Steel Excel Inc.
Form PRE 14A
April 20, 2012

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

Filed by the Registrant x

Filed by a party other than the Registrant ¨

Check the appropriate box:

x 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 under Rule 14a-12

Steel Excel Inc.
(Name of Registrant as Specified in Its Charter)

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Steel Excel Inc.
2603 Camino Ramon, Suite 200
San Ramon, California 94583

NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS

To our stockholders:

Our 2012 Annual Meeting of Stockholders (the "Annual Meeting") will be held at the Crowne Plaza Redondo Beach, 300 North Harbor Drive, Redondo Beach, California 90277 on Thursday, May 17, 2012 at 9:00 a.m., local time.

At the Annual Meeting, you will be asked to consider and vote upon the following matters:

1. The election of six directors to our Board of Directors, each to serve until our 2013 Annual Meeting of Stockholders and until his successor has been elected and qualified or until his earlier resignation, death or removal. Our Board of Directors intends to present the following nominees for election as directors:

Jack L. Howard	Warren G. Lichtenstein	John Mutch
John J. Quicke	Gary W. Ullman	Robert J. Valentine

2. Approval of an amendment to our Certificate of Incorporation to reduce the number of shares of common stock authorized for issuance from 40,000,000 to 18,000,000.

3. Approval of an amendment to our Certificate of Incorporation to restrict certain transfers of common stock in order to preserve the tax treatment of our net operating losses and other tax benefits.

4. Approval of the Tax Benefits Preservation Plan to help protect the tax treatment of our net operating losses and other tax benefits.

5. An advisory vote to approve compensation of our named executive officers.

6. The ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012.

7. The transaction of any other business that may properly come before the Annual Meeting or any postponement or adjournment of the Annual Meeting.

These items of business are more fully described in the attached Proxy Statement. Only stockholders of record at the close of business on April 13, 2012 are entitled to notice of and to vote at the Annual Meeting or any postponement or adjournment of the Annual Meeting.

By Order of the Board of Directors,

Jack L. Howard
Corporate Secretary

San Ramon, California
, 2012

Whether or not you plan to attend the Annual Meeting, please cast your vote online, by telephone or by completing, dating, signing and promptly returning the enclosed proxy card or voting instruction card in the enclosed postage-paid envelope before the Annual Meeting so that your shares will be represented at the Annual Meeting.

Steel Excel Inc.
2603 Camino Ramon, Suite 200
San Ramon, California 94583

PROXY STATEMENT
For 2012 Annual Meeting of Stockholders

, 2012

The accompanying proxy is solicited on behalf of the Board of Directors ("Board") of Steel Excel Inc., a Delaware corporation (the "Company," "Steel Excel," "we" or "us"), for use at the 2012 Annual Meeting of Stockholders (the "Annual Meeting") to be held at the Crowne Plaza Redondo Beach, 300 North Harbor Drive, Redondo Beach, California 90277 on Thursday, May 17, 2012 at 9:00 a.m., local time. This Proxy Statement and the accompanying form of proxy card / voting instruction card were first mailed to our stockholders on or about , 2012. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 is enclosed with this Proxy Statement (the "Annual Report").

Record Date; Quorum; List of Stockholders of Record

Only holders of record of common stock at the close of business on April 13, 2012 will be entitled to vote at the Annual Meeting. At the close of business on the record date, we had 10,892,036 shares of common stock outstanding and entitled to vote. A majority of the shares outstanding on the record date, represented by proxy or in person, will constitute a quorum for the transaction of business at the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at our executive offices for a period of ten days before the Annual Meeting. Stockholders may examine the list for purposes germane to the Annual Meeting.

Voting Rights; Required Vote

Stockholders are entitled to one vote for each share of common stock held by them as of the record date. Under our bylaws, directors must be elected by a majority of the votes cast in uncontested elections. This means that the number of votes cast "FOR" a director nominee must exceed the number of votes cast "AGAINST" that nominee. Abstentions are not counted as votes "FOR" or "AGAINST" the election of directors. Our Corporate Governance Principles, which are available on our website at www.steelexcel.com under "Investors – Corporate Governance," set forth our procedures for the nomination of an incumbent director in an uncontested election and our policy relating to the resignation of an incumbent director who fails to receive a majority of the votes cast in an uncontested election. Information on our website shall not constitute a part of this Proxy Statement. In contested elections, the standard vote would be a plurality of votes cast. Stockholders do not have the right to cumulate their votes in the election of directors.

Approval of Proposal Nos. 2 and 3, regarding the amendment to our Certificate of Incorporation to reduce the number of authorized shares of common stock and the amendment to our Certificate of Incorporation to restrict certain transfers of common stock in order to preserve the tax treatment of our net operating losses and other tax benefits, respectively, requires the affirmative vote of a majority of our shares of common stock outstanding on the record date.

Approval of Proposal No. 4 regarding our Tax Benefits Preservation Plan adopted to help protect the tax treatment of our net operating losses and other tax benefits, requires the affirmative vote of a majority of the votes cast at the Annual Meeting.

Approval of Proposal Nos. 5 and 6, regarding the advisory vote on the compensation of our named executive officers and ratification of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012, respectively, requires the affirmative vote of a majority of the votes cast at the Annual Meeting in

person or by proxy.

We have been advised that it is the intention of Steel Partners Holdings L.P. (“Steel Holdings”) and its affiliates to vote the shares of our common stock over which they have voting power “FOR” all nominees for director and in favor of all other Proposals described in this Proxy Statement. Steel Holdings and affiliates beneficially own approximately 40% of our outstanding shares of common stock. See the stock ownership table set forth in “Stock Ownership of Principal Stockholders and Management” below for information regarding the ownership of our common stock.

Voting of Proxies

Stockholders that are "beneficial owners" (your Steel Excel shares are held for you in street name, by a bank, broker or other nominee) have three options for submitting their votes before the Annual Meeting, by: (a) Internet, (b) telephone or (c) mailing a completed voting instruction card to the bank, broker or other nominee where your Steel Excel shares are held. If you have Internet access and are a beneficial owner of shares of Steel Excel common stock, you may submit your proxy from any location in the world by following the "Vote by Internet" instructions on the voting instruction card. If you live in the United States or Canada and are a beneficial owner, you may also submit your proxy by telephone by following the "Vote by Telephone" instructions on the voting instruction card. If you received your Annual Meeting materials by mail and do not wish to vote online or by telephone, or if you are a "registered stockholder" (you hold your Steel Excel shares in your own name through our transfer agent, Registrar and Transfer Company, or you are in possession of stock certificates), please complete and properly sign the proxy card (registered holders) or voting instruction card (beneficial owners) you receive and return it in the prepaid envelope provided, and it will be voted in accordance with the specifications made on the proxy card or voting instruction card. If no specification is made on a signed and returned proxy card or voting instruction card, the shares represented by the proxy will be voted "FOR" the election to the Board of each of the six nominees named on the proxy or instruction card, "FOR" the amendment to our Certificate of Incorporation to reduce the number of authorized shares of common stock, "FOR" the amendment to our Certificate of Incorporation to restrict certain transfers of common stock in order to preserve the tax treatment of the Company's net operating losses and other tax benefits, "FOR" the approval of our Tax Benefits Preservation Plan adopted to help protect the tax treatment of our net operating losses and other tax benefits, "FOR" the advisory vote on the approval of the compensation of our named executive officers, and "FOR" ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012 and, if any other matters are properly brought before the Annual Meeting, the proxy will be voted as the Board may recommend. We encourage beneficial owners with Internet access to record your vote on the Internet or, alternatively, to vote by telephone. Internet and telephone voting is convenient, saves on postage and mailing costs and is recorded immediately, minimizing risk that postal delays may cause your vote to arrive late and therefore not be counted. If you attend the Annual Meeting, you also may vote in person, and any previously submitted votes will be superseded by the vote you cast at the Annual Meeting.

Effect of Abstentions and "Broker Non-Votes"

If a registered stockholder indicates on his or her proxy card that the stockholder wishes to abstain from voting, or a beneficial owner instructs its bank, broker or other nominee that the stockholder wishes to abstain from voting, these shares are considered present and entitled to vote at the Annual Meeting. These shares will count toward determining whether or not a quorum is present. Because directors are elected by the majority of the votes cast at the Annual Meeting in uncontested elections and by a plurality of votes cast in contested elections, abstentions will have no effect on the outcome of Proposal No. 1, concerning the election of the six nominees to our Board. Similarly, abstentions will have no effect on Proposal 4, concerning the approval of our Tax Benefits Preservation Plan adopted to help protect the tax benefits associated with our net operating losses and unrealized tax benefits, Proposal No. 5, concerning the non-binding, advisory vote on executive compensation, and Proposal No. 6, concerning the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012. Abstentions will have the effect of votes "AGAINST" Proposal Nos. 2 and 3, concerning the amendments to our Certificate of Incorporation.

If a beneficial owner does not provide his or her broker with instructions as to how to vote the shares ("uninstructed shares"), the broker has authority to vote such uninstructed shares for or against "routine" proposals only. Proposal No. 6, ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012, constitutes a "routine" proposal. Accordingly, a broker may vote uninstructed shares "FOR" or "AGAINST" Proposal No. 6 and such votes will count towards establishing a quorum. Because Proposal Nos. 1,

2, 3, 4 and 5 are non-routine matters, a broker may not vote uninstructed shares with respect to such Proposals; however, such uninstructed shares will be counted towards establishing a quorum. Therefore, we encourage you to sign and return your proxy, with voting instructions, before the meeting so that your shares will be represented and voted at the Annual Meeting even if you cannot attend in person.

The inspector of elections appointed for the Annual Meeting will separately tabulate the relevant affirmative and negative votes, abstentions and broker non-votes (which are votes that could have been provided had the beneficial holder provided voting instructions to its broker) for each proposal.

Adjournment of Annual Meeting

If a quorum is not present to transact business at the Annual Meeting or if we do not receive sufficient votes in favor of the proposals by the date of the Annual Meeting, the persons named as proxies may propose one or more adjournments of the Annual Meeting to permit solicitation of additional proxies. The chairperson of the Annual Meeting shall have the power to adjourn the Annual Meeting. If the Annual Meeting is postponed or adjourned, a stockholder’s proxy may remain valid and may be voted at the postponed or adjourned meeting. A stockholder still will be able to revoke the stockholder’s proxy until it is voted.

Expenses of Soliciting Proxies

Our Board is soliciting the proxy included with this Proxy Statement for use at the Annual Meeting. We will pay the expenses of soliciting proxies for the Annual Meeting. After the mailing of the proxy cards and other soliciting materials, we and/or our agents, including our directors, officers or employees, also may solicit proxies by mail, telephone, facsimile, email or in person. After the mailing of the proxy cards and other soliciting materials, we will request that brokers, custodians, nominees and other record holders of our common stock forward copies of the proxy cards and other soliciting materials to persons for whom they hold shares and request authority for the exercise of proxies. We will reimburse the record holders for their reasonable expenses if they ask us to do so. Our directors, officers and employees will not receive any additional compensation for any soliciting efforts in which they may be engaged.

Revocability of Proxies

Any person signing a proxy card or voting instruction card in the form accompanying this Proxy Statement has the power to revoke it at any time before it is voted. A proxy may be revoked by signing and returning a proxy card or voting instruction card with a later date, by delivering a written notice of revocation to Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016, that the proxy is revoked or by attending the Annual Meeting and voting in person. The mere presence at the Annual Meeting of a stockholder who has previously appointed a proxy will not revoke the appointment. Please note, however, that if a stockholder has instructed a broker, bank or nominee to vote his, her or its shares of Steel Excel common stock, the stockholder must follow the directions received from the broker, bank or nominee to change his, her or its instructions. In the event of multiple online or telephone votes by a stockholder, each vote will supersede the previous vote and the last vote cast will be deemed to be the final vote of the stockholder, unless such vote is revoked in person at the Annual Meeting according to the revocability instructions outlined above.

Electronic Delivery of Stockholder Communications

If you received your Annual Meeting materials by mail, we encourage you to help us conserve natural resources, as well as significantly reduce printing and mailing costs, by signing up to receive your stockholder communications electronically via email. With electronic delivery, you would be notified in the future via email as soon as the Annual Report and Proxy Statement are available on the Internet, and you can easily submit your vote online. Electronic delivery also can eliminate duplicate mailings and reduce the amount of bulky paper documents you maintain in your personal files. To sign up for electronic delivery:

Registered Owner: follow the instructions on the proxy card enclosed with your Annual Meeting materials to enroll.

Beneficial Owner: visit www.icsdelivery.com to enroll.

Your electronic delivery enrollment will be effective until you cancel it. If you have questions about electronic delivery, please email them to our Investor Relations at investor_relations@steelexcel.com.

Delivery of Voting Materials to Stockholders Sharing an Address

To reduce the expense of delivering duplicate voting materials to stockholders who may have more than one Steel Excel stock account, we have adopted a procedure approved by the Securities and Exchange Commission (“SEC”) called “householding.” Under this procedure, certain stockholders of record who have the same address and last name and do not participate in electronic delivery of Annual Meeting materials will receive only one copy of the Annual Meeting materials and any additional proxy soliciting materials sent to stockholders until such time as one or more of these stockholders notifies us that they wish to continue receiving individual copies. This procedure will reduce duplicate mailings and save printing costs and postage fees, as well as conserve natural resources. Stockholders who participate in householding will continue to receive separate proxy cards or voting instruction cards.

How to Obtain a Separate Set of Voting Materials

If you received a householded mailing this year and you would like to have additional copies of the Annual Meeting materials mailed to you, please submit your request to Steel Excel Inc., 2603 Camino Ramon, Suite 200, San Ramon, California 94583, Attn: Investor Relations, or you may email Investor Relations at investor_relations@steelexcel.com. You may also contact us at this address or phone number above if you received multiple copies of the Annual Meeting materials and would prefer to receive a single copy in the future, or if you would like to opt out of householding for future mailings.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 17, 2012.

This Proxy Statement, the form of proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 are available on our website at www.steelexcel.com under “Investors – Proxy Materials.”

Available Information

Steel Excel will mail without charge, upon written request, a copy of Steel Excel’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, including the financial statements, schedule and list of exhibits, and any exhibit specifically requested. Requests should be sent to:

Steel Excel Inc.
Attn: Investor Relations
2603 Camino Ramon, Suite 200
San Ramon, California 94583

FORWARD-LOOKING STATEMENTS

This Proxy Statement contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements may be identified by their use of such words as “expects,” “anticipates,” “intends,” “hopes,” “believes,” “could,” “may,” “will,” “projects” and “estimates,” and other expressions, but these words are not the exclusive means of identifying such statements. We caution that a variety of factors, including but not limited to the following, could cause our results to differ materially from those expressed or implied in our forward-looking statements: our ability to deploy our capital in a manner that maximizes stockholder value; the ability to identify suitable acquisition candidates or business and investment opportunities; the inability to realize the benefits of our net operating losses; the possibility of being deemed an investment company under the Investment Company Act of 1940, as amended, which may make it difficult for us to complete future business combinations or acquisitions; the potential need to record impairment charges for marketable securities based on current market conditions; the ability to consolidate and manage our newly acquired businesses; fluctuations in demand for our services; operating risks inherent in the oilfield services industry; environmental and other health and safety laws and regulations, including those relating to climate change; general economic conditions; our expected liquidity in future periods and other risks detailed from time to time in filings we make with the SEC, including our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q. Except as required by law, we assume no obligation to update any forward-looking information that is included in this Proxy Statement.

PROPOSAL NO. 1—ELECTION OF DIRECTORS

Our Board currently consists of Jon S. Castor, Jack L. Howard, Warren G. Lichtenstein, John Mutch, John J. Quicke and Gary W. Ullman. Each of our current directors, other than Mr. Castor, will stand for re-election at the Annual Meeting. Mr. Castor will no longer serve as a director following the Annual Meeting. The Board, upon the recommendation of the Governance and Nominating Committee, nominated Robert J. Valentine for election to our Board to fill a vacancy. Each of the nominees has agreed to serve as a director if elected. All of our current directors were previously elected by our stockholders except for Mr. Ullman, who was elected by our Board to fill a vacancy. Your proxy will be voted for the election of each of these six nominees unless you indicate otherwise on your proxy card.

Proxies cannot be voted for a greater number of persons than the number of nominees named. If any nominee for any reason is unable to serve, or for good cause will not serve, the proxies may be voted for such substitute nominee as the proxy holder may determine. We are not aware of any nominee who will be unable to, or for good cause will not, serve as a director. The term of office of each person elected as a director will continue until the next annual meeting of our stockholders or until his successor has been elected and qualified.

Directors/Nominees

The names and ages of the nominees for election to our Board and their respective positions with the Company as of the date of this Proxy Statement are set forth below. Additional biographical information concerning each of these nominees, including their principal occupations, follows the table.

Name	Age	Position With The Company	Director Since
John J. Quicke	62	Interim President and Chief Executive Officer of Steel Excel; Director of Steel Excel	2007
Jack L. Howard (2)(3)	50	Director of Steel Excel; Secretary of Steel Excel	2007
Warren G. Lichtenstein (3)	46	Director of Steel Excel; President of Steel Sports Inc.	2010
John Mutch (1)(3)(4)	55	Director of Steel Excel	2007
Gary W. Ullman (1)(2)(4)	70	Director of Steel Excel	2011
Robert J. Valentine	62	—	—

(1) Member of the Audit Committee of the Board (“Audit Committee”).

(2) Member of the Compensation Committee of the Board (“Compensation Committee”).

(3) Member of the Governance and Nominating Committee of the Board (“Governance and Nominating Committee”).

(4) Member of Special Committee of the Board (“Special Committee”)

John J. Quicke has served as a member of our Board since 2007 and as our Interim President and Chief Executive Officer since January 2010. Mr. Quicke is a is a Managing Director and operating partner of Steel Partners LLC, a subsidiary of Steel Holdings, a global diversified holding company that engages in multiple businesses through consolidated subsidiaries, associated companies and other interests and has significant interests in leading companies

in various industries, including diversified industrial products, energy, defense, banking, insurance, food products and services, oilfield services, sports, training, education, and the entertainment and lifestyle industries. Mr. Quicke has been associated with Steel Partners LLC and its affiliates since September 2005. Mr. Quicke has served as a director, President and Chief Executive Officer of DGT Holdings Corp. ("DGT"), a company primarily engaged in the design, manufacture and marketing of medical and dental imaging systems, since September 2009. He has also served as the Chief Executive Officer of Sun Well Service, Inc., a provider of premium well services to oil and gas exploration and production companies operating in the Williston Basin in North Dakota and Montana, since February 2011. He has served as a director of Rowan Companies, Inc., an offshore contract drilling company, since January 2009. Mr. Quicke served as a director of Angelica Corporation, a provider of health care linen management services, from August 2006 to July 2008. He served as a director of Layne Christensen Company, a provider of products and services for the water, mineral, construction and energy markets, from October 2006 to June 2007. Mr. Quicke served as a director of Handy & Harman Ltd. ("HNH"), a diversified manufacturer of engineered niche industrial products, from July 2005 to December 2010. Mr. Quicke continues to serve as a Vice President of HNH, a position he has held since October 2005. Mr. Quicke served as a director, President and Chief Operating Officer of Sequa Corporation, a diversified industrial company, from 1993 to March 2004, and Vice Chairman and Executive Officer of Sequa from March 2004 to March 2005. As Vice Chairman and Executive Officer of Sequa, he was responsible for the Automotive, Metal Coating, Specialty Chemicals, Industrial Machinery and Other Product operating segments of the company.

The Board has determined that Mr. Quicke's extensive experience, including board service on eight public companies over 15 years, over 20 years of significant operating experience (in each case including participation in acquisition and disposition transactions), as well as his financial and accounting expertise, allow him to effectively lead the management of the Company, including the planned redeployment of capital and acquisition strategy of the Company.

Jack L. Howard has served as a member of our Board since 2007. Mr. Howard has been a registered principal of Mutual Securities, Inc., a FINRA registered broker-dealer, since 1989. Mr. Howard has served as the President of Steel Partners Holdings GP Inc. ("Steel Holdings GP"), the general partner of Steel Holdings, since July 2009 and has served as a director of Steel Holdings GP since October 2011. He also served as the Assistant Secretary of Steel Holdings GP from July 2009 to September 2011 and as Secretary from September 2011 to January 2012. He is the President of Steel Partners LLC and has been associated with Steel Partners LLC and its affiliates since 1993. Mr. Howard co-founded Steel Partners II, L.P. ("SPII") in 1993, a private investment partnership that is now a wholly-owned subsidiary of Steel Holdings. He has served as a director of HNH since July 2005. He has served as a director of DGT since September 2011. Mr. Howard served as Chairman of the Board of WebFinancial Corporation ("WebFinancial"), the predecessor entity of Steel Holdings, from June 2005 to December 2008, as a director from 1996 to December 2008 and its Vice President from 1997 to December 2008. From 1997 to May 2000, he also served as Secretary, Treasurer and Chief Financial Officer of WebFinancial. Mr. Howard served as a director of SP Acquisition Holdings, Inc. ("SPAH"), a company formed for the purpose of acquiring one or more businesses or assets from February 2007 until June 2007, and was Vice-Chairman from February 2007 until August 2007. He also served as Chief Operating Officer and Secretary of SPAH from June 2007 and February 2007, respectively, until October 2009. He currently holds the securities licenses of Series 7, Series 24, Series 55 and Series 63.

The Board has determined that Mr. Howard's managerial and investing experience in a broad range of businesses over the past 26 years, service on the boards of directors and committees of both public and private companies, enable him to assist in the effective management of the Company, including the planned redeployment of capital and acquisition strategy of the Company.

Warren G. Lichtenstein has served as a member of our Board since 2010 and as our Chairman of the Board since May 2011. Mr. Lichtenstein is the President of our wholly-owned subsidiary Steel Sports, Inc. Mr. Lichtenstein has served as the Chairman and Chief Executive Officer of Steel Holdings GP since July 2009. Mr. Lichtenstein is also the Chairman and Chief Executive Officer of Steel Partners LLC and has been associated with Steel Partners LLC and its affiliates since 1990. He is a Co-Founder of Steel Partners Japan Strategic Fund (Offshore), L.P., a private investment partnership investing in Japan, and Steel Partners China Access I LP, a private equity partnership investing in China. He also co-founded SPII. Mr. Lichtenstein has served as a director of GenCorp Inc., a manufacturer of aerospace and defense products and systems with a real estate business segment, since March 2008. Mr. Lichtenstein also served as the Chairman of the Board, President and Chief Executive Officer of SPAH from February 2007 until October 2009. He has served as a director of HNH since July 2005. He has served as a director of SL Industries, Inc. ("SL Industries"), a company that designs, manufactures and markets power electronics, motion control, power protection, power quality electromagnetic and specialized communication equipment, since March 2010. He previously served as a director (formerly Chairman of the Board) of SL Industries from January 2002 to May 2008 and served as Chief Executive Officer from February 2002 to August 2005. He served as a director of WebFinancial from 1996 to June 2005, as Chairman and Chief Executive Officer from December 1997 to June 2005 and as President from December 1997 to December 2003. From May 2001 to November 2007, Mr. Lichtenstein served as a director (formerly Chairman of the Board) of United Industrial Corporation, a company principally focused on the design, production and support of defense systems, which was acquired by Textron Inc. He served as a director of KT&G Corporation, South Korea's largest tobacco company, from March 2006 to March 2008. Mr. Lichtenstein served as a director of Layne Christensen Company, a provider of products and services for the water, mineral, construction and energy markets, from January 2004 to October 2006.

The Board has determined that Mr. Lichtenstein's extensive experience in corporate finance, executive management and his service as a director and advisor to a diverse group of public companies enable him to assist in the management of the Company, including the planned redeployment of capital and acquisition strategy of the Company.

John Mutch has served as a member of our Board since 2007. Mr. Mutch has been the President and Chief Executive Officer of BeyondTrust Software, a privately held security software company focused on privilege identity management solutions sold into the Global 2000 IT infrastructure market, since October 2008. In addition, Mr. Mutch is the founder and managing partner of MV Advisors LLC, a strategic block investment firm which provides focused investment and strategic guidance to small and mid-cap technology companies, since December 2005. Prior to founding MV Advisors, in March 2003, Mr. Mutch was appointed by the U.S. Bankruptcy court to the Board of Peregrine Systems. He assisted that company in a bankruptcy work out proceeding and was named President and Chief Executive Officer in July 2003. Mr. Mutch ran Peregrine Systems operating the company under an SEC consent decree and successfully restructured the company culminating in a sale to Hewlett-Packard Company in December 2005. Previous to running Peregrine Systems, Mr. Mutch served as President, Chief Executive Officer and a director of HNC Software, an enterprise analytics software provider. Before HNC Software, Mr. Mutch spent seven years at Microsoft Corporation in a variety of executive sales and marketing positions. Mr. Mutch previously served on the boards of Phoenix Technology, Edgar Online, Aspyra, Overland Storage and Brio Software. He is currently a director at Agilysys, Inc., a provider of information technology solutions, since March 2009.

The Board has determined that Mr. Mutch's extensive experience in restructuring and building public technology companies enable him to assist in the effective management of the Company, including the planned redeployment of capital and acquisition strategy of the Company.

Gary W. Ullman has served as a member of our Board since 2011. Mr. Ullman is the Chief Executive Officer of Connies Naturals, a corporation that delivers pre-made food products to sports stadiums, theme parks and the military, and he has served in such capacity since 2003. He was also the Chief Executive Officer of the Intrapac Group, a producer of specialty packaging for the personal care and pharmaceutical industries, from 2003 until its sale in December 2011. From 1998 through 2003, Mr. Ullman served as President and Chief Executive Officer of Unitron Industries Ltd., a designer, manufacturer and distributor of hearing aids. From 1997 to 1998, Mr. Ullman was Chief Executive Officer of Fluid Packaging Co Inc., a contract manufacturer of pharmaceuticals and beauty products. Prior to 1996, Mr. Ullman served for 26 years in executive capacities, including President and Chief Executive Officer, of CCL Industries, Inc. and its affiliated entities. CCL Industries, Inc. is a manufacturer of consumer products, containers and labels.

The Board has determined that Mr. Ullman's extensive executive experience, including the financial and accounting knowledge he gained during such service, as well as his turnaround experience, enable him to assist in the management of the Company, including the planned redeployment of capital and acquisition strategy of the Company.

Robert J. Valentine has been the manager of the Boston Red Sox since December 2011. Prior to that, he was an analyst for the Entertainment and Sports Programming Network (ESPN), a global cable television network focusing on sports-related programming, since 2009. Mr. Valentine previously managed the Chiba Lotte Marines, a professional Japanese baseball team, from 2004 to 2009, the New York Mets from 1996 to 2002 and the Texas Rangers from 1985 to 1992. He is also the owner of a chain of restaurants.

The Board has determined that Mr. Valentine's sports experience will enable him, if elected, to contribute to the development of the Company's sports related business.

Board Leadership Structure and Role in Risk Oversight

Our Board believes that it is in the best interests of the Company to separate the roles of Chairman and Interim Chief Executive Officer. The Board believes that freeing our Interim Chief Executive Officer from this responsibility allows him to focus on the operations of our Company, while our Chairman is enabled to focus on the larger strategic interests of the Company.

Among the responsibilities that our Corporate Governance Principles place upon our Board is the oversight of the conduct of our business to evaluate whether it is being properly managed. Within this responsibility is the obligation to oversee risk management. The involvement of the full Board in setting the Company's business strategy and objectives is integral to the Board's assessment of our risk and also a determination of what constitutes an appropriate level of risk and how best to manage any such risk. The Board fulfills this responsibility by its regular updates from management, including our Interim President and Chief Executive Officer and our Chief Financial Officer. Additionally, the Board delegates responsibility for certain aspects of risk management to its committees. In particular, the Audit Committee focuses on financial reporting risks and related controls and procedures. The Compensation Committee strives to create compensation practices that do not encourage excessive levels of risk taking that would be inconsistent with the Company's strategy and objectives. The Governance and Nominating Committee is responsible for overseeing the Company's corporate governance and corporate governance principles.

Director Independence

Prior to September 6, 2011, our Board was composed of Jon S. Castor, Jack L. Howard, Warren G. Lichtenstein, John Mutch, John J. Quicke and Lawrence J. Ruisi. On September 6, 2011, Mr. Ruisi resigned as a director. To fill the newly created vacancy, effective October 10, 2011, the Board, upon the recommendation of the Governance and Nominating Committee, appointed Gary W. Ullman to serve on the Board.

As of the date of this Proxy Statement, our common stock is not listed on any exchange and we are not currently subject to corporate governance standards of listed companies, which require, among other things, that the majority of our Board be independent. While we are not currently subject to corporate governance standards relating to the independence of our directors, we choose to define an "independent" director in accordance with the rules of the NASDAQ Stock Market (the "NASDAQ Market"), which include a series of objective tests, such as that a director may not be our employee or interim officer, and that the director has not engaged in various types of business dealings with us. Of our current directors, Messrs. Castor, Mutch and Ullman qualify as "independent" in accordance with the rules of the NASDAQ Market and Messrs. Howard and Lichtenstein qualified as "independent" for a portion of fiscal 2011. Mr. Lichtenstein ceased to be "independent" on May 25, 2011 upon his appointment as the President of our subsidiary, Steel Sports Inc. Mr. Howard ceased to be "independent" on October 1, 2011, when we entered into a management services agreement with SP Corporate Services LLC ("SP Corporate"), which transaction is described under "Transactions with Related Persons – Certain Related Person Transactions" below, due to his position as the President of SP Corporate. Mr. Valentine, a nominee to our Board, will qualify as "independent" in accordance with the rules of the NASDAQ Market, if elected as our director.

Meetings of the Board

During fiscal 2011, the Board met twelve times. Each director attended over 75% of the aggregate number of meetings of the Board and the meetings held by committees of the Board during the period such director served on the Board or applicable committee during fiscal 2011.

Committees of the Board

Standing committees of the Board consist of the Audit Committee, Compensation Committee and Governance and Nominating Committee. Each of the Audit Committee, Compensation Committee and Governance and Nominating Committee operates under a written charter approved by the Board, all of which are available on our website at www.steelexcel.com. Each of these charters also is available in print to any stockholder upon request. A special committee of the Board is also presently in existence to consider a proposed transaction.

We strongly encourage directors to attend our annual meetings of stockholders. The Board endeavors to hold its Board and committee meetings on the same day as the annual meeting of stockholders to encourage director attendance. Each of our directors then serving on our Board, other than Mr. Lichtenstein, attended our fiscal 2011 Annual Meeting of Stockholders held on May 25, 2011.

Audit Committee. The members of our Audit Committee are John Mutch (Chair), Jon S. Castor and Gary W. Ullman. Each of the members of our Audit Committee is "independent" as defined by the rules of the NASDAQ Market and meet the financial literacy requirements of the NASDAQ Market. Our Board has determined that each of Messrs. Mutch and Ullman qualifies as an "audit committee financial expert," under applicable SEC rules and meets the NASDAQ Market financial sophistication requirement of having past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in each such director's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Stockholders should understand that this designation is a disclosure requirement of the SEC related to the experience and understanding of each of Messrs. Mutch and Ullman with respect to certain accounting and auditing matters. The designation of "audit committee financial expert" does not impose upon Messrs. Mutch or Ullman any duties, obligations or liabilities that are greater than are generally imposed on any such director as a member of the Audit Committee and the Board, and each such director's designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liabilities of the other members of our Audit Committee or the Board.

During fiscal 2011, Mr. Ruisi served on our Audit Committee until his resignation from the Board on September 6, 2011. Mr. Ullman was subsequently appointed to the Audit Committee on November 17, 2011. Mr. Ruisi had previously been determined to be independent as defined by the rules of the NASDAQ Market and meet the financial literacy requirements of the NASDAQ Market.

The Audit Committee met ten times during fiscal 2011. The Audit Committee assists the full Board in its general oversight of our financial reporting, internal controls and audit functions, and is directly responsible for the appointment, compensation and retention of our independent registered public accounting firm, which reports to the Audit Committee. In addition, any related-person transactions, excluding compensation (whether cash, equity or otherwise) involving one of our directors or executive officers, which is delegated to the Compensation Committee, must be reviewed and approved by the Audit Committee or another independent body of the Board.

Compensation Committee. The members of our Compensation Committee are Jon S. Castor (Chair), Jack L. Howard and Gary W. Ullman. Each of Mr. Castor and Mr. Ullman is "independent" as defined by the rules of the NASDAQ Market. Mr. Ullman was appointed to our Compensation Committee on November 17, 2011 and Mr. Mutch rotated

off the Compensation Committee on such date. Mr. Howard is not "independent" as defined by the rules of the NASDAQ Market.

The Compensation Committee ensures that our executive compensation and benefits program is consistent with our compensation philosophy and our corporate governance guidelines and is empowered to determine executive officers' total compensation, and, subject to the approval of the Board, to determine our Interim Chief Executive Officer's total compensation.

The Compensation Committee reviews our overall compensation strategy at least annually to ensure that it promotes stockholder interests, supports our strategic and tactical objectives and provides for appropriate rewards and incentives for our executive officers.

The Compensation Committee met five times during fiscal 2011. Typically, our Chief Executive Officer and Chief Financial Officer attend all appropriate portions of Compensation Committee meetings. For more information, see "Executive Compensation—Compensation Discussion and Analysis" below.

Governance and Nominating Committee. The current members of our Governance and Nominating Committee are Jack L. Howard (Chair), John Mutch and Warren G. Lichtenstein. Mr. Mutch is "independent" as defined by the rules of the NASDAQ Market. During fiscal 2011, Mr. Ruisi served on our Governance and Nominating Committee until his resignation from the Board on September 6, 2011. On November 17, 2011, Mr. Lichtenstein was appointed to such committee. The Board had previously determined Mr. Ruisi to be "independent" as defined by the rules of the NASDAQ Market. Messrs. Howard and Lichtenstein are not "independent" as defined by the rules of the NASDAQ Market.

The Governance and Nominating Committee is responsible for reviewing the qualifications of potential candidates for membership on our Board and recommending such candidates to the full Board. In addition, the Governance and Nominating Committee makes recommendations regarding the structure and composition of our Board and advises and makes recommendations to the full Board on matters concerning corporate governance. In addition, the Governance and Nominating Committee determines, on an annual basis, which members of our Board meet the definition of "independent" as defined in the rules of the NASDAQ Market, and reviews and discusses any relationships with a director that would potentially interfere with his or her exercise of independent judgment in carrying out the responsibilities of a director. The Governance and Nominating Committee met three times during fiscal 2011.

Special Committee. The Special Committee was formed to consider and negotiate our potential acquisition of BNS Holding Inc. ("BNS"). BNS is a holding company whose operating subsidiary is Sun Well Service, Inc., a provider of premium well services to oil and gas exploration and production companies operating in the Williston Basin in North Dakota and Montana. The Special Committee was appointed to consider and negotiate this transaction due to Steel Holdings approximate 85% ownership in BNS, and other interests of our officers and directors. For further information regarding this proposed transaction and certain affiliated party interests, see "Transactions with Related Parties – Potential Acquisition of BNS Holdings, Inc." on page 42. The members of our Special Committee are Gary W. Ullman (Chair), Jon Mutch and Jon S. Castor. Each of the members of the Special Committee is "independent" as defined by the rules of the NASDAQ Market.

Consideration of Director Nominees; New Nominees for Director

Director Qualifications. The goal of the Governance and Nominating Committee is to identify nominees who will contribute to our overall corporate goals and objectives. In making such evaluation, the Governance and Nominating Committee considers a nominee's character, judgment, business experience, personal and professional background, areas of expertise and contribution to diversity of the Board in light of its then-current composition and the Governance and Nominating Committee's assessment of the perceived needs of the Board. The Governance and Nominating Committee considers the qualifications of each potential nominee not only for their individual strengths, but also for the potential contribution to the Board as a group. In addition, the Governance and Nominating Committee considers the level of the candidate's commitment to active participation as a director, both at board and committee meetings and otherwise. The Governance and Nominating Committee does not use different standards to evaluate nominees depending on whether they are proposed by our directors and management or by our stockholders. When appropriate, the Governance and Nominating Committee may retain executive recruitment firms to assist it in identifying suitable candidates. After its evaluation of potential nominees, the Governance and Nominating

Committee submits its chosen nominees to the Board for approval.

New Nominees for Director. The Governance and Nominating Committee has, in the past, utilized the services of an executive recruitment firm to assist it in identifying suitable candidates to join our Board. Mr. Valentine was recommended as a nominee to our Governance and Nominating Committee by two non-executive directors.

Stockholder Nominees. The Governance and Nominating Committee will consider stockholder recommendations for director candidates. If a stockholder would like to recommend a director candidate for the 2013 Annual Meeting of Stockholders, the stockholder must deliver the recommendation to our Corporate Secretary at our principal executive offices no later than 75 days prior to and no earlier than 105 days prior to May 17, 2013, the date that is the one year anniversary of the 2012 Annual Meeting (the deadline for nominations for the 2013 Annual Meeting of Stockholders is between February 1, 2013 and March 3, 2013). Notwithstanding the foregoing, if the 2013 Annual Meeting of Stockholders occurs on a date more than 30 days earlier or 60 days after the date that is the one year anniversary of the 2012 Annual Meeting, then notice by the stockholder to be timely for the 2013 Annual Meeting must be delivered no later than 75 days prior to and no earlier than 105 days prior to the actual date of 2013 Annual Meeting of Stockholders, or 10 days following the day on which public announcement (in a filing under the Exchange Act or by press release) of the date of the 2013 Annual Meeting of Stockholders is first made by our Board.

Recommendations for candidates should be accompanied by personal information about the candidate, including a list of the candidate's references, the candidate's resume or curriculum vitae and the other information that would be required in the stockholder notice required by Section 1.12 of our bylaws. A stockholder recommending a candidate may be asked to submit additional information as determined by the Governance and Nominating Committee and as necessary to satisfy the rules of the SEC or the NASDAQ Market. If a stockholder's recommendation is received within the time period set forth above and the stockholder has met the criteria set forth above, the Governance and Nominating Committee will evaluate such candidate, along with the other candidates being evaluated by the Governance and Nominating Committee, in accordance with the committee's charter and corporate governance principles, and will apply the criteria described under "Consideration of Director Nominees; New Nominees for Director—Director Qualifications" above.

There have been no changes to the procedures by which our security holders may recommend nominees to our Board since the filing of our Definitive Proxy Statement on April 22, 2011 for our 2011 annual meeting of stockholders, which was held on May 25, 2011.

Communication with the Board

You may contact the Board by sending an email to directors@steelexcel.com or by mail to Board of Directors, c/o Investor Relations, Steel Excel Inc., 2603 Camino Ramon, Suite 200, San Ramon, California 94583. An employee will forward these emails and letters directly to the Board. We reserve the right not to forward to the Board any abusive, threatening or otherwise inappropriate materials.

Corporate Governance Guidelines

The Board serves as our ultimate decision-making body, except with respect to matters reserved for the decision of our stockholders. The Board has adopted Corporate Governance Principles to assist in the performance of its responsibilities. These principles are available on our website at www.steelexcel.com under the tab "Investors—Corporate Governance."

Code of Conduct

We maintain a Code of Business Conduct, Ethics, and Compliance, which incorporates our code of ethics that is applicable to all employees, including all officers, and our independent directors with regard to their Steel Excel-related activities. The Code of Business Conduct, Ethics, and Compliance incorporates our guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. It also incorporates our expectations of our employees that enable us to provide accurate and timely disclosure in our filings with the SEC, and other public communications. In addition, it incorporates our guidelines pertaining to topics such as non-discrimination; fair competition and conflicts of interest. The full text of the Code of Business Conduct, Ethics, and Compliance is published on our website under "Investors – Corporate Governance" at www.steelexcel.com. We will post any amendments to the Code of Business Conduct, Ethics, and Compliance, as well as any waivers that are required to be disclosed by the rules of the SEC on our website.

Majority Voting and Director Resignation Policy

In May 2009, our Board amended our bylaws to provide for a majority voting standard for the election of directors in uncontested elections and added a director resignation policy in our Corporate Governance Principles. In accordance with our Corporate Governance Principles, in an uncontested election, our Board will not nominate an incumbent director for re-election as a director unless, prior to such nomination, the incumbent has submitted a resignation as a director, which resignation will be effective upon the earlier of (i) the Boards' acceptance of the director's resignation

following the director's failure to receive a sufficient number of votes for re-election at any meeting of the stockholders of the Company at which the director's seat on the Board is subject to election or (ii) the 90th day after certification of the election results evidencing such failure to be re-elected. Prior to the effectiveness of such resignation, the Board may reject such resignation and permit the director to withdraw such resignation.

Under our Corporate Governance Principles, if an incumbent director fails to receive the required vote for re-election, the Governance and Nominating Committee will act on an expedited basis to determine whether to accept or reject the director's resignation and will submit such recommendation for prompt consideration by the Board. Thereafter, the Board will decide to accept or reject such resignation and publicly disclose its decision within 90 days from the date of certification of the election results. If the Board decides to reject the resignation, it will permit the director to withdraw the resignation prior to its effectiveness. The Governance and Nominating Committee and the Board may consider any factors they deem relevant in deciding whether to accept or reject a director's resignation. The Board expects a director whose resignation is under consideration to abstain from participating in any decision regarding the resignation.

Required Vote and Board Recommendation

In uncontested elections, directors will be elected by a majority of the votes cast at the meeting, at which a quorum is present either in person or by proxy. This means that the number of votes cast “FOR” a director nominee must exceed the number of votes cast “AGAINST” that nominee. In contested elections (an election in which the number of nominees for election as director is greater than the number of directors to be elected), the vote standard would be a plurality of votes cast. Stockholders do not have the right to cumulate their votes in the election of directors.

If you hold your shares in your own name and indicate that you wish to abstain from voting on this matter, your abstention will be counted as present for purposes of determining if a quorum is present. If you hold your shares through a broker and you do not instruct the broker on how to vote on this proposal, as is discussed above, your broker will not have the authority to vote your shares with respect to the election of directors to our Board. Such abstentions and broker non votes will have no effect on the outcome of the election of directors to our Board, but such shares will be counted for purposes of establishing a quorum.

THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF EACH NOMINEE.

PROPOSAL NO. 2—APPROVAL OF AMENDMENT TO THE STEEL EXCEL INC. CERTIFICATE OF INCORPORATION TO REDUCE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

Our board of directors has adopted, subject to stockholder approval, an amendment to our Certificate of Incorporation to decrease the number of authorized shares of our common stock, $0.001 par value per share, from 40,000,000 shares to 18,000,000 shares. The primary purpose of this action is to reduce our Delaware franchise tax liability. Adoption of the proposed amendment would not affect the rights of the holders of our currently outstanding common stock. As of April 13, 2012, 10,892,036 shares of our common stock were issued and outstanding.

As a Delaware corporation, we are required to pay Delaware franchise tax. Delaware franchise tax is calculated using a company's number of authorized shares of common stock as part of the calculation. Our Certificate of Incorporation currently authorizes the issuance of up to 40,000,000 shares of our common stock. In order to reduce our Delaware franchise tax liability, our Board has determined that it is in our and our stockholders' best interests to amend our Certificate of Incorporation to decrease the number of authorized shares of our common stock from 40,000,000 shares to 18,000,000 shares. If our authorized shares of common stock were set at 18,000,000 shares in fiscal 2011, we would have lowered our Delaware franchise tax liability in fiscal 2011 by approximately $37,400. Subject to changes in the franchise tax rates by Delaware, we believe this proposed amendment to our Certificate of Incorporation will result in similar annual Delaware franchise tax savings in the future.

If our stockholders approve this proposal, the decrease in the number of authorized shares of common stock would become effective upon the filing of a Certificate of Amendment to our Certificate of Incorporation with the Secretary of State of the State of Delaware, which we would expect to do as soon as practicable following stockholder approval. The proposed form of such Certificate of Amendment can be found in the accompanying Appendix I.

Our Board believes that it is prudent to decrease the authorized number of shares of our common stock from 40,000,000 shares to 18,000,000 shares in order to reduce our Delaware tax liability while maintaining an adequate reserve of authorized but unissued shares to save time and money in responding to future events requiring the issuance of additional shares of our common stock. Following the reduction in the number of authorized shares of common stock, all authorized but unissued shares of our common stock will still be available for issuance from time to time for any proper purpose approved by our Board, such as to raise capital or effect acquisitions, as well as to continue to attract and retain talented directors, officers, employees and consultants through the grant of stock options, restricted stock units and other stock-based incentives. As of December 31, 2011, approximately 2.7 million shares were reserved for issuance under our equity compensation plans, of which 111,455 shares were reserved for issuance upon exercise of outstanding options to purchase shares of common stock and other stock-based awards and approximately 2.6 million shares were reserved and available for future grants. For more information, see "Executive Compensation—Equity Compensation Plan Information" below.

Required Vote

The affirmative vote of a majority of our shares of common stock outstanding on the record date is required to approve this proposal. If you hold your shares in your own name and indicate that you wish to abstain from voting on this matter, your shares will be counted as present for purposes of determining the presence of a quorum and your abstention will have the same effect as a vote against this proposal. If you hold your shares through a broker and you do not instruct the broker on how to vote on this proposal, your broker will not have the authority to vote your shares. Broker non-votes will be counted as present for purposes of determining the presence of a quorum and will have the same effect as a vote against this proposal.

THE BOARD RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT TO REDUCE THE

NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

BACKGROUND TO PROPOSALS THREE AND FOUR

Our previous business operations generated significant net operating losses and other tax benefits (collectively, "NOLs"). Under federal tax laws, we generally can use our NOLs and certain related tax credits to reduce ordinary income tax paid in our prior two tax years or on our future taxable income for up to 20 years, when they "expire" for such purposes. Until they expire, we can "carry forward" NOLs and certain related tax credits that we do not use in any particular year to offset taxable income in future years.

As of the date of this Proxy Statement, we estimate that we have approximately $58.9 million of net deferred tax assets related to our NOLs that we have generated but not yet realized for federal tax purposes. While we cannot estimate the exact amount of NOLs that we can use to reduce future income tax liability because we cannot predict the amount and timing of our future taxable income, we believe our NOLs are a very valuable asset.

The benefits of our NOLs would be reduced, and our use of the NOLs would be substantially delayed if we experience an "ownership change," as determined under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). Under Section 382, an "ownership change" occurs if, over a rolling three-year period, there has been an aggregate increase of 50 percentage points or more in the percentage of our common stock owned by one or more of our "5-percent stockholders" (as determined under the rules of Section 382 of the Code and the regulations and guidance thereunder).

If an ownership change were to occur, the limitations imposed by Section 382 could result in a material amount of our NOLs expiring unused. This would significantly impair the value of our NOLs. While the complexity of Section 382's provisions and the limited knowledge any public company has about the ownership of its publicly traded stock make it difficult to determine whether an ownership change has occurred, we currently believe that an ownership change has not occurred. However, if no action is taken, we believe it is possible that we could experience an ownership change.

After careful consideration, the Board determined that the most effective way to preserve the benefits of our NOLs for long-term stockholder value is to adopt both the Protective Amendment to the Steel Excel Inc. Certificate of Incorporation (the "Protective Amendment") and the Steel Excel Inc. Tax Benefits Preservation Plan (the "Plan"). The Protective Amendment, which is designed to block transfers of our common stock that could result in an ownership change, is described below under Proposal Three, and its full terms can be found in the accompanying Appendix II. The Plan, which is to deter transfers of our common stock that could result in an ownership change, is described below under Proposal Four, and its full terms can be found in the accompanying Appendix III.

The Board urges stockholders to carefully read each proposal, the items discussed below under the heading "Certain Considerations Related to the Protective Amendment and the Plan" and the full terms of the Protective Amendment and the Plan. Our Board unanimously adopted both measures, but the Protective Amendment requires stockholder adoption to be put into effect, and the Plan requires stockholder approval to remain effective after we hold the Annual Meeting.

It is important to note that neither measure offers a complete solution and an ownership change may occur even if the Protective Amendment is adopted and the Plan is approved. There are limitations on the enforceability of the Protective Amendment against stockholders who do not vote to adopt it that may allow an ownership change to occur, and the Plan may deter, but ultimately cannot block, transfers of our common stock that might result in an ownership change. The limitations of these measures are described in more detail below. Because of their individual limitations, the Board believes that both measures are needed and that they will serve as important tools to help prevent an ownership change that could substantially reduce or eliminate the significant long-term potential benefits of our NOLs. Accordingly, the Board strongly recommends that stockholders adopt the Protective Amendment and approve the Tax Benefits Preservation Plan.

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PROPOSAL NO. 3—APPROVAL OF PROTECTIVE AMENDMENT TO THE STEEL EXCEL INC. CERTIFICATE OF INCORPORATION

For the reasons discussed above under "Background to Proposals Three and Four," our Board recommends that stockholders adopt the Protective Amendment to our Certificate of Incorporation. The Protective Amendment is designed to prevent certain transfers of our common stock that could result in an ownership change under Section 382 and, therefore, materially inhibit our ability to use our NOLs to reduce our future income tax liability. The Board believes it is in our and our stockholders' best interests to adopt the Protective Amendment to help avoid this result.

The purpose of the Protective Amendment is to assist us in protecting long-term value to the Company of its accumulated NOLs by limiting direct or indirect transfers of our common stock that could affect the percentage of stock that is treated as being owned by a holder of 4.9% of our stock. In addition, the Protective Amendment includes a mechanism to block the impact of such transfers while allowing purchasers to receive their money back from prohibited purchases. In order to implement these transfer restrictions, the Protective Amendment must be adopted. Our Board has adopted resolutions approving and declaring the advisability of amending our Certificate of Incorporation as described below and as provided in the accompanying Appendix II, subject to stockholder adoption.

Description of Protective Amendment

The following description of the Protective Amendment is qualified in its entirety by reference to the full text of the Protective Amendment, which is contained in a proposed new Article Fourteen of our Certificate of Incorporation and can be found in the accompanying Appendix II. Please read the Protective Amendment in its entirety as the discussion below is only a summary.

Prohibited Transfers. The Protective Amendment generally will restrict any direct or indirect transfer (such as transfers of our stock that result from the transfer of interests in other entities that own our stock) if the effect would be to:

- increase the direct or indirect ownership of our stock by any Person or Persons (as defined below) from less than 4.9% to 4.9% or more of our common stock; or

- increase the ownership percentage of a Person owning or deemed to own 4.9% or more of our common stock (which includes, without limitation, Steel Holdings and its affiliates).

"Person" means any individual, firm, corporation or other legal entity, including persons treated as an entity pursuant to Treasury Regulation § 1.382-3(a)(1)(i), and includes any successor (by merger or otherwise) of such entity.

Restricted transfers include sales to Persons whose resulting percentage ownership (direct or indirect) of our common stock would exceed the 4.9% thresholds discussed above, or to Persons whose direct or indirect ownership of our common stock would by attribution cause another Person to exceed such threshold. Complicated common stock ownership rules prescribed by the Code (and regulations promulgated thereunder) will apply in determining whether a Person is a 4.9% stockholder under the Protective Amendment. A transfer from one member of a "public group" (as that term is defined under Section 382) to another member of the same public group does not increase the percentage of our common stock owned directly or indirectly by the public group and, therefore, such transfers are not restricted. For purposes of determining the existence and identity of, and the amount of our common stock owned by, any stockholder, we will be entitled to rely on the existence or absence of certain public securities filings as of any date, subject to our actual knowledge of the ownership of our common stock. The Protective Amendment includes the right to require a proposed transferee, as a condition to registration of a transfer of our common stock, to provide all information reasonably requested regarding such person's direct and indirect ownership of our common stock.

These transfer restrictions may result in the delay or refusal of certain requested transfers of our common stock, or prohibit ownership (thus requiring dispositions) of our common stock due to a change in the relationship between two or more persons or entities or to a transfer of an interest in an entity other than us that, directly or indirectly, owns our common stock. The transfer restrictions will also apply to proscribe the creation or transfer of certain "options" (which are broadly defined by Section 382) with respect to our common stock to the extent that, in certain circumstances, the creation, transfer or exercise of the option would result in a proscribed level of ownership.

Consequences of Prohibited Transfers. Upon adoption of the Protective Amendment, any direct or indirect transfer attempted in violation of the Protective Amendment would be void as of the date of the prohibited transfer as to the purported transferee (or, in the case of an indirect transfer, the ownership of the direct owner of our common stock would terminate simultaneously with the transfer), and the purported transferee (or in the case of any indirect transfer, the direct owner) would not be recognized as the owner of the shares owned in violation of the Protective Amendment for any purpose, including for purposes of voting and receiving dividends or other distributions in respect of such common stock, or in the case of options, receiving our common stock in respect of their exercise. In this Proxy Statement, our common stock purportedly acquired in violation of the Protective Amendment is referred to as "excess stock."

In addition to a prohibited transfer being void as of the date it is attempted, upon demand, the purported transferee must transfer the excess stock to our agent along with any dividends or other distributions paid with respect to such excess stock. Our agent is required to sell such excess stock in an arm's-length transaction (or series of transactions) that would not constitute a violation under the Protective Amendment. The net proceeds of the sale, together with any other distributions with respect to such excess stock received by our agent, after deduction of all costs incurred by the agent, will be distributed first to the purported transferee in an amount, if any, up to the cost (or in the case of gift, inheritance or similar transfer, the fair market value of the excess stock on the date of the prohibited transfer) incurred by the purported transferee to acquire such excess stock, and the balance of the proceeds, if any, will be distributed to a charitable beneficiary. If the excess stock is sold by the purported transferee, such person will be treated as having sold the excess stock on behalf of the agent, and will be required to remit all proceeds to our agent (except to the extent we grant written permission to the purported transferee to retain an amount not to exceed the amount such person otherwise would have been entitled to retain had our agent sold such shares).

To the extent permitted by law, any stockholder who knowingly violates the Protective Amendment will be liable for any and all damages we suffer as a result of such violation, including damages resulting from any limitation in our ability to use our NOLs and any professional fees incurred in connection with addressing such violation.

With respect to any transfer of common stock that does not involve a transfer of our "securities" within the meaning of the Delaware General Corporation Law but that would cause any stockholder of 4.9% or more of our stock to violate the Protective Amendment, the following procedure will apply in lieu of those described above: In such case, such stockholder and/or any person whose ownership of our securities is attributed to such stockholder will be deemed to have disposed of (and will be required to dispose of) sufficient securities, simultaneously with the transfer, to cause such holder not to be in violation of the Protective Amendment, and such securities will be treated as excess stock to be disposed of through the agent under the provisions summarized above, with the maximum amount payable to such stockholder or such other person that was the direct holder of such excess stock from the proceeds of sale by the agent being the fair market value of such excess stock at the time of the prohibited transfer.

Public Groups; Modification and Waiver of Transfer Restrictions. In order to facilitate sales by stockholders into the market, the Protective Amendment permits otherwise prohibited transfers of our common stock where the transferee is a public group. These permitted transfers include transfers to new public groups that would be created by the transfer and would be treated as a 4.9% stockholder.

In addition, our Board will have the discretion to approve a transfer of our common stock that would otherwise violate the transfer restrictions (including, without limitation, a transfer to Steel Holdings and its affiliates) if it determines that the transfer is in our and our stockholders' best interests. If the Board decides to permit such a transfer, that transfer or later transfers may result in an ownership change that could limit our use of our NOLs. In deciding whether to grant a waiver, the Board may seek the advice of counsel and tax experts with respect to the preservation of our federal tax attributes pursuant to Section 382. In addition, the Board may request relevant information from the acquirer and/or selling party in order to determine compliance with the Protective Amendment or the status of our federal income tax benefits, including an opinion of counsel selected by the Board (the cost of which will be borne by the transferor and/or the transferee) that the transfer will not result in a limitation on the use of the NOLs under Section 382. If the Board decides to grant a waiver, it may impose conditions on the acquirer or selling party.

In the event of a change in law, the Board will be authorized to modify the applicable allowable percentage ownership interest (currently 4.9%) or modify any of the definitions, terms and conditions of the transfer restrictions or to eliminate the transfer restrictions, provided that the Board determines, by adopting a written resolution, that such action is reasonably necessary or advisable to preserve the NOLs or that the continuation of these restrictions is no longer reasonably necessary for such purpose, as applicable. Our stockholders will be notified of any such determination through a filing with the SEC or such other method of notice as our Secretary shall deem appropriate.

The Board may establish, modify, amend or rescind our Bylaws, regulations and procedures for purposes of determining whether any transfer of common stock would jeopardize our ability to use our NOLs.

Implementation and Expiration of the Protective Amendment

If our stockholders adopt the Protective Amendment, we intend to file promptly the Protective Amendment with the Secretary of State of the State of Delaware, whereupon the Protective Amendment will become effective. We intend thereafter to enforce the restrictions in the Protective Amendment to preserve the future use of our NOLs. We also intend to include a legend reflecting the transfer restrictions included in the Protective Amendment on certificates representing newly issued or transferred shares, to disclose such restrictions to persons holding our common stock in uncertificated form and to disclose such restrictions to the public generally.

The Protective Amendment would expire on the earliest of (i) the close of business on the date that is the third anniversary of the filing of the Protective Amendment with the Secretary of State of the State of Delaware, (ii) the repeal of Section 382 of the Code or any successor statute if our Board determines that the Protective Amendment is no longer necessary or desirable for the preservation of our NOLs, (iii) the close of business on the first day of our taxable year as to which the Board determines that none of our NOLs may be carried forward, and (iv) such date as the Board otherwise determines that the Protective Amendment is no longer necessary for the preservation of our NOLs. The Board may also accelerate or extend the expiration date of the Protective Amendment in the event of a change in the law; provided that the Board has determined that such action is reasonably advisable to preserve the NOLs or that continuation of the restrictions contained in the Protective Amendment is no longer reasonably necessary for the preservation of the NOLs.

Effectiveness and Enforceability

Although the Protective Amendment is intended to reduce the likelihood of an ownership change, we cannot eliminate the possibility that an ownership change will occur even if the Protective Amendment is adopted given that:

- Our Board can permit a transfer to an acquirer that results or contributes to an ownership change if it determines that such transfer is in our and our stockholders' best interests.

- A court could find that part or all of the Protective Amendment is not enforceable, either in general or as to a particular fact situation. Under the laws of the State of Delaware, our jurisdiction of incorporation, a corporation is conclusively presumed to have acted for a reasonable purpose when restricting the transfer of its securities in its certificate of incorporation for the purpose of maintaining or preserving any tax attribute (including NOLs). Delaware law provides that transfer restrictions with respect to shares of our common stock issued prior to the effectiveness of the restrictions will be effective against (i) stockholders with respect to shares that were voted in favor of this proposal and (ii) purported transferees of such shares if (A) the transfer restriction is conspicuously noted on the certificate(s) representing such shares or (B) the transferee had actual knowledge of the transfer restrictions (even absent such conspicuous notation). We intend to cause shares of our common stock issued after the effectiveness of the Protective Amendment to be issued with the relevant transfer restriction conspicuously noted on the certificate(s) representing such shares, and therefore under Delaware law such newly issued shares will be subject to the transfer restriction. We also intend to disclose such restrictions to persons holding our common stock in uncertificated form. For the purpose of determining whether a stockholder is subject to the Protective Amendment, we intend to take the position that all shares issued prior to the effectiveness of the Protective Amendment that are proposed to be transferred were voted in favor of the Protective Amendment, unless the contrary is established. We may also assert that stockholders have waived the right to challenge or otherwise cannot challenge the enforceability of the Protective Amendment, unless a stockholder establishes that it did not vote in favor of the Protective Amendment. Nonetheless, a court could find that the Protective Amendment is unenforceable, either in general or as applied to a particular stockholder or fact situation.

- Despite the adoption of the Protective Amendment, there is still a risk that certain changes in relationships among stockholders or other events could cause an ownership change under Section 382. Accordingly, we cannot assure you that an ownership change will not occur even if the Protective Amendment is made effective. However, the Board has also adopted the Plan, which is intended to act as a deterrent to any person acquiring more than 5% of our stock and endangering our ability to use our NOLs.

As a result of these and other factors, the Protective Amendment serves to reduce, but does not eliminate, the risk that we will undergo an ownership change.

Section 382 Ownership Change Determinations

The rules of Section 382 are very complex and are beyond the scope of this summary discussion. Some of the factors that must be considered in determining whether a Section 382 ownership change has occurred include the following:

- All stockholders who each own less than 5% of our common stock are generally (but not always) treated as a single "5-percent stockholder" (referred to as a "public group") for purposes of Section 382. Transactions in the public markets among stockholders who are members of a public group are generally (but not always) excluded from the Section 382 calculation.

- There are several rules regarding the aggregation and segregation of stockholders who otherwise do not qualify as Section 382 "5-percent stockholders." Ownership of stock is generally attributed to its ultimate beneficial owner without regard to ownership by nominees, trusts, corporations, partnerships or other entities.

- Acquisitions by a person that cause the person to become a Section 382 "5-percent stockholder" generally result in a 5% (or more) change in ownership, regardless of the size of the final purchase(s) that caused the threshold to be exceeded.

- Certain constructive ownership rules, which generally attribute ownership of stock owned by estates, trusts, corporations, partnerships or other entities to the ultimate indirect individual owner thereof, or to related individuals, are applied in determining the level of stock ownership of a particular stockholder. Special rules can result in the treatment of options (including warrants) or other similar interests as having been exercised if such treatment would result in an ownership change.

- Our redemption or buyback of our common stock may increase the ownership of any Section 382 "5-percent stockholders" (including groups of stockholders who are not themselves 5-percent stockholders) and can contribute to an ownership change. In addition, it is possible that a redemption or buyback of shares could cause a holder of less than 5% to become a Section 382 "5-percent stockholder," resulting in a 5% (or more) change in ownership.

Required Vote

The affirmative vote of a majority of our shares of common stock outstanding on the record date is required to approve this proposal. If you hold your shares in your own name and indicate that you wish to abstain from voting on this matter, your shares will be counted as present for purposes of determining the presence of a quorum and your abstention will have the same effect as a vote against this proposal. If you hold your shares through a broker and you do not instruct the broker on how to vote on this proposal, your broker will not have the authority to vote your shares. Broker non-votes will be counted as present for purposes of determining the presence of a quorum and will have the same effect as a vote against this proposal.

The Protective Amendment, if adopted, would become effective upon the filing of a Certificate of Amendment to our Certificate of Incorporation with the Secretary of State of the State of Delaware, which we would expect to do as soon as practicable after the Protective Amendment is adopted.

THE BOARD RECOMMENDS A VOTE FOR THE APPROVAL OF THE PROTECTIVE AMENDMENT

PROPOSAL NO. 4—APPROVAL OF THE STEEL EXCEL INC. TAX BENEFITS PRESERVATION PLAN

The Plan

On December 20, 2011, our Board adopted the Tax Benefits Preservation Plan. The rights issued under the Plan will expire upon the final adjournment of the Annual Meeting if our stockholders have not approved the Plan at such time. Subject to certain limited exceptions, the Plan is generally designed to deter any person from acquiring our common stock (or any interest in our common stock) if the acquisition would result in a stockholder (or several stockholders, in the aggregate, who hold their stock as a "group" under the federal securities laws) owning 5% or more of our then-outstanding common stock.

The Plan is intended to protect stockholder value by attempting to preserve our ability to use our NOLs to reduce our future income tax liability. Because of the limitations of the Protective Amendment in preventing transfers of our common stock that may result in an ownership change, as further described above under Proposal Three, the Board believes it is in our and our stockholders' best interests for the Plan to continue in effect after stockholder approval.

The following description of the Plan is qualified in its entirety by reference to the text of the Plan, which can be found in the accompanying Appendix III. Please read the Plan in its entirety, as the discussion below is only a summary.

Description of the Plan

Dividend of Rights

On December 20, 2011, our Board adopted the Plan, and on such date declared a dividend of one preferred stock purchase right (a "Right") for each outstanding share of our common stock payable to holders of record as of the close of business on January 4, 2012. The Rights are not currently exercisable. If they were exercisable, each Right would entitle the registered holder to purchase, for the initial purchase price of $233.00 (the "Purchase Price"), one one-thousandth of a share of our series B participating preferred stock, par value $0.001 per share (the "Series B Preferred Stock"), subject to adjustment.

Unless and until the Plan is triggered and the Rights become exercisable, the Rights are deemed to be represented solely by our common stock certificates and otherwise deemed attached to our common stock whether or nor in certificate form. The Rights may only be transferred with the corresponding shares of common stock. Also, Rights will be issued with any future shares of our common stock that we issue prior to the date the Plan is triggered.

Distribution Date

The Plan is triggered upon the earlier of (i) the close of business on the 10th business day after the date (the "Stock Acquisition Date") of the announcement that a person has become an Acquiring Person (as defined below) and (ii) the close of business on the 10th business day (or such later day as may be designated by our Board prior to a Stock Acquisition Date) after the date of the commencement of a tender or exchange offer by any person which could, if consummated, result in such person becoming an Acquiring Person. The date that the Rights become exercisable is referred to as the "Distribution Date."

After any person becomes an Acquiring Person, then, on and after the Distribution Date, subject to certain exceptions and adjustments in the Plan, each Right (other than Rights beneficially owned by an Acquiring Person and certain transferees thereof) will entitle the holder to purchase for the Purchase Price a number of shares of our common stock (or in lieu thereof, in certain circumstances, shares of Series B Preferred Stock with an equivalent current market

price) equal to the quotient of (i) two times the Purchase Price divided by (ii) the then-current market price of our common stock. The initial Purchase Price is set at $233.00 and is subject to anti-dilution adjustments under the terms of the Plan.

Acquiring Person

An “Acquiring Person” means, in general, any person or group that has become a “5-percent stockholder” of our securities, other than (i) the Company and its subsidiaries, their employee benefit plans and compensation arrangements and entities and trustees holding securities for such employee benefit plans and compensation arrangements; (ii) certain existing “5-percent stockholders” (each a “grandfathered person”) so long as each such stockholder (which includes, without limitation, Steel Holdings and its affiliates) does not acquire more than one-tenth of one percentage point as compared to their ownership prior to the public announcement of the Plan, subject to the below exceptions; (iii) certain persons that become “5-percent stockholders” as a result of a redemption or repurchase by us of our securities, so long as such stockholder does not increase their ownership of our securities by more than one-tenth of one percentage point as compared to their ownership prior to the amount held by such person on or after the date of such redemption or repurchase, other than as a result of a stock dividend, stock split or similar transaction effected by the Company, or a subsequent redemption or repurchase by us of our securities; (iv) any person or group that our Board determines, in its sole discretion, has inadvertently become a “5-percent stockholder” (or inadvertently failed to continue to qualify as a “grandfathered person”), so long as such person or group promptly divests sufficient securities of the Company so as to no longer own 5% of our securities (or, in the case of any person or group that has inadvertently failed to qualify as a “grandfathered person,” our securities that caused such person or group to fail to qualify as a “grandfathered person”); (v) any person or group that has become a “5-percent stockholder” if our Board determines, in good faith, that such person’s or group’s attainment of “5-percent stockholder” status has not jeopardized or endangered our utilization of our NOLs or is otherwise in our best interests; provided that such a person or group shall be an “Acquiring Person” if the Board makes a contrary determination in good faith; and (vi) any person that beneficially owns at least a majority of our common stock following consummation of a “qualified offer” (as defined in the Plan). The determination of whether any person or group is or were to become a “5-percent stockholder” is determined under the rules of Section 382 of the Code and the regulations and guidance thereunder.

“Grandfathered persons” are permitted to increase their ownership by more than one-tenth of one percentage point as compared to their ownership prior to the public announcement of the Plan, if the increase occurs as a result of (i) the exercise of any option, warrant or convertible instrument to purchase our securities that such persons held prior to the public announcement of the Plan, (ii) a stock dividend, stock split, reverse stock split or similar transaction we effect, (iii) any redemption or repurchase of our securities by us, or (iv) any transfer to such persons of our securities by us, if the Board determines, in its sole discretion, that such transfer would not jeopardize or endanger our utilization of the NOLs or is otherwise in our best interests.

Terms of Rights

The Rights are not exercisable until the Distribution Date. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights will be mailed to holders of record of our common stock as of the close of business on the Distribution Date (other than any Acquiring Person) and the Rights will thereafter be evidenced solely by such separate Right certificates. The Rights will expire upon the earliest of (i) December 21, 2021, (ii) the time at which all Rights are redeemed or exchanged as provided in the Plan, (iii) the first day of our taxable year as to which our Board determines that no NOLs may be carried forward, (iv) a date prior to a Stock Acquisition Date on which our Board determines that a limitation on the use of our NOLs under Section 382 would no longer be material to us, (v) the repeal or amendment of Section 382 or any successor statute, if the Board determines that the Plan is no longer necessary for the preservation of our NOLs, (vi) the final adjournment of 2012 Annual Meeting of Stockholders if the approval of the Plan by a majority of the stockholders voting at such meeting has not been received before such time, and (vii) the close of business on the date that is the final adjournment of the third annual meeting of stockholders following the last annual meeting of stockholders at which the Plan was most recently approved by a majority of stockholders voting at such meeting, unless the Plan is re-approved by a majority of the stockholders at such third annual meeting of stockholders.

The Purchase Price payable and the number of shares of preferred stock or other securities or property issuable upon exercise of the Rights are subject to adjustment in the event of stock dividends, stock splits, reverse stock splits, recapitalization, mergers, consolidations, combinations or exchanges of securities, split-ups, split-offs, spin-offs, liquidations, other similar changes in capitalization, any distribution or issuance of cash, assets, evidences of indebtedness or subscription rights, options or warrants to holders of our common stock or Series B Preferred Stock, as the case may be (other than distribution of the Rights or regular quarterly cash dividends) or otherwise.

Terms of Series B Preferred Stock

The following is a description of the Series B Preferred Stock underlying the Rights, which are not currently exercisable. When the Rights become exercisable, they convert to the right to purchase our common stock.

Shares of Series B Preferred Stock purchasable upon exercise of the Rights will not be redeemable. Each share of Series B Preferred Stock will be entitled, when, as and if declared, to a quarterly dividend payment of an amount equal to 1,000 times the aggregate per share amount of all cash dividends or other distributions and 1,000 times the aggregate per share amount of all non-cash dividends or other distributions (other than (i) a dividend payable in shares of our common stock or (ii) a subdivision of the outstanding shares of our common stock (by reclassification or otherwise)), declared on the common stock. In the event of our liquidation, dissolution or winding up, the holders of the Series B Preferred Stock will be entitled to a payment of the greater of: (a) $1.00 per share (plus any accrued but unpaid dividends and distributions thereon) or (b) an amount equal to 1,000 times the payment made per share of common stock. Each share of Series B Preferred Stock will have 1,000 votes, voting together with the common stock. Finally, in the event of any merger, consolidation or other transaction in which outstanding shares of our common stock are converted or exchanged, each share of Series B Preferred Stock will be entitled to receive 1,000 times the amount received per share of common stock. These rights are protected by customary antidilution provisions.

Because of the nature of the Series B Preferred Stock's dividend, liquidation and voting rights, the value of the one one-thousandth interest in a share of Series B Preferred Stock purchasable upon exercise of each Right should approximate the value of one share of our common stock.

Exercise and Exchange of Rights

The Rights become exercisable upon the Distribution Date. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights will be mailed to holders of record of our common stock as of the close of business on the Distribution Date (other than any Acquiring Person) and the Rights will thereafter be evidenced solely by such separate Right certificates. Each holder of a Right, other than Rights owned by any Acquiring Person (which will thereupon become null and void), will thereafter have the right to receive upon exercise of a Right (including payment of the Purchase Price) for the Purchase Price a number of shares of our common stock (or in lieu thereof, in certain circumstances, shares of Series B Preferred Stock with an equivalent current market price) equal to the quotient of (i) two times the Purchase Price divided by (ii) the then-current market price of our common stock.

At any time after any person has become an Acquiring Person (but before any person becomes the beneficial owner of 50% or more of the outstanding shares of our common stock), our Board may generally exchange all or part of the Rights (other than Rights beneficially owned by an Acquiring Person) for shares of our common stock at an exchange ratio of one share of common stock (or, at the option of our Board, fractional shares of Series B Preferred Stock with an aggregate current market price that equals the current market price of one share of our common stock) per Right, subject to adjustment.

Redemption

At any time prior to a Distribution Date, our Board may redeem the Rights in whole, but not in part, at a price of $0.00001 per Right (the “Redemption Price”) payable, in cash, shares of common stock or such other form of consideration as our Board shall determine. The redemption of the Rights may be made effective at such time, on such basis and with such conditions as our Board in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price for each Right so held.

Amendments

At any time on or prior to a Distribution Date, we may supplement or amend any provision of the Plan in any respect without the approval of any holders of Rights. At any time after the occurrence of a Distribution Date, we may supplement or amend the Plan without the approval of any holders of Rights; provided, however, that no such supplement or amendment may (i) adversely affect the interests of the holders of Rights as such (other than an Acquiring Person), (ii) cause the Plan again to become amendable other than in accordance with the amendment provision in the Plan or (iii) cause the Rights again to become redeemable.

Stockholder Rights

Until a Right is exercised or exchanged, the holder thereof, as such, will have no additional rights as a stockholder, including, without limitation, the right to vote or to receive dividends.

Required Vote

The affirmative vote of a majority of the votes cast at the meeting at which a quorum is present, either in person or by proxy, is required to approve the adoption of the Plan. If you hold your shares in your own name and indicate that you wish to abstain from voting on this matter, your abstention will be counted as present for purposes of determining the presence of a quorum. If you hold your shares through a broker and you do not instruct the broker on how to vote on this proposal, as is discussed above, your broker will not have the authority to vote your uninstructed shares on this proposal. Such abstentions and broker non-votes will have no effect on the outcome of this proposal.

THE BOARD RECOMMENDS A VOTE FOR THE APPROVAL OF THE TAX BENEFITS PRESERVATION PLAN

CERTAIN CONSIDERATIONS RELATED TO THE PROTECTIVE AMENDMENT AND THE TAX BENEFITS PRESERVATION PLAN

Our Board believes that attempting to protect the tax benefits of our NOLs as described above under "Background to Proposals Three and Four" is in our and our stockholders' best interests; however, we cannot eliminate the possibility that an ownership change will occur even if the Protective Amendment is adopted and the Plan is approved. Please consider the items discussed below in voting on Proposals Three and Four.

The Internal Revenue Service ("IRS") could challenge the amount of our NOLs or claim we experienced an ownership change, which could reduce the amount of our NOLs that we can use or eliminate our ability to use them altogether.

The IRS has not audited or otherwise validated the amount of our NOLs. The IRS could challenge the amount of our NOLs, which could limit our ability to use our NOLs to reduce our future income tax liability. In addition, the complexity of Section 382's provisions and the limited knowledge any public company has about the ownership of its publicly traded stock make it difficult to determine whether an ownership change has occurred. Therefore, we cannot assure you that the IRS will not claim that we experienced an ownership change and attempt to reduce or eliminate the benefit of our NOLs even if the Protective Amendment and the Plan are in place.

Continued Risk of Ownership Change

Although the Protective Amendment and the Plan are intended to reduce the likelihood of an ownership change, we cannot assure you that they would prevent all transfers of our common stock that could result in such an ownership change. In particular, absent a court determination, we cannot assure you that the Protective Amendment's restrictions on acquisition of our common stock will be enforceable against all our stockholders, and they may be subject to challenge on equitable grounds, as discussed above under Proposal Three.

Potential Effects on Liquidity

The Protective Amendment will restrict a stockholder's ability to acquire, directly or indirectly, additional shares of our common stock in excess of the specified limitations. Furthermore, a stockholder's ability to dispose of our common stock may be limited by reducing the class of potential acquirers for such common stock. In addition, a stockholder's ownership of our common stock may become subject to the restrictions of the Protective Amendment upon actions taken by persons related to, or affiliated with, them. Stockholders are advised to carefully monitor their ownership of our stock and consult their own legal advisors and/or us to determine whether their ownership of our stock approaches the restricted levels.

Potential Impact on Value

If the Protective Amendment is adopted, the Board intends to include a legend reflecting the transfer restrictions included in the Protective Amendment on certificates representing newly issued or transferred shares, to disclose such restrictions to persons holding our common stock in uncertificated form, and to disclose such restrictions to the public generally. Because certain buyers, including persons who wish to acquire more than 4.9% of our common stock and certain institutional holders who may not be comfortable holding our common stock with restrictive legends, may not be able to purchase our common stock, the Protective Amendment could depress the value of our common stock in an amount that could more than offset any value preserved from protecting our NOLs. The Plan could have a similar effect if investors object to holding our common stock subject to the terms of the Plan.

Anti-Takeover Impact

The reason the Board adopted the Protective Amendment and the Plan is to preserve the long-term value of our NOLs. The Protective Amendment, if adopted by our stockholders, could be deemed to have an anti-takeover effect because, among other things, it will restrict the ability of a person, entity or group to accumulate more than 4.9% of our common stock and the ability of persons, entities or groups now owning more than 4.9% of our common stock from acquiring additional shares of our common stock without the approval of our Board. Similarly, while the Plan is not intended to prevent a takeover, it does have a potential anti-takeover effect because an Acquiring Person's ownership may be diluted upon the occurrence of a triggering event. Accordingly, the overall effects of the Protective Amendment, if adopted by our stockholders, and the Plan may be to render more difficult, or discourage, a merger, tender offer, proxy contest or assumption of control by a substantial holder of our securities. The Protective Amendment and the Plan proposals are not part of a plan by us to adopt a series of anti-takeover measures, and we are not presently aware of any potential takeover transaction.

Stockholders should be aware that we are subject to Section 203 of the Delaware General Corporation Law, which provides, in general, that a transaction constituting a "business combination" within the meaning of Section 203 involving a person owning 15% or more of our outstanding voting stock (referred to as an "interested stockholder") cannot be completed for a period of three years after the date on which the person became an interested stockholder unless (i) our Board approved either the business combination or the transaction that resulted in the person becoming an interested stockholder prior to such business combination or transaction, (ii) upon consummation of the transaction that resulted in the person becoming an interested stockholder, that person owned at least 85% of our outstanding voting stock (excluding shares owned by persons who are both directors and officers of the Company and shares owned by certain of our employee benefit plans), or (iii) the business combination was approved by our Board and by the affirmative vote of the holders of at least 66 2/3% of our outstanding voting stock not owned by the interested stockholder.

Our Certificate of Incorporation and our Amended and Restated Bylaws contain the following provisions that may also be deemed to have a potential anti-takeover effect:

- Directors are elected by plurality of the votes cast at any meeting of stockholders for which a stockholder has nominated a person for election to our Board;

- Stockholders have no preemptive right to acquire our securities;

- Stockholders may not call or request special meetings of stockholders;

- The maximum number of directors is fixed at 7 and any vacancy on the Board or newly created directorship will be filled by the remaining directors then in office; and

- The Board may fix the designation, rights, preferences and limitations of the shares of our preferred stock.

Effect of the Protective Amendment if you vote for it and already own more than 4.9% of our common stock

If you already own more than 4.9% of our common stock, you would be able to transfer shares of our common stock only if the transfer does not increase the percentage of stock ownership of another holder of 4.9% or more of our common stock or create a new holder of 4.9% or more of our common stock. You will also be able to transfer your shares of our common stock through open-market sales to members of a public group, including a new public group. Shares acquired in any such transaction will be subject to the Protective Amendment's transfer restrictions.

Effect of the Protective Amendment if you vote for it and own less than 4.9% of our common stock

The Protective Amendment will apply to you, but, so long as you own less than 4.9% of our common stock you can transfer your shares to a purchaser who, after the sale, also would own less than 4.9% of our common stock.

Effect of the Protective Amendment if you vote against it

Delaware law provides that transfer restrictions of the Protective Amendment with respect to shares of our common stock issued prior to its effectiveness will be effective as to (i) stockholders with respect to shares that were voted in favor of adopting the Protective Amendment and (ii) purported transferees of such shares if (A) the transfer restriction is conspicuously noted on the certificate(s) representing such shares or (B) the transferee had actual knowledge of the transfer restrictions (even absent such conspicuous notation). We intend to cause shares of our common stock issued after the effectiveness of the Protective Amendment to be issued with the relevant transfer restriction conspicuously noted on the certificate(s) representing such shares, and therefore under Delaware law such newly issued shares will

be subject to the transfer restriction. We also intend to disclose such restrictions to persons holding our common stock in uncertificated form. For the purpose of determining whether a stockholder is subject to the Protective Amendment, we intend to take the position that all shares issued prior to the effectiveness of the Protective Amendment that are proposed to be transferred were voted in favor of the Protective Amendment, unless the contrary is established. We may also assert that stockholders have waived the right to challenge or otherwise cannot challenge the enforceability of the Protective Amendment, unless a stockholder establishes that it did not vote in favor of the Protective Amendment. Nonetheless, a court could find that the Protective Amendment is unenforceable, either in general or as applied to a particular stockholder or fact situation.

PROPOSAL NO. 5—APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

We are requesting approval, on an advisory basis, of the compensation of our named executive officers as presented in the Compensation Discussion and Analysis beginning on page 30 and the compensation tables relating thereto.

At our 2011 Annual Meeting of Stockholders, our stockholders expressed their support of our executive compensation programs, with 96% of votes cast approving our executive compensation. In fiscal year 2011, we continued to follow a compensation policy that has the objectives of motivating our executive team to achieve the Company's financial and strategic goals and objectives, and aligning the interests of our executives with those of our stockholders. As a result of our executive compensation programs described in detail in "Executive Compensation – Compensation Discussion and Analysis" below, our Board believes that our philosophy and practices have resulted in executive compensation decisions that are appropriate, have not encouraged excessive risk taking, and that have and will continue to benefit the Company over time.

For these reasons, the Board recommends that stockholders approve the compensation of the Company's executive officers as described in this proxy statement by approving the following advisory resolution:

RESOLVED, that the stockholders of Steel Excel Inc. (the "Company") approve, on an advisory basis, the compensation of the Company's named executive officers, as described in the Compensation Discussion and Analysis and disclosed in the Summary Compensation Table and related compensation tables as set forth in this proxy statement.

Because this vote is advisory, it will not be binding upon the Board or the Compensation Committee. However, our Board and Compensation Committee values the opinions that our stockholders express in their votes and will take into account the outcome of the vote, as it deems appropriate, when making determinations regarding executive compensation.

Required Vote and Board Recommendation

The affirmative vote of a majority of the votes cast at the meeting, at which a quorum is present, either in person or by proxy, is required to approve the compensation of our named executive officers. If you hold your shares in your own name and indicate that you wish to abstain from voting on this matter, your abstention will be counted as present for purposes of determining the presence of a quorum. If you hold your shares through a broker and you do not instruct the broker on how to vote on this proposal, as is discussed above, your broker will not have the authority to vote your uninstructed shares on this proposal. Such abstentions and broker non-votes will have no effect on the outcome of this proposal. As an advisory vote, this proposal is non-binding. Although the vote is non-binding, the Board and the Compensation Committee value the opinions of our stockholders, and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

THE BOARD RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION.

PROPOSAL NO. 6—RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed BDO USA, LLP ("BDO") as our independent registered public accounting firm for our fiscal year ending December 31, 2012, and our stockholders are being asked to ratify the Audit Committee's appointment. Representatives of BDO are expected to be present at our Annual Meeting, will have the opportunity to make a statement at the Annual Meeting if they desire to do so and will be available to respond to appropriate questions.

On June 22, 2011, we dismissed PricewaterhouseCoopers LLP ("PwC") as our independent registered public accounting firm. Our Audit Committee approved the dismissal of PwC. The audit reports of PwC on the consolidated financial statements for the nine month transition period ended December 31, 2010 (the "Transition Period" or "2010T") and the fiscal year ended March 31, 2010 did not contain an adverse opinion or disclaimer of opinion, or qualification or modification as to uncertainty, audit scope, or accounting principles. During the Transition Period, the two fiscal years ended March 31, 2010 and 2009, and the subsequent interim period through June 22, 2011, there were (i) no disagreements between us and PwC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which, if not resolved to the satisfaction of PwC would have caused PwC to make reference thereto in its reports for the Transition Period and such fiscal years, and (ii) no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K. We provided PwC with a copy of the foregoing disclosures and requested that PwC furnish a letter addressed to the SEC stating whether it agrees with the above statements made by us. A copy of PwC's letter, dated June 27, 2011, is filed as Exhibit 16.1 to the Current Report on Form 8-K filed with the SEC on June 28, 2011.

On June 22, 2011, our Audit Committee engaged BDO to be our new independent registered public accounting firm for the year ending December 31, 2011. During the Transition Period, the two fiscal years ended March 31, 2010 and 2009, and the subsequent interim period through June 22, 2011, neither we nor anyone on our behalf consulted BDO regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and no written report or oral advice was provided to us by BDO that was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

If our stockholders fail to ratify BDO's appointment, the Audit Committee will reconsider its appointment of BDO as our independent registered public accounting firm for our fiscal year ending December 31, 2012. Even if this appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of Steel Excel and our stockholders.

Fees Paid to PricewaterhouseCoopers LLP

The following table presents information regarding the fees billed by PwC for our 2011 fiscal year and for the Transition Period.

Nature of Services	2011 Fiscal Year	For the Nine-Month Period Ended December 31, 2010
Audit Fees	$ 96,500	$ 683,000
Audit-Related Fees	—	—

Tax Fees		—		81,000
All Other Fees		30,078		3,000
Total Fees	$	126,578	$	767,000

Audit Fees. For the nine-month period ended December 31, 2010, this category includes professional services rendered for the audit of our Consolidated Financial Statements included in our Transition Report on Form 10-K for such period ("Transition Report"), review of our Unaudited Condensed Consolidated Financial Statements included in our Quarterly Reports on Form 10-Q and services that were provided in connection with statutory and regulatory filings or engagements. For the 2011 fiscal year, this category includes review of our Unaudited Condensed Consolidated Financial Statements included in our Quarterly Report on Form 10-Q for the quarter ended April 1, 2011, services that were provided in connection with statutory and regulatory filings or engagements, and a fee for inclusion of PwC's opinion in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Audit-Related Fees. This category includes professional services rendered by PwC that were related to due diligence on potential and consummated acquisitions and dispositions.

Tax Fees. This category includes professional services rendered by PwC that were related to tax advice, tax compliance and foreign tax matters.

All Other Fees. This category includes professional services rendered by PwC that were related to annual subscription fees to PwC's online research tool for accounting literature.

In addition to the audit fees indicated for the 2011 fiscal year specified above, we paid PwC $60,000 in audit fees in connection with the update of our historical consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Transition Report on Form 10-KT for the transition period ended December 31, 2010 and for the fiscal years ended March 31, 2010 and 2009 to present the results of our former Aristos business as discontinued operations on a retroactive basis for the Transition Period and the fiscal years ended March 31, 2010 and 2009. These audit services were performed at the request of Steel Holdings, so that it could incorporate these financial statements into its registration statement on Form 10. Steel Holdings fully reimbursed us for the costs incurred for these audit services.

Fees Paid to BDO

The following table presents information regarding the fees estimated and billed by BDO for the 2011 fiscal year.

Nature of Services	2011 Fiscal Year
Audit Fees	$ 273,600
Audit-Related Fees	—
Tax Fees	—
All Other Fees	—
Total Fees	$ 273,600

Audit Fees. This category includes professional services rendered for the audit of our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, review of our Unaudited Condensed Consolidated Financial Statements included in our Quarterly Reports of Form 10-Q for the quarters ending July 1, 2011 and September 30, 2011 and services that were provided in connection with statutory or regulatory filings or engagements.

In addition to the audit fees indicated above, $118,000 of audit fees were incurred in connection with the audits by BDO of our consolidated financial statements as of September 30, 2011 and for the nine months then ended, and of the adjustments made to classify our former Aristos business as discontinued operations and to retroactively adjust outstanding share and per share information for the reverse/forward split for the Transition Period and the fiscal years ended March 31, 2010 and 2009. These audit services were performed at the request of Steel Holdings, which fully reimbursed us for the cost incurred for such services.

Audit Committee Pre-Approval Policies and Procedures

Section 10A(i)(1) of the Exchange Act and related SEC rules require that all auditing and permissible non-audit services to be performed by a company's principal accountants be approved in advance by the Audit Committee of the Board, subject to a de minimis exception set forth in the SEC rules (the "De Minimis Exception"). Pursuant to Section 10A(i)(3) of the Exchange Act and related SEC rules, the Audit Committee has established procedures by

which the Chairperson of the Audit Committee may pre-approve such services provided the pre-approval is detailed as to the particular service or category of services to be rendered and the Chairperson reports the details of the services to the full Audit Committee at its next regularly scheduled meeting. None of the audit-related or non-audit services described above were performed pursuant to the De Minimis Exception during the periods in which the pre-approval requirement has been in effect. In fiscal 2011 and the Transition Period, the Audit Committee followed SEC guidelines in approving all services rendered by BDO and PwC.

Required Vote and Board Recommendation

The affirmative vote of a majority of the votes cast at the meeting, at which a quorum is present, either in person or by proxy, is required to ratify the appointment of BDO as our independent registered public accounting firm for the fiscal year ending December 31, 2012. If you hold your shares in your own name and indicate that you wish to abstain from voting on this matter, your abstention will be counted as present for purposes of determining the presence of a quorum and will have no effect on the outcome of this proposal. As discussed above, if you hold your shares through a broker and you do not instruct the broker on how to vote on this proposal, your broker will have the authority to vote your uninstructed shares on this proposal. If a broker chooses to leave these uninstructed shares unvoted, such shares will be counted for the purpose of establishing a quorum, but will have no effect on the outcome of this proposal.

THE BOARD RECOMMENDS A VOTE FOR RATIFICATION OF
THE APPOINTMENT OF BDO USA, LLP.

STOCK OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table presents certain information regarding the beneficial ownership of our common stock as of April 2, 2012 by (a) each beneficial owner of 5% or more of our outstanding common stock known to us, (b) each of our directors and our director nominees, (c) each of our "named executive officers" listed in the Summary Compensation Table below and (d) all of our current directors and executive officers as a group.

The percentage of beneficial ownership for the table is based on 10,892,036 shares of our common stock outstanding as of April 2, 2012. To our knowledge, except under community property laws or as otherwise noted, the persons and entities named in the table have sole voting and sole investment power over their shares of our common stock. Unless otherwise indicated in the footnotes to the table below, each beneficial owner listed below maintains a mailing address of c/o Steel Excel Inc., 2603 Camino Ramon, Suite 200, San Ramon, California 94583.

The number of shares beneficially owned by each stockholder is determined under SEC rules and is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes those shares of common stock over which the stockholder has sole or shared voting or investment power and those shares of common stock that the stockholder has the right to acquire within 60 days after April 2, 2012, including through the exercise of any equity award. The "Percentage of Shares" column treats as outstanding all shares underlying equity awards that are exercisable within 60 days after April 2, 2012 held by the Directors and Named Executive Officers noted below, but not shares underlying equity awards that are exercisable by other stockholders.

	Steel Excel Shares Beneficially Owned	
Name of Beneficial Owner	Number of Shares(1)	Percentage of Shares Outstanding
Directors and Named Executive Officers:		
Jon S. Castor	16,870	*
Jack L. Howard	9,375	*
Warren G. Lichtenstein	13,270	*
John Mutch	14,250	*
John J. Quicke	9,375	*
Gary W. Ullman	0	*
Robert J. Valentine	0	*
Mark A. Zorko	417	*
Directors and named executive officers as a group (8 persons)(2)	63,557	*
5% Stockholders:		
SPH Group Holdings, LLC (3)	4,384,399	40.3%
Dimensional Fund Advisors LP(4)	847,909	7.8%
GAMCO Investors, Inc. (5)	1,353,375	12.4%

* Less than 1% ownership.

(1) Includes the following shares that may be acquired within 60 days after April 2, 2012, upon exercise of stock options, the vesting of restricted stock units and, in the case of Mr. Lichtenstein, the vesting of restricted stock awards and options, in each case granted under our stock option plans:

Name	Number of Shares Subject to Options or Restricted Stock Awards or Units
Jon S. Castor	11,247
Jack L. Howard	6,250
Warren G. Lichtenstein	12,593
John Mutch	9,500
John J. Quicke	6,250
Gary W. Ullman	0
Robert J. Valentine	0
Mark A. Zorko	209

(2) Includes shares beneficially owned by all of our current directors and executive officers as of April 2, 2012.

(3) According to information contained in Amendment No. 34 to Schedule 13D filed with the SEC jointly on January 3, 2012 by Steel Holdings, a Delaware limited partnership, SPH Group LLC, a Delaware limited liability company ("SPHG"), SPH Group Holdings LLC, a Delaware limited liability company ("SPHG Holdings"), Steel Holdings GP, a Delaware corporation, Warren G. Lichtenstein, Jack L. Howard, John J. Quicke and Mark A. Zorko, as of the close of business on January 2, 2012, SPHG Holdings owned directly 4,384,399 Shares. Steel Holdings owns 99% of the membership interests of SPHG. SPHG is the sole member of SPHG Holdings. Steel Holdings GP is the general partner of Steel Holdings, the managing member of SPHG and the manager of SPHG Holdings. By virtue of these relationships, each of Steel Holdings, SPHG and Steel Holdings GP may be deemed to beneficially own the Shares owned directly by SPHG Holdings. Warren G. Lichtenstein, an officer and director of Steel Holdings GP, is the President of our wholly-owned subsidiary Steel Sports Inc., and is a member of our Board. Jack L. Howard, an officer of Steel Holdings GP, is a member of our Board. John J. Quicke, an employee of a subsidiary of Steel Holdings, is our Interim President and Chief Executive Officer and a member of our Board. Mark A. Zorko, an employee of a subsidiary of Steel Holdings, is our Chief Financial Officer. The address of the aforementioned entities is 590 Madison Avenue, 32nd Floor, New York, New York 10022.

(4) Dimensional Fund Advisors, L.P. ("Dimensional") reported that it had sole voting power with respect to 838,719 shares and sole dispositive power with respect to 847,909 shares. Dimensional furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts (these investment companies, trusts and accounts are collectively referred to as the "Funds"). All of the shares are owned of record by the Funds. Dimensional's address is Building One, 6300 Bee Cave Road, Austin, Texas 78746. All information regarding Dimensional is based solely upon its Amendment No. 5 to Schedule 13G filed by it with the SEC on February 14, 2012.

(5) GAMCO Investors, Inc ("GBL"), Gabelli Funds, LLC ("Gabelli Funds"), GAMCO Asset Management Inc. ("GAMCO"), Teton Advisors, Inc. ("Teton Advisors"), GGCP, Inc. ("GGCP"), and Mario J. Gabelli jointly reported sole or shared voting and dispositive power with respect to 1,353,375 shares in the aggregate. Mario Gabelli is deemed to have beneficial ownership of the securities owned beneficially by each of the foregoing persons other than GBL. GBL and GGCP are deemed to have beneficial ownership of the securities owned beneficially by each of the foregoing persons other than Mario Gabelli. The address of GBL is One Corporate Center, Rye, New York 10580-1435. All information regarding GBL is based solely upon its Amendment No. 6 to Schedule 13D filed with the SEC on March 21, 2012.

EXECUTIVE OFFICERS

Our executive officers are John J. Quicke, Interim President and Chief Executive Officer, and Mark A. Zorko, Chief Financial Officer. Mr. Quicke is also our director, and his biographical information is included in Proposal 1 — Election of Directors.

Mr. Zorko, age 60, served as our Interim Chief Financial Officer from August 9, 2011, until he was appointed Chief Financial Officer on October 1, 2011. Mr. Zorko is presently serving as the President and Chief Executive Officer of our subsidiary Well Services Ltd. Mr. Zorko has served as Chief Financial Officer of DGT Holdings Corp., a corporation engaged in developing, manufacturing and marketing medical and dental imaging systems and power conversion subsystems worldwide, since August 30, 2006. Mr. Zorko has also been employed by SP Corporate, a limited liability company that provides financial and reporting personnel, as well as other services to companies, and additionally offers other services, since October 2011. Each of DGT Holdings and SP Corporate are affiliates of Steel Holdings. From 2000 to 2010, he was a CFO Partner at Tatum, LLC, a professional services firm, where he has held Chief Financial Officer positions with public and private client companies. His prior experience also includes serving as the corporate controller for Zenith Data Systems Corporation, a computer manufacturing and retail electronics company, and finance manager positions with Honeywell, Inc. Mr. Zorko was a senior staff consultant with Arthur Andersen & Co. Mr. Zorko served in the Marine Corps. from 1970 to 1973. He is on the Board of Directors and chairman of the Audit Committee of MFRI, Inc., a publicly held company engaged in the manufacture and sale of piping systems, filtration products, industrial process cooling equipment and the installation of HVAC systems. Mr. Zorko is on the audit committee for Opportunity Int'l, a microfinance bank, and on the Finance Committee for the Alexian Brothers Health System. Mr. Zorko earned a BS degree in accounting from The Ohio State University, an MBA from the University of Minnesota, and completed the FEI's Chief Financial Officer program at Harvard University. He is a Certified Public Accountant and a member of the National Association of Corporate Directors.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis section discusses our executive compensation philosophy, decisions and practices for fiscal 2011, and places in perspective the earnings of our "named executive officers" during fiscal 2011. As set forth in the Summary Compensation Table below, our named executive officers for fiscal 2011 were John J. Quicke, our Interim President and Chief Executive Officer, Mark A. Zorko, our Chief Financial Officer, and Mary L. Dotz, our former Vice President and Chief Financial Officer. Mr. Zorko was appointed to serve as our Interim Chief Financial Officer on August 9, 2011 and as our Chief Financial Officer on October 1, 2011. Prior to his appointment, Ms. Dotz served as our Chief Financial Officer until May 31, 2011, and as a consultant to assist with the transition of the role of Chief Financial Officer for a three month period thereafter.

At the close of business on October 3, 2011, we effected a reverse stock split (the "Reverse Split") immediately followed by a forward stock split (the "Forward Split" and together with the Reverse Split, the "Reverse/Forward Split"). The exchange ratio for the Reverse Split was 1-for-500 and the exchange ratio for the Forward Split was 50-for-1. As a result of the Reverse Split, stockholders holding less than 500 shares (the "Cashed Out Stockholders") were entitled to a cash payment for all of their shares. All remaining stockholders following the Forward Split (the "Remaining Stockholders") were also entitled to a cash payment for any fractional shares that they would otherwise have received. The cash payment that each Cashed Out Stockholder or Remaining Stockholder was entitled to receive was based upon such stockholder's pro rata share of the total net proceeds received in the sale of the aggregated fractional shares by the Company's transfer agent at prevailing prices on the open market.

As a result of the Reverse/Forward Split, our common stock outstanding went from 108,868,286 shares at September 30, 2011 to 10,886,829 shares at October 3, 2011. All shares outstanding and per share information set forth in this Compensation Discussion and Analysis and the executive compensation tables below have been adjusted to give effect to the Reverse/Forward Split.

Compensation Philosophy and Overview

We believe that the most effective compensation program is one that is designed to reward the achievement of our financial, strategic and corporate goals, and which aligns executives' interests with those of our stockholders. At our 2011 Annual Meeting of Stockholders, our stockholders expressed their support of our executive compensation programs designed to achieve this objective, with 96% of votes cast approving our executive compensation. In fiscal year 2011, we continued to follow this compensation philosophy in light of this support.

Historically, we have accomplished this through providing executive officers with a base salary which was determined in part by benchmarking salaries with our competitors, cash incentive bonuses linked to achievement of financial and corporate goals and equity-based incentive compensation. In addition, we historically provided our executive officers a variety of benefits that in most cases are available generally to all of our salaried employees.

In 2010, we largely completed the sale or wind down of our historical business as a provider of enterprise-class external storage products and software, and in 2011, our focus was on capital redeployment and identification of new, profitable business operations in which we can utilize our existing working capital and maximize the use of our net operating losses. Consistent with this focus, we have modified our compensation practices with respect to our executive officers during this period. In 2011, the last of our executive officers compensated in accordance with our historical compensation practice, Ms. Dotz, separated from the Company. Our new or remaining executive officers were compensated in different manners than in the past, but in ways that we believe satisfies our objectives of providing appropriate rewards and incentive for our management, while simultaneously promoting stockholder

interests and supporting our strategic and tactical objectives. In this regard, in 2011, (a) Mr. Quicke was provided fixed cash compensation pursuant to his independent contractor agreement, and was also granted a discretionary cash bonus for the achievement of certain objectives, and (b) Mr. Zorko was employed as our Chief Financial Officer pursuant to a Management Services Agreement with SP Corporate, an affiliate of Steel Holdings, who we pay for his service (which transaction is described under "Transactions with Related Persons – Certain Related Person Transactions"), and was also granted a discretionary equity award. Additionally, in 2011, Ms. Dotz received base salary, retention bonuses and benefits while she remained an active employee, and was paid as an independent contractor to assist in the transition to our new Chief Financial Officer.

Role of the Compensation Committee

The Compensation Committee ensures that our executive compensation and benefits program is consistent with our compensation philosophy and our corporate governance guidelines and is empowered to determine executive officers' total compensation, and, subject to the approval of the Board, to determine our Interim Chief Executive Officer's total compensation.

The Compensation Committee reviews our overall compensation strategy at least annually to ensure that it promotes stockholder interests, supports our strategic and tactical objectives and provides for appropriate rewards and incentives for our named executive officers.

Typically, Compensation Committee meetings are attended by our Interim Chief Executive Officer and Chief Financial Officer, for all appropriate portions of such meetings.

Review of Executive Officers and their Compensation

The Compensation Committee and our Board are responsible for reviewing and rating our Interim Chief Executive Officer's performance.

Our Interim Chief Executive Officer is responsible for reviewing and rating the performance of his direct staff. Our Interim Chief Executive Officer makes recommendations to the Compensation Committee based on his reviews of the executives reporting to him, including recommendations with respect to such executives continued employment, salary adjustments, incentive awards and equity award amounts. The Compensation Committee thoughtfully considers the Interim Chief Executive Officer's recommendations when exercising its own judgment in making compensation decisions and awards to our executive officers who report to the Interim Chief Executive Officer.

External Advisors

The Compensation Committee has the authority to engage the services of outside advisors, and does so as needed. In fiscal 2011, the Compensation Committee selectively engaged the services of executive compensation attorneys with Bryan Cave LLP for legal advice in connection with certain compensation related matters.

Accounting and Tax Implications of Our Compensation Policies

In designing our compensation programs, the Compensation Committee considers the financial accounting and tax consequences to us, as well as the tax consequences to employees. We account for equity compensation paid to our employees under the accounting guidance related to stock-based compensation, which requires us to estimate and record an expense over the service period of the award. The stock-based compensation cost of our equity awards is considered by management as part of its equity grant recommendations to the Compensation Committee.

Section 162(m) of the Internal Revenue Code places a limit of $1 million on the amount of compensation that we may deduct for income tax purposes in any one year with respect to our Interim Chief Executive Officer and certain other of our most highly compensated executive officers. This limitation does not apply to compensation that is considered "performance-based" under applicable tax rules. Our historical annual incentive plan, executive stock options and our performance-based restricted stock awards were intended to qualify as "performance-based," so that compensation attributable to these forms of equity incentives was fully tax deductible. However, time-based restricted stock units ("RSUs"), awarded by us in prior years and in fiscal 2011 to Mr. Zorko, did not meet the requirements of Section 162(m) as performance-based. Therefore, the fair market value of the shares that vest during a particular year will be counted along with other non-performance-based compensation in that year in determining whether the $1 million limit for non-performance-based compensation is exceeded. Although we also provide cash compensation to executives in forms that do not meet the requirements for "performance-based" compensation, such as base salary, and in prior years annual incentive pay, we have no individuals who received non-performance-based cash compensation in excess of the Section 162(m) tax deduction limit in fiscal 2011. In future years, payment of cash or settlement of restricted stock or RSU amounts may be non-deductible because they are not performance-based under Section 162(m). The Compensation Committee has determined that it is important to retain flexibility and competitiveness in its compensation program, and that while it is also important to be mindful of the $1 million limit, compensation in excess of the $1 million limit may not always qualify as "performance-based" within the meaning of Section 162(m).

Fiscal 2011 Compensation to our Named Executive Officers

John J. Quicke. Mr. Quicke receives a cash payment of $30,000 per month for his service as our Interim President and Chief Executive Officer pursuant to an independent contractor agreement entered into by Mr. Quicke and the Company on February 2, 2010, as amended, which amount is in addition to his compensation as a non-executive member of our Board. This level of compensation has not been increased since the independent contractor agreement was entered into, shortly after Mr. Quicke assumed the role of Interim President and Chief Executive Officer. Mr. Quicke does not participate in the benefit programs of the Company. In addition, Mr. Quicke received no equity-based compensation for his role as Interim President and Chief Executive Officer, but does receive equity awards for his services as a Board member on the same basis as all non-executive Board members. The Board, upon the recommendation of the Compensation Committee, initially determined to compensate Mr. Quicke in the aforementioned manner based upon the fact that Mr. Quicke would be spending time working in the capacity as the Interim President and Chief Executive Officer of the Company. The amount paid to Mr. Quicke is less than the amount previously paid to our former Chief Executive Officer, and was below the 50th percentile of chief executive officer compensation at certain peer technology companies in 2009. Additionally, in light of the fact that Mr. Quicke's status as an officer of the Company was only on an interim basis, the Board, upon the recommendation of the Compensation Committee, determined to continue to grant Mr. Quicke compensation for his service on our Board on the same basis as all non-executive Board members, and not to award Mr. Quicke any other benefits that our executive officers have historically been provided. Mr. Quicke's independent contractor agreement was amended to extend his term as our Interim President and Chief Executive Officer on three occasions. The third amendment to Mr. Quicke's agreement extended his term in such capacities to December 31, 2012.

In addition to the cash compensation paid to Mr. Quicke in 2011, he was also awarded a discretionary cash bonus in the amount of $250,000. The bonus was awarded to Mr. Quicke in recognition of his efforts to achieve certain Company objectives, including the sale of our patent portfolio and headquarters building, the consolidation of our legacy operations and headquarters functions, and the launch of our sports business subsidiary. In determining the amount of the bonus, the Compensation Committee also considered the total amount of compensation that has been paid to Mr. Quicke since his appointment as Interim President and Chief Executive Officer.

Mark Zorko. Mr. Zorko renders service to us as our Chief Financial Officer pursuant to a management services agreement that we entered into with SP Corporate, an affiliate of Steel Holdings, on October 1, 2011. Pursuant to the management services agreement, SP Corporate provides Mr. Zorko as our Chief Financial Officer, as well as a financial reporting manager, for $35,000 per month. Additionally, we are obligated under the management service agreement to reimburse Mr. Zorko for all reasonable and necessary business expenses incurred on our behalf. SP Corporate is responsible for compensating and providing all applicable employment benefits to Mr. Zorko under the management services agreement.

The management services agreement is for a one year term, and renews automatically unless we or SP Corporate provide prior written notice of its termination. Additionally, the fee paid to SP Corporate for the services of Mr. Zorko and the financial reporting manager may be adjusted annually upon both parties mutual agreement.

The Compensation Committee believes that $35,000 per month for the services of Mr. Zorko as our Chief Financial Officer and for a financial reporting manager provides value to the Company, particularly in light of the fact that the Company is not responsible for benefits and other related employment costs with respect to these individuals.

Prior to becoming our Chief Financial Officer on October 1, 2011, Mr. Zorko provided assistance to us on a part time basis beginning on July 1, 2011 and was appointed as our Interim Chief Financial Officer effective August 9, 2011. Mr. Zorko was compensated $15,000 per month for his service to us during the period of July 1, 2011 through October 1, 2011.

In November 2011, the Compensation Committee granted a discretionary equity award to Mr. Zorko for a restricted stock unit ("RSU") representing 2,500 shares of common stock upon vesting. This RSU vests in twelve equal quarterly installments, with an initial vesting date of February 17, 2012. This equity award was granted to Mr. Zorko in order to incentivize him to achieve long term corporate goals.

Mary L. Dotz. Ms. Dotz served as our Chief Financial Officer from March 2008 through May 31, 2011. Ms. Dotz' employment with the Company was originally scheduled to terminate on September 30, 2010, but was extended initially to January 4, 2011 and later to May 31, 2011. Ms. Dotz received the severance pay that she was entitled to under her employment contract on Ms. Dotz' original severance date. In connection with the initial extension of Ms. Dotz employment, we agreed to provide her with a service-based retention award of $75,000 if she remained employed by the Company through January 4, 2011. Additionally, in connection with the subsequent extension of Mr. Dotz' employment, we agreed (a) to increase her salary by 4% to $351,520 (which percentage increase was consistent with the amount we increased the base salaries of other employees that were assisting us with the transition of our business), and (b) to provide her with a service-based retention award of $125,000 that was paid on March 15, 2011 when she was still employed on such date.

Prior to her termination date, Ms. Dotz entered into an independent contractor agreement, pursuant to which she agreed to assist with the transition of the role of Chief Financial Officer of the Company, as well as such other services as may be agreed by Ms. Dotz and the Company during the three month period commencing June 1, 2011. Ms. Dotz agreed to render up to 40 hours of service to the Company per month during this period for compensation in the amount of $18,000. Additionally, Ms. Dotz would be paid $400 for each hour that she worked

beyond 40 per month.

Upon her termination, Ms. Dotz was entitled to receive (1) reimbursement of Consolidated Omnibus Budget Reconciliation Act ("COBRA") benefit payments from June 1, 2011 to April 30, 2012; and (2) outplacement services valued at up to $5,000. These terms, except for the period for which we reimbursed Ms. Dotz for her COBRA benefit payments, which was extended from nine to eleven months following her original revised termination date, were consistent with Ms. Dotz's employment agreement and were offered in consideration of Ms. Dotz's agreement to execute a release in favor of the Company.

Compensation Risk Assessment

The Compensation Committee reviewed our employee compensation policies and practices and determined that such policies and practices, taken as a whole, are not likely to have a material adverse effect on us. The Compensation Committee review included the compensation paid to our employees, including our named executive officers, with particular attention paid to our discretionary cash bonuses and awards of equity grants. The Compensation Committee does not believe that the cash bonuses or equity awards have led to excessive risk taking for participating employees based upon the fact that these awards granted in the Board's discretion during fiscal 2011 were not performance based, but instead, were service based.

In light of the transition that we continue to undertake as we focus on capital redeployment and the acquisition of new, profitable business operations, the Compensation Committee will be re-evaluating our compensation policies and procedures going forward. As part of this re-evaluation, the Compensation Committee also plans to consider the potential merits of early implementation of a clawback policy, consistent with the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Executive Compensation Tables

Summary Compensation Table

The following table provides information regarding the compensation earned by (a) our Interim President and Chief Executive Officer during fiscal years 2011 and 2010 and the Transition Period for serving in such capacity, (b) Mr. Zorko, our current Chief Financial Officer, during fiscal year 2011, and (c) Ms. Dotz, our former Chief Financial Officer, during fiscal years 2011, 2010, 2009 and the Transition Period. We refer to these individuals as our "named executive officers."

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($) (1)	Non-Equity Incentive Plan Compen-sation ($)	All Other Compen-sation ($)	Total ($)
John J. Quicke (2) Interim President and Chief Executive Officer	2011	$360,000	$250,000(3)	$ —	$ —	$ —	$ —	$610,000
	2010T	$270,000	$500,000(4)	$ —	$ —	$ —	$ —	$770,000
	2010	$90,000	$ —	$ —	$ —	$ —	$ —	$90,000
Mark A. Zorko (5) Chief Financial Officer	2011	$ —	$ —	$64,550	$ —	$ —	$45,000	$109,550
Mary L. Dotz Former Vice President and Chief Financial Officer	2011	$142,000	$200,000(6)	$ —	$ —	$ —	$115,000(7)	$457,000
	2010T	$254,500	$75,000	$135,853	$32,251	$194,583	$546,653(8)	$1,238,840
	2010	$272,000	$ —	$464,595	$161,588	$34,000	$17,889	$950,072
	2009	$265,000	$50,000	$94,475	$64,285	$85,000	$13,485	$572,245

(1) The amounts shown in these columns do not reflect dollar amounts actually received by the named executive officer. Instead, these amounts reflect the grant date fair value for stock options and awards granted in each

respective fiscal year, which was determined pursuant to Accounting Standards Codification Topic 718 and do not reflect whether the named executive officer has actually realized or will realize a financial benefit from the stock options and awards.

(2) Mr. Quicke was appointed as Interim President and Chief Executive Officer effective January 4, 2010, and under his current compensation arrangement, he receives $30,000 per month in this role as long as he continues to serve in such position. This amount is in addition to the compensation he received as a non-executive board member, which is reflected in the Director Compensation Table below. Mr. Quicke does not participate in the benefit programs generally available to all our salaried employees. In addition, Mr. Quicke received no equity-based compensation for his role as Interim President and Chief Executive Officer, but does receive equity awards for his services as a board member on the same basis as all non-executive board members.

(3) The amount shown represents a discretionary cash bonus awarded to Mr. Quicke in recognition of his efforts to achieve certain objectives and in consideration of the total amount of compensation paid to Mr. Quicke since his appointment as our Interim Chief Executive Officer.

(4) The amount shown represents a discretionary cash bonus earned by Mr. Quicke, our Interim President and Chief Executive Officer, in recognition of his leadership in the successful sale of the DPS Business to PMC-Sierra, Inc.

(5) Mr. Zorko provided assistance to us on a part time basis beginning July 1, 2011 and was appointed as our Interim Chief Financial Officer effective August 9, 2011. Under his compensation arrangement, he received $15,000 per month for service during the period of July 1, 2011 through September 30, 2011, which compensation is included in the All Other Compensation Column. Effective October 1, 2011, Mr. Zorko was appointed our Chief Financial Officer pursuant to a management services agreement between us and SP Corporate. Mr. Zorko does not have an employment agreement with us, and we pay SP Corporate for the services of Mr. Zorko in accordance with the terms of the management services agreement. Mr. Zorko does not participate in the benefit programs generally available to all our salaried employees. However, in fiscal 2011, Mr. Zorko received an award of RSUs representing 2,500 shares of our common stock from our 2004 Equity Plan in recognition of his efforts as our Chief Financial Officer.

(6) Represents service-based retention awards of $75,000 and $125,000 that were paid in 2011 to Ms. Dotz in connection with the two extensions of her employment beyond her initial termination date.

(7) Comprised of $68,000 paid to Ms. Dotz as an independent contractor rendering services to the Company during the period of June 1, 2011 through August 31, 2011, $27,000 paid to Ms. Dotz for accrued vacation days that were unused on the date of her termination, and $20,000 value of health and life insurance premiums, automobile allowance, 401(k) match, COBRA benefits and third party outplacement services.

(8) The amounts shown include a severance payment of $422,500 (which included a targeted bonus of $169,000) as a result of Ms. Dotz’s termination with us, which was to initially occur on September 30, 2010 but was extended to May 31, 2011, a cash bonus payment of $106,050 that was approved by the Compensation Committee in lieu of certain unvested-stock-based awards that were not accelerated and $18,103 made for health and life insurance premiums, automobile allowance and 401(K) matching.

Grants of Plan-Based Awards

The following table provides certain information with respect to awards and stock options that were made to our named executive officers during fiscal 2011:

		Estimated Future Payouts under Non-Equity Incentive Plan Awards			Estimated Future Payouts under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)	
John J. Quicke (1)	—	$—	$—	$ —	—	—	—	—	—	$ —	$—
Mark A. Zorko (2)	11/17/2011	$—	$—	$ —	—	—	—	2,500	—	$ —	$64,550
Mary L. Dotz	—	$—	$—	$ —	—	—	—	—	—	$ —	$—

(1) Mr. Quicke did not receive any equity awards in connection with serving as our Interim President and Chief Executive Officer. All equity awards granted to Mr. Quicke were received as a director and are reflected in the Director Compensation Table below.

(2) The shares underlying this restricted stock unit vest in equal quarterly installments over a three year period with the first vesting date being February 17, 2012, such that the shares will be fully vested on November 17, 2014.

Outstanding Equity Awards

The following table provides information with respect to unexercised stock options and unvested restricted stock units held by our named executive officers as of December 31, 2011.

	Option Awards				Stock Awards			
Name	Number of securities underlying unexercised	Number of securities underlying unexercised	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That	Equity Incentive Plan Awards: Number of	Equity Incentive Plan Awards: Market or

	options (#) Exercisable	options (#) Unexercisable				Have Not Vested ($)	Unearned Shares, Units or Other Rights That Have Not Vested (#)	Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
John J. Quicke (1)	—	—	$ —	—	—	$ —	—	$ —
Mark A. Zorko	—	—	$ —	—	2,500(2)	$ 60,000(3)	—	$ —
Mary L. Dotz	5,000	—	$ 37.80	5/31/2012 (4)	—	$ —	—	$ —

(1) Mr. Quicke did not receive any equity awards in connection with serving as our Interim President and Chief Executive Officer. All equity awards granted to Mr. Quicke were received as a director and are reflected in the Director Compensation Table below.

(2) These shares subject to RSUs vest in equal quarterly installments over a three year period with the first vesting date being February 17, 2012, such that the shares will be fully vested on November 17, 2014.

(3) The market value of the shares subject to the RSU that have not yet vested was calculated based on the closing trading price of $24.00 for our common stock on the Pink Sheets on December 30, 2011, the last trading day of the fiscal 2011. This amount does not reflect a dollar amount actually received by Mr. Zorko.

(4) The expiration date of these options was extended on December 1, 2010 from three months following the termination of Ms. Dotz employment to twelve months following such date.

Potential Payments upon Termination of Employment

Neither Mr. Quicke nor Mr. Zorko is a party to an employment agreement with us with respect to his service as an officer of the Company (although Mr. Quicke does serve as our Interim President and Chief Executive Officer pursuant to an independent contractor agreement). As a result, neither of them is entitled to receive any potential payments or benefits upon termination, whether or not for cause, or upon the occurrence of a change of control for service in the capacity as an executive officer, except in the case of Mr. Zorko, the acceleration of unvested equity awards granted pursuant to our 2004 Equity Incentive Plan, as amended (the "2004 Plan").

Pursuant to our 2004 Plan, in the event of a merger of our company with and into another corporation, or the sale of all or substantially all of our assets, our outstanding equity awards would accelerate with respect to all unvested securities in the event that the successor corporation did not assume them. In addition, if an award recipient under the 2004 Plan were terminated within one year of the occurrence of a "change of control" of our company, then all unvested securities of such recipient on the date of termination would become fully vested on such date.

The 2004 Plan defines a "change of control" as the occurrence of any of the following:

(i) the acquisition by any persons, directly or indirectly, of securities representing 50% or more of our then outstanding shares of common stock or combined voting power of our then outstanding securities;

(ii) a change in the composition of our Board occurring within a two-year period, such that fewer than a majority of the directors on the Board are persons that were serving as of the date the 2004 Plan was adopted or that were nominated for election or elected by such directors (excluding the directors that were serving on October 23, 2008, the date our shareholders approved an amendment to the 2004 Plan);

(iii) the consummation of a merger or consolidation of the our company with another corporation, other than a merger or consolidation which would result in our voting securities of our company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the then outstanding shares of common stock of the company and the combined voting power of the company's then outstanding securities; or

(iv) the consummation of the sale or disposition by our company of all or substantially all of or assets.

Mr. Zorko held an RSU representing 2,500 shares of our common stock awarded under the 2004 Plan, none of which were vested on December 30, 2011, the last business day of the year. If a merger or sale of our assets occurred on December 30, 2011, and the acquiring company did not assume Mr. Zorko's RSU, or if Mr. Zorko were terminated on December 30, 2011, which date was within one year of a change of control, then the value attributed to the acceleration of Mr. Zorko's RSU would have been $60,000 (which value is calculated based upon the number of unvested shares at December 30, 2011 multiplied by $24.00, which was the closing market price of our shares of common stock on the Pink Sheets on December 30, 2011).

As discussed above, Ms. Dotz was paid severance on September 30, 2010 in the amount of $422,500 (which included a targeted bonus of $169,500) in connection with here termination. Ms. Dotz was paid her severance on such date as that was her initial scheduled termination date. Ms. Dotz additionally received the following benefits upon the termination of her status as an employee of the Company on May 31, 2011:

Benefit	Value
Cobra Premium(1)	$7,000
Vacation Payout	$27,000

Perquisites(2)	$5,000
Total Value	$39,000

(1) Represents payment for COBRA benefits.

(2) Perquisites consist of payment for outplacement services through the use of a consultant.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2011 regarding equity awards under our 2004 Equity Incentive Plan, Snap Appliance, Inc. 2002 Stock Option and Restricted Stock Purchase Plan, Broadband Storage, Inc. 2001 Stock Option and Restricted Stock Purchase Plan, 2006 Director Option Plan, and any amendments to such plans:

Equity Compensation Plan Information Table

Plan Category	(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	111,455	$31.89	2,600,000(1)
Equity compensation plans not approved by security holders (2)	212	$28.30	—
Total	111,667	$31.89	2,600,000

(1) Of these shares, approximately 1,800,000 shares are available for issuance under our 2004 Equity Incentive Plan, which permits the grant of stock options, stock appreciation rights, restricted stock, stock awards and restricted stock units, and approximately 800,000 shares remain available for issuance under our 2006 Director Plan of which a maximum of 95,080 shares may be issued as restricted stock or restricted stock units.

(2) Includes options to purchase 212 shares of our common stock issued under the Snap Appliance and Broadband Storage stock option plans that we assumed in connection with the acquisition of Snap Appliance in July 2004, after giving effect to the exchange ratio for such acquisition. All of these options to purchase 212 shares of our common stock were outstanding at December 31, 2011, having a weighted average exercise price of $28.30. No further awards will be made under any of the assumed stock option plans described above.

Director Compensation

Overview

Our non-employee directors receive a combination of cash and equity compensation for serving on our Board. In addition, we reimburse our directors for out-of-pocket expenses incurred in connection with attending Board and committee meetings. Mr. Quicke also received $30,000 per month for his service as our Interim President and Chief Executive Officer, and Mr. Lichtenstein received an option to acquire 25,000 shares of our common stock for his services as President of our wholly-owned subsidiary, Steel Sports Inc. The compensation provided to Mr. Quicke

and Mr. Lichtenstein in such capacities is in addition to each such person's compensation as a non-employee member of our Board.

On September 6, 2011, Mr. Ruisi resigned as our director, which decision was not due to any disagreement with us. To fill the newly created vacancy, effective October 10, 2011, the Board, with the recommendation of the Governance and Nominating Committee, appointed Gary W. Ullman to serve on the Board.

Cash Compensation

In fiscal 2011, we changed our cash compensation policy for our non-employee directors. Under our original policy, for the period of January 1, 2011 through March 31, 2011 (the "Initial Compensation Policy"), our directors were eligible to receive (1) an annual cash retainer of $26,000, paid at the rate of $6,500 per fiscal quarter, (2) a per-meeting fee of $2,000 for each Board meeting attended (either in person or by telephone); provided, however, the Chairman of the Board may designate a given meeting as a $1,000-reduced-fee meeting, and (3) a per-meeting retainer of $1,200 for each Board committee meeting attended that the Chairman of the committee designates a formal meeting; provided, however, the Compensation Committee Chairman may designate a committee meeting as a $600-reduced-fee meeting. In addition, (1) the Chairman of the Board was entitled to receive an annual retainer of $10,000, and (2) the Chairmen of the Audit, Compensation and Governance and Nominating Committees were each entitled to receive an annual retainer of $10,000, $7,000, and $4,500, respectively, and other members of such committees were to receive one-half of the retainer that the Chairman of such committee was entitled to.

On May 25, 2011, upon the recommendation of our Compensation Committee, the Board approved the following cash compensation policy for our non-employee directors (the "New Compensation Policy"): (1) an annual cash retainer of $50,000, paid at the rate of $12,500 at the beginning of each fiscal quarter, (2) if in excess of eight board meetings are held in any year, then additional meeting fees would be payable at the rate of $2,000 per meeting; provided, however, that the Chairman of the Board may designate a given meeting as a $1,000-reduced-fee meeting. Additionally, under the New Compensation Policy, (1) the non-executive Chairman is to receive an annual retainer of $15,000 per year, and (2) the Chairmen of the Audit, Compensation and Governance and Nominating Committees are each to receive an annual retainer of $15,000, $10,000, and $5,000, respectively, and other members of such committees are to receive one-half of the retainer that the Chairman of such committee was entitled to. The increased fees payable to committee members is in lieu of the hourly fees that were payable to committee members under the Initial Compensation Policy.

The New Compensation Policy described in the paragraph above was made effective retroactively to April 1, 2011, so that our directors (including Mr. Quicke) were paid cash compensation under the Initial Compensation Policy until March 31, 2011, and under the New Compensation Policy effective as of April 1, 2011, other than with respect to the compensation paid for service as the Chairman of the Board or Chairman of a committee. Under the Initial Compensation Policy, these amounts were formerly paid annually, at the end of the fiscal year, and under the New Compensation Policy, such fees are paid quarterly. Pursuant to the New Compensation Policy, each of these amounts was paid quarterly in the increased amounts provided for by the New Compensation Policy.

The members of the Special Committee also receive additional consideration for their service on the committee. Each member is paid $1,000 per hour for time spent on matters pertaining to the proposed BNS acquisition. Additionally, the Special Committee Chairman will receive a $7,500 payment at the end of the transaction, or if not consummated, at the end of the negotiations.

Equity Compensation

Our 2006 Director Plan is a "discretionary" plan and does not provide for automatic granting of options and other equity awards to our non-employee directors. Instead, our Board approves equity awards under that plan. Our compensation program practice for non-employee directors provides for an initial award of options to purchase 3,250 shares of our common stock and an award of restricted stock units, or RSUs, representing 1,625 shares of common stock upon becoming a member of our Board. The option grant and shares subject to the RSU vest 33.33% on the one-year anniversary of service with us and quarterly thereafter at 8.33% and are fully vested at the end of three years. Prior to fiscal 2011, continuing directors received annual awards of options to purchase 1,250 shares of our common stock, which vest on the earlier of the applicable date the director ceases to be a member of our Board or in four equal quarterly installments over one year, and an RSU representing 1,250 shares of common stock that vest on the earlier of 12 months from the date of grant or the date the applicable director ceases to be a member of our Board. Beginning in fiscal 2011, continuing directors received an RSU representing 2,500 shares of common stock, which vest upon the same terms as the prior RSU grants, and no option grant.

Equity awards and vesting schedules are subject to change by the Compensation Committee with approval by the Board.

Director Compensation Table

The following table provides information with respect to all compensation awarded to, earned by or paid to each person who served as a director for some portion or all of fiscal 2011. Other than as set forth in the table and the footnotes thereto and in the narrative above, we did not pay any fees, make any equity or non-equity awards, or pay any other compensation to our directors during fiscal 2011.

Name	Fees Earned or Paid in Cash ($)	Equity Awards (1) Stock Awards ($) (2)	Equity Awards (1) Option Awards ($) (2)	All other Compensation ($)	Total ($)
Jon S. Castor	$82,825	$72,725 (3)	$ —	$ —	$155,550
Jack L. Howard	$58,900	$72,725 (3)	$ —	$ —	$131,625
Warren G. Lichtenstein	$60,250	$72,725 (3)	$727,500 (7)	$ —	$860,475
John Mutch	$83,175	$72,725 (3)	$ —	$ —	$155,900
John J. Quicke (4)	$49,000	$72,725 (3)	$ —	$ —	$121,725
Lawrence J. Ruisi	$108,988	$72,725 (3)	$ —	$ —	$181,713
Gary W. Ullman	$16,500	$41,990 (5)	$84,013 (6)	$ —	$142,503

(1) The below table sets forth the number of shares subject to RSUs, underlying stock options or Stock Appreciation Rights (“SARs”) held by each of the persons serving as directors at December 31, 2011. Of the below listed directors, only Messrs. Howard and Quicke held SARs at December 31, 2011. Of the 7,000 shares indicated as subject to Options or SARs with respect to Messrs. Howard and Quicke, 3,250 of such shares of common stock each are subject to SARs that will settle in cash upon exercise of the SARs.

Name