

ENGLOBAL CORP
Form DEF 14A
April 30, 2010

April 30, 2010

Dear Stockholder:

I am pleased to invite you to the Annual Meeting of Stockholders of ENGlobal Corporation. The meeting will be held at the Hilton Houston North Hotel, 12400 Greenspoint Drive, Houston, Texas on Thursday, June 17, 2010 at 10:00 a.m., local time.

At the meeting, you and the other stockholders will be asked to vote on the following:

- the election of four Directors to the Board of Directors of ENGlobal;
- the ratification of the appointment of Hein & Associates LLP as the independent auditors of ENGlobal for fiscal year 2010; and
- any other business which properly comes before the meeting or at any adjournment or postponement thereof.

You will also hear an overview of ENGlobal's current and prior year operations from senior management to be followed by a question and answer session open to all stockholders. Our Annual Report, which is enclosed with the accompanying Notice of Annual Meeting and Proxy Statement, contains other detailed information about ENGlobal, including its audited financial statements for the year ended December 31, 2009.

Stockholders are urged to carefully read the accompanying Notice of Annual Meeting and Proxy Statement in its entirety before voting on the proposals. This Proxy Statement and the enclosed proxy card are being mailed to stockholders on or about April 30, 2010.

We hope you can join us on June 17, 2010. Regardless of whether or not you expect to attend the meeting in person, please read the Proxy Statement and vote as soon as possible. You will be able to vote either via the Internet, by telephone or by mailing a completed proxy card as an alternative to voting in person at the meeting. It is important that your shares be represented, and your promptness will assist us in making necessary preparations for the meeting.

Sincerely,

/s/ William A. Coskey
William A. Coskey, P.E.
Chairman of the Board and
Chief Executive Officer

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS AND PROXY STATEMENT

Time and Date 10:00 a.m., local time, on Thursday, June 17, 2010

Place Hilton Houston North Hotel
12400 Greenspoint Drive
Houston, Texas

Items of Business (1) To elect four Directors to the Board of Directors of ENGlobal;
(2) To ratify the appointment of Hein & Associates LLP as the independent auditors of ENGlobal for fiscal year 2010; and
(3) To consider such other business as may properly come before the meeting.

Except with respect to the procedural matters incident to the conduct of the Annual Meeting, we are not aware of any other business to be brought before the Annual Meeting.

Adjournments and Postponements Any action on the items of business described above may be considered at the Annual Meeting at the time and on the date specified above or at any time and date to which the Annual Meeting may be properly adjourned or postponed.

Record Date You are entitled to notice of, and to vote at, the Annual Meeting only if you were an ENGlobal stockholder as of the close of business on April 19, 2010.

Meeting Admission You are entitled to attend the Annual Meeting only if you were an ENGlobal stockholder as of the close of business on April 19, 2010 or hold a valid proxy for the Annual Meeting. You should be prepared to present photo identification for admittance. If you are not a stockholder of record but hold shares through a broker or nominee (i.e., in street name), you should provide proof of beneficial ownership as of the record date, such as your most recent account statement prior to April 19, 2010, a copy of the voting instruction card provided by your bank or brokerage firm, or other similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the Annual Meeting.

The Annual Meeting will begin promptly at 10:00 a.m., local time. Check-in will begin at 9:00 a.m., local time, and you should allow ample time for the check-in procedures.

Voting Your vote is very important. Whether or not you plan to attend the Annual Meeting, we encourage you to read the accompanying Proxy Statement and vote as soon as possible. This will not only ensure the presence of a quorum at the Annual Meeting but also that your shares are voted in accordance with your wishes. You will be able to vote either via the Internet, by telephone or by mailing a completed proxy card as an alternative to voting in person at the meeting. For detailed information regarding voting, please refer to the section entitled "Questions and Answers – How Can I Vote?" on page 4 of this Proxy Statement and the instructions on the proxy or voting instruction card.

By Order of the Board of Directors,

/s/ Natalie S. Hairston
Natalie S. Hairston
Chief Governance Officer and Corporate Secretary

This notice of Annual Meeting and Proxy Statement and form of proxy
are first being distributed to stockholders on or about April 30, 2010.

2010 ANNUAL MEETING OF STOCKHOLDERS
PROXY STATEMENT

TABLE OF CONTENTS

	Page
GENERAL INFORMATION	3
Questions and Answers	3
CORPORATE GOVERNANCE	7
Our Governance Practices	7
The Board of Directors	7
Committees of the Board of Directors	9
Director Nominations	11
Communications with the Board	12
ITEMS TO BE VOTED ON BY STOCKHOLDERS	12
PROPOSAL ONE: ELECTION OF DIRECTORS	12
Nominees	12
Recommendation of the Board	15
Executive Officers	15
Appointment of New Chief Executive Officer	16
PROPOSAL TWO: APPROVAL OF THE RATIFICATION OF INDEPENDENT AUDITORS	17
Recommendation of the Board	17
STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	17
Directors and Executive Officers	17
Principal Stockholders	18
Section 16(a) Beneficial Ownership Reporting Compliance	18
EXECUTIVE COMPENSATION	19
Compensation Discussion and Analysis	19
Executive Compensation Tables	25
Review of and Conclusion Regarding all Components of Executive Compensation	28
Risk Considerations in our Compensation Program	28
Report of the Compensation Committee	28
DIRECTOR COMPENSATION	29
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	30
AUDIT MATTERS	30
Principal Auditor Fees	30
Report of the Audit Committee	31
OTHER MATTERS	32
STOCKHOLDER PROPOSALS FOR 2011	32
ADDITIONAL INFORMATION	33
APPROVAL OF THE BOARD OF DIRECTORS	33
APPENDIX A: AUDIT COMMITTEE CHARTER	A-1

GENERAL INFORMATION

We are providing these proxy materials to you in connection with the solicitation of proxies by the Board of Directors of ENGlobal Corporation (“ENGlobal”) for the 2009 Annual Meeting of Stockholders (the “Meeting”) and for any adjournment or postponement of the Meeting. In this Proxy Statement, we refer to ENGlobal as the “Company,” “we,” “our” or “us.”

Questions and Answers

Q: Who is soliciting my proxy?

A: We, the Board of Directors of ENGlobal Corporation (“ENGlobal” or the “Company”), are sending you this Proxy Statement in connection with our solicitation of proxies for use at ENGlobal’s 2010 Annual Meeting of Stockholders. Specified directors, officers, and employees of ENGlobal may also solicit proxies on our behalf by mail, phone, fax, or in person.

Q: Who is paying for this solicitation?

A: ENGlobal will pay for the solicitation of proxies, including the cost of preparing, assembling, and mailing this Proxy Statement, the proxy card, the Annual Report and all other materials which may be sent to stockholders in connection with this solicitation. We pay a fee to Broadridge Financial Solutions, Inc. to assist in the tabulation of proxies, but we pay no separate compensation solely for the solicitation of proxies.

We encourage you to conserve natural resources, as well as significantly reduce the Company’s printing and mailing costs, by signing up to receive your stockholder communications via e-mail. For detailed information, please refer to the section entitled “Questions and Answers – How can I receive future stockholder communications electronically?” on page 6 of this Proxy Statement and follow the instructions on the proxy or voting instruction card.

Q: On what am I voting?

A: The items of business scheduled to be voted at the Annual Meeting are:

- the election of William A. Coskey, P.E.; David W. Gent, P.E.; Randall B. Hale; and David C. Roussel to the Board of Directors;
- the ratification of the appointment of Hein & Associates LLP as the independent auditors of ENGlobal for fiscal year 2010; and
- any other business that properly comes before the Annual Meeting.

Except with respect to the procedural matters incident to the conduct of the meeting, we are not aware of any other business to be brought before the Annual Meeting.

Q: Who can vote?

A: Record holders of ENGlobal Common Stock as of the close of business on April 19, 2010, the record date, are entitled to vote on all items being voted upon at the Annual Meeting. Each share is entitled to one vote on each matter presented at the Annual Meeting.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: Stockholder of Record – If your shares are registered directly in your name with ENGlobal’s transfer agent, Computershare Investor Services, LLC, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent directly to you by ENGlobal. As the stockholder of record, you have the right to grant your voting proxy directly to ENGlobal or to vote in person at the meeting. You may vote by completing and mailing the enclosed proxy card as an alternative to voting in person at the meeting.

Beneficial Owner – If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you have the right to direct your bank or brokerage firm how to vote and are also invited to attend the Annual Meeting.

Since a beneficial owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a “legal proxy” from the bank or brokerage firm that holds your shares, giving you the right to vote the shares at the meeting. Your bank or brokerage firm has enclosed or provided voting instructions for you to use in directing the bank or brokerage firm how to vote your shares. Your bank or brokerage firm may also have a process for providing instructions over the phone or via the Internet.

If you hold your shares through a broker or other nominee, your broker or nominee may only exercise voting discretion with respect to matters deemed routine by the NASD, such as the ratification of auditors. On non-routine matters, such as the election of directors, a broker or other nominee cannot cast a vote (a so-called “broker non-vote”). Broker non-votes will not be treated as votes cast.

Q: How can I vote?

A: You may vote your shares either in person or by proxy. Shares held in your name as the stockholder of record may be voted in person at the Annual Meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the bank or brokerage firm that holds your shares giving you the right to vote the shares. Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the meeting.

To vote by proxy, you may vote either via the Internet, by telephone or by mailing a completed proxy card. For beneficial holders, instructions for voting via the Internet or by telephone are set forth on the enclosed proxy card. To vote by mailing a proxy card, mark, date, sign, and mail the enclosed proxy card in the postage-paid envelope. Granting a proxy will not affect your right to vote your shares if you attend the Annual Meeting and want to vote in person; by voting in person, you will revoke your proxy. You may also revoke your proxy at any time before the vote at the meeting by providing ENGlobal’s Corporate Secretary written notice of your revocation or by submitting a later-dated proxy. If you return your proxy but do not mark your voting preferences, William A. Coskey, P.E. and Robert W. Raiford, the proxy holders, will vote your shares:

- FOR the election of each of the nominees for Director;
- FOR the ratification of the appointment of Hein & Associates LLP as the independent auditors of ENGlobal for fiscal year 2010; and
 - As they determine with respect to any other matters that may properly come before the meeting.

If your shares are registered in the name of a bank or brokerage firm you will receive instructions from your holder of record that must be followed in order for you to vote the shares per your instructions. Many banks and brokerage firms have a process for their beneficial holders to provide instructions over the phone or via the Internet. If Internet or telephone voting is unavailable from your bank or brokerage firm, please complete and return the enclosed voting instruction card in the addressed, postage paid envelope provided.

Q: Can I change my vote?

A: You may change your vote at any time prior to the vote at the Annual Meeting. If you are the stockholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy), by providing a written notice of revocation to ENGlobal's Corporate Secretary prior to your shares being voted, or by attending the Annual Meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your bank or brokerage firm, or, if you have obtained a legal proxy from your bank or brokerage firm giving you the right to vote your shares, by attending the meeting and voting in person.

Q: What constitutes a quorum?

A: On the record date, ENGlobal had 27,444,659 shares of Common Stock issued and outstanding. In order for the Annual Meeting to be properly held, a majority of the outstanding shares (a quorum) on the record date, or 13,722,330 shares, must be present at the meeting or represented by proxy. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

Q: How are votes counted?

A: In the election of directors, you may vote "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees. If your vote is withheld with respect to any nominee, your shares will be counted for purposes of establishing a quorum, but will have no effect on the election of that nominee.

For the proposal to ratify the appointment of Hein & Associates LLP as the independent auditors of ENGlobal for fiscal year 2010, and any other proposals that properly come before the meeting, you may vote "FOR," "AGAINST" or "ABSTAIN." If you "ABSTAIN," your shares will be counted for purposes of establishing a quorum, and the abstention will have the same effect as a vote "AGAINST." If you provide specific instructions with regard to certain items, your shares will be voted as you instruct on such items. If you sign your proxy card or voting instruction card without giving specific instructions, your shares will be voted in accordance with the recommendations of the Board of Directors ("FOR" all of ENGlobal's nominees to the Board, "FOR" the ratification of the appointment of Hein & Associates LLP as the independent auditors of ENGlobal for fiscal year 2010, and in the discretion of the proxy holders on any other matters that properly come before the meeting).

Q: What vote is required to approve each proposal?

A: Proposal One: The four persons receiving the highest number of "FOR" votes at the Annual Meeting will be elected Directors. A properly executed proxy marked "WITHHELD" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. Abstentions and broker non-votes will have no legal effect on the election of directors.

Proposal Two: The affirmative vote of a majority of the votes cast in person or by proxy at the Annual Meeting is required to ratify the appointment of the Company's independent auditors.

Q: Can I vote on other matters?

A: The matters presented at an Annual Meeting are limited to those properly presented by the Board of Directors and those properly presented by stockholders. We have not received notice from any stockholder as to any matter to come before the Annual Meeting other than as set forth herein. If any other matter is presented at the Annual Meeting, your signed proxy gives William A. Coskey, P.E. and Robert W. Raiford, the proxy holders, authority to vote your shares.

Q: How does the Board of Directors recommend I vote on the proposals?

A: Unless you give other instructions on your proxy card, William A. Coskey, P.E. and Robert W. Raiford, the proxy holders, will vote in accordance with the recommendations of the Board of Directors. The Board recommends a vote FOR:

- the election of the nominated slate of Directors; and
- the ratification of the appointment of Hein & Associates LLP as the independent auditors of ENGlobal for fiscal year 2010.

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by our Board of Directors, or if no recommendation is given, in their own discretion.

Q: What is the deadline for stockholder proposals for next year's Annual Meeting?

A: For a stockholder proposal to be considered for inclusion in ENGlobal's Proxy Statement for the 2011 Annual Meeting, the written proposal must be received by the Secretary of ENGlobal at our principal executive offices no later than January 1, 2011. The proposal will need to comply with Securities and Exchange Commission ("SEC") regulations under Rule 14a-8 of the Securities Exchange Act of 1934 (the "Exchange Act") regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

If you intend to present a proposal at our 2011 Annual Meeting, but you do not intend to have it included in our 2011 Proxy Statement, your proposal must be delivered to the Secretary of ENGlobal no later than March 17, 2011.

Q: Who can help answer my questions?

A: If you have any questions about the Annual Meeting, how to vote or revoke your proxy, or if you need additional copies of this Proxy Statement or voting materials, you should contact Natalie Hairston, Chief Governance Officer and Corporate Secretary, 654 N. Sam Houston Parkway E., Suite 400, Houston, Texas 77060-5914, (281) 878-1000.

Q: How can I receive future stockholder communications electronically?

A: If you are a stockholder, we encourage you to conserve natural resources, as well as significantly reduce the Company's printing and mailing costs, by signing up to receive your stockholder communications via e-mail. With electronic delivery, we will notify you via e-mail as soon as the annual report and the Proxy Statement are available on the Internet, and you can easily submit your stockholder votes online. Electronic delivery can also help reduce the number of bulky documents in your personal files and eliminate duplicate mailings. To sign up for electronic delivery, follow the instructions on your proxy card.

Q: How do I get copies of the exhibits filed with ENGlobal's Form 10-K?

A: A copy of ENGlobal's Annual Report for 2009, which contains ENGlobal's Form 10-K and consolidated financial statements, is being delivered to you with this Proxy Statement. ENGlobal will provide to any stockholder as of the record date, who so specifically requests in writing, copies of the exhibits filed with ENGlobal's Form 10-K for a reasonable fee. Requests for such copies should be directed to Corporate Secretary, ENGlobal Corporation, 654 N. Sam Houston Parkway E., Suite 400, Houston, Texas 77060-5914. In addition, copies of all exhibits filed electronically by ENGlobal may be reviewed and printed from the SEC's website at: www.sec.gov.

CORPORATE GOVERNANCE

The following section summarizes information about our corporate governance policies, our Board and its committees and the director nomination process.

Our Governance Practices

Corporate Governance Guidelines

We believe that good corporate governance helps to ensure that the Company is managed for the long-term benefit of our stockholders. During the past year, we continued to review our corporate governance policies and practices, the corporate governance rules and regulations of the SEC, and the rules of the NASDAQ Stock Market (“NASDAQ”).

In June 2009, we reviewed our Audit Committee (attached hereto as “Appendix A”), Compensation Committee, Nominating and Corporate Governance Committee Charters, Corporate Code of Conduct, and other policies and procedures required by applicable law or stock exchange listing standards. You can access and print these documents from the “Investor Relations” section of our website at www.englobal.com or you can request copies at no cost by writing us at ENGlobal Corporation, 654 N. Sam Houston Parkway E., Suite 400, Houston, TX 77060-5914, Attention: Investor Relations.

Corporate Code of Conduct

The Company has adopted a Corporate Code of Conduct that applies to all of the Company’s directors, officers and employees in accordance with NASDAQ rules. The purpose and role of this code is to focus our officers, directors, and employees on areas of ethical risk, provide guidance to help them recognize and deal with ethical issues, provide mechanisms to report unethical or unlawful conduct, and help enhance and formalize our culture of integrity, honesty and accountability. We have posted our Corporate Code of Conduct on the “Investor Relations” section of our website at www.englobal.com.

The Company also has a Code of Ethics applicable to the Chief Executive Officer and certain senior financial officers of the Company that complies with Item 406 of Regulation S-K of the Exchange Act and with applicable NASDAQ rules. We have posted our Code of Ethics on the “Investor Relations” section of our website at www.englobal.com.

The Board of Directors

Board Size; Meetings of the Board

Our Board currently has four members (its authorized size). During 2009, the Board formally met eight times and each director attended at least 75% of the meetings. For information regarding meetings of the committees of our Board, see “Committees of the Board of Directors—Committee Composition and Meetings” below.

Executive Sessions

In 2009, the Company held nine executive sessions of its non-employee directors, Messrs. Gent, Hale and Roussel. Any non-employee director can request that an executive session be scheduled.

Leadership Structure; Lead Independent Director

As of the date of this Proxy Statement, Mr. Coskey is serving as both the Company's Chairman of the Board and its Chief Executive Officer. Effective May 3, 2010, Mr. Edward L. Pagano will assume the role of Chief Executive Officer, while Mr. Coskey will remain Chairman of the Board. Mr. Pagano's appointment as Chief Executive Officer is the result of an external CEO search process that began in December 2009. The Company believes that separating the Chairman and CEO roles is an important element in enhancing its current corporate governance program.

Mr. Gent has served as the Company's Lead Independent Director since 2002, and was re-elected to this role in 2009. It is expected that Mr. Gent will continue to serve as the Lead Independent Director after the separation of ENGlobal's Chairman and CEO roles. In combination with his role as the Chairman of the Nominating and Corporate Governance Committee, Mr. Gent is responsible for overseeing risk management procedures, and enhancing board leadership and corporate governance practices.

The Board's Role in Risk Oversight

The Board's role in the Company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risks. The full Board (or the appropriate Committee in the case of risks that are under the purview of a particular Committee) receives these reports from employees within the organization to enable it to understand our risk identification, risk management and risk mitigation strategies.

The full Board discusses the report during the Committee update portion of the next Board meeting. This enables to the Board and its Committees to coordinate the risk oversight role, particularly with respect to risk interrelationships. As part of its charter, the Audit Committee discusses our policies with respect to risk assessment and risk management. For more information, see "Risk Oversight" below.

Director Independence

The Board has determined that no director has a relationship which, in the opinion of the Board, would interfere with the exercise of his independent judgment in carrying out the responsibilities of a director, and that all directors, except Mr. Coskey, meet the criteria for independence under NASDAQ rules. In determining Mr. Hale's independence, the board of directors considered the fact that Mr. Coskey is a small, passive investor in a private equity fund managed by Mr. Hale. The equity fund is not an affiliate of ENGlobal nor does it provide any services to or receive any services from ENGlobal or its management. The Board concluded that this transaction was not material to either party and that it did not impede Mr. Hale's independence.

The Board has also determined that the members of each of its committees, including the Audit Committee, meet the criteria for membership applicable to each committee under the NASDAQ listing standards and applicable SEC rules and regulations.

Director Attendance at Annual Meetings

All of our directors attended the 2009 annual meeting and we expect that all directors will attend the 2010 Meeting.

Board Evaluation Process

The Nominating and Corporate Governance Committee conducts an annual evaluation to determine whether the Board, its committees and its members are functioning effectively. The evaluation focuses on the Board's (and each Board committee's and member's) contribution as a whole to us and on areas that the Board, any Board committee, any individual director and/or management believe can be improved.

Director Elections

Directors will be elected by a favorable vote of a plurality of the shares of common stock present, in person or by proxy, at the Meeting and entitled to vote.

Committees of the Board of Directors

Committee Composition and Meetings

Each of our directors attended at least 75% of the total meetings held by all Board committees on which they served in 2009.

Committee	Members	# of Meetings in 2009
Audit Committee	R a n d a l l B . H a l e (Chairperson) David W. Gent David C. Roussel	9
Compensation Committee	D a v i d C . R o u s s e l (Chairperson) David W. Gent Randall B. Hale	9
Nominating and Corporate Governance Committee	D a v i d W . G e n t (Chairperson) Randall B. Hale David C. Roussel	4

Summary of Committee Responsibilities

All of our committee charters are available at www.englobal.com.

Audit Committee

The purposes of the Audit Committee are to oversee:

- the quality and integrity of our financial statements;
- our compliance with legal and regulatory requirements; and
- our independent auditors' qualifications, independence and performance.

In addition, the Audit Committee annually reviews our disclosures regarding deficiencies, if any, in the design or operation of internal controls.

The Board has determined that Mr. Hale is qualified as an audit committee financial expert under the SEC's rules and regulations. In addition, the Board has determined that each member of the Audit Committee has the requisite accounting and related financial management expertise under NASDAQ rules.

Nominating and Corporate Governance Committee

The purposes of the Nominating and Corporate Governance Committee are to:

- assist the Board by identifying individuals qualified to become Board members and recommend to the Board director nominees for election at the annual meetings of stockholders or for appointments to fill vacancies;
- recommend to the Board director nominees for each Board committee and advise the Board on the appropriate composition of the Board and its committees;
 - make an annual report to the Board on succession planning;