

TALON INTERNATIONAL, INC.
Form DEF 14A
April 28, 2011

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. _____)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement o Confidential, For Use of the Commission Only

x Definitive Proxy Statement (as permitted by Rule 14a-6(e)(2))

o Definitive Additional Materials

o Soliciting Material Pursuant to Rule 14a-12

TALON INTERNATIONAL, INC.
(Name of Registrant)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No Fee Required

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange
Act Rule 0-11:

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o 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:
-

TALON INTERNATIONAL, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TIME 3:00 p.m. Pacific Daylight Time on May 31, 2011

PLACE TALON INTERNATIONAL, INC.
Conference Center, Suite 270
21900 Burbank Boulevard
Woodland Hills, California 91367

ITEMS OF BUSINESS

- (1) Election of two directors by the holders of our Common Stock;
- (2) Election of three directors by the holders of our Series B Preferred Stock; and
- (3) To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement

RECORD DATE You can vote if you were a stockholder of the Company at the close of business on April 25, 2011

PROXY VOTING All stockholders are cordially invited to attend the Annual Meeting in person. However, to ensure your representation at the Annual Meeting, you are urged to vote promptly by signing and returning the enclosed Proxy card. If your shares are held in street name, you must obtain a proxy (a "Proxy"), executed in your favor, from the holder of record in order to be able to vote at the Annual Meeting

Woodland Hills, California

April 25, 2011

/s/ Lonnie D. Schnell
Lonnie D. Schnell
Chief Executive Officer

THE ATTACHED PROXY STATEMENT AND
OUR ANNUAL REPORT ON FORM 10-K ARE AVAILABLE AT
WWW.TALONZIPPERS.COM/CORPORATE/INVESTORS/

IN ORDER TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE AS PROMPTLY AS POSSIBLE. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOU OWN SHARES REGISTERED IN DIFFERENT NAMES OR AT DIFFERENT ADDRESSES, EACH CARD SHOULD BE COMPLETED AND RETURNED.

TALON INTERNATIONAL, INC.
21900 BURBANK BOULEVARD, SUITE 270
WOODLAND HILLS, CALIFORNIA 91367

PROXY STATEMENT

These Proxy materials are being delivered in connection with the solicitation by the board of directors (the “Board” or the “Board of Directors”) of Talon International, Inc., a Delaware corporation (“Talon,” the “Company,” “we,” or “us”), Proxies to be voted at our 2011 annual meeting of stockholders (the “Annual Meeting”) and at any adjournments or postponements.

You are invited to attend our Annual Meeting on May 31, 2011, beginning at 03:00 p.m. Pacific Daylight Time. The meeting will be held at our Corporate Conference Center located at 21900 Burbank Boulevard, Suite 270, Woodland Hills, California 91367.

Stockholders Entitled to Vote

Holders of our common stock (the “Common Stock”) and holders of our series B convertible preferred stock (the “Series B Preferred Stock”) at the close of business on April 25, 2011 are entitled to receive this notice and to vote their shares at the Annual Meeting. Each share of Series B Preferred Stock is convertible into one hundred shares of Common Stock. As of April 25, 2011, there were 20,291,433, shares of Common Stock and 407,160 shares of Series B Preferred Stock outstanding, for a total of 61,116,808 voting shares. As used herein, the term “Voting Shares” shall mean, collectively, shares of Common Stock and shares of Series B Preferred Stock (on an as-converted basis into Common Stock).

Mailing of Proxy Statements

We anticipate mailing this proxy statement (the “Proxy Statement”) and the accompanying Proxy to stockholders on or about May 2, 2011.

Proxies

Your vote is important. If your shares are registered in your name, you are a stockholder of record. If your shares are in the name of your broker or bank, your shares are held in street name. We encourage you to vote by Proxy so that your shares will be represented and voted at the meeting even if you cannot attend. All shareowners can vote by written Proxy card. Your submitting the enclosed Proxy will not limit your right to vote at the Annual Meeting if you later decide to attend in person. If your shares are held in street name, you must obtain a Proxy, executed in your favor, from the holder of record in order to be able to vote at the Annual Meeting. If you are a share owner of record, you may revoke your Proxy at any time before the meeting either by filing with our Secretary, at its principal executive office, a written notice of revocation or a duly executed Proxy bearing a later date, or by attending the Annual Meeting and expressing a desire to vote your shares in person. All shares entitled to vote and represented by properly executed Proxies received prior to the Annual Meeting, and not revoked, will be voted at the Annual Meeting in accordance with the instructions indicated on those Proxies. If no instructions are indicated on a properly executed Proxy, the shares represented by that Proxy will be voted as recommended by the Board of Directors.

Quorum

The presence, in person or by Proxy, of a majority of the votes entitled to be cast by the stockholders entitled to vote at the Annual Meeting is necessary to constitute a quorum. Abstentions and broker non-votes will be included in the number of shares present at the Annual Meeting for determining the presence of a quorum. Broker non-votes occur when a broker holding customer securities in street name has not received voting instructions from the customer on certain non-routine matters, and, therefore, is barred by the rules of the applicable securities exchange from exercising discretionary authority to vote those securities.

Voting on Election of Directors

Pursuant to the Certificate of Designation of Series B Convertible Preferred Stock (the "Certificate of Designation"), so long as the outstanding shares of Series B Preferred Stock represent 35% or more of our total outstanding voting shares, calculated on an as-converted basis into Common Stock:

the holders of Common Stock together with holders of all other shares of our outstanding capital stock entitled to vote in the election of directors (other than the Series B Preferred Stock), voting together as a single class, shall have the right to elect all other directors to fill directorships not reserved for Series B Directors; and

the holders of the outstanding shares of Series B Preferred Stock, voting together as a separate class, shall have the right to elect three directors if the Board has five or fewer total members, and four directors if the Board has six or seven members.

Once the outstanding shares of Series B Preferred Stock represent less than 35% of our total outstanding voting shares, calculated on an as-converted basis into Common Stock, then the entire Board will thereafter be elected by holders of our outstanding capital stock entitled to vote in the election of directors, voting together as a single class.

At the closing of the Recapitalization Agreement we issued all of the 407,160 authorized shares of the Series B Preferred Stock to CVC California, LLC ("CVC") (the "Series B Shares"). Each Series B Share is convertible into one hundred shares of Common Stock, for an as converted aggregate of 40,716,000 shares of Common Stock which, as of April 25, 2011, represents approximately 69.6% of our outstanding voting securities. Therefore, because the outstanding shares of Series B Preferred Stock represent 35% or more of our total outstanding voting shares, calculated on an as-converted basis into Common Stock, (i) the Common Stock Directors elected at the Annual Meeting shall be elected by a plurality vote, with the elected candidates being the candidates receiving the greatest number of affirmative votes of the outstanding shares of Common Stock, voting together as a separate class, with votes cast against such candidates and votes withheld having no legal effect, and (ii) the Series B Directors elected at the Annual Meeting shall be elected by a plurality vote, with the elected candidates being the candidates receiving the greatest number of affirmative votes of the outstanding shares of Series B Preferred Stock, voting together as a separate class, with votes cast against such candidates and votes withheld having no legal effect.

Our bylaws presently provide that the number of directors shall not be less than two nor more than nine, with the exact number to be fixed from time to time by resolution of our Board of Directors. In connection with that certain Recapitalization Agreement (the "Recapitalization Agreement"), dated as of July 30, 2010, the Board of Directors fixed the number of directors of the Board at five.

Voting on All Matters Other than Election of Directors

Each share of Common Stock is entitled to one vote on each matter properly brought before the meeting and each share of Series B Preferred Stock is entitled to one hundred votes on each matter properly brought before the Annual Meeting. Abstentions will be counted toward the tabulation of votes cast on proposals submitted to stockholders and will have the same effect as negative votes, while broker non-votes will not be counted as votes cast for or against such matters.

Other Matters

At the date this Proxy Statement went to press, we do not know of any other matter to be raised at the Annual Meeting.

In the event a stockholder proposal was not submitted to us prior to the date of this Proxy Statement, the enclosed Proxy will confer authority on the Proxy holders to vote the shares in accordance with their best judgment and discretion if the proposal is presented at the Annual Meeting. As of the date hereof, no stockholder proposal has been submitted, and management is not aware of any other matters to be presented for action at the Annual Meeting. However, if any other matters properly come before the Annual Meeting, the Proxies solicited hereby will be voted by the Proxy holders in accordance with the recommendations of the Board of Directors. Such authorization includes authority to appoint a substitute nominee for any Board of Directors nominee identified herein where death, illness or other circumstance arises which prevents such nominee from serving in such position and to vote such Proxy for such substitute nominee.

ITEM 1: ELECTION OF COMMON STOCK DIRECTORS

Item 1 is the re-election of two members of the Board of Directors as the Common Stock Directors.

Election of Directors

The holders of the Common Stock, voting as a separate class, are entitled to elect two directors to our Board at the Annual Meeting (the “Common Stock Directors”). The nominees for the Common Stock Directors receiving the highest number of votes of shares of Common Stock at the Annual Meeting will be elected. The holders of Series B Preferred Stock are not entitled to vote in the election of the Common Stock Directors at the Annual Meeting.

Nominees for Common Stock Directors

Pursuant to the Certificate of Designation for any director nominees to be submitted to holders of the Common Stock for election at an annual meeting of the stockholders, a committee of our Board of Directors comprised solely of the Common Stock Directors, acting by majority vote, shall have the right to designate all of the Board’s nominees for directors to be elected by holders of the Common Stock.

Unless otherwise instructed, the Proxy holders will vote the Proxies received by them for the nominees named below. If any nominee is unable or unwilling to serve as a director at the time of the Annual Meeting, the Proxies will be voted for such other nominee(s) as shall be designated by the then current Common Stock Directors to fill any vacancy. We have no reason to believe that any nominee will be unable or unwilling to serve if elected as a director.

The current Common Stock Directors propose the elections of the following nominees as Common Stock Directors:

Mark Dyne
Lonnie D. Schnell

If elected, Lonnie D. Schnell and Mark Dyne are expected to serve until the 2012 annual meeting of stockholders. The principal occupation and certain other information about the nominees and certain executive officers are set forth on the following pages.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE ELECTION OF THE NOMINEES LISTED ABOVE.

ITEM 2: ELECTION OF SERIES B DIRECTORS

Item 2 is the re-election of three members of the Board of Directors as the Series B Directors.

Election of Directors

The holders of the Series B Preferred Stock, voting as a separate class, are entitled to elect three directors to our Board at the Annual Meeting (the "Series B Directors"). The nominees for the Series B Directors receiving the highest number of votes of shares of Series B Preferred Stock at the Annual Meeting will be elected. The holders of Common Stock are not entitled to vote in the election of the Series B Directors at the Annual Meeting.

Nominees for Series B Directors

Pursuant to the Certificate of Designation, the holders of the Series B Preferred Stock have the right to elect the Series B Directors.

Unless otherwise instructed, the Proxy holders will vote the Proxies received by them for the nominees named below. If any nominee is unable or unwilling to serve as a director at the time of the Annual Meeting, the Proxies will be voted for such other nominee(s) as shall be designated by the holders of the Series B Preferred Stock to fill any vacancy. We have no reason to believe that any nominee will be unable or unwilling to serve if elected as a director.

The holder of the Series B Preferred Stock proposes the elections of the following nominees as Series B Preferred Stock Directors:

David Ellis
Mark J. Hughes
Michael Francis Snyder

If elected, David Ellis, Mark J. Hughes and Michael Francis Snyder are expected to serve until the 2012 annual meeting of stockholders. The principal occupation and certain other information about the nominees and certain executive officers are set forth on the following pages.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES LISTED ABOVE.

DIRECTORS AND EXECUTIVE OFFICERS

Directors, Nominees and Executive Officers

The following table sets forth the name, age and position of each of our directors, director nominees and certain executive officers as of April 25, 2011.

Name	Age	Position
Directors:		
Mark Dyne (1)(3)	50	Chairman of the Board of Directors
Lonnie D. Schnell (1)	62	Chief Executive Officer, Chief Financial Officer and Director
David Ellis (2)	47	Director
Mark J. Hughes (2)	39	Director
Michael Francis Snyder (2)	57	Director
Other Executive Officers:		
Larry Dyne (3)	38	President
James E. Reeder	53	Vice President, Corporate Controller

(1) Messrs. Dyne and Schnell were elected by holders of Common Stock, and the seats they occupy on the Board will be filled by a vote of the holders of Common Stock, voting as a separate class.

(2) Messrs. Ellis, Hughes and Snyder were appointed by the sole holder of Series B Preferred Stock, and the seats they occupy on the Board will be filled by a vote of the holders of Series B Preferred Stock, voting as a separate class.

(3) Mark Dyne and Larry Dyne are brothers.

Directors:

Mark Dyne

Mr. Dyne has served as Chairman of the Board of Directors since 1997. Mr. Dyne currently serves as the Chief Executive Officer and the Managing Partner of Europlay Capital Advisors, LLC, a merchant banking and advisory firm. Mr. Dyne currently serves on the Board of Directors of Skype Global S.a.r.l. the world's leader in V.O.I.P. communications as well as Atrinsic, Inc. Mr. Dyne previously served as Chairman and Chief Executive Officer of Sega Gaming Technology Inc. (USA), a gaming company, and Chairman and Chief Executive Officer of Virgin Interactive Entertainment Ltd., based in London, England. Mr. Dyne was a founder and director of Packard Bell NEC Australia Pty. Ltd., and he was a founder and former director of Sega Ozisoft Pty Ltd.

Mr. Dyne was nominated to our board of directors for his extensive domestic and international management experience, and knowledge of associated industry practices and trends.

Lonnie D. Schnell Mr. Schnell joined us in January 2006 as our Chief Financial Officer, was appointed as Chief Executive Officer in February 2008 and has served on our Board of Directors since May 2008. Mr. Schnell served as Vice President of Finance for Capstone Turbine Corporation, a manufacturer of micro-turbine electric generators from 2004 until 2005. From 2002 to 2004 Mr. Schnell served as Chief Financial Officer of EMSource, LLC, an electronic manufacturing service company. Prior to EMSource, in 2002, Mr. Schnell served as Chief Financial Officer of Vintage Capital Group, a private equity investment firm. From 1999 through 2002, Mr. Schnell served as Chief Financial Officer of Need2Buy, Inc. a business-to-business internet marketplace for electronic components. Mr. Schnell has completed an executive MBA program with the Stanford University Executive Institute, and earned his Bachelor of Science in Accounting at Christian Brothers University. Mr. Schnell is a Certified Public Accountant with experience in the international accounting firm of Ernst & Young LLP. Mr. Schnell was nominated to our Board of Directors for his extensive domestic and international management experience, and knowledge of associated industry practices and trends, and for his financial management expertise.

David Ellis David Ellis has served on our Board of Directors since October 2010. Mr. Ellis is a co-founder of GemCap, an equity investor in low and middle-market sized companies and provider of asset-based loans, ranging from \$1 million to \$10 million, as a senior-secured lender. Through 2006, Mr. Ellis served as the President of Buxbaum Group, which he initially joined in 1988. Following a three-year hiatus from Buxbaum Group starting in 1991, Mr. Ellis rejoined the company in 1994. Buxbaum Group consisted of the following five companies which reported to Mr. Ellis: Buxbaum Company, Buxbaum Group, Buxbaum-Century, BC Commercial Finance and Pathway Strategic Partners. While at Buxbaum Group, Mr. Ellis gained twenty years of experience in the acquisition, insolvency and turnaround management businesses. Mr. Ellis was nominated to our Board of Directors for his extensive domestic and international management experience, and knowledge of associated industry practices and trends, and for his financial and investment management expertise.

Mark J. Hughes Mark J. Hughes has served on our Board of Directors since July 2010. Mr. Hughes currently serves as a Managing Director at The Comvest Group, a private investment firm focused on providing debt and equity capital to lower middle-market companies. From July 2005 until joining ComVest, Mr. Hughes was a Managing Director in the Investment Banking Group at Tejas Securities Group, an investment and merchant bank focused on distressed debt, high yield and special situations. From March 1998 to June 2005, Mr. Hughes served as a Managing Director in the Investment Banking Group as well as initially as an Equity Research Analyst at C.E. Unterberg, Towbin, an investment bank that specialized on middle-market healthcare and technology companies. From 1996 to 1998, Mr. Hughes worked in Global Markets as a Foreign Exchange Analyst at Deutsche

Bank. Prior to Deutsche Bank, Mr. Hughes spent three years as a Senior Auditor in the Hedge Fund and Broker Dealer Practice of Goldstein, Golub, & Kessler, LLC. Mr. Hughes was a CPA and received his B.S. from Rutgers College, Rutgers School of Business. Mr. Hughes was nominated to our board of directors for his extensive domestic and international management experience, and knowledge of associated industry practices and trends, and for his financial and investment management expertise.

Michael Francis Snyder

Michael Francis Snyder has served on our Board of Directors since July 2010. Mr. Snyder is a partner of GSC Consultants, a service industry consulting and advisory firm specializing in strategic growth and turnaround situations for troubled service companies. Prior to forming GSC in 2007, Mr. Snyder was Chief Executive Officer and Director of Vonage Holdings, Inc. (NYSE: VG), a leading supplier to the telecommunications industry in VOIP services, since February 2006. From 1997 to February 2006, Mr. Snyder served as President of ADT Security Services, Inc., a subsidiary of Tyco International Ltd. Mr. Snyder joined ADT in 1977 and served in various positions prior to 1997. Mr. Snyder was nominated to our Board of Directors for his extensive domestic and international management experience, and knowledge of associated industry practices and trends, and for his strategic growth management expertise.

Other Executive Officers:

Larry Dyne

Larry Dyne was appointed as our President in May 2009. He has been our employee since 1992, and was formerly Executive Vice President of Sales as well as vice president of product development and global sourcing, and vice president of trim sales. Through these positions, Mr. Dyne has established extensive and long-term relationships with the world's top brands and clothing retailers. He was also formerly responsible for domestic production for all printing.

James E. Reeder

James E. Reeder joined us in May 2009 and was appointed Vice President, Corporate Controller. From January 2007 to September 2008, Mr. Reeder served as Chief Financial Officer at Sheffield Manufacturing, an aerospace parts manufacturer and at Data Exchange Corporation, an international provider of supply chain solutions. From January 2002 to October 2006, Mr. Reeder was Vice President Finance for Special Devices, Inc., a manufacturer of automotive safety devices and was previously Chief Financial Officer for Power Lift Corporation, a distributor of Caterpillar materials and equipment. Mr. Reeder also served in various senior financial roles at Avery Dennison Corporation for approximately fourteen years. Mr. Reeder has an MBA in Finance and Strategic Planning from the University of California at Berkeley and a B.S., Economics Summa Cum Laude from California State Polytechnic University, Pomona.

Board Composition and Director Elections

Pursuant to our Certificate of Designation, so long as the outstanding shares of Series B Preferred Stock represent 35% or more of our total outstanding voting shares, calculated on an as-converted basis into Common Stock:

the Board shall consist of not more than seven (7) members;

the holders of the outstanding shares of Series B Preferred Stock, voting together as a separate class, shall have the right to elect the Series B Directors; and

the holders of Common Stock together with holders of all other shares of our outstanding capital stock entitled to vote in the election of directors (other than the Series B Preferred Stock), voting together as a single class, shall have the right to elect the Common Stock Directors.

At least two of the Series B Directors must be and remain at all times while serving as a director, an independent director that qualifies for service on the audit committee of a corporation with securities listed on The NASDAQ Stock Market as provided in NASDAQ Marketplace Rule 5605(c)(2) (or any successor thereto).

The Common Stock Directors are elected by a plurality vote, with the elected candidates being the candidates receiving the greatest number of affirmative votes (with each holder of Common Stock entitled to cast one vote for or against each candidate with respect to each share of Common Stock held by such holder) of the outstanding shares of Common Stock, with votes cast against such candidates and votes withheld having no legal effect. The Common Stock Directors may not be elected by written consent. So long as holders of Series B Preferred Stock are entitled to elect the Series B Directors, the Series B Preferred Stock are not entitled to vote in the election of the Common Stock Directors. The election of the Common Stock Directors will occur (i) at the annual meeting of holders of capital stock or (ii) at any special meeting of holders of capital stock if such meeting is called for the purpose of electing directors.

The Series B Directors are elected by a plurality vote, with the elected candidates being the candidates receiving the greatest number of affirmative votes (with each holder of Series B Preferred Stock entitled to cast one vote for or against each candidate with respect to each share of Series B Preferred Stock held by such holder) of the outstanding shares of Series B Preferred Stock, with votes cast against such candidates and votes withheld having no legal effect. Alternatively, the Series B Directors may be elected without a meeting by the written consent of holders of a majority of the outstanding shares of Series B Preferred Stock. The election of the Series B Directors will occur (i) at the annual meeting of holders of capital stock, (ii) at any special meeting of holders of capital stock if such meeting is called for the purpose of electing directors, (iii) at any special meeting of holders of Series B Preferred Stock called by holders of not less than a majority of the outstanding shares of Series B Preferred Stock, or (iv) by the written consent of holders of a majority of the outstanding shares of Series B Preferred Stock.

If at any time when the holders of Series B Preferred Stock have the right to elect Series B Directors, any Series B Director ceases to be a director for any reason, the vacancy may only be filled by the vote or written consent of the holders of a majority of the outstanding shares of Series B Preferred Stock, voting together as a separate class, in the manner and on the basis specified above or as otherwise provided by law. If any Common Stock Director ceases to be a director for any reason, the vacancy may only be filled by the remaining Common Stock Directors, or by the stockholders entitled to elect the Common Stock Directors.

Once the outstanding shares of Series B Preferred Stock represent less than 35% of our total outstanding voting shares, calculated on an as-converted basis into Common Stock, then the entire Board will thereafter be elected by holders of our outstanding capital stock entitled to vote in the election of directors, voting together as a single class.

CVC, the holder of all of the Series B Shares, has designated Mark Hughes, Michael Snyder and David Ellis as Series B Directors, and the seats on the Board occupied by these directors will be voted upon by holders of Series B Preferred Stock. Mark Dyne and Lonnie D. Schnell constitute the Common Stock Directors, and the seats on the Board occupied by these directors will be voted upon by holders of Common Stock.

Board Meetings, Board Committees and Director Independence

Effective upon the closing of the Recapitalization Agreement on July 30, 2010, we eliminated our Board committees, and presently do not have a separately designated audit, compensation, nominating or governance committee of the Board of Directors. The functions customarily delegated to these committees are now performed by our full Board of Directors.

We are not a “listed company” under SEC rules and are therefore not required to have separate committees comprised of independent directors. We have, however, determined that as of April 25, 2011, each of Michael Francis Snyder and David Ellis is “independent” as that term is defined in Section 5605 of the NASDAQ Marketplace Rules applicable to companies listed on The NASDAQ Stock Market.

The Board of Directors held seven general meetings during 2010. Each director serving at that time attended at least 75% of all the meetings of the Board of Directors and those committees on which he or she served in 2010. While we have not established a policy with respect to members of the Board of Directors attending annual meetings, each director is encouraged to attend the annual meeting of stockholders. One director was present at the 2010 annual meeting of stockholders.

Prior to the closing of the Recapitalization Agreement on July 30, 2010, the Board of Directors maintained standing audit, compensation, nominating and governance committees, each of which is described below:

Audit Committee. We established a separately designated standing audit committee in accordance with Section 3(a)(58)(A) of the Exchange Act. The roles and responsibilities of the audit committee were set forth in a written charter adopted by the Board of Directors and approved by the audit committee, a copy of which was filed as an Appendix to the proxy statement for our 2007 annual meeting of stockholders. The audit committee was responsible for the engagement of the independent registered public accounting firm, reviewed the scope of the audit to be conducted by the independent registered public accounting firm and met quarterly with the independent registered public accounting firm and our Chief Financial Officer to review matters relating to our financial statements, accounting principles and system of internal accounting controls. The audit committee reported its recommendations as to the approval of our financial statements to the Board of Directors. Because the Common Stock was quoted on the OTC Bulletin Board, we were not subject to the listing requirements of any securities exchange regarding the independence of our directors. However, all audit committee members were independent directors as defined in the listing standards of The NASDAQ Stock Market. The Audit Committee held one meeting during 2010.

The Audit Committee previously consisted of Messrs. Joseph Miller, Raymond Musci and William Sweedler. Mr. Sweedler resigned as a director on March 15, 2010, following which Messrs. Miller and Musci were the only members of the audit committee until it was eliminated on July 30, 2010.

Compensation Committee. The compensation committee was responsible for considering and making recommendations to the Board of Directors regarding executive compensation and was responsible for administering our stock option plan and executive incentive compensation. The Board had not adopted a formal written charter for the compensation committee. The compensation committee consisted of Brent Cohen, Raymond Musci and William Sweedler during 2010. Mr. Sweedler resigned as a director on March 15, 2010, following which Messrs. Cohen and Musci were the only members of the compensation committee until it was eliminated on July 30, 2010. The compensation committee held one meeting during 2010.

Nominating Committee. The nominating committee was responsible for considering and approving nominations for candidates for director, including determining the appropriate qualifications and experience required of such candidates, and related matters. The nominating committee operated pursuant to a written charter adopted by the Board of Directors and approved by the committee, a copy of which was filed as an Appendix to the proxy statement for our 2007 annual meeting of stockholders. The nominating committee consisted of Messrs. Brent Cohen, Joseph Miller and Raymond Musci during 2010 until the committee was eliminated on July 30, 2010. All members of the nominating committee were independent directors as defined in the listing standards of The NASDAQ Stock Market. The nominating committee did not hold any meetings during 2010.

Governance Committee. The governance committee's primary purpose was to review and make recommendations regarding the functioning of the Board of Directors as an entity, recommend corporate governance principles applicable to us and assist the Board of Directors in its reviews of the performance of the Board of Directors and each committee. Messrs. Mark Dyne and Brent Cohen served on the governance committee during 2010 until the committee was eliminated on July 30, 2010. The governance committee did not meet during 2010.

Common Stock Director Nominations

Pursuant to our Stockholders Agreement, a committee of our Board of Directors comprised solely of directors then serving on the Board who were not elected or appointed by holders of Series B Preferred Stock (i.e., the Common Stock Directors), acting by majority vote, shall have the right to designate all of the Board's nominees for director to be elected by holders of the Common Stock. Mark Dyne and Lonnie D. Schnell currently are the Common Stock Directors, and therefore responsible for considering and approving nominations for candidates for Common Stock Director, including determining the appropriate qualifications and experience required of such candidates, and related matters.

In carrying out their function to nominate candidates for election to the Board of Directors, the directors will consider the mix of skills, experience, character, commitment and diversity of background of the Board of Directors at the time of such nominations. The directors believe that each candidate should be an individual who has demonstrated integrity and ethics in such candidate's personal and professional life, has an understanding of elements relevant to the success of a publicly-traded company and has established a record of professional accomplishment in such candidate's chosen field. Each candidate should be prepared to participate fully in Board activities, including attendance at, and active participation in, meetings of the Board of Directors, and not have other personal or professional commitments that would, in the directors' judgment, interfere with or limit such candidate's ability to do so. The directors have no stated specific, minimum qualifications that must be met by a candidate for a position on our Board of Directors.

The directors' methods for identifying candidates for election to the Board of Directors (other than those proposed by our stockholders, as discussed below) include the solicitation of ideas for possible candidates from a number of sources-members of the Board of Directors; our executives; individuals personally known to the members of the Board of Directors; and other research. The committee may also from time to time retain one or more third-party search firms to identify suitable candidates.

A Talon common stockholder may nominate one or more persons for election as a Common Stock Director at an annual meeting of stockholders if the stockholder complies with the notice, information and consent provisions contained in our Bylaws. In addition, the notice must be made in writing and include (i) the qualifications of the proposed nominee to serve on the Board of Directors, (ii) the principal occupations and employment of the proposed nominee during the past five years, (iii) directorships currently held by the proposed nominee and (iv) a statement that the proposed nominee has consented to the nomination. The recommendation should be addressed to our Secretary.