

COMPUTER TASK GROUP INC  
Form DEFR14A  
April 10, 2017

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

**SCHEDULE 14A**  
**(Rule 14a-101)**  
**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. 1 )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6 (e) (2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**COMPUTER TASK GROUP, INCORPORATED**

**(Name of Registrant as Specified in its Charter)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11 (a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**COMPUTER TASK GROUP, INCORPORATED**

March 31, 2017

Dear Fellow Shareholder:

You are cordially invited to attend the 2017 Annual Meeting of Shareholders of Computer Task Group, Incorporated which will be held at our corporate headquarters located at 800 Delaware Avenue, Buffalo, New York on Wednesday, May 3, 2017 at 10:00 a.m. Eastern time.

Your proxy card is enclosed. Your vote is important. I urge you to submit your vote as soon as possible, whether or not you plan to attend the meeting. Please indicate your voting instructions and sign, date and mail the proxy promptly in the return envelope.

Sincerely,

Daniel J. Sullivan

*Chairman of the Board*

**COMPUTER TASK GROUP, INCORPORATED**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**MAY 3, 2017**

Computer Task Group, Incorporated will hold its Annual Meeting of Shareholders at its corporate headquarters located at 800 Delaware Avenue, Buffalo, New York 14209 on Wednesday, May 3, 2017, at 10:00 a.m. Eastern time for the following purposes:

1. To elect three members of the Board of Directors, whose terms are described in the proxy statement.
2. To approve, in an advisory and non-binding vote, the compensation of the Company's named executive officers.
3. To recommend, in an advisory and non-binding vote, whether a non-binding shareholder vote to approve the compensation of the Company's named executive officers should occur every one, two or three years.
4. To ratify the appointment of KPMG LLP as the Company's independent registered accounting firm for the 2017 fiscal year.
5. To approve and ratify an amendment to the Company's 2010 Equity Award Plan.
6. To consider and act upon any other matters that may be properly brought before the meeting or any adjournment thereof.

We have selected the close of business on Friday, March 24, 2017 as the record date for determination of shareholders entitled to notice of and vote at the meeting or any adjournment.

Buffalo, New York

March 31, 2017

By Order of the Board of Directors,

Peter P. Radetich

*Senior Vice President, Secretary*

*and General Counsel*

**IMPORTANT NOTICE REGARDING  
INTERNET AVAILABILITY OF PROXY MATERIALS  
FOR THE SHAREHOLDER MEETING TO BE HELD ON  
WEDNESDAY, MAY 3, 2017  
THE PROXY STATEMENT, FORM OF PROXY,  
NOTICE OF MEETING AND ANNUAL REPORT**

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**TO THE SHAREHOLDERS ARE AVAILABLE FREE**

**OF CHARGE AT [WWW.CTG.COM](http://WWW.CTG.COM)**

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**COMPUTER TASK GROUP, INCORPORATED**

**PROXY STATEMENT**

This proxy statement and the accompanying form of proxy are being mailed on or about March 31, 2017, in connection with the solicitation by the Board of Directors of Computer Task Group, Incorporated (the Company) of proxies to be voted at the annual meeting of shareholders on Wednesday, May 3, 2017, and any adjournment or postponement of the meeting. The mailing address of the Company's executive office is 800 Delaware Avenue, Buffalo, New York 14209.

The Board has selected the close of business on Friday, March 24, 2017 as the record date for the determination of shareholders entitled to vote at the annual meeting. On that date, the Company had outstanding and entitled to vote 15,256,873 shares of common stock, par value \$.01 per share. A list of shareholders entitled to vote at the 2017 annual meeting will be available for examination during the annual meeting by any shareholder who is present at the meeting.

Each outstanding share of common stock is entitled to one vote. Shares cannot be voted at the meeting unless the shareholder is present or represented by proxy. If a properly executed proxy in the accompanying form is timely returned, the shares represented thereby will be voted at the meeting in accordance with the instructions contained in the proxy, unless the proxy is revoked prior to its exercise. Any shareholder may revoke a proxy either by executing a subsequently dated proxy or notice of revocation, provided that the subsequent proxy or notice is delivered to the Company prior to the taking of a vote, or by voting in person at the meeting.

Under the New York Business Corporation Law (BCL) and the Company's By-laws, the presence, in person or by proxy, of one-third of the outstanding common stock is necessary to constitute a quorum of the shareholders to take action at the annual meeting. Once a quorum is established, under the BCL and the Company's By-laws, the directors standing for election may be elected by a plurality of the votes cast. In plurality voting, the nominee who receives the most votes for his or her election is elected. Other proposals require the approval of a majority of the votes cast on each proposal.

If a broker holds your shares, this proxy statement and a proxy card have been sent to the broker. You may have received this proxy statement directly from your broker, together with instructions as to how to direct the broker to vote your shares. **If you desire to have your vote counted, it is important that you return your voting instructions to your broker.** A broker non-vote occurs when a broker submits a proxy card with respect to shares of common stock held in a fiduciary capacity (typically referred to as being held in street name), but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have no discretion to vote such shares on non-routine matters if the broker has not been furnished with voting instructions by the beneficial owners of such shares. The matters being submitted to shareholders in Proposals 1, 2, 3 and 5 are non-routine matters on which brokers have no authority to vote without instructions from beneficial owners.

Abstentions and broker non-votes have no effect on the determination of whether a plurality exists with respect to a given director nominee. With respect to other proposals, abstentions will count as votes cast on the proposal, but will not count as votes cast in favor of the proposal and, therefore, will have the same effect as votes against the proposal. Broker non-votes will not be considered to have voted on the proposal and therefore will have no effect. The proxies will be voted for or against the proposals or as an abstention in accordance with the instructions specified on the proxy form. If proxies are signed and returned, but no instructions are given, proxies will be voted for each of the proposals.

In accordance with the rules of the Securities and Exchange Commission (SEC), we have elected to deliver a full set of proxy materials to you and make the proxy materials available on our website at

[www.ctg.com](http://www.ctg.com). You may vote by completing, signing, dating and returning your proxy card in the envelope provided as soon as possible before the meeting. Any shareholder attending the annual meeting may vote in person. If you have returned a proxy card, you may revoke your prior instructions and cast your vote at the annual meeting by following the procedures described in this proxy statement.

### PROPOSAL 1 ELECTION OF DIRECTORS

The Company's Board of Directors is divided into three classes serving staggered three-year terms. Directors for each class are elected at the annual meeting of shareholders held in the year in which the term for their class expires. The term for Class II Directors will expire at the 2017 annual meeting.

On July 19, 2016, Clifford B. Bleustein resigned from the Board of Directors. On July 21, 2016, the Board appointed Arthur W. Crumlish as a Class III Director, to hold office until the 2017 annual meeting of shareholders. On February 16, 2017, William D. McGuire retired from the Board of Directors and the Board appointed Owen J. Sullivan as a Class II Director to fill the vacancy, to hold office until the 2017 annual meeting of shareholders. As such, the Board presently consists of six members.

Directors elected to Class II at the 2017 annual meeting will hold office for a three-year term expiring at the annual meeting of shareholders in 2020 and until their successors are elected and qualified. Directors elected to Class III at the 2017 annual meeting will hold office for a one-year term expiring at the annual meeting of shareholders in 2018 and until their successors are elected and qualified.

The shares represented by properly executed and timely returned proxies will be voted, in the absence of contrary instructions, in favor of the election of the following three director nominees:

Class II Directors James R. Helvey III and Owen J. Sullivan

Class III Director Arthur W. Crumlish

All nominees have consented to serve as directors, if elected. However, if at the time of the meeting any nominee is unable to stand for election, the persons who are designated as nominees intend to vote, in their discretion, for such other persons, if any, as may be nominated by the Board.

#### *Nominees for Class II Directors Whose Terms Expires in 2020*

James R. Helvey III

Mr. Helvey, 58, was appointed to CTG's Board of Directors in November 2015. Mr. Helvey is a founding Partner of the investment advisory firm Cassia Capital Partners LLC, which he established in 2011. Prior to that, he was a principal partner with CMT Asset Management, Ltd. an international asset management firm he helped establish in 2005 where he was responsible for risk management and portfolio construction. Mr. Helvey is currently a member of the Board of Directors of Coca-Cola Bottling Company Consolidated, where he serves on the Audit Committee. From 2005 to 2014, Mr. Helvey was as a member of the Board of Directors of Pike Electric, Inc. where he served on the Audit and Compensation Committees (Pike Electric was sold in December 2014 to Court Square Capital Partners). From 2000 to 2002, Mr. Helvey served as Chairman and Chief Executive Officer of Cygnifi Derivatives LLC, a firm that specialized in commercializing risk management tools developed by J.P. Morgan. From 1985 to 2000, Mr. Helvey held



various Managing Director positions with J.P. Morgan, including: Global Head of Derivative Counterparty and Hedge Fund Risk Management, Vice Chairman of the Risk Committee and Head of Business Risk Monitoring in the Corporate Risk Management Group where he was responsible for monitoring the firm's global market and credit risks, Global Head of Securities Lending Group where he was responsible for restructuring and implementing a new risk management system; and Head of the firm's Derivatives Valuation Service. Mr. Helvey is also a member of the Board of Directors of Piedmont Federal Savings Bank where he serves as Audit Committee Chairman; and a member of the Wake Forest University Board of Trustees where he has served on the Investment Policy Committee since 1998. Mr. Helvey is also a member of the Board of Directors for Wake Forest Baptist Medical Center, where he serves as the Chairman of the Audit and Health Sciences Investment Policy Committees. Mr. Helvey also serves as a Director for Verger Capital Management, an asset management firm wholly owned with Wake Forest University. Mr. Helvey earned a Master's Degree in International Affairs, Banking and Finance from the School of International and Public Affairs at Columbia University in New York where he was in international fellow. He also attended the University of Cologne, West Germany as a Fulbright Scholar; and earned his Bachelor's degree from Wake Forest University, graduating with honors and Phi Beta Kappa.

Owen J. Sullivan

Mr. Sullivan, 59, was appointed to the Board of Directors in February 2017. Mr. Sullivan is an operating partner for Baird Capital, a venture capital, growth equity and private equity investment firm, working with its Technology and Services Team since 2015. He has also been the Managing Director and Founder of Growth Advisory Partners, an executive and board level consulting business focusing on the middle market, since 2013. He has over thirty years of executive-level experience in the staffing solutions and professional resourcing industry, culminating in his service as President of ManpowerGroup's Specialty Brands business, which he joined in 2003 and served in a variety of executive positions until his retirement in 2013. He previously served from 1993 to 2001 as president of the financial services group at Metavante in Brown Deer, WI, a financial technology firm since acquired by Fidelity National Information Services Inc., better known as FIS. Mr. Sullivan holds a bachelor's degree from Marquette University, where he serves on the board of trustees. He is also on the boards of the Medical College of Wisconsin, Johnson Financial Group and Journal Communications, as well as Ministry Health Care. Mr. Sullivan is unrelated to Daniel J. Sullivan, Chairman of the Board.

*Nominee for Class III Director Whose Term Expires in 2018*

Arthur W. Crumlish

Mr. Crumlish, 62, was named Chief Executive Officer of the Company and appointed to the Company's Board of Directors in July 2016. Mr. Crumlish has been with the Company since 1990 and most recently served as Senior Vice President and General Manager of

Strategic Staffing Services (SSS), the Company's largest business unit for the past 15 years. As the general manager for SSS, Mr. Crumlish oversaw business development, delivery, sales, and recruiting for many of the Company's largest customers. Prior to assuming the general manager role, Mr. Crumlish served as financial controller for the Company's Strategic Staffing Services division, where he was responsible for business plan development, financial reporting and analysis, pricing, contractual compliance, and policy/procedure implementation. Mr. Crumlish was also manager of general accounting and financial controller of the Company's IBM national team. Mr. Crumlish earned a master of business administration degree from Canisius College in Buffalo, New York, and a Bachelor of Science degree from Niagara University in Niagara Falls, New York.

**The Board of Directors Recommends that Shareholders Vote FOR the**

**Nominees for Class II and Class III Directors**

*Class III Directors Whose Terms Expire in 2018*

Daniel J. Sullivan

Mr. Sullivan, 70, has been a Director of CTG since 2002 and was appointed to serve as the non-executive Chairman of the Board of Directors in October 2014. He most recently served as the President and Chief Executive Officer of FedEx Ground from 1998 until 2007. FedEx Ground is a wholly owned subsidiary of FedEx Corporation. From 1996 to 1998, Mr. Sullivan was the Chairman, President and Chief Executive Officer of Caliber System. In 1995, Mr. Sullivan was the Chairman, President and Chief Executive Officer of Roadway Services. Mr. Sullivan is currently a member of the Board of Directors of Schneider National, Inc. (Green Bay, Wisconsin), where he serves as non-executive Chairman of the Board of Directors. Mr. Sullivan is also a current member of the Board of Directors of The Medical University of South Carolina Foundation where he serves as Vice Chairman of the Board of Directors. Mr. Sullivan previously served as a member of the Board of Directors of Pike Electric, Inc. from 2007 to 2014 (Pike Electric was sold in December 2014 to Court Square Capital Partners), GDS Express (Akron, Ohio) from 2004 to 2009; and Gevity, Inc. (Bradenton, Florida) from 2008 to 2009. He is a former federal commissioner for the Flight 93 National Memorial project in Somerset County, Pennsylvania.

*Class I Directors Whose Terms Expires in 2019*

Valerie Rahmani

Valerie Rahmani, 59, was appointed to CTG's Board of Directors in November 2015. Ms. Rahmani is a non-executive Director, Chairman of the Innovation Committee and member of the Risk Committee of Aberdeen Asset Management PLC, a UK-based Financial Times Stock Exchange 250 global investment management group. Ms. Rahmani is also a member of the Executive Advisory Board for Atlanta Telecom Professionals. From 2010 to 2015, Ms. Rahmani was a member of the Board of Directors of Teradici Corporation a

private technology company where she served on the Audit and Compensation Committees. She most recently served as Chief Executive Officer of Damballa, Inc. from 2009 to 2012. Damballa was a venture capital funded cyber-security company headquartered in Atlanta, Georgia. Prior to her role at Damballa, Ms. Rahmani was with IBM in various managerial capacities for 28 years. Her latest role was General Manager of IBM Internet Security Systems. Other IBM roles included General Manager of the \$2.7 billion Global Technology Services businesses, head of Sales and Services Strategy unit, General Manager of IBM's \$3.5 billion UNIX server business, General Manager of IBM's Mobile business as well as serving as the Executive Assistant to Louis Gerstner, former Chairman and Chief Executive Officer of IBM. Ms. Rahmani holds an MA and a Doctor of Philosophy degree in Chemistry from Oxford University, England.

David H. Klein

Mr. Klein, 68, has been a Director since September 2012. He is the President of Klein Solutions Group, LLC, which provides advice on policy, strategy, operations and finance to healthcare delivery and payer organizations. Mr. Klein also serves as: a special advisor to the CEO of the University of Rochester (UR) Medical Center, a professor of public health sciences in the UR School of Medicine and Dentistry and as an executive professor of healthcare management in the UR Simon Business School. He also provides *pro bono* advice on strategy, population health management and partnerships with health plans and corporations. Mr. Klein was most recently the Chief Executive Officer of The Lifetime Healthcare Companies, which was comprised of Excellus BlueCross BlueShield (BCBS), Univera Healthcare, Lifetime Health Medical Group, Lifetime Care (home care agency), EBS-RMSCO Benefit Solutions (benefits consulting firm and third party administration) and MedAmerica (long term care insurance company). Mr. Klein had been a senior executive with The Lifetime Healthcare Companies and its predecessor companies since 1986, serving as CEO from 2003 until 2012. Mr. Klein previously was an executive with the national BlueCross BlueShield Association and Health Care Service Corporation. He served as director of the national Blue Cross Blue Shield Association (BCBSA) and America's Health Insurance Plans. Mr. Klein currently serves as a director of the following privately held companies: Landmark Health (a Francisco Partners (private equity fund) company which creates and manages home visiting multi-disciplinary medical groups to care for complex, chronically ill patients), Avalon Healthcare Solutions (also a Francisco Partners (private equity fund) company that provides laboratory benefits management solutions), Cogito (an Open View Partner/Romulus Capital/Sales Force Ventures funded customer engagement/voice analytics company), NextHealth Technologies (a Norvest Venture Partners patient engagement optimization company), PNT (a claims and clinical information data acquisition company), Excel Partners Venture Fund (a venture capital fund that invests in high-tech startups focused on Upstate New York) and Orthometrics (a technology enabled musculoskeletal injury risk management company). He is also a director of the following University of Rochester private company spinouts: PharmAdva (an automated

home medication adherence system manufacturer), WavoDyne (a pharmaceutical manufacturer that has developed a novel anti-inflammatory molecule) and Cerebral Assessment Systems (a noninvasive cognitive impairment testing company). Mr. Klein is a member of the Cressey & Company private equity fund Distinguished Executives Council. He serves as an advisor to Health Catalyst Capital Management, LLC private equity fund. Mr. Klein serves as non-executive chair of the New York eHealth Collaborative which operates New York State's health information exchange. Mr. Klein is a member of Johns Hopkins University Carey School of Business Health Care Advisory Board. Mr. Klein chaired United Way of Greater Rochester and an American Cancer Society Capital Campaign to establish a new Rochester Hope Lodge. He has also been president of the local Boy Scout Council and director of Northeast Region, Boy Scouts of America. He is a Boy Scouts' Distinguished Eagle Scout and a recipient of their Silver Beaver and Silver Antelope awards. Mr. Klein received a Bachelor of Science from Rensselaer Polytechnic Institute and his Master of Business Administration from the University of Chicago.

**SECURITY OWNERSHIP OF THE COMPANY S COMMON SHARES****BY CERTAIN BENEFICIAL OWNERS AND BY MANAGEMENT***Security Ownership of Certain Beneficial Owners*

As of March 24, 2017, the following persons were beneficial owners of more than five percent of the Company s common stock. The beneficial ownership information presented is based upon information furnished by each person or contained in filings made with the Securities and Exchange Commission. Except as otherwise indicated, each holder has sole voting and investment power with respect to the shares indicated. The following table shows the nature and amount of their beneficial ownership.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Ownership</b>	<b>Percent of Class</b>
Common Stock	Royce and Associates, LP 745 Fifth Avenue New York, NY 10151	1,629,707(1)	10.7%
Common Stock	Lloyd I. Miller, III 3300 South Dixie Highway, Suite 1-365 West Palm Beach, FL 33405	1,336,716(2)	8.8%
Common Stock	Minerva Advisors LLC, and related parties 50 Monument Road, Suite 201 Bala Cynwyd, PA 19004	1,066,940(3)	7.0%

- (1) Based solely on information contained in a Schedule 13G filed January 6, 2017, indicating that Royce & Associates LP has sole voting and dispositive power over 1,629,707 shares.
- (2) Based solely on information contained in a Schedule 13G/A filed January 26, 2017, indicating that Lloyd I. Miller, III has sole voting and dispositive power over 1,301,988 shares; and shared voting and dispositive power over 34,728 shares.
- (3) Based solely on information contained in a Schedule 13G filed on February 8, 2017, indicating that Minerva Advisors LLC, Minerva Group, LP, Minerva GP, LP, Minerva GP, Inc. and David P. Cohen have sole voting power and sole dispositive power over 690,317 shares; and that Minerva Advisors LLC and David P. Cohen have shared voting power and share dispositive power over 376,623 shares.

**Security Ownership by Management**

The table below sets forth, as of March 24, 2017, the beneficial ownership of the Company's common stock by (i) each director and nominee for director individually, (ii) each executive officer named in the summary compensation table individually, and (iii) all directors and executive officers of the Company as a group.

Name of Individual or Number in Group	Shares Owned	Shares Beneficially Owned (1)	Total Ownership (2)	Percent of Class
Arthur W. Crumlish	176,919	118,375	295,294	1.9%
James R. Helvey III	18,899		18,899	0.1%
David H. Klein	32,415	33,096	65,511	0.4%
Valerie Rahmani	18,899		18,899	0.1%
Daniel J. Sullivan	141,758	260,000	401,758	2.6%
Owen J. Sullivan				0.0%
Clifford B. Bleustein	37,202	100,000	137,202	0.9%
Filip J.L. Gydé	116,273	110,537	226,810	1.5%
Brendan M. Harrington	133,917	119,950	253,867	1.7%
Peter P. Radetich	87,224	83,375	170,599	1.1%
All directors and executive officers as a group (10 persons)	763,506	825,333	1,588,839	10.4%

- (1) Amounts represent number of shares available to purchase through the exercise of options that were exercisable on or within 60 days after March 24, 2017.
- (2) The beneficial ownership information presented is based upon information furnished by each person or contained in filings made with the Securities and Exchange Commission. Except as otherwise indicated, each holder has sole voting and investment power with respect to the shares indicated.

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## THE BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors is divided into three classes serving staggered three-year terms. The Board has six directors and the following three committees: (i) Audit, (ii) Compensation, and (iii) Nominating and Corporate Governance. During 2016, the Board held a total of seven meetings. Each director attended at least 75% of the total number of Board meetings and the total number of meetings for the Board committees on which such director served.

### Director Independence and Executive Sessions

The Board of Directors affirmatively determined in February 2017 that each of the Company's five non-management directors, which include James R. Helvey III, David H. Klein, Valerie Rahmani, Daniel J. Sullivan, and Owen J. Sullivan, is an independent director in accordance with our corporate governance policies and the standards of the NASDAQ Stock Market (NASDAQ). As a result of these five directors being independent, a majority of our Company's Board of Directors is currently independent as so defined. The Board of Directors has determined that there are no relationships between the Company and the directors classified as independent other than service on our Company's Board of Directors.

The foregoing independence determination also included the conclusions of the Board of Directors that:

each member of the Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee described in this proxy statement is respectively independent under the standards listed above for purposes of membership on each of these committees; and

each of the members of the Audit Committee also meets the additional independence requirements under Rule 10A-3(b) of the Securities and Exchange Act of 1934, as amended (the Exchange Act).

Mr. Daniel J. Sullivan serves as the Chairman of the Board of Directors and is responsible for scheduling and setting the agenda for the executive sessions of the independent directors. Such executive sessions are expected to occur at regularly scheduled times during the fiscal year ending December 31, 2017, typically in conjunction with a regularly scheduled Board meeting, in addition to the separate meetings of the standing committees of the Board of Directors.

The Board of Directors has also adopted a statement of corporate governance principles that is available on the Company's website as described below under Corporate Governance and Website Information.

### Audit Committee

The Audit Committee is composed of five directors: James R. Helvey III, Chairman, David H. Klein, Valerie Rahmani, Daniel J. Sullivan, and Owen J. Sullivan, and operates under a written charter adopted by the Board of Directors. The charter of the Audit Committee is available on our Company's website as described below under Corporate Governance and Website Information. The Audit Committee met six times during 2016.

The primary purposes of the Audit Committee are to oversee on behalf of the Company's Board of Directors: (1) the accounting and financial reporting processes of the Company and integrity of the Company's financial statements, (2) the audits of the Company's financial statements and appointment, compensation, qualifications, independence and performance of the Company's independent registered public accounting firm, (3) the Company's compliance with legal and regulatory requirements, (4) the Company's internal audit function, and (5) the preparation of the Audit Committee report that SEC rules require to be included in the annual proxy statement. The Audit Committee's job is one of oversight. Management is responsible for the Company's financial reporting process including its system of internal control, and for the preparation of the Company's consolidated financial statements in accordance with U.S. generally accepted accounting principles. The

Company's independent registered public accounting firm is responsible for auditing those financial statements. It is the Audit Committee's responsibility to monitor and review these processes. It is not the Audit Committee's duty or responsibility to conduct auditing or accounting reviews. Therefore, the Audit Committee has relied on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with U.S. generally accepted accounting principles, on its discussions with the independent registered public accounting firm and on the representations of the Company's independent registered public accounting firm included in its report on the Company's financial statements.

The Board of Directors has determined that the members of the Audit Committee are independent as described above under "Director Independence and Executive Sessions" and that each of them is able to read and understand fundamental financial statements. The Board of Directors has determined that James R. Helvey III is an audit committee financial expert as defined in Item 407 of Regulation S-K. Under the rules of the SEC, the determination that a person is an audit committee financial expert does not impose on such person any duties, obligations or liability any greater than the duties, obligations and liability imposed on any other member of the Audit Committee or the Board of Directors. Moreover, the designation of a person as an audit committee financial expert does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

#### **Audit Committee Report**

The Audit Committee has reviewed and discussed the audited financial statements with management; and has discussed with the Company's independent auditors the matters required to be discussed pursuant to PCAOB Auditing Standard No. 16. In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accountant's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accountant the independent registered public accountant's independence.

Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the SEC.

#### **Submitted by the Audit Committee**

**James R. Helvey III, Chairman**

**David H. Klein**

**Valerie Rahmani**

**Daniel J. Sullivan**

**Owen J. Sullivan**

#### ***Nominating and Corporate Governance Committee and Director Nomination Process***

The Nominating and Corporate Governance Committee is composed of David H. Klein, Chairman, James R. Helvey III, Valerie Rahmani, Daniel J. Sullivan, and Owen J. Sullivan. This Committee held four meetings during 2016.

This Nominating and Corporate Governance Committee has a charter that is available on our Company's website as described below under "Corporate Governance and Website Information." The primary purposes of the Committee are to (a) identify and select the individuals qualified to serve on the Company's Board of



Directors for election by shareholders at each annual meeting of shareholders and to fill vacancies on the Board of Directors, (b) implement the Board's criteria for selecting new directors, (c) develop, recommend to the Board, and assess corporate governance policies for the Company, and (d) oversee the evaluation of the Board.

The Board of Directors has determined that the members of the Nominating and Corporate Governance Committee are independent as described above under Director Independence and Executive Sessions.

**Director Nominations Made by Shareholders.** The Nominating and Corporate Governance Committee will consider nominations timely made by shareholders pursuant to the requirements of our By-laws, which are further discussed under Shareholder Proposals. The Nominating and Corporate Governance Committee has not formally adopted any specific elements of this policy, such as minimum specific qualifications or specific qualities or skills that must be possessed by qualified nominees, beyond the Nominating and Corporate Governance Committee's willingness to consider candidates proposed by shareholders.

**Procedure for Shareholders to Nominate Directors.** Any shareholder who intends to present a director nomination proposal for consideration at the 2018 annual meeting may use the procedures set forth in the Company's By-laws, although the Company would not be required to include the nomination proposal as a proposal in the proxy statement and proxy card mailed to shareholders in connection with the next annual meeting of shareholders. For shareholder nominations of directors to be properly brought before an annual meeting by a shareholder pursuant to the By-laws, the shareholder must have given timely notice thereof in writing to the Secretary of the Company. To be timely, any shareholder entitled to vote for the election of directors at a meeting may nominate persons for election as directors only if written notice of such shareholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to and received by the Secretary of the Company not later than 60 days in advance of the originally scheduled date of the annual meeting of shareholders.

The shareholder's notice referred to above must set forth (1) the name and address of the shareholder who intends to make the nomination, the beneficial owner or owners, if any, or other persons on whose behalf the nomination is made or acting in concert therewith and of the person or persons to be nominated; (2) a representation that the shareholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (3) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (4) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had each nominee been nominated, or intended to be nominated by the Board of Directors; (5) the shareholder or beneficial owner's direct and indirect ownership interests in the Company, including ownership of derivative securities; and (6) the consent of each nominee to serve as a director of the Company if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

**Board Composition and Diversity.** The Nominating and Corporate Governance Committee's current process for identifying and evaluating nominees for director consists of general periodic evaluations of the size and composition of the Board of Directors with a goal of maintaining continuity of appropriate industry expertise and knowledge of the Company. The Nominating and Corporate Governance Committee strives to compose the Board of Directors with individuals possessing a variety of complementary skills.

With respect to the nominees for election at this meeting and with respect to the other members of the Board, the Nominating and Corporate Governance Committee and the Board of Directors as a whole focused primarily on the experience, qualifications, attributes and skills discussed in each of the director's biographies set forth above. In each case, the Nominating and Corporate Governance Committee and the Board of Directors considered important the achievements of the individual in the successful career described. With regard to

Mr. Crumlish, the Nominating and Corporate Governance Committee and the Board believe that it is important that they have immediate access to his direct involvement in the management of the Company. With regard to Mr. Helvey, the Nominating and Corporate Governance Committee and the Board particularly noted his extensive financial experience and prior audit committee experience. With regard to Mr. Klein, the Nominating and Corporate Governance Committee and the Board particularly noted his extensive experience managing health plan entities and his knowledge of the healthcare industry which is an important market for the Company's services. With regard to Ms. Rahmani, the Nominating and Corporate Governance Committee and the Board particularly noted her experience in cyber-security and her extensive management experience within the IT Services industry. With regard to Mr. Daniel J. Sullivan, the Nominating and Corporate Governance Committee and the Board particularly noted the broad perspective resulting from his diverse experience in managing and serving as an officer for a large, public company. With regard to Mr. Owen J. Sullivan, the Nominating and Corporate Governance Committee and the Board particularly noted his extensive experience in the staffing solutions and professional resourcing industry, including his roles at ManpowerGroup.

Although diversity may be a consideration in the Nominating and Corporate Governance Committee's process, the Nominating and Corporate Governance Committee and the Board of Directors do not have a formal policy with regard to the consideration of diversity in identifying director nominees. Since neither the Board nor the Nominating and Corporate Governance Committee has received any shareholder nominations in the past, the Nominating and Corporate Governance Committee has not considered whether there would be any differences in the manner in which the Committee evaluates nominees for director based on whether the nominee is recommended by a shareholder.

**Source of Recommendation for Current Nominees.** The nominees for director included in this proxy statement have been formally recommended by the incumbent independent directors who serve on the Nominating and Corporate Governance Committee. The Company engaged the services of Seiden Krieger Associates, a third party executive recruiting firm, to recruit candidates to fill the vacancy created by Mr. McGuire's retirement in February, which was ultimately filled by Mr. Owen J. Sullivan.

**Past Nominations from More Than 5% Shareholders.** Under the SEC rules (and assuming consent to disclosure is given by the proponents and nominee), the Company must disclose any nominations for director made by any person or group beneficially owning more than 5% of the Company's outstanding common stock received by the Company by the date that was 120 calendar days before the anniversary of the date on which its proxy statement was sent to its shareholders in connection with the previous year's annual meeting. The Company did not receive any such nominations.

#### **Shareholder Communications to the Board of Directors**

Any record or beneficial owner of the Company's common stock who has concerns about accounting, internal accounting controls, auditing matters or any other matters relating to the Company and wishes to communicate with the Board of Directors on such matters may contact the Audit Committee directly. The Audit Committee has undertaken on behalf of the Board of Directors to be the recipient of communications from shareholders relating to the Company. If particular communications are directed to the full Board, independent directors as a group, or individual directors, the Audit Committee will route these communications to the appropriate directors or committees so long as the intended recipients are clearly stated. Alternatively, any interested parties may communicate with the Chairman of the Board of Directors by writing to Daniel J. Sullivan, c/o Computer Task Group, Incorporated, 800 Delaware Avenue, Buffalo, New York 14209.

Communications intended to be anonymous may be made by calling the Company's Whistleblower Hotline Service at 800-854-5313 and identifying yourself as an interested party intending to communicate with the Audit Committee (this third party service undertakes to forward such communications to the Audit Committee if so requested, assuming the intended recipient is clearly stated). You may also send communications intended to be anonymous by mail, without indicating your name or address, to Computer Task Group, Incorporated,

800 Delaware Avenue, Buffalo, New York 14209, Attention: Chairman of the Audit Committee. Communications not intended to be made anonymously may also be made by calling the hotline number or by mail to that address.

Shareholder proposals intended to be presented at a meeting of shareholders by inclusion in the Company's proxy statement under SEC Rule 14a-8 or intended to be brought before a shareholders' meeting in compliance with the Company's By-laws are subject to specific notice and other requirements referred to under Shareholder Proposals and in applicable SEC rules and the Company's By-laws. The communications process for shareholders described above does not modify or eliminate any requirements for shareholder proposals intended to be presented at a meeting of shareholders. If you wish to make a proposal to be presented at a meeting of shareholders, you may not communicate such proposals anonymously and may not use the hotline number or Audit Committee communication process described above in lieu of following the notice and other requirements that apply to shareholder proposals intended to be presented at a meeting of shareholders.

The Company encourages its directors to attend its annual meetings but has not adopted a formal policy requiring this attendance. All of our directors attended our annual meeting on May 4, 2016.

### **Corporate Governance and Website Information**

The Company follows certain corporate governance requirements that it believes are in compliance with the corporate governance requirements of the NASDAQ listing standards and SEC regulations. The principal elements of these governance requirements as implemented by our Company are:

affirmative determination by the Board of Directors that a majority of the directors is independent;

regularly scheduled executive sessions of independent directors;

Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee comprised of independent directors and having the purposes and charters described above under the separate committee headings;

internal audit function;

corporate governance principles of our Board of Directors;

specific authorities and procedures outlined in the charters of the Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee; and

a code of business conduct and ethics applicable to directors, officers and employees of our Company. This code also contains a sub-section that constitutes a code of ethics (the Code of Ethics) specifically applicable to the Chief Executive Officer, Chief Financial Officer and other members of our Company's finance department based on their special role in promoting fair and timely public reporting of financial and business information about our Company.

The charters of the Audit Committee, Compensation Committee, and Nominating and Governance Committee, the corporate governance principles of the Board of Directors, and the Code of Ethics are available without charge on the Company's website at [www.ctg.com](http://www.ctg.com), by clicking on Investors, and then Corporate Governance. We will also send these documents without charge and in print to any shareholder who requests them. The Company intends to disclose any amendments to or waivers of the Code of Ethics on its website.

### **Board Leadership and Role in Risk Oversight**

The Company's Board has elected to separate the Chairman and the CEO roles and has appointed Mr. Daniel J. Sullivan to serve as the Company's Chairman of the Board. The Company believes that splitting such governance roles promotes independent oversight of management and facilitates a balance of power more aligned with shareholder interests.



The Board views enterprise risk management ( ERM ) as an integral part of the Company 's strategic planning process and, as such, has charged the Audit Committee with the responsibility of overseeing the ERM process. To facilitate coordination of ERM at the operational level, the Audit Committee appointed the company 's CFO as the Company 's Chief Risk Officer ( CRO ). In this capacity, the CFO works with the CEO and executive officers of the Company to provide periodic ERM reports to the Audit Committee; and strives to generate careful and thoughtful attention on the Company 's ERM process, the nature of material risks to the Company and the adequacy of the Company 's policies and procedures designed to mitigate these risks. Among the matters that are considered in the Company 's ERM process is the extent to which the Company 's policies and practices for incentivizing and compensating employees, including non-executive officers, may create risks that are reasonably likely to have a material adverse effect on the Company. In this manner, the Board believes it appropriately encourages management to promote a corporate culture that appreciates risk management and incorporates it into the overall strategic planning process of the Company.

#### **Compensation Committee Interlocks and Insider Participation**

During the last completed fiscal year, the Compensation Committee was comprised entirely of independent directors. The Compensation Committee of the Board of Directors is composed of Valerie Rahmani, Chairman, James R. Helvey III, David H. Klein, Daniel J. Sullivan, and Owen J. Sullivan. William D. McGuire served as Chairman of the Compensation Committee until his retirement in February 2017.

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## COMPENSATION DISCUSSION AND ANALYSIS

### *Compensation Committee Composition and Primary Purposes*

The Compensation Committee of the Board of Directors is composed of Valerie Rahmani, Chairman, James R. Helvey III, David H. Klein, Daniel J. Sullivan, and Owen J. Sullivan. The Compensation Committee is responsible for overseeing the administration of the Company's employee stock and benefit plans, establishing policies relating to the compensation of employees and setting the terms and conditions of employment for executive officers. During 2016, the Compensation Committee held a total of five meetings. The Board of Directors has determined that the members of the Compensation Committee are independent as described above under Director Independence and Executive Sessions.

The Compensation Committee has a charter that is available on our Company's website as described above under Corporate Governance and Website Information. The Compensation Committee reviews the charter annually and updates the charter as necessary.

The primary purposes of the Compensation Committee are to:

- (1) review and approve corporate goals and objectives relevant to the Company's compensation philosophy,
- (2) evaluate the CEO's performance and determine the CEO's compensation in light of those goals and objectives,
- (3) review and approve executive officer compensation, incentive compensation plans and equity-based plans; and
- (4) produce an annual report on executive compensation, and approve the Compensation Discussion and Analysis, for inclusion in the Company's annual proxy statement.

### *Effect of Say-on-Pay Vote*

At the May 2016 annual meeting, shareholders were asked to approve the Company's fiscal 2015 executive compensation programs. Of those who voted, over 93% voted to approve the proposal. In light of these results, and in consideration of shareholder input obtained from outreach efforts taken in connection with the 2016 meeting, the Compensation Committee carefully reviewed the Company's executive compensation practices. The Committee concluded that the Company's existing executive compensation programs continue to be the most appropriate for the Company and effective in rewarding executives commensurate with business results. The Committee believes that the best way to align the CEO's compensation with shareholder interests is to place the majority of his compensation at-risk in the form of long-term performance based equity awards and annual incentive opportunity. In 2015, approximately 75% of the total compensation for the CEO was in the form of at-risk performance-based compensation consisting of long-term equity awards and performance based incentives. The Committee continued this practice of heavily weighting at-risk performance-based incentives in 2016.

### *Compensation Philosophy and Executive Compensation Objectives*

Given the exceptionally competitive nature of the IT Industry, the Company's Compensation Committee and management believe it is strategically critical to attract, retain and motivate the most talented employees possible by providing competitive total compensation packages. This general philosophy on compensation applies to all employees of the Company. With regard to executive officer compensation, the Company seeks to accomplish the following high-level objectives:

*Offer a Competitive Total Compensation Package.* To attract the most talented executive officers possible, the Company should tailor each executive officer's total compensation plan to reflect average total compensation offered at similar organizations. This is accomplished by means of routine compensation surveying, the process for which is described further below.

*Tie Total Compensation to Performance in a Meaningful Manner.* To promote the Company's overall annual and long-term financial and operating objectives, a significant portion of total compensation should be based upon the accomplishment of specific Company objectives within an executive officer's purview. This is accomplished by means of various performance-based incentive plans described further below.

*Encourage Executives to Think Like Shareholders.* To promote the best interests of shareholders, executive officers should be encouraged to maintain a significant equity interest in the Company. This is accomplished by means of various equity award plans described further below.

***How Executive Compensation is Determined***

In order to promote the Company's objective of tying total compensation to performance in a meaningful manner, the Company has adopted a uniform approach to compensation planning. In short, once the Board of Directors has reviewed and approved the corporate goals and objectives for the entire Company, the Compensation Committee begins the process of setting compensation for the executive officers. Once compensation has been set for the executive officers, they in turn are able to set performance-based objectives for their direct reports. This approach to compensation planning continues throughout the organization. In this manner, the compensation planning process seeks to optimize shareholder value by integrating appropriate employee responsibilities with corporate objectives.

In an effort to accomplish the Company's objective of offering competitive total compensation packages, the Compensation Committee routinely surveys total compensation packages for all executive officers. In 2016, as has been the practice for several years, the Compensation Committee retained the services of Pay Governance LLC ( "Pay Governance" ), a highly-regarded independent compensation consul