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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-K**

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(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-34099

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**MASTECH HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

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PENNSYLVANIA  
(State or other jurisdiction of  
incorporation or organization)

26-2753540  
(I.R.S. Employer  
Identification No.)

1305 Cherrington Parkway, Building 210, Suite 400  
Moon Township, PA  
(Address of principal executive offices)

15108  
(Zip Code)

Registrant's telephone number, including area code: (412) 787-2100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, \$.01 par value	NYSE MKT

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2014 (based on the closing price on such stock as reported by NYSE MKT on such date) was \$25,747,000.

The number of shares of the registrant's Common Stock, par value \$.01 per share, outstanding as of February 27, 2015 was 4,330,603 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement, prepared for the Annual Meeting of Shareholders scheduled for May 13, 2015 to be filed with the Commission, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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**MASTECH HOLDINGS, INC.**  
**2014 FORM 10-K**  
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## PART I

### Forward-Looking Statements

This Annual Report on Form 10-K contains statements that are not historical facts and that constitute “forward looking statements” within the meaning of such term under the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risk, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as “expects”, “intends”, “anticipates”, “believes”, “estimates”, “assumes”, “projects” and similar expressions are intended to identify such forward-looking statements. You should not rely solely on the forward-looking statements and should consider all uncertainties and risk throughout this Annual Report on Form 10-K, including those described under “Risk Factors”. These statements are based on information currently available, and we undertake no obligation to update any forward-looking statement as circumstances change.

Factors or events that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following:

- changes in general U.S. economic conditions and economic conditions in the industries in which we operate;
- our ability to retain existing clients and obtain new clients;
- changes in competitive conditions;
- our ability to introduce new service offerings;
- availability of and retention of skilled technical employees and key personnel;
- technological changes;
- changes in accounting standards, rules and interpretations;
- many of our contracts are terminable by clients without penalty;
- changes in immigration laws, patterns and other factors related to visa holders;
- liabilities and unanticipated developments resulting from litigations, regulatory investigations and similar matters;
- fluctuations due to currency exchange rate variations;
- changes in U.S. laws, rules and regulations, including the Internal Revenue Code;
- changes in India’s geopolitical environment, laws, rules and regulations;
- the impact of new acquisitions; and
- management’s ability to identify and manage risks.

### ITEM 1. BUSINESS

#### Overview

Mastech Holdings, Inc. (referred to in this report as “Mastech”, the “Company”, “us”, “our” or “we”) is a provider of Information Technology (“IT”) staffing services. Headquartered in the suburbs of Pittsburgh, Pennsylvania, we have approximately 750 consultants that provide services across a broad spectrum of industry verticals. From July 1986 through September 2008, we conducted our business as subsidiaries of iGATE Corporation (“iGATE”). We do not sell, lease or otherwise market computer software or hardware, and 100% of our revenue is derived from the sale of staffing services.

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Our IT staffing business combines technical expertise with business process experience to deliver a broad range of services within business intelligence / data warehousing; web services; enterprise resource planning and customer resource management; mobile applications; and e-Business solutions. We work with businesses and institutions with significant IT spending and recurring staffing needs. We also support smaller organizations with their “project focused” temporary IT staffing requirements.

Sales and marketing of our IT staffing business are conducted through account executives within two sales channels (wholesale and retail). Much of these efforts employ a cost-effective telesales model, supplemented with selective travel and client visits. The wholesale channel consists of system integrators and other IT staffing firm clients, with a need to supplement their abilities to attract highly-qualified temporary technical computer personnel. The retail channel focuses on clients that are end-users of staffing services. This channel consists primarily of end-users who have retained a third party to provide vendor management services (a “managed service provider” or “MSP”) and to centralize the consultant hiring process. The channel also includes our limited branch services operations, which focus on clients that are end-users of staffing services in select geographies within the U.S. The branch services model employs local sales and recruitment resources, aimed at establishing strong relationships with both clients and candidates.

We recruit through Global Recruiting Centers located in the U.S. and India that deliver a full range of recruiting and sourcing services. Our centers employ over 100 recruiters and sourcers that focus on recruiting U.S. based candidates to service a geographically diverse client base in the U.S. Our ability to respond to client requests, due to our offshore recruiting capabilities, with investment in sourcing and recruiting processes, expanded search coverage, round-the-clock sourcing, and frequent candidate contact, gives us the ability to deliver high-quality candidates to our clients in a timely fashion.

### **History and Developments**

Historically, we operated as the former Professional Services segment of iGATE. Mastech Holdings, Inc. was incorporated in Pennsylvania as a wholly-owned subsidiary of iGATE on June 6, 2008 in anticipation of our spin-off from iGATE. On September 30, 2008, we spun-off from iGATE and began operating as an independent public company. Our operating subsidiaries have 28 years of history as reliable providers of IT staffing services.

Established in 1986, our business model focused on importing global IT talent to the U. S. to meet the growing demand for IT professionals. In the early 2000’s, the demand for IT professionals declined and the supply of IT resources quickly exceeded a declining demand curve. No longer was there a need to recruit abroad for technology talent, as supply was abundant in the U.S. Accordingly, the Company retooled its recruiting model to focus on the recruitment of U.S.-based IT talent. Given the Company’s reputation with, and knowledge of, H1-B visas, part of our recruiting efforts focused on attracting H1-B visa holders currently in the U.S. This approach gave the Company access to a larger and differentiated recruiting pool compared to many of its competitors.

In 2003, the Company launched its offshore Global Recruitment Center model in an effort to meet an increase in industry demand with lower cost recruiting resources. Over the last eleven years, the Company has made significant investment in these centers to improve infrastructure, processes and effectiveness. Additionally, we have made investments in recent years in our domestic recruitment structure, primarily to support our IT retail channel.

During 2010, the Company made two strategic moves designed to enhance and expand its service offerings. In January, 2010, the Company acquired Curastat, Inc., an Arizona-based specialized healthcare staffing organization. This acquisition, along with the creation of Mastech Healthcare, Inc., expanded the Company’s service offerings into the healthcare staffing space. Also in January, 2010, the Company sold its brokerage operations staffing business, thus focusing on its IT and healthcare staffing operations.

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In August 2013, the Company sold its healthcare staffing operations to focus entirely on its core IT staffing business.

During the fourth quarter of 2014, the Company established a technology center to evaluate practice opportunities for high-demand IT skill-sets and emerging technologies. This new initiative is expected to generate revenues during 2015 as new practice areas are identified and marketed.

### **Our Business**

Our revenues are principally generated from contract staffing services that are provided on a time and material basis. Typically, we negotiate our business relationship by using one of three methods to gain agreement on the services to be provided. We either establish our relationship based on a simple standard term sheet; create a Statement of Work (“SOW”) specific to a project; or enter into a master service agreement with a client that describes the framework of our relationship. In each case, a client will submit to us positions and / or requirements that they plan on satisfying by using temporary contractors. We propose consultants to the client that we believe satisfy their needs and propose an hourly bill rate for each consultant submitted. The client will select our consultant or a competing firm’s consultant based on their view of quality, fit and pricing. Contractual consultant specific details, such as billable rates, are documented as an annex to the agreement type that is chosen by the client.

We generally do not enjoy exclusivity with respect to a client’s contractor needs. Most of our clients use multiple suppliers to satisfy their requirements and to ensure a competitive environment. Our success with any particular client is determined by (a) the quality and fit of our consultant; (b) our ability to deliver a quality consultant on a timely basis; and (c) pricing considerations. We recognize revenue on contract staffing assignments as services are performed (hours worked multiplied by the negotiated hourly bill rate). We invoice our clients on a weekly, bi-weekly or monthly basis, in accordance with the terms of our agreement. Typical credit terms require our invoices to be paid within 30 days of receipt by the client.

While our primary focus is on contract staffing services, we also provide permanent placement services for our clients when opportunities arise. Permanent placement revenues have historically represented less than 1% of our total revenues.

### *Sales and Marketing*

We focus much of our marketing efforts on businesses and institutions with significant budgets and recurring staffing needs. We constantly look to develop relationships with new clients. In addition, we continuously work to penetrate our existing client relationships to deeper levels.

Our marketing is conducted through account executives within two sales channels (wholesale and retail). Our IT consultants and their skill sets can be marketed within both sales channels. There are numerous occasions where a consultant will end a project within one channel and immediately start a new project within the other channel. When a consultant is on “paid bench” (between projects) account executives from both sales channels have the ability to market the consultant within their respective client base.

The wholesale channel consists of system integrators and other IT staffing firm customers with a need to supplement their ability to attract highly-qualified temporary technical computer personnel. Over the last several years, more of our revenues have come from the wholesale channel as a percentage of total revenues. Revenues from this channel represented 77% of our total revenues in 2014. Most of our strategic relationships in this channel are established at the vice president / sales director level. Account executives generally are responsible for expanding existing client relationships. We supplement these marketing activities through our sales organization in India, whose account executives target smaller IT staffing clients within the wholesale channel. Generally, these account executives call (telesales) on potential new customers within an assigned U.S. territory.

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Our retail channel focuses on customers that are end-users of IT staffing services. Revenues from this channel represented 23% of our total revenues in 2014. Account executives at our limited branch operations call on, and meet with, potential new customers and are also responsible for maintaining existing client relationships within their geographic territory. Account executives are paired with recruiters and both receive incentive compensation based on revenue generation activities using a localized sales and recruitment model. Within the retail channel, many end-users of IT staffing services have retained a third party to provide vendor management services to centralize the consultant hiring process and reduce costs. Under this arrangement, the third-party managed service provider (“MSP”) retains control of the vendor selection and vendor evaluation process, which weakens the relationship built with the client. Our lower-cost centralized telesales model and highly efficient offshore recruiting model have better positioned us to respond to the growing use of MSPs.

Permanent placement activity can be generated from both of our sales channels. However, such opportunities are largely by-products of conducting our core contract staffing business. During 2014, permanent placement fees continued to represent less than 1% of total revenues.

### *Recruiting*

We operate four small recruiting centers located in the U.S. and two larger facilities in India that deliver a full range of recruiting and sourcing services. Our centers employ over 100 recruiters and sourcers that focus on recruiting U.S. based candidates to service a geographically diverse client base in the U.S. Our ability to respond to client requests faster than the competition is critical for success in our industry as most staffing firms access the same candidate pool via job boards and websites. Our offshore recruiting capabilities, with investment in sourcing and recruiting processes, expanded search coverage, around-the-clock sourcing, and frequent candidate contact, gives us the ability to deliver high-quality candidates to our clients in a timely fashion.

We have continued to invest in leading technologies and recruitment tools to enhance efficiencies. For example, we use web-based tools to expand the reach of our candidate searches. We also employ a state-of-the-art applicant tracking system that has proprietary tool-kits and job board / internet interfacing capabilities, resulting in further operational efficiencies.

In late 2011, we upgraded and expanded our offshore recruitment offices in Bangalore. In late 2014, we significantly expanded our offshore recruitment offices in New Delhi which will give us the ability to nearly double our recruiter seats from existing levels. Both facilities provide our offshore organization with state-of-the-art infrastructure and workforce amenities to attract top-quality employees.

We have access to a large and differentiated recruiting pool due to our brand recognition with both W-2 hourly U.S. citizens and H1-B visa holders in the U.S. Unlike most staffing firms that have a high concentration of either H1-B workers or W-2 hourly U.S. citizens, we have historically maintained an equal balance of H1-B and W-2 hourly employees. We believe that this balanced mix allows us to tap a broader candidate pool than our primary competition.

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### *Technology Focus of our IT Operations*

We provide technologies and maintain strategic relationships with industry leaders, such as Salesforce.com, Oracle and Accenture, in many high demand areas including mobile applications and the implementation and support for cloud-based applications. Our IT staffing services are concentrated in the following areas:

<u>SOA / Web Services</u>	<u>ERP / CRM / PILC</u>	<u>BI / DW</u>	<u>e-Business Solutions</u>
<ul style="list-style-type: none"><li>• SOA architecture</li><li>• Business process analysis and redesign</li><li>• Modeling using rational unified process (RUP)</li><li>• End-to-end implementation</li><li>• Web Services development</li><li>• Migration from legacy interfaces</li></ul>	<ul style="list-style-type: none"><li>• End-to-end implementation</li><li>• ERP program management</li><li>• Business process analysis and redesign</li><li>• Gap analysis</li><li>• Configuration, customization and implementation</li><li>• Maintenance, production support and help desk</li><li>• Upgrades and enhancements</li><li>• SaaS and cloud-based application implementation</li><li>• Application integration</li></ul>	<ul style="list-style-type: none"><li>• Assessment</li><li>• ETL</li><li>• Enterprise data warehousing / customized data warehousing / data marts</li><li>• Balanced scorecards</li><li>• Data mining</li><li>• Business process re- engineering</li><li>• Enterprise data modeling</li><li>• Metadata management</li><li>• Data stewardship</li></ul>	<ul style="list-style-type: none"><li>• Development of e-Commerce portals (B2B / B2C / B2E)</li><li>• Integration of e-Commerce portals with backend applications</li><li>• Mobile applications development and support</li><li>• Legacy systems integration</li><li>• Architecture enhancement development</li><li>• Application framework development</li><li>• Package implementation</li><li>• Testing and database administration</li></ul>

### Service Oriented Architecture (“SOA”) and Web Services

Our SOA / Web Services practice is built on successful client work with Web Services, enterprise integration projects, and SOA-specific client engagements. The mission of the SOA / Web Services practice is to provide clients with the framework and resources to consolidate and integrate numerous technologies in the most cost-effective manner possible. We work with our partners to develop methods that identify service function points that should be bundled into specific services.

Our consultants work to provide our clients with a framework that better utilizes the technologies running across their enterprise. Our business process experts work hand-in-hand with technical consultants to streamline and maximize the value of its clients’ systems and interfaces.

### Enterprise Solutions including Enterprise Resource Planning (“ERP”), Customer Relationship Management (“CRM”) & Package Implementation Life Cycle (“PILC”).

Our Enterprise Solutions practice helps clients design and implement Enterprise Resource Planning and Customer Relationship Management software. We have expertise in assisting clients at all stages of an enterprise solutions life cycle, resulting in long lasting relationships.

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The Enterprise Solutions Life Cycle includes the following phases:

- Project Initiation Phase
- Definition Phase
- Development Phase
- Deployment Phase
- Support Phase

We have completed numerous projects in the ERP space, which range from the implementation of stock systems to fully customized applications. Our consultants are well versed in the leading ERP solutions (including SAP and Oracle Applications) and their functional experience crosses many disciplines including the following areas:

- Finance and Accounting
- Inventory and Purchasing
- Project Billing and Costing, Sales, Distribution and Services
- Manufacturing
- Marketing and Call Center Support
- Product Data Management and Data Warehousing
- Supply Chain Management
- Human Capital Solutions
- Customer Relationship Management

### Business Intelligence and Data Warehousing

Our Business Intelligence and Data Warehousing practice specializes in helping clients navigate enterprise-wide IT infrastructure, utilizing “best practices” to create a roadmap for realizing the full benefits of their investment. Our services are comprised of technical and functional consultants who work with clients to achieve the following objectives:

- 1) Increase data accuracy and consistency:
  - Define consistent data definitions and data standards
  - Develop metadata to drive data cleansing and aid user understanding
- 2) Provide the right data to the right people at the right time:
  - Provide users with complete and easy access to all data
  - Design a model that focuses on database performance
  - Add additional elements and aggregations to improve analysis and modeling
- 3) Increase productivity and flexibility.
- 4) Access data through central solution:
  - Design models based on analysis requirements of the customer to improve productivity
  - Access to the data warehouses using the standard tool set
  - Provide flexible and modular architecture to meet changing business needs



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- 5) Reduce complexity:
  - Decommission redundant systems
  - Transition reporting and analysis

### e-Business Solutions

We have a long history of being a leading provider of Web-based consulting services. Our consultants have worked on some of the largest and most prestigious eCommerce applications in existence today. Our Web development practice provides services at every stage of Web development, including business process assessment, software selection, implementation expertise and post-implementation support services. We offer a full range of certified Web professionals including engagement managers, project managers, data/technical architects, business analysts and technical developers. We have a proven track record and expertise in the following Web technologies:

- 1) Microsoft technologies (Net, MS Web Services, IIS, MTS and others)
- 2) Java and related technologies including:
  - J2EE
  - IBM Websphere
  - WebLogic
  - Apache
  - Open Source software
  - XML-based technology
  - N-tier architecture applications
  - Web-enabling existing applications

### *Geographic Presence & Industry Verticals*

All of our revenues are generated from services provided in the U.S. We market our services on a national basis and have the ability to provide services in all 50 states. Our geographical concentration tends to track major client locations, such as California, Texas, Pennsylvania, and in large metropolitan areas such as New York City and Washington, D.C.

We provide our IT services across a broad spectrum of industry verticals including: Automotive, Consumer Products, Education, Financial Services, Government, Healthcare, Manufacturing, Retail, Technology, Telecommunications, Transportation and Utilities. Below is a breakdown of our IT billable consultant base by industry as of December 31, 2014:

Financial Services	27%	Healthcare	13%
Telecom	19%	Government	9%
Technology	14%	Other	18%

Our client-base consists of large, medium-sized and small companies that span across multiple industry verticals. Accenture is our largest client, representing 11.7% of total 2014 revenues. Our services to Accenture generally supplement their needs for IT professionals to staff end-client projects. Approximately 59% of our total revenues were generated from our top ten clients during 2014.

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### *Employees*

At December 31, 2014, we had approximately 700 U.S. employees and 200 employees offshore. None of our employees are subject to collective bargaining agreements governing their employment with our Company. We employ our consultants on both an hourly and salary basis. Most of our salaried employees are H1-B visa holders. We enjoy a good reputation within the H1-B visa community, which allows us to tap a very broad candidate pool. Most of our hourly employees are U.S. citizens. On average, we maintain a balanced composition of salaried and hourly employees. We believe that our employee relations are good.

### *Intellectual Property Rights*

Our intellectual property largely consist of proprietary processes; client, employee and candidate information; as well as proprietary rights of third parties from whom we license intellectual property. We rely upon a combination of nondisclosure and other arrangements to protect our intellectual properties.

### *Seasonality*

Our operations are generally not affected by seasonal fluctuations. However, our consultants' billable hours are affected by national holidays and vacation practices. Accordingly, we typically have lower utilization rates and higher benefit costs during the fourth quarter. Additionally, assignment completions tend to be higher near the end of the calendar year, which largely impacts our revenue and gross profit performance during the subsequent quarter.

## **Our Competitive Position**

We operate in a highly competitive and fragmented industry, with low barriers to entry. We compete for potential clients with providers of outsourcing services, systems integrators, computer systems consultants, other staffing services firms and, to a lesser extent, temporary personnel agencies. Many of our competitors are significantly larger and have greater financial resources in comparison to us. We believe that the principal competitive factors for securing and building client business relationships are driven by the ability to precisely comprehend client requirements and by providing highly qualified consultants who are motivated to meet or exceed a client's expectations. We must be able to do this efficiently to provide speed to market with pricing that is competitive and represents value to both our clients and our consultants. The principal competitive factors in attracting qualified personnel are compensation, availability, location and quality of projects and schedule flexibility. We believe that many of the professionals included in our database may also pursue other employment opportunities. Therefore, our responsiveness to the needs of these professionals is an important factor in our ability to be successful.

## **Our Strengths**

We believe our strengths compared to industry peers include:

### *Established client base*

Our client base consists of large, medium-sized and small companies that span across multiple industry verticals. Long-standing relationships with corporate clients, blue-chip IT integrators and MSPs are a core component of our future growth strategy. These relationships, exemplified by our consistently low customer attrition rate, reflect our focus and commitment to our customers.

### *Operational excellence*

In the staffing services business, operational excellence largely relates to a firm's ability to effectively recruit high quality talent. Our offshore recruitment operations give us the ability to respond to clients' staffing

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needs in a timely and cost effective manner. Investments in sourcing and recruiting processes and leading technologies and recruitment tools have resulted in a highly scalable offshore recruiting model, which has delivered value to our clients.

Additionally, we employ a human resource management model, featuring portal technology as well as immigration support services, for our widely dispersed consultant base. This model enables us to maintain attrition rates that are much lower than the industry averages for our salaried workforce.

### *Minority-owned status*

We are a large minority-owned staffing firm and have received multiple awards for our commitment to diversity. We have been certified as a minority-owned business by the National Minority Supplier Development Council (“NMSDC”). This certification is attractive to many clients and potential clients, particularly in the government and public sector segments, where project dollars are specifically earmarked for diversity spending.

### *Attractive financial profile*

We have historically enjoyed higher operating margin potential than our industry peers due to our low cost telesales and offshore recruiting models. These business models allow us to quickly adjust our cost structure to changes in our business environment. Our blue-chip client base has ensured high quality accounts receivable and a strong and predictable cash flow conversion metric.

### *Experienced management team*

Our management team, comprised of business leaders with deep industry experience, is a unique blend of executives with significant Mastech experience and others who have held leadership roles in other companies. We believe this talent, with combined experience across a variety of industries, allows us to capitalize on the positives of our existing business model and at the same time improve our service offerings, internal processes and long-term strategy for future growth.

### *Expertise in high-demand IT skills*

We have substantial expertise in certain IT skills including: enterprise resource planning and customer relationship management; service oriented architecture and web services; business intelligence and data warehousing; and e-Business solutions. We also have the capacity to take advantage of demand growth in these sectors, as we are well positioned in terms of scale, technical capabilities, and client base. In addition, we have relationships with industry leaders such as Salesforce.com, Oracle and Accenture, who are among the leading providers of such services.

## **Reportable Financial Segments**

The Company has one reportable segment in accordance with ASC Topic 280 “Disclosures about Segments of an Enterprise and Related Information”.

## **Available Information**

Our headquarters are located at 1305 Cherrington Parkway, Building 210, Suite 400, Moon Township, Pennsylvania 15108, and our telephone number is (412) 787-2100. The Company’s website is [www.mastech.com](http://www.mastech.com). Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available free of charge by accessing the Investor Relations page of the Company’s website as soon as reasonably practical after such reports are filed with the Securities and Exchange Commission (the “SEC”).

## ITEM 1A. RISK FACTORS

*You should carefully consider each of the following risk factors and all of the other information set forth in this Annual Report on Form 10-K or incorporated by reference herein. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our company. However, additional risks and uncertainties not currently known to us or that we currently believe to be immaterial may also adversely impact our business.*

*If any of the following risks and uncertainties develop into actual events, these events could have a material adverse effect on our business, financial condition or results of operations.*

### ***Our industry is highly competitive and fragmented, which may limit our ability to increase our prices for services.***

The IT staffing services industry is highly competitive and served by numerous global, national, regional and local firms. Primary competitors include participants from a variety of market segments, including the major consulting firms, systems consulting and implementation firms, U.S.-based staffing services companies, applications software firms, service groups of computer equipment companies, specialized consulting firms, programming companies and temporary staffing firms. Many of these competitors have substantially greater financial, technical and marketing resources and greater name recognition than we have. There are relatively few barriers to entry into our markets, and as such we may face additional competition from new entrants into our markets. In addition, there is a risk that clients may elect to increase their internal resources to satisfy their staffing needs. There can be no assurance that we will compete successfully with existing or new competitors in the staffing services markets.

### ***Lack of success in recruitment and retention of IT professionals may decrease our revenues and increase the costs needed to maintain our workforce.***

Our business involves the delivery of professional services and is labor-intensive. Our success depends upon our ability to attract, develop, motivate and retain highly skilled professionals who possess the skills and experience necessary to deliver our services. Qualified IT professionals are in demand worldwide and are likely to remain a limited resource for the foreseeable future. There can be no assurance that these qualified professionals will be available to us in sufficient numbers, or that we will be successful in retaining current or future employees. Failure to attract and retain qualified professionals in sufficient numbers may have a material adverse effect on our business, operating results and financial condition. Historically, we have done much of our recruiting outside of the country where the client work is performed. Accordingly, any perception among our IT professionals, whether or not well founded, that our ability to assist them in obtaining temporary work visas and permanent residency status has been diminished, could lead to significant employee attrition. Any significant employee attrition will increase expenses necessary to replace and retrain our professionals and could decrease our revenues if we are not able to provide sufficient numbers of these resources to our clients.

### ***Government regulation of immigration may materially affect our workforce and limit our supply of qualified IT professionals.***

We recruit IT professionals on a global basis and, therefore, must comply with the immigration laws in the countries in which we operate, particularly the U.S. As of December 31, 2014, approximately 49% of our U.S. workforce was working under Mastech sponsored H1-B temporary work permits. Statutory law limits the number of new H1-B petitions that may be approved in a fiscal year, and if we are unable to obtain H1-B visas for our employees in sufficient quantities or at a sufficient rate for a significant period of time, our business, operating results and financial condition could be adversely affected. Additionally, legislation could be enacted limiting H1-B visa holders' employment with staffing companies, which could result in reduced revenues and / or higher cost of recruiting.

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In recent years, the vast majority of our H1-B hires were not subject to the annual quota limiting H1-B visas because they were already in the U.S. under H1-B visa status with other employers. As a result, the negative impact on recruiting due to the exhaustion of recent H1-B quotas was not substantial. However, unless Congress increases the annual H1-B quota, the pool of H1-B workers in the U.S., who were charged against previous years' quotas, will decline. Such a development would make H1-B worker recruiting more difficult. Absent positive legislation, in the long-term, the pool of available H1-B workers in the U.S. that are not subject to the annual quota may eventually be substantially limited. A limitation of H1-B workers could decrease our revenues if we are not able to recruit enough domestic workers to provide sufficient numbers of IT professionals to our clients.

### ***Negative economic conditions in the U.S. may adversely affect demand for our services.***

All of our revenues are generated from clients located in the U.S. Our business depends on the overall demand for IT professionals and on the economic health of our clients. Weak economic conditions may force companies to reduce their staffing budgets and adversely affect demand for our services, thus reducing our revenues.

### ***We may have difficulty maintaining client relationships if the trend towards utilizing Managed Service Providers continues.***

Within our retail sales channel, many large users of staffing services are employing Managed Service Providers ("MSP") to manage their contractor expenses in an effort to drive down overall costs. The impact of this shift towards the MSP model has been to lower our gross margins. Should this trend towards utilizing the MSP model continue, it is likely that our gross margins will be pressured in the future. In addition, if large users of staffing services continue to employ MSPs, the relationship between us and those large users may be primarily conducted through MSPs, in which case we may have difficulty maintaining those client relationships because the MSP model uses the MSP as an intermediary between the staffing service provider and the end-user, and reduces our direct contact with the end-user.

### ***We are dependent upon our Indian operations and there can be no assurance that our Indian operations will support our growth strategy and historical cost structure.***

Our Indian recruitment centers depend greatly upon business and technology transfer laws in India, and upon the continued development of technology infrastructure. There can be no assurance that our Indian operations will support our growth strategy. The risks inherent in our Indian business activities include:

- unexpected changes in regulatory environments;
- foreign currency fluctuations;
- tariffs and other trade barriers;
- difficulties in managing international operations; and
- the burden of complying with a wide variety of foreign laws and regulations.

Our failure to manage growth, attract and retain personnel or a significant interruption in our ability to transmit data and voice efficiently, could have a material adverse impact on our ability to successfully maintain and develop our global recruitment centers and could have a material adverse effect on our business, operating results and financial condition.

The Indian rupee may increase in value relative to the dollar, increasing our costs. Although we do not receive revenue from abroad, we maintain a significant portion of our recruiting workforce in India, and those employees are paid in rupees. Therefore, any increase in the value of the rupee versus the dollar would increase our expenses, which could have a material adverse effect on our business, operating results and financial condition.

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### ***Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.***

South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries, such as between India and Pakistan and even within India. There have been military confrontations along the India-Pakistan border from time to time. The potential for hostilities between the two countries is high due to past terrorist incidents in India, troop mobilizations along the border, and the geopolitical situation in the region. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. This, in turn, could have a material adverse effect on our business, operating results and financial condition.

### ***Wage costs in India may increase, which may reduce our operating margins and reduce a competitive advantage of ours.***

Our wage costs in India have historically been significantly lower than wage costs in the U.S. for comparably skilled professionals, and this has been one of our competitive advantages with respect to the costs of our Indian recruiting offices. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our operating margins. We may need to increase the levels of our employee compensation more rapidly than in the past to retain talent. Unless we are able to continue to increase the efficiency and productivity of our employees, wage increases in the long term may reduce our overall margins.

### ***Our quarterly operating results may be subject to significant variations.***

Our revenues and operating results have historically been subject to significant variations from quarter to quarter depending on a number of factors, including the timing and number of client projects commenced and completed during the quarter, the number of working days in a quarter, employee hiring and attrition, and utilization rates during the quarter. We recognize revenues on time-and-material projects as the services are performed. Because a percentage of Mastech's operating costs are relatively fixed, variations in revenues may cause significant variations in operating results.

### ***Our strategy of expansion through the acquisition of additional companies may not be successful and may result in slower growth of our business and reduced operating margins.***

We plan to gradually expand our operations through the acquisition of, or investment in, additional businesses and companies. We may be unable to identify businesses that complement our strategy for growth. If we do succeed in identifying a company with such a business, we may not be able to acquire the company, its relevant business or an interest in the company for many reasons, including:

- a failure to agree on the terms of the acquisition or investment;
- incompatibility between us and the management of the company that we wish to acquire or invest;
- competition from other potential acquirers;
- a lack of capital to make the acquisition or investment; or
- the unwillingness of the company to partner with us.

If we are unable to acquire and invest in attractive businesses, our strategy for growth may be impaired. Even if we are able to complete one or more acquisitions, there can be no assurance that those completed acquisitions will result in successful growth, and the costs of completing an acquisition may reduce our margins.

***Our revenues are highly concentrated and the loss of a significant client would adversely affect our business and revenues.***

Our revenues are highly dependent on clients located in the U.S., as well as clients concentrated in certain industries. Economic slowdowns, changes in U.S. law and other restrictions or factors that affect the economic health of these industries may affect our business. For the year ended December 31, 2014, approximately 59% of our revenues were derived from our top ten clients. Consequently, if our clients reduce or postpone their spending significantly, this may lower the demand for our services and negatively affect our revenues and profitability. Further, any significant decrease in the rate of economic growth in the U.S. may reduce the demand for our services and negatively affect our revenues and profitability.

We have in the past, and may in the future, derive a significant portion of our revenues from a relatively limited number of clients. Our largest client, Accenture, accounted for approximately 11.7% of our 2014 revenues. These contracts are terminable without penalty, as are most of our contracts. The loss of any significant client or major project, or an unanticipated termination of a major project, could result in the loss of substantial anticipated revenues.

***We must keep pace with the rapid technological changes that characterize the IT industry and our failure could result in lower demand for services.***

The IT staffing services industry is characterized by rapid technological change, evolving industry standards, changing client preferences and new product introductions. Our success will depend in part on our ability to keep pace with industry developments. There can be no assurance that we will be successful in addressing these developments on a timely basis or that, if these developments are addressed, we will be successful in the marketplace. In addition, there can be no assurance that products or technologies developed by others will not render our services noncompetitive or obsolete. Our failure to address these developments could have a material adverse effect on our business, operating results and financial condition.

A significant number of organizations are attempting to migrate their IT business applications to advanced technologies. As a result, our ability to remain competitive will be dependent on several factors, including our ability to develop, train and hire employees with skills in advanced technologies. Our failure to hire, train and retain employees with such skills could have a material adverse impact on our future revenues.

***Our “preferred vendor” contracts generally result in lower margins. In addition, we may not be able to maintain “preferred vendor” status with existing clients or obtain that status with new clients, which may lead to a decrease in the volume of business we obtain from these clients.***

We are party to several “preferred vendor” contracts, and we are seeking additional similar contracts in order to obtain new or additional business from large and medium-sized clients. Clients enter into these contracts to reduce the number of vendors and obtain better pricing in return for a potential increase in the volume of business to the preferred vendor. While these contracts are expected to generate higher volumes, they generally carry lower margins. Although we attempt to lower costs to maintain margins, there can be no assurance that we will be able to sustain margins on such contracts. In addition, the failure to be designated as a preferred vendor, or the loss of such status, may preclude us from providing services to existing or potential clients, except as a subcontractor, which could have a material adverse effect on the volume of business obtained from such clients.

***Our success depends upon the maintenance and protection of our intellectual property rights and processes, and any substantial costs incurred protecting such rights and processes may decrease our operating margins.***

Our success depends in part upon certain methodologies and tools we use in designing, developing and implementing application systems and other proprietary intellectual property rights. We rely upon a combination of nondisclosure and other contractual arrangements and trade secrets, copyright and trademark laws to protect

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our proprietary rights and the proprietary rights of third parties from whom we license intellectual property. We enter into confidentiality agreements with our employees and limit distribution of proprietary information. There can be no assurance that the steps we take in this regard will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights. In the event of an unfavorable resolution of a dispute over our intellectual property rights, we may incur substantial costs or liabilities, which would decrease our operating margins.

### ***Our ownership is highly concentrated in two individuals and the interests of those individual shareholders may not coincide with yours.***

Sunil Wadhvani and Ashok Trivedi, co-founders of iGATE, own approximately 59% of Mastech's outstanding common stock. Accordingly, Messrs. Wadhvani and Trivedi together have sufficient voting power to elect all the members of the Board of Directors and to effect transactions without the approval of our other shareholders, except for those limited transactions that require a supermajority vote under our bylaws or articles of incorporation. The interests of Messrs. Wadhvani and Trivedi may from time to time diverge from our interests. Mastech's Audit Committee consists of independent directors and addresses certain potential conflicts of interest and related party transactions that may arise between us and our directors, officers or our other affiliates. However, there can be no assurance that any conflicts of interest will be resolved in our favor.

### ***Our business is certified as a minority-owned business, and loss of that certification may impact our ability to gain new customers or expand our business with existing customers.***

We are a large minority-owned staffing firm and have been certified as minority-owned by the National Minority Supplier Development Council (the "NMSDC"). NMSDC certification has helped us to expand our business with existing clients as well as obtain new customers. While we cannot quantify the effect of the loss of this status, its loss could adversely affect our ability to expand our business or cause us to lose existing business.

Because the NMSDC certification relies in large part upon Messrs. Wadhvani and Trivedi maintaining their positions as the collective majority holders of our common stock, any decrease in their collective ownership may jeopardize our status as a minority-owned business. There can be no assurance that Messrs. Wadhvani and Trivedi will maintain their majority position in the Company.

### ***Existing and potential customers may consider outsourcing their IT requirements to foreign countries, which could have an adverse effect on our ability to obtain new customers or retain existing customers.***

In the past few years, more companies started to use low-cost offshore outsourcing centers to perform technology-related work. Should this shift towards moving technology-related work to offshore outsourcing centers continue, our business, operating results and financial condition could be adversely effected.

### ***We may be subject to liability to clients arising from our engagements.***

Many of our engagements involve projects that are critical to the operations of our clients' businesses and provide benefits that may be difficult to quantify. Although we attempt to contractually limit our liability for damages arising from errors, mistakes, omissions or negligent acts in rendering our services, there can be no assurance that our attempts to limit liability will be successful. Our failure or inability to meet a client's expectations in the performance of our services could result in a material adverse change to the client's operations and, therefore, could give rise to claims against us or damage our reputation, adversely affecting our business, operating results and financial condition.



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### ***Requirements of the Affordable Care Act will increase our employee benefits costs and could negatively affect our operating results, cash flows and financial condition if such costs aren't recovered with increases in client bill rates.***

We provide healthcare coverage to our U.S.-based employees that are subject to the Affordable Care Act. In 2014, we paid a portion of these healthcare costs for our salaried employees, but made no contribution towards healthcare coverage for our hourly employees. In order to adhere to the 2015 requirements of the Affordable Care Act, the Company altered how it delivers healthcare benefits to its U.S.-based employees. This change has resulted in higher overall costs to the Company, which could have a negative impact on our operating results, cash flows and financial condition.

### ***Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.***

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees, in our data center and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations and the services we provide to customers, and damage our reputation, and cause a loss of confidence in our services, which could adversely affect our operating results and competitive position. We maintain cyber risk insurance, but this insurance may not be sufficient to cover all of our losses from any breaches of our networks.

### ***If our clients are subjected to cyber-attacks or data security breaches, it may result in damage to our business and the disclosure of our confidential information.***

In addition to cybersecurity threats posed directly against us, our clients' information systems are also vulnerable to an increasing threat of continually evolving cybersecurity risks. There is no guarantee that our clients have implemented procedures that are adequate to safeguard against all data security breaches. The failure of our clients to adequately safeguard against data security breaches could have a material adverse effect on our business and operations. The theft and/or breach of our clients' data security could cause the disclosure and/or loss of our confidential information and data and result in significant costs. In addition, any cybersecurity damage to the networks or computer systems used by us or our clients could result in a claim for substantial damages against us and significant reputational harm, regardless of our responsibility for the failure.

### ***Risks posed by climate change may materially increase our compliance costs and adversely impact our profitability.***

Climate change vulnerability is posing new threats and opportunities in the global economy. Climate change and measures adopted to address it can affect us, our clients and suppliers in myriad ways, depending on the nature and location of the businesses, the near-term capital expenditure needs, the regulatory environments where they operate and their strategic plans. Generally, climate risks and opportunities for companies and their investors fall into four categories:

- Physical risk from climate change
- Regulatory risks and opportunities related to existing or proposed green house gas ("GHG") emissions limits
- Indirect regulatory risks and opportunities related to products or services from high emitting companies, and

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- Litigation risks for emitters of greenhouse gases

Unmitigated climate change is likely to have severe physical impacts on companies with exposed assets or business operations, including Mastech. Major environmental risks and liabilities can significantly impact future earnings. To the extent we are unable to comply with applicable regulations related to climate change, and such failure to comply results in material increases in compliance costs or litigation expenses, those costs or expenses will have an adverse effect on our profitability.

***If our clients are adversely affected by climate change or related compliance costs, this may reduce their spending and demand for our services, leading to a decrease in revenue.***

In addition to emissions and climate change risks posed directly to Mastech, we also have clients in varied industries such as healthcare, consumer products, manufacturing, technology, and retail, among others. Some of the clients may be significantly affected by the climate change resulting in greater physical risk. This may lead to a reduction of demand and loss of business from such clients, which would impact our business, results of operations and financial condition.

***If our insurance costs increase significantly, these incremental costs could negatively affect our financial results.***

We purchase various insurance policies to limit or transfer certain risks inherent in our operations. These costs largely relate to obtaining and maintaining professional and general liability insurances. If the costs of carrying these insurance policies increase significantly, due to poor claims history or changes in market conditions, this could have an adverse impact on our profitability and financial condition.

***Any disruption in the supply of power, IT infrastructure and telecommunications lines to our facilities could disrupt our business process or subject us to additional costs.***

Any disruption in basic infrastructure, including the supply of power, could negatively impact our ability to provide timely or adequate services to our clients. We rely on a number of telecommunication services and other infrastructure providers to maintain communications between our various facilities and clients. Telecommunications networks are subject to failures and periods of service disruption which can adversely affect our ability to maintain active voice and data communications among our facilities and with our clients. This could disrupt our business process or subject us to additional costs, materially adversely affecting our business, results of operations and financial condition.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None

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### ITEM 2. PROPERTIES

Information regarding the principal properties leased by us and our subsidiaries as of December 31, 2014 is set forth below:

<u>Location</u>	<u>Principal Use</u>	<u>Approximate Square Footage</u>
Moon Township, Pennsylvania	Corporate headquarters, executive, human resources, sales, recruiting, marketing and finance	11,500
Dallas, Texas	Sales and recruiting office	2,600
Fremont, California	Sales and recruiting office	2,600
Chicago, Illinois	Sales and recruiting office	1,000
New Delhi, India	Sales and recruiting office	27,000
Bangalore, India	Recruiting office	8,800

### ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we are involved in a number of lawsuits and administrative proceedings. While uncertainties are inherent in the final outcome of these matters, management believes, after consultation with legal counsel, that the disposition of these proceedings should not have a material adverse effect on our financial position, results of operations or cash flows.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

**PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is traded on the NYSE MKT under the symbol "MHH". We began trading "regular way" on the former American Stock Exchange ("AMEX") on October 1, 2008.

The following table sets forth, for the periods indicated, the range of high and low closing sale prices of the common stock of Mastech during the calendar quarters indicated. All share prices listed below have been adjusted to reflect the impact of our five-for-four stock split effective November 29, 2013.

<u>Common Stock Market Price</u>	<u>High</u>	<u>Low</u>
<b>2014:</b>		
Fourth Quarter	\$11.99	\$ 8.39
Third Quarter	16.27	10.24
Second Quarter	17.41	13.76
First Quarter	14.45	13.34
<b>2013:</b>		
Fourth Quarter	\$18.99	\$ 9.08
Third Quarter	9.27	6.08
Second Quarter	7.03	5.46
First Quarter	7.20	4.08

On February 27, 2015, we had 99 registered holders of record of our Common Stock. This figure excludes an estimate of the indeterminate number of beneficial holders whose shares may be held by brokerage firms and clearing agencies. We currently do not pay recurring dividends on our common stock. However, on October 29, 2013, the Company declared a cash dividend of \$0.50 per share on common stock, payable on December 20, 2013 to shareholders of record on December 9, 2013. Additionally, on November 29, 2012, the Company declared a special one-time dividend of \$1.60 per share on common stock, payable on December 21, 2012. These dividends should be viewed as non-recurring.

On December 23, 2010, the Company announced a share repurchase program of up to 937,500 shares of the Company's common stock over a two-year period. On October 23, 2012, the program was extended for an additional two-year period and the number of shares subject to the program was increased by 312,500 shares to 1.25 million shares. On October 22, 2014, the Company's Board of Directors approved the extension of this program through December 22, 2016. Repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable securities laws. During 2014, we purchased 32,149 shares under this program at an average price of \$11.75 per share. In addition to the repurchases made under this program, the Company purchased an additional 29,182 shares in 2014 at an average price of \$13.63 to satisfy employee tax obligations related to the vesting of performance shares, in accordance with the Company's Stock Incentive Plan provisions.

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<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price</b>	<b>Maximum Number of Shares that may be Purchased under this Program</b>
January 1, 2014 – January 31, 2014	—	—	517,041
February 1, 2014 – February 28, 2014	—	—	517,041
March 1, 2014 – March 31, 2014	19,341*	\$ 14.06*	517,041
April 1, 2014 – April 30, 2014	—	—	517,041
May 1, 2014 – May 31, 2014	—	—	517,041
June 1, 2014 – June 30, 2014	—	—	517,041
July 1, 2014 – July 31, 2014	9,841*	12.78*	517,041
August 1, 2014 – August 31, 2014	22,430	11.86	494,611
September 1, 2014 – September 30, 2014	—	—	494,611
October 1, 2014 – October 31, 2014	2,400	11.43	492,211
November 1, 2014 – November 30, 2014	6,655	11.57	485,556
December 1, 2014 – December 31, 2014	664	11.10	484,892
<b>Total</b>	<b><u>61,331</u></b>	<b><u>\$ 12.64</u></b>	

\* Represents Company purchases to satisfy employee tax obligations upon the vesting of performance shares as provided for in the Company's Stock Incentive Plan. These shares were not acquired pursuant to any publicly announced purchase program.

Additionally, the Company adopted a Stock Incentive Plan in 2008 which, as amended, provides that up to 1,200,000 shares of the Company's common stock shall be allocated for issuance to directors, executive management, and key personnel. Details of shares issued and outstanding under this plan are disclosed in Note 7 "Stock-Based Compensation" to the Consolidated Financial Statements included in Item 8 herein.

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**ITEM 6. SELECTED FINANCIAL DATA**

You should read the information set forth below in conjunction with our Consolidated Financial Statements and accompanying Notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report on Form 10-K.

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(Amounts in thousands, except per share data)				
<b>Income Statement Data from Continuing Operations (a):</b>					
Revenues	\$ 113,523	\$ 106,901	\$ 90,770	\$ 80,476	\$ 66,059
Gross profit	20,786	20,117	17,165	15,875	13,136
Operating expense	15,246	14,815	13,794	13,656	11,313
Other income / (expense), net	(32)	(77)	(32)	(69)	(26)
Income before income taxes	5,508	5,225	3,339	2,150	1,797
Income tax expense	2,085	1,956	1,281	795	632
Net income – continuing operations	<u>\$ 3,423</u>	<u>\$ 3,269</u>	<u>\$ 2,058</u>	<u>\$ 1,355</u>	<u>\$ 1,165</u>
<b>Earnings per share – continuing operations:</b>					
Basic (b)	<u>\$ .79</u>	<u>\$ .78</u>	<u>\$ .51</u>	<u>\$ .30</u>	<u>\$ .25</u>
Diluted (b)	<u>\$ .77</u>	<u>\$ .75</u>	<u>\$ .49</u>	<u>\$ .29</u>	<u>\$ .25</u>
<b>Income Statement Data from Discontinued Operations (a):</b>					
Income (loss) before income taxes	\$ —	\$ 162	\$ 145	\$ (358)	\$ (759)
Pre-tax gain on sale of discontinued operations	—	485	—	—	—
Income tax expense	—	111	64	(116)	(257)
Net income – discontinued operations	<u>\$ —</u>	<u>\$ 536</u>	<u>\$ 81</u>	<u>\$ (242)</u>	<u>\$ (502)</u>
<b>Earnings per share – discontinued operations:</b>					
Basic (b)	<u>\$ —</u>	<u>\$ .13</u>	<u>\$ .02</u>	<u>\$ (.05)</u>	<u>\$ (.11)</u>
Diluted (b)	<u>\$ —</u>	<u>\$ .12</u>	<u>\$ .02</u>	<u>\$ (.05)</u>	<u>\$ (.11)</u>
<b>Weighted average common shares outstanding:</b>					
Basic (b)	<u>4,320</u>	<u>4,193</u>	<u>4,075</u>	<u>4,566</u>	<u>4,591</u>
Diluted (b)	<u>4,459</u>	<u>4,342</u>	<u>4,201</u>	<u>4,695</u>	<u>4,683</u>
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 2,568	\$ 424	\$ 659	\$ 5,755	\$ 6,334
Operating working capital (c)	9,096	8,397	7,809	6,108	5,060
Short-term borrowings	—	12	2,610	—	—
Total liabilities	7,176	7,591	9,533	6,741	6,049
Total assets	20,044	17,051	16,420	19,788	18,397
Shareholders’ equity (d)	12,868	9,460	6,887	13,047	12,348

- (a) Continuing operations excludes the results of the Company’s healthcare staffing segment which was sold in August 2013. All periods presented have been recast to reflect the presentation of discontinued operations.
- (b) Weighted average common shares outstanding have been adjusted for all periods presented for the Company’s November 2013 five-for-four stock split.
- (c) Operating working capital represents current assets, excluding cash and cash equivalents, minus current liabilities, excluding short-term borrowings.
- (d) The 2012 reduction in shareholders’ equity reflects the Company’s special one-time cash dividend payable to shareholders on December 21, 2012 (\$6.7 million) and purchases made under its share repurchase program during the year (\$2.5 million).

**ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Overview**

We are a domestic provider of IT staffing services to mostly large and medium-sized organizations. From July 1986 until our September 30, 2008 spin-off, we conducted our business as subsidiaries of iGATE. We do not sell, lease or otherwise market any computer software or hardware, and 100% of our revenues are derived from the sale of information technology staffing services.

Our IT staffing business combines technical expertise with business process experience to deliver a broad range of services within business intelligence / data warehousing; web services; enterprise resource planning & customer resource management; and e-Business solutions. We provide our services across various industry verticals including; automotive; consumer products; education; financial services; government; healthcare; manufacturing; retail; telecommunications; transportation and utilities.

We have one operating segment. We do, however, track and evaluate our revenues and gross profits by three distinct sales channels: wholesale; retail; and permanent placements / fees. Our wholesale channel consists of system integrators and other IT staffing firms with a need to supplement their abilities to attract highly-qualified temporary technical computer personnel. Our retail channel focuses on clients that are end-users of IT staffing services. Within the retail channel are end-user clients that have retained a third party to provide vendor management services, commonly known in the industry as Managed Service Providers (“MSP”). Permanent placement / fee revenues are incidental revenues derived as by-product opportunities of conducting our core contract staffing business.

**Economic Trends and Outlook**

Generally, our business outlook is highly correlated to general U.S. economic conditions. During periods of increasing employment and economic expansion, demand for our services tends to increase. Conversely, during periods of contracting employment and / or a slowing domestic economy, demand for our services tends to decline. As the economy slowed during the last half of 2007 and recessionary conditions emerged in 2008 and during much of 2009, we experienced less demand for our staffing services. During the second half of 2009, we began to see signs of market stabilization and a modest pick-up in activity levels within certain sales channels and technologies. During 2010, market conditions continued to strengthen over the course of the year and activity levels within most of our sales channels progressively improved. In 2011 and 2012, activity levels continued to trend up in most technologies and sales channels. During 2013 and 2014, we continued to see a steady flow of solid activity in our contract staffing business; however, tightness in the supply side (skilled IT professional) of our business in 2014 negatively impacted our new assignment successes. Permanent placement activity levels were up in 2014 after trending down in 2013 from 2012 levels. As we enter 2015, we view a strengthening job market and a growing domestic economy as positives. However, supply side pressures should continue to pose challenges for us and our industry as a whole.

In addition to tracking general U.S. economic conditions, a large portion of our revenues are generated from a limited number of clients (see Item 1A, the Risk Factor entitled “Our revenues are highly concentrated and the loss of a significant client would adversely affect our business and revenues”). Accordingly, our trends and outlook are additionally impacted by the prospects and well-being of these specific clients. This “account concentration” factor may result in our results of operations deviating from the prevailing U.S. economic trends from time to time.

In recent years, a larger portion of our revenues has come from our wholesale sales channel, which consists largely of strategic relationships with systems integrators and other staffing organizations. This channel tends to carry lower gross margins, but provides higher volume opportunities. This trend in our business mix has

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impacted overall gross margins during the past several years and, if this trend continues, will likely impact future gross margins as well. Within our retail sales channel, many large users of IT staffing services are employing Managed Service Providers (“MSP”) to manage their contractor spending in an effort to drive down overall costs. This trend towards utilizing the MSP model may pressure gross margins in future periods.

### Recent Developments

On April 2, 2014, the Company entered into a ten year operating lease for approximately 11,500 square feet of office space in the Pittsburgh, Pennsylvania area. This lease, effective August 29, 2014, replaced the Company’s existing Corporate Headquarters lease. Further details of this lease are disclosed in the Company’s Form 8-K, filed with the SEC on April 7, 2014.

On July 11, 2014, the Company entered into a Second Amended and Restated Loan Agreement with PNC Bank, N.A., replacing its previous credit facility that was set to expire on August 31, 2014. This new facility expires in three years and provides for up to \$20 million of credit, subject to a borrowing base and commitment reductions and mandatory prepayments, as described in the Loan Agreement filed as Exhibit 10.1 to the Company’s current report on Form 8-K, filed with the SEC on July 17, 2014. For additional information regarding this new credit facility see Note 4 “Credit Facility” to the Consolidated Financial Statements included in Item 8 herein.

On October 22, 2014, the Company’s Board of Directors agreed to extend the duration of the Company’s existing Share Repurchase Program for an additional two years, through December 22, 2016.

### Results of Continuing Operations

Below is a tabular presentation of revenues and gross profit margins by sales channel for the periods discussed:

#### Revenues & Gross Margin by Sales Channel (Amounts in millions)

Revenues	Years Ended December 31,		
	2014	2013	2012
Wholesale Channel	\$ 87.6	\$ 82.8	\$ 64.0
Retail Channel	25.5	23.9	26.5
Permanent Placements / Fees*	0.4	0.2	0.3
<b>Total Revenues</b>	<b>\$113.5</b>	<b>\$106.9</b>	<b>\$ 90.8</b>
<b>Gross Margin</b>			
Wholesale Channel	17.0%	18.1%	18.3%
Retail Channel	21.5%	20.7%	19.5%
Permanent Placements / Fees*	100.0%	100.0%	100.0%
<b>Total Gross Margin %</b>	<b>18.3%</b>	<b>18.8%</b>	<b>18.9%</b>

\* Permanent Placement / Fees are generated from clients within both of our existing sales channels.

In order to minimize the impact of the industry trends mentioned above on our gross margins, the Company will need to continue to lower its operating cost structure as a percentage of revenues through innovation and greater efficiencies. Investments in our global recruitment centers, aimed at improving operational effectiveness, and costs rationalization efforts throughout our entire organization, are examples of past actions that have resulted in lower operating costs as a percentage to total revenues.



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Below is a tabular presentation of operating expenses by sales, operations and general and administrative categories for the periods discussed:

### **Selling, General & Administrative (“S,G&A”) Expense Details** (Amounts in millions)

	Years Ended December 31,		
	2014	2013	2012
Sales and Marketing	\$ 4.5	\$ 4.4	\$ 4.0
Operations (HR & Recruiting)	5.3	5.3	5.0
General & Administrative	5.4	5.1	4.8
<b>Total S,G&amp;A Expenses</b>	<b>\$15.2</b>	<b>\$14.8</b>	<b>\$13.8</b>

## **2014 Compared to 2013**

### **Revenues**

Revenues for the year ended December 31, 2014 totaled \$113.5 million, compared to \$106.9 million for the year ended December 31, 2013. This 6% increase was due to a higher average billable consultant-base employed during 2014 compared to one-year earlier. However, billable consultant headcount at December 31, 2014 totaled 731-consultants versus 742-consultants at year-end 2013 and reflected a high level of assignment ends during the month of December 2014. Additionally, our average bill rate in 2014 declined slightly to \$74.00 from \$74.25 in 2013.

Revenues from our wholesale channel increased 6% in 2014 compared to 2013. Higher revenue levels from staffing clients (up 10%) were driven by strong demand for our IT staffing services. Revenues from our integrator clients were up 3% over 2013 levels, as our growth rate was muted by the early termination of a sizable integrator assignment in the second quarter of 2014. Retail channel revenues increased by 7% in 2014 compared to a year earlier. This increase reflected higher revenues from MSP clients, partially offset by revenue declines at direct end-user clients. Permanent placement / fee revenues increased in 2014 by approximately \$0.2 million from 2013 levels. With the closure of several branch offices in late 2011, permanent placement opportunities have been more sporadic over the last several years given our primary focus is on contract staffing.

In 2014, we had one client that represented more than 10% of total revenues (Accenture = 11.7%). In 2013, the same client represented 11.4% of our total revenues. Our top ten clients represented 59% of total revenues in 2014 compared to 57% of total revenues in 2013.

### **Gross Margin**

Gross profit increased to \$20.8 million in 2014 compared to \$20.1 million in 2013. This improvement in gross profit was due to revenue growth during the 2014 period and a higher level of permanent placement fees than in the 2013 period. Gross profit as a percentage of revenue was 18.3% in 2014 compared to 18.8% in 2013. The 50 basis point decline in gross margin largely reflected consultant compensation increases on existing assignments that have out-paced bill rate increases, mitigated by higher permanent placement fees.

Wholesale channel gross margins decreased by 110 basis points in 2014 compared to 2013. This decline was largely due to lower margins on new assignments with integrator clients and consultant compensation increases on existing assignments that out-paced bill rate increases during 2014. In our retail channel, gross margins increased by 80 basis points from 2013 levels. This increase reflected higher margins on new assignments, primarily with MSP clients.

### ***Selling, General and Administrative (“S,G&A”) Expenses***

S,G&A expenses in 2014 totaled \$15.2 million and represented 13.4% of revenues, compared to \$14.8 million or 13.9% of revenues in 2013.

Below is a variance analysis by expense category related to S,G&A expense in 2014 compared to 2013:

- Sales expenses increased by \$0.1 million in 2014 and reflected staff increases related to our new business development efforts, partially offset by lower bonus expense.
- Recruiting expenses were flat in 2014 compare to 2013, as higher visa processing fees were offset by lower bonus expense. During 2014, staff increases at our offshore recruitment centers offset some staff declines domestically.
- General and administrative expenses increased by \$0.3 million in 2014. Higher travel, facility costs and corporate related expenses (legal / outside services) were partially offset by lower bonus expense.

Lower bonus expense in all three of the S,G&A areas reflected the Company’s financial performance being below target levels for 2014. These financial targets are established by the Board of Directors each year and are the basis for management’s variable component of compensation.

### ***Other Income / (Expense) Components***

In 2014, other income / (expense) consisted of interest expense of \$84,000, a \$9,000 loss on the disposal of fixed assets and foreign exchange gains of \$61,000. In 2013, other income / (expense) consisted of \$93,000 of interest expense and foreign exchange gains of \$16,000. Higher interest expense in 2013 was due to higher average borrowings during 2013 compared to 2014. Net foreign exchange gains in 2014 and 2013 reflected exchange rate variations between the Indian rupee and the U.S. dollar.

### ***Income Tax Expense***

Income tax expense for 2014 was \$2.1 million and represented an effective tax rate on pre-tax income of 37.9% compared to \$2.0 million for 2013, which represented an effective tax rate on pre-tax income of 37.4%. The higher effective tax rate in 2014 was largely due to a higher aggregate state income tax rate.

## **2013 Compared to 2012**

### ***Revenues***

Revenues for the year ended December 31, 2013 totaled \$106.9 million, compared to \$90.8 million for the year ended December 31, 2012. This 18% increase was due to higher demand for the Company’s staffing services during 2013. Billable consultant headcount at December 31, 2013 totaled 742-consultants compared to 632-consultants one-year earlier. Additionally, our average bill rate in 2013 increased to \$74.25 from \$73.58 in 2012.

Revenues from our wholesale channel increased 29% in 2013 compared to 2012. Higher revenue levels from staffing clients (up 23%) were driven by strong demand for our IT staffing services. Revenue from our integrator clients were up 35% over 2012 levels, as we participated in more larger-scale project assignments with several of our strategic partners. Retail IT channel revenues declined by 10% in 2013 compared to a year earlier. This decline reflected lower revenues from direct end-user clients. Revenues from MSP clients were largely flat in 2013, after a significant run-up in revenues during 2012. The 2013 decision to wind down business activities with a low-margin MSP client impacted revenues in this channel during the year. Permanent placement / fee revenues declined in 2013 by approximately \$0.1 million from 2012. With the closure of several branch offices in late 2011, permanent placement opportunities have been less prevalent over the last two years.

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In 2013, we had one client that represented more than 10% of total revenues (Accenture = 11.4%). In 2012, we had three clients that represented more than 10% of revenues (IBM = 13.3%, TEK Systems = 12.0%; and Kaiser Permanente = 11.8%). Our top ten clients represented 57% of total revenues in 2013 compared to 60% of total revenues in 2012.

### **Gross Margin**

Gross profit increased to \$20.1 million in 2013 compared to \$17.2 million in 2012. This improvement in gross profit was due to strong revenue growth during the 2013 period. Gross profit as a percentage of revenue was 18.8% in 2013 compared to 18.9% in 2012. The 10 basis point decline in gross margin reflected lower levels of permanent placement / fee revenues, as higher margins in our retail channel essentially offset slightly lower gross margins from our wholesale channel.

Wholesale channel gross margins decreased by 20 basis points in 2013 compared to 2012. This slight decline was largely due to consultant compensation increases on existing assignments that out-paced bill rate increases during 2013. With assignment durations increasing over the last several years, this issue continues to have a greater impact on our overall gross margin performance. In our retail channel, gross margins increased by 120 basis points from 2012 levels. This increase reflected higher margins on new assignments and the wind-down of business with a low-margin MSP client.

### **Selling, General and Administrative (“S,G&A”) Expenses**

S,G&A expenses in 2013 totaled \$14.8 million and represented 13.9% of revenues, compared to \$13.8 million or 15.2% of revenues in 2012.

Below is a variance analysis by expense category related to S,G&A expense in 2013 compared to 2012:

- Sales expense increased by \$0.4 million and reflected staff increases of \$0.2 million and higher travel and variable compensation expenses of \$0.2 million.
- Recruiting expenses increased by \$0.3 million due to increases in our recruiting staff of \$0.1 million; higher activity-base expenses of \$0.1 million (visa processing fees, job board access fees and background check expenses); and higher variable compensation expenses of \$0.1 million.
- General and administrative expenses increased by \$0.3 million. Higher equity-based compensation expense of \$0.3 million and higher bonus expense of \$0.1 million in 2013 were partially offset by lower severance expense of \$0.1 million.

### **Other Income / (Expense) Components**

In 2013, other income / (expense) consisted of interest expense of \$93,000 and foreign exchange gains of \$16,000. In 2012, other income / (expense) consisted of \$68,000 of interest expense and foreign exchange gains of \$36,000. Higher interest expense in 2013 was due to higher average borrowings during 2013 compared to 2012. Net foreign exchange gains in 2013 and 2012 reflected exchange rate variations between the Indian rupee and the U.S. dollar.

### **Income Tax Expense**

Income tax expense for 2013 was \$2.0 million and represented an effective tax rate on pre-tax income of 37.4% compared to \$1.3 million for 2012, which represented an effective tax rate on pre-tax income of 38.4%. The lower effective tax rate in 2013 was largely due to a higher aggregate state income tax rate in 2012.

**Results of Discontinued Operations**

Net Income from discontinued operations in 2013 totaled \$536,000 and included a net gain of \$442,000 related to the sale of the healthcare staffing business. In 2012, net income from discontinued operations total \$0.1 million.

**Liquidity and Capital Resources****Financial Condition and Liquidity**

At December 31, 2014, we had cash balances on hand of \$2.6 million, no outstanding borrowings and approximately \$16.9 million of borrowing capacity under our existing credit facility. This financial position reflects returning \$0.8 million of capital to our shareholders during 2014 in the form of share repurchases.

Historically, we have funded our business needs with cash generated from operating activities. In the staffing services industry, investment in operating working capital levels (defined as current assets minus cash and cash equivalents and current liabilities, excluding short-term borrowings) is a significant use of cash. Controlling our operating working capital levels by closely managing our accounts receivable balance is an important element of cash preservation. Our accounts receivable “days sales outstanding” (“DSO’s”) measurement was 49 days at December 31, 2014 and 48 days at December 31, 2013. We believe that effectively managing our DSO’s has been an important factor in maximizing our cash flows in recent years.

Cash provided by operating activities, our cash and cash equivalents balances on hand at December 31, 2014 and current availability under our credit facility are expected to be adequate to fund our business needs over the next 12 months. Below is a tabular presentation of cash flow activities for the periods discussed:

<u>Cash Flows Activities</u>	<u>Years Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
	<i>(Amounts in millions)</i>		
Operating activities – from continuing operations	\$ 3.3	\$ 1.9	\$ 0.9
Investing activities – from continuing operations	(0.7)	(0.1)	(0.2)
Financing activities – from continuing operations	(0.4)	(4.3)	(5.9)
Discontinued operations activities	(0.1)	2.3	0.1

**Operating Activities**

Cash provided by operating activities for the years ended December 31, 2014, 2013 and 2012 totaled \$3.3 million, \$1.9 million and \$0.9 million, respectively. Factors contributing to cash flows during the 2014 period included net income of \$3.4 million and non-cash charges of \$0.6 million, partially offset by an increase in operating working capital of \$0.7 million. In 2013, cash flows from operating activities included net income of \$3.3 million and non-cash charges of \$0.6 million, partially offset by an increase in operating working capital of \$2.0 million. In 2012, cash flows from operating activities included net income of \$2.1 million and non-cash charges of \$0.5 million, partially offset by an increase in operating working capital of \$1.7 million. The increases in operating working capital during 2014, 2013 and 2012 were largely in support of higher activity levels and revenue expansion during the respective years.

We would expect operating working capital levels to increase should revenue growth continue in 2015. Similar to previous years, such an increase would have a negative impact on cash generated from operating activities. We believe that DSO’s are likely to remain in the 48 to 52-day range during 2015.

**Investing Activities**

Cash used in investing activities for the years ended December 31, 2014, 2013 and 2012 totaled approximately \$0.7 million, \$0.1 million and \$0.2 million, respectively. In 2014, both capital expenditures and

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the increase in non-current deposits were largely related to the Company's move to its new corporate headquarters. In 2013 and 2012 capital expenditures largely accounted for all uses of cash in investing activities.

We believe that investments in capital expenditures and facility lease deposits should approximate \$0.4 million in 2015.

### **Financing Activities**

In 2014, cash used in financing activities totaled \$0.4 million and included \$0.8 million of share repurchases, partially offset by excess tax benefits related to the exercising of stock options and the vesting of restricted shares. In 2013, cash used in financing activities totaled \$4.3 million and included \$2.1 million of dividend payments and \$2.6 million of debt repayments, partially offset by stock option activities which generated cash of \$0.4 million. In 2012, cash used in financing activities totaled \$5.9 million and included \$6.7 million of dividend payments on common stock, \$2.5 million of purchases under the Company's share repurchase program, partially offset by \$2.6 million of borrowings under our revolving loan facility and \$0.7 million of proceeds related to stock option exercises.

### **Discontinued Operations Activities**

In 2014, discontinued operations used cash of \$0.1 million related to the run-out of current liabilities. In 2013, discontinued operations generated cash of \$2.3 million related to proceeds from the sale of the business and the wind-down of retained operating working capital levels. In 2012, discontinued operations generated cash of \$0.1 million.

### **Contractual Obligations and Off-Balance Sheet Arrangements**

We have financial commitments related to existing operating leases, primarily for office space that we occupy, and borrowings under our existing credit facility. Our commitments are as follows:

<u>Contractual obligations</u>	<u>Payments due by period</u>				<u>Total</u>
	<u>(Amounts in thousands)</u>				
	<u>Less than 1 year</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>	
Operating Leases	\$ 745	\$1,113	\$1,105	\$ 472	\$3,435

We do not have any off-balance sheet arrangements.

### **Inflation**

We do not believe that inflation had a significant impact on our results of operations for the periods presented. On an ongoing basis, we attempt to minimize any effects of inflation on our operating results by controlling operating costs and, whenever possible, seek to ensure that billing rates reflect increases in costs due to inflation.

### **Seasonality**

Our operations are generally not affected by seasonal fluctuations. However, our consultants' billable hours are affected by national holidays and vacation patterns. Accordingly, we typically have lower utilization rates and higher benefit costs during the fourth quarter. Additionally, assignment completions tend to be higher near the end of the calendar year, which largely impacts our revenue and gross profit performance during the subsequent quarter.

## **Critical Accounting Policies and Estimates**

Certain accounting policies are particularly important to the portrayal of our financial position, results of operations and cash flows and require the application of significant judgment by management, and as a result, are subject to an inherent degree of uncertainty. In applying these policies, our management uses judgment to determine the appropriate assumptions to be used in the determination of certain estimates. These estimates are based on our historical experience, terms of existing contracts, observances of industry trends and other available information from outside sources, as appropriate. The following explains our most critical accounting policies. See the Notes to the Consolidated Financial Statements, contained in Item 8, of this Annual Report on Form 10-K for a complete description of our significant accounting policies.

### ***Revenue Recognition***

The Company recognizes revenue on time-and-material contracts as services are performed and expenses are incurred. Time-and-material contracts typically bill at an agreed upon hourly rate, plus out-of-pocket expense reimbursement. Out-of-pocket expense reimbursement amounts vary by assignment, but on average represent approximately 2% to 3% of total revenues. Revenue is earned when the Company's consultants are working on projects. Revenue recognition is negatively impacted by holidays and consultant vacation and sick days.

In certain situations related to client direct hire assignments, where the Company's fee is contingent upon the hired resource's continued employment with the client, revenue recognition is deferred until such employment conditions are satisfied.

### ***Accounts Receivable and Allowance for Uncollectible Accounts***

The Company extends credit to clients based upon management's assessment of their creditworthiness. A substantial portion of the Company's revenue, and the resulting accounts receivable, are from Fortune 1000 companies, major systems integrators and other staffing organizations.

Unbilled receivables represent amounts recognized as revenues based on services performed and, in accordance with the terms of the client contract, will be invoiced in a subsequent period.

Accounts receivable are reviewed periodically to determine the probability of loss. The Company records an allowance for uncollectible accounts when it is probable that the related receivable balance will not be collected based on historical collection experience, client-specific collection issues, and other matters the Company identifies in its collection monitoring.

### ***Stock-Based Compensation***

Effective October 1, 2008, the Company adopted a Stock Incentive Plan (the "Plan") which, as amended, provides that up to 1,200,000 shares of the Company's common stock shall be allocated for issuance to directors, executive management and key personnel. Grants under the Plan can be made in the form of stock options, stock appreciation rights, performance shares or stock awards. The Plan is administered by the Compensation Committee of the Board of Directors. Stock options are granted at an exercise price equal to the closing share price of the Company's common stock at the grant date and generally vest over a four year period.

The Company accounts for stock-based compensation expense in accordance with ASC Topic 718 "Share-based Payments" which requires us to measure all share-based payments based on their estimated fair value at the grant date and recognize compensation expense over the requisite service period. The fair value of our stock options is determined at the date of grant using the Black-Scholes option pricing model.

### ***Income Taxes***

The Company records an estimated liability for income and other taxes based on what management determines will likely be paid in the various tax jurisdictions in which we operate. Management uses its best judgment in the determination of these amounts. However, the liabilities ultimately realized and paid are dependent on various matters, including the resolution of the tax audits in the various affected tax jurisdictions, and may differ from the amounts recorded. An adjustment to the estimated liability would be recorded through income in the period in which it becomes probable that the amount of the actual liability differs from the amount recorded.

Management determines the Company's income tax provision using the asset and liability method. Under this method, deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. We measure deferred tax assets and liabilities using enacted tax rates in effect for the year in which we expect to recover or settle the temporary differences. The effect of a change in tax rates on deferred taxes is recognized in the period that the change is enacted. The Company evaluates its deferred tax assets and records a valuation allowance when, in management's opinion, it is more likely than not that some portion or all of the deferred tax assets will not be realized. For the periods presented, no valuation allowance has been provided.

The Company accounts for uncertain tax positions in accordance with ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes". Accordingly, the Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in a tax return. As of December 31, 2014, the Company provided a liability of \$138,000 for uncertain tax positions, including interest and penalties, related to various state income tax matters.

### ***Derivative Instruments and Hedging Activities***

The Company is exposed to foreign currency risks as a result of its Indian-based global recruitment centers. During 2012, the Company's expenditures in Indian rupees, in support of these operations, increased significantly. Accordingly, to mitigate and manage the risk of changes in foreign currency exchange rates, the Company entered into foreign currency forward contracts in June 2012 and continued its hedging strategy through 2014. These forward contracts have been designated as cash flow hedging instruments and qualified as effective hedges at inception under ASC Topic 815 "Derivatives and Hedging". The Company does not enter into derivative contracts for speculative purposes.

All derivatives are recognized on the balance sheet at fair value. The effective portion of the changes in the fair value on these instruments are recorded in other comprehensive income (loss) and are reclassified into the Consolidated Statement of Operations on the same line item and in the same period in which the underlying hedge transaction affects earnings. Changes in the fair value of these instruments deemed ineffective are recognized in the Consolidated Statement of Operations as foreign exchange gains / (losses). Forward points (premiums / discounts) are excluded from the assessment of hedge effectiveness and are recognized in the Consolidated Statement of Operations as foreign exchange gains / (losses).

With respect to derivatives designed as hedges, the Company formally documents all relationships between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking such transactions. The Company evaluates hedge effectiveness at the time a contract is entered into and on an ongoing basis. If a contract is deemed ineffective, these changes in the fair value of the derivative is recorded in the Consolidated Statement of Operations as foreign exchange gains / (loss).

### ***Discontinued Operations***

In August 2013, the Company sold its healthcare staffing business to Accountable Healthcare Staffing, Inc. The healthcare staffing segment meets the criteria for being reported as a discontinued operation. Accordingly,

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the Consolidated Statements of Operations and Cash Flows for all periods presented have been recast to reflect the presentation of discontinued operations. The carrying value of assets and liabilities of discontinued operations that have been retained by the Company are disclosed in Note 2 “Discontinued Operations” to the Consolidated Financial Statements, included in Item 8 herein.

### Recently Issued Accounting Standards

Recent accounting pronouncements are described in Note 1 to the Consolidated Financial Statements contained in Item 8, herein.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Cash and cash equivalents are defined as cash and highly liquid investments with maturities of three months or less when purchased. Cash equivalents are stated at cost, which approximates market value.

Our cash flows and earnings are subject to fluctuations due to currency exchange rate variations. Foreign currency risk exists by nature of our global recruitment centers. We attempt to limit our exposure to currency exchange fluctuations in the Indian rupee (“Rupee”) via the purchase of foreign currency forward contracts. These forward contracts have been designated as cash flow hedging instruments and are used to mitigate overall risk by essentially creating offsetting currency exposures. The following table presents information related to foreign currency forward contracts held by the Company as of December 31, 2014:

Currency (in thousands)	Amount (in Rupees)	Amount (in USD)
Currency Forward Contracts	INR 132,000	\$ 2,065

#### *Effect of Hypothetical Currency Rate Fluctuations*

As of December 31, 2014, the potential gain or loss in the fair value of the Company’s outstanding foreign currency forward contracts assuming hypothetical 10%, 5%, 2% and 1% fluctuations in currency rates would be as follows (amounts in thousands):

	Valuation given X% decrease in Rupee/USD Rate				Fair Value as of December 31, 2014	Valuation given X% increase in Rupee/USD Rate			
	10%	5%	2%	1%		1%	2%	5%	10%
Rupee to USD Rate	58.63	61.88	63.84	64.49	65.14	65.79	66.44	68.40	71.65
Fair value of derivative instruments	\$ 186	\$ 68	\$ 3	\$ (18)	\$ (38)	\$ (59)	\$ (78)	\$ (135)	\$ (223)

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this item are filed as part of this Form 10-K. See Index to Consolidated Financial Statements on page 32 of this Form 10-K.



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements of Mastech Holdings, Inc. and subsidiaries have been prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America and necessarily include amounts based on management's best estimates and judgments.

The Company's Consolidated Financial Statements for the year ended December 31, 2014 have been audited by UHY LLP, an Independent Registered Public Accounting Firm, whose report thereon appears on page 33 of this Form 10-K.

The Board of Directors pursues its responsibility for the Company's financial reporting and accounting practices through its Audit Committee, all of the members of which are independent directors. The Audit Committee's duties include recommending to the Board of Directors the Independent Registered Public Accounting Firm to audit the Company's financial statements, reviewing the scope and results of the independent accountants' activities and reporting the results of the committee's activities to the Board of Directors. The Independent Registered Public Accounting Firm has met with the Audit Committee in the presence of management representatives to discuss the results of their audit work. Additionally, the Independent Registered Public Accounting Firm has direct access to the Audit Committee.

D. Kevin Horner  
President and Chief Executive Officer

John J. Cronin, Jr.  
Chief Financial Officer

**MASTECH HOLDINGS, INC.**  
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**Board of Directors and Stockholders**

Mastech Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Mastech Holdings, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2014. We have also audited the accompanying Schedule II, Valuation and Qualifying Accounts, for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and schedule referred to above present fairly, in all material respects, the financial position of Mastech Holdings, Inc. and Subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "UHY LLP". The signature is written in a cursive, stylized font.

Farmington Hills, Michigan  
March 20, 2015

**MASTECH HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands, except share and per share data)

	<u>At December 31,</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,568	\$ 424
Accounts receivable, net of allowance for uncollectible accounts of \$260 in 2014 and \$358 in 2013	10,677	10,707
Unbilled receivables	4,549	4,304
Prepaid and other current assets	926	822
Deferred income taxes	120	143
Total current assets	<u>18,840</u>	<u>16,400</u>
Equipment, enterprise software, and leasehold improvements, at cost:		
Equipment	1,022	1,688
Enterprise software	629	723
Leasehold improvements	320	547
	<u>1,971</u>	<u>2,958</u>
Less – accumulated depreciation and amortization	<u>(1,270)</u>	<u>(2,784)</u>
Net equipment, enterprise software, and leasehold improvements	701	174
Deferred income taxes	188	248
Deferred financing costs, net	51	19
Non-current deposits	264	210
Total assets	<u>\$20,044</u>	<u>\$17,051</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term borrowings	\$ —	\$ 12
Accounts payable	1,514	2,026
Accrued payroll and related costs	5,012	5,202
Other accrued liabilities	531	304
Deferred revenue	119	47
Total current liabilities	<u>7,176</u>	<u>7,591</u>
Total liabilities	7,176	7,591
Commitments and contingent liabilities (Note 5)		
Shareholders' equity:		
Preferred Stock, no par value; 20,000,000 shares authorized; none outstanding	—	—
Common Stock, par value \$.01; 125,000,000 shares authorized and 5,099,184 shares issued as of December 31, 2014 and 4,974,506 shares issued as of December 31, 2013	51	50
Additional paid-in-capital	12,733	11,924
Retained earnings	4,024	601
Accumulated other comprehensive income (loss)	(25)	16
Treasury stock, at cost; 794,289 shares as of December 31, 2014 and 732,958 as of December 31, 2013	<u>(3,915)</u>	<u>(3,131)</u>
Total shareholders' equity	<u>12,868</u>	<u>9,460</u>
Total liabilities and shareholders' equity	<u>\$20,044</u>	<u>\$17,051</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**MASTECH HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Amounts in thousands, except per share data)**

	<b>Years Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Revenues	\$113,523	\$ 106,901	\$90,770
Cost of revenues	92,737	86,784	73,605
Gross profit	20,786	20,117	17,165
Selling, general and administrative expenses	15,246	14,815	13,794
Income from operations	5,540	5,302	3,371
Interest (expense)	(84)	(93)	(68)
Other income, net	52	16	36
Income from continuing operations before income taxes	5,508	5,225	3,339
Income tax expense	2,085	1,956	1,281
Income from continuing operations	3,423	3,269	2,058
Income from discontinued operations, net of tax expense of \$0, \$68 and \$64	—	94	81
Gain on sale of discontinued operations, net of tax expense of \$0, \$43 and \$0	—	442	—
Net income from discontinued operations	—	536	81
Net income	<u>\$ 3,423</u>	<u>\$ 3,805</u>	<u>\$ 2,139</u>
Earnings Per Share:			
Basic:			
Continuing operations	\$ .79	\$ .78	\$ .51
Discontinued operations	—	.13	.02
Total	<u>\$ .79</u>	<u>\$ .91</u>	<u>\$ .53</u>
Diluted:			
Continuing operations	\$ .77	\$ .75	\$ .49
Discontinued operations	—	.12	.02
Total	<u>\$ .77</u>	<u>\$ .88</u>	<u>\$ .51</u>
Weighted average common shares outstanding:			
Basic	4,320	4,193	4,075
Diluted	<u>4,459</u>	<u>4,342</u>	<u>4,201</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**MASTECH HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Amounts in thousands)**

	<u>Years Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net income	\$3,423	\$3,805	\$2,139
Other comprehensive income (loss):			
Net unrealized gain (loss) on cash flow hedges	(67)	13	13
Income tax expense (benefit)	(26)	5	5
Total other comprehensive income (loss)	<u>\$ (41)</u>	<u>\$ 8</u>	<u>\$ 8</u>
Total comprehensive income	<u>\$3,382</u>	<u>\$3,813</u>	<u>\$2,147</u>

The accompanying notes are an integral part of these Consolidated Financial Statements

**MASTECH HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Amounts in thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity
Balances, December 31, 2011	\$ 46	\$ 10,105	\$ 3,462	\$ (566)	\$ —	\$ 13,047
Net income	—	—	2,139	—	—	2,139
Unrealized gain on cash flow hedges, net of tax	—	—	—	—	8	8
Dividends paid on common stock	—	—	(6,682)	—	—	(6,682)
Increase in excess tax benefits related to stock-based compensation	—	58	—	—	—	58
Stock-based compensation expense	—	242	—	—	—	242
Stock options exercised	3	621	—	—	—	624
Purchase of treasury stock	—	—	—	(2,549)	—	(2,549)
Balances, December 31, 2012	\$ 49	\$ 11,026	\$ (1,081)	\$ (3,115)	\$ 8	\$ 6,887
Net income	—	—	3,805	—	—	3,805
Unrealized gain on cash flow hedges, net of tax	—	—	—	—	8	8
Dividends paid on common stock	—	—	(2,123)	—	—	(2,123)
Increase in excess tax benefits related to stock-based compensation	—	250	—	—	—	250
Stock-based compensation expense	—	517	—	—	—	517
Stock options exercised	1	131	—	—	—	132
Purchase of treasury stock	—	—	—	(16)	—	(16)
Balances, December 31, 2013	\$ 50	\$ 11,924	\$ 601	\$ (3,131)	\$ 16	\$ 9,460
Net income	—	—	3,423	—	—	3,423
Unrealized (loss) on cash flow hedges, net of tax	—	—	—	—	(41)	(41)
Increase in excess tax benefits related to stock-based compensation	—	467	—	—	—	467
Stock-based compensation expense	—	330	—	—	—	330
Stock options exercised	1	12	—	—	—	13
Purchase of treasury stock	—	—	—	(784)	—	(784)
Balances, December 31, 2014	<u>\$ 51</u>	<u>\$ 12,733</u>	<u>\$ 4,024</u>	<u>\$ (3,915)</u>	<u>\$ (25)</u>	<u>\$ 12,868</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**MASTECH HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)

	Years Ended December 31,		
	2014	2013	2012
<b>OPERATING ACTIVITIES:</b>			
Net income	\$3,423	\$ 3,805	\$ 2,139
Adjustments to reconcile net income to net cash provided by (used in) operating activities of continuing operations:			
Net income from discontinued operations, net of tax	—	(536)	(81)
Depreciation and amortization	143	153	158
Interest amortization of deferred financing costs	28	27	28
Stock-based compensation expense	330	532	222
Deferred income taxes, net	59	(131)	151
(Gain) loss on derivative contract	38	(13)	(28)
Loss on capital asset retirements	9	1	—
Working capital items:			
Accounts receivable and unbilled receivables	(281)	(2,915)	(1,778)
Prepaid and other current assets	(144)	(197)	(17)
Accounts payable	(495)	176	(312)
Accrued payroll and related costs	(190)	1,141	468
Other accrued liabilities	348	(43)	(99)
Deferred revenue	72	(121)	71
Net cash flows provided by operating activities of continuing operations	3,340	1,879	922
Net cash flows provided by (used in) operating activities of discontinued operations	(87)	1,332	75
Net cash flows provided by operating activities	<u>3,253</u>	<u>3,211</u>	<u>997</u>
<b>INVESTING ACTIVITIES:</b>			
(Payment for) Recovery of non-current deposits	(54)	10	(8)
Capital expenditures	(679)	(100)	(136)
Net cash flows (used in) investing activities of continuing operations	(733)	(90)	(144)
Net cash flows provided by (used in) investing activities of discontinued operations	—	1,000	(10)
Net cash flows provided by (used in) investing activities	<u>(733)</u>	<u>910</u>	<u>(154)</u>
<b>FINANCING ACTIVITIES:</b>			
Dividends paid on common stock	—	(2,123)	(6,682)
Payment of deferred financing costs	(60)	—	—
Proceeds from (payment of) short-term borrowings, net	(12)	(2,598)	2,610
Purchase of treasury stock and other equity securities	(784)	(16)	(2,549)
Proceeds from the exercise of stock options	13	131	624
Increase in excess tax benefits related to stock options, net	467	250	58
Net cash flows (used in) financing activities of continuing operations	(376)	(4,356)	(5,939)
Net cash flows of financing activities of discontinued operations	—	—	—
Net cash flows (used in) financing activities	<u>(376)</u>	<u>(4,356)</u>	<u>(5,939)</u>
Net change in cash and cash equivalents	2,144	(235)	(5,096)
Cash and cash equivalents, beginning of period	424	659	5,755
Cash and cash equivalents, end of period	<u>\$2,568</u>	<u>\$ 424</u>	<u>\$ 659</u>
<b>SUPPLEMENTAL DISCLOSURE:</b>			
Cash payments for interest expense	<u>\$ 116</u>	<u>\$ 65</u>	<u>\$ 40</u>
Cash payments for income taxes	<u>\$1,629</u>	<u>\$ 2,275</u>	<u>\$ 1,093</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.



**MASTECH HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Significant Accounting Policies:**

**Basis of Presentation**

Mastech Holdings, Inc. (referred to in this report as “Mastech”, the “Company”, “us”, “our” or “we”) is a provider of information technology staffing services. Our business combines technical expertise with business process experience to deliver a broad range of services within business intelligence / data warehousing; service oriented architecture; web services; enterprise resource planning & customer resource management; and e-Business solutions segments. Headquartered in the Pittsburgh, Pennsylvania area, we have approximately 750 consultants that provide services across a broad spectrum of industry verticals on a national basis.

**Accounting Principles**

The Company’s Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

**Principles of Consolidation**

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash and highly liquid debt investments with maturities of three months or less when purchased. Cash equivalents are stated at cost, which approximates market value.

**Accounts Receivable and Unbilled Receivables**

The Company extends credit to clients based upon management’s assessment of their creditworthiness. A substantial portion of the Company’s revenue, and the resulting accounts receivable, are from Fortune 1000 companies, major systems integrators and other staffing organizations.

Unbilled receivables represent amounts recognized as revenues based on services performed and, in accordance with the terms of the client contract, will be invoiced in a subsequent period.

**Allowance for Uncollectible Accounts**

Accounts receivable are reviewed periodically to determine the probability of loss. The Company records an allowance for uncollectible accounts when it is probable that the related receivable balance will not be collected based on historical collection experience, client-specific collection issues, and other matters the Company identifies in its collection monitoring.

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The Allowance for Uncollectible Accounts was \$260,000 and \$358,000 at December 31, 2014 and 2013, respectively. There were no bad debt expense charges from continuing operations reflected in the Consolidated Statements of Operations for each of the three years ended December 31, 2014.

### **Equipment, Enterprise Software and Leasehold Improvements**

Equipment, enterprise software and leasehold improvements are stated at historical cost. The Company provides for depreciation using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of (a) the remaining term of the lease or (b) the estimated useful life of the improvements. Repairs and maintenance, which do not extend the useful life of the respective assets, are charged to expense as incurred. Upon disposal, assets and related accumulated depreciation are removed from the Company's accounts and the resulting gains or losses are reflected in the Company's Consolidated Statement of Operations.

The estimated useful lives of depreciable assets are primarily as follows:

Laptop Computers	18 months
Equipment	3-5 years
Enterprise Software	3 years

Depreciation and amortization expense related to fixed assets totaled \$143,000, \$153,000 and, \$158,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

### **Income Taxes**

The Company records an estimated liability for income and other taxes based on what management determines will likely be paid in the various tax jurisdictions in which we operate. Management uses its best judgment in the determination of these amounts. However, the liabilities ultimately realized and paid are dependent on various matters, including the resolution of the tax audits in the various affected tax jurisdictions, and may differ from the amounts recorded. An adjustment to the estimated liability would be recorded through income in the period in which it becomes probable that the amount of the actual liability differs from the amount recorded.

Management determines the Company's income tax provision using the asset and liability method. Under this method, deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The Company measures deferred tax assets and liabilities using enacted tax rates in effect for the year in which we expect to recover or settle the temporary differences. The effect of a change in tax rates on deferred taxes is recognized in the period that the change is enacted. The Company evaluates its deferred tax assets and records a valuation allowance when, in management's opinion, it is more likely than not that some portion or all of the deferred tax assets will not be realized. For the periods presented, no valuation allowance has been provided.

The Company accounts for uncertain tax positions in accordance with ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes". Accordingly, the Company has reported a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in a tax return. As of December 31, 2014 and 2013, the Company provided \$138,000 and \$111,000 for uncertain tax positions, including interest and penalties, related to various state income tax matters.

During 2013, the Company's 2011 federal tax return was audited by the Internal Revenue Service ("IRS") resulting in no adjustments to our filed return. During 2011, the IRS completed its examination of the Company's federal income tax returns for the years 2008 (post spin-off) and 2009. Amendments to our income tax return as a result of such examination were immaterial. All periods remain subject to examination by various state authorities, conditioned upon statutory limitations.

### **Segment Reporting**

The Company has one reportable segment in accordance with ASC Topic 280 “Disclosures About Segments of an Enterprise and Related Information”.

### **Revenue Recognition**

The Company recognizes revenue on time-and-material contracts as services are performed and expenses are incurred. Time-and-material contracts typically bill at an agreed upon hourly rate, plus out-of-pocket expense reimbursement. Out-of-pocket expense reimbursement amounts vary by assignment, but on average represent approximately 2% to 3% of total revenues. Revenue is earned when the Company’s consultants are working on projects. Revenue recognition is negatively impacted by holidays and consultant vacation and sick days.

In certain situations related to client direct hire assignments, where the Company’s fee is contingent upon the hired resources’ continued employment with the client, revenue recognition is deferred until such employment conditions are satisfied.

### **Stock-Based Compensation**

Effective October 1, 2008, the Company adopted a Stock Incentive Plan (the “Plan”) which, as amended, provides that up to 1,200,000 shares of the Company’s common stock shall be allocated for issuance to directors, executive management and key personnel. Grants under the Plan can be made in the form of stock options, stock appreciation rights, performance shares or stock awards. The Plan is administered by the Compensation Committee of the Board of Directors. Stock options are granted at an exercise price equal to the closing share price of the Company common stock at the grant date and generally vest over a four-year period.

The Company accounts for stock-based compensation expense in accordance with ASC Topic 718 “Share-based Payments” which requires us to measure all share-based payments based on their estimated fair value at the grant date and recognize compensation expense over the requisite service period. The fair value of our stock options is determined at the date of grant using the Black-Scholes option pricing model.

### **Treasury Stock**

The Company maintains a stock repurchase program which expires on December 22, 2016. Under this program, the Company may make treasury stock purchases in the open market or through privately negotiated transactions, subject to market conditions and normal trading restrictions. At December 31, 2014, the Company held 794,289 shares in its treasury at a cost of \$3.9 million.

### **Comprehensive Income**

Comprehensive income as presented in the Consolidated Statements of Comprehensive Income consists of net income and unrealized gains or losses, net of taxes, on cash flow hedging transactions related to foreign exchange derivative contracts.

### **Derivative Instruments and Hedging Activities**

The Company is exposed to foreign currency risks largely as a result of its Indian-based global recruitment centers. During 2012, the Company’s expenditures in Indian rupees, in support of these operations, increased significantly. Accordingly, to mitigate and manage the risk of changes in foreign currency exchange rates, the Company entered into foreign currency forward contracts in June 2012 and continued its hedging strategy through 2014. These forward contracts have been designated as cash flow hedging instruments and qualified as effective hedges at inception under ASC Topic 815, “*Derivatives and Hedging*”. The Company does not enter into derivative contracts for speculative purposes.

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All derivatives are recognized on the balance sheet at fair value. The effective portion of the changes in fair value on these instruments are recorded in other comprehensive income (loss) and are reclassified into the Consolidated Statement of Operations on the same line item and in the same period in which the underlying hedge transactions affects earnings. Changes in the fair value of these instruments deemed ineffective are recognized in the Consolidated Statement of Operations as foreign exchange gains (losses). Forward points (premiums/discounts) are excluded from the assessment of hedge effectiveness and are recognized in the Consolidated Statement of Operations as foreign exchange gains/ (losses).

With respect to derivatives designated as hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking such transactions. The Company evaluates hedge effectiveness at the time a contract is entered into and on an ongoing basis. If a contract is deemed ineffective, the change in the fair value of the derivative is recorded in the Consolidated Statement of Operations as foreign exchange gains (losses).

### **Earnings Per Share**

Basic earnings per share are computed using the weighted-average number of common shares outstanding during the period. Diluted earnings per share are computed using the weighted-average number of common shares outstanding during the period, plus the incremental shares outstanding assuming the exercise of dilutive stock options and the vesting of restricted shares and performance shares, calculated using the treasury stock method.

### **Recently Issued Accounting Standards**

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-8, “*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*”. This ASU changes the requirements for reporting discontinued operations to disposals of components of an entity that represent strategic shifts that have a major effect on an entity’s operations and financial results and does not prohibit continuing involvement. The standard also expands the disclosures for discontinued operations and requires new disclosures related to individually material disposals that do not qualify for discontinued operations reporting. The guidance is effective for interim and annual periods beginning after December 15, 2014, and should be applied prospectively. Early adoption is permitted. The Company did not early adopt this standard for purposes of the discontinued operations disclosed in Note 2 below.

In May 2014, the FASB issued ASU No. 2014-9, “*Revenue from Contracts with Customers*”, which stipulates that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This new guidance is effective for annual reporting periods beginning after December 15, 2016 and is to be applied retrospectively at the entity’s election either to each prior reporting period presented or with the cumulative effect of application recognized at the date of initial application. Early adoption is not permitted. The Company is currently evaluating the impact that the adoption of this ASU will have on its consolidated financial statements.

In June 2014, the Financial Accounting Standards Board (FASB) issued Update 2014-12, *Compensation—Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. Generally, share-based payment awards require a specific performance target to be achieved in order for employees to become eligible to vest in the awards. Also, an award with a performance target generally requires an employee to render service until the performance target is achieved. In some cases, however, the terms of an award may provide that the performance target could be achieved after an employee completes the requisite service period. That is, the

employee would be eligible to vest in the award regardless of whether the employee is rendering service on the date the performance target is achieved. This Update is intended to resolve the diverse accounting treatment of those awards in practice.

The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. As indicated in the definition of vest, the stated vesting period (which includes the period in which the performance target could be achieved) may differ from the requisite service period. For all entities, the amendments in this Update are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted.

The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

## **2. Discontinued Operations**

In August 2013, the Company sold its healthcare staffing business to Accountable Healthcare Staffing, Inc. Under the terms of the Sale and Purchase Agreement, the purchase price totaled \$1.15 million and consisted of \$1.0 million of cash consideration at closing, plus the assumption of certain liabilities by the buyer. Total net assets sold excluded cash balances on hand, accounts receivables and other current assets which approximated \$1.5 million, net of current liabilities retained by the Company at the transaction date.

The healthcare staffing business meets the criteria for being reported as a discontinued operation and has been segregated from continuing operations. Accordingly, the Consolidated Statements of Operations and Cash Flows for all periods presented have been recast to reflect the presentation of discontinued operations. Unless otherwise indicated, all disclosures in the Notes to the Consolidated Financial Statements relate to the Company's continuing operations.

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The carrying value of assets and liabilities of discontinued operations included in the December 31, 2014 and 2013 Consolidated Balance Sheets were as follows (in thousands):

	At December 31, 2014	At December 31, 2013
<b>ASSETS:</b>		
Accounts receivables	\$ 2	\$ 68
Deferred income taxes	—	24
Non-current deposits	19	19
Total	<u>21</u>	<u>111</u>
<b>LIABILITIES:</b>		
Accounts payable	6	23
Other accrued liabilities	15	174
Total	<u>21</u>	<u>197</u>
<b>TOTAL NET ASSETS (LIABILITIES)</b>	<u>\$ —</u>	<u>\$ (86)</u>

The statement of operations of discontinued operations was as follows for the three years ended December 31, 2014 (in thousands):

	Years Ended December 31,		
	2014	2013*	2012
Revenues	\$—	\$7,058	\$11,068
Costs of revenues	—	5,856	9,024
Gross profit	—	1,202	2,044
Selling, general and administrative expenses	—	1,040	1,899
Income before income taxes	—	162	145
Income tax expense	—	68	64
Net income	<u>\$—</u>	<u>\$ 94</u>	<u>\$ 81</u>

\* Results through the sale transaction date (August 12, 2013).

The gain on the August 2013 sale of the healthcare business was as follows (in thousands):

	Year Ended December 31, 2013
Pretax gain on sale transaction	\$ 485
Income tax expense	43
Net gain after income taxes	<u>\$ 442</u>

Income tax expense in 2013 on the sale transaction included the utilization of \$147,000 of tax benefits (capital loss carry-forwards) which were previously deemed non-realizable by the Company.

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The statements of cash flows of discontinued operations were as follows for the three-years ended December 31, 2014 (in thousands):

	Years Ended December 31,		
	2014	2013	2012
<b>OPERATING ACTIVITIES:</b>			
Net income from discontinued operations	\$ —	\$ 536	\$ 81
Adjustments to reconcile net income to net cash provided by (used in) operating activities of discontinued operations:			
Depreciation and amortization	—	16	45
Bad debt (credit) expense	—	(25)	125
Stock-based compensation expense	—	(15)	20
Deferred income taxes, net	24	(16)	(49)
(Gain) on sale of discontinued operations, net of tax	—	(442)	—
Working capital items:			
Accounts receivable and unbilled receivables	66	1,720	(213)
Prepaid and other current assets	—	144	12
Accounts payable	(17)	(134)	(13)
Accrued payroll and related costs	—	(363)	(46)
Other accrued liabilities	(160)	(84)	117
Deferred revenue	—	(5)	(4)
Total cash provided by (used in) operating activities of discontinued operations	(87)	1,332	75
<b>INVESTING ACTIVITIES:</b>			
Recovery of (increase in) non-current deposits	—	(6)	4
Capital expenditures	—	(3)	(14)
Proceeds from sale of discontinued operations	—	1,009	—
Total cash provided by (used in) investing activities of discontinued operations	—	1,000	(10)
<b>FINANCING ACTIVITIES:</b>			
None	—	—	—
Total cash flow provided by (used in) discontinued operations	<u>\$ (87)</u>	<u>\$2,332</u>	<u>\$ 65</u>

### **3. Cash and Cash Equivalents**

The Company had cash and cash equivalents consisting of cash balances on hand and money market funds that totaled \$2.6 million at December 31, 2014 and \$0.4 million at December 31, 2013. There were no restrictions on the Company's cash balances during the periods presented.

### **4. Credit Facility**

On July 11, 2014, the Company entered into a Second Amended and Restated Loan Agreement (the "Loan Agreement") with PNC Bank, N.A. ("PNC"), replacing its previous PNC credit facility that was set to expire on August 31, 2014. The new three-year facility provides for up to \$20 million of credit, subject to borrowing base limits and commitment reductions and mandatory prepayments, as described in the Loan Agreement filed as Exhibit 10.1 to the Company's Form 8K, filed with the SEC on July 17, 2014.

Advances under the revolving credit loan are limited to a borrowing base that consist of the sum of 85% of eligible accounts receivable and 60% of eligible unbilled accounts. The credit facility includes sub-facilities in aggregate amounts not to exceed (i) \$1 million for letters of credit and (ii) \$5 million for permitted acquisitions. Revolving credit loans made for the purpose of financing permitted acquisitions may be converted into term

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loans with five-year maturities and the credit facility will be reduced by an amount equal to each converted term loan. The credit facility also includes an accordion feature which may be exercised by the Company to increase the loan commitment by an aggregate amount of up to \$10 million, subject to PNC's approval.

Interest on borrowings will be charged at a rate equal to, at the Company's election, either (a) the higher of PNC's prime rate or the federal funds rate plus 0.50%, plus an applicable margin; or (b) adjusted LIBOR plus an applicable margin. The applicable margin on the base rate is between 0.25% and 0.75% on revolving credit loans and between 0.75% and 1.25% on the delayed draw term loans. The applicable margin on the adjusted LIBOR rate is between 1.25% and 1.75% on revolving credit loans and between 1.75% and 2.25% on the delayed draw term loans. The actual applicable margin is based on the Company's senior leverage ratio, as defined in the Loan Agreement. A 20 basis point per annum commitment fee on the unused portion of the facility is charged and due quarterly in arrears. As of December 31, 2014, the Company had no outstanding borrowings under facility and unused borrowing availability of \$16.9 million. As of December 31, 2013, the Company had \$12,000 of outstanding borrowings under the facility and unused borrowing availability of \$15.4 million.

The Loan Agreement contains standard financial covenants, including but not limited to, covenants related to the Company's leverage ratio, senior leverage ratio and fixed charge ratio (as defined under the Loan Agreement) and limitations on liens, indebtedness, guarantees and contingent liabilities, loans and investments, distributions, leases, asset sales, stock repurchases and mergers and acquisitions. As of December 31, 2014, the Company was in compliance with all provisions under the facility.

In connection with securing the Loan Agreement, the Company incurred transaction costs totaling \$60,000. These costs are being amortized as interest expense over the three-year life of the credit facility.

## 5. Commitments and Contingencies

### *Lease Commitments*

The Company rents certain office facilities and equipment under noncancelable operating leases, which provide for the following future minimum rental payments as of December 31, 2014:

	<u>Total Amount</u> <u>(Amounts in thousands)</u>
2015	\$ 745
2016	601
2017	512
2018	552
2019	553
Thereafter	472
<b>Total</b>	<b>\$ 3,435</b>

Rental expense for the years ended December 31, 2014, 2013 and 2012, totaled \$596,000, \$577,000 and \$618,000, respectively.

### *Contingencies*

In the ordinary course of business, the Company is involved in a number of lawsuits and administrative proceedings. While uncertainties are inherent in the final outcome of these matters, management believes, after consultation with legal counsel, that the disposition of these proceedings should not have a material adverse effect on our financial position, results of operations or cash flows.



## **6. Employee Benefit Plan**

The Company's employees participate in an Employee Retirement Savings Plan (the "Retirement Plan") under Section 401(k) of the Internal Revenue Code that covers substantially all U.S. based salaried employees. Employees may contribute a percentage of eligible compensation to the Retirement Plan, subject to certain limits under the Internal Revenue Code. For the three years ended December 31, 2014, the Company did not provide for matching contributions.

## **7. Stock-Based Compensation**

Effective October 1, 2008, the Company adopted a Stock Incentive Plan (the "Plan") which, as amended, provides that up to 1,200,000 shares of the Company's common stock shall be allocated for issuance to directors, executive management and key personnel. Grants under the Plan can be made in the form of stock options, stock appreciation rights, performance shares or stock awards. As of December 31, 2014, the Company had 720,000 outstanding and/or exercised stock options, 207,000 outstanding and/or vested performance shares and 95,000 outstanding and/or released restricted stock units that were issued under the Plan. Thus, as of December 31, 2014, the Company has 178,000 shares available for future grants under the Plan.

The Plan is administered by the Compensation Committee of the Board of Directors. All grants awarded under the Plan are recommended by the Committee to the Board of Directors for approval. The exercise price of stock options is set on the grant date and not to be less than the fair market value per share of our closing stock price on that date. Grants of stock options and restricted stock awards generally vest over a four-year period and options expire after ten years from the grant date. Performance shares vest upon the achievement of the performance criteria and approval by the Compensation Committee of the Board of Directors.

On February 6, 2013, the Compensation Committee of the Board of Directors determined that, in accordance with the provisions of the Plan, equitable adjustments to outstanding equity grants issued under the Plan were required to preserve the intrinsic value related to non-participation in the Company's special shareholder distribution (special one-time dividend), made on December 21, 2012. Accordingly, the Committee approved adjustments to the exercise price of all stock options, outstanding prior to this distribution, to preserve the stock option's pre-distribution value. Further, the Committee approved the issuance of additional restricted shares and performance shares, sufficient to preserve the pre-distribution value of those securities, with the same service and performance requirements as stated in the original grants. These equitable adjustments, in accordance with the Plan, do not constitute a modification to the original grants under the provisions of ASC Topic 718 "Share-based Payments".

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Following is a summary of Mastech stock option activity for the three years ended December 31, 2014:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2011	654,000	\$ 2.80
Granted	—	\$ —
Exercised	(262,000)	\$ 2.68
Cancelled / forfeited	(61,000)	\$ 3.77
Outstanding at December 31, 2012	331,000	\$ 2.79
Granted	—	\$ —
Exercised	(64,000)	\$ 2.05
Cancelled / forfeited	(2,000)	\$ 2.08
Outstanding at December 31, 2013	265,000	\$ 1.01*
Granted	—	\$ —
Exercised	(10,000)	\$ 1.43*
Cancelled / forfeited	—	\$ —
Outstanding at December 31, 2014	<u>255,000</u>	<u>\$ 1.00*</u>

\* Reflects equitable adjustments to the exercise price as referenced above.

As of December 31, 2014, the Company's outstanding "in the money" stock options using the year-end share price of \$10.62 had an aggregate intrinsic value of \$2.5 million. As of December 31, 2014, the intrinsic value of vested and expected to vest stock options totaled \$2.4 million. The total intrinsic value of options exercised during 2014, 2013 and 2012 totaled \$131,000, \$754,000 and \$582,000, respectively. The measurement date fair value of stock options vested during 2014, 2013 and 2012 totaled \$69,000, \$112,000 and \$152,000, respectively.

The table below summarizes information regarding the Company's outstanding and exercisable stock options as of December 31, 2014:

Range of Exercise Prices:	Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
\$0.01 to \$2.00	232,000	6.8	\$ .81
\$2.01 to \$4.00	17,000	5.0	\$ 2.36
\$4.01 to \$6.00	6,000	2.7	\$ 4.63
	<u>255,000</u>	<u>6.6</u>	<u>\$ 1.00</u>

  

Range of Exercise Prices:	Options Exercisable	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
\$0.01 to \$2.00	170,000	6.8	\$ .81
\$2.01 to \$4.00	17,000	5.0	\$ 2.36
\$4.01 to \$6.00	6,000	2.7	\$ 4.63
	<u>193,000</u>	<u>6.5</u>	<u>\$ 1.07</u>

No stock options were issued during the three years ended December 31, 2014.

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Following is a summary of Mastech restricted stock activity for the three years ended December 31, 2014:

	Years Ended December 31,		
	2014	2013	2012
Beginning outstanding balance	39,863	9,375	25,000
Awarded	45,000	31,250	—
Awarded as equitable adjustments	—	3,544	—
Released	(12,122)	(4,306)	(6,250)
Forfeited	—	—	(9,375)
Ending outstanding balance	<u>72,741</u>	<u>39,863</u>	<u>9,375</u>

The average grant date fair value of restricted stock awarded in 2014 was \$12.34. The aggregate intrinsic value of restricted stock units outstanding at December 31, 2014 was \$773,000. The total intrinsic value of restricted shares released during 2014 totaled \$165,000.

Following is a summary of Mastech performance share activity for the three years ended December 31, 2014:

	Years Ended December 31,		
	2014	2013	2012
Beginning outstanding balance	206,554	131,250	—
Awarded	—	68,750	193,750
Awarded as equitable adjustments	—	49,616	—
Released	(103,281)	—	—
Forfeited	—	(43,062)	(62,500)
Ending outstanding balance	<u>103,273</u>	<u>206,554</u>	<u>131,250</u>

The total intrinsic value of performance shares released during 2014 totaled \$1.4 million. The aggregate intrinsic value of performance shares outstanding at December 31, 2014 was \$1.1 million.

Stock-based compensation expense of \$330,000, \$532,000, and \$222,000 was recognized in the Consolidated Statements of Operations for the years ended December 31, 2014, 2013, and 2012, respectively. The Company has recognized related tax benefits associated with its share-based compensation arrangements for the years ended December 31, 2014, 2013, and 2012 of \$125,000, \$193,000 and \$93,000, respectively. As of December 31, 2014, the total remaining unrecognized compensation expense related to non-vested stock options totaled \$42,000, which will be amortized over the weighted-average remaining requisite service period of 0.8 years; the total remaining unrecognized compensation expense related to restricted stock units amounted to \$755,000, which will be amortized over the weighted-average remaining requisite service period of 3.3 years; and the total remaining unrecognized compensation expense related to performance shares amounted to \$142,000, which will be amortized over the weighted-average estimated remaining requisite service period of 1.5 years.

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**8. Income Taxes**

The components of income before income taxes from continuing operations, as shown in the accompanying Consolidated Statement of Operations, consisted of the following for the years ended December 31, 2014, 2013 and 2012:

	Years Ended December 31,		
	2014	2013	2012
	(Amounts in thousands)		
Income before income taxes:			
Domestic	\$5,508	\$5,225	\$3,339
Foreign	—	—	—
Income before income taxes	<u>\$5,508</u>	<u>\$5,225</u>	<u>\$3,339</u>

While all of the Company's revenues and income is generated within the United States, the Company does have a foreign subsidiary in India which provides recruitment services to its U.S. operations. Accordingly, the Company allocates a portion of its income to this subsidiary based on a "transfer pricing" model. No provision for U.S. income taxes has been made for the undistributed earnings of its Indian subsidiary as of December 31, 2014, as those earnings are expected to be permanently reinvested outside the U.S. If these foreign earnings were to be repatriated in the future, the U.S. tax liability may be reduced by any foreign income taxes previously paid on such earnings, which would make this U.S. tax liability immaterial. The determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

The provision for income taxes from continuing operations, as shown in the accompanying Consolidated Statement of Operations, consisted of the following for the years ended December 31, 2014, 2013 and 2012:

	Years Ended December 31,		
	2014	2013	2012
	(Amounts in thousands)		
Current provision:			
Federal	\$1,835	\$1,915	\$1,024
State	191	172	106
Total current provision	<u>2,026</u>	<u>2,087</u>	<u>1,130</u>
Deferred provision (benefit):			
Federal	51	(115)	133
State	8	(16)	18
Total deferred provision (benefit)	<u>59</u>	<u>(131)</u>	<u>151</u>
Total provision for income taxes	<u>\$2,085</u>	<u>\$1,956</u>	<u>\$1,281</u>

The reconciliation of income taxes from continuing operations computed using our statutory U.S. income tax rate and the provision for income taxes for the years ended December 31, 2014, 2013 and 2012 were as follows:

(Amounts in thousands)	2014		2013		2012	
Income taxes computed at the federal statutory rate	\$1,873	34.0%	\$1,777	34.0%	\$1,135	34.0%
State income taxes, net of federal tax benefit	199	3.6	156	3.0	124	3.7
Other	13	0.3	23	0.4	22	0.7
	<u>\$2,085</u>	<u>37.9%</u>	<u>\$1,956</u>	<u>37.4%</u>	<u>\$1,281</u>	<u>38.4%</u>

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The components of the deferred tax assets and liabilities were as follows:

	At December 31,	
	2014	2013
	(Amounts in thousands)	
Deferred tax assets:		
Allowance for doubtful accounts and employee advances	\$ 102	\$ 139
Accrued vacation, bonuses and severance	228	199
Stock-based compensation expense	191	249
Total deferred tax assets	<u>521</u>	<u>587</u>
Deferred tax liabilities:		
Prepaid expenses	210	193
Depreciation, intangibles and other	3	3
Total deferred tax liabilities	<u>213</u>	<u>196</u>
Net deferred tax asset	308	391
Less: current deferred tax asset	120	143
Total long-term deferred tax asset	<u>\$ 188</u>	<u>\$ 248</u>

A reconciliation of the beginning and ending amounts of unrecognized tax benefits related to uncertain tax positions, including interest and penalties, for the three years ended December 31, 2014 is as follows:

(Amounts in thousands)	Years Ended December 31,		
	2014	2013	2012
Unrecognized tax benefits, beginning balance	\$ 111	\$ 78	\$ 89
Additions related to current period	40	33	27
Additions related to prior periods	—	—	—
Reductions related to prior periods	(13)	—	(38)
Unrecognized tax benefits, ending balance	<u>\$ 138</u>	<u>\$ 111</u>	<u>\$ 78</u>

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. As of December 31, 2014, 2013 and 2012, the Company had \$16,000, \$15,000 and \$13,000, respectively, accrued for interest and penalties.

## 9. Derivative Instruments and Hedging Activities

The Company entered into foreign currency forward contracts (“derivative contracts”) to mitigate and manage the risk of changes in foreign exchange rates related to highly probable expenditures in support of its Indian-based global recruitment operations. These forward contracts have been designated as cash flow hedging instruments and qualified as effective hedges at inception under ASC Topic 815, “Derivatives and Hedging”.

All derivatives are recognized on the balance sheet at fair value. The effective portion of the changes in fair value on these instruments are recorded in other comprehensive income and are reclassified into the Consolidated Statement of Operations on the same line item and in the same period in which the underlying hedge transaction affects earnings. Changes in the fair value of these instruments deemed ineffective are recognized in the Consolidated Statement of Operations as foreign exchange gains (losses). Hedge effectiveness is assessed based on changes in the fair value of the forward contracts related to the difference between the spot price and the forward price. Forward points (premiums/discounts) are excluded from the assessment of hedge effectiveness and are recognized in the Consolidated Statement of Operations as foreign exchange gains/ (losses).

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The outstanding contracts as of December 31, 2014 mature in twelve equal monthly installments of 11 million rupees through December 2015, meet the qualifying criteria for hedge accounting and have been deemed to be effective. Accordingly, the Company has recorded other comprehensive pretax losses of \$41,000 as of December 31, 2014.

The following table presents information related to foreign currency forward contracts held by the Company:

**Outstanding hedge transactions qualifying for hedge accounting as of December 31, 2014 (amounts in thousands):**

	<u>Maturity Date Ranges</u>	<u>Rupee Strike Price Ranges</u>	<u>Amount</u>	<u>Net Unrealized Gain / (Loss) December 31, 2014</u>
<b>Forward contracts USD:</b>				
From:	January 20, 2015	62.35		
To:	December 18, 2015	65.74		
Total			\$2,065	\$ (41)

**The effect of derivative instruments on the Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2014 (in thousands):**

<u>Derivatives in ASC Topic 815 Cash Flow Hedging Relationships</u>	<u>Amount of Gain / (Loss) recognized in OCI on Derivatives</u> (Effective Portion)	<u>Location of Gain / (Loss) reclassified from Accumulated OCI to Income</u> (Effective Portion)	<u>Amount of Gain / (Loss) reclassified from Accumulated OCI to Income</u> (Effective Portion)	<u>Location of Gain / (Loss) reclassified in Income on Derivatives</u> (Ineffective Portion/Amounts excluded from effectiveness testing)	<u>Amount of Gain / (Loss) recognized in Income on Derivatives</u>
Currency Forward Contracts	(\$67)	SG&A Expense	\$51	Other Income/ (Expense)	\$77

**The effect of derivative instruments on the Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2013 (in thousands):**

<u>Derivatives in ASC Topic 815 Cash Flow Hedging Relationships</u>	<u>Amount of Gain / (Loss) recognized in OCI on Derivatives</u> (Effective Portion)	<u>Location of Gain / (Loss) reclassified from Accumulated OCI to Income</u> (Effective Portion)	<u>Amount of Gain / (Loss) reclassified from Accumulated OCI to Income</u> (Effective Portion)	<u>Location of Gain / (Loss) reclassified in Income on Derivatives</u> (Ineffective Portion/Amounts excluded from effectiveness testing)	<u>Amount of Gain / (Loss) recognized in Income on Derivatives</u>
Currency Forward Contracts	\$13	SG&A Expense	(\$20)	Other Income/ (Expense)	\$9

**Information on the location and amounts of derivative fair values in the Consolidated Balance Sheets (in thousands):**

<u>Derivative Instruments</u>	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Balance Sheet Location</u>	<u>Fair Value</u>	<u>Balance Sheet Location</u>	<u>Fair Value</u>
Currency Forward Contracts	Other Current Liabilities	\$ 38	Prepaid and Other Current Assets	\$ 67

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The estimated amount of pretax (losses) as of December 31, 2014 that is expected to be reclassified from other comprehensive income (loss) into earnings, within the next 12 months is \$(41,000).

### **10. Shareholders' Equity**

On October 22, 2014, the Company's Board of Directors approved the extension of the Company's existing Share Repurchase Program for an additional two-year period, through December 22, 2016. Repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable securities laws. During 2014, 2013 and 2012, the Company purchased 32,149, 2,743 and 551,607 shares respectively, under the Share Repurchase Program. These share repurchases were completed at an average share price, inclusive of transaction cost of \$11.75, \$5.59 and \$4.62 per share for 2014, 2013 and 2012, respectively. As of December 31, 2014, there are approximately 484,892 shares available for purchase under the Share Repurchase Program. Additionally in 2014, the Company purchased an additional 29,182 shares at an average share price of \$13.63 to satisfy employee tax obligations related to the vesting of performance shares, in accordance with the Plan provisions.

On October 30, 2013, the Company announced that its Board of Directors approved a five-for-four (25 percent) stock split and declared a special cash dividend of \$0.50 per post-split share of common stock. Shareholders of record received one new share of Common Stock for every four shares that they owned. The distribution of the new shares was made on November 29, 2013. The cash dividend was paid on December 20, 2013 to shareholders of record at the close of December 9, 2013. This \$2.1 million cash dividend was largely funded by cash balances on hand.

### **11. Revenue Concentration**

Accenture was the Company's only client that exceeded 10% of total 2014 and 2013 revenues, generating 11.7% and 11.4% of total revenues, respectively. In 2012, IBM, TEK Systems and Kaiser Permanente exceeded 10% of total revenues, generating 13.3%, 12.0% and 11.8% of total revenues, respectively.

Accenture accounted for 13.4% and 11.7% of the Company's accounts receivable balance at December 31, 2014 and December 31, 2013. At December 31, 2012, IBM, TEK Systems and Kaiser Permanente accounted for 7.2%, 6.9% and 12.6% of the Company's accounts receivable balance.

The Company's top ten clients represented approximately 59%, 57% and 60% of total revenues in 2014, 2013 and 2012, respectively.

### **12. Earnings per Share**

The computation of basic earnings per share ("EPS") is based on the Company's net income divided by the weighted average number of common shares outstanding. Diluted earnings per share reflects the potential dilution that could occur if outstanding stock options and restricted share units were exercised / released. The dilutive effect of stock options and restricted share units were calculated using the treasury stock method. Performance shares for which the performance objectives were achieved as of December 31, 2014 and 2013, were included in the dilutive earnings per share calculation for the respective years as though such shares were outstanding for the entire quarter in which the performance objectives were achieved.

For the year's ended 2014, 2013 and 2012, the computation of diluted earnings per share does not include 0, 0 and 60,000 stock options respectively, as the effect of their inclusion would have been anti-dilutive.

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The following table sets forth the denominators of the basic and diluted EPS computations. All shares outstanding for the period shown below have been adjusted to reflect the November 2013 five-for-four stock split:

(Amounts in thousands):	Years Ended December 31,		
	2014	2013	2012
Weighted-average shares outstanding:			
Basic	4,320	4,193	4,075
Stock options and restricted share units	139	149	126
Diluted	<u>4,459</u>	<u>4,342</u>	<u>4,201</u>

The following table sets forth the computation of basic EPS utilizing net income from continuing operations and the Company's weighted-average common stock outstanding:

(Amounts in thousands, except per share data):	Years Ended December 31,		
	2014	2013	2012
Net income	\$3,423	\$3,269	\$2,058
Basic weighted-average shares outstanding	4,320	4,193	4,075
Basic EPS	<u>\$ .79</u>	<u>\$ .78</u>	<u>\$ .51</u>

The following table sets forth the computation of diluted EPS utilizing net income from continuing operations and the Company's weighted-average common stock outstanding plus the weighted-average of stock options, restricted shares and performance shares outstanding:

(Amounts in thousands, except per share data):	Years Ended December 31,		
	2014	2013	2012
Net income	\$3,423	\$3,269	\$2,058
Diluted weighted-average shares outstanding	4,459	4,342	4,201
Diluted EPS	<u>\$ .77</u>	<u>\$ .75</u>	<u>\$ .49</u>

### 13. Fair Value Measurements

The Company has adopted the provisions of ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820") related to certain financial and nonfinancial assets and liabilities. ASC 820 establishes the authoritative definition of fair value; sets out a framework for measuring fair value; and expands the required disclosures about fair value measurements. The valuation techniques required by ASC 820 are based on observable and unobservable inputs using the following three-tier hierarchy:

- Level 1 – Inputs are observable quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – Inputs are observable, other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are directly or indirectly observable in the marketplace.
- Level 3 – Inputs are unobservable that are supported by little or no market activity.



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The following table summarizes the basis used to measure financial assets and (liabilities) at fair value on a recurring basis:

(Amounts in thousands)	Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Currency forward contracts	\$ 0	\$ (38)	\$ 0	\$ 0

(Amounts in thousands)	Fair Value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Currency forward contracts	\$ 0	\$ 67	\$ 0	\$ 0

### 14. Quarterly Financial Information from Continuing Operations (Amounts in thousands, except per share data):

Year Ended December 31, 2014	Revenues	Gross Profit	Net Income	Earnings Per Share	
				Basic	Diluted
First quarter	\$ 28,684	\$ 5,225	\$ 869	\$ .20	\$ .20
Second quarter	27,656	5,106	893	.21	.20
Third quarter	28,634	5,227	879	.20	.20
Fourth quarter	28,549	5,228	782	.18	.18
Annual	<u>\$113,523</u>	<u>\$20,786</u>	<u>\$3,423</u>	<u>\$ .79</u>	<u>\$ .77</u>

Year Ended December 31, 2013	Revenues	Gross Profit	Net Income	Earnings Per Share	
				Basic	Diluted
First quarter	\$ 24,000	\$ 4,371	\$ 544	\$ .13	\$ .13
Second quarter	26,135	4,973	765	.18	.18
Third quarter	28,283	5,335	999	.24	.23
Fourth quarter	28,483	5,438	961	.23	.22
Annual	<u>\$106,901</u>	<u>\$20,117</u>	<u>\$3,269</u>	<u>\$ .78</u>	<u>\$ .75</u>

### 15. Severance Charges

The Company did not incur any severance costs in 2014 and 2013. Severance costs during 2012 totaled \$120,000 and related to a change in executive leadership.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

*Disclosure Controls and Procedures*

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of Company management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective. The results of management’s assessment were reviewed with the Company’s Audit Committee.

The certification required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits 31.01 and 31.02, respectively, to this Annual Report on Form 10-K.

*Management’s Report on Internal Controls Over Financial Reporting*

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of Company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use, or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions or that the degree of compliance with established policies or procedures may deteriorate.

The Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2014. In making its assessment of internal control over financial reporting, management used the criteria described in the *Internal Control-Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based upon this assessment, management has concluded and hereby reports that the Company’s internal control over financial reporting was effective as of December 31, 2014.

This Annual Report on Form 10-K does not include an attestation report of the Company’s independent registered public accounting firm regarding internal control over financial reporting. Management’s report was

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not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this Annual Report on Form 10-K.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information required by this Item, not set forth below, is incorporated herein by reference from the Company's definitive proxy statement relating to the Annual Meeting of Shareholders scheduled for May 13, 2015, which will be filed with the Commission within 120 days after the close of the Company's fiscal year ended December 31, 2014 (the "Proxy Statement").

We have adopted a code of ethics applicable to all of our employees, including our principal executive officer, principal financial officer and principal accounting officer titled Code of Conduct Policy. The Code of Conduct Policy is posted on the Company's website, [www.mastech.com](http://www.mastech.com) (under the "Corporate Governance" caption of the Investor Relations page). The Company intends to satisfy the disclosure requirement regarding certain amendments to, or waivers from, provisions of its code of ethics by posting such information on the Company's website.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item is incorporated by reference to the Proxy Statement.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS**

The information required by this item is hereby incorporated by reference from the section entitled "Security Ownership of Certain Beneficial Owners and Management" of the Proxy Statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is hereby incorporated by reference from the sections entitled "Board Committees and Meetings" and "Policies and Procedures for Approving Related Person Transactions" of the Proxy Statement. During 2014, we had no related party transactions.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item is hereby incorporated by reference from the section entitled "Independent Registered Public Accountants" of the Proxy Statement.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

1. *Financial Statements*

The following Consolidated Financial Statements of the registrant and its subsidiaries are included on pages 34 to 55 and the report of Independent Registered Public Accounting Firm is included on page 33 in this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets – December 31, 2014 and 2013.

Consolidated Statements of Operations – Years ended December 31, 2014, 2013 and 2012.

Consolidated Statements of Comprehensive Income – Years ended December 31, 2014, 2013 and 2012.

Consolidated Statements of Shareholders' Equity – Years ended December 31, 2014, 2013 and 2012.

Consolidated Statements of Cash Flows – Years ended December 31, 2014, 2013 and 2012.

Notes to Consolidated Financial Statements

2. *Consolidated Financial Statement Schedules*

The following Consolidated Financial Statement schedules shown below should be read in conjunction with the Consolidated Financial Statements on pages 34 to 55 in this Form 10-K. All other schedules are omitted because they are not applicable or not required or the required information is shown in the Consolidated Financial Statements or notes thereto.

The following items appear immediately on the following page:

Financial Statement Schedules:

Schedule II – Valuation and Qualifying Accounts for the years ended December 31, 2014, 2013 and 2012.

3. *Exhibits*

Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index, which is incorporated herein by reference.

**MASTECH HOLDINGS, INC.**  
**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
**(Amounts in thousands)**

	<u>Balance at beginning of period</u>	<u>Charged to expense (credited)</u>	<u>Recoveries/ (Write-offs)</u>	<u>Balance at end of period</u>
<b>Allowance for Doubtful Accounts:</b>				
Year ended December 31, 2014	\$ 358	\$ —	\$ (98)	\$ 260
Year ended December 31, 2013	438	(25)	(55)	358
Year ended December 31, 2012	305	125	8	438

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<u>Exhibit</u>	<u>Index Description Exhibit</u>
3.1	Articles of Incorporation of the Company are incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 10, File No. 001-34099, filed on July 23, 2008.
3.2	Amended and Restated Bylaws of the Company are incorporated by reference to Exhibit 3.1. to Mastech's Form 8-K, File No. 001-34099, filed on October 1, 2008.
10.1†	Mastech Holdings, Inc. Stock Incentive Plan (as amended and restated) is filed herewith.
10.2	Second Amended and Restated Loan Agreement, dated July 11, 2014, by and among Mastech Holdings, Inc., Mastech, Inc., Mastech Alliance, Inc., Mastech Trademark Systems, Inc., and PNC Bank, National Association filed as Exhibit 10.1 to Mastech's Form 8-K, filed on July 17, 2014 and herein incorporated by reference.
10.3†	Executive Employment Agreement by and among Mastech, Inc., Mastech Holdings, Inc., and John J. Cronin, Jr., as amended and restated on March 20, 2014 filed as Exhibit 10.3 to Mastech's Annual Report on Form 10-K for the year ended December 31, 2013, filed on March 21, 2014 and herein incorporated by reference.
10.4†	Executive Employment Agreement by and between Mastech, Inc. and Scott A. Aicher, as amended on March 20, 2014 filed as Exhibit 10.4 to Mastech's Annual Report on Form 10-K for the year ended December 31, 2013, filed on March 21, 2014 and herein incorporated by reference.
10.5	Lease Agreement, dated April 2, 2014, between PIBP 210 LLP and Mastech Holdings, Inc. is incorporated by reference to Exhibit 10.1 to Mastech's Form 8-K, filed on April 7, 2014.
10.6†	Executive Employment Agreement by and among Mastech, Inc., Mastech Holdings, Inc., and D. Kevin Horner, as amended and restated on March 20, 2014 filed as Exhibit 10.6 to Mastech's Annual Report on Form 10-K for the year ended December 31, 2013, filed on March 21, 2014 and herein incorporated by reference.
10.7	Asset Purchase Agreement, dated July 26, 2013, by and among Curastat Inc., Mastech Healthcare, Inc., Mastech Holdings, Inc., and Accountable Healthcare Staffing, Inc. filed as Exhibit 10.7 to Mastech's Annual Report on Form 10-K for the year ended December 31, 2013, filed on March 21, 2014 and herein incorporated by reference.
10.8†	Executive Employment Agreement by and between Mastech, Inc. and Denis Deet, dated August 20, 2014 is filed herewith.
10.9†	Form of Restricted Stock Agreement under the Mastech Holdings, Inc. Stock Incentive Plan (as amended and restated) is filed herewith.
21.0	List of Subsidiaries is filed herewith.
23.1	Consent of UHY LLP, Independent Registered Public Accounting Firm is filed herewith.
31.01	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer is filed herewith.
31.02	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer is filed herewith.
32.01	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer is furnished herewith.
32.02	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer is furnished herewith.

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<u>Exhibit</u>	<u>Index Description Exhibit</u>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

† Designates the Registrant's management contracts or compensation plans or arrangements for its executive officers.



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 20th day of March, 2015.

MASTECH HOLDINGS, INC.

/s/ D. KEVIN HORNER

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**D. Kevin Horner**  
*President, Chief Executive Officer and Director*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated and on this 20th day of March, 2015.

/s/ D. KEVIN HORNER

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**D. Kevin Horner**  
*President, Chief Executive Officer and Director*  
*(Principal Executive Officer)*

/s/ JOHN J. CRONIN, JR.

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**John J. Cronin, Jr.**  
*Chief Financial Officer*  
*(Principal Financial Officer and Principal Accounting Officer)*

/s/ SUNIL WADHWANI

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**Sunil Wadhvani**  
*Co-Chairman of the Board of Directors, and Director*

/s/ ASHOK TRIVEDI

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**Ashok Trivedi**  
*Co-Chairman of the Board of Directors, and Director*

/s/ GERHARD WATZINGER

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**Gerhard Watzinger**  
*Director*

/s/ JOHN AUSURA

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**John Ausura**  
*Director*

/s/ BRENDA GALILEE

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**Brenda Galilee**  
*Director*

**MASTECH HOLDINGS, INC.  
STOCK INCENTIVE PLAN  
(AS AMENDED AND RESTATED)**

Effective as of May 14, 2014, the Mastech Holdings, Inc. Stock Incentive Plan is hereby amended and restated by Mastech Holdings, Inc., as set forth herein. The Mastech Holdings, Inc. Stock Incentive Plan was originally effective as of October 1, 2008.

**Section 1. General Purpose of the Plan; Definitions.** The name of this plan is the Mastech Holdings, Inc. Stock Incentive Plan (the “Plan”). The purpose of the Plan is to encourage and enable the officers, employees, directors and consultants of Mastech Holdings, Inc. (the “Company”) and its Subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company’s welfare will assure a closer identification of their interests with those of the Company, thereby stimulating their efforts on the Company’s behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

“Act” means the Securities Exchange Act of 1934, as amended.

“Award” or “Awards,” except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Stock Awards, Performance Share Awards and Stock Appreciation Rights.

“Board” means the Board of Directors of the Company.

“Change of Control” shall have the meaning assigned to that term in Section 15.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

“Effective Date” means May 14, 2014, provided that the Plan, as amended and restated, shall have been approved by the Company’s stockholders.

“Fair Market Value” of the Stock on any given date shall be the closing price as reported on the American Stock Exchange for such date or, if no sales were reported for such date, for the last day preceding such date for which a sale was reported. If the Fair Market Value cannot be determined on the basis previously set forth in this definition on the date that Fair Market Value is to be determined, the Board shall in good faith determine the Fair Market Value of the Stock on such date.

“Incentive Stock Option” means any Stock Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

“Independent Director” means a member of the Board who is not an employee or officer of the Company or any Subsidiary.

“Non-Qualified Stock Option” means any Stock Option that is not an Incentive Stock Option.

“Option” or “Stock Option” means any Option to purchase shares of Stock granted pursuant to Section 6.

“Performance Share Award” means any Award granted pursuant to Section 12.

“Restricted Stock Award” means any Award granted pursuant to Section 10.

“Stock” means the common stock, par value \$.01 per share, of the Company, subject to adjustments pursuant to Section 14.

“Stock Appreciation Right” or “SAR” means any Award granted pursuant to Section 7.

“Stock Award” means any award granted pursuant to Section 11.

“Subsidiary” means any corporation or other entity (other than the Company) in any unbroken chain of corporations or other entities, beginning with the Company, if each of the corporations or entities (other than the last corporation or entity in the unbroken chain) owns stock or other interests possessing 50% or more of the economic interest or the total combined voting power of all classes of stock or other interests in one of the other corporations or entities in the chain.

**Section 2. Administration.** The Plan shall be administered by the full Board or a committee of such Board comprised of two or more individuals who are “Non-Employee Directors” within the meaning of Rule 16b-3(a)(3) promulgated under the Act and “outside directors” as defined in Section 162(m) of the Code (the “Plan Administrator”). Subject to the provisions of the Plan, the Plan Administrator is authorized to:

- (a) construe the Plan and any Award under the Plan;
- (b) select the directors, officers, employees and consultants of the Company and its Subsidiaries to whom Awards may be granted;
- (c) determine the number of shares of Stock to be covered by any Award;
- (d) determine and modify from time to time the terms and conditions, including restrictions, of any Award and to approve the form of written instrument evidencing Awards;
- (e) accelerate at any time the exercisability or vesting of all or any portion of any Award and/or to include provisions in Awards providing for such acceleration; and
- (f) impose limitations on Awards, including limitations on transfer and repurchase provisions.

The determination of the Plan Administrator on any such matters shall be conclusive.

**Section 3. Delegation of Authority to Grant Awards.** The Plan Administrator, in its discretion, may delegate to the Co-Chairmen of the Company or the Chief Executive Officer of the Company the Plan Administrator’s authority and duties with respect to granting Awards to individuals who are not subject, by reason of their position with the Company or its Subsidiaries, to the reporting provisions of Section 16 of the Act and who are not expected to be “covered employees” of the Company or its Subsidiaries within the meaning of Section 162(m) of the Code.

**Section 4. Eligibility.** Directors, officers, employees and consultants of the Company or its Subsidiaries who, in the opinion of the Plan Administrator, are primarily responsible for the continued growth and development and future financial success of the business shall be eligible to participate in the Plan.

**Section 5. Shares Subject to the Plan.** The number of shares of Stock which may be issued pursuant to the Plan shall be 1,200,000 shares, subject to adjustment as provided in Section 14. The shares of Stock underlying any Awards which are forfeited, canceled, reacquired by the Company, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the number of shares of Stock available for issuance under the Plan. To the extent that an SAR is granted in conjunction with an Option, the shares covered by such SAR and Option shall be counted only once. Stock to be issued under the Plan may be either authorized and unissued shares or shares held in treasury by the Company.

Stock Options with respect to no more than 250,000 shares of Stock may be granted to any one individual participant during any one calendar year period and Stock Appreciation Rights with respect to no more than 250,000 shares of Stock may be granted to any one individual participant during any one calendar year period. In any one calendar year during a particular Performance Period, as hereinafter defined, the maximum amount which may be earned by any individual participant under Performance Share Awards granted under the Plan for that calendar year of the Performance Period shall be limited to 250,000 shares of Stock. In the case of multi-year Performance Periods, the number of shares which are earned in any one calendar year of the Performance Period is the number of shares paid for the Performance Period divided by the number of calendar years in the period. In applying this limit, the number of shares of Stock earned by a Participant shall be measured as of the close of the applicable calendar year which ends the Performance Period, regardless of the fact that certification by the Plan Administrator and actual payment to the Participant may occur in a subsequent calendar year or years. The limitations in this paragraph shall be interpreted and applied in a manner consistent with Section 162(m) of the Code.

**Section 6. Stock Options.** Options granted pursuant to the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options and Non-Qualified Stock Options shall be granted separately hereunder and may not be granted in tandem. The Plan Administrator shall determine whether, and to what extent, Options shall be granted under the Plan and whether such Options granted shall be Incentive Stock Options or Non-Qualified Stock Options; provided, however, that: (a) Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code, and (b) no Incentive Stock Option may be granted following the tenth anniversary of the Effective Date. The provisions of the Plan and any Stock Option agreement pursuant to which Incentive Stock Options shall be issued shall be construed in a manner consistent with Section 422 of the Code (or any successor provision) and rules and regulations promulgated thereunder.

**Section 7. Stock Appreciation Rights.** The Plan Administrator may, from time to time, subject to the provisions of the Plan, grant SARs to eligible participants. Such SARs may be granted (i) alone, or (ii) simultaneously with the grant of an Option (either an Incentive Stock Option or Non-Qualified Stock Option) and in conjunction therewith or in the alternative thereto.

- (a) An SAR shall entitle the holder upon exercise thereof to receive from the Company, upon a written request filed with the Secretary of the Company at its principal offices (the "Request"), (i) a number of shares of Stock, (ii) an amount of cash, or (iii) any combination of shares of Stock and cash, as specified in the Request (but subject to the approval of the Plan Administrator in its sole discretion, at any time up to and including

the time of payment, as to the making of any cash payment), having an aggregate Fair Market Value equal to the product of (i) the excess of the Fair Market Value, on the day of such Request, of one share of Stock over the exercise price per share specified in such SAR or its related Option, multiplied by (ii) the number of shares of Stock for which such SAR shall be exercised.

- (b) The exercise price of an SAR granted alone shall be determined by the Plan Administrator, but may not be less than the Fair Market Value of the underlying Stock on the date of grant. An SAR granted simultaneously with the grant of an Option and in conjunction therewith or in the alternative thereto shall have the same exercise price as the related Option, shall be transferable only upon the same terms and conditions as the related Option, and shall be exercisable only to the same extent as the related Option; provided, however, that an SAR, by its terms, shall be exercisable only when the Fair Market Value of the Stock subject to the SAR and related Option exceeds the exercise price thereof.
- (c) Upon exercise of an SAR granted simultaneously with an Option and in the alternative thereto, the number of shares of Stock for which the related Option shall be exercisable shall be reduced by the number of shares of Stock for which the SAR shall have been exercised. The number of shares of Stock for which an SAR shall be exercisable shall be reduced upon any exercise of a related Option by the number of shares of Stock for which such Option shall have been exercised.
- (d) Any SAR shall be exercisable upon such additional terms and conditions as may be prescribed by the Plan Administrator.

**Section 8. Terms of Options and SARs.** Each Option or SAR granted under the Plan shall be evidenced by an agreement between the Company and the person to whom such Option or SAR is granted and shall be subject to the following terms and conditions:

- (a) Subject to adjustment as provided in Section 14 of this Plan, the price at which each share covered by an Option may be purchased shall not be less than the Fair Market Value of the underlying Stock at the time the Option is granted. If an optionee owns (or is deemed to own under applicable provisions of the Code and rules and regulations promulgated thereunder) more than 10% of the combined voting power of all classes of the stock of the Company and an Option granted to such optionee is intended to qualify as an Incentive Stock Option, the Option price shall be no less than 110% of the Fair Market Value of the Stock covered by the Option on the date the Option is granted. The purchase price of any Option may not be reduced after grant, whether through amendment, cancellation, replacement or otherwise.
- (b) The aggregate Fair Market Value of shares of Stock with respect to which Incentive Stock Options are first exercisable by the optionee in any calendar year (under all plans of the Company) shall not exceed the limitations, if any, imposed by Section 422(d) of the Code (or any successor provision), except as otherwise determined by the Plan Administrator in its discretion. If any Option designated as an Incentive Stock Option, either alone or in conjunction with any other Option or Options, exceeds the foregoing limitation, the portion of such Option in excess of such limitation shall automatically be reclassified (in whole share increments and without fractional share portions) as a Non-Qualified Stock Option, with later granted Options being so reclassified first.

- (c) Neither an Option nor an SAR shall be transferable by the participant otherwise than by will or by the laws of descent and distribution or pursuant to a domestic relations order. After the death of the participant, the Option or SAR may be transferred to the Company upon such terms and conditions, if any, as the Plan Administrator and the personal representative or other person entitled to exercise the Option or SAR may agree within the period specified in subsection 8(d)(iii) hereof. All Options and SARs shall be exercisable during the lifetime of the participant only by the participant.
- (d) An Option or SAR may be exercised in whole at any time, or in part from time to time, within such period or periods (not to exceed ten years from the granting of the Option in the case of an Incentive Stock Option) as may be determined by the Plan Administrator and set forth in the agreement (such period or periods being hereinafter referred to as the "Option Period"), provided that, unless the agreement provides otherwise:
- (i) If a participant who is an employee of the Company shall cease to be employed by the Company, all Options and SARs to which the employee is then entitled to exercise may be exercised only within three months after the termination of employment and within the Option Period or, if such termination was due to disability or retirement (as hereinafter defined), within one year after termination of employment and within the Option Period. Notwithstanding the foregoing, in the event that any termination of employment shall be for Cause (as defined herein) or the participant becomes an officer or director of, a consultant to or employed by a Competing Business (as defined herein), during the Option Period, then any and all Options and SARs held by such participant shall forthwith terminate. For purposes of the Plan, retirement shall mean the termination of employment with the Company, other than for Cause, at any time after the participant's attainment of age 65, and a participant's "Disability" shall be determined within the meaning of Section 422(c)(6) of the Code.

For purposes of this Plan, the term "Cause" shall mean (a) with respect to an individual who is party to a written agreement with the Company which contains a definition of "cause" or "for cause" or words of similar import for purposes of termination of employment thereunder by the Company, "cause" or "for cause" as defined in such agreement, (b) in all other cases (i) the willful commission by an employee of a criminal or other act that causes substantial economic damage to the Company or substantial injury to the business reputation of the Company, (ii) the commission of an act of fraud in the performance of such person's duties to or on behalf of the Company, or (iii) the continuing willful failure of a person to perform the duties of such person to the Company (other than a failure to perform duties resulting from such person's incapacity due to illness) after written notice thereof (specifying the particulars thereof in reasonable detail) and a reasonable opportunity to cure such failure are given to the person by the Board or the Plan Administrator. For purposes of the Plan, no act, or failure to act, on the part of any person shall be considered "willful" unless done or omitted to be done by the person other than in good faith and without reasonable belief that the person's action or omission was in the best interest of the Company.

For purposes of this Plan, the term "Competing Business" shall mean: any person, corporation or other entity engaged in the business of (a) information technology staffing and consulting services, or (b) selling or attempting to sell any product or service which is the same as or similar to products or services sold

by the Company within the last year prior to termination of such person's employment, consultant relationship or directorship, as the case may be, hereunder;

- (ii) If a participant who is a director of the Company shall cease to serve as a director of the Company, any Options or SARs then exercisable by such director may be exercised only within three months after the cessation of service and within the Option Period unless such cessation was due to Disability, in which case such optionee may exercise such Option or SAR within one year after cessation of service and within the Option Period. Notwithstanding the foregoing, if any cessation of service as a director was the result of removal for Cause or the participant becomes an officer or director of, a consultant to or employed by a Competing Business during the Option Period, any Options and SARs held by such participant shall forthwith terminate;
  - (iii) If the participant shall die during the Option Period, any Options or SARs then exercisable may be exercised only within one year after the participant's death and within the Option Period and only by the participant's personal representative or persons entitled thereto under the participant's will or the laws of descent and distribution;
  - (iv) The Option or SAR may not be exercised for more shares (subject to adjustment as provided in Section 14) after the termination of the participant's employment, cessation of service as a director or the participant's death, as the case may be, than the participant was entitled to purchase thereunder at the time of the termination of the participant's employment or the participant's death; and
  - (v) If a participant owns (or is deemed to own under applicable provisions of the Code and regulations promulgated thereunder) more than 10% of the combined voting power of all classes of stock of the Company (or any parent or subsidiary corporation of the Company) and an Option granted to such participant is intended to qualify as an Incentive Stock Option, the Option by its terms may not be exercisable after the expiration of five years from the date such Option is granted.
- (e) The Option exercise price of each share purchased pursuant to an Option shall be paid in full at the time of each exercise (the "Payment Date") of the Option (i) in cash, (ii) by delivering to the Company a notice of exercise with an irrevocable direction to a broker-dealer registered under the Act to sell a sufficient portion of the shares and deliver the sale proceeds directly to the Company to pay the exercise price, (iii) in the discretion of the Plan Administrator, through the delivery or certification to the Company of previously-owned shares of Stock having an aggregate Fair Market Value equal to the Option exercise price of the shares being purchased pursuant to the exercise of the Option, (iv) in the discretion of the Plan Administrator, through an election to have shares of Stock otherwise issuable to the optionee withheld to pay the exercise price of such Option, or (v) in the discretion of the Plan Administrator, through any combination of the payment procedures set forth in subsections (i)-(iv) of this Section 8(e). Notwithstanding any procedure of the broker or other agent-sponsored exercise or financing program, if the Option price is paid in cash, the exercise of the Option shall not be deemed to occur and no shares of Stock will be issued until the Company has received full payment in cash (including check, bank draft or money order) for the Option price from the broker or other agent.

- (f) The Plan Administrator, in its discretion, may authorize “stock retention Options” which provide, upon the exercise of an Option previously granted under this Plan (a “prior Option”), using previously owned shares, for the automatic issuance of a new Option under this Plan with an exercise price equal to the current Fair Market Value and for up to the number of shares equal to the number of previously-owned shares delivered in payment of the exercise price of the prior Option. Such stock retention Option shall have the same Option Period as the prior Option.
- (g) Nothing contained in the Plan nor in any Award agreement shall confer upon any participant any right with respect to the continuance of employment by the Company nor interfere in any way with the right of the Company to terminate his employment or change his compensation at any time.
- (h) The Plan Administrator may include such other terms and conditions not inconsistent with the foregoing as the Plan Administrator shall approve. Without limiting the generality of the foregoing sentence, the Plan Administrator shall be authorized to determine that Options or SARs shall be exercisable in one or more installments during the term of the Option, subject to the attainment of performance goals and objectives and the right to exercise may be cumulative as determined by the Plan Administrator.
- (i) If a grantee of an Option or SAR engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after termination of employment or service as an Independent Director) which is in competition with the Company or any of its Subsidiaries, the Plan Administrator may immediately terminate all outstanding Options and SARs of the participant.

**Section 9. Independent Director Options.** The Option exercise price for Options granted to Independent Directors under the Plan will be equal to the Fair Market Value of the Stock on the date of grant. Options granted to Independent Directors will expire ten years after grant, subject to earlier termination if the optionee ceases to serve as a director.

**Section 10. Restricted Stock Awards.**

- (a) The Plan Administrator may grant Restricted Stock Awards to any officer, employee or consultant of the Company and its Subsidiaries. A Restricted Stock Award entitles the recipient to acquire shares of Stock subject to such restrictions and conditions as the Plan Administrator may determine at the time of grant (“Restricted Stock”). Conditions may be based on continuing employment (or other business relationship) and/or achievement of pre-established performance goals and objectives.
- (b) A participant holding unvested Restricted Stock shall not have any of the rights of a shareholder with respect to such unvested Restricted Stock, including, but not limited to the right to vote and receive dividends with respect thereto, until such Stock vests in accordance with the terms of the Restricted Stock Award under which such Stock was granted. The Plan Administrator may, in its sole discretion, decide to issue stock certificates evidencing the Restricted Stock at the time of grant, after the time of grant, or at the time when the restrictions lapse.



- (c) The Plan Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which Restricted Stock shall become vested, subject to such further rights of the Company or its assigns as may be specified in the instrument evidencing the Restricted Stock Award.
- (d) Unvested Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the written instrument evidencing the Restricted Stock Award.
- (e) If an awardee of Restricted Stock engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after termination of employment) which is in competition with the Company or any of its Subsidiaries, the Plan Administrator may immediately declare forfeited all shares of Restricted Stock held by the participant as to which the restrictions have not yet lapsed.

**Section 11. Stock Awards.** The Plan Administrator may, in its sole discretion, grant (or sell at a purchase price determined by the Plan Administrator) a Stock Award to any officer, employee or consultant of the Company or its Subsidiaries, pursuant to which such individual may receive shares of Stock free of any vesting restrictions under the Plan. Stock Awards may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of any cash compensation due to such individual; provided, however, that any purchase rights may not be granted at less than the Fair Market Value of the underlying shares on the date of grant.

**Section 12. Performance Share Awards.** A Performance Share Award is an Award entitling the recipient to acquire shares of Stock upon the attainment of specified performance goals (the "Performance Goals"). The Plan Administrator may make Performance Share Awards independent of or in connection with the granting of any other Award under the Plan. Performance Share Awards may be granted under the Plan to any officer, employee or consultant of the Company or its Subsidiaries, including those who qualify for awards under other performance plans of the Company. The Plan Administrator, in its sole discretion, shall determine whether and to whom Performance Share Awards shall be made, the Performance Goals applicable under each such Award, the periods during which performance is to be measured (the "Performance Period"), and all other limitations and conditions applicable to the awarded Performance Shares.

- (a) *Terms of Performance Awards.* At the time a Performance Share Award is granted, the Plan Administrator shall cause to be set forth in the Award agreement or otherwise in writing (1) the Performance Goals applicable to the Award and the Performance Period during which the achievement of the Performance Goals shall be measured, (2) the amount which may be earned by the participant based on the achievement, or the level of achievement, of the Performance Goals or the formula by which such amount shall be determined, and (3) such other terms and conditions applicable to the Award as the Plan Administrator may, in its discretion, determine to include therein. The terms so established by the Plan Administrator shall be objective such that a third party having knowledge of the relevant facts could determine whether or not any Performance Goal has been achieved, or the extent of such achievement, and the amount, if any, which has been earned by the participant based on such performance. The Plan Administrator may retain the discretion to reduce (but not to increase) the amount of a Performance Share Award which will be earned based on the achievement of Performance Goals. When the Performance Goals are established, the Plan Administrator shall also specify the manner in which the level of achievement of such Performance Goals shall be calculated and the

weighting assigned to such Performance Goals. The Plan Administrator may determine that unusual items or certain specified events or occurrences, including changes in accounting standards or tax laws and the effects of extraordinary items as defined by generally accepted accounting principles, shall be excluded from the calculation to the extent permitted in Section 162(m) of the Code.

- (b) *Performance Goals.* Performance Goals shall mean one or more preestablished, objective measures of performance during a specified Performance Period, selected by the Plan Administrator in its discretion. Performance Goals may be based upon one or more of the following objective performance measures and expressed in either, or a combination of, absolute or relative values: earnings per share, earnings per share growth, net income, net income growth, revenue growth, revenues, expenses, return on equity, return on total capital, return on assets, earnings (including EBITDA and EBIT), cash flow, operating cash flow, share price, economic value added, gross margin, operating income, market share or total shareholder return. Performance Goals based on such performance measures may be based either on the performance of the Company, a Subsidiary or Subsidiaries, any branch, department, business unit or other portion thereof under such measure for the Performance Period and/or upon a comparison of such performance with the performance of a peer group of corporations, prior Performance Periods or other measure selected or defined by the Plan Administrator at the time of making a Performance Share Award. The Plan Administrator may in its discretion also determine to use other objective performance measures as Performance Goals and/or other terms and conditions even if such Performance Share Award would not qualify under Section 162(m) of the Code, provided that the Plan Administrator identifies the Performance Share Award as non-qualifying at the time of Award.
- (c) *Plan Administrator Certification.* Following completion of the applicable Performance Period, and prior to any payment of a Performance Share Award to the participant, the Plan Administrator shall determine in accordance with the terms of the Performance Share Award and shall certify in writing whether the applicable Performance Goal or Goals were achieved, or the level of such achievement, and the amount, if any, earned by the participant based upon such performance. For this purpose, approved minutes of the meeting of the Plan Administrator at which certification is made shall be sufficient to satisfy the requirement of a written certification. Performance Share Awards are not intended to provide for the deferral of compensation, such that payment of Performance Share Awards shall be paid within two and one-half months following the end of the calendar year in which the Performance Period ends or such other time period if and to the extent as may be required to avoid characterization of such Awards as deferred compensation.

### **Section 13. Tax Withholding.**

- (a) To the extent required by applicable Federal, state, local or foreign law, the participant or his successor shall make arrangements satisfactory to the Company, in its discretion, for the satisfaction of any withholding tax obligations that arise in connection with an Award. The Company shall not be required to issue any shares of Stock or make any cash or other payment under the Plan until such obligations are satisfied. If a participant makes a disposition of shares acquired upon the exercise of an Incentive Stock Option within either two years after the Option was granted or one year after its exercise by the participant, the participant shall promptly notify the Company and the Company shall have the right to require the participant to pay to the Company an amount sufficient to

satisfy federal, state and local tax withholding requirements. The Company is authorized to withhold from any Award granted or any payment due under the Plan, including from a distribution of shares of Stock, amounts of withholding taxes due with respect to an Award, its exercise or any payment thereunder, and to take such other action as the Plan Administrator may deem necessary or advisable to enable the Company and participants to satisfy obligations for the payment of such taxes. This authority shall include authority to withhold or receive shares of Stock, Awards or other property and to make cash payments in respect thereof in satisfaction of such tax obligations.

- (b) A participant who is obligated to pay the Company an amount required to be withheld under applicable tax withholding requirements may pay such amount (i) in cash, (ii) in the discretion of the Plan Administrator, through the delivery to the Company of previously-owned shares of Stock having an aggregate Fair Market Value on the date on which the amount of tax to be withheld is determined which does not exceed the amount of tax required to be withheld (based on the statutory minimum withholding rates for federal and state tax purposes, including payroll taxes), provided that the previously owned shares delivered in satisfaction of the withholding obligations must have been held by the participant for at least six months, or (iii) in the discretion of the Plan Administrator, through a combination of the procedures set forth in subsections (i) and (ii) of this Section 13(b).
- (c) A participant who is obligated to pay to the Company an amount required to be withheld under applicable tax withholding requirements in connection with either the exercise of a Non-Qualified Stock Option, or the receipt of a Restricted Stock Award, Stock Award or Performance Share Award under the Plan may, in the discretion of the Plan Administrator, elect to satisfy this withholding obligation, in whole or in part, by requesting that the Company withhold shares of stock otherwise issuable to the participant having a Fair Market Value on the date on which the amount of tax to be withheld is determined which does not exceed the amount of tax required to be withheld (based on the statutory minimum withholding rates for federal and state tax purposes, including payroll taxes); provided, however, that shares may be withheld by the Company only if such withheld shares have vested. Any fractional amount shall be paid to the Company by the participant in cash or shall be withheld from the participant's next regular paycheck.
- (d) An election by a participant to have shares of stock withheld to satisfy federal, state and local tax withholding requirements pursuant to Section 13(c) must be in writing and delivered to the Company prior to the date on which the amount of tax to be withheld is determined.

#### **Section 14. Adjustment of Number and Price of Shares.**

Any other provision of the Plan notwithstanding:

- (a) If, through, or as a result of, any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, the Plan Administrator shall make an appropriate or proportionate adjustment in (i) the number of Stock Options, Stock

Appreciation Rights and Performance Share Awards that can be granted to any one individual participant, (ii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iii) the price for each share subject to any then outstanding Stock Options, Stock Appreciation Rights and other purchase rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of shares) as to which such Stock Options remain exercisable, and (iv) the number of shares which may be issued under the Plan but are not then subject to Awards. The adjustment by the Plan Administrator shall be final, binding and conclusive.

- (b) If the outstanding shares of the Stock shall be changed in value by reason of any spin-off, split-off or split-up, or dividend in partial liquidation, dividend in property other than cash, or extraordinary distribution to shareholders of the Stock, (i) the Plan Administrator shall make any adjustments to any then outstanding Stock Option, Stock Appreciation Right, Restricted Stock Award, Performance Share Award or other stock Award which it determines are equitably required to prevent dilution or enlargement of the rights of participants which would otherwise result from any such transaction, and (ii) unless otherwise determined by the Plan Administrator in its discretion, any stock, securities, cash or other property distributed with respect to any shares of Restricted Stock held in escrow or for which any shares of Restricted Stock held in escrow shall be exchanged in any such transaction shall also be held by the Company in escrow and shall be subject to the same restrictions as are applicable to the shares of Restricted Stock in respect of which such stock, securities, cash or other property was distributed or exchanged.
- (c) No adjustment or substitution provided for in this Section 14 shall require the Company to issue or to sell a fractional share under any Award agreement and the total adjustment or substitution with respect to each Award agreement shall be limited accordingly.

**Section 15. Definition of Change of Control.** For purposes of this Plan, “Change of Control” shall mean the occurrence of any of the following events:

- (a) The acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Act) (a “Person”) (other than the Company, a Subsidiary or any of their respective benefit plans or affiliates within the meaning of Rule 144 under the Securities Act of 1933, as amended) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 30% or more of either (i) the then outstanding shares of Stock (the “Outstanding Stock”), or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Company Voting Securities”); or
- (b) Individuals who, as of the Effective Date, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the Effective Date whose election or nomination for election by the Company’s stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act); or

- (c) Approval by the stockholders of the Company of a reorganization, merger or consolidation or similar form of corporate transaction, involving the Company or any of its Subsidiaries (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Stock and Company Voting Securities immediately prior to such Business Combination do not, immediately following such Business Combination, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Stock and Company Voting Securities, as the case may be; or
- (d) (i) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company, or (ii) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

**Section 16. Consequences of a Change of Control.**

- (a) Upon a Change of Control, (i) each outstanding Option, SAR and Performance Share Award shall be assumed by the Acquiring Company (as defined below) or parent thereof or replaced with a comparable option or right to purchase or to be awarded shares of the capital stock, or equity equivalent instrument, of the Acquiring Company or parent thereof, or other comparable rights (such assumed and comparable options and rights, together, the "Replacement Options"), and (ii) each share of Restricted Stock shall be converted to a comparable restricted grant of capital stock, or equity equivalent instrument, of the Acquiring Corporation or parent thereof or other comparable restricted property (such assumed and comparable, restricted grants, together, the "Replacement Restricted Stock"); provided, however, that if the Acquiring Corporation or parent thereof does not agree to grant Replacement Options and Replacement Restricted Stock, then all outstanding Options and SARs which have been granted under the Plan and which are not exercisable as of the effective date of the Change of Control shall automatically accelerate and become exercisable immediately prior to the effective date of the Change of Control, and the Performance Period with respect to all Performance Share Awards shall end on the day prior to the effective date of the Change of Control and become payable to the extent the Performance Goals were achieved, and all restrictions and conditions on any Restricted Stock or other stock Award shall lapse upon the effective date of the Change of Control. The term "Acquiring Corporation" means the surviving, continuing, successor or purchasing corporation, as the case may be. The Board may determine, in its discretion, (but shall not be obligated to do so) that in lieu of the issuance of Replacement Options, all holders of outstanding Options and SARs which are exercisable immediately prior to a Change of Control (including those that become

exercisable under this Section 16(a)) will be required to surrender them in exchange for a payment by the Company, in cash or Stock as determined by the Board, of an amount equal to the amount (if any) by which the per share value of Stock subject to unexercised Options or SARs (determined by the Board in good faith, based on the applicable price in the transaction giving rise to the Change of Control, and such other considerations as the Board deems appropriate) exceeds the exercise price of those Options or SARs (where Options and SARs are issued in tandem, such payment to be made only with respect to a single underlying share of Stock upon surrender of each tandem pair of Options and SARs), with such payment to take place as of the date of the Change of Control or such other date as the Board may prescribe.

- (b) Any Options, SARs or Performance Share Awards that are not assumed or replaced by Replacement Options, exercised or cashed out prior to or concurrent with a Change of Control will terminate effective upon the Change of Control or at such other time as the Board deems appropriate.

**Section 17. Amendment and Discontinuance.** The Board may alter, amend, suspend or discontinue the Plan, provided that no such action shall deprive any person without such person's consent of any rights theretofore granted pursuant hereto; provided further that no amendment of the Plan shall be made without shareholder approval (a) if the effect of the amendment is (i) to make any changes in the class of employees eligible to receive Incentive Stock Options under the Plan, or (ii) to increase the number of shares with respect to which Incentive Stock Options may be granted under the Plan, or (b) if shareholder approval of the amendment is at the time required (i) by the rules of any stock exchange on which the Stock may then be listed, or (ii) for Options, SARs and Performance Share Awards granted under the Plan to qualify as "performance based compensation" as then defined in the regulations under Section 162(m) of the Code.

**Section 18. Compliance with Governmental Regulations.** Notwithstanding any provision of the Plan or the terms of any agreement entered into pursuant to the Plan, the Company shall not be required to issue any shares hereunder prior to registration of the shares subject to the Plan under the Securities Act of 1933 or the Act, if such registration shall be necessary, or before compliance by the Company or any participant with any other provisions of either of those acts or of regulations or rulings of the Securities and Exchange Commission thereunder, or before compliance with other federal and state laws and regulations and rulings thereunder, including the rules of any applicable exchange or of the American Stock Exchange. The Company shall use its best efforts to effect such registrations and to comply with such laws, regulations and rulings forthwith upon advice by its counsel that any such registration or compliance is necessary.

**Section 19. Compliance with Section 16.** With respect to persons subject to Section 16 of the Act by reason of their service with the Company or its Subsidiaries, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 (or any successor rule) and shall be construed to the fullest extent possible in a manner consistent with this intent.

To the extent that any Award fails to so comply, it shall be deemed to be modified to the extent permitted by law and to the extent deemed advisable by the Plan Administrator in order to comply with Rule 16b-3.

**Section 20. Participation by Foreign Nationals.** The Plan Administrator may, in order to fulfill the purposes of the Plan and without amending the Plan, determine the terms and conditions applicable to Awards to foreign nationals or United States citizens employed abroad in a manner otherwise inconsistent with the Plan if it deems such terms and conditions necessary in order to recognize differences in local law or regulations, tax policies or customs.

**Section 21. Termination of Plan.** The Plan shall terminate on the tenth anniversary of the Effective Date, May 14, 2024, and no Awards may be granted under the Plan after such date, subject to earlier termination by the Board. Termination of the Plan shall not affect previous Awards granted under the Plan. Absent additional shareholder approval, no Performance Share Awards intended to qualify as “performance-based compensation” under Section 162(m) of the Code may be granted under the Plan subsequent to the Company’s annual meeting of stockholders in 2019.

**EXECUTIVE EMPLOYMENT AGREEMENT**

This Agreement is made as of the effective date indicated below between Mastech, Inc., a Pennsylvania corporation (hereinafter the “Company”), and the undersigned employee, Denis D. Deet (hereinafter called the “Executive”).

WHEREAS, this Agreement is a term and condition of Executive’s employment and is made in consideration for employment, wages and benefits offered to Executive contemporaneously with this Agreement; and

WHEREAS, this Agreement is necessary for the protection of the legitimate and protectable business interests of Company and its Affiliates (as hereinafter defined) and their customers, prospective customers, accounts and confidential, proprietary and trade secret information.

NOW THEREFORE, for the consideration set forth herein, the receipt and sufficiency of which are acknowledged by the parties, and intending to be legally bound hereby, Company and Executive agree as follows:

1. **DEFINITIONS.** As used herein:

(a) “Affiliate” shall mean and include Parent and any corporation, trade or business which is, as of the date of this Agreement, with Company, part of a group of corporations, trades or businesses connected through common ownership with Parent, where more than 50% of the stock or other equity interests of each member of the group (other than Parent) are owned, directly or indirectly, by one or more other members of the group.

(b) “Change of Control” shall mean (i) the consummation of a reorganization, merger or consolidation or similar form of corporate transaction, involving Company or any of its subsidiaries (a “Business Combination”), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the outstanding common stock immediately prior to such Business Combination do not, immediately following such Business Combination, beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination; or (ii) the complete liquidation or dissolution of Company or sale or other disposition of all or substantially all of the assets of Company other than to a corporation with respect to which, following such sale or disposition, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the common stock of Company immediately prior to such sale or disposition.

(c) “Confidential Information” shall include, but is not necessarily limited to, any information which may include, in whole or part, information concerning Company’s and its



Affiliates' accounts, sales, sales volume, sales methods, sales proposals, customers or prospective customers, prospect lists, manuals, formulae, products, processes, methods, financial information or data, compositions, ideas, improvements, inventions, research, computer programs, computer related information or data, system documentation, software products, patented products, copyrighted information, know how and operating methods and any other trade secret or proprietary information belonging to Company or any Affiliate or relating to Company's or any Affiliate's affairs that is not public information.

(d) "Customer(s)" shall mean any individual, corporation, partnership, business or other entity, whether for-profit or not-for-profit (i) whose existence and business is known to Executive as a result of Executive's access to Company's and its Affiliates' business information, Confidential Information, customer lists or customer account information; (ii) that is a business entity or individual with whom Company or any Affiliate has contracted or negotiated during the one (1) year period preceding the termination of Executive's employment; or (iii) who is or becomes a prospective client, customer or acquisition candidate of Company or any Affiliate during the period of Executive's employment.

(e) "Competing Business" shall mean any individual, corporation, partnership, business or other entity which operates or attempts to operate a business which provides, designs, develops, markets, engages in, produces or sells any products, services, or businesses which are the same or similar to those produced, marketed, invested in or sold by Company or any Affiliate.

(f) "Good Reason" shall mean, without the written consent of Executive, (i) a material diminution of Executive's job responsibilities; (ii) a material reduction in Executive's base salary, unless such reduction is part of a reduction in compensation for all employees of Company in general; (iii) the geographic relocation of Executive's principal place of employment greater than fifty (50) miles from Company's offices in Pittsburgh, Pennsylvania; or (iv) material breach by Company of this Agreement. Notwithstanding the foregoing, Good Reason shall not be deemed to exist unless notice of termination on account thereof is given no later than sixty (60) days after the time at which the event or condition purportedly giving rise to Good Reason first occurs or arises; and, provided that if there exists an event or condition that constitutes Good Reason, Company shall have thirty (30) days from the date notice of such a termination is given to cure such event or condition and, if Company does so, such event or condition shall not constitute Good Reason hereunder.

(g) "Parent" shall mean Mastech Holdings, Inc. or any successor.

2. **DUTIES.** Executive, who is employed in the position set forth on Schedule A hereof as of the date of this Agreement, agrees to be responsible for such duties as are commensurate with and required by such position and any other duties as may be assigned to Executive by Company from time to time. Executive further agrees to perform Executive's duties in a diligent, trustworthy, loyal, businesslike, productive, and efficient manner and to use Executive's best efforts to advance the business and goodwill of Company and its Affiliates. Executive further agrees to devote all of Executive's business time, skill, energy and attention exclusively to the business of Company and to comply with all rules, regulations and procedures of Company. During the term of this Agreement, Executive will not engage in any other

business for Executive's own account or accept any employment from any other business entity, or render any services, give any advice or serve in a consulting capacity, whether gratuitously or otherwise, to or for any other person, firm or corporation, other than as a volunteer for charitable organizations, without the prior written approval of Company, which shall not be unreasonably withheld. Executive's duties shall be performed at Company's offices in Pittsburgh, Pennsylvania, reasonable periods of business travel excepted.

3. **COMPENSATION.** Executive's compensation as of the date of this Agreement is as set forth on Schedule A-1 hereto. Said compensation is subject to being reviewed and modified annually by Company. Any changes to compensation will be set forth in a revised Schedule A, with each subsequently issued Schedule A increasing in numeration. Company shall be entitled to withhold from any payments to Executive pursuant to the provisions of this Agreement any amounts required by any applicable taxing or other authority, or any amounts payable by Executive to Company or any Affiliate (including, without limitation, repayment of any amount loaned to Executive by Company or any Affiliate).

4. **BENEFITS.** Executive is eligible for the standard Company benefits, which may be modified by Company at any time or from time to time in accordance with the terms of Company's applicable benefit plans and policies. Executive shall also be entitled to reimbursement of business-related expenses in accordance with Company's standard policies concerning reimbursement of such expenses.

5. **POLICIES AND PRACTICES.** Executive agrees to abide by all Company rules, regulations, policies, practices and procedures, of which he shall be given notice by Company, which Company may amend from time to time.

6. **AGREEMENT NOT TO COMPETE.** In order to protect the business interests and goodwill of Company and its Affiliates with respect to Customers and accounts, and to protect Confidential Information, Executive covenants and agrees that for the entire period of Executive's employment, and for a period of one (1) year after termination of Executive's employment for any reason, Executive will not:

(a) directly or indirectly contact any Customer for the purpose of soliciting such Customer to purchase, lease or license a product or service that is the same as, similar to, or in competition with those products and/or services made, rendered, offered or under development by Company or any Affiliate;

(b) directly or indirectly employ, or knowingly permit any company or business directly or indirectly controlled by Executive to employ any person who is employed by Company or any Affiliate at any time during the term of Executive's employment, or in any manner facilitate the leaving of any such person from his or her employment with Company or any Affiliate;

(c) directly or indirectly interfere with or attempt to disrupt the relationship, contractual or otherwise, between Company or any Affiliate and any of its employees or solicit, induce, or attempt to induce employees of Company or any Affiliate to terminate employment with Company or Affiliate and become self-employed or employed with others in the same or similar business or any product line or service provided by Company or any Affiliate; or

(d) directly or indirectly engage in any activity or business as a consultant, independent contractor, agent, employee, officer, partner, director or otherwise, alone or in association with any other person, corporation or other entity, in any Competing Business operating within the United States or any other country where Executive has worked and/or conducted business for Company and its Affiliates within the one (1) year period prior to the termination of Executive's employment.

Executive acknowledges that Company and its Affiliates are engaged in business throughout the United States, as well as in other countries and that the marketplace for Company's and its Affiliates' products and services is worldwide. Executive further covenants and agrees that the geographic, length of term and types of activities restrictions (non-competition restrictions) contained in this Agreement are reasonable and necessary to protect the legitimate business interests of Company and its Affiliates because of the scope of Company's and the Affiliates' businesses.

In the event that a court of competent jurisdiction shall determine that one or more of the provisions of this Paragraph 6 is so broad as to be unenforceable, then such provision shall be deemed to be reduced in scope or length, as the case may be, to the extent required to make this Paragraph enforceable. If Executive violates the provisions of this Paragraph 6, the periods described therein shall be extended by that number of days which equals the aggregate of all days during which at any time any such violations occurred. Executive acknowledges that the offer of employment by Company, or any other consideration offered for signing this agreement, is sufficient consideration for Executive's agreement to the restrictive covenants set forth in this Paragraph 6, and that each Affiliate is an intended third-party beneficiary of such covenants with a separate and independent right to enforce the same. Executive agrees that Executive's signing of an employment agreement containing the restrictive covenants set forth herein was a condition precedent to Executive's continued employment with Company.

7. **NONDISCLOSURE AND NONUSE OF CONFIDENTIAL INFORMATION.** Executive covenants and agrees during Executive's employment or any time after the termination of such employment, not to communicate or divulge to any person, firm, corporation or business entity, either directly or indirectly, and to hold in strict confidence for the benefit of Company, all Confidential Information except that Executive may disclose such Confidential Information to persons, firms or corporations who need to know such Confidential Information during the course and within the scope of Executive's employment. Executive will not use any Confidential Information for any purpose or for Executive's personal benefit other than in the course and within the scope of Executive's employment. Executive agrees to sign and abide by the terms and conditions of Company's Confidential Information and Intellectual Property Protection Agreement, a copy of which is attached hereto as Schedule B and incorporated as though fully set forth herein.

8. TERMINATION. This Agreement may be terminated by either party with or without Cause under the following conditions:

(a) With Cause Termination. Executive may be terminated from employment with "Cause." "Cause" shall mean (i) the commission of a crime involving moral turpitude, theft, fraud or deceit; (ii) conduct which brings Company or any Affiliate into public disgrace or disrepute and that is demonstrably and materially injurious to the business interest of Company or any Affiliate; (iii) substantial or continued unwillingness to perform duties as reasonably directed by Executive's supervisors or Company's Board of Directors; (iv) gross negligence or deliberate misconduct; or (v) any material breach of Paragraphs 6 or 7 of this Agreement, or Executive's Confidential Information and Intellectual Property Protection Agreement. In the event that Executive is terminated with Cause, Company may immediately cease payment of any further wages, benefits or other compensation hereunder other than salary and benefits (excluding options) earned through the date of termination. Executive acknowledges that Executive has continuing obligations under this Agreement including, but not limited to Paragraphs 6 and 7, in the event that Executive is terminated with Cause.

(b) Without Cause Termination; Resignation. In the event that Executive's employment is terminated by Company without Cause or Executive resigns at the direction of Company's or Parent's Board of Directors, Executive will be entitled to the following:

(1) A number of months set forth below (the "Severance Period") of Executive's last monthly base salary as set forth in the latest issued Schedule A, less appropriate deductions, payable following Executive's termination of employment in accordance with the Company's regular payroll dates over the Severance Period, commencing with the first regular payroll date occurring on or after the sixtieth (60<sup>th</sup>) day following Executive's termination date, together with a catch-up payment consisting of the installments that otherwise would have been paid on the regular payroll dates occurring between the termination date and such initial payment date, and the remaining installments paid on succeeding regular payroll dates during such Severance Period until paid in full ("Severance Pay"):

- a. Three (3) months, if termination occurs prior to the six-month anniversary of the effective date of this Agreement.
- b. Six (6) months, if termination occurs on or after the six-month anniversary of the effective date of this Agreement.

Severance Pay will be treated as amounts paid under Company's generally applicable severance pay policy ("Severance Policy") as in effect from time to time to the extent of Executive's entitlement to payments under the Severance Policy.

(2) Executive's annual performance-based cash bonus target, as set forth in Schedule A, less appropriate deductions, payable on the sixtieth (60<sup>th</sup>) day following Executive's termination of employment.

(3) Continued coverage under Company's employee benefit plans (other than 401(k) or pension benefit coverage) after termination of employment for Executive and his eligible dependents, as and when provided under the Severance Policy, and subject to the payment of applicable premiums or other costs, all in accordance with the terms of the Severance Policy and the applicable benefit plans (including, without limitation, cessation of such benefits due to receiving similar benefit coverage from a new employer).

(4) Following the cessation of coverage under Company's group health (medical, dental, and vision) plans under Paragraph 8(b)(3) above, Executive shall be entitled to continue his coverage and coverage for any eligible qualified beneficiary under Company's group health plans in accordance with and for as long as required under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") (subject to payment of the applicable cost for such coverage as may be required by Company in accordance with COBRA). Any period of post-termination coverage under Paragraph 8(b)(3) above shall not be considered as part of the COBRA continued coverage period.

(5) For any period COBRA coverage under Company's group health plans is in effect for Executive and/or Executive's qualified beneficiaries during the first six (6) months after Executive's termination of employment, Executive shall receive a monthly payment at the same time as the Severance Pay, less appropriate withholding, pursuant to Company's regular schedule and payroll practices, in an amount equal to the excess of Executive's cost for COBRA coverage over the cost Executive would have paid for group health plan coverage as an active employee of Company.

(6) For a period of six (6) months following Executive's termination date, continued vesting in unvested stock options outstanding as of such termination date and granted under Company's Stock Incentive Plan, or any successor thereto (the "Options").

(7) The exercise period for a vested Option, including those which vest pursuant to Paragraph 8(b)(6) above, will be extended for a period of six (6) months after the otherwise applicable expiration date, but not later than the earlier of (i) the original expiration date of such Option; or (ii) ten (10) years from the date of grant.

Executive further acknowledges that Company's obligations under this Paragraph 8(b), are contingent upon and subject to Executive's signing (and not revoking) an agreement and release of all claims against Company in a form similar to the one attached hereto as Schedule C (or such other form acceptable to Company), and such release becoming effective in accordance with its terms prior to the sixtieth (60<sup>th</sup>) day following Executive's termination date.

(c) Without Cause or Good Reason Termination following Change of Control. In the event that upon or within one (1) year following a Change of Control, either Executive voluntarily terminates his employment with Company for Good Reason or Company terminates Executive's employment with Company without Cause, Executive will be entitled to the following in lieu of the payments and benefits to which Executive would otherwise be entitled upon such termination in accordance with Paragraph 8(b):

(1) A lump sum payment, less appropriate deductions, equal to one (1) times the sum of (i) Executive's average annual base salary for the last three (3) years (including the year of termination); and (ii) Executive's average annual performance-based cash bonus received for the prior three (3) years (not including the year of termination), such payment to be made on the sixtieth (60<sup>th</sup>) day following Executive's termination date.

(2) Payment by Company of the premiums, less appropriate withholding, required to continue Executive's and his eligible dependents' group health care (medical, dental, and vision) coverage under the applicable provisions of COBRA, provided that Executive timely elects to continue such coverage under COBRA, for a period ending on the first to occur of (i) the date twenty-four (24) months following Executive's termination of employment; and (ii) the date Executive becomes eligible for health care coverage through another employer, provided that the amount of the premiums payable under this Paragraph is equal to the excess of Executive's cost for COBRA coverage over the cost Executive would have paid for group health plan coverage as an active employee of Company.

(3) Acceleration in full, effective as of Executive's final day of employment, of the vesting and/or exercisability of all then-outstanding equity awards held by Executive.

(4) The exercise period for a vested Option, including those which vest pursuant to Paragraph 8(c)(3) above, will be extended for a period of six (6) months after the otherwise applicable expiration date, but not later than the earlier of (i) the original expiration date of such Option; or (ii) ten (10) years from the date of grant.

(5) Reimbursement for outplacement services (not exceeding Twenty-Five Thousand Dollars (\$25,000)) in accordance with Company's standard policies concerning reimbursement.

Executive further acknowledges that Company's obligations under this Paragraph 8(c), are contingent upon and subject to Executive's signing (and not revoking) an agreement and release of all claims against Company in a form similar to the one attached hereto as Schedule C (or such other form acceptable to Company), and such release becoming effective in accordance with its terms prior to the sixtieth (60<sup>th</sup>) day following Executive's termination date.

(d) Section 280G. Notwithstanding anything herein to the contrary, if any payment or benefit hereunder or otherwise payable to Executive constitutes a "parachute payment" (as defined in Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended ("Code")), and the net after-tax amount of any such parachute payment is less than the net after-tax amount if the aggregate payments and benefits to be made to Executive were three times Executive's "base amount" (as defined in Code Section 280G(b)(3)), less One Dollar (\$1.00), then the aggregate of the amounts constituting the parachute payments shall be reduced to an amount equal to three (3) times Executive's base amount, less One Dollar (\$1.00). If a reduction in severance and other benefits constituting parachute payments is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: reduction of cash payments; then reduction of employee benefits.

The determinations to be made with respect to this Paragraph shall be made by Company's independent accountants or such other person or entity to which the parties mutually agree, which shall be paid by Company for the services to be provided hereunder. For purposes of making the calculations required by this Paragraph, the accountants may make reasonable, good faith interpretations concerning the application of Code Sections 280G and 4999 and make reasonable assumptions regarding Executive's marginal tax rate in effect for such parachute payments, including the effect of the deductibility of state and local taxes on such marginal tax rate. Executive and Company shall furnish to accountants such information and documents as the accountants may reasonably request in order to make a determination under this Paragraph.

9. TERM. Executive's employment shall continue from year to year or until such employment is terminated in accordance with the provisions of Paragraph 8. Executive acknowledges and agrees that nothing herein guarantees Executive continued employment by Company for any specified or intended term, and that his employment and this Agreement may be terminated by Company at any time.

10. EQUITABLE RELIEF; FEES AND EXPENSES. Executive stipulates and agrees that any breach of this Agreement by Executive will result in immediate and irreparable harm to Company and its Affiliates, the amount of which will be extremely difficult to ascertain, and that Company and its Affiliates could not be reasonably or adequately compensated by damages in an action at law. For these reasons, Company and its Affiliates shall have the right to obtain such preliminary, temporary or permanent injunctions or restraining orders or decrees as may be necessary to protect Company or any Affiliate against, or on account of, any breach by Executive of the provisions of this Agreement without the need to post bond. Such right to equitable relief is in addition to all other legal remedies Company or any Affiliate may have to protect its rights. The prevailing party in any such action shall be responsible for reimbursing the non-prevailing party for all costs associated with obtaining the relief, including reasonable attorneys' fees, and expenses and costs of suit. Executive further covenants and agrees that any order of court or judgment obtained by Company or an Affiliate which enforces Company's or Affiliate's rights under this Agreement may be transferred, without objection or opposition by Executive, to any court of law or other appropriate law enforcement body located in any other state in the United States or any other country in the world where Company or such Affiliate does business, and that said court or body shall give full force and effect to said order and or judgment.

11. EMPLOYMENT DISPUTE SETTLEMENT PROCEDURE-WAIVER OF RIGHTS. In consideration of Company employing Executive and the wages and benefits provided under this Agreement, Executive and Company each agree that, in the event either party (or its representatives, successors or assigns) brings an action in a court of competent jurisdiction relating to Executive's recruitment, employment with, or termination of employment from Company, the plaintiff in such action agrees to waive his, her or its right to a trial by jury, and further agrees that no demand, request or motion will be made for trial by jury.

In consideration of Company employing Executive, and the wages and benefits provided under this Agreement, Executive further agrees that, in the event that Executive seeks relief in a court of competent jurisdiction for a dispute covered by this Agreement, Company may, at any time within sixty (60) days of the service of Executive's complaint upon Company,

at its option, require all or part of the dispute to be arbitrated by one arbitrator in accordance with the rules of the American Arbitration Association. Executive agrees that the option to arbitrate any dispute is governed by the Federal Arbitration Act, and is fully enforceable. Executive understands and agrees that, if Company exercises its option, any dispute arbitrated will be heard solely by the arbitrator, and not by a court. The parties agree that the prevailing party shall be entitled to have all of their legal fees paid by the non-prevailing party. This pre-dispute resolution agreement will cover all matters directly or indirectly related to Executive's recruitment, employment or termination of employment by Company; including, but not limited to, claims involving laws against any form of discrimination whether brought under federal and/or state law, and/or claims involving co-employees, but excluding Worker's Compensation Claims.

**THE RIGHT TO A TRIAL, AND TO A TRIAL BY JURY, IS OF VALUE. YOU MAY WISH TO CONSULT AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT. IF SO, TAKE A COPY OF THIS AGREEMENT WITH YOU. HOWEVER, YOU WILL NOT BE OFFERED EMPLOYMENT UNDER THIS AGREEMENT UNTIL THIS AGREEMENT IS SIGNED AND RETURNED BY YOU.**

12. AMENDMENTS. No supplement, modification, amendment or waiver of the terms of this Agreement shall be binding on the parties hereto unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Any failure to insist upon strict compliance with any of the terms and conditions of this Agreement shall not be deemed a waiver of any such terms or conditions.

13. ACKNOWLEDGMENTS OF EXECUTIVE. Executive hereby acknowledges and agrees that: (a) this Agreement is necessary for the protection of the legitimate business interests of Company and its Affiliates; (b) the restrictions contained in this Agreement may be enforced in a court of law whether or not Executive is terminated with or without cause or for performance related reasons; (c) Executive has no intention of competing with Company and its Affiliates within the limitations set forth above; (d) Executive has received adequate and valuable consideration for entering into this Agreement; (e) Executive's covenants shall be construed as independent of any other provision in this Agreement and the existence of any claim or cause of action Executive may have against Company or any Affiliate, whether predicated on this Agreement or not, shall not constitute a defense to the enforcement by Company or an Affiliate of these covenants; and (f) the execution and delivery of this Agreement is a mandatory condition precedent to Executive's receipt of the consideration provided herein.

14. FULL UNDERSTANDING. Executive acknowledges that Executive has been afforded the opportunity to seek legal counsel, that Executive has carefully read and fully understands all of the provisions of this Agreement and that Executive, in consideration for the compensation set forth herein, is voluntarily entering into this Agreement.

15. ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, between Company or Affiliates and Executive concerning the subject matter hereof.



16. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. The restrictive covenants stated herein may be read as if separate and apart from this Agreement and shall survive the termination of Executive's employment with Company for any reason.

17. OTHER AGREEMENTS. Executive represents and warrants that Executive is not a party to or otherwise subject to or bound by the terms of any contract, agreements or understandings that would affect Executive's right or abilities to perform under this Agreement. Executive specifically represents that Executive will not use any confidential information obtained from Executive's prior employer(s) in the performance of Executive's duties herein and is not subject to any other restrictive covenants or non-competition agreements.

18. CHOICE OF LAW, JURISDICTION AND VENUE. The parties agree that this Agreement shall be deemed to have been made and entered into in Allegheny County, Pennsylvania and that the law of the Commonwealth of Pennsylvania shall govern this Agreement, without regard to conflict of laws principles. Jurisdiction and venue is exclusively limited in any proceeding by Company or an Affiliate or Executive to enforce their rights hereunder to any court or arbitrator geographically located in Allegheny County, Pennsylvania. Executive hereby waives any objections to the jurisdiction and venue of the courts in or for Allegheny County, Pennsylvania, including any objection to personal jurisdiction, venue, and/or forum non-conveniens, in any proceeding by Company or any Affiliate to enforce its rights hereunder filed in or for Allegheny County, Pennsylvania. Executive agrees not to object to any petition filed by Company or an Affiliate to remove an action filed by Executive from a forum or court not located in Allegheny County, Pennsylvania.

19. SUCCESSORS IN INTEREST. This Agreement shall be binding upon and shall inure to the benefit of the successors, assigns, heirs and legal representatives of the parties hereto. Parent and Company shall each require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of its business and/or assets to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Parent or Company, as the case may be, would be required to perform it if no such succession had taken place, and Executive agrees to be obligated by this Agreement to any successor, assign or surviving entity. As used in this Paragraph, "Parent" shall mean Parent as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise and "Company" shall mean Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. Any successor to Company is an intended third party beneficiary of this Agreement. Executive may not assign this Agreement otherwise than by will or the laws of descent and distribution.

20. NOTICES. All notices, requests, demands or other communications by the terms hereof required or permitted to be given by one party to the other shall be given in writing by personal delivery or by registered mail, postage prepaid, addressed to such other party or delivered to such other party as follows:

- (a) to Company at:  
Company's last known address  
Attention: President or Chairman of the Board
- (b) to Executive at:  
Executive's last known address  
Attention: Executive

or at such other address as may be given by either of them to the other in writing from time to time, and such notices, requests, demands, acceptances or other communications shall be deemed to have been received when delivered or, if mailed, three (3) Business Days after the day of mailing thereof; provided that if any such notice, request, demand or other communication shall have been mailed and if regular mail service shall be interrupted by strikes or other irregularities, such notices, requests, demands or other communications shall be deemed to have been received when delivered or, if mailed, three (3) Business Days from the day of the resumption of normal mail service.

21. SECTION 409A.

(a) Notwithstanding anything herein to the contrary, this Agreement is intended to be interpreted and applied so that the payment of the benefits set forth herein either shall either be exempt from the requirements of Code Section 409A ("Section 409A") or shall comply with the requirements of such provision. Notwithstanding any provision of this Agreement to the contrary, if Executive is a "specified employee" within the meaning of Section 409A, any payments or arrangements due upon a termination of Executive's employment, if any, under any arrangement that constitute a "nonqualified deferral of compensation" within the meaning of Section 409A and which do not otherwise qualify under the exemptions under Treas. Regs. Section 1.409A-1 (including without limitation, the short-term deferral exemption or the permitted payments under Treas. Regs. Section 1.409A-1(b)(9)(iii)(A)), shall be delayed and paid or provided on the earlier of (i) the date which is six months after Executive's "separation from service" (as such term is defined in Section 409A and the regulations and other published guidance thereunder) for any reason other than death; and (ii) the date of Executive's death.

(b) After Executive's termination, Executive shall have no duties or responsibilities that are inconsistent with having a "separation from service" within the meaning of Section 409A as of the date of his termination and, notwithstanding anything in the Agreement to the contrary, distributions upon termination of employment of nonqualified deferred compensation may only be made upon a "separation from service" as determined under Section 409A and such date shall be the date of Executive's termination for purposes of this Agreement. Each payment under this Agreement or otherwise shall be treated as a separate payment for purposes of Section 409A. In no event may Executive, directly or indirectly,

designate the calendar year of any payment to be made under this Agreement which constitutes a “nonqualified deferral of compensation” within the meaning of Section 409A and to the extent an amount is payable within a time period, the time during which such amount is paid shall be in the discretion of Company.

22. COUNTERPARTS: TELECOPY. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Delivery of executed signature pages by facsimile transmission will constitute effective and binding execution and delivery of this Agreement.

23. HEADINGS. The headings used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

24. DRAFTER PROVISION. The parties agree that they have both had the opportunity to review and negotiate this Agreement, and that any inconsistency or dispute related to the interpretation of any of the provisions of this Agreement shall not be construed against either party.

25. SURVIVABILITY. The terms of this Agreement survive the termination of Executive’s employment with Company for any reason.

25. EFFECTIVE DATE. This Agreement shall be effective on the date that the Executive joins the Company on a full-time basis, which is to be August 20, 2014. In the event Executive fails to joins the Company on the aforementioned date, this Agreement shall not take effect and all offers made under this Agreement shall be rescinded.

*[signature page follows]*

**I ACKNOWLEDGE THAT I HAVE CAREFULLY READ AND FULLY UNDERSTAND ALL OF THE PROVISIONS OF THIS AGREEMENT AND THAT I AM VOLUNTARILY ENTERING INTO THIS AGREEMENT.**

MASTECH, INC.:

By: /s/ D. Kevin Horner

Date: August 20, 2014

Witness: /s/ Jennifer F. Lacey

Date: August 20, 2014

EXECUTIVE:

/s/ Denis D. Deet  
Denis D. Deet

Date: August 20, 2014

Witness: /s/ John J. Cronin, Jr.

Date: August 20, 2014

## Schedule A (1)

This Schedule A (1) effective August 20, 2014, is issued pursuant to the Executive Employment Agreement by and among Company and Executive, dated August 20, 2014 (the "Agreement"), and shall be incorporated therein and governed by the terms and conditions of such Agreement.

1. Position: VP of Technology & Chief Information Officer. Executive shall report in such capacity to Company's Chief Executive Officer.

2. Base Salary: \$150,000 per year.

3. Bonus: Executive will be entitled to an annual performance-based cash bonus of \$60,000, for the achievement of certain financial and operational targets. These targets, and the bonus dollars tied to such targets, will be determined and communicated to you by the Chief Executive Officer on an annual basis. For the 2014 calendar year, your bonus will be based on the following performance measures:

- a. Consolidated Revenue;
- b. Consolidated Earnings Per Share; and
- c. Subjective performance.

The target amount for each measure for the 2014 calendar year is set forth on Appendix 1 to this schedule. Should Company fail to achieve the target amount for the above performance measures, Executive's annual performance-based bonus, if any, shall be based upon Company's evaluation of the percentage of the target amount achieved during the year. Conversely, should Company's performance exceed the target amount for the above performance measures, Executive's annual performance-based bonus may exceed the bonus amount stated above, based upon Company's evaluation of the percentage of the over-achievement of such target amount(s). All bonuses will be paid by February 15, 2015, following the completion of Company's year-end audit. If Executive leaves Company voluntarily, or is terminated with Cause, before December 31, 2014, Executive will not be eligible for a bonus. If Executive is terminated by Company during 2014 without Cause, Executive's bonus calculation will be based on Company's annual results (calculated as though Executive were still an employee) and a prorated bonus will be paid considering the days in 2014 in which Executive was employed by Company divided by 365.

4. Benefits: Executive is eligible for standard company benefits in the same manner as other executives of Company.

5. Expenses: Company will reimburse all properly documented expenses reasonably related to Executive's performance of Executive's duties hereunder.

6. Stock Options: Executive shall be eligible to receive non-qualified stock options pursuant to Company's Stock Incentive Plan.

BY: /s/ D. Kevin Horner, August 20, 2014  
Company / Date

BY: /s/ Denis D. Deet, August 20, 2014  
Executive / Date

**MASTECH HOLDINGS, INC.  
2008 STOCK INCENTIVE PLAN**

**RESTRICTED STOCK AGREEMENT**

THIS RESTRICTED STOCK AGREEMENT, is made as of the date set forth on Schedule A hereto (the "Grant Date") by and between Mastech Holdings, Inc., a Pennsylvania corporation (the "Corporation"), and the person named on Schedule A hereto (the "Grantee").

WHEREAS, Grantee is a valuable employee of the Corporation or one of its subsidiaries (each, an "Affiliate") and the Corporation considers it desirable and in its best interest that Grantee be given an inducement to acquire a proprietary interest in the Corporation and an incentive to advance the interests of the Corporation by granting the Grantee restricted shares of common stock, par value \$.01 per share, of the Corporation (the "Stock"); and

WHEREAS, the Corporation has adopted the 2008 Stock Incentive Plan (the "Plan"), under which the Corporation may grant restricted shares of Stock (the "Restricted Shares") to key employees of the Corporation subject to restrictions set forth in the Plan and this Restricted Stock Agreement (this "Agreement").

NOW THEREFORE, the parties hereto, intending to be legally bound, hereby agree that as of the Grant Date, the Corporation hereby grants Grantee the number of Restricted Shares set forth on Schedule A hereto, representing authorized and unissued Stock, upon the terms and conditions set forth in the Plan and this Agreement.

SECTION 1: Stock Award

1.1 Subject to the terms and conditions set forth herein and the terms of the Plan, and in order to provide an additional incentive for Grantee, as a key employee, to work for the long-range success of the Corporation, the Corporation hereby awards to Grantee the number of Restricted Shares set forth on Schedule A hereto.

SECTION 2: Restrictions on Transfer

2.1 The Restricted Shares awarded hereunder or any interest therein may not be sold, transferred, assigned, pledged or otherwise disposed of (any such action being hereinafter referred to as a "Disposition" of the Restricted Shares) by the Grantee until such time as the restrictions lapse with respect to such Restricted Shares pursuant to Sections 3.1 or 3.2 hereof, and any attempt to make such a Disposition shall be null and void and result in the immediate forfeiture and return to the Corporation, without consideration of any Restricted Shares as to which restrictions on Disposition shall at such time be in effect.

2.2 Grantee agrees that a restrictive legend in substantially the following form may be placed on the certificate or book-entry account representing the Restricted Shares awarded hereunder:

"The sale, transfer, assignment, pledge or other disposition of the shares represented by this certificate is subject to the restrictions set forth in the Mastech Holdings, Inc. 2008 Stock Incentive Plan and in the Restricted Stock Agreement, copies of each of which are available for inspection at

the principal office of Mastech Holdings, Inc. No such transaction shall be recognized as valid or effective unless there shall have been compliance with the terms and conditions of such Agreement.”

2.3 Grantee hereby authorizes the Corporation or its agents to retain custody of the certificates or book-entry account representing the Restricted Shares awarded hereunder until such time as the restrictions on Disposition lapse. As soon as practicable after the date on which restrictions on Disposition of any Restricted Shares lapse, the Corporation will cause to be delivered to Grantee (which delivery may be by the Corporation’s interoffice mail or by the U.S. mail at the last address for Grantee then indicated in the Corporation’s records) certificates for such Restricted Shares registered in the name of Grantee with the restrictive legend described in Section 2.2 hereof removed, or credit such Restricted Shares to a book-entry account in the Grantee’s name.

2.4 Grantee understands that the transfer agent for the Stock will be instructed to effect transfers of the Restricted Shares awarded hereunder only upon satisfaction of the conditions set forth herein and in the Plan.

### SECTION 3: Lapse of Restrictions and Forfeiture of Restricted Shares

3.1 If Grantee remains continuously employed by the Corporation through the close of business on the vesting dates as set forth in Schedule A, the restrictions on such Restricted Shares shall lapse and Grantee shall receive such Restricted Shares free of the restrictions on Disposition set forth in Section 2.1 hereof.

3.2 Notwithstanding Section 3.1 hereof, the restrictions on Disposition of the Restricted Shares set forth in Section 2.1 hereof shall lapse immediately upon termination of Grantee’s active employment with the Corporation, prior to vesting, if such termination is by reason of (i) Grantee’s death or (ii) Grantee’s disability (covered by a long-term disability plan of the Corporation or an Affiliate then in effect).

3.3 Upon the effective date of a termination of Grantee’s employment with the Corporation for any reason not specified in Section 3.2 above, all Restricted Shares then subject to restrictions on Disposition shall immediately be forfeited and returned to the Corporation without consideration or further action being required of the Corporation. For purposes of the immediately preceding sentence, the effective date of Grantee’s termination shall be the date upon which Grantee ceases to perform services as an employee of the Corporation or any of its subsidiaries, including accrued vacation and severance time.

### SECTION 4: Miscellaneous

4.1 Notwithstanding any other provision of this Agreement, Grantee hereby agrees to take any action, and consents to the taking of any action by the Corporation, with respect to the Restricted Shares awarded hereunder necessary to achieve compliance with applicable laws or regulations in effect from time to time. Any determination by the Compensation Committee of the Board of Directors of the Corporation (the “Committee”) with respect to the need for any action in order to achieve such compliance with laws or regulations shall be final, binding and conclusive.



The Corporation shall in no event be obligated to register any securities pursuant to the Securities Act of 1933 (as the same shall be in effect from time to time) or to take any other affirmative action in order to cause the award of Restricted Shares under the Plan, the lapsing of restrictions thereon or the delivery of certificates therefore to comply with any law or regulation in effect from time to time.

4.2 Grantee shall be advised by the Corporation or an Affiliate as to the amount of any federal, state, local or foreign income or employment taxes required to be withheld by the Corporation or such Affiliate on the compensation income resulting from the award of, or lapse of, restrictions on the Restricted Shares. Grantee shall pay any taxes required to be withheld directly to the Corporation or any Affiliate in cash upon request; provided, however, that where the restrictions on Disposition set forth in Section 2.1 hereof have lapsed Grantee may satisfy such obligation in whole or in part by requesting the Corporation in writing to withhold from the Restricted Shares otherwise deliverable to Grantee or by delivering to the Corporation shares of the Grantee's Stock having a Fair Market Value, as defined in the Plan, on the date as of which such taxes are calculated, equal to the amount of the aggregate minimum statutory withholding tax obligation to be so satisfied. Grantee understands that the Company is not obligated to deliver the Restricted Shares unless and until Grantee shall have satisfied any obligation for withholding taxes with respect thereto as provided herein.

4.3 Grantee hereby indemnifies the Corporation and holds it harmless from and against any and all damages or liabilities incurred by the Corporation (including liabilities for attorneys' fees and disbursements) arising out of any breach by Grantee of this Agreement, including, without limitation, any attempted Disposition in violation of Section 2.1 hereof.

4.4 Nothing herein shall be construed as giving Grantee any right to be retained in the employ of the Corporation or affect any right which the Corporation may have to terminate the employment of such Grantee.

4.5 This Agreement is subject in all respects to the terms of the Plan, as amended and interpreted from time to time by the Plan Administrator; provided, however, that no alteration, amendment, revocation or termination of the Plan shall, without the written consent of Grantee, adversely affect the rights of Grantee with respect to the Restricted Shares. Should there be any inconsistency between the provisions of this Agreement and the terms and conditions of the Plan, the provisions in the Plan shall govern.

4.6 This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, other than any choice of law provisions calling for the application of laws of another jurisdiction.

*[remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MASTECH HOLDINGS, INC.

By: \_\_\_\_\_

GRANTEE

\_\_\_\_\_

**Schedule A**

1. Grantee: \_\_\_\_\_
2. Grant Date: \_\_\_\_\_
3. Number of Restricted Shares covered by the grant: \_\_\_\_\_
4. Time restrictions / vesting schedule: \_\_\_\_\_

\_\_\_\_\_  
Initials of Authorized Officer of  
MASTECH HOLDINGS, INC.

\_\_\_\_\_  
Grantee's Initials

SUBSIDIARIES

Incorporation/Organization

Mastech, Inc.  
Mastech Alliance, Inc.  
Mastech Trademark Systems, Inc.  
Mastech Resourcing, Inc.  
Mastech Staffing Services Pvt. Ltd.

Jurisdiction of

Pennsylvania  
Pennsylvania  
Delaware  
Pennsylvania  
India

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors of  
Mastech Holdings, Inc.**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-153759) of Mastech Holdings, Inc. of our report dated March 20, 2015, relating to the consolidated financial statements and financial statement schedule, which appears in this Annual Report on Form 10-K.

**/s/ UHY LLP**

\_\_\_\_\_  
Farmington Hills, Michigan

March 20, 2015

I, D. Kevin Horner, certify that:

1. I have reviewed this Annual Report on Form 10-K of Mastech Holdings, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MASTECH HOLDINGS, INC.

Date: March 20, 2015

/s/ D. KEVIN HORNER

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**D. Kevin Horner**  
*President, Chief Executive Officer*

I, John J. Cronin, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Mastech Holdings, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MASTECH HOLDINGS, INC.

Date: March 20, 2015

/s/ JOHN J. CRONIN, JR.

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**John J. Cronin, Jr.**  
**Chief Financial Officer**

Certification Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Mastech Holdings, Inc. (the "Company") on Form 10-K for the year ending December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. Kevin Horner, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2015

/s/ D. KEVIN HORNER

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**D. Kevin Horner**  
*President, Chief Executive Officer*



Certification Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Mastech Holdings, Inc. (the "Company") on Form 10-K for the year ending December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John J. Cronin Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2015

/s/ JOHN J. CRONIN, JR.

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**John J. Cronin Jr.**  
**Chief Financial Officer**