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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2016

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

Commission File Number 001-34099

MASTECH HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

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, Pennsylvania** **(Address of principal executive offices)**	**15108** **(Zip Code)**

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

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 (or for such shorter period that the registrant was required to file such reports), 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	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 number of shares of the registrant's Common Stock, par value $.01 per share, outstanding as of April 29, 2016 was 4,352,505.

MASTECH HOLDINGS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2016

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Revenues	$31,714	$27,060
Cost of revenues	25,601	22,373
Gross profit	6,113	4,687
Selling, general and administrative expenses	5,978	4,359
Income from operations	135	328
Interest income (expense), net	(116)	(12)
Other income (expense), net	(2)	(5)
Income before income taxes	17	311
Income tax expense	6	116
Net income	$ 11	$ 195
Earnings per share:		
Basic	$ .00	$ .05
Diluted	$ .00	$ .04
Weighted average common shares outstanding:		
Basic	4,353	4,328
Diluted	4,450	4,441

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

Table of Contents

MASTECH HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands)
(Unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net income	$ 11	$ 195
Other comprehensive income (loss):		
Net unrealized gain on currency forward contracts	—	29
Net unrealized (loss) on interest-rate swap contracts	(30)	—
Total pretax net unrealized gain (loss)	(30)	29
Income tax expense (benefit)	(12)	11
Total other comprehensive income (loss), net of taxes	$ (18)	$ 18
Total comprehensive income (loss)	$ (7)	$ 213

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

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

	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 830	$ 848
Accounts receivable, net of allowance for uncollectible accounts of $313 in 2016 and 2015	17,785	16,394
Unbilled receivables	3,075	2,796
Prepaid and other current assets	737	587
Deferred income taxes	466	217
Total current assets	22,893	20,842
Equipment, enterprise software, and leasehold improvements, at cost:		
Equipment	1,152	1,142
Enterprise software	645	645
Leasehold improvements	332	342
	2,129	2,129
Less – accumulated depreciation and amortization	(1,525)	(1,473)
Net equipment, enterprise software, and leasehold improvements	604	656
Deferred income taxes	118	92
Deferred financing costs, net	87	97
Non-current deposits	237	237
Goodwill	8,427	8,427
Intangible assets, net	7,923	8,126
Total assets	$ 40,289	$ 38,477
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 1,800	$ 1,800
Accounts payable	2,373	2,213
Accrued payroll and related costs	5,282	5,965
Accrued income taxes	339	1,014
Other accrued liabilities	714	603
Deferred revenue	277	341
Total current liabilities	10,785	11,936
Long-term liabilities:		
Long-term debt, less current portion	13,593	10,738
Total liabilities	24,378	22,674
Commitments and contingent liabilities (Note 4)		
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 5,169,143 shares issued as of March 31, 2016 and as of December 31, 2015	52	52
Additional paid-in-capital	13,229	13,114
Retained earnings	6,788	6,777
Accumulated other comprehensive loss	(37)	(19)
Treasury stock, at cost; 816,638 shares as of March 31, 2016 and December 31, 2015	(4,121)	(4,121)
Total shareholders' equity	15,911	15,803
Total liabilities and shareholders' equity	$ 40,289	$ 38,477

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

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
OPERATING ACTIVITIES:		
Net income	$ 11	$ 195
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	255	55
Interest amortization of deferred financing costs	10	5
Stock-based compensation expense	115	95
Deferred income taxes, net	(275)	(79)
Loss on derivative contract	—	7
Working capital items:		
Accounts receivable and unbilled receivables	(1,670)	(122)
Prepaid and other current assets	(138)	(34)
Accounts payable	160	404
Accrued payroll and related costs	(683)	(68)
Other accrued liabilities	(594)	2
Deferred revenue	(64)	(88)
Net cash flows provided by (used in) operating activities	(2,873)	372
INVESTING ACTIVITIES:		
Refund of non-current deposits	—	32
Capital expenditures	—	(57)
Net cash flows (used in) investing activities	—	(25)
FINANCING ACTIVITIES:		
Borrowings on revolving credit facility, (net)	3,305	—
(Repayments) on term loan facility	(450)	—
Purchase of treasury stock	—	(201)
Proceeds from the exercise of stock options	—	16
Increase in excess tax benefits related to stock options/restricted shares, net	—	123
Net cash flows provided by (used in) financing activities	2,855	(62)
Net change in cash and cash equivalents	(18)	285
Cash and cash equivalents, beginning of period	848	2,568
Cash and cash equivalents, end of period	$ 830	$ 2,853

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

Table of Contents

MASTECH HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015
(Unaudited)

1. Description of Business and Basis of Presentation:

References in this Quarterly Report on Form 10-Q to “we”, “our”, “Mastech” or “the Company” refer collectively to Mastech Holdings, Inc. and its wholly-owned operating subsidiaries, which are included in these Condensed Consolidated Financial Statements (the “Financial Statements”).

Description of Business

We are a provider of IT 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; service oriented architecture; web services; enterprise resource planning & customer resource management; eBusiness solutions; mobile applications; and the implementation and support for cloud-based applications. 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. Our services span a broad range of industry verticals including: automotive; consumer products; education; financial services; government; healthcare; manufacturing; retail; technology; telecommunications; transportation; and utilities.

Accounting Principles

The accompanying Financial Statements have been prepared by management in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and applicable rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and the accompanying notes. Actual results could differ from these estimates. These Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements and accompanying notes for the year ended December 31, 2015, included in our Annual Report on Form 10-K filed with the SEC on March 25, 2016. Additionally, our operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that can be expected for the year ending December 31, 2016 or for any other period.

Principles of Consolidation

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

Critical Accounting Policies

Please refer to Note 1 “Summary of Significant Accounting Policies” of the Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations–Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2015 for a more detailed discussion of our significant accounting policies and critical accounting estimates. There were no material changes to these critical accounting policies during the three months ended March 31, 2016.

Segment Reporting

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

2. Business Combinations

On June 15, 2015, the Company completed the cash acquisition of Hudson Global Resources Management, Inc.’s U.S. IT staffing business (“Hudson IT”). The acquisition supports Mastech’s growth strategy as a premier provider of IT staffing services by expanding its existing client base, increasing its domestic recruitment capabilities and strengthening its management talent. The acquisition was structured as an asset purchase and was accounted for using the acquisition method of accounting. The acquisition method of accounting requires that the assets acquired and liabilities assumed be measured at their fair values as of the closing date.

The financial terms of the acquisition included a $16,987,000 purchase price and the assumption of $13,000 net current liabilities), with the seller retaining essentially all working capital.

The cash purchase price at closing was paid with funds obtained from the following sources:

(in thousands)	Amounts
Cash balances on hand	$ 2,000
Term loan facility	9,000
Revolving line of credit	5,987
Cash paid at Closing	$16,987

The allocation of purchase price was based on estimates of the fair value of assets acquired and liabilities assumed as of June 15, 2015, as set forth below. The excess purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill, which includes value associated with the assembled workforce. All goodwill is expected to be deductible for tax purposes. The valuation of net assets acquired is as follows:

(in thousands)	Amounts
Current Assets	**$ 18**
Fixed Assets	**6**
Identifiable intangible assets:	
Client relationships	7,999
Covenant not-to-compete	319
Trade name	249
Total identifiable intangible assets	**8,567**
Goodwill	**8,427**
Current liabilities	**(31)**
Net Assets Acquired	**$16,987**

The fair value of identifiable intangible assets has been estimated using the income approach through a discounted cash flow analysis. Specifically, the Company used the income approach through an excess earnings analysis to determine the fair value of client relationships. The value applied to the covenant not-to-compete was based on an income approach using a “with or without” analysis of this covenant in place. The trade name was valued using the income approach – relief from royalty method. All identifiable intangibles are considered level 3 inputs under the fair value measurement and disclosures guidance.

The Company incurred $50,000 of direct transaction costs related to the acquisition for the three months ended March 31, 2015. These costs are included in selling, general and administrative expenses in the accompanying Condensed Consolidated Statement of Operations.

Included in the Condensed Consolidated Statement of Operations for the three month period ended March 31, 2016 are revenues of $6.7 million and net income of approximately $0.3 million applicable to the Hudson IT operations.

The following reflects the Company’s unaudited pro forma results had the results of Hudson IT been included for all periods presented:

	Three Months Ended March 31,	
	2016	2015
	(Amounts in thousands)	
Revenue	$ 31,714	$ 34,563
Net income	$ 11	$ 325
Earnings per share - diluted	$ 0.00	$ 0.07

The information above does not reflect all of the operating efficiencies or inefficiencies that may result from the Hudson IT acquisition. Therefore, the pro forma information above is not necessarily indicative of results that would have been achieved had the business been combined during all periods presented or the results that the Company will experience going forward.

3. Goodwill and Other Intangible Assets, net

Goodwill related to our June 15, 2015 acquisition of Hudson IT totaled $8.4 million.

The Company is amortizing the identifiable intangible assets on a straight-line basis over estimated average lives ranging from 3 to 12 years. Intangible assets were comprised of the following as of March 31, 2016:

(Amounts in thousands)	As of March 31, 2016 Amortization Period (In Years)	Gross Carrying Value	Accumulative Amortization	Net Carrying Value
Client relationships	12	$ 7,999	$ 527	$ 7,472
Covenant-not-to-compete	5	319	51	268
Trade name	3	249	66	183
Total Intangible Assets		**$ 8,567**	**$ 644**	**$ 7,923**

Amortization expense for the three month period ended March 31, 2016 was $203,000 and is included in selling, general and administrative expenses in the Condensed Consolidated Statement of Operations. There was no amortization expense for acquired intangible assets for the three month period ended March 31, 2015.

The estimated aggregate amortization expense for intangible assets for the years ending December 31, 2016 through 2020 is as follows:

	Years Ended December 31, 2016	2017	2018	2019	2020
	(Amounts in thousands)				
Amortization expense	$813	$813	$769	$731	$696

4. Commitments and Contingencies

Lease Commitments

The Company rents certain office space and equipment under non-cancelable leases which provide for future minimum rental payments. Total lease commitments have not materially changed from the amounts disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

Contingencies

In the ordinary course of our business, the Company is involved in a number of lawsuits and administrative proceedings. While uncertainties are inherent in the final outcome of these matters, the Company’s 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.

5. Employee Benefit Plan

The Company provides an Employee Retirement Savings Plan (the “Retirement Plan”) under Section 401(k) of the Internal Revenue Code of 1986, as amended (the “Code”), that covers substantially all U.S. based salaried employees. Concurrent with the acquisition of Hudson IT, the Company expanded employee eligibility under the Retirement Plan to include all U.S. based W-2 hourly employees. Employees may contribute a percentage of eligible compensation to the Retirement Plan, subject to certain limits under the Code. For Hudson IT employees enrolled in the Hudson Employee Retirement Savings Plan under the Code at the acquisition date, the Company provides a matching contribution of 50% of the first 6% of the participant’s contributed pay, subject to vesting based on the combined tenure with Hudson and Mastech. For all other employees, the Company did not provide for any matching contributions for the three months ended March 31, 2016 and March 31, 2015. Mastech’s total contributions to the Retirement Plan for the three months ended March 31, 2016 related to the Hudson IT employees totaled approximately $27,000. No Mastech contributions to the retirement plan were made for the three months ended March 31, 2015 as the Hudson IT acquisition occurred on June 15, 2015.

6. Stock-Based Compensation

In 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, officers and key personnel. Grants under the Plan can be made in the form of stock options, stock appreciation rights, performance shares or stock awards. During the three months ended March 31, 2016, the Company granted stock options to purchase 250,000 shares of Common Stock, contingent upon shareholder approval to increase the number of shares of Common Stock of the Company that may be issued pursuant to the Plan by 200,000 shares, to a total of 1,400,000. Shareholders will vote on this matter at the Company's Annual Meeting of Shareholders on May 18, 2016. During the three months ended March 31, 2015, there were no grants made under the Plan. Exclusive of the contingent grant referenced above, as of March 31, 2016, there were 183,000 shares available for grant under the Plan exclusive of the contingent grant referred to above.

Stock-based compensation expense was $115,000 and $95,000 for the three month periods ended March 31, 2016 and 2015, respectively. Stock-based compensation expense is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

For the three months ended March 31, 2016, the Company issued no shares related to the exercise of stock options and vesting of restricted shares. During the three months ended March 31, 2015, the Company issued 46,589 shares related to the exercise of stock options and vesting of performance share grants.

7. Credit Facility

On June 15, 2015, the Company entered into a First Amendment to its Second Amended and Restated Loan Agreement (the "Amendment") with PNC Bank, N.A. ("PNC"). The amended terms set forth in the Amendment include the following: (1) a reduction in the maximum principal amount available under the credit facility for revolving credit loans and letters of credit from $20 million to $17 million and an extension of the facility to June 15, 2018 from July 14, 2017; (2) the addition of a term-loan component in the principle amount of $9 million with an expiration date of June 15, 2020; (3) the approval of the Company's acquisition of Hudson IT; and (4) an amendment to the financial covenant relating to the Company's fixed charge ratio and the elimination of a financial covenant relating to the Company's senior leverage ratio, as more fully described in the Amendment filed as Exhibit 10.1 to the Company's Form 8-K, filed with the SEC on June 17, 2015.

Advances under the credit facility for revolving credit loans are limited to a borrowing base that consists of the sum of 85% of eligible accounts receivable and 60% of eligible unbilled receivables. Amounts borrowed under the facility may be used for working capital and general corporate purposes, for the issuance of standby letters of credit, and to facilitate other acquisitions and stock repurchases. Initial borrowings under the revolving credit facility for the acquisition of Hudson IT totaled $6.0 million. Amounts borrowed under the term loan were limited to use for the Company's acquisition of Hudson IT. The term loan is payable in 60 consecutive monthly installments each in the amount of $150,000 commencing on July 1, 2015 and on the first day of each calendar month thereafter followed by a final payment of all outstanding principal and interest due on June 15, 2020.

Borrowings under the credit facility for revolving credit loans and the term loan will, at the Company's election, bear interest at either (a) the higher of PNC's prime rate or the federal funds rate plus 0.50%, plus an applicable margin determined based upon the Company's leverage ratio or (b) an adjusted LIBOR rate, plus an applicable margin determined based upon the Company's leverage ratio. The applicable margin on the base rate is between 0.25% and 0.75% on revolving credit loans and between 1.50% and 2.00% on term loans. The applicable margin on the adjusted LIBOR rate is between 1.25% and 1.75% on revolving credit loans and between 2.50% and 3.00% on term loans. A 20 basis point per annum commitment fee on the unused portion of the credit facility for revolving credit loans is charged and due monthly in arrears through June 15, 2018.

The Company has pledged substantially all of its assets in support of the credit facility. The loan agreement contains standard financial covenants, including but not limited to, covenants related to the Company's leverage ratio and fixed charge ratio (as defined under the loan agreement) and limitations on liens, indebtedness, guarantees, contingent liabilities, loans and investments, distributions, leases, asset sales, stock repurchases and mergers and acquisitions. As of March 31, 2016, the Company was in compliance with all provisions under the facility.

In connection with securing the Amendment, the Company paid a commitment fee and incurred transaction costs totaling $75,000, which are being amortized as interest expense over the lives of the facilities. During the current period, we adopted ASU 2015-03 and ASU 2015-15 which resulted in no change to our presentation of these costs as the majority of our debt issuance costs related to our line of credit which continue to be presented as an asset on our balance sheet under the caption "Deferred financing costs, net".

As of March 31, 2016, the Company's outstanding borrowings under the credit facility for revolving credit loans totaled $7.7 million and unused borrowing capacity available was $9.1 million. The Company's outstanding borrowings under the term loan were $7.7 million at March 31, 2016. The Company believes the eligible borrowing base on the revolving credit facility will not fall below current outstanding borrowings for a period of time exceeding one year and has classified the $7.7 million outstanding debt balance at March 31, 2016 as long-term.

8. Income Taxes

The components of income before income taxes, as shown in the accompanying Financial Statements, consisted of the following for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
	(Amounts in thousands)	
Income before income taxes:		
Domestic	$ 17	$ 311
Foreign	—	—
Income before income taxes	$ 17	$ 311

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 March 31, 2016, 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, as shown in the accompanying Financial Statements, consisted of the following for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
	(Amounts in Thousands)	
Current provision:		
Federal	$ 235	$ 178
State	34	17
Total current provision	269	195
Deferred provision (benefit):		
Federal	(229)	(69)
State	(34)	(10)
Total deferred provision (benefit)	(263)	(79)
Total provision for income taxes	$ 6	$ 116

The reconciliation of income taxes computed using the statutory U.S. income tax rate and the provision for income taxes for the three months ended March 31, 2016 and 2015 were as follows (amounts in thousands):

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
Income taxes computed at the federal statutory rate	$ 5	34.0%	$ 106	34.0%
State income taxes, net of federal tax benefit	—	—	7	2.3
Other – net	1	4.0	3	1.0
	$ 6	38.0%	$ 116	37.3%

A reconciliation of the beginning and ending amounts of unrecognized tax benefits related to uncertain tax positions, including interest and penalties, are as follows:

(Amounts in thousands)	Three Months Ended March 31, 2016
Balance as of December 31, 2015	$ 135
Additions related to current period	7
Additions related to prior periods	—
Reductions related to prior periods	—
Balance as of March 31, 2016	$ 142

Although it is difficult to anticipate the final outcome of these uncertain tax positions, the Company believes that the total amount of unrecognized tax benefits could be reduced by approximately $27,000 during the next twelve months due to the expiration of the statutes of limitation.

9. Derivative Instruments and Hedging Activities

Interest Rate Risk Management

Concurrent with the Company's June 15, 2015 borrowings under the $9 million term loan facility, the Company entered into a five-year interest-rate swap to convert the debt's variable interest rate to a fixed rate of interest. Under the swap contracts, the Company pays interest at a fixed rate of 1.515% and receives interest at a variable rate equal to the daily U.S. LIBOR rate on a notional amount of $5,000,000. Both the debt and the swap contracts mature in 60-monthly installments commencing on July 1, 2015. These swap contracts have been designated as cash flow hedging instruments and qualified as effective hedges at inception under ASC Topic 815, "Derivatives and Hedging". These contracts are recognized on the balance sheet at fair value. The effective portion of the changes in fair value on these instruments is recorded in other comprehensive income (loss) and is reclassified into the Condensed Consolidated Statements of Operations as interest expense in the same period in which the underlying hedge transaction affects earnings. Changes in the fair value of interest-rate swap contracts deemed ineffective are recognized in the Condensed Consolidated Statement of Operations as interest expense. The fair value of the interest-rate swap contracts at March 31, 2016 was a liability of $61,000 and is reflected in the Condensed Consolidated Balance Sheet as other current liabilities.

Foreign Currency Risk Management

During 2012 through 2015, 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 were designated as cash flow hedging instruments and qualified as effective hedges at inception under ASC Topic 815, "*Derivatives and Hedging*". In December 2015, the decision was made not to hedge the Indian rupee in 2016 given that the likelihood of an expanding interest rate environment in the U.S. should mitigate any appreciation in the Indian rupee relative to the U.S. dollar. Thus, at March 31, 2016 there were no outstanding currency hedge positions.

The effect of derivative instruments on the Condensed Consolidated Statements of Operations and Comprehensive Income are as follows (in thousands):

Derivatives in ASC Topic 815 Cash Flow Hedging Relationships	Amount of Gain / (Loss) recognized in OCI on Derivatives	Location of Gain / (Loss) reclassified from Accumulated OCI to Income (Expense)	Amount of Gain / (Loss) reclassified from Accumulated OCI to Income (Expense)	Location of Gain / (Loss) reclassified in Income (Expense) on Derivatives	Amount of Gain / (Loss) recognized in Income (Expense) on Derivatives
	(Effective Portion)	(Effective Portion)	(Effective Portion)	(Ineffective Portion/Amounts excluded from effectiveness testing)	
For the Three Months Ended March 31, 2016:					
Interest-Rate Swap Contracts	$ (30)	Interest Expense	$ (11)	Interest Expense	$ (0)
For the Three Months Ended March 31, 2015:					
Currency Forward Contracts	$ 29	SG&A Expense	$ (4)	Other Income/ (Expense)	$ (1)

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

	March 31, 2016		December 31, 2015	
Derivative Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest-Rate Swap Contracts	Other Current Liabilities	$ 61	Other Current Liabilities	$ 31

The estimated amount of pretax losses as of March 31, 2016 that is expected to be reclassified from other comprehensive income (loss) into earnings within the next 12 months is approximately ($0.1 million).

10. 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.

At March 31, 2016 and December 31, 2015, the Company carried the following financial assets and (liabilities) at fair value measured on a recurring basis (in thousands):

	Fair Value as of March 31, 2016			
(Amounts in thousands)	Level 1	Level 2	Level 3	Total
Interest-Rate Swap Contracts	$ 0	$ (61)	$ 0	$(61)

	Fair Value as of December 31, 2015			
(Amounts in thousands)	Level 1	Level 2	Level 3	Total
Interest-Rate Swap Contracts	$ 0	$ (31)	$ 0	$(31)

11. Shareholders' Equity

As of March 31, 2016, the Company had 472,238 shares available for purchase under its existing share repurchase program. Repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable securities laws through December 22, 2016. During the three months ended March 31, 2016, the Company did not repurchase any shares under this program. During the three months ended March 31, 2015, the Company repurchased 12,654 shares of Common Stock under this program at an average price of $9.49 per share. Additionally, the Company purchased an additional 8,237 shares to satisfy employee tax obligations related to the vesting of performance shares at a share price of $9.74.

12. Revenue Concentration

For the three months ended March 31, 2016, the Company had no clients that exceeded 10% of total revenues. For the three months ended March 31, 2015, the Company had one client that exceeded 10% of total revenues (Accenture = 13.0%).

The Company's top ten clients represented approximately 42% and 59% of total revenues for the three months ended March 31, 2016 and 2015, respectively.

13. Earnings Per Share

The computation of basic earnings per share 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 were exercised. The dilutive effect of stock options was calculated using the treasury stock method.

For the three months ended March 31, 2016, there were 4,759 anti-dilutive stock options excluded from the computation of diluted earnings per share. For the three months ended March 31, 2015, there were no anti-dilutive stock options excluded from the computation of diluted earnings per share.

14. Severance Charges

During the three month period ending March 31, 2016, the Company incurred severance costs of $780,000 (pre-tax) related to several changes in executive leadership. The Company incurred severance costs of $305,000 (pre-tax) in the three month period ended March 31, 2015 related to a change in sales leadership.

15. Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers," which provides for a single five-step model to be applied to all revenue contracts with customers. The new guidance also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Entities can use either a retrospective approach or a cumulative effect adjustment approach to implement the guidance. In 2015, the FASB issued a deferral of the effective date of the guidance to 2018, with early adoption permitted in 2017. In 2016, the FASB issued ASU 2016-08 and ASU 2016-10 as final amendments to ASU 2014-09 to clarify the implementation guidance for 1) principal versus agent considerations, 2) identifying performance obligations and 3) the accounting for licenses of intellectual property. The Company is evaluating the method of adoption of this ASU, but does not expect the adoption to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs". ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Prior to the adoption of ASU 2015-03, we recognized debt issuance costs as assets on our balance sheet. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03. ASU 2015-03 is effective for annual and interim periods beginning after December 15, 2015 and early adoption is permitted. In August 2015, the FASB issued ASU 2015-15, "Interest – Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. ASU 2015-15 clarifies that the SEC would not object to an entity deferring and presenting debt issuance costs related to a line-of-credit arrangement as an asset on the balance sheet. We adopted ASU 2015-03 and ASU 2015-15 in the first quarter of 2016 and there was no material impact on our consolidated statement of financial position as the majority of our debt issuance costs related to our line of credit, which continues to be presented as an asset on our balance sheet (under the caption "Deferred financing costs, net"), and had no impact on our results of operations or cash flows.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes." Current GAAP requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts on the balance sheet. To simplify the presentation of deferred income taxes, the amendments in this Update require that deferred tax liabilities and assets be classified as noncurrent on the balance sheet. The amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Accordingly, we plan to adopt this ASU on January 1, 2017.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities", which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This amendment requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are evaluating the impact the adoption of ASU 2016-01 will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The main difference between the current requirement under GAAP and ASU 2016-02 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. ASU 2016-02 requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payment. The lease asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on the criteria that are largely similar to those applied in current lease accounting. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018 and early adoption is permitted. ASU 2016-02 must be adopted using a modified retrospective transition and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. We are currently assessing the potential impact of ASU 2016-02 and expect adoption will have a material impact on our consolidated financial condition and result of operations.

In March, 2016, the FASB issued ASU 2016-09 "Compensation – Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting". The Board issued this Update as part of its Simplification Initiative whose objective is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under consideration by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, management has not yet determined the effect, if any, that the implementation of such proposed standards would have on the Company's consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2015, included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on March 25, 2016.

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about future events, future performance, plans, strategies, expectations, prospects, competitive environment and regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words, "may", "will", "expect", "anticipate", "believe", "estimate", "plan", "intend" or the negative of these terms or similar expressions in this quarterly report on Form 10-Q. We have based these forward-looking statements on our current views with respect to future events and financial performance. Our actual financial performance could differ materially from those projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections and our financial performance may be better or worse than anticipated. Given these uncertainties, you should not put undue reliance on any forward-looking statements. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under "Risk Factors", "Forward-Looking Statements" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2015. Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We do not undertake any duty to update forward-looking statements and the estimates and assumptions associated with them, after the date of this quarterly report on Form 10-Q, except to the extent required by applicable securities laws.

Website Access to SEC Reports:

The Company's website is www.mastech.com. The Company's Annual Report on Form 10-K for the year ended December 31, 2015, current reports on Form 8-K and all other reports filed with the SEC, are available free of charge on the Investor Relations page. The website is updated as soon as reasonably practical after such reports are filed electronically with the SEC.

Recent Development:

On February 29, 2016, D. Kevin Horner resigned as the Company's President and Chief Executive Officer and as a member of our Board of Directors. On March 1, 2016, our Board of Directors appointed Vivek Gupta as our President and Chief Executive Officer and as a member of the Board of Directors. On April 26, 2016, we entered into an Amended and Restated Executive Employment Agreement with Mr. Gupta, a copy of which is filed as exhibit 10.1 to this Quarterly Report on Form 10-Q. Additionally, on March 11, 2016, Denis D. Deet separated from the Company as its Vice President of Technology and Chief Information Officer.

Critical Accounting Policies and Estimates:

The Company's significant accounting policies and critical accounting estimates are described in Note 1 "Summary of Significant Accounting Policies" of the Condensed Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations–Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2015. There were no material changes to these critical accounting policies during the three months ended March 31, 2016.

Overview:

We are a domestic provider of IT staffing services to mostly large and medium-sized organizations. 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.

Our IT staffing 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; e-Business solutions; mobile applications; and the implementation and support for cloud-based applications. We provide our services across various industry verticals including: automotive; consumer products; education; financial services; government; healthcare; manufacturing; retail; technology; telecommunications; transportation; and utilities.

We have one operating segment. Thus, no segment related disclosures are presented. 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 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 second 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. In 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, 2014 and 2015, we continued to see a steady flow of solid activity in our contract staffing business; however, tightness in the supply side (skilled IT professionals) of our business in 2014 and 2015 negatively impacted our new assignment successes. Solid activity levels continued during the first quarter of 2016. However, recruitment challenges remain due to the tightness in supply of skilled IT professionals.

In addition to tracking general U.S. economic conditions, a large portion of our revenues are generated from a limited number of clients. Accordingly, our trends and outlook are impacted by the prospects and well-being of these specific clients. This "account concentration" factor may cause our results of operations to deviate from the prevailing U.S. economic trends from time to time.

In recent years, a larger portion of our revenues have 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 impacted overall gross margins during the past several years. The acquisition of Hudson IT in June 2015 has increased our retail revenues and materially improved the balance of our business mix between the retail and wholesale channels.

Within our retail sales channel, many larger users of IT staffing services are employing MSPs 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 the future.

Results of Operations for the Three Months Ended March 31, 2016 as Compared to the Three Months Ended March 31, 2015:

Revenues:

Revenues for the three months ended March 31, 2016 totaled $31.7 million, compared to $27.1 million for the corresponding three month period in 2015. This 17% year-over-year revenue increase largely reflected the June 2015 acquisition of Hudson IT. Organically, revenues declined by 8% and largely reflected a decrease in consultants on billing.

Billable consultant headcount at March 31, 2016 totaled 854 consultants compared to 726 consultants, one-year earlier. This increase of 128 billable consultants reflected 206 billable consultants acquired with the Hudson IT acquisition and an organic decline of 78 billable consultants from a year earlier. The organic decline in billable headcount reflected a lower new assignment win ratio and an increase in client hires during the last nine months of 2015 – both of which were influenced by a tighter supply of skilled IT professionals. During the first quarter of 2016, our assignment win ratio improved and our billable consultant-base grew by approximately one-percent. Additionally, our average bill rate in the 2016 quarter was up slightly to $74.80 compared to $74.45 in the corresponding quarter of 2015.

Below is a tabular presentation of revenues by sales channel for the three months ended March 31, 2016 and 2015, respectively:

Revenues (Amounts in millions)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Wholesale Channel	$ 19.0	$ 21.0
Retail Channel	12.7	6.0
Permanent Placements / Fees	0.0	0.1
Total revenues	$ 31.7	$ 27.1

Revenues from our wholesale channel decreased approximately 10% in the three month period ended March 31, 2016 compared to the corresponding 2015 period. Lower revenues from our integrator clients (down 20%), was partially offset by revenue increases at our other staffing clients (up 3%). The lower assignment win ratio mentioned above and fewer project opportunities from our integrator partners negatively impacted our revenue performance in this channel. Retail channel revenues increased 112% during the three months ended March 31, 2016 compared to the period one-year earlier. The Hudson IT acquisition was responsible for the entire improvement. Permanent placement / fee revenues were approximately $0.1 million lower in the 2016 period compared to the corresponding period in 2015.

For the three months ended March 31, 2016, the Company had no clients that exceeded 10% of total revenues. For the three months ended March 31, 2015, the Company had one client that exceeded 10% of total revenues (Accenture = 13.0%).

The Company's top ten clients represented approximately 42% and 59% of total revenues for the three months ended March 31, 2016 and 2015, respectively.

Gross Margin:

Gross profits in the first quarter of 2016 totaled $6.1 million, or approximately $1.4 million higher than in the first quarter of 2015. Gross profit as a percentage of revenue was 19.3% for the three month period ending March 31, 2016, which was 200-basis points higher than our gross margin performance in the same period of 2015. Approximately 100-basis points of this improvement reflected higher margins on new assignments over the last several quarters and 100-basis points reflected a favorable mix of channel revenues (a higher level of retail clients) due to the Hudson IT acquisition.

Below is a tabular presentation of gross margin by sales channel for the three months ended March 31, 2016 and 2015, respectively:

Gross Margin	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Wholesale Channel	16.9%	16.1%
Retail Channel	22.5	19.9
Permanent Placements / Fees	100.0	100.0
Total gross margin	19.3%	17.3%

Wholesale channel gross margins increased by 80 basis points for the three months ended March 31, 2016 compared to the 2015 period. Higher margins on new assignments were responsible for this overall margin improvement. Retail gross margins were up 260 basis points during the three months ended March 31, 2016 compared to the corresponding 2015 period and largely reflected the impact of the Hudson IT acquisition.

Selling, General and Administrative ("SG&A") Expenses:

SG&A expenses for the three months ended March 31, 2016 totaled $6.0 million or 18.8% of total revenues, compared to $4.4 million or 16.1% of revenues for the three months ended March 31, 2015. Excluding severance costs incurred in both the first quarter of 2016 of $0.8 million and in the first quarter of 2015 of $0.3 million, SG&A expenses as a percentage of revenues would have been 16.4% and 15.0%, respectively. The remaining increase in SG&A as a percentage of revenues was due to the consolidation of Hudson IT (which employs a branch model that has an operating costs structure which is higher than Mastech's centralized business model). Fluctuations within SG&A expense components during the first quarter of 2016, compared to the first quarter of 2015, included the following:

- Sales expense increased by $0.6 million in the 2016 period compared to 2015, of which the entire variance was attributable to the acquisition of Hudson IT.
- Recruiting expense increased by $0.3 million in the 2016 period compared to 2015, of which the entire variance was attributable to the acquisition of Hudson IT.
- General and administrative expense in 2015 was up $0.7 million from a year earlier and reflected: 1) $0.5 million of higher severance costs; and 2) $0.2 million of amortization expense related to the acquired intangible assets of Hudson IT.

Other Income / (Expense) Components:

Other Income / (Expense) for the three months ended March 31, 2016 consisted of interest expense of $116,000 and foreign exchange losses of $2,000. For the three months ended March 31, 2015, Other Income / (Expense) consisted of interest expense of $12,000 and foreign exchange losses of $5,000. The increase in interest expense was due to higher outstanding borrowings in the first quarter of 2016 reflective of debt financing of the Hudson IT acquisition in June 2015.

Income Tax Expense:

Income tax expense for the three months ended March 31, 2016 totaled $6,000, representing an effective tax rate on pre-tax income of 38.0%, compared to $116,000 for the three months ended March 31, 2015, which represented a 37.3% effective tax rate on pre-tax income.

Liquidity and Capital Resources:

Financial Conditions and Liquidity:

At March 31, 2016, we had bank debt, net of cash balances on hand, of $14.6 million and approximately $9.1 million of borrowing capacity under our existing credit facility.

Historically, we have funded our business needs with cash generated from operating activities. Controlling our operating working capital levels by closely managing our accounts receivable balance is an important element of cash generation. At March 31, 2016, our accounts receivable "days sales outstanding" ("DSOs") measurement increased to 57-days from 53-days at year-end 2015. Early during the first quarter of 2016, we amended two client contracts with Fortune 500 clients, which among other things, extended our payment terms. The impact on our DSO measurement due to these amendments is roughly 5-days. Thus, the reason for this quarter's expansion in DSO's and, to some extent, the increase in operating working capital levels during the quarter was due to our client contract amendments. Both of these clients are superior "credit risk" clients and accordingly there is no negative change in the overall quality of our account receivable balance.

We believe that cash provided by operating activities, cash balances on hand and current availability under our credit facility should be adequate to fund our business needs and debt service obligations over the next twelve months.

Cash flows provided by (used in) operating activities:

Cash (used in) operating activities for the three months ended March 31, 2016 totaled ($2.9 million) compared to cash provided by of $0.4 million during the three months ended March 31, 2015. Elements of cash flows in the 2016 period were non-cash charges of $0.1 million, and an increase in operating working capital levels of ($3.0 million). During the three months ended March 31, 2015, elements of cash flows were net income of $0.2 million, non-cash charges of $0.1 million and a decrease in operating working capital levels of $0.1 million. The operating working capital increases in 2016 reflected higher account receivable balances of $1.7 million, which was largely reflective of amended payment terms on several major clients. Additionally, reductions in current liabilities during the quarter were largely due to timing of our payroll and accounts payable cycles at quarter-end.

Cash flows used in investing activities:

Cash used in investing activities for the three months ended March 31, 2016 was $0 compared to $25,000 for the three months ended March 31, 2015. In 2015, capital expenditures totaled $57,000 and was partially offset by $32,000 of refunds of non-current deposits.

Cash flows provided by (used in) financing activities:

Cash provided by financing activities for the three months ended March 31, 2016 totaled $2.9 million and consisted of borrowings under our revolving credit facility of $3.3 million, partially offset by debt payments on our term loan of ($0.4 million). Cash (used in) financing activities for the three months ended March 31, 2015 totaled ($0.1 million) and consisted of ($0.2 million) of Common Stock repurchases, partially offset by $0.1 million of cash provided by stock option proceeds and excess tax benefits on stock options exercised and performance shares vested.

Off-Balance Sheet Arrangements:

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, seeking to ensure that billing rates are adjusted periodically to 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 policies. Accordingly, we generally 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.

Recently Issued Accounting Standards:

Recent accounting pronouncements are described in Note 15 to the accompanying financial statements.

ITEM 3: 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 flow and earnings are subject to fluctuations due to exchange rate variations. Foreign currency risk exists by nature of our global recruitment centers. During 2012 through 2015, we attempted to limit our exposure to currency exchange fluctuations in the Indian rupee via the purchase of foreign currency forward contracts. The Company elected not to engage in currency hedging activities for 2016 given the likelihood of an environment of interest rate expansion in the United States, which should have the impact of mitigating any material appreciation in the Indian rupee against the U.S. dollar. As a result, we currently do not have a currency hedging program in place.

Concurrent with the Company's June 15, 2015 borrowings under its $9 million term loan facility, the Company entered into a five-year interest-rate swap to convert the debt's variable interest rate to a fixed rate of interest. Under the swap contracts, the Company pays interest at a fixed rate of 1.515% and receives interest at a variable rate equal to the daily U.S. LIBOR rate on a notional amount of $5 million. Both the debt and the swap contacts mature in 60-monthly installments commencing on July 1, 2015. These swap contacts have been designed as cash flow hedging instruments.

ITEM 4: 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 certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits 31.1 and 31.2, respectively, to this quarterly report on Form 10-Q.

Changes in Internal Control over Financial Reporting

There has been no change in Mastech's internal control over financial reporting that occurred during the quarter ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting as of December 31, 2015.

PART II. OTHER INFORMATION

ITEM 1. 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 1A. RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 25, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

A summary of our Common Stock repurchased during the quarter ended March 31, 2016 is set forth in the following table:

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under this Plan or Programs (1)
January 1, 2016 – January 31, 2016	—	—	—	472,238
February 1, 2016 – February 29, 2016	—	—	—	472,238
March 1, 2016 – March 31, 2016	—	—	—	472,238
Total	—	—	—	

(1) Repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable securities laws through December 22, 2016.

ITEM 6. EXHIBITS

(a) Exhibits

10.1	Amended and Restated Executive Employment Agreement, dated as of April 26, 2016, by and among Mastech, Inc., Mastech Holdings, Inc. and Vivek Gupta, is filed herewith.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer is filed herewith.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer is filed herewith.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by the Chief Executive Officer is furnished herewith.
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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.

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 11th day of May, 2016.

MASTECH HOLDINGS, INC.

May 11, 2016

/s/ VIVEK GUPTA
Vivek Gupta
Chief Executive Officer

/s/ JOHN J. CRONIN, JR.
John J. Cronin, Jr.
Chief Financial Officer
(Principal Financial Officer)

Table of Contents

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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

Exhibit 10.1

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (hereinafter called the "Agreement") is made as of April 26, 2016 between Mastech, Inc., a Pennsylvania corporation (hereinafter called "Company"), Mastech Holdings, Inc., a Pennsylvania corporation (hereinafter called "Parent") and Vivek Gupta (hereinafter called "Executive").

WHEREAS, Parent, Company and Executive entered into an Employment Agreement, dated January 28, 2016 (the "Original Employment Agreement"), pursuant to which Parent and Company employed Executive as Chief Executive Officer and President of Parent and Company.

WHEREAS, Parent, Company and Executive now desire to amend and restate the Original Employment Agreement, to, among other changes, provide for increased severance compensation upon certain termination of Executive's employment, upon the terms and conditions set forth herein.

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.

1.1. "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.

1.2. "Board" shall mean the Board of Directors of Company.

1.3. "Cause" shall mean (i) Executive's commission of a crime involving moral turpitude, theft, fraud or deceit; (ii) Executive's 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) the substantial or continued unwillingness of Executive to perform duties as reasonably directed by Executive's supervisors or the Board; (iv) Executive's gross negligence or deliberate misconduct; or (v) any material breach by Executive of Paragraphs 5 or 6 of this Agreement, or Executive's Confidential Information and Intellectual Property Protection Agreement.

1.4. "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. Notwithstanding the foregoing, a Change of Control will not be deemed to have occurred unless such event would also be a Change in Control under Code Section 409A or would otherwise be a permitted distribution event under Code Section 409A.

1.5. "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.6. "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.

1.7. "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 Executive's employment (or following Executive's termination of employment, during the one (1) year period preceding such termination; 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,

1.8. "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.

1.9. "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 Chicago, Illinois or Moon Township, 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. If Company fails to timely cure such act or failure to act, Executive may terminate employment for Good Reason.

1.10. "Parent" shall mean Mastech Holdings, Inc. or any successor.

1.11. "Termination Date" means the date Executive's employment with Company is terminated for any reason.

2. EMPLOYMENT.

2.1. TERM OF EMPLOYMENT. The term of employment under this Agreement commenced on March 1, 2016 (the "Effective Date") and shall continue until terminated as provided under Paragraph 7 (the "Term of Employment"). 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.

2.2. DUTIES. Subject to the terms and provisions set forth in this Agreement, during the Term of Employment, Executive shall be employed as the Chief Executive Officer and President of Parent and Company and in such other positions with Company and its Affiliates (for no additional compensation) as may be determined by the Board or its designee from time to time. Executive shall report in such capacity to Parent's Board of Directors. Executive shall also be an executive officer of Company and report to the Board. Company agrees that Executive will be nominated to serve on the Board during his employment with Company and Executive agrees to serve in this role with the understanding that he will submit his resignation from the Board if he ceases to be employed by Company for any reason. Executive shall have the duties, responsibilities and authority normally associated with such position and such position and such other duties and responsibilities as are assigned by the Board or its designee from time to time. Executive 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 Employment, 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 Chicago, Illinois with regular visits to Company's offices in Pittsburgh, Pennsylvania, reasonable periods of other business travel excepted.

3. COMPENSATION AND OTHER BENEFITS.

3.1. BASE SALARY. During the Term of Employment, Executive shall receive a base salary per annum payable in accordance with Company's normal payroll practices as in effect from time to time of $350,000 ("Base Salary"). Executive's Base Salary may be reviewed by the Board on an annual basis and shall be subject to adjustment, as determined in the sole discretion of the Board.

3.2. ANNUAL BONUS. During the Term of Employment, Executive shall be eligible to earn an annual performance bonus, subject to the attainment of annual performance goals as determined by the Board. Executive's annual target bonus will be $175,000 (the "Target Bonus") and will be based upon the attainment of financial and operational targets established by the Compensation Committee of the Board of Directors of Parent (the "Compensation Committee"). The financial and operational targets for 2016 are set forth on Appendix A to this Agreement. Any such bonus payable under this Paragraph shall be paid by March 15th of the year following the year to which such bonus relates. Except as provided in Paragraph 7 below, Executive will not receive any bonus under this Paragraph unless Executive is still employed by Company on the date such bonus is paid.

3.3. EQUITY. On the Effective Date, Executive received an award of a non-qualified stock option to purchase 250,000 shares of Parent common stock, subject to the terms and conditions set forth on Appendix B to this Agreement. Thereafter, during the Term of Employment, Executive shall be eligible to receive non-qualified stock options and other awards pursuant to Company's Stock Incentive Plan in a manner and amount determined by the Compensation Committee in its sole discretion.

3.4. BENEFIT PLANS. During the Term of Employment, Executive shall be eligible to participate in and be covered on the same basis as other executives of Company, under all employee benefit plans and programs maintained by Company at any time or from time to time in accordance with the terms of Company's applicable benefit plans and policies.

3.5. EXPENSES. During the Term of Employment, Company shall, subject to Paragraph 20, pay or reimburse Executive for all properly documented expenses reasonably related to Executive's performance of Executive's duties hereunder in accordance with Company's standard policies and practices as in effect from time to time.

4. 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.

5. <u>AGREEMENT NOT TO COMPETE</u>. 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 (except in the case of Subsection 5.3 below which shall have a restriction period of six (6) months) after termination of Executive's employment for any reason, Executive will not:

5.1. 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;

5.2. 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

5.3. 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.

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.

The terms and provisions of this Paragraph 5 are intended to be separate and divisible provisions and if, for any reason, any one or more of them is held to be invalid or unenforceable, neither the validity nor the enforceability of any other provision of this Agreement shall thereby be affected. If for any reason any court of competent jurisdiction shall find any provisions of this Paragraph 5 unreasonable in duration or geographic scope or otherwise, the restrictions and prohibitions contained herein shall be effective to the fullest extent allowed under applicable law in such jurisdiction.

If Executive violates the provisions of this Paragraph 5, 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 5, 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.

6. 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 Appendix C and incorporated as though fully set forth herein.

7. TERMINATION. The Term of Employment under this Agreement may be terminated by either party with or without Cause or for any or no reason. Upon the occurrence of the Termination Date, Executive shall and shall be deemed to have immediately resigned from any and all officer, director and other positions he then holds with Company and its Affiliates (and this Agreement shall act as notice of resignation by Executive without any further action required by Executive). Except as specifically provided in this Paragraph 7, all other rights Executive may have to compensation and benefits from Company or its Affiliates shall terminate immediately upon the Termination Date.

7.1. TERMINATION FOR CAUSE. Executive may be terminated from employment by Company with Cause. 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 Termination Date (the "Accrued Obligations"). Executive acknowledges that Executive has continuing obligations under this Agreement including, but not limited to Paragraphs 5, 6 and 7, in the event that Executive is terminated with Cause.

7.2. VOLUNTARY TERMINATION WITHOUT GOOD REASON. Upon 30 days prior written notice to Company, Executive shall have the right to voluntarily terminate his employment hereunder for other than Good Reason. Upon receipt of Executive's notice of voluntary termination, Company at its sole discretion may elect to reduce the notice period and no such action by Company shall cause Executive's termination to be a termination by Company without Cause. In such event of Executive's voluntary termination, Executive shall be entitled to the Accrued Obligations earned through the Termination Date.

7.3. TERMINATION DUE TO DEATH. In the event of Executive's death during the Term of Employment, Executive's employment hereunder shall be terminated and Executive's estate shall be entitled to the Accrued Obligations earned through the Termination Date.

7.4. TERMINATION WITHOUT CAUSE; TERMINATION FOR GOOD REASON PRIOR TO A CHANGE OF CONTROL. Company may terminate Executive's employment without Cause and Executive may terminate his employment for Good Reason. If, during the Term of Employment, Executive's employment is terminated by Company without Cause or by Executive for Good Reason (in either case, other than within 12 months after a Change of Control), Executive will be entitled to the following:

(a) The Accrued Obligations earned through the Termination Date;

(b) Base Salary continuation for six (6) months payable under the normal payroll practice of Company;

(c) if Executive's employment terminates or is terminated as set forth in this Paragraph 7.4, on or after the first anniversary of the Effective Date, a payment equal to 50% of the Target Bonus, to be paid in lump sum in accordance with the normal payroll practice of Company (collectively, with the payment set forth in Paragraph 7.4(b), the "Severance Payment"); and

(d) Continued coverage under Company's medical benefit plan after the Termination Date for Executive and his eligible dependents, as and when provided under the "Severance Policy" (defined below), 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) with such modifications as are necessary to comply with the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA");

Executive further acknowledges that Company's obligations under this Paragraph 7.4, 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 Appendix D (or such other form acceptable to Company) (the "Release"), and the Release becoming effective in accordance with its terms prior to the sixtieth (60th) day following the Termination Date. The Severance Payment will commence or be made, as applicable, once the Release becomes effective. Notwithstanding the foregoing, if the 60 day period following Executive's termination ends in a calendar year after the year in which Executive's employment terminates, the Severance Payments shall commence or be made no earlier than the first day of such later calendar year.

7.5. TERMINATION WITHOUT CAUSE; TERMINATION FOR GOOD REASON AFTER A CHANGE OF CONTROL. If, during the Term of Employment, Executive's employment is terminated by Company without Cause or by Executive for Good Reason (in either case, within 12 months after a Change of Control), 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 7.4:

(a) The Accrued Obligations earned through the Termination Date;

(b) a lump sum payment equal to one (1) times the sum of (i) Executive's average 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) (the "CIC Severance Payment");

(c) Payment by Company of the premiums 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;

(d) 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; and

(e) Reimbursement for outplacement services of up to $25,000 in accordance with Company's standard policies concerning reimbursement.

Executive further acknowledges that Company's obligations under this Paragraph 7.5, are contingent upon and subject to Executive's signing (and not revoking) the Release, and such Release becoming effective in accordance with its terms prior to the sixtieth (60th) day following the Termination Date. The CIC Severance Payment will be made once the Release becomes effective. Notwithstanding the foregoing, if the 60 day period following Executive's termination ends in a calendar year after the year in which Executive's employment terminates, the CIC Severance Payments shall be made no earlier than the first day of such later calendar year.

7.6. SEVERANCE POLICY. Executive shall not be eligible to participate in Company's generally applicable severance policy ("Severance Policy"), except as provided in Paragraph 7.4(c) above. Severance pay shall be payable under this Agreement and will be treated as paid in satisfaction of the Severance Policy as in effect from time to time to the extent of Executive's entitlement to payments under the Severance Policy.

7.7. VIOLATION OF RESTRICTIVE COVENANTS. Without limiting Company's remedies as set forth in Paragraph 5, upon Executive's breach of any restrictions set forth in Paragraph 5, Company will have no obligation to continue to pay or provide any of the amounts or benefits under this Paragraph 7.

7.8. SECTION 280G. If any payment or distribution by Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement or the lapse or termination of any restriction on or the vesting or exercisability of any payment or benefit (each a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law (such tax or taxes are hereafter collectively referred to as the "Excise Tax"), then the aggregate amount of Payments payable to Executive shall be reduced to the aggregate amount of Payments that may be made to Executive without incurring an excise tax (the "Safe-Harbor Amount") in accordance with the immediately following sentence; provided that such reduction shall only be imposed if the aggregate after-tax value of the Payments retained by Executive (after giving effect to such reduction) is equal to or greater than the aggregate after-tax value (after giving effect to the Excise Tax) of the Payments to Executive without any such reduction. Any such reduction shall be made in the following order: (i) first, any future cash payments (if any) shall be reduced (if necessary, to zero); (ii) second, any current cash payments shall be reduced (if necessary, to zero); (iii) third, all non-cash payments (other than equity or equity derivative related payments) shall be reduced (if necessary, to zero); and (iv) fourth, all equity or equity derivative payments shall be reduced.

The determinations to be made with respect to this Paragraph shall be made by Company's independent accountants, 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.

8. WITHHOLDING. Company may withhold from any amounts payable under this Agreement such federal, state or local income taxes it determines may be appropriate.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, between Company or Affiliates and Executive concerning the subject matter hereof; including without limitation the Original Employment Agreement.

15. 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.

16. 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.

17. 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.

18. 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 decent and distribution.

19. 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:

to Company at: 1305 Cherrington Parkway,
Building 210,
Suite 400
Moon Township, PA 15108
Attention: Chairman of the Board

to Executive at: ____________________
____
____
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.

20. Section 409A Compliance. The following rules shall apply, to the extent necessary, with respect to distribution of the payments and benefits, if any, to be provided to Executive under this Agreement. Subject to the provisions in this Paragraph, the severance payments pursuant to this Agreement shall begin only upon the date of Executive's "separation from service" (determined as set forth below) which occurs on or after the date of Executive's termination of employment.

20.1. This Agreement is intended to be exempt from or to comply with Code Section 409A (to the extent applicable) and the parties hereto agree to interpret, apply and administer this Agreement in the least restrictive manner necessary to comply therewith or be exempt therefrom and without resulting in any increase in the amounts owed hereunder by Company.

20.2. It is intended that each installment of the severance payments and benefits provided under this Agreement shall be treated as a separate "payment" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended, and the guidance issued thereunder ("Section 409A"). Neither Executive nor Company shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A.

20.3. If, as of the date of Executive's "separation from service" from Company, Executive is not a "specified employee" (within the meaning of Section 409A), then each installment of the severance payments and benefits shall be made on the dates and terms set forth in this Agreement.

20.4. If, as of the date of Executive's "separation from service" from Company, Executive is a "specified employee" (within the meaning of Section 409A), then:

20.4.1. Each installment of the severance payments and benefits due under this Agreement that, in accordance with the dates and terms set forth herein, will in all circumstances, regardless of when the separation from service occurs, be paid within the short-term deferral period (as defined in Section 409A) shall be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) to the maximum extent permissible under Section 409A; and

20.4.2. Each installment of the severance payments and benefits due under this Agreement that is not described in above and that would, absent this provision, be paid within the six-month period following Executive's "separation from service" from Company shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, Executive's death), with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following Executive's separation from service and any subsequent installments, if any, being paid in accordance with the dates and terms set forth herein; provided, however, that the preceding provisions of this sentence shall not apply to any installment of severance payments and benefits if and to the maximum extent that such installment is deemed to be paid under a separation pay plan that does not provide for a deferral of compensation by reason of the application of Treasury Regulation 1.409A-1(b)(9)(iii) (relating to separation pay upon an involuntary separation from service). Any installments that qualify for the exception under Treasury Regulation Section 1.409A-1(b)(9)(iii) must be paid no later than the last day of the second taxable year following the taxable year in which the separation from service occurs.

20.5. The determination of whether and when Executive's separation from service from Company has occurred shall be made in a manner consistent with, and based on the presumptions set forth in, Treasury Regulation Section 1.409A-1(h). Solely for purposes of this Paragraph 20, "Company" shall include all persons with whom Company would be considered a single employer as determined under Treasury Regulation Section 1.409A-1(h)(3).

20.6. All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirements that (i) any reimbursement is for expenses incurred during Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iv) the right to reimbursement is not subject to set off or liquidation or exchange for any other benefit.

20.7. Notwithstanding anything herein to the contrary, Company shall have no liability to Executive or to any other person if the payments and benefits provided in this Agreement that are intended to be exempt from or compliant with Section 409A are not so exempt or compliant.

21. COUNTERPARTS. This Agreement may be executed in one or more counterparts each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same Agreement.

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

23. 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.

24. SURVIVORSHIP. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement hereunder for any reason to the extent necessary to the intended provision of such rights and the intended performance of such obligations.

[Remainder of page intentionally omitted]

IN WITNESS WHEREOF, Executive has hereunto set Executive's hand and each of Company and Parent has caused this Agreement to be executed in its name on its behalf, all as of the day and year first above written.

MASTECH, INC.

By: /s/ Sunil Wadhwani
Name:
Its:

MASTECH HOLDINGS, INC.

By: /s/ Sunil Wadhwani
Name:
Its:

INTENDING TO BE LEGALLY BOUND, I hereby set my hand below:

/s/ Vivek Gupta
Vivek Gupta

Dated: 4/26/16

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer

I, Vivek Gupta, certify that:

1. I have reviewed this report on Form 10-Q 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 case of the 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: May 11, 2016

/S/ VIVEK GUPTA

Vivek Gupta
Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer

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

1. I have reviewed this report on Form 10-Q 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 case of the 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: May 11, 2016

/S/ JOHN J. CRONIN, JR.

John J. Cronin, Jr.
Chief Financial Officer

Exhibit 32.1

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 Quarterly Report of Mastech Holdings, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Vivek Gupta, 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.

/S/ VIVEK GUPTA

Vivek Gupta
Chief Executive Officer

Date: May 11, 2016

Exhibit 32.2

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 Quarterly Report of Mastech Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2016, 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.

/S/ JOHN J. CRONIN, JR.

John J. Cronin, Jr.
Chief Financial Officer

Date: May 11, 2016