas and Electric Corporation, Rochester, New York (public utility). From 1991 until May 1996, Ms. Hessler served as human resources manager of the advanced imaging business unit and as manager of sourcing for the general services division of Xerox Corporation. Ms. Hessler also serves on the board of directors of Geva Theatre Center.</p>	1997	2013
<p>Ms. Hessler's significant human resources and executive compensation management experience provides the board with broad perspective as it confronts issues associated with executive compensation, benefit plans, and enhanced employee performance. In addition, Ms. Hessler's experience in the field of leadership effectiveness consulting provides her with the opportunity to work with a variety of executives in the areas of human resources, acquisitions, succession planning, governance and strategic planning, all of which brings a balanced perspective to our board's decision-making process.</p>		
<p>Paul D. Moore, age 61, is a senior vice president of M&T Bank Corporation. He currently serves as senior credit officer overseeing all corporate lending activity in the Rochester, Buffalo and Binghamton, New York markets. Additionally, Mr. Moore has credit responsibility for M&T's automotive dealership customers throughout its Middle Atlantic markets. During his 33-year career at M&T Bank, he has been the commercial banking manager for the Rochester, New York market and has held various commercial loan positions in Buffalo, New York. Mr. Moore also serves on the board of directors of Rehabilitation Enterprises, Inc.</p>	2001	2013
<p>Mr. Moore's more than 30-year corporate banking career qualifies him to represent the interests of shareholders as a member of our board. Over the course of his career, he has extended loans to thousands of companies and has been required to assess management, products, markets and financial performance of these businesses. This process has provided Mr. Moore with a broad perspective of what makes a business successful, which is invaluable to our board, in particular, as it relates to strategic planning and growth.</p>		

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Name and Background	Director Since	Term Expires
<p>Dr. Harvey J. Palmer, age 66, is a professor at and dean of the Kate Gleason College of Engineering at Rochester Institute of Technology, Rochester, New York. Prior to that appointment, he was a professor of chemical engineering at the University of Rochester from 1971 through June 2000, where he also held positions of department chair and associate dean of graduate studies.</p> <p>Dr. Palmer's academic and professional credentials, as well as his leadership position within a prestigious engineering academic institution, brings cutting edge and evolving best practices in engineering to our board. In addition, Dr. Palmer has served on our board of directors for more than 25 years, which affords him a unique historical knowledge and understanding of our company.</p>	1987	2014
<p>John T. Smith, age 65, who served as our lead director until May 2011, is chairman and chief executive officer of Brite Computers, Inc. (information technology consulting), which he joined in 1999. Prior to that, from 1997 to 1999, he was the president of JTS Chequeout Solutions, Inc. From 1980 to 1997, Mr. Smith was president of JTS Computer Services, Inc. Mr. Smith serves on the board of directors of the Monroe Community College Foundation.</p> <p>Mr. Smith brings a unique entrepreneurial creativity to our board. He has founded and developed over ten information technology companies over the past 30 years that range from small, local service companies to national product and service companies to major accounts. In the process, Mr. Smith has gained extensive management, financial, banking and technical expertise. Mr. Smith's provocative approach to management has aided the board in the integration of recent acquisitions and brings a different yet compelling smaller-business perspective.</p>	2000	2014

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PROPOSAL TWO
RATIFICATION OF SELECTION OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On September 19, 2011, our audit committee dismissed BDO USA, LLP and engaged the firm of Freed Maxick CPAs, P.C. as our independent registered public accounting firm for the fiscal year ended March 31, 2012, which we refer to as fiscal year 2012.

The audit committee has selected Freed Maxick CPAs, P.C. as our independent registered public accounting firm for the fiscal year ending March 30, 2013. This selection is being presented to our shareholders for ratification at the annual meeting. The audit committee will consider the outcome of this vote in its future discussions regarding the selection of our independent registered public accounting firm for subsequent fiscal years.

BDO USA, LLP's reports on our financial statements as of and for the fiscal years ended March 26, 2011 and March 27, 2010, which we refer to as fiscal year 2011 and fiscal year 2010, respectively, did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles. In addition, during fiscal year 2011 and fiscal year 2010, and through September 19, 2011, there were no disagreements between us and BDO USA, LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of BDO USA, LLP, would have caused BDO USA, LLP to make reference to the subject matter of the disagreements(s) in connection with its reports.

We provided BDO USA, LLP with a copy of the disclosure as contained in Item 4.01 of our Current Report on Form 8-K that we filed with the Securities and Exchange Commission on September 21, 2011 and requested that BDO USA, LLP furnish us with a letter addressed to the Securities and Exchange Commission stating whether or not it agreed with these statements. A copy of BDO USA, LLP's letter dated September 19, 2011 was filed as Exhibit 16.1 to that Current Report on Form 8-K.

During fiscal year 2011 and fiscal year 2010, and through September 19, 2011, we did not consult with Freed Maxick CPAs, P.C. with respect to any matter that involved (i) the application of accounting principles to a specified transaction, either completed or proposed, (ii) the type of audit opinion that was or might be rendered on our financial statements, or (iii) was either the subject of a disagreement (as defined in paragraph 304(a)(1)(iv) and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

The board of directors recommends you vote in favor of the proposal to ratify the selection of Freed Maxick CPAs, P.C. as our independent registered public accounting firm for the fiscal year ending March 30, 2013 and the persons named in the enclosed proxy (unless otherwise instructed therein) will vote such proxies FOR this proposal.

We have been advised by Freed Maxick CPAs, P.C. that a representative will be present at the annual meeting and will be available to respond to appropriate questions. We intend to give such representative an opportunity to make a statement if he or she should so desire.

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The following table shows the fees for professional services provided by Freed Maxick CPAs, P.C. during fiscal year 2012 and fiscal year 2011.

	Fiscal Year 2012	Fiscal Year 2011
Audit Fees	\$116,370	--
Audit-Related Fees	--	--
Tax Fees	--	--
All Other Fees	--	--
Total	\$116,370	--

Fees Paid to BDO USA, LLP

The following table shows the fees for professional services provided by BDO USA, LLP during fiscal year 2012 and fiscal year 2011.

	Fiscal Year 2012	Fiscal Year 2011
Audit Fees	\$51,272	\$218,676
Audit-Related Fees	--	--
Tax Fees	--	--
All Other Fees	--	--
Total	\$51,272	\$218,676

Audit fees paid to Freed Maxick CPAs, P.C. during fiscal year 2012 were for professional services rendered for the audit of our annual consolidated financial statements and for the reviews of the financial statements included in our Quarterly Reports on Form 10-Q for the quarters ended September 24, 2011 and December 24, 2011.

Audit fees paid to BDO USA, LLP during fiscal year 2012 were for professional services rendered for the review of the financial statements included in our Quarterly Report on Form 10-Q for the quarter ended June 25, 2011 and for professional services related to the filing of our Annual Report on Form 10-K for fiscal year 2012. Audit fees paid to BDO USA, LLP during fiscal year 2011 were for professional services rendered for the audit of our annual consolidated financial statements and reviews of the financial statements included in our Quarterly Reports on Form 10-Q.

Policy on Pre-Approval of Retention of Independent Registered Public Accounting Firm

In accordance with applicable laws, rules and regulations, the audit committee charter requires that the audit committee have the sole authority to review in advance and pre-approve all audit and non-audit fees and services provided to us by our independent registered public accounting firm. Accordingly, all audit services for which Freed Maxick CPAs, P.C. and, prior to its dismissal, BDO USA, LLP were engaged were pre-approved by the audit committee. The audit committee may delegate to one or more designated members of the audit committee the authority to grant required pre-approval of audit and permitted non-audit services. The decision of any member to whom authority is delegated is required to be presented to the full audit committee at its next scheduled meeting.

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Independence Analysis by Audit Committee

The audit committee considered whether the provision of the services described above was compatible with maintaining the independence of Freed Maxick CPAs, P.C. and, prior to its dismissal, BDO USA, LLP, and determined that the provision of these services was compatible with each firm's independence.

REPORT OF THE AUDIT COMMITTEE¹

The audit committee of the board of directors is currently comprised of four members of the board of directors, each of whom the board of directors has determined is independent under the independence standards of the Nasdaq Stock Market and applicable Securities and Exchange Commission rules. The audit committee assists the board of directors in overseeing the company's accounting and financial reporting processes and financial statement audits. The specific duties and responsibilities of the audit committee are set forth in the audit committee charter, which is available on our website, transcat.com, under the heading "Investor Relations" and the subheading "Corporate Governance."

The audit committee has:

reviewed and discussed the company's audited consolidated financial statements for fiscal year 2012 with the company's management and Freed Maxick CPAs, P.C.;

discussed with Freed Maxick CPAs, P.C. the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and

received and discussed the written disclosures and the letter from Freed Maxick CPAs, P.C. required by applicable requirements of the Public Accounting Oversight Board regarding the independent registered public accounting firm's communications with the audit committee concerning independence; and has discussed with Freed Maxick CPAs, P.C. its independence.

Based on these reviews and discussions with management and Freed Maxick CPAs, P.C. and the report of Freed Maxick CPAs, P.C., and subject to the limitations on the committee's role and responsibilities contained in the audit committee charter, the audit committee recommended to the board of directors, and the board of directors approved, that the audited consolidated financial statements for fiscal year 2012 be included in the company's annual report on Form 10-K for fiscal year 2012 for filing with the Securities and Exchange Commission.

The audit committee selects the company's independent registered public accounting firm annually and has submitted such selection for fiscal year 2013 for ratification by shareholders at the annual meeting.

Audit Committee:

Richard J. Harrison, Chair

Francis R. Bradley

Paul D. Moore

Harvey J. Palmer

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¹ The material in this report is not deemed to be soliciting material, or to be filed with the Securities and Exchange Commission and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filings.

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CORPORATE GOVERNANCE

Board Meetings

The board of directors held five meetings during fiscal year 2012. Each director then in office attended at least 75% of the total of such board meetings and meetings of board committees on which he or she served.

Director Independence

The board of directors has determined that Mr. Bradley, Mr. Harrison, Ms. Hessler, Mr. Moore, Dr. Palmer, Mr. Resnick, Mr. Sassano, and Mr. Smith are each independent under the independence standards of the Nasdaq Stock Market.

Executive Sessions

During fiscal year 2012, our independent directors met in regularly scheduled executive sessions, without management present, as required by the listing standards of the Nasdaq Stock Market. These executive sessions were coordinated by Mr. Smith, who served as the lead director of our independent directors until May 2011 when the board determined that Mr. Sassano, our chairman of the board, was independent under the independence standards of the Nasdaq Stock Market. Mr. Sassano now presides over the executive sessions of the independent directors.

Board Leadership Structure

The board of directors separates the roles of chief executive officer and chairman of the board, based on the board's belief that corporate governance of the company and appropriate, independent oversight of management is most effective when these positions are not held by the same person. The board recognizes the differences between the two roles and believes that separating them allows each person to focus on their individual responsibilities. Under this leadership structure, our chief executive officer can focus his attention on day-to-day company operations and performance, establishing and implementing long-term strategic plans, and our chairman of the board can focus his attention on board responsibilities.

Presently, the board believes it is appropriate to keep the roles of chief executive officer and chairman of the board separate. The board may, however, change the leadership structure if it believes that a change would better serve the company and its shareholders.

Prior to May 2011, the board had a lead director who presided over the executive sessions of the independent directors until the board determined that Mr. Sassano, our chairman of the board, was independent under the independence standards of the Nasdaq Stock Market. Mr. Sassano now presides over the executive sessions of the independent directors.

Retirement Policy

The mandatory retirement age for board members is age 72. However, the board of directors has reserved the right to extend the mandatory retirement age if circumstances warrant.

Table of Contents**Board Committees**

The board of directors has a standing audit, compensation, and corporate governance and nominating committee. The table below shows the number of meetings held during fiscal year 2012 and the names of the directors serving on each committee.

Committee Name	Number of Meetings Held	Committee Members	
Audit	Five	Mr. Bradley	Mr. Harrison ⁽¹⁾
		Mr. Moore	Dr. Palmer
Compensation	Two	Ms. Hessler	Dr. Palmer
		Mr. Smith	Mr. Resnick ⁽¹⁾
Corporate Governance and Nominating	One	Mr. Resnick	Mr. Smith ⁽¹⁾

⁽¹⁾ Chairman

Each committee acts pursuant to a written charter adopted by our board of directors. The current charter for each board committee is available on our website, transcat.com, under the heading "Investor Relations" and the subheading "Corporate Governance." The information contained on our website is not a part of this proxy statement.

Audit Committee

The board of directors has determined that each member of the audit committee has sufficient knowledge in financial and auditing matters to serve on the committee and is independent under applicable Securities and Exchange Commission rules. The board of directors has designated Mr. Harrison as an audit committee financial expert in accordance with applicable Securities and Exchange Commission rules and based on his professional experience in banking and finance as described in his biography under "Proposal One Election of Directors." The board of directors has determined that Mr. Moore would also qualify as an audit committee financial expert in accordance with applicable Securities and Exchange Commission rules and based on his professional experience in banking and corporate lending as described in his biography under "Proposal One Election of Directors."

The audit committee serves as an independent and objective party to monitor our financial reporting process and internal control system; retains, pre-approves audit and permitted non-audit services to be performed by, and directly consults with, our independent registered public accounting firm; reviews and appraises the services of our independent registered public accounting firm; and provides an open avenue of communication among our independent registered public accounting firm, financial and senior management and our board of directors. Our audit committee charter more specifically sets forth the duties and responsibilities of the audit committee.

The audit committee, which was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, is also responsible for preparing the committee's report that Securities and Exchange Commission rules require be included in our annual proxy statement, and performing such other tasks that are consistent with its charter.

The audit committee's report relating to fiscal year 2012 appears under the heading "Report of the Audit Committee."

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Corporate Governance and Nominating Committee

The corporate governance and nominating committee is charged with identifying candidates, consistent with criteria approved by the committee, qualified to become directors and recommending that the board of directors nominate such qualified candidates for election as directors. The committee is also responsible for reviewing our code of regulations, shaping corporate governance, overseeing the evaluation of the board of directors, board committees and management, and performing such tasks that are consistent with the corporate governance and nominating committee charter.

The process followed by the corporate governance and nominating committee to identify and evaluate candidates includes requests to board members, the chief executive officer and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and their qualifications, and interviews of selected candidates.

The corporate governance and nominating committee also considers and establishes procedures for shareholder recommendations of nominees to the board. Shareholder recommendations, together with relevant biographical information, should be sent to the following address: Transcat, Inc., 35 Vantage Point Drive, Rochester, New York 14624, Attention: Corporate Secretary. The qualifications of recommended candidates will be reviewed by the corporate governance and nominating committee.

In evaluating the suitability of candidates (other than our executive officers) to serve on the board of directors, including shareholder nominees, the corporate governance and nominating committee seeks candidates who are independent under the independence standards of the Nasdaq Stock Market and meet certain selection criteria established by the corporate governance and nominating committee from time to time. The corporate governance and nominating committee also considers an individual's skills; character and professional ethics; judgment; leadership experience; business experience and acumen; familiarity with relevant industry issues; national and international experience; and other relevant criteria that may contribute to our success. This evaluation is performed in light of the skills set and other characteristics that complement those of the current board, including the diversity, maturity, skills and experience of the board as a whole. Although the corporate governance and nominating committee does not have a specific written diversity policy, the committee values and considers diversity when seeking and evaluating candidates for the board. The committee believes that diversity is not limited to gender and ethnicity, but also includes perspective gained from educational and cultural backgrounds and life experiences.

Compensation Committee

The compensation committee is responsible for establishing and implementing compensation programs for our executive officers and directors that further the intent and purpose of our fundamental compensation philosophy and objectives and for performing such other tasks that are consistent with its charter.

For more information on executive compensation and director compensation and the role of the compensation committee, see [Compensation Overview](#) under the heading [Executive Compensation](#) and [Director Compensation](#).

Director Attendance at Annual Meetings

Company policy requires all directors, absent special circumstances, to attend our annual shareholder meetings. All of our directors attended the annual meeting of shareholders that was held on September 13, 2011.

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The Board's Role in Risk Oversight