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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

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

Commission File Number 001-34099

MASTECH HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

26-2753540
(I.R.S. Employer
Identification No.)

1000 Commerce Drive, Suite 500
Pittsburgh, PA
(Address of principal executive offices)

15275
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, \$.01 par value	NYSE MKT

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in a definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 28, 2013 (based on the closing price on such stock as reported by NYSE MKT on such date) was \$9,788,000.

The number of shares of the registrant's Common Stock, par value \$.01 per share, outstanding as of February 28, 2014 was 4,297,950 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement, prepared for the Annual Meeting of Shareholders scheduled for May 14, 2014 to be filed with the Commission, are incorporated by reference into Part III of this report.

MASTECH HOLDINGS, INC.
2013 FORM 10-K
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PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains statements that are not historical facts and that constitute “forward looking statements” within the meaning of such term under the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risk, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as “expects”, “intends”, “anticipates”, “believes”, “estimates”, “assumes”, “projects” and similar expressions are intended to identify such forward-looking statements. You should not rely solely on the forward-looking statements and should consider all uncertainties and risk throughout this Annual Report on Form 10-K, including those described under “Risk Factors”. These statements are based on information currently available, and we undertake no obligation to update any forward-looking statement as circumstances change.

Factors or events that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following:

- changes in general U.S. economic conditions and economic conditions in the industries in which we operate;
- our ability to retain existing clients and obtain new clients;
- changes in competitive conditions;
- our ability to introduce new service offerings;
- availability of skilled technical employees;
- technological changes;
- changes in accounting standards, rules and interpretations;
- changes in immigration laws, patterns and other factors related to visa holders;
- liabilities and unanticipated developments resulting from litigations, regulatory investigations and similar matters;
- changes in U.S. laws, rules and regulations, including the Internal Revenue Code;
- the impact of new acquisitions; and
- management’s ability to identify and manage risks.

ITEM 1. BUSINESS

Overview

Mastech Holdings, Inc. (referred to in this report as “Mastech”, the “Company”, “us”, “our” or “we”) is a provider of Information Technology (“IT”) staffing services. Headquartered in Pittsburgh, Pennsylvania, we have approximately 750 consultants that provide services across a broad spectrum of industry verticals. From July 1986 through September 2008, we conducted our business as subsidiaries of iGATE Corporation (“iGATE”). We do not sell, lease or otherwise market computer software or hardware, and 100% of our revenue is derived from the sale of staffing services.

Our IT staffing business combines technical expertise with business process experience to deliver a broad range of services within business intelligence / data warehousing; web services; enterprise resource planning & customer resource management; and e-Business solutions. We work with businesses and institutions with significant IT spending and recurring staffing needs. We also support smaller organizations with their “project focused” temporary IT staffing requirements.

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Sales and marketing of our IT staffing business are conducted through account executives within two sales channels (wholesale and retail). Much of these efforts employ a cost-effective telesales model, supplemented with selective travel and client visits. The wholesale channel consists of system integrators and other IT staffing firm clients, with a need to supplement their abilities to attract highly-qualified temporary technical computer personnel. The retail channel focuses on clients that are end-users of staffing services. This channel consists primarily of end-users who have retained a third party to provide vendor management services (a “managed service provider” or “MSP”) and to centralize the consultant hiring process. The channel also includes our limited branch services operations, which focus on clients that are end-users of staffing services in select geographies within the U.S. The branch services model employs local sales and recruitment resources, aimed at establishing strong relationships with both clients and candidates.

We recruit through Global Recruiting Centers located in the U.S. and India that deliver a full range of recruiting and sourcing services. Our centers employ over 100 recruiters and sourcers that focus on recruiting U.S. based candidates to service a geographically diverse client base in the U.S. Our ability to respond to client requests due to our offshore recruiting capabilities, with investment in sourcing and recruiting processes, expanded search coverage, round-the-clock sourcing, and frequent candidate contact, gives us the ability to deliver high-quality candidates to our clients in a timely fashion.

History and Developments

Historically, we operated as the former Professional Services segment of iGATE Corporation (“iGATE”). Mastech Holdings, Inc. was incorporated in Pennsylvania as a wholly-owned subsidiary of iGATE on June 6, 2008 in anticipation of our spin-off from iGATE. On September 30, 2008, we spun-off from iGATE and began operating as an independent public company. Our operating subsidiaries have 27 years of history as reliable providers of IT staffing services.

Established in 1986, our business model focused on importing global IT talent to the U. S. to meet the growing demand for IT professionals. In the early 2000’s, the demand for IT professionals cooled and the supply of IT resources quickly exceeded a declining demand curve. No longer was there a need to recruit abroad for technology talent, as supply was abundant in the U.S. Accordingly, the Company retooled its recruiting model to focus on the recruitment of U.S.-based IT talent. Given the Company’s reputation with, and knowledge of, H1-B visas, part of our recruiting efforts focused on attracting H1-B visa holders currently in the U.S. This approach gave the Company access to a larger and differentiated recruiting pool compared to many of its competitors.

In 2003, the Company launched its offshore Global Recruitment Center model in an effort to meet an increase in industry demand with lower cost recruiting resources. Over the last ten years, the Company has made significant investment in these centers to improve infrastructure, processes and effectiveness. Additionally, in recent years we have made investments in our domestic recruitment structure, primarily to support our IT retail channel.

During 2010, the Company made two strategic moves designed to enhance and expand its service offerings. In January, 2010, the Company acquired Curastat, Inc., an Arizona-based specialized healthcare staffing organization. This acquisition, along with the creation of Mastech Healthcare, Inc., expanded the Company’s service offerings into the healthcare staffing space. Also in January, 2010, the Company sold its brokerage operations staffing business, thus focusing on its core IT and healthcare staffing operations.

In August 2013, the Company sold its healthcare staffing operations to focus entirely on its IT staffing business.

Our Business

Our revenues are principally generated from contract staffing services that are provided on a time and material basis. Typically, we negotiate our business relationship by using one of three methods to gain agreement on the services to be provided. We either establish our relationship based on a simple standard term sheet; create a Statement of Work (“SOW”) specific to a project; or enter into a master service agreement with a client that describes the framework of our relationship. In each case, a client will submit to us positions and / or requirements that they plan on satisfying by using temporary contractors. We propose consultants to the client that we believe satisfy their needs and propose an hourly bill rate for each consultant submitted. The client will select our consultant or a competing firm’s consultant based on their view of quality, fit and pricing. Contractual consultant specific details, such as billable rates, are documented as an annex to the agreement type that is chosen by the client.

We generally do not enjoy exclusivity with respect to a client’s contractor needs. Most of our clients use multiple suppliers to satisfy their requirements and to ensure a competitive environment. Our success with any particular client is determined by (a) the quality and fit of our consultant; (b) our ability to deliver a quality consultant on a timely basis; and (c) pricing considerations. We recognize revenue on contract staffing assignments as services are performed (hours worked multiplied by the negotiated hourly bill rate). We invoice our clients on a weekly, bi-weekly or monthly basis, in accordance with the terms of our agreement. Typical credit terms require our invoices to be paid within 30 days of receipt by the client.

While our primary focus is on contract staffing services, we also provide permanent placement services for our clients when opportunities arise. Permanent placement revenues have historically represented less than 1% of our total revenues.

Sales and Marketing

We focus much of our marketing efforts on businesses and institutions with significant budgets and recurring staffing needs. We constantly look to develop relationships with new clients. In addition, we continuously work to penetrate our existing client relationships to deeper levels.

Our marketing is conducted through account executives within two sales channels (wholesale IT and retail IT). Our IT consultants and their skill sets can be marketed within both IT sales channels. There are numerous occasions where a consultant will end a project within one channel and immediately start a new project within the other channel. When a consultant is on “paid bench” (between projects) account executives from both IT sales channels have the ability to market the consultant within their respective client base.

The wholesale IT channel consists of system integrators and other IT staffing firm customers with a need to supplement their ability to attract highly-qualified temporary technical computer personnel. Over the last several years, more of our IT revenues have come from the wholesale channel as a percentage of total revenues. Revenues from this channel represented 78% of our total revenues in 2013. Most of our strategic relationships in this channel are established at the vice president / sales director level. Account executives generally are responsible for expanding existing client relationships. We supplement these marketing activities through our sales organization in India, whose account executives target smaller IT staffing clients within the wholesale channel. Generally, these account executives call (telesales) on potential new customers within an assigned U.S. territory.

Our retail IT channel focuses on customers that are end-users of IT staffing services. Revenues from this channel represented 22% of our total revenues in 2013. Account executives at our limited branch operations call on, and meet with, potential new customers and are also responsible for maintaining existing client relationships within their geographic territory. Account executives are paired with recruiters and both receive incentive compensation based on revenue generation activities using a localized sales and recruitment model. Within the retail channel, many end-users of IT staffing services have retained a third party to provide vendor management

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services to centralize the consultant hiring process and reduce costs. Under this arrangement, the third-party managed service provider (“MSP”) retains control of the vendor selection and vendor evaluation process, which weakens the relationship built with the client. Our lower-cost centralized telesales model and highly efficient offshore recruiting model have better positioned us to respond to the growing use of MSPs.

Permanent placement activity can be generated from both of our sales channels. However, such opportunities are largely by-products of conducting our core contract staffing business. During 2013, permanent placement fees continued to represent less than 1% of total revenues.

Recruiting

We operate four small recruiting centers located in the U.S. and two larger facilities in India that deliver a full range of recruiting and sourcing services. Our centers employ over 100 recruiters and sourcers that focus on recruiting U.S. based candidates to service a geographically diverse client base in the U.S. Our ability to respond to client requests faster than the competition is critical for success in our industry as most staffing firms access the same candidate pool via job boards and websites. Our offshore recruiting capabilities, with investment in sourcing and recruiting processes, expanded search coverage, around-the-clock sourcing, and frequent candidate contact, gives us the ability to deliver high-quality candidates to our clients in a timely fashion.

We have continued to invest in leading technologies and recruitment tools to enhance efficiencies. For example, we use web-based tools to expand the reach of our candidate searches. We also employ a state-of-the-art applicant tracking system that has proprietary tool-kits and job board / internet interfacing capabilities, resulting in further operational efficiencies.

In late 2011, we upgraded and expanded our offshore recruitment offices in both Bangalore and New Delhi. Our new facilities provide our offshore organization with state-of-the-art infrastructure, workforce amenities and ample space for expansion. Our New Delhi office includes modern training facilities in a class-room setting.

We have access to a large and differentiated recruiting pool due to our brand recognition with both W-2 hourly U.S. citizens and H1-B visa holders in the U.S. Unlike most staffing firms that have a high concentration of either H1-B workers or W-2 hourly U.S. citizens, we have historically maintained an equal balance of H1-B and W-2 hourly employees. We believe that this balanced mix allows us to tap a broader candidate pool than our primary competition.

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Technology Focus of our IT Operations

We provide technologies and maintain strategic relationships with industry leaders, such as IBM, Oracle and Accenture, in many high demand areas. Our IT staffing services are concentrated in the following areas:

<u>SOA / Web Services</u>	<u>ERP / CRM / PILC</u>	<u>BI / DW</u>	<u>e-Business Solutions</u>
<ul style="list-style-type: none">• SOA architecture• Business process analysis and redesign• Modeling using rational unified process (RUP)• End-to-end implementation• Web Services development• Migration from legacy interfaces	<ul style="list-style-type: none">• End-to-end implementation• ERP program management• Business process analysis and redesign• Gap analysis• Configuration, customization and implementation• Maintenance, production support and help desk• Upgrades• Enhancements – new functionality, new modules• Application integration	<ul style="list-style-type: none">• Assessment• ETL• Enterprise data warehousing / customized data warehousing / data marts• Balanced scorecards• Data mining• Business process re-engineering• Enterprise data modeling• Metadata management• Data stewardship	<ul style="list-style-type: none">• Development of e-Commerce portals (B2B / B2C / B2E)• Integration of e-Commerce portals with backend applications• Legacy systems integration• Architecture enhancement development• Application framework development• Package implementation• Testing and database administration

Service Oriented Architecture (“SOA”) and Web Services

Our SOA / Web Services practice is built on successful client work with Web Services, enterprise integration projects, and SOA-specific client engagements. The mission of the SOA / Web Services practice is to provide clients with the framework and resources to consolidate and integrate numerous technologies in the most cost-effective manner possible. We work with our partners to develop methods that identify service function points that should be bundled into specific services.

Our consultants work to provide our clients with a framework that better utilizes the technologies running across their enterprise. Our business process experts work hand-in-hand with technical consultants to streamline and maximize the value of its clients’ systems and interfaces.

Enterprise Solutions including Enterprise Resource Planning (“ERP”), Customer Relationship Management (“CRM”) & Package Implementation Life Cycle (“PILC”)

Our Enterprise Solutions practice help clients design and implement Enterprise Resource Planning and Customer Relationship Management software. We have expertise in assisting clients at all stages of an enterprise solutions life cycle, resulting in long lasting relationships.

The Enterprise Solutions Life Cycle includes the following phases:

- Project Initiation Phase
- Definition Phase

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- Development Phase
- Deployment Phase
- Support Phase

We have completed numerous projects in the ERP space, which range from the implementation of stock systems to fully customized applications. Our consultants are well versed in the leading ERP solutions (including SAP and Oracle Applications) and their functional experience crosses many disciplines including the following areas:

- Finance and Accounting
- Inventory and Purchasing
- Project Billing and Costing, Sales, Distribution and Services
- Manufacturing (including Planning)
- Marketing and Call Center Support
- Product Data Management and Data Warehousing
- Supply Chain Management
- Human Capital Solutions
- Customer Relationship Management

Business Intelligence and Data Warehousing

Our Business Intelligence and Data Warehousing practice specializes in helping clients navigate enterprise-wide IT infrastructure, utilizing “best practices” to create a roadmap for realizing the full benefits of their investment. This practice is comprised of technical and functional consultants who work with clients to achieve the following objectives:

- 1) Increase data accuracy and consistency:
 - Define consistent data definitions and data standards
 - Develop metadata to drive data cleansing and aid user understanding
- 2) Provide the right data to the right people at the right time:
 - Provide users with complete and easy access to all data
 - Design a model that focuses on database performance
 - Add additional elements and aggregations to improve analysis and modeling
- 3) Increase productivity and flexibility.
- 4) Access data through central solution:
 - Design models based on analysis requirements of the customer to improve productivity
 - Access to the data warehouses using the standard tool set
 - Provide flexible and modular architecture to meet changing business needs
- 5) Reduce complexity:
 - Decommission redundant systems
 - Transition reporting and analysis

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e-Business Solutions

We have a long history of being a leading provider of Web-based consulting services. Our consultants have worked on some of the largest and most prestigious eCommerce applications in existence today. Our Web development practice provides services at every stage of Web development, including business process assessment, software selection, implementation expertise and post-implementation support services. We offer a full range of certified Web professionals including engagement managers, project managers, data/technical architects, business analysts and technical developers. We have a proven track record and expertise in the following Web technologies:

- 1) Microsoft technologies (Net, MS Web Services, IIS, MTS and others)
- 2) Java and related technologies including:
 - J2EE
 - IBM Websphere
 - WebLogic
 - Apache
 - Open Source software
 - XML-based technology
 - N-tier architecture applications
 - Web-enabling existing applications

Geographic Presence & Industry Verticals

All of our revenues are generated from services provided in the U.S. We market our services on a national basis and have the ability to provide services in all 50 states. Our geographical concentration tends to track major client locations, such as California, Texas, Pennsylvania, and in large metropolitan areas such as New York City and Washington, D.C.

We provide our IT services across a broad spectrum of industry verticals including: Automotive, Consumer Products, Education, Financial Services, Government, Healthcare, Manufacturing, Retail, Technology, Telecommunications, Transportation and Utilities. Below is a breakdown of our IT billable consultant base by industry as of December 31, 2013:

Financial Services	25%	Telecom	13%
Technology	25%	Government	8%
Healthcare	15%	Other	14%

Our client-base consists of large, medium-sized and small companies that span across multiple industry verticals. Accenture is our largest client, representing 11.4% of total 2013 revenues. Our services to Accenture generally supplement their needs for IT professionals to staff end-client projects. Approximately 57% of our total revenues was generated from our top ten clients during 2013.

Employees

At December 31, 2013, we had approximately 700 U.S. employees and 150 employees offshore. None of our employees are subject to collective bargaining agreements governing their employment with our Company. We employ our consultants on both an hourly and salary basis. Most of our salaried employees are H1-B visa holders. We enjoy a good reputation within the H1-B visa community, which allows us to tap a very broad candidate pool. Most of our hourly employees are U.S. citizens. On average, we maintain a balanced composition of salaried and hourly employees. We believe that our employee relations are good.

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Intellectual Property Rights

Our intellectual property largely consist of proprietary processes; client, employee and candidate information; as well as proprietary rights of third parties from whom we license intellectual property. We rely upon a combination of nondisclosure and other arrangements to protect our intellectual properties

Seasonality

Our operations are generally not affected by seasonal fluctuations. However, our consultants' billable hours are affected by national holidays and vacation practices. Accordingly, we typically have lower utilization rates and higher benefit costs during the fourth quarter. Additionally, assignment completions tend to be higher near the end of the calendar year, which largely impacts our revenue and gross profit performance during the subsequent quarter.

Our Competitive Position

We operate in a highly competitive and fragmented industry, with low barriers to entry. We compete for potential clients with providers of outsourcing services, systems integrators, computer systems consultants, other staffing services firms and, to a lesser extent, temporary personnel agencies. Many of our competitors are significantly larger and have greater financial resources in comparison to us. We believe that the principal competitive factors for securing and building client business relationships are driven by the ability to precisely comprehend client requirements and by providing highly qualified consultants who are motivated to meet or exceed a client's expectations. We must be able to do this efficiently to provide speed to market with pricing that is competitive and represents value to both our clients and our consultants. The principal competitive factors in attracting qualified personnel are compensation, availability, location and quality of projects and schedule flexibility. We believe that many of the professionals included in our database may also pursue other employment opportunities. Therefore, our responsiveness to the needs of these professionals is an important factor in our ability to be successful.

Our Strengths

We believe our strengths compared to industry peers include:

Established client base

Our client base consists of large, medium-sized and small companies that span across multiple industry verticals. Long-standing relationships with corporate clients, blue-chip IT integrators and MSPs are a core component of our future growth strategy. These relationships, coupled with our consistently low customer attrition rate, reflect our focus and commitment to our customers.

Operational excellence

In the staffing services business, operational excellence largely relates to a firm's ability to effectively recruit high quality talent. Our offshore recruitment operations give us the ability to respond to clients' staffing needs in a timely and cost effective manner. Investments in sourcing and recruiting processes and leading technologies and recruitment tools have resulted in a highly scalable offshore recruiting model, which has delivered value to our clients.

Additionally, we employ a human resource management model, featuring portal technology as well as immigration support services, for our widely dispersed consultant base. This model enables us to maintain attrition rates that are below industry averages.

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Attractive financial profile

We have historically enjoyed higher operating margin potential than our industry peers due to our low cost telesales and offshore recruiting models. These business models allow us to quickly adjust our cost structure to changes in our business environment. Our blue-chip client base has ensured high quality accounts receivable and a strong and predictable cash flow conversion metric.

Experienced management team

Our management team, comprised of business leaders with deep industry experience, is a unique blend of executives with significant Mastech experience and others who have held leadership roles in other companies. We believe this talent, with combined experience across a variety of industries, allows us to capitalize on the positives of our existing business model and at the same time improve our service offerings, internal processes and long-term strategy for future growth.

Expertise in high-demand IT skills

We have substantial expertise in certain IT skills including: enterprise resource planning and customer relationship management; service oriented architecture and web services; business intelligence and data warehousing; and web development. We also have the capacity to take advantage of demand growth in these sectors, as we are well positioned in terms of scale, technical capabilities, and client base. In addition, we have relationships with industry leaders such as IBM, Oracle and Accenture, who are among the leading providers of such services.

Minority-owned status

We are a large minority-owned staffing firm and have received multiple awards for our commitment to diversity. We have been certified as a minority-owned business by the National Minority Supplier Development Council (“NMSDC”). This certification is attractive to many clients and potential clients, particularly in the government and public sector segments, where project dollars are specifically earmarked for diversity spending.

Reportable Financial Segments

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

Available Information

Our headquarters are located at 1000 Commerce Drive, Suite 500, Pittsburgh, Pennsylvania 15275, and our telephone number is (412) 787-2100. The Company’s website is www.mastech.com. Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available free of charge by accessing the Investor Relations page of the Company’s website as soon as reasonably practical after such reports are filed with the Securities and Exchange Commission (the “SEC”).

ITEM 1A. RISK FACTORS

You should carefully consider each of the following risk factors and all of the other information set forth in this Annual Report on Form 10-K or incorporated by reference herein. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our company. However, additional risks and uncertainties not currently known to us or that we currently believe to be immaterial may also adversely impact our business.

If any of the following risks and uncertainties develop into actual events, these events could have a material adverse effect on our business, financial condition or results of operations.

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Our industry is highly competitive and fragmented, which may limit our ability to increase our prices for services.

The IT staffing services industry is highly competitive and served by numerous global, national, regional and local firms. Primary competitors include participants from a variety of market segments, including the major consulting firms, systems consulting and implementation firms, U.S.-based staffing services companies, applications software firms, service groups of computer equipment companies, specialized interest consulting firms, programming companies and temporary staffing firms. Many of these competitors have substantially greater financial, technical and marketing resources and greater name recognition than we have. There are relatively few barriers to entry into our markets, and we may face additional competition from new entrants into our markets. In addition, there is a risk that clients may elect to increase their internal resources to satisfy their staffing needs. There can be no assurance that we will compete successfully with existing or new competitors in the staffing services markets.

Lack of success in recruitment and retention of IT professionals may decrease our revenues and increase the costs needed to maintain our workforce.

Our business involves the delivery of professional services and is labor-intensive. Our success depends upon our ability to attract, develop, motivate and retain highly skilled professionals who possess the skills and experience necessary to deliver our services. Qualified IT professionals are in demand worldwide and are likely to remain a limited resource for the foreseeable future. There can be no assurance that these qualified professionals will be available to us in sufficient numbers, or that we will be successful in retaining current or future employees. Failure to attract and retain qualified professionals in sufficient numbers may have a material adverse effect on our business, operating results and financial condition. Historically, we have done much of our IT recruiting outside of the country where the client work is performed. Accordingly, any perception among our IT professionals, whether or not well founded, that our ability to assist them in obtaining temporary work visas and permanent residency status has been diminished, could lead to significant IT employee attrition. Any significant employee attrition will increase expenses necessary to replace and retrain our professionals and could decrease our revenues if we are not able to provide sufficient numbers of these resources to our clients.

Government regulation of immigration may materially affect our workforce and limit our supply of qualified IT professionals.

We recruit IT professionals on a global basis and, therefore, must comply with the immigration laws in the countries in which we operate, particularly the U.S. As of December 31, 2013, approximately 45% of our U.S. IT workforce was working under Mastech sponsored H1-B temporary work permits. Statutory law limits the number of new H1-B petitions that may be approved in a fiscal year, and if we are unable to obtain H1-B visas for our employees in sufficient quantities or at a sufficient rate for a significant period of time, our business, operating results and financial condition could be adversely affected. Additionally, legislation could be enacted limiting H1-B visa holders' employment with staffing companies, which could result in reduced revenues and / or a higher cost of recruiting.

In recent years, the vast majority of our H1-B hires were not subject to the annual quota limiting H1-B visas because they were already in the U.S. under H1-B visa status with other employers. As a result, the negative impact on recruiting due to the exhaustion of recent H1-B quotas was not substantial. However, unless Congress increases the annual H1-B quota, the pool of H1-B workers in the U.S., who were charged against previous years' quotas, will decline. Such a development would make H1-B worker recruiting more difficult. Absent positive legislation, in the long-term, the pool of available H1-B workers in the U.S. that are not subject to the annual quota may eventually be substantially limited. A limitation of H1-B workers could decrease our revenues if we are not able to recruit enough domestic workers to provide sufficient numbers of IT professionals to our clients.

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Negative economic conditions in the U.S. may adversely affect demand for our services.

All of our revenues are generated from clients located in the U.S. Our business depends on the overall demand for information technology professionals and on the economic health of our clients. Weak economic conditions may force companies to reduce their staffing budgets and adversely affect demand for our services, thus reducing our revenues.

We may have difficulty maintaining client relationships if the trend towards utilizing Managed Service Providers continues.

Within our retail IT sales channel, many large users of staffing services are employing Managed Service Providers (“MSP”) to manage their contractor expenses in an effort to drive down overall costs. The impact of this shift towards the MSP model has been to lower our gross margins. Should this trend towards utilizing the MSP model continue, it is likely that our gross margins will be pressured in the future. In addition, if large users of staffing services continue to employ more MSPs, the relationship between us and those large users may be primarily conducted through MSPs, in which case we may have difficulty maintaining those client relationships because the MSP model uses the MSP as an intermediary between the staffing service provider and the user, and reduces our direct contact with the end-user.

We are dependent upon our Indian operations and there can be no assurance that our Indian operations will support our growth strategy and historical cost structure.

Our Indian recruitment centers depend greatly upon business and technology transfer laws in India, and upon the continued development of technology infrastructure. There can be no assurance that our Indian operations will support our growth strategy. The risks inherent in our Indian business activities include:

- unexpected changes in regulatory environments;
- foreign currency fluctuations;
- tariffs and other trade barriers;
- difficulties in managing international operations; and
- the burden of complying with a wide variety of foreign laws and regulations.

Our failure to manage growth, attract and retain personnel or a significant interruption in our ability to transmit data and voice efficiently, could have a material adverse impact on our ability to successfully maintain and develop our global recruitment centers and could have a material adverse effect on our business, operating results and financial condition.

The rupee may increase in value relative to the dollar, increasing our costs. Although we do not receive revenue from abroad, we maintain a significant portion of our IT recruiting workforce in India, and those employees are paid in rupees. Therefore, any increase in the value of the rupee versus the dollar would increase our expenses, which could have a material adverse effect on our business, operating results and financial condition.

Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries, such as between India and Pakistan and even within India. There have been military confrontations along the India-Pakistan border from time to time. The potential for hostilities between the two countries is high due to past terrorist incidents in India, troop mobilizations along the border, and the geopolitical situation in the region. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. This, in turn, could have a material adverse effect on our business, operating results and financial condition.

Wage costs in India may increase, which may reduce our profit margins and reduce a competitive advantage of ours.

Our wage costs in India have historically been significantly lower than wage costs in the U.S. for comparably skilled professionals, and this has been one of our competitive advantages with respect to the costs of our Indian recruiting offices. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. We may need to increase the levels of our employee compensation more rapidly than in the past to retain talent. Unless we are able to continue to increase the efficiency and productivity of our employees, wage increases in the long term may reduce our profit margins.

Our quarterly operating results may be subject to significant variations.

Our revenues and operating results have historically been subject to significant variations from quarter to quarter depending on a number of factors, including the timing and number of client projects commenced and completed during the quarter, the number of working days in a quarter, employee hiring and attrition, and utilization rates during the quarter. We recognize revenues on time-and-material projects as the services are performed. Because a percentage of Mastech's operating costs are relatively fixed, variations in revenues may cause significant variations in operating results.

Our strategy of expansion through the acquisition of additional companies may not be successful and may result in slower growth of our business and reduced operating margins.

We plan to gradually expand our operations through the acquisition of, or investment in, additional businesses and companies. We may be unable to identify businesses that complement our strategy for growth. If we do succeed in identifying a company with such a business, we may not be able to acquire the company, its relevant business or an interest in the company for many reasons, including:

- a failure to agree on the terms of the acquisition or investment;
- incompatibility between us and the management of the company that we wish to acquire or invest;
- competition from other potential acquirers;
- a lack of capital to make the acquisition or investment; or
- the unwillingness of the company to partner with us.

If we are unable to acquire and invest in attractive businesses, our strategy for growth may be impaired. Even if we are able to complete one or more acquisitions, there can be no assurance that those completed acquisitions will result in successful growth, and the costs of completing an acquisition may reduce our margins.

Our revenues are highly concentrated and the loss of a significant client would adversely affect our business and revenues.

Our revenues are highly dependent on clients located in the U.S., as well as clients concentrated in certain industries. Economic slowdowns, changes in U.S. law and other restrictions or factors that affect the economic health of these industries may affect our business. For the year ended December 31, 2013, approximately 57% of our revenues were derived from our top ten clients. Consequently, if our clients reduce or postpone their spending significantly, this may lower the demand for our services and negatively affect our revenues and profitability. Further, any significant decrease in the rate of economic growth in the U.S. may reduce the demand for our services and negatively affect our revenues and profitability.

We have in the past, and may in the future, derive a significant portion of our revenues from a relatively limited number of clients. Our largest client, Accenture, accounted for approximately 11.4% of our 2013 revenues. These contracts are terminable without penalty, as are most of our contracts. The loss of any significant client or major project, or an unanticipated termination of a major project, could result in the loss of substantial anticipated revenues.

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We must keep pace with the rapid technological changes that characterize the IT industry and our failure could result in lower demand for services.

The IT staffing services industry is characterized by rapid technological change, evolving industry standards, changing client preferences and new product introductions. Our success will depend in part on our ability to keep pace with industry developments. There can be no assurance that we will be successful in addressing these developments on a timely basis or that, if these developments are addressed, we will be successful in the marketplace. In addition, there can be no assurance that products or technologies developed by others will not render our services noncompetitive or obsolete. Our failure to address these developments could have a material adverse effect on our business, operating results and financial condition.

A significant number of organizations are attempting to migrate their IT business applications to advanced technologies. As a result, our ability to remain competitive will be dependent on several factors, including our ability to develop, train and hire employees with skills in advanced technologies. Our failure to hire, train and retain employees with such skills could have a material adverse impact on our future revenues.

Our “preferred vendor” contracts generally result in lower margins. In addition, we may not be able to maintain “preferred vendor” status with existing clients or obtain that status with new clients, which may lead to a decrease in the volume of business we obtain from these clients.

We are party to several “preferred vendor” contracts, and we are seeking additional similar contracts in order to obtain new or additional business from large and medium-sized clients. Clients enter into these contracts to reduce the number of vendors and obtain better pricing in return for a potential increase in the volume of business to the preferred vendor. While these contracts are expected to generate higher volumes, they generally carry lower margins. Although we attempt to lower costs to maintain margins, there can be no assurance that we will be able to sustain margins on such contracts. In addition, the failure to be designated as a preferred vendor, or the loss of such status, may preclude us from providing services to existing or potential clients, except as a subcontractor, which could have a material adverse effect on the volume of business obtained from such clients.

Our success depends upon the maintenance and protection of our intellectual property rights and processes, and any substantial costs incurred protecting such rights and processes may decrease our operating margins.

Our success depends in part upon certain methodologies and tools we use in designing, developing and implementing applications systems and other proprietary intellectual property rights. We rely upon a combination of nondisclosure and other contractual arrangements and trade secrets, copyright and trademark laws to protect our proprietary rights and the proprietary rights of third parties from whom we license intellectual property. We enter into confidentiality agreements with our employees and limit distribution of proprietary information. There can be no assurance that the steps we take in this regard will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights. In the event of an unfavorable resolution of a dispute over our intellectual property rights, we may incur substantial costs or liabilities, which would decrease our operating margins.

Our ownership is highly concentrated in two individuals and the interests of those individual shareholders may not coincide with yours.

Sunil Wadhvani and Ashok Trivedi, co-founders of iGATE, own approximately 60% of Mastech’s outstanding common stock. Accordingly, Messrs. Wadhvani and Trivedi together have sufficient voting power to elect all the members of the Board of Directors and to effect transactions without the approval of our other shareholders, except for those limited transactions that require a supermajority vote under our bylaws or articles of incorporation. The interests of Messrs. Wadhvani and Trivedi may from time to time diverge from our interests. Mastech’s Audit Committee consists of independent directors and addresses certain potential conflicts of interest and related party transactions that may arise between us and our directors, officers or our other affiliates. However, there can be no assurance that any conflicts of interest will be resolved in our favor.

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Our business is certified as a minority-owned business, and loss of that certification may impact our ability to gain new customers or expand our business with existing customers.

We are a large minority-owned staffing firm and have been certified as minority-owned by the National Minority Supplier Development Council (the “NMSDC”). NMSDC certification has helped us to expand our business with existing clients as well as obtain new customers and penetrate new markets. While we cannot quantify the effect of the loss of this status, its loss could adversely affect our ability to expand our business or cause us to lose existing business.

Because the NMSDC certification relies in large part upon Messrs. Wadhvani and Trivedi maintaining their positions as the collective majority holders of our common stock, any decrease in their collective ownership may jeopardize our status as a minority-owned business. There can be no assurance that Messrs. Wadhvani and Trivedi will maintain their majority position in the company.

Existing and potential customers may outsource or consider outsourcing their IT requirements to foreign countries, which could have an adverse effect on our ability to obtain new customers or retain existing customers.

In the past few years, more companies started to use low-cost offshore outsourcing centers to perform technology-related work. Should this shift towards moving technology-related work to offshore outsourcing centers continue, our business, operating results and financial condition could be adversely effected.

We may be subject to liability to clients arising from our engagements.

Many of our engagements involve projects that are critical to the operations of our clients’ businesses and provide benefits that may be difficult to quantify. Although we attempt to contractually limit our liability for damages arising from errors, mistakes, omissions or negligent acts in rendering our services, there can be no assurance that our attempts to limit liability will be successful. Our failure or inability to meet a client’s expectations in the performance of our services could result in a material adverse change to the client’s operations and, therefore, could give rise to claims against us or damage our reputation, adversely affecting our business, operating results and financial condition.

Requirements of the Affordable Care Act could significantly increase our healthcare costs and could negatively affect our operating results, cash flows and financial condition.

We provide healthcare coverage to our U.S.-based employees that are subject to the Affordable Care Act. We pay a portion of these healthcare costs for our salaried employees, but make no contribution towards healthcare coverage for our hourly employees. Under the requirements of the Affordable Care Act, the Company may have to alter how it delivers healthcare benefits to its U.S.-based employees in the future. This potential change could result in higher overall costs to the Company and/or lower employee satisfaction with respect to the Company’s healthcare program, which could have a negative impact on our operating results, cash flows and financial condition.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws

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that protect the privacy of personal information, and regulatory penalties, disrupt our operations and the services we provide to customers, and damage our reputation, and cause a loss of confidence in our products and services, which could adversely affect our operating results and competitive position.

We maintain cyber risk insurance, but this insurance may not be sufficient to cover all of our losses from any future breaches of our networks.

Risks posed by climate change may materially increase our compliance costs and adversely impact our profitability.

Climate change vulnerability is posing new threats and opportunities in the global economy. Climate change and measures adopted to address it can affect us, our clients and suppliers in myriad ways, depending on the nature and location of the businesses, the near-term capital expenditure needs, the regulatory environments where they operate and their strategic plans. Generally, climate risks and opportunities for companies and their investors fall into four categories:

- Physical risk from climate change
- Regulatory risks and opportunities related to existing or proposed green house gas (“GHG”) emissions limits
- Indirect regulatory risks and opportunities related to products or services from high emitting companies, and
- Litigation risks for emitters of greenhouse gases

Unmitigated climate change is likely to have severe physical impacts on companies with exposed assets or business operations, including Mastech. Major environmental risks and liabilities can significantly impact future earnings. To the extent we are unable to comply with applicable regulations related to climate change, and such failure to comply results in material increases in compliance costs or litigation expenses, those costs or expenses will have an adverse effect on our profitability.

If our clients are adversely affected by climate change or related compliance costs, this may reduce their spending and demand for our services, leading to a decrease in revenue.

In addition to emissions and climate change risks posed directly to Mastech, we also have clients in varied industries such as healthcare, consumer products, manufacturing, technology, and retail, among others. Some of the clients may be significantly affected by the climate change resulting in greater physical risk. This may lead to a reduction of demand and loss of business from such clients, which would impact our business, results of operations and financial condition.

If our insurance costs increase significantly, these incremental costs could negatively affect our financial results.

We purchase various insurance policies to limit or transfer certain risks inherent in our operations. These costs largely relate to obtaining and maintaining professional and general liability insurances. If the costs of carrying these insurance policies increase significantly, due to poor claims history or changes in market conditions, this could have an adverse impact on our profitability and financial condition.

Any disruption in the supply of power, IT infrastructure and telecommunications lines to our facilities could disrupt our business process or subject us to additional costs.

Any disruption in basic infrastructure, including the supply of power, could negatively impact our ability to provide timely or adequate services to our clients. We rely on a number of telecommunication services and other infrastructure providers to maintain communications between our various facilities and clients. Telecommunications networks are subject to failures and periods of service disruption which can adversely affect our ability to maintain

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active voice and data communications among our facilities and with our clients. This could disrupt our business process or subject us to additional costs, materially adversely affecting our business, results of operations and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Information regarding the principal properties leased by us and our subsidiaries as of December 31, 2013 is set forth below:

<u>Location</u>	<u>Principal Use</u>	<u>Approximate Square Footage</u>
Pittsburgh, Pennsylvania	Corporate headquarters, executive, human resources, sales, recruiting, marketing and finance	11,200
Dallas, Texas	Sales and recruiting office	2,600
Fremont, California	Sales and recruiting office	2,600
Chicago, Illinois	Sales and recruiting office	1,000
New Delhi, India	Sales and recruiting office	13,700
Bangalore, India	Recruiting office	8,800

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we are involved in a number of lawsuits and administrative proceedings. While uncertainties are inherent in the final outcome of these matters, management believes, after consultation with legal counsel, that the disposition of these proceedings should not have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is traded on the NYSE MKT under the symbol "MHH". We began trading "regular way" on the former American Stock Exchange ("AMEX") on October 1, 2008.

The following table sets forth, for the periods indicated, the range of high and low closing sale prices of the common stock of Mastech during the calendar quarters indicated. All share prices listed below have been adjusted to reflect the impact of our five-for-four stock split effective November 29, 2013.

<u>Common Stock Market Price</u>	<u>High</u>	<u>Low</u>
2013:		
Fourth Quarter	\$ 18.99	\$ 9.08
Third Quarter	9.27	6.08
Second Quarter	7.03	5.46
First Quarter	7.20	4.08
2012:		
Fourth Quarter	\$ 6.59	\$ 3.80
Third Quarter	4.64	3.79
Second Quarter	4.77	4.28
First Quarter	5.00	3.15

On February 28, 2014, we had 99 registered holders of record of our Common Stock. This figure excludes an estimate of the indeterminate number of beneficial holders whose shares may be held by brokerage firms and clearing agencies. We currently do not pay recurring dividends on our common stock. However, on October 29, 2013 the Company declared a cash dividend of \$0.50 per share on common stock, payable on December 20, 2013 to shareholders of record on December 9, 2013. Additionally, on November 29, 2012, the Company declared a special one-time dividend of \$1.60 per share on common stock, payable on December 21, 2012. These dividends should be viewed as non-recurring.

On December 23, 2010, the Company announced a share repurchase program of up to 937,500 shares (750,000 pre-split shares) of the Company's common stock over a two year period. On October 23, 2012, the program was extended through December 22, 2014 and the number of shares subject to the program was increased by 312,500 shares (250,000 pre-split shares). Repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable securities laws. During 2013, we purchased 2,744 shares (2,195 pre-split shares) under this program at an average post-split price of \$5.59 per share.

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<u>Period</u>	<u>Total Number of Shares Purchased*</u>	<u>Average Price*</u>	<u>Maximum Number of Shares that may be Purchased under this Program*</u>
January 1, 2013 – January 31, 2013	—	—	519,785
February 1, 2013 – February 28, 2013	—	—	519,785
March 1, 2013 – March 31, 2013	—	—	519,785
April 1, 2013 – April 30, 2013	—	—	519,785
May 1, 2013 – May 31, 2013	—	—	519,785
June 1, 2013 – June 30, 2013	2,744	\$ 5.59	517,041
July 1, 2013 – July 31, 2013	—	—	517,041
August 1, 2013 – August 31, 2013	—	—	517,041
September 1, 2013 – September 30, 2013	—	—	517,041
October 1, 2013 – October 31, 2013	—	—	517,041
November 1, 2013 – November 30, 2013	—	—	517,041
December 1, 2013 – December 31, 2013	—	—	517,041
Total	<u>2,744</u>	<u>\$ 5.59</u>	

* Adjusted for our five-for-four stock split.

Additionally, the Company adopted a Stock Incentive Plan in 2008 which provides that up to 1,000,000 shares (800,000 pre-split shares) of the Company's common stock shall be allocated for issuance to directors, executive management, and key personnel. Details of shares issued and outstanding under this plan are disclosed in Note 8 "Stock-Based Compensation", to the Consolidated Financial Statements included in Item 8 herein.

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ITEM 6. SELECTED FINANCIAL DATA

You should read the information set forth below in conjunction with our Consolidated Financial Statements and accompanying Notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report on Form 10-K.

	Years Ended December 31,				
	2013	2012	2011	2010	2009
	(Amounts in thousands, except per share data)				
Income Statement Data from Continuing Operations (a):					
Revenues	\$ 106,901	\$ 90,770	\$ 80,476	\$ 66,059	\$ 71,062
Gross profit	20,117	17,165	15,875	13,136	13,427
Operating expense	14,815	13,794	13,656	11,313	11,106
Other income / (expense), net	(77)	(32)	(69)	(26)	(49)
Income before income taxes	5,225	3,339	2,150	1,797	2,272
Income tax expense	1,956	1,281	795	632	875
Net income – continuing operations	<u>\$ 3,269</u>	<u>\$ 2,058</u>	<u>\$ 1,355</u>	<u>\$ 1,165</u>	<u>\$ 1,397</u>
Earnings per share – continuing operations:					
Basic (b)	<u>\$.78</u>	<u>\$.51</u>	<u>\$.30</u>	<u>\$.25</u>	<u>\$.31</u>
Diluted (b)	<u>\$.75</u>	<u>\$.49</u>	<u>\$.29</u>	<u>\$.25</u>	<u>\$.30</u>
Income Statement Data from Discontinued Operations (a):					
Income (loss) before income taxes	\$ 162	\$ 145	\$ (358)	\$ (759)	\$ —
Pre-tax gain on sale of discontinued operations	485	—	—	—	—
Income tax expense	111	64	(116)	(257)	—
Net income – discontinued operations	<u>\$ 536</u>	<u>\$ 81</u>	<u>\$ (242)</u>	<u>\$ (502)</u>	<u>\$ —</u>
Earnings per share – discontinued operations:					
Basic (b)	<u>\$.13</u>	<u>\$.02</u>	<u>\$ (.05)</u>	<u>\$ (.11)</u>	<u>\$ —</u>
Diluted (b)	<u>\$.12</u>	<u>\$.02</u>	<u>\$ (.05)</u>	<u>\$ (.11)</u>	<u>\$ —</u>
Weighted average common shares outstanding:					
Basic (b)	<u>4,193</u>	<u>4,075</u>	<u>4,566</u>	<u>4,591</u>	<u>4,510</u>
Diluted (b)	<u>4,342</u>	<u>4,201</u>	<u>4,695</u>	<u>4,683</u>	<u>4,633</u>
Balance Sheet Data:					
Cash and cash equivalents	\$ 424	\$ 659	\$ 5,755	\$ 6,334	\$ 7,113
Operating working capital (c)	8,397	7,809	6,108	5,060	3,806
Short-term borrowings	12	2,610	—	—	—
Total liabilities	7,591	9,533	6,741	6,049	4,058
Total assets	17,051	16,420	19,788	18,397	15,310
Shareholders’ equity (d)	9,460	6,887	13,047	12,348	11,252

- (a) Continuing operations excludes the results of the Company’s healthcare staffing segment which was sold in August 2013. All periods presented have been recast to reflect the presentation of discontinued operations.
- (b) Weighted average common shares outstanding have been adjusted for all periods presented for the Company’s November 2013 five-for-four stock split.
- (c) Operating working capital represents current assets, excluding cash and cash equivalents, minus current liabilities, excluding short-term borrowings.
- (d) The 2012 reduction in shareholders’ equity reflects the Company’s special one-time cash dividend payable to shareholders on December 21, 2012 (\$6.7 million) and purchases made under its share repurchase program during the year (\$2.5 million).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a domestic provider of IT staffing services to mostly large and medium-sized organizations. From July 1986 until our September 30, 2008 spin-off, we conducted our business as subsidiaries of iGATE. We do not sell, lease or otherwise market any computer software or hardware, and 100% of our revenues are derived from the sale of information technology staffing services.

Our IT staffing business combines technical expertise with business process experience to deliver a broad range of services within business intelligence / data warehousing; web services; enterprise resource planning & customer resource management; and e-Business solutions. We provide our services across various industry verticals including: automotive; consumer products; education; financial services; government; healthcare; manufacturing; retail; telecommunications; transportation and utilities.

We have one operating segment. We do, however, track and evaluate our revenues and gross profits by three distinct sales channels: wholesale IT; retail IT; and permanent placements / fees. Our wholesale IT channel consist of system integrators and other IT staffing firms with a need to supplement their abilities to attract highly-qualified temporary technical computer personnel. Our retail IT channel focuses on clients that are end-users of IT staffing services. Within the retail channel are end-user clients that have retained a third party to provide vendor management services, commonly known in the industry as Managed Service Providers ("MSP"). Permanent placement / fee revenues are incidental revenues derived as by-product opportunities of conducting our core contract staffing business.

Economic Trends and Outlook

Generally, our business outlook is highly correlated to general U.S. economic conditions. During periods of increasing employment and economic expansion, demand for our services tends to increase. Conversely, during periods of contracting employment and / or a slowing domestic economy, demand for our services tends to decline. As the economy slowed during the last half of 2007 and recessionary conditions emerged in 2008 and during much of 2009, we experienced less demand for our staffing services. During the second half of 2009, we began to see signs of market stabilization and a modest pick-up in activity levels within certain sales channels and technologies. During 2010, market conditions continued to strengthen over the course of the year and activity levels within most of our sales channels progressively improved. In 2011 and 2012, activity levels continued to trend up in most technologies and sales channels. During 2013, we continued to see a steady flow of solid activity in our contract staffing business. Permanent placement activity levels trended down in 2013 compared to 2012 and 2011. As we enter 2014, we see the strengthening of the domestic job market as a positive for us and our industry.

In addition to tracking general U.S. economic conditions, a large portion of our revenues are generated from a limited number of clients (see Item 1A, the Risk Factor entitled "Our revenues are highly concentrated and the loss of a significant client would adversely affect our business and revenues"). Accordingly, our trends and outlook are additionally impacted by the prospects and well-being of these specific clients. By way of illustration, during the second half of 2006, while general U.S. economic conditions were positive, we experienced a decline in billable headcount and negative sequential quarterly revenue growth due to client-specific conditions at two of our larger clients. This "account concentration" factor may result in our results of operations deviating from the prevailing U.S. economic trends from time to time.

In recent years, a larger portion of our revenues has come from our wholesale IT sales channel, which consists largely of strategic relationships with systems integrators and other staffing organizations. This channel tends to carry lower gross margins, but provides higher volume opportunities. This trend in our business mix has impacted overall gross margins during the past several years and, if this trend continues, will likely impact future gross margins as well. Within our retail IT sales channel, many large users of IT staffing services are employing Managed Service Providers ("MSP") to manage their contractor spending in an effort to drive down overall costs. This trend

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towards utilizing the MSP model has resulted in lower gross margins in the retail IT channel over the past several years and it is likely that our gross margins will be pressured in future periods should this trend continue.

Recent Developments

In August 2013, the Company sold its healthcare staffing business to Accountable Healthcare Staffing, Inc., as more fully described in Note 2 “Discontinued Operations” to the Consolidated Financial Statements, included herein. This action reflects the Company’s desire to focus exclusively on its IT staffing business. The Consolidated Statements of Operations and Cash Flows for all periods presented have been recast to reflect the healthcare staffing business as discontinued operations.

On October 30, 2013, the Company announced that its Board of Directors approved a five-for-four (25-percent) stock split and declared a special cash dividend of \$0.50 per post-split share of common stock. Shareholders of record received one new share of common stock for every four shares that they owned. The distribution of the new shares was made on November 29, 2013. The cash dividend was paid on December 20, 2013 to shareholders of record at the close of December 9, 2013. The earnings per share calculations for all periods presented have been recast to reflect the impact of the stock split on outstanding shares.

Results of Continuing Operations

Below is a tabular presentation of revenues and gross profit margins by sales channel for the periods discussed:

Revenues & Gross Margin by Sales Channel (Amounts in millions)

Revenues	Years Ended December 31,		
	2013	2012	2011
Wholesale IT Channel	\$ 82.8	\$ 64.0	\$ 57.7
Retail IT Channel	23.9	26.5	22.3
Permanent Placements / Fees*	0.2	0.3	0.5
Total Revenues	\$106.9	\$ 90.8	\$ 80.5
Gross Margin			
Wholesale IT Channel	18.1%	18.3%	18.8%
Retail IT Channel	20.7%	19.5%	20.4%
Permanent Placements / Fees*	100.0%	100.0%	100.0%
Total Gross Margin %	18.8%	18.9%	19.7%

* Permanent Placement / Fees are generated from clients within both of our existing sales channels.

In order to minimize the impact of the industry trends mentioned above on our operating margins, the Company will need to continue to lower its operating cost structure as a percentage of revenues through innovation and greater efficiencies. Investments in our global recruitment centers, aimed at improving operational effectiveness, and costs rationalization efforts throughout our entire organization, are examples of past actions that have resulted in lower operating costs as a percentage to total revenues.

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Below is a tabular presentation of operating expenses by sales, operations and general and administrative categories for the periods discussed:

Selling, General & Administrative (“S,G&A”) Expense Details
(Amounts in millions)

	Years Ended December 31,		
	2013	2012	2011
Sales and Marketing	\$ 4.4	\$ 4.0	\$ 4.8
Operations (HR & Recruiting)	5.3	5.0	4.3
General & Administrative	5.1	4.8	4.6
Total S,G&A Expenses	\$14.8	\$13.8	\$13.7

2013 Compared to 2012

Revenues

Revenues for the year ended December 31, 2013 totaled \$106.9 million, compared to \$90.8 million for the year ended December 31, 2012. This 18% increase was due to higher demand for the Company’s staffing services during 2013. Billable IT consultant headcount at December 31, 2013 totaled 742-consultants compared to 632-consultants one-year earlier. Additionally, our average bill rate in 2013 increased to \$74.25 from \$73.58 in 2012.

Revenues from our wholesale IT channel increased 29% in 2013 compared to 2012. Higher revenue levels from staffing clients (up 23%) were driven by strong demand for our IT staffing services. Revenue from our integrator clients were up 35% over 2012 levels, as we participated in more larger-scale project assignments with several of our strategic partners. Retail IT channel revenues declined by 10% in 2013 compared to a year earlier. This decline reflected lower revenues from direct end-user clients. Revenues from MSP clients were largely flat in 2013, after a significant run-up in revenues during 2012. The 2013 decision to wind down business activities with a low-margin MSP client impacted revenues in this channel during the year. Permanent placement / fee revenues declined in 2013 by approximately \$0.1 million from 2012. With the closure of several branch offices in late 2011, permanent placement opportunities have been less prevalent over the last two years.

In 2013, we had one client that represented more than 10% of total revenues (Accenture = 11.4%). In 2012, we had three clients that represented more than 10% of revenues (IBM = 13.3%, TEK Systems = 12.0%; and Kaiser Permanente = 11.8%). Our top ten clients represented 57% of total revenues in 2013 compared to 60% of total revenues in 2012.

Gross Margin

Gross profit increased to \$20.1 million in 2013 compared to \$17.2 million in 2012. This improvement in gross profit was due to strong revenue growth during the 2013 period. Gross profit as a percentage of revenue was 18.8% in 2013 compared to 18.9% in 2012. The 10 basis point decline in gross margin reflected lower levels of permanent placement / fee revenues, as higher margins in our retail channel essentially offset slightly lower gross margins from our wholesale channel.

Wholesale IT channel gross margins decreased by 20 basis points in 2013 compared to 2012. This slight decline was largely due to consultant compensation increases on existing assignments that out-paced bill rate increases during 2013. With assignment durations increasing over the last several years, this issue continues to have a greater impact on our overall gross margin performance. In our retail IT channel, gross margins increased by 120 basis points from 2012 levels. This increase reflected higher margins on new assignments and the wind-down of business with a low-margin MSP client.

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Selling, General and Administrative (“S,G&A”) Expenses

S,G&A expenses in 2013 totaled \$14.8 million and represented 13.9% of revenues, compared to \$13.8 million or 15.2% of revenues in 2012.

Below is a variance analysis by expense category related to S,G&A expense in 2013 compared to 2012:

- Sales expense increased by \$0.4 million and reflected staff increases of \$0.2 million and higher travel and variable compensation expenses of \$0.2 million.
- Recruiting expenses increased by \$0.3 million due to increases in our recruiting staff of \$0.1 million; higher activity-base expenses of \$0.1 million (H1-B processing fees, job board access fees and background check expenses); and higher variable compensation expenses of \$0.1 million.
- General and administrative expenses increased by \$0.3 million. Higher equity-based compensation expense of \$0.3 million and higher bonus expense of \$0.1 million in 2013 were partially offset by lower severance expense of \$0.1 million.

Other Income / (Expense) Components

In 2013, other income / (expense) consisted of net interest expense of \$93,000 and foreign exchange gains of \$16,000. In 2012, other income / (expense) consisted of \$68,000 of net interest expense and foreign exchange gains of \$36,000. Higher net interest expense in 2013 was due to higher average borrowings during 2013 compared to 2012. Net foreign exchange gains in 2013 and 2012 reflected exchange rate variations between the Indian rupee and the U.S. dollar.

Income Tax Expense

Income tax expense for 2013 was \$2.0 million and represented an effective tax rate on pre-tax income of 37.4% compared to \$1.3 million for 2012, which represented an effective tax rate on pre-tax income of 38.4%. The lower effective tax rate in 2013 was largely due to a higher aggregate state income tax rate in 2012.

2012 Compared to 2011

Revenues

Revenues for the year ended December 31, 2012 totaled \$90.8 million, compared to \$80.5 million for the year ended December 31, 2011. This 13% increase was due to higher demand for the Company’s IT staffing services during 2012. Billable IT consultant headcount at December 31, 2012 totaled 632-consultants compared to 555-consultants one-year earlier. The impact of a higher level of billable consultants in 2012 was partially offset by a lower average bill rate (\$73.58 in 2012 versus \$74.02 in 2011).

Revenues from our wholesale IT channel increased 11% in 2012 compared to 2011. Higher revenue levels from staffing clients (up 28%) were driven by strong demand for our IT services. Revenue from our integrator clients were largely flat in 2012, compared to 2011, as lower levels of ERP assignments in 2012 impacted our overall growth rate with these clients. Retail IT channel revenues increased by 19% in 2012 compared to a year earlier. Essentially all of this growth came from higher demand at many of our MSP clients. Revenues from direct end-user clients were impacted by the late 2011 closure of several under-performing branch operations. Permanent placement / fee revenues declined in 2012 by approximately \$0.2 million from 2011. This decline was largely due to several branch closures in late 2011, which were areas of high permanent placement opportunities.

In 2012, we had three clients that represented more than 10% of total revenues (IBM = 13.3%; TEK Systems = 12.0%; and Kaiser Permanente = 11.8%). In 2011, we had three clients that represented more than 10% of revenues (IBM = 16.5%; TEK Systems = 12.0%; and Kaiser Permanente = 10.7%). Our top ten clients represented 60% of total revenues in 2012 compared to 63% of total revenues in 2011.

Gross Margin

Gross profit increased to \$17.2 million in 2012 compared to \$15.9 million in 2011. This improvement in gross profit was due to our revenue growth in 2012. Gross profit as a percentage of revenue was 18.9% in 2012 compared to 19.7% in 2011. The 80 basis point decline in gross margin reflected lower levels of permanent placement / fee revenues and various levels of margin compression in each of our sales channels.

Wholesale IT channel gross margins decreased by 50 basis points in 2012 compared to 2011. This performance reflected a lower level of ERP assignments at integrator clients and lower margins at our staffing clients. In our retail IT channel, gross margins declined by 90 basis points from 2011 levels. This decline largely reflected a shift of revenues toward MSP clients and away from direct end-user clients. This shift in revenues was largely due to the closure of several under-performing branch operations in late 2011.

Selling, General and Administrative (“S,G&A”) Expenses

S,G&A expenses in 2012 totaled \$13.8 million and represented 15.2% of revenues, compared to \$13.7 million or 17.0% of revenues in 2011. Excluding severance expenses in 2012 and 2011 of \$120,000 and \$277,000, respectively, S,G&A expenses would have represented 15.1% of revenues in 2012 compared to 16.6% in 2011.

Below is a variance analysis by expense category related to S,G&A expense in 2012 compared to 2011:

- Sales expense decreased by \$0.8 million and reflected savings associated with the realignment of our sales leadership structure and the late 2011 closure of several branch operations.
- Recruiting expenses increased by \$0.7 million due to staff increases of \$0.3 million; higher commission and bonus expense of \$0.1 million; and higher activity-base expenses of \$0.4 million (H1-B processing fees, job board access fees and background check expenses); partially off-set by lower facility costs of \$0.1 million, which reflected our new office lease arrangement in New Delhi, India.
- General and administrative expenses increased by \$0.2 million. The increase reflected higher compensation and benefit expense of \$0.2 million and higher expenditures on outside consulting services of approximately \$0.1 million. Additionally, we had lower severance expense of approximately \$0.2 million and higher bad debt expense of \$0.1 million in the 2012 period. It should be noted that the higher bad debt expense variance related to a \$0.1 million reversal (credit) of bad debt expense in 2011.

Other Income / (Expense) Components

In 2012, other income / (expense) consisted of net interest expense of \$68,000 and foreign exchange gains of \$36,000. In 2011, other income / (expense) consisted of \$38,000 of net interest expense, foreign exchange losses of \$26,000 and a \$5,000 loss related to the closure of a joint venture. Higher net interest expense in 2012 was due to higher unused credit line fees on our expanded credit facility and higher amortization of loan origination costs incurred in August 2011. Net foreign exchange gains and losses in 2012 and 2011 reflected exchange rate variations between the Indian rupee and the U.S. dollar.

Income Tax Expense

Income tax expense for 2012 was \$1.3 million and represented an effective tax rate on pre-tax income of 38.4% compared to \$795,000 for 2011, which represented an effective tax rate on pre-tax income of 37.0%. The higher effective tax rate in 2012 was largely due to a higher aggregate state income tax rate.

Results of Discontinued Operations

Net Income from discontinued operations in 2013 totaled \$536,000 and included a net gain of \$442,000 related to the sale of the healthcare staffing business. In 2012, net income from discontinued operations totaled \$81,000 compared to a loss of (\$242,000) in 2011.

Liquidity and Capital Resources

Financial Condition and Liquidity

At December 31, 2013, we had cash balances on hand of \$412,000, net of outstanding borrowings and approximately \$15.4 million of borrowing capacity under our existing credit facility. This financial position reflects returning \$2.1 million of capital to our shareholders during 2013 in the form of a year-end cash dividend. The cash dividend was declared by our Board of Directors as a one-time dividend reflective of the Company's 2013 financial results and the divestiture of our healthcare segment. At this time, we do not anticipate adopting a recurring dividend program and future dividends will be based on the Board's assessment of a variety of factors, both internal and external to our business.

Historically, we have funded our business needs with cash generated from operating activities. In the staffing services industry, investment in operating working capital levels (defined as current assets minus cash and cash equivalents and current liabilities, excluding short-term borrowings) is a significant use of cash. Controlling our operating working capital levels by closely managing our accounts receivable balance is an important element of cash preservation. Our accounts receivable "days sales outstanding" ("DSO's") measurement was 48 days at December 31, 2013 and 47 days at December 31, 2012. We believe that effectively managing our DSO's has been an important factor in maximizing our cash flows in recent years.

Cash provided by operating activities, our cash and cash equivalents balances on hand at December 31, 2013 and current availability under our credit facility are expected to be adequate to fund our business needs over the next 12 months. Below is a tabular presentation of cash flow activities for the periods discussed:

Cash Flows Activities	Years Ended December 31,		
	2013	2012	2011
	(Amounts in millions)		
Operating activities – from continuing operations	\$ 1.9	\$ 0.9	\$ 0.9
Investing activities – from continuing operations	(0.1)	(0.2)	(0.3)
Financing activities – from continuing operations	(4.3)	(5.9)	(0.7)
Discontinued Operations activities	2.3	0.1	(0.5)

Operating Activities

Cash provided by operating activities for the years ended December 31, 2013, 2012 and 2011 totaled \$1.9 million, \$0.9 million and \$0.9 million, respectively. Factors contributing to cash flows during the 2013 period included net income of \$3.3 million and non-cash charges of \$0.6 million, offset by an increase in operating working capital of \$2.0 million. In 2012, cash flows from operating activities included net income of \$2.1 million and non-cash charges of \$0.5 million, offset by an increase in operating working capital of \$1.7 million. In 2011, cash flows from operating activities included net income of \$1.4 million, non-cash charges of \$0.2 million and an offsetting increase in operating working capital of \$0.7 million. The increases in operating working capital during 2013, 2012 and 2011 were in support of higher activity levels and revenue expansion.

We would expect operating working capital levels to increase should revenue growth continue in 2014. Similar to previous years, such an increase would have a negative impact on cash generated from operating activities. We believe that DSO's are likely to remain in the 48 to 52-day range during 2014.

Investing Activities

Cash used in investing activities for the years ended December 31, 2013, 2012 and 2011 totaled approximately \$0.1 million, \$0.2 million and \$0.3 million, respectively. In 2013 and 2012 capital expenditures largely accounted for all uses of cash in investing activities. In 2011, capital expenditures and long-term facility lease deposits of \$0.1 million (offshore facility leases) accounted for our uses of cash in investing activities.

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We believe that investments in capital expenditures and facility lease deposits should approximate \$0.3 million in 2014.

Financing Activities

In 2013, cash used in financing activities totaled \$4.3 million and included \$2.1 million of dividend payments and \$2.6 million of debt repayments, partially offset by stock option activities. In 2012, cash used in financing activities totaled \$5.9 million and included \$6.7 million of dividend payments on common stock, \$2.5 million of purchases under the Company's share repurchase program, partially offset by \$2.6 million of borrowings under our revolving loan facility and \$0.7 million of proceeds related to stock option exercises. In 2011, cash used in financing activities totaled \$0.7 million and principally related to share repurchases and deferred financing costs incurred in connection with our amended credit facility with PNC Bank.

Discontinued Operations Activities

In 2013, discontinued operations generated cash of \$2.3 million related to proceeds from the sale of the business and the wind-down of retained operating working capital levels. In 2012 and 2011, discontinued operations generated cash of \$0.1 million and utilized cash of \$0.5 million, respectively.

Contractual Obligations and Off-Balance Sheet Arrangements

We have financial commitments related to existing operating leases, primarily for office space that we occupy, and borrowings under our existing credit facility. Our commitments are as follows:

<u>Contractual obligations</u>	<u>Payments due by period</u>				<u>Total</u>
	<u>(Amounts in thousands)</u>				
	<u>Less than 1 year</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>	
Operating Leases	\$ 501	\$326	\$ 8	\$ —	\$835
Borrowings under credit facility	\$ 12	\$ —	\$ —	\$ —	\$ 12

We do not have any off-balance sheet arrangements.

Inflation

We do not believe that inflation had a significant impact on our results of operations for the periods presented. On an ongoing basis, we attempt to minimize any effects of inflation on our operating results by controlling operating costs and, whenever possible, seek to ensure that billing rates reflect increases in costs due to inflation.

Seasonality

Our operations are generally not affected by seasonal fluctuations. However, our consultants' billable hours are affected by national holidays and vacation patterns. Accordingly, we typically have lower utilization rates and higher benefit costs during the fourth quarter. Additionally, assignment completions tend to be higher near the end of the calendar year, which largely impacts our revenue and gross profit performance during the subsequent quarter.

Critical Accounting Policies and Estimates

Certain accounting policies are particularly important to the portrayal of our financial position, results of operations and cash flows and require the application of significant judgment by management, and as a result, are subject to an inherent degree of uncertainty. In applying these policies, our management uses judgment to determine the appropriate assumptions to be used in the determination of certain estimates. These estimates are

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based on our historical experience, terms of existing contracts, observances of industry trends and other available information from outside sources, as appropriate. The following explains our most critical accounting policies. See the Notes to the Consolidated Financial Statements, contained in Item 8, of this annual report on Form 10-K for a complete description of our significant accounting policies.

Revenue Recognition

The Company recognizes revenue on time-and-material contracts as services are performed and expenses are incurred. Time-and-material contracts typically bill at an agreed upon hourly rate, plus out-of-pocket expense reimbursement. Out-of-pocket expense reimbursement amounts vary by assignment, but on average represent approximately 2% to 3% of total revenues. Revenue is earned when the Company's consultants are working on projects. Revenue recognition is negatively impacted by holidays and consultant vacation and sick days.

In certain situations related to client direct hire assignments, where the Company's fee is contingent upon the hired resource's continued employment with the client, revenue recognition is deferred until such employment conditions are satisfied.

Accounts Receivable and Allowance for Uncollectible Accounts

The Company extends credit to clients based upon management's assessment of their creditworthiness. A substantial portion of the Company's revenue, and the resulting accounts receivable, are from Fortune 1000 companies, major systems integrators and other staffing organizations.

Unbilled receivables represent amounts recognized as revenues based on services performed and, in accordance with the terms of the client contract, will be invoiced in a subsequent period.

Accounts receivable are reviewed periodically to determine the probability of loss. The Company records an allowance for uncollectible accounts when it is probable that the related receivable balance will not be collected based on historical collection experience, client-specific collection issues, and other matters the Company identifies in its collection monitoring.

Stock-Based Compensation

Effective October 1, 2008, the Company adopted a Stock Incentive Plan (the "Plan") that provides up to 1,000,000 shares (800,000 pre-split shares) of the Company's common stock shall be allocated for issuance to directors, executive management and key personnel. Grants under the Plan can be made in the form of stock options, stock appreciation rights, performance shares or stock awards. The Plan is administered by the Compensation Committee of the Board of Directors. Stock options are granted at an exercise price equal to the closing share price of the Company's common stock at the grant date and generally vest over a four year period.

The Company accounts for stock-based compensation expense in accordance with ASC Topic 718 "Share-based Payments" which requires us to measure all share-based payments based on their estimated fair value and recognize compensation expense over the requisite service period. The fair value of our stock options is determined at the date of grant using the Black-Scholes option pricing model. The assumptions associated with this option pricing model and other information related to our Stock Incentive Plan are more fully described in Note 8 "Stock-Based Compensation" to the Consolidated Financial Statements, included in Item 8 herein.

Income Taxes

The Company records an estimated liability for income and other taxes based on what management determines will likely be paid in the various tax jurisdictions in which we operate. Management uses its best judgment in the determination of these amounts. However, the liabilities ultimately realized and paid are dependent on various matters, including the resolution of the tax audits in the various affected tax jurisdictions, and may differ from the

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amounts recorded. An adjustment to the estimated liability would be recorded through income in the period in which it becomes probable that the amount of the actual liability differs from the amount recorded.

Management determines the Company's income tax provision using the asset and liability method. Under this method, deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. We measure deferred tax assets and liabilities using enacted tax rates in effect for the year in which we expect to recover or settle the temporary differences. The effect of a change in tax rates on deferred taxes is recognized in the period that the change is enacted. The Company evaluates its deferred tax assets and records a valuation allowance when, in management's opinion, it is more likely than not that some portion or all of the deferred tax assets will not be realized. For the periods presented, no valuation allowance has been provided.

The Company accounts for uncertain tax positions in accordance with ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes". Accordingly, the Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in a tax return. As of December 31, 2013, the Company provided a liability of \$111,000 for uncertain tax positions, including interest and penalties, related to various state income tax matters applicable to the periods subsequent to our spin-off from iGATE.

Derivative Instruments and Hedging Activities

The Company is exposed to foreign currency risks as a result of its Indian-based global recruitment centers. During 2012, the Company's expenditures in Indian rupees, in support of these operations, increased significantly. Accordingly, to mitigate and manage the risk of changes in foreign currency exchange rates, the Company entered into foreign currency forward contracts in June 2012 and continued its hedging strategy into 2013 and 2014. These forward contracts have been designated as cash flow hedging instruments and qualified as effective hedges at inception under ASC Topic 815 "Derivatives and Hedging". The Company does not enter into derivative contracts for speculative purposes.

All derivatives are recognized on the balance sheet at fair value. The effective portion of the changes in the fair value on these instruments are recorded in other comprehensive income (loss) and are reclassified into the Consolidated Statement of Operations on the same line item and in the same period in which the underlying hedge transaction affects earnings. Changes in the fair value of these instruments deemed ineffective are recognized in the Consolidated Statement of Operations as foreign exchange gains / (losses). Forward points (premiums / discounts) are excluded from the assessment of hedge effectiveness and are recognized in the Consolidated Statement of Operations as foreign exchange gains / (losses).

With respect to derivatives designed as hedges, the Company formally documents all relationships between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking such transactions. The Company evaluates hedge effectiveness at the time a contract is entered into and on an ongoing basis. If a contract is deemed ineffective, these change in the fair value of the derivative is recorded in the Consolidated Statement of Operations as foreign exchange gains / (loss).

Discontinued Operations

In August 2013, the Company sold its healthcare staffing business to Accountable Healthcare Staffing, Inc. The healthcare staffing segment meets the criteria for being reported as a discontinued operation. Accordingly, the Consolidated Statements of Operations and Cash Flows for all periods presented have been recast to reflect the presentation of discontinued operations. The carrying value of assets and liabilities of discontinued operations that have been retained by the Company are disclosed in Note 2 "Discontinued Operations" to the Consolidated Financial Statements, included in Item 8 herein.

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Recently Issued Accounting Standards

The Company is of the opinion that any pending accounting pronouncement, either in the adoption phase or not yet required to be adopted, will not have a significant impact on the Company's financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Cash and cash equivalents are defined as cash and highly liquid investments with maturities of three months or less when purchased. Cash equivalents are stated at cost, which approximates market value.

Our cash flows and earnings are subject to fluctuations due to currency exchange rate variations. Foreign currency risk exists by nature of our global recruitment centers. We attempt to limit our exposure to currency exchange fluctuations in the Indian rupee ("Rupee") via the purchase of foreign currency forward contracts. These forward contracts have been designated as cash flow hedging instruments and are used to mitigate overall risk by essentially creating offsetting currency exposures. The following table presents information related to foreign currency forward contracts held by the Company as of December 31, 2013:

<u>Currency (in thousands)</u>	<u>Amount (in Rupees)</u>	<u>Amount (in USD)</u>
Currency Forward Contracts	INR 120,000	\$ 1,801

Effect of Hypothetical Currency Rate Fluctuations

As of December 31, 2013, the potential gain or loss in the fair value of the Company's outstanding foreign currency forward contracts assuming hypothetical 10%, 5%, 2% and 1% fluctuations in currency rates would be as follows (amounts in thousands):

	<u>Valuation given X%</u>				<u>Fair Value</u> <u>as of</u> <u>December 31, 2013</u>	<u>Valuation given X%</u>			
	<u>decrease in Rupee/USD Rate</u>					<u>increase in Rupee/USD Rate</u>			
	<u>10%</u>	<u>5%</u>	<u>2%</u>	<u>1%</u>		<u>1%</u>	<u>2%</u>	<u>5%</u>	<u>10%</u>
Rupee to USD Rate	57.81	61.02	62.95	63.59	64.23	64.87	65.51	67.44	70.65
Fair value of derivative instruments	\$ 275	\$ 166	\$ 105	\$ 86	\$ 67	\$ 49	\$ 31	\$ (22)	\$ (102)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this item are filed as part of this Form 10-K. See Index to Consolidated Financial Statements on page 31 of this Form 10-K.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements of Mastech Holdings, Inc. and subsidiaries have been prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America and necessarily include amounts based on management's best estimates and judgments.

The Company's Consolidated Financial Statements for the year ended December 31, 2013 have been audited by UHY LLP, an Independent Registered Public Accounting Firm, whose report thereon appears on page 32 of this Form 10-K.

The Board of Directors pursues its responsibility for the Company's financial reporting and accounting practices through its Audit Committee, all of the members of which are independent directors. The Audit Committee's duties include recommending to the Board of Directors the Independent Registered Public Accounting Firm to audit the Company's financial statements, reviewing the scope and results of the independent accountants' activities and reporting the results of the committee's activities to the Board of Directors. The Independent Registered Public Accounting Firm has met with the Audit Committee in the presence of management representatives to discuss the results of their audit work. Additionally, the Independent Registered Public Accounting Firm has direct access to the Audit Committee.

D. Kevin Horner
President and Chief Executive Officer

John J. Cronin, Jr.
Chief Financial Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Mastech Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Mastech Holdings, Inc. and Subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2013. We have also audited the accompanying Schedule II, Valuation and Qualifying Accounts, for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and schedule referred to above present fairly, in all material respects, the financial position of Mastech Holdings, Inc. and Subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "UHY LLP".

Farmington Hills, Michigan
March 21, 2014

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

	At December 31,	
	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 424	\$ 659
Accounts receivable, net of allowance for uncollectible accounts of \$358 in 2013 and \$438 in 2012	10,707	10,864
Unbilled receivables	4,304	2,927
Prepaid and other current assets	822	788
Deferred income taxes	143	153
Total current assets	16,400	15,391
Equipment, enterprise software, and leasehold improvements, at cost:		
Equipment	1,688	1,788
Enterprise software	723	720
Leasehold improvements	547	555
	2,958	3,063
Less – accumulated depreciation	(2,784)	(2,814)
Net equipment, enterprise software, and leasehold improvements	174	249
Deferred income taxes	248	91
Deferred financing costs, net	19	46
Non-current deposits	210	214
Goodwill	—	405
Intangible assets, net	—	24
Total assets	<u>\$17,051</u>	<u>\$ 16,420</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 12	\$ 2,610
Accounts payable	2,026	1,984
Accrued payroll and related costs	5,202	4,424
Other accrued liabilities	304	342
Deferred revenue	47	173
Total current liabilities	7,591	9,533
Total liabilities	7,591	9,533
Commitments and contingent liabilities (Note 6)		
Shareholders' equity:		
Preferred Stock, no par value; 20,000,000 shares authorized; none outstanding	—	—
Common Stock, par value \$.01; 125,000,000 shares authorized and 4,974,506 shares issued as of December 31, 2013 and 4,906,744 shares issued as of December 31, 2012	50	49
Additional paid-in-capital	11,924	11,026
Retained earnings	601	(1,081)
Accumulated other comprehensive income	16	8
Treasury stock, at cost; 732,958 shares as of December 31, 2013 and 730,215 as of December 31, 2012	(3,131)	(3,115)
Total shareholders' equity	9,460	6,887
Total liabilities and shareholders' equity	<u>\$17,051</u>	<u>\$ 16,420</u>

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

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

	Years Ended December 31,		
	2013	2012	2011
Revenues	\$ 106,901	\$ 90,770	\$ 80,476
Cost of revenues	86,784	73,605	64,601
Gross profit	20,117	17,165	15,875
Selling, general and administrative expenses	14,815	13,794	13,656
Income from operations	5,302	3,371	2,219
Interest income (expense), net	(93)	(68)	(38)
Other income (expense), net	16	36	(31)
Income from continuing operations before income taxes	5,225	3,339	2,150
Income tax expense	1,956	1,281	795
Income from continuing operations	3,269	2,058	1,355
Income from discontinued operations, net of tax expense of \$68, \$64 and (\$116)	94	81	(242)
Gain on sale of discontinued operations, net of tax expense of \$43, nil and nil	442	—	—
Net income (loss) from discontinued operations	536	81	(242)
Net income	<u>\$ 3,805</u>	<u>\$ 2,139</u>	<u>\$ 1,113</u>
Earnings Per Share:			
Basic:			
Continuing operations	\$.78	\$.51	\$.30
Discontinued operations	.13	.02	(.05)
Total	<u>\$.91</u>	<u>\$.53</u>	<u>\$.24</u>
Diluted			
Continuing operations	\$.75	\$.49	\$.29
Discontinued operations	.12	.02	(.05)
Total	<u>\$.88</u>	<u>\$.51</u>	<u>\$.24</u>
Weighted average common shares outstanding:			
Basic	4,193	4,075	4,566
Diluted	<u>4,342</u>	<u>4,201</u>	<u>4,695</u>

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

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

	Years Ended December 31,		
	2013	2012	2011
Net income	\$3,805	\$2,139	\$1,113
Other comprehensive income (loss):			
Net unrealized gain on cash flow hedges	13	13	—
Income tax expense	5	5	—
Total other comprehensive income	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ —</u>
Total comprehensive income	<u>\$ 3,813</u>	<u>\$ 2,147</u>	<u>\$ 1,113</u>

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

MASTECH HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in thousands)

	Common Stock*	Additional Paid-in Capital*	Accumulated Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balances, December 31, 2010	\$ 46	\$ 9,953	\$ 2,349	\$ —	\$ —	\$ 12,348
Net income	—	—	1,113	—	—	1,113
Reduction in excess tax benefits related to stock options	—	(50)	—	—	—	(50)
Stock-based compensation expense	—	228	—	—	—	228
Stock options exercised	—	24	—	—	—	24
Purchase of other equity securities	—	(50)	—	—	—	(50)
Purchase of treasury stock	—	—	—	(566)	—	(566)
Balances, December 31, 2011	\$ 46	\$ 10,105	\$ 3,462	\$ (566)	\$ —	\$ 13,047
Net income	—	—	2,139	—	—	2,139
Unrealized gains on cash flow hedges, net of tax	—	—	—	—	8	8
Dividends paid on common stock	—	—	(6,682)	—	—	(6,682)
Increase in excess tax benefits related to stock-based compensation	—	58	—	—	—	58
Stock-based compensation expense	—	242	—	—	—	242
Stock options exercised	3	621	—	—	—	624
Purchase of treasury stock	—	—	—	(2,549)	—	(2,549)
Balances, December 31, 2012	\$ 49	\$ 11,026	\$ (1,081)	\$ (3,115)	\$ 8	\$ 6,887
Net income	—	—	3,805	—	—	3,805
Unrealized gains on cash flow hedges, net of tax	—	—	—	—	8	8
Dividends paid on common stock	—	—	(2,123)	—	—	(2,123)
Increase in excess tax benefits related to stock-based compensation	—	250	—	—	—	250
Stock-based compensation expense	—	517	—	—	—	517
Stock options exercised	1	131	—	—	—	132
Purchase of treasury stock	—	—	—	(16)	—	(16)
Balances, December 31, 2013	\$ 50	\$ 11,924	\$ 601	\$ (3,131)	\$ 16	\$ 9,460

* Adjusted to reflect the November 2013 five-for-four stock split.

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

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

	Years Ended December 31,		
	2013	2012	2011
OPERATING ACTIVITIES:			
Net income	\$ 3,805	\$ 2,139	\$ 1,113
Adjustments to reconcile net income to net cash provided by (used in) operating activities of continuing operations:			
Net (income) loss from discontinued operations, net of tax	(536)	(81)	242
Depreciation and amortization	153	158	126
Bad debt (credit) expense	—	—	(125)
Interest amortization of deferred financing costs	27	28	10
Stock-based compensation expense	532	222	212
Deferred income taxes, net	(131)	151	(23)
(Gain) loss on derivative contract	(13)	(28)	—
Loss on capital asset retirements	1	—	2
Loss in unconsolidated affiliate	—	—	5
Working capital items:			
Accounts receivable and unbilled receivables	(2,915)	(1,778)	(1,240)
Prepaid and other current assets	(197)	(17)	189
Accounts payable	176	(312)	(497)
Accrued payroll and related costs	1,141	468	810
Other accrued liabilities	(43)	(99)	114
Deferred revenue	(121)	71	(45)
Net cash flows provided by operating activities of continuing operations	1,879	922	893
Net cash flows provided by (used in) operating activities of discontinued operations	1,332	75	(423)
Net cash flows provided by operating activities	<u>3,211</u>	<u>997</u>	<u>470</u>
INVESTING ACTIVITIES:			
(Payment for) Recovery of non-current deposits	10	(8)	(53)
Capital expenditures	(100)	(136)	(205)
Net cash flows (used in) investing activities of continuing operations	(90)	(144)	(258)
Net cash flows provided by (used in) investing activities of discontinued operations	1,000	(10)	(65)
Net cash flows provided by (used in) investing activities	<u>910</u>	<u>(154)</u>	<u>(323)</u>
FINANCING ACTIVITIES:			
Dividends paid on common stock	(2,123)	(6,682)	—
Payment of deferred financing costs	—	—	(84)
Proceeds from (payment of) short-term borrowings, net	(2,598)	2,610	—
Purchase of treasury stock and other equity securities	(16)	(2,549)	(616)
Proceeds from the exercise of stock options	131	624	24
(Reduction) Increase in excess tax benefits related to stock options, net	250	58	(50)
Net cash flows (used in) financing activities of continuing operations	(4,356)	(5,939)	(726)
Net cash flows (used in) financing activities of discontinued operations	—	—	—
Net cash flows (used in) financing activities	<u>(4,356)</u>	<u>(5,939)</u>	<u>(726)</u>
Net change in cash and cash equivalents	(235)	(5,096)	(579)
Cash and cash equivalents, beginning of period	659	5,755	6,334
Cash and cash equivalents, end of period	<u>\$ 424</u>	<u>\$ 659</u>	<u>\$ 5,755</u>
SUPPLEMENTAL DISCLOSURE:			
Cash payments for interest expense	<u>\$ 65</u>	<u>\$ 40</u>	<u>\$ 113</u>
Cash payments for income taxes	<u>\$ 2,275</u>	<u>\$ 1,093</u>	<u>\$ 791</u>

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

MASTECH HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies:

Basis of Presentation

Mastech Holdings, Inc. (referred to in this report as “Mastech”, the “Company”, “us”, “our” or “we”) is a provider of information technology staffing services. Our business combines technical expertise with business process experience to deliver a broad range of services within business intelligence / data warehousing; service oriented architecture; web services; enterprise resource planning & customer resource management; and e-Business solutions segments. Headquartered in Pittsburgh, Pennsylvania, we have approximately 750 consultants that provide services across a broad spectrum of industry verticals on a national basis.

Accounting Principles

The Company’s Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation. The Company utilizes the equity method of accounting, as prescribed by ASC Topic 323 “The Equity Method of Accounting for Investments in Common Stock”, when it is able to exercise significant management influence over the entity’s operations, which generally occurs when Mastech has an ownership interest of between 20% and 50% in an entity. The cost method of accounting is used when the Company does not exercise significant management influence, generally when Mastech has an ownership interest of less than 20%.

Recent Developments

In August 2013, the Company sold its healthcare staffing business to Accountable Healthcare Staffing, Inc., as more fully described in Note 2 “Discontinued Operations” to the Consolidated Financial Statements. The Consolidated Statements of Operations and Cash Flows for all periods presented have been recast to reflect the healthcare staffing business as discontinued operations.

On October 30, 2013, the Company announced that its Board of Directors approved a five-for-four (25 percent) stock split and declared a special cash dividend of \$0.50 per post-split share of common stock. Shareholders of record received one new share of common stock for every four shares that they owned. The distribution of the new shares was made on November 29, 2013. The cash dividend was paid on December 20, 2013 to shareholders of record at the close of December 9, 2013. The earnings per share calculations and outstanding share information for all periods presented have been recast to reflect the impact of the stock split.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from the estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and highly liquid debt investments with maturities of three months or less when purchased. Cash equivalents are stated at cost, which approximates market value.

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Accounts Receivable and Unbilled Receivables

The Company extends credit to clients based upon management's assessment of their creditworthiness. A substantial portion of the Company's revenue, and the resulting accounts receivable, are from Fortune 1000 companies, major systems integrators and other staffing organizations.

Unbilled receivables represent amounts recognized as revenues based on services performed and, in accordance with the terms of the client contract, will be invoiced in a subsequent period.

Allowance for Uncollectible Accounts

Accounts receivable are reviewed periodically to determine the probability of loss. The Company records an allowance for uncollectible accounts when it is probable that the related receivable balance will not be collected based on historical collection experience, client-specific collection issues, and other matters the Company identifies in its collection monitoring.

The Allowance for Uncollectible Accounts was \$358,000 and \$438,000 at December 31, 2013 and 2012, respectively. Bad debt expense (credit) reflected in the Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011 totaled \$0, \$0 and (\$125,000).

Equipment, Enterprise Software and Leasehold Improvements

Equipment, enterprise software and leasehold improvements are stated at historical cost. The Company provides for depreciation using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of (a) the remaining term of the lease or (b) the estimated useful life of the improvements. Repairs and maintenance, which do not extend the useful life of the respective assets, are charged to expense as incurred. Upon disposal, assets and related accumulated depreciation are removed from the Company's accounts and the resulting gains or losses are reflected in the Company's Consolidated Statement of Operations.

The estimated useful lives of depreciable assets are primarily as follows:

Laptop Computers	18 months
Equipment	3-5 years
Enterprise Software	3 years

Depreciation and amortization expense related to fixed assets totaled \$153,000, \$158,000 and, \$126,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

Income Taxes

The Company records an estimated liability for income and other taxes based on what management determines will likely be paid in the various tax jurisdictions in which we operate. Management uses its best judgment in the determination of these amounts. However, the liabilities ultimately realized and paid are dependent on various matters, including the resolution of the tax audits in the various affected tax jurisdictions, and may differ from the amounts recorded. An adjustment to the estimated liability would be recorded through income in the period in which it becomes probable that the amount of the actual liability differs from the amount recorded.

Management determines the Company's income tax provision using the asset and liability method. Under this method, deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The Company measures deferred tax assets and liabilities using enacted tax rates in effect for the year in which we expect to recover or settle the temporary differences. The effect of a change in tax rates on deferred taxes is recognized in the period that the change is

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enacted. The Company evaluates its deferred tax assets and records a valuation allowance when, in management's opinion, it is more likely than not that some portion or all of the deferred tax assets will not be realized. For the periods presented, no valuation allowance has been provided.

The Company accounts for uncertain tax positions in accordance with ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes". Accordingly, the Company has reported a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in a tax return. As of December 31, 2013, the Company provided \$111,000 for uncertain tax positions, including interest and penalties, related to various state income tax matters applicable to the periods subsequent to our spin-off from iGATE.

During 2013, the Company's 2011 federal tax return was audited by the Internal Revenue Service ("IRS") resulting in no amendments to our filed return. During 2011, the IRS completed its examination of the Company's federal income tax returns for the years 2008 (post spin-off) and 2009. Amendments to our income tax return as a result of such examination were immaterial and are reflected in the Consolidated Financial Statements for the year ended December 31, 2011. All post spin-off periods remain subject to examination by various state authorities, conditioned on statutory limitations.

Segment Reporting

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

Revenue Recognition

The Company recognizes revenue on time-and-material contracts as services are performed and expenses are incurred. Time-and-material contracts typically bill at an agreed upon hourly rate, plus out-of-pocket expense reimbursement. Out-of-pocket expense reimbursement amounts vary by assignment, but on average represent approximately 2% to 3% of total revenues. Revenue is earned when the Company's consultants are working on projects. Revenue recognition is negatively impacted by holidays and consultant vacation and sick days.

In certain situations related to client direct hire assignments, where the Company's fee is contingent upon the hired resources' continued employment with the client, revenue recognition is deferred until such employment conditions are satisfied.

Stock-Based Compensation

Effective October 1, 2008, the Company adopted a Stock Incentive Plan (the "Plan"). The Plan provides that up to 1,000,000 shares (800,000 pre-split shares) of the Company's common stock shall be allocated for issuance to directors, executive management and key personnel. Grants under the Plan can be made in the form of stock options, stock appreciation rights, performance shares or stock awards. The Plan is administered by the Compensation Committee of the Board of Directors. Stock options are granted at an exercise price equal to the closing share price of the Company common stock at the grant date and generally vest over a four year period.

The Company accounts for stock-based compensation expense in accordance with ASC Topic 718 "Share-based Payments" which requires us to measure all share-based payments based on their estimated fair value and recognize compensation expense over the requisite service period. The fair value of our stock options is determined at the date of grant using the Black-Scholes option pricing model. The assumptions associated with this option pricing model and other information related to our Stock Incentive Plan are more fully described in Note 8 "Stock-Based Compensation" to the Consolidated Financial Statements.

Treasury Stock

The Company maintains a stock repurchase program which expires on December 22, 2014. Under this program, the Company may make treasury stock purchases in the open market or through privately negotiated

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transactions, subject to market conditions and normal trading restrictions. At December 31, 2013, the Company held 732,958 shares in its treasury at a cost of \$3.1 million.

Comprehensive Income

Comprehensive income is presented in the Consolidated Statements of Shareholders' Equity and consists of net income and unrealized gains or losses, net of taxes, on cash flow hedging transactions related to foreign exchange derivative contracts.

Derivative Instruments and Hedging Activities

The Company is exposed to foreign currency risks largely as a result of its Indian-based global recruitment centers. During 2012, the Company's expenditures in Indian rupees, in support of these operations, increased significantly. Accordingly, to mitigate and manage the risk of changes in foreign currency exchange rates, the Company entered into foreign currency forward contracts in June 2012 and continued its hedging strategy into 2013 and 2014. These forward contracts have been designated as cash flow hedging instruments and qualified as effective hedges at inception under ASC Topic 815, "*Derivatives and Hedging*". The Company does not enter into derivative contracts for speculative purposes.

All derivatives are recognized on the balance sheet at fair value. The effective portion of the changes in fair value on these instruments are recorded in other comprehensive income (loss) and are reclassified into the Consolidated Statement of Operations on the same line item and in the same period in which the underlying hedge transactions affects earnings. Changes in the fair value of these instruments deemed ineffective are recognized in the Consolidated Statement of Operations as foreign exchange gains (losses). Forward points (premiums/discounts) are excluded from the assessment of hedge effectiveness and are recognized in the Consolidated Statement of Operations as foreign exchange gains/ (losses).

With respect to derivatives designated as hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking such transactions. The Company evaluates hedge effectiveness at the time a contract is entered into and on an ongoing basis. If a contract is deemed ineffective, the change in the fair value of the derivative is recorded in the Consolidated Statement of Operations as foreign exchange gains (losses).

Earnings Per Share

Basic earnings per share are computed using the weighted-average number of common shares outstanding during the period. Diluted earnings per share are computed using the weighted-average number of common shares outstanding during the period, plus the incremental shares outstanding assuming the exercise of dilutive stock options and restricted shares, calculated using the treasury stock method.

Recently Issued Accounting Standards

The Company is of the opinion that any pending accounting pronouncements, either in the adoption phase or not yet required to be adopted, will not have a material impact on the Company's financial position or results of operations.

2. Discontinued Operations

In August 2013, the Company sold its healthcare staffing business to Accountable Healthcare Staffing, Inc. Under the terms of the Sale and Purchase Agreement, the purchase price totaled \$1.15 million and consisted of \$1.0 million of cash consideration at closing, plus the assumption of certain liabilities by the buyer. Total net assets sold excluded cash balances on hand, accounts receivables and other current assets which approximated \$1.5 million, net of current liabilities retained by the Company at the transaction date.

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The healthcare staffing business meets the criteria for being reported as a discontinued operations and has been segregated from continuing operations. Accordingly, the Consolidated Statements of Operations and Cash Flows for all periods presented have been recast to reflect the presentation of discontinued operations. Unless otherwise indicated, all disclosures in the Notes to the Consolidated Financial Statements relate to the Company's continuing operations.

The carrying value of assets and liabilities of discontinued operations included in the December 31, 2013 and 2012 Consolidated Balance Sheets were as follows (in thousands):

	At December 31, 2013	At December 31, 2012
ASSETS:		
Accounts receivables	\$ 68	\$ 1,763
Prepaid and other current assets	—	143
Deferred income taxes	24	8
Non-current deposits	19	13
Fixed assets, net	—	21
Goodwill and other intangibles	—	429
Total	<u>111</u>	<u>2,377</u>
LIABILITIES:		
Accounts payable	23	157
Accrued payroll and related cost	—	362
Deferred revenue	—	5
Other accrued liabilities	174	129
Total	<u>197</u>	<u>653</u>
TOTAL NET ASSETS (LIABILITIES)	<u>\$ (86)</u>	<u>\$ 1,724</u>

The statement of operations of discontinued operations were as follows for the years 2013, 2012 and 2011 (in thousands):

	Years Ended December 31,		
	2013*	2012	2011
Revenues	\$ 7,058	\$ 11,068	\$ 8,886
Costs of revenues	<u>5,856</u>	<u>9,024</u>	<u>7,220</u>
Gross profit	1,202	2,044	1,666
Selling, general and administrative expenses	<u>1,040</u>	<u>1,899</u>	<u>2,024</u>
Income before income taxes	162	145	(358)
Income tax expense	68	64	(116)
Net income	<u>\$ 94</u>	<u>\$ 81</u>	<u>\$ (242)</u>

* Results through the sale transaction date (August 12, 2013).

The gain on the August 2013 sale of the healthcare business was as follows (in thousands):

	Year Ended December 31, 2013
Pretax gain on sale transaction	\$ 485
Income tax expense	43
Net gain after income taxes	<u>\$ 442</u>

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Income tax expense on the sale transaction included the utilization of \$147,000 of tax benefits (capital loss carry-forwards) which were previously deemed non-realizable by the Company.

The statements of cash flows of discontinued operations were as follows for the years 2013, 2012 and 2011 (in thousands):

	Years Ended December 31,		
	2013*	2012	2011
OPERATING ACTIVITIES:			
Net income (loss) from discontinued operations	\$ 536	\$ 81	\$ (242)
Adjustments to reconcile net income to net cash provided by (used in) operating activities of discontinued operations:			
Depreciation and amortization	16	45	55
Bad debt (credit) expense	(25)	125	—
Stock-based compensation expense	(15)	20	16
Deferred income taxes, net	(16)	(49)	2
(Gain) on sale of discontinued operations, net of tax	(442)	—	—
Working capital items:			
Accounts receivable and unbilled receivables	1,720	(213)	(839)
Prepaid and other current assets	144	12	275
Accounts payable	(134)	(13)	111
Accrued payroll and related costs	(363)	(46)	168
Other accrued liabilities	(84)	117	21
Deferred revenue	(5)	(4)	10
Total cash provided by (used in) operating activities of discontinued operations	1,332	75	(423)
INVESTING ACTIVITIES:			
Recovery of (increase in) non-current deposits	(6)	4	(39)
Capital expenditures	(3)	(14)	(26)
Proceeds from sale of discontinued operations	1,009	—	—
Total cash provided by (used in) investing activities of discontinued operations	1,000	(10)	(65)
FINANCING ACTIVITIES:			
None	—	—	—
Total cash flow provided by (used in) discontinued operations	<u>\$ 2,332</u>	<u>\$ 65</u>	<u>\$ (488)</u>

* Results through the sale transaction date (August 12, 2013).

3. Cash and Cash Equivalents

The Company had cash and cash equivalents consisting of cash balances on hand and money market funds that totaled \$0.4 million at December 31, 2013 and \$0.7 million at December 31, 2012. There were no restrictions on the Company's cash balances during the periods presented.

4. Investments in Unconsolidated Affiliate

In 2007, the Company acquired 50% ownership in a joint venture with another large staffing service organization. The joint venture was accounted for under the equity method of accounting. The Company recognized a loss of \$-0-, \$-0- and \$5,000 in 2013, 2012 and 2011, respectively, which is included in the other income (expense) category in the Company's Consolidated Statements of Operations. The joint venture has been dissolved as of December 31, 2013.

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5. Credit Facility

On August 31, 2011, the Company entered into a three-year credit facility with PNC Bank, N.A. ("PNC"), replacing its previous PNC credit facility that was set to expire on October 15, 2011. The new facility is comprised of a \$15 million revolving credit loan and a \$4 million delayed draw term loan and is secured by pledges of and first priority perfected security interest in substantially all of the Company's assets. Advances under the revolving credit loan are limited to a borrowing base that consist of the sum of 85% of eligible accounts receivable and 60% of eligible unbilled accounts.

Interest on borrowings will be charged at a rate equal to, at the Company's election, either (a) the higher of PNC's prime rate or the federal funds rate plus 0.50%, plus an applicable margin; or (b) adjusted LIBOR plus an applicable margin. The applicable margin on the base rate is between 0.25% and 0.75% on revolving credit loans and between 0.75% and 1.25% on the delayed draw term loans. The applicable margin on the adjusted LIBOR rate is between 1.25% and 1.75% on revolving credit loans and between 1.75% and 2.25% on the delayed draw term loans. The actual applicable margin is based on the Company's senior leverage ratio, as defined in the loan agreement. A 20 basis point per annum commitment fee on the unused portion of the facility is charged and due quarterly in arrears. As of December 31, 2013, the Company had outstanding borrowings under the revolving credit loan facility of \$12,000 and unused borrowing availability of \$15.4 million.

The loan agreement contains standard financial covenants, including but not limited to, covenants related to the Company's leverage ratio, senior leverage ratio and fixed charge ratio (as defined under the loan agreement) and limitations on liens, indebtedness, guarantees and contingent liabilities, loans and investments, distributions, leases, asset sales, stock repurchases and mergers and acquisitions. As of December 31, 2013, the Company was in compliance with all provisions under the facility.

In connection with securing this facility, the Company incurred transaction costs totaling \$84,000. These costs are being amortized as interest expense over the three-year life of the credit facility.

The Company is currently in discussions with PNC Bank to extend this facility.

6. Commitments and Contingencies

Lease Commitments

The Company rents certain office facilities and equipment under noncancelable operating leases, which provide for the following future minimum rental payments as of December 31, 2013:

	Total Amount
	(Amounts in thousands)
2014	\$ 501
2015	222
2016	104
2017	7
2018	1
Thereafter	—
Total	\$ 835

Rental expense for the years ended December 31, 2013, 2012 and 2011, totaled \$577,000, \$618,000 and \$490,000, respectively.

Contingencies

In the ordinary course of business, the Company is involved in a number of lawsuits and administrative proceedings. While uncertainties are inherent in the final outcome of these matters, management believes, after consultation with legal counsel, that the disposition of these proceedings should not have a material adverse effect on our financial position, results of operations or cash flows.

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7. Employee Benefit Plan

The Company's employees participate in an Employee Retirement Savings Plan (the "Retirement Plan") under Section 401(k) of the Internal Revenue Code that covers substantially all U.S. based salaried employees. Employees may contribute a percentage of eligible compensation to the plan, subject to certain limits under the Internal Revenue Code. For the three years ended December 31, 2013, the Company did not provide for matching contributions.

8. Stock-Based Compensation

Effective October 1, 2008, the Company adopted a Stock Incentive Plan (the "Plan"). The Plan provides that up to 1,000,000 shares (800,000 pre-split shares) of the Company's common stock shall be allocated for issuance to directors, executive management and key personnel. Grants under the Plan can be made in the form of stock options, stock appreciation rights, performance shares or stock awards. As of December 31, 2013, the Company had 720,000 outstanding and/or exercised stock options, 207,000 outstanding performance shares and 50,000 outstanding and/or released restricted stock units that were issued under the Plan. Thus, as of December 31, 2013, the Company has 23,000 shares available for future grants under the Plan.

The Plan is administered by the Compensation Committee of the Board of Directors. All grants awarded under the Plan are recommended by the Committee to the Board of Directors for approval. The exercise price of stock options is set on the grant date and not to be less than the fair market value per share of our closing stock price on that date. Grants of stock options and restricted stock awards generally vest over a four-year period and options expire after ten years from the grant date. Performance shares vest upon the achievement of the performance criteria and approval by the Compensation Committee of the Board of Directors.

On February 6, 2013, the Compensation Committee of the Board of Directors determined that, in accordance with the provisions of the Stock Incentive Plan, equitable adjustments to outstanding equity grants issued under the Plan are required to preserve the intrinsic value related to non-participation in the Company's special shareholder distribution (special one-time dividend), made on December 21, 2012. Accordingly, the Committee approved adjustments to the exercise price of all stock options, outstanding prior to this distribution, to preserve the stock option's pre-distribution value. Further, the Committee approved the issuance of additional restricted shares and performance shares, sufficient to preserve the pre-distribution value of those securities, with the same service and performance requirements as stated in the original grants. These equitable adjustments, in accordance with the Company's Stock Incentive Plan, do not constitute a modification to the original grants under the provisions of ASC Topic 718 "Share-based Payments".

Following is a summary of Mastech stock option activity for the three years ended December 31, 2013:

	Number of Options*	Weighted Average Exercise Price*
Outstanding at December 31, 2010	771,000	\$ 2.80
Granted	258,000	\$ 2.45
Exercised	(25,000)	\$.92
Cancelled / forfeited	(350,000)	\$ 2.69
Outstanding at December 31, 2011	654,000	\$ 2.80
Granted	—	\$ —
Exercised	(262,000)	\$ 2.68
Cancelled / forfeited	(61,000)	\$ 3.77
Outstanding at December 31, 2012	331,000	\$ 2.79
Granted	—	\$ —
Exercised	(64,000)	\$ 2.05
Cancelled / forfeited	(2,000)	\$ 2.08
Outstanding at December 31, 2013	<u>265,000</u>	<u>\$ 1.01**</u>

* Adjusted to reflect the November 2013 five-for-four stock split.

** Reflects equitable adjustments to the exercise price as referenced above.

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As of December 31, 2013, the Company's outstanding "in the money" stock options using the year-end share price of \$13.99 had an aggregate intrinsic value of \$3.4 million. As of December 31, 2013, the intrinsic value of vested and expected to vest stock options totaled \$3.2 million. The total intrinsic value of options exercised during 2013, 2012 and 2011 totaled \$754,000, \$582,000 and \$49,000, respectively. The measurement date fair value of stock options vested during 2013, 2012 and 2011 totaled \$112,000, \$152,000 and \$269,000, respectively.

The table below summarizes information regarding the Company's outstanding and exercisable stock options as of December 31, 2013:

Range of Exercise Prices:	Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
\$0.01 to \$2.00	238,000	7.8	\$.81
\$2.01 to \$4.00	21,000	6.0	\$ 2.36
\$4.01 to \$6.00	6,000	3.7	\$ 4.63
\$6.01 to \$8.00	—	—	\$ —
	<u>265,000</u>	<u>7.6</u>	<u>\$ 1.01</u>

Range of Exercise Prices:	Options Exercisable	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
\$0.01 to \$2.00	113,000	7.8	\$.81
\$2.01 to \$4.00	21,000	6.0	\$ 2.36
\$4.01 to \$6.00	6,000	3.7	\$ 4.63
\$6.01 to \$8.00	—	—	\$ —
	<u>140,000</u>	<u>7.4</u>	<u>\$ 1.20</u>

The Company used the following assumptions with respect to the Black-Scholes option pricing model for Mastech options issued during 2011. No stock options were issued during 2012 and 2013.

	Years Ended December 31,		
	2013	2012	2011
Stock option grants:			
Weighted-average risk-free interest rate	—	—	1.10%
Weighted-average dividend yield	—	—	0.00%
Expected volatility	—	—	55.36%
Expected term (in years)	—	—	4.5
Weighted-average fair value	\$—	\$—	\$ 1.40

Risk-free interest rate – The risk-free rate for stock options granted during the period was determined by using a U.S. Treasury rate for the period that coincided with the expected term of the options.

Expected dividend yield – The Company did not contemplate a recurring dividend program. Accordingly, the dividend yield assumption used was 0.0%.

Expected volatility – For grants made after September 30, 2009, expected volatility was determined based on the historical volatility of Mastech's common stock.

Expected term – Mastech's expected term is 4.5 years for stock option grants. The Company's expected term was based on the exercise history of our employees and the vesting term of our stock options.

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The assumptions used to calculate the fair value of future stock option grants will be evaluated and revised, as necessary, to reflect market conditions and the Company's historical experiences.

Following is a summary of Mastech restricted stock activity for the three years ended December 31, 2013:

	Years Ended December 31,		
	2013*	2012*	2011*
Beginning outstanding balance	9,375	25,000	—
Awarded	31,250	—	112,500
Awarded as equitable adjustments	3,544	—	—
Released	(4,306)	(6,250)	—
Forfeited	—	(9,375)	(87,500)
Ending outstanding balance	<u>39,863</u>	<u>9,375</u>	<u>25,000</u>

* Adjusted to reflect the November 2013 five-for-four stock split.

The grant date fair value of restricted stock awarded in 2013 was \$11.44. The aggregate intrinsic value of restricted stock units outstanding at December 31, 2013 was \$558,000. The total intrinsic value of restricted shares released during 2013 totaled \$26,000.

Following is a summary of Mastech performance share activity for the three years ended December 31, 2013:

	Years Ended December 31,		
	2013*	2012*	2011
Beginning outstanding balance	131,250	—	—
Awarded	68,750	193,750	—
Awarded as equitable adjustments	49,616	—	—
Released	—	—	—
Forfeited	(43,062)	(62,500)	—
Ending outstanding balance	<u>206,554</u>	<u>131,250</u>	<u>—</u>

* Adjusted to reflect the November 2013 five-for-four stock split.

The grant date fair value of performance shares awarded in 2013 was \$5.94 post-split. The aggregate intrinsic value of performance share units outstanding at December 31, 2013 was \$2.9 million.

Stock-based compensation expense of \$517,000, \$242,000, and \$228,000 was recognized in the Consolidated Statements of Operations for the years ended December 31, 2013, 2012, and 2011, respectively. The Company has recognized related tax benefits associated with its share-based compensation arrangements for the years ended December 31, 2013, 2012, and 2011 of \$193,000, \$93,000 and \$86,000, respectively. As of December 31, 2013, the total remaining unrecognized compensation expense related to non-vested stock options totaled \$96,000, which will be amortized over the weighted-average remaining requisite service period of 1.8 years; the total remaining unrecognized compensation expense related to restricted stock units amounted to \$356,000, which will be amortized over the weighted-average remaining requisite service period of 3.7 years; and the total remaining unrecognized compensation expense related to performance shares amounted to \$281,000, which will be amortized over the weighted-average estimated remaining requisite service period of 1.3 years.

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9. Income Taxes

The components of income before income taxes from continuing operations, as shown in the accompanying Consolidated Statement of Operations, consisted of the following for the years ended December 31, 2013, 2012 and 2011:

	Years Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Income before income taxes:			
Domestic	\$5,225	\$3,339	\$2,150
Foreign	—	—	—
Income before income taxes	<u>\$5,225</u>	<u>\$3,339</u>	<u>\$2,150</u>

The provision for income taxes from continuing operations, as shown in the accompanying Consolidated Statement of Operations, consisted of the following for the years ended December 31, 2013, 2012 and 2011:

	Years Ended December 31,		
	2013	2012	2011
	(Amounts in thousands)		
Current provision:			
Federal	\$1,915	\$1,024	\$764
State	172	106	54
Total current provision	<u>2,087</u>	<u>1,130</u>	<u>818</u>
Deferred provision (benefit):			
Federal	(115)	133	(20)
State	(16)	18	(3)
Total deferred provision (benefit)	<u>(131)</u>	<u>151</u>	<u>(23)</u>
Total provision for income taxes	<u>\$1,956</u>	<u>\$1,281</u>	<u>\$795</u>

The reconciliation of income taxes from continuing operations computed using our statutory U.S. income tax rate and the provision for income taxes for the years ended December 31, 2013, 2012 and 2011 were as follows:

(Amounts in thousands)	December 31,		December 31,		December 31,	
	2013		2012		2011	
Income taxes computed at the federal statutory rate	\$1,777	34.0%	\$1,135	34.0%	\$731	34.0%
State income taxes, net of federal tax benefit	156	3.0	124	3.7	51	2.4
Other	23	0.4	22	0.7	13	0.6
	<u>\$1,956</u>	<u>37.4%</u>	<u>\$1,281</u>	<u>38.4%</u>	<u>\$795</u>	<u>37.0%</u>

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The components of the deferred tax assets and liabilities were as follows:

	At December 31,	
	2013	2012
(Amounts in thousands)		
Deferred tax assets:		
Allowance for doubtful accounts and employee advances	\$ 139	\$ 179
Accrued vacation, bonuses and severance	199	188
Stock-based compensation expense	249	109
Total deferred tax assets	587	476
Deferred tax liabilities:		
Prepaid expenses	193	215
Depreciation, goodwill, intangibles and other	3	17
Total deferred tax liabilities	196	232
Net deferred tax asset	391	244
Less: current deferred tax asset	143	153
Total long-term deferred tax asset	\$ 248	\$ 91

A reconciliation of the beginning and ending amounts of unrecognized tax benefits related to uncertain tax positions, including interest and penalties, for the three years ended December 31, 2013 is as follows:

(Amounts in thousands)	Years Ended December 31,		
	2013	2012	2011
Unrecognized tax benefits, beginning balance	\$ 78	\$ 89	\$ 66
Additions related to current period	33	27	38
Additions related to prior periods	—	—	—
Reductions related to prior periods	—	(38)	(15)
Unrecognized tax benefits, ending balance	\$ 111	\$ 78	\$ 89

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. As of December 31, 2013, 2012 and 2011, the Company had \$15,000, \$13,000 and \$14,000, respectively, accrued for interest and penalties.

10. Derivative Instruments and Hedging Activities

Commencing in June 2012, the Company entered into foreign currency forward contracts (“derivative contracts”) to mitigate and manage the risk of changes in foreign exchange rates related to highly probable expenditures in support of its Indian-based global recruitment operations. These forward contracts have been designated as cash flow hedging instruments and qualified as effective hedges at inception under ASC Topic 815, “Derivatives and Hedging”.

All derivatives are recognized on the balance sheet at fair value. The effective portion of the changes in fair value on these instruments are recorded in other comprehensive income and are reclassified into the Consolidated Statement of Operations on the same line item and in the same period in which the underlying hedge transaction affects earnings. Changes in the fair value of these instruments deemed ineffective are recognized in the Consolidated Statement of Operations as foreign exchange gains (losses). Hedge effectiveness is assessed based on changes in the fair value of the forward contracts related to the difference between the spot price and the forward price. Forward points (premiums/discounts) are excluded from the assessment of hedge effectiveness and are recognized in the Consolidated Statement of Operations as foreign exchange gains/ (losses).

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The outstanding contracts as of December 31, 2013, mature in twelve equal monthly installments of 10 million rupees through December 2014, meet the qualifying criteria for hedge accounting and have been deemed to be effective. Accordingly, the Company has recorded other comprehensive pretax gains of \$26,000 as of December 31, 2013.

The following table presents information related to foreign currency forward contracts held by the Company:

Outstanding hedge transactions qualifying for hedge accounting as of December 31, 2013 (amounts in thousands):

	<u>Maturity Date Ranges</u>	<u>Rupee Strike Price Ranges</u>	<u>Amount</u>	<u>Net Unrealized Gain/(Loss) December 31, 2013</u>
Forward contracts USD:				
From:	January 21, 2014	63.00		
To:	December 22, 2014	70.41		
Total			\$ 1,801	\$ 26

The effect of derivative instruments on the Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2013 (in thousands):

<u>Derivatives in ASC Topic 815 Cash Flow Hedging Relationships</u>	<u>Amount of Gain / (Loss) recognized in OCI on Derivatives</u> (Effective Portion)	<u>Location of Gain / (Loss) reclassified from Accumulated OCI to Income</u> (Effective Portion)	<u>Amount of Gain / (Loss) reclassified from Accumulated OCI to Income</u> (Effective Portion)	<u>Location of Gain / (Loss) reclassified in Income on Derivatives</u> (Ineffective Portion/Amounts excluded from effectiveness testing)	<u>Amount of Gain / (Loss) recognized in Income on Derivatives</u>
Currency Forward Contracts	\$13	SG&A Expense	(\$20)	Other Income/ (Expense)	\$ 9

The effect of derivative instruments on the Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2012 (in thousands):

<u>Derivatives in ASC Topic 815 Cash Flow Hedging Relationships</u>	<u>Amount of Gain / (Loss) recognized in OCI on Derivatives</u> (Effective Portion)	<u>Location of Gain / (Loss) reclassified from Accumulated OCI to Income</u> (Effective Portion)	<u>Amount of Gain / (Loss) reclassified from Accumulated OCI to Income</u> (Effective Portion)	<u>Location of Gain / (Loss) reclassified in Income on Derivatives</u> (Ineffective Portion/Amounts excluded from effectiveness testing)	<u>Amount of Gain / (Loss) recognized in Income on Derivatives</u>
Currency Forward Contracts	\$13	SG&A Expense	\$18	Other Income/ (Expense)	\$28

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

<u>Derivative Instruments</u>	<u>December 31, 2013</u>		<u>December 31, 2012</u>	
	<u>Balance Sheet Location</u>	<u>Fair Value</u>	<u>Balance Sheet Location</u>	<u>Fair Value</u>
Currency Forward Contracts	Prepaid and Other Current Assets	\$ 67	Prepaid and Other Current Assets	\$ 41

The estimated amount of pretax gains as of December 31, 2013 that is expected to be reclassified from other comprehensive income into earnings within the next 12 months is \$26,000.

11. Shareholders' Equity

On October 30, 2013, the Company announced that its Board of Directors approved a five-for-four (25 percent) stock split and declared a special cash dividend of \$0.50 per post-split share of common stock. Shareholders of record received one new share of Common Stock for every four shares that they owned. The distribution of the new shares was made on November 29, 2013. The cash dividend was paid on December 20, 2013 to shareholders of record at the close of December 9, 2013. This \$2.1 million cash dividend was largely funded by cash balances on hand.

On November 29, 2012, the Company announced the declaration of a special one-time cash dividend of \$1.60 per share of common stock, payable on December 21, 2012. This \$6.7 million cash dividend was funded by a combination of cash balances on hand and borrowings under the Company's credit facility with PNC Bank.

On October 23, 2012, the Company's Board of Directors approved the extension of its existing share repurchase program through December 22, 2014 and increased the number of shares subject to the program by 312,500 shares (250,000 pre-split shares).

During 2013, 2012 and 2011, the Company purchased 2,743; 551,607 and 178,608 shares respectively, under the program. As of December 31, 2013, there were 517,041 shares subject to repurchase under this program. These share repurchases were completed at an average post-split share price, inclusive of transaction cost, of \$5.59; \$4.62 and \$3.17 per share for 2013, 2012 and 2011 respectively.

12. Revenue Concentration

Accenture was the Company's only client that exceeded 10% of total 2013 revenues. Revenues generated from Accenture represented 11.4% of total 2013 revenues. IBM, TEK Systems and Kaiser Permanente exceeded 10% of total revenues in 2012 and 2011. Revenues generated by IBM represented 13.3% and 16.5% of total revenues in 2012 and 2011, respectively. Revenues generated by TEK Systems represented 12.0% of total revenues in both 2012 and 2011. Revenues generated by Kaiser Permanente represented 11.8% and 10.7% of total revenues in 2012 and 2011, respectively.

Accenture accounted for 11.7% of the Company's accounts receivable balance at December 31, 2013. At December 31, 2012, IBM, TEK Systems and Kaiser Permanente accounted for 7.2%, 6.9% and 12.6% of the Company's accounts receivable balance. The same three clients accounted for 7.0%, 7.9% and 7.6% of the Company's accounts receivable balance at December 31, 2011.

The Company's top ten clients represented approximately 57%, 60% and 63% of total revenues in 2013, 2012 and 2011, respectively.

13. Related Party Transactions

iGATE Corporation, our former parent, is considered a related party due to the interlocking ownership interest of its Co-Chairmen and our Co-Chairmen, Mr. Sunil Wadhvani and Mr. Ashok Trivedi.

Certain agreements and transactions between us and iGATE's affiliate are described below:

Transactions with iGATE's Affiliate

Prior to January 1, 2012, iGATE Global Solutions provided the Company with offshore contractors (recruiters) and IT support services. These services were provided under negotiated agreements between the parties. During 2013, 2012 and 2011, the Company paid iGATE Global Solutions \$0, \$0 and \$882,000, respectively, for services provided.

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Accounts Payable with iGATE's Affiliate

At December 31, 2013, 2012 and 2011, the Company had included in its Accounts Payable balance \$0, \$0 and \$170,000 owed to its former parent's affiliate, respectively.

14. Earnings per Share

The computation of basic earnings per share ("EPS") is based on the Company's net income divided by the weighted average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that could occur if outstanding stock options and restricted share units were exercised / released. The dilutive effect of stock options and restricted share units were calculated using the treasury stock method. Performance shares for which the performance objectives were achieved as of December 31, 2013, were included in the dilutive earnings per share calculation as though such shares were outstanding for the entire fourth quarter of 2013.

For the year's ended 2013, 2012 and 2011, the computation of diluted earnings per share does not include 0, 60,000 and 301,250 stock options respectively, as the effect of their inclusion would have been anti-dilutive.

The following table sets forth the denominators of the basic and diluted EPS computations. All shares outstanding for the period shown below have been adjusted to reflect the November 2013 five-for-four stock split:

<u>(Amounts in thousands):</u>	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Weighted-average shares outstanding:</u>			
Basic	4,193	4,075	4,566
Stock options and restricted share units	149	126	129
Diluted	<u>4,342</u>	<u>4,201</u>	<u>4,695</u>

The following table sets forth the computation of basic EPS utilizing net income from continuing operations and the Company's weighted-average common stock outstanding:

<u>(Amounts in thousands, except per share data):</u>	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net income	\$3,269	\$2,058	\$1,355
Basic weighted-average shares outstanding	4,193	4,075	4,566
Basic EPS	<u>\$.78</u>	<u>\$.51</u>	<u>\$.30</u>

The following table sets forth the computation of diluted EPS utilizing net income from continuing operations and the Company's weighted-average common stock outstanding plus the weighted-average of stock options, restricted shares and performance shares outstanding:

<u>(Amounts in thousands, except per share data):</u>	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net income	\$3,269	\$2,058	\$1,355
Diluted weighted-average shares outstanding	4,342	4,201	4,695
Diluted EPS	<u>\$.75</u>	<u>\$.49</u>	<u>\$.29</u>

15. Fair Value Measurements

The Company has adopted the provisions of ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820") related to certain financial and nonfinancial assets and liabilities. ASC 820 establishes the authoritative definition of fair value; sets out a framework for measuring fair value; and expands the required

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disclosures about fair value measurements. The valuation techniques required by ASC 820 are based on observable and unobservable inputs using the following three-tier hierarchy:

- Level 1 – Inputs are observable quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – Inputs are observable, other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are directly or indirectly observable in the marketplace.
- Level 3 – Inputs are unobservable that are supported by little or no market activity.

The following table summarizes the basis used to measure financial assets and liabilities at fair value on a recurring basis:

(Amounts in thousands)	Fair Value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Currency forward contracts	\$ 0	\$ 67	\$ 0	\$ 0

(Amounts in thousands)	Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Currency forward contracts	\$ 0	\$ 41	\$ 0	\$ 0

16. Quarterly Financial Information from Continuing Operations (Amounts in thousands, except per share data):

Year Ended December 31, 2013	Revenues	Gross Profit	Net Income	Earnings Per Share	
				Basic	Diluted
First quarter	\$ 24,000	\$ 4,371	\$ 544	\$.13	\$.13
Second quarter	26,135	4,973	765	.18	.18
Third quarter	28,283	5,335	999	.24	.23
Fourth quarter	28,483	5,438	961	.23	.22
Annual	\$ 106,901	\$ 20,117	\$ 3,269	\$.78	\$.75

Year Ended December 31, 2012	Revenues	Gross Profit	Net Income	Earnings Per Share	
				Basic	Diluted
First quarter	\$ 21,844	\$ 3,986	\$ 327	\$.08	\$.07
Second quarter	22,677	4,317	426	.11	.10
Third quarter	22,774	4,369	561	.14	.14
Fourth quarter	23,475	4,493	744	.18	.18
Annual	\$ 90,770	\$ 17,165	\$ 2,058	\$.51	\$.49

17. Severance Charges

The Company did not incur any severance cost in 2013. Severance costs in 2012 totaled \$120,000 and related to a change in executive leadership. During 2011, the Company incurred \$277,000 of severance costs related to the elimination of several executive positions.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of Company management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-15(b) and 15d-15(b). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. The results of management's assessment were reviewed with the Company's Audit Committee.

The certification required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits 31.01 and 31.02, respectively, to this Annual Report on Form 10-K.

Management's Report on Internal Controls Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use, or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions or that the degree of compliance with established policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making its assessment of internal control over financial reporting, management used the criteria described in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based upon this assessment, management has concluded and hereby reports that the Company's internal control over financial reporting was effective as of December 31, 2013.

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This Annual Report on Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item, not set forth below, is incorporated herein by reference from the Company's definitive proxy statement relating to the Annual Meeting of Shareholders scheduled for May 14, 2014, which will be filed with the Commission within 120 days after the close of the Company's fiscal year ended December 31, 2013 (the "Proxy Statement").

We have adopted a code of ethics applicable to all of our employees, including our principal executive officer, principal financial officer and principal accounting officer titled Code of Conduct Policy. The Code of Conduct Policy is posted on the Company's website, www.mastech.com (under the "Corporate Governance" caption of the Investor Relations page). The Company intends to satisfy the disclosure requirement regarding certain amendments to, or waivers from, provisions of its code of ethics by posting such information on the Company's website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this item is hereby incorporated by reference from the section entitled "Security Ownership of Certain Beneficial Owners and Management" of the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is hereby incorporated by reference from the sections entitled "Board Committees and Meetings" of the Proxy Statement. During 2013, we had no related party transactions.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is hereby incorporated by reference from the section entitled "Independent Registered Public Accountants" of the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. *Financial Statements*

The following Consolidated Financial Statements of the registrant and its subsidiaries are included on pages 33 to 53 and the report of Independent Registered Public Accounting Firm is included on page 32 in this Form 10-K.

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets – December 31, 2013 and 2012.

Consolidated Statements of Operations – Years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Comprehensive Income – Years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Shareholders' Equity – Years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Cash Flows – Years ended December 31, 2013, 2012 and 2011.

Notes to Consolidated Financial Statements

2. *Consolidated Financial Statement Schedules*

The following Consolidated Financial Statement schedules shown below should be read in conjunction with the Consolidated Financial Statements on pages 33 to 53 in this Form 10-K. All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

The following items appear immediately on the following page:

Financial Statement Schedules:

Schedule II – Valuation and Qualifying Accounts for the years ended December 31, 2013, 2012 and 2011.

3. *Exhibits*

Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index, which is incorporated herein by reference.

MASTECH HOLDINGS, INC.
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in thousands)

	<u>Balance at beginning of period</u>	<u>Charged to expense (credited)</u>	<u>Recoveries/ (Write-offs)</u>	<u>Balance at end of period</u>
Allowance for Doubtful Accounts:				
Year ended December 31, 2013	\$ 438	\$ (25)	\$ (55)	\$ 358
Year ended December 31, 2012	305	125	8	438
Year ended December 31, 2011	572	(125)	(142)	305

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<u>Exhibit</u>	<u>Index Description Exhibit</u>
3.1	Articles of Incorporation of the Company are incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 10, File No. 001-34099, filed on July 23, 2008.
3.2	Amended and Restated Bylaws of the Company are incorporated by reference to Exhibit 3.1. to Mastech's Form 8-K, File No. 001-34099, filed on October 1, 2008.
10.1	Stock Incentive Plan incorporated by reference to Exhibit 10.4 to Mastech's Form 8-K, File No. 001-34099, filed on October 1, 2008.
10.2	First Amended and Restated Loan Agreement by and between PNC Bank, N.A. and Mastech Holdings, Inc., dated August 31, 2011 filed as Exhibit 10.1 to Mastech's Form 8-K, filed on September 2, 2011 and herein incorporated by reference.
10.3	Executive Employment Agreement by and among Mastech Holdings, Inc., Mastech, Inc., and John J. Cronin, as amended and restated as of March 20, 2014, is filed herewith †
10.4	Executive Employment Agreement by and between Mastech, Inc., and Scott Aicher, dated January 7, 2013, as amended on March 20, 2014 (solely with respect to compensation), is filed herewith. †
10.6	Executive Employment Agreement by and among Mastech Holdings, Inc., Mastech, Inc., and D. Kevin Horner, as amended and restated as of March 20, 2014, is filed herewith †
10.7	Asset Purchase Agreement, by and between Mastech and Accountable Healthcare Staffing, Inc., dated July 26, 2013, is filed herewith.
21.0	List of Subsidiaries is filed herewith.
23.1	Consent of UHY LLP, Independent Registered Public Accounting Firm is filed herewith.
31.01	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer is filed herewith.
31.02	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer is filed herewith.
32.01	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer is filed herewith.
32.02	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer is filed herewith.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

† Designates the Registrant's management contracts or compensation plans or arrangements for its executive officers.

* XBRL (eXtensible Business Reporting Language) information is filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 21st day of March, 2014.

March 21, 2014

MASTECH HOLDINGS, INC.

/s/ D. KEVIN HORNER

D. Kevin Horner
President, Chief Executive Officer and Director

/s/ JOHN J. CRONIN, JR.

John J. Cronin, Jr.
Chief Financial Officer

/s/ SUNIL WADHWANI

Sunil Wadhvani
Co-Chairman of the Board of Directors, and Director

/s/ ASHOK TRIVEDI

Ashok Trivedi
Co-Chairman of the Board of Directors, and Director

/s/ GERHARD WATZINGER

Gerhard Watzinger
Director

/s/ JOHN AUSURA

John Ausura
Director

/s/ BRENDA GALILEE

Brenda Galilee
Director

**AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT**

This Amended and Restated Executive Employment Agreement (hereinafter called the "Agreement"), is made as of the latest date indicated below between Mastech, Inc., a Pennsylvania corporation (hereinafter called "Company"), Mastech Holdings, Inc., a Pennsylvania corporation (hereinafter called "Parent") and the undersigned employee, John J. Cronin, Jr. (hereinafter called "Executive").

WHEREAS, Company, Parent and Executive are parties to that certain Executive Employment Agreement, dated March 18, 2009, as amended on January 7, 2013 and further amended on March 18, 2013 (solely with respect to compensation), pursuant to which Executive is employed by Company (hereinafter called the "Existing Employment Agreement");

WHEREAS, Company, Parent and Executive wish to amend and restate the Existing Employment Agreement into this Agreement, which shall replace and supersede in its entirety the Existing Employment Agreement;

WHEREAS, this Agreement is a term and condition of Executive's employment and is made in consideration for employment, wages and benefits offered to Executive contemporaneously with this Agreement; and

WHEREAS, this Agreement is necessary for the protection of the legitimate and protectable business interests of Company and its Affiliates (as hereinafter defined) and their customers, prospective customers, accounts and confidential, proprietary and trade secret information.

NOW THEREFORE, for the consideration set forth herein, the receipt and sufficiency of which are acknowledged by the parties, and intending to be legally bound hereby, Company and Executive agree as follows:

1. DEFINITIONS. As used herein:

(a) "Affiliate" shall mean and include Parent and any corporation, trade or business which is, as of the date of this Agreement, with Company, part of a group of corporations, trades or businesses connected through common ownership with Parent, where more than 50% of the stock or other equity interests of each member of the group (other than Parent) are owned, directly or indirectly, by one or more other members of the group.

(b) "Change of Control" shall mean (i) the consummation of a reorganization, merger or consolidation or similar form of corporate transaction, involving Company or any of its subsidiaries (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the outstanding common stock immediately prior to such Business Combination do not, immediately following such Business Combination, beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination; or

(ii) the complete liquidation or dissolution of Company or sale or other disposition of all or substantially all of the assets of Company other than to a corporation with respect to which, following such sale or disposition, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the common stock of Company immediately prior to such sale or disposition.

(c) "Confidential Information" shall include, but is not necessarily limited to, any information which may include, in whole or part, information concerning Company's and its Affiliates' accounts, sales, sales volume, sales methods, sales proposals, customers or prospective customers, prospect lists, manuals, formulae, products, processes, methods, financial information or data, compositions, ideas, improvements, inventions, research, computer programs, computer related information or data, system documentation, software products, patented products, copyrighted information, know how and operating methods and any other trade secret or proprietary information belonging to Company or any Affiliate or relating to Company's or any Affiliate's affairs that is not public information.

(d) "Customer(s)" shall mean any individual, corporation, partnership, business or other entity, whether for-profit or not-for-profit (i) whose existence and business is known to Executive as a result of Executive's access to Company's and its Affiliates' business information, Confidential Information, customer lists or customer account information; (ii) that is a business entity or individual with whom Company or any Affiliate has contracted or negotiated during the one (1) year period preceding the termination of Executive's employment; or (iii) who is or becomes a prospective client, customer or acquisition candidate of Company or any Affiliate during the period of Executive's employment.

(e) "Competing Business" shall mean any individual, corporation, partnership, business or other entity which operates or attempts to operate a business which provides, designs, develops, markets, engages in, produces or sells any products, services, or businesses which are the same or similar to those produced, marketed, invested in or sold by Company or any Affiliate.

(f) "Good Reason" shall mean, without the written consent of Executive, (i) a material diminution of Executive's job responsibilities; (ii) a material reduction in Executive's base salary, unless such reduction is part of a reduction in compensation for all employees of Company in general; (iii) the geographic relocation of Executive's principal place of employment greater than fifty (50) miles from Company's offices in Pittsburgh, Pennsylvania; or (iv) material breach by Company of this Agreement. Notwithstanding the foregoing, Good Reason shall not be deemed to exist unless notice of termination on account thereof is given no later than sixty (60) days after the time at which the event or condition purportedly giving rise to Good Reason first occurs or arises; and, provided that if there exists an event or condition that constitutes Good Reason, Company shall have thirty (30) days from the date notice of such a termination is given to cure such event or condition and, if Company does so, such event or condition shall not constitute Good Reason hereunder.

(g) "Parent" shall mean Mastech Holdings, Inc. or any successor.

2. DUTIES. Executive, who is employed in the position set forth on Schedule A hereof as of the date of this Agreement, agrees to be responsible for such duties as are commensurate with and required by such position and any other duties as may be assigned to Executive by Company from time to time. Executive further agrees to perform Executive's duties in a diligent, trustworthy, loyal, businesslike, productive, and efficient manner and to use Executive's best efforts to advance the business and goodwill of Company and its Affiliates. Executive further agrees to devote all of Executive's business time, skill, energy and attention exclusively to the business of Company and to comply with all rules, regulations and procedures of Company. During the term of this Agreement, Executive will not engage in any other business for Executive's own account or accept any employment from any other business entity, or render any services, give any advice or serve in a consulting capacity, whether gratuitously or otherwise, to or for any other person, firm or corporation, other than as a volunteer for charitable organizations, without the prior written approval of Company, which shall not be unreasonably withheld. Executive's duties shall be performed at Company's offices in Pittsburgh, Pennsylvania, reasonable periods of business travel excepted.

3. COMPENSATION. Executive's compensation as of the date of this Agreement is as set forth on Schedule A hereto. Company shall be entitled to withhold from any payments to Executive pursuant to the provisions of this Agreement any amounts required by any applicable taxing or other authority, or any amounts payable by Executive to Company or any Affiliate (including, without limitation, repayment of any amount loaned to Executive by Company or any Affiliate).

4. BENEFITS. Executive is eligible for the standard Company benefits, which may be modified by Company at any time or from time to time in accordance with the terms of Company's applicable benefit plans and policies. Executive shall also be entitled to reimbursement of business-related expenses in accordance with Company's standard policies concerning reimbursement of such expenses.

5. POLICIES AND PRACTICES. Executive agrees to abide by all Company rules, regulations, policies, practices and procedures, of which he shall be given notice by Company, which Company may amend from time to time.

6. AGREEMENT NOT TO COMPETE. In order to protect the business interests and goodwill of Company and its Affiliates with respect to Customers and accounts, and to protect Confidential Information, Executive covenants and agrees that for the entire period of Executive's employment, and for a period of one (1) year after termination of Executive's employment for any reason, Executive will not:

(a) directly or indirectly contact any Customer for the purpose of soliciting such Customer to purchase, lease or license a product or service that is the same as, similar to, or in competition with those products and/or services made, rendered, offered or under development by Company or any Affiliate;

(b) directly or indirectly employ, or knowingly permit any company or business directly or indirectly controlled by Executive to employ any person who is employed by Company or any Affiliate at any time during the term of Executive's employment, or in any manner facilitate the leaving of any such person from his or her employment with Company or any Affiliate;

(c) directly or indirectly interfere with or attempt to disrupt the relationship, contractual or otherwise, between Company or any Affiliate and any of its employees or solicit, induce, or attempt to induce employees of Company or any Affiliate to terminate employment with Company or Affiliate and become self-employed or employed with others in the same or similar business or any product line or service provided by Company or any Affiliate; or

(d) directly or indirectly engage in any activity or business as a consultant, independent contractor, agent, employee, officer, partner, director or otherwise, alone or in association with any other person, corporation or other entity, in any Competing Business operating within the United States or any other country where Executive has worked and/or conducted business for Company and its Affiliates within the one (1) year period prior to the termination of Executive's employment.

Executive acknowledges that Company and its Affiliates are engaged in business throughout the United States, as well as in other countries and that the marketplace for Company's and its Affiliates' products and services is worldwide. Executive further covenants and agrees that the geographic, length of term and types of activities restrictions (non-competition restrictions) contained in this Agreement are reasonable and necessary to protect the legitimate business interests of Company and its Affiliates because of the scope of Company's and the Affiliates' businesses.

In the event that a court of competent jurisdiction shall determine that one or more of the provisions of this Paragraph 6 is so broad as to be unenforceable, then such provision shall be deemed to be reduced in scope or length, as the case may be, to the extent required to make this Paragraph enforceable. If Executive violates the provisions of this Paragraph 6, the periods described therein shall be extended by that number of days which equals the aggregate of all days during which at any time any such violations occurred. Executive acknowledges that the offer of employment by Company, or any other consideration offered for signing this agreement, is sufficient consideration for Executive's agreement to the restrictive covenants set forth in this Paragraph 6, and that each Affiliate is an intended third-party beneficiary of such covenants with a separate and independent right to enforce the same. Executive agrees that Executive's signing of an employment agreement containing the restrictive covenants set forth herein was a condition precedent to Executive's continued employment with Company.

7. NONDISCLOSURE AND NONUSE OF CONFIDENTIAL INFORMATION. Executive covenants and agrees during Executive's employment or any time after the termination of such employment, not to communicate or divulge to any person, firm, corporation or business entity, either directly or indirectly, and to hold in strict confidence for the benefit of Company, all Confidential Information except that Executive may disclose such Confidential Information to persons, firms or corporations who need to know such Confidential Information during the course and within the scope of Executive's employment. Executive will not use any Confidential

Information for any purpose or for Executive's personal benefit other than in the course and within the scope of Executive's employment. Executive agrees to sign and abide by the terms and conditions of Company's Confidential Information and Intellectual Property Protection Agreement, a copy of which is attached hereto as Schedule B and incorporated as though fully set forth herein.

8. TERMINATION. This Agreement may be terminated by either party with or without Cause under the following conditions:

(a) With Cause Termination. Executive may be terminated from employment with "Cause." "Cause" shall mean (i) the commission of a crime involving moral turpitude, theft, fraud or deceit; (ii) conduct which brings Company or any Affiliate into public disgrace or disrepute and that is demonstrably and materially injurious to the business interest of Company or any Affiliate; (iii) substantial or continued unwillingness to perform duties as reasonably directed by Executive's supervisors or Company's Board of Directors; (iv) gross negligence or deliberate misconduct; or (v) any material breach of Paragraphs 6 or 7 of this Agreement, or Executive's Confidential Information and Intellectual Property Protection Agreement. In the event that Executive is terminated with Cause, Company may immediately cease payment of any further wages, benefits or other compensation hereunder other than salary and benefits (excluding options) earned through the date of termination. Executive acknowledges that Executive has continuing obligations under this Agreement including, but not limited to Paragraphs 6 and 7, in the event that Executive is terminated with Cause.

(b) Without Cause Termination; Resignation. In the event that Executive's employment is terminated by Company without Cause or Executive resigns at the direction of Company's or Parent's Board of Directors, Executive will be entitled to the following:

(1) Twelve (12) months of Executive's last monthly base salary, as set forth in Schedule A, less appropriate deductions, divided into equal installments and paid on Company's regular payroll dates over a period of twelve (12) months commencing with the first regular payroll date occurring on or after the sixtieth (60th) day following Executive's termination date, together with a catch-up payment consisting of the installments that otherwise would have been paid on the regular payroll dates occurring between the termination date and such initial payment date, and the remaining installments paid on succeeding regular payroll dates during such twelve (12)-month period until paid in full ("Severance Pay").

Severance Pay will be treated as amounts paid under Company's generally applicable severance pay policy ("Severance Policy") as in effect from time to time to the extent of Executive's entitlement to payments under the Severance Policy.

(2) Executive's annual performance-based cash bonus target, as set forth in Schedule A, less appropriate deductions, payable on the sixtieth (60th) day following Executive's termination of employment.

(3) Continued coverage under Company's employee benefit plans (other than 401(k) or pension benefit coverage) after termination of employment for Executive and his eligible dependents, as and when provided under the Severance Policy, and subject to the payment of applicable premiums or other costs, all in accordance with the terms of the Severance Policy and the applicable benefit plans (including, without limitation, cessation of such benefits due to receiving similar benefit coverage from a new employer).

(4) Following the cessation of coverage under Company's group health (medical, dental, and vision) plans under Paragraph 8(b)(3) above, Executive shall be entitled to continue his coverage and coverage for any eligible qualified beneficiary under Company's group health plans in accordance with and for as long as required under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") (subject to payment of the applicable cost for such coverage as may be required by Company in accordance with COBRA). Any period of post-termination coverage under Paragraph 8(b)(3) above shall not be considered as part of the COBRA continued coverage period.

(5) For any period COBRA coverage under Company's group health plans is in effect for Executive and/or Executive's qualified beneficiaries during the first six (6) months after Executive's termination of employment, Executive shall receive a monthly payment at the same time as the Severance Pay, less appropriate withholding, pursuant to Company's regular schedule and payroll practices, in an amount equal to the excess of Executive's cost for COBRA coverage over the cost Executive would have paid for group health plan coverage as an active employee of Company.

(6) For a period of twelve (12) months following Executive's termination date, continued vesting in unvested stock options outstanding as of such termination date and granted under Company's Stock Incentive Plan, or any successor thereto (the "Options").

(7) The exercise period for a vested Option, including those which vest pursuant to Paragraph 8(b)(6) above, will be extended for a period of six (6) months after the otherwise applicable expiration date, but not later than the earlier of (i) the original expiration date of such Option; or (ii) ten (10) years from the date of grant.

Executive further acknowledges that Company's obligations under this Paragraph 8(b), are contingent upon and subject to Executive's signing (and not revoking) an agreement and release of all claims against Company in a form similar to the one attached hereto as Schedule C (or such other form acceptable to Company), and such release becoming effective in accordance with its terms prior to the sixtieth (60th) day following Executive's termination date.

(c) Without Cause or Good Reason Termination following Change of Control. In the event that upon or within one (1) year following a Change of Control, either Executive voluntarily terminates his employment with Company for Good Reason or Company terminates

Executive's employment with Company without Cause, Executive will be entitled to the following in lieu of the payments and benefits to which Executive would otherwise be entitled upon such termination in accordance with Paragraph 8(b):

(1) A lump sum payment, less appropriate deductions, equal to two (2) times the sum of (i) Executive's average annual base salary for the last three (3) years (including the year of termination); and (ii) Executive's average annual performance-based cash bonus received for the prior three (3) years (not including the year of termination), such payment to be made on the sixtieth (60th) day following Executive's termination date.

(2) Payment by Company of the premiums, less appropriate withholding, required to continue Executive's and his eligible dependents' group health care (medical, dental, and vision) coverage under the applicable provisions of COBRA, provided that Executive timely elects to continue such coverage under COBRA, for a period ending on the first to occur of (i) the date twenty-four (24) months following Executive's termination of employment; and (ii) the date Executive becomes eligible for health care coverage through another employer, provided that the amount of the premiums payable under this Paragraph is equal to the excess of Executive's cost for COBRA coverage over the cost Executive would have paid for group health plan coverage as an active employee of Company.

(3) Acceleration in full, effective as of Executive's final day of employment, of the vesting and/or exercisability of all then-outstanding equity awards held by Executive.

(4) The exercise period for a vested Option, including those which vest pursuant to Paragraph 8(c)(3) above, will be extended for a period of six (6) months after the otherwise applicable expiration date, but not later than the earlier of (i) the original expiration date of such Option; or (ii) ten (10) years from the date of grant.

(5) Reimbursement for outplacement services (not exceeding Twenty-Five Thousand Dollars (\$25,000)) in accordance with Company's standard policies concerning reimbursement.

Executive further acknowledges that Company's obligations under this Paragraph 8(c), are contingent upon and subject to Executive's signing (and not revoking) an agreement and release of all claims against Company in a form similar to the one attached hereto as Schedule C (or such other form acceptable to Company), and such release becoming effective in accordance with its terms prior to the sixtieth (60th) day following Executive's termination date.

(d) Section 280G. Notwithstanding anything herein to the contrary, if any payment or benefit hereunder or otherwise payable to Executive constitutes a "parachute payment" (as defined in Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended ("Code")), and the net after-tax amount of any such parachute payment is less than the net after-

tax amount if the aggregate payments and benefits to be made to Executive were three times Executive's "base amount" (as defined in Code Section 280G(b)(3)), less One Dollar (\$1.00), then the aggregate of the amounts constituting the parachute payments shall be reduced to an amount equal to three (3) times Executive's base amount, less One Dollar (\$1.00). If a reduction in severance and other benefits constituting parachute payments is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: reduction of cash payments; then reduction of employee benefits.

The determinations to be made with respect to this Paragraph shall be made by Company's independent accountants or such other person or entity to which the parties mutually agree, which shall be paid by Company for the services to be provided hereunder. For purposes of making the calculations required by this Paragraph, the accountants may make reasonable, good faith interpretations concerning the application of Code Sections 280G and 4999 and make reasonable assumptions regarding Executive's marginal tax rate in effect for such parachute payments, including the effect of the deductibility of state and local taxes on such marginal tax rate. Executive and Company shall furnish to accountants such information and documents as the accountants may reasonably request in order to make a determination under this Paragraph.

9. TERM. Executive's employment shall continue from year to year or until such employment is terminated in accordance with the provisions of Paragraph 8. Executive acknowledges and agrees that nothing herein guarantees Executive continued employment by Company for any specified or intended term, and that his employment and this Agreement may be terminated by Company at any time.

10. EQUITABLE RELIEF; FEES AND EXPENSES. Executive stipulates and agrees that any breach of this Agreement by Executive will result in immediate and irreparable harm to Company and its Affiliates, the amount of which will be extremely difficult to ascertain, and that Company and its Affiliates could not be reasonably or adequately compensated by damages in an action at law. For these reasons, Company and its Affiliates shall have the right to obtain such preliminary, temporary or permanent injunctions or restraining orders or decrees as may be necessary to protect Company or any Affiliate against, or on account of, any breach by Executive of the provisions of this Agreement without the need to post bond. Such right to equitable relief is in addition to all other legal remedies Company or any Affiliate may have to protect its rights. The prevailing party in any such action shall be responsible for reimbursing the non-prevailing party for all costs associated with obtaining the relief, including reasonable attorneys' fees, and expenses and costs of suit. Executive further covenants and agrees that any order of court or judgment obtained by Company or an Affiliate which enforces Company's or Affiliate's rights under this Agreement may be transferred, without objection or opposition by Executive, to any court of law or other appropriate law enforcement body located in any other state in the United States or any other country in the world where Company or such Affiliate does business, and that said court or body shall give full force and effect to said order and or judgment.

11. EMPLOYMENT DISPUTE SETTLEMENT PROCEDURE-WAIVER OF RIGHTS. In consideration of Company employing Executive and the wages and benefits provided under this Agreement, Executive and Company each agree that, in the event either party (or its representatives, successors or assigns) brings an action in a court of competent

jurisdiction relating to Executive's recruitment, employment with, or termination of employment from Company, the plaintiff in such action agrees to waive his, her or its right to a trial by jury, and further agrees that no demand, request or motion will be made for trial by jury.

In consideration of Company employing Executive, and the wages and benefits provided under this Agreement, Executive further agrees that, in the event that Executive seeks relief in a court of competent jurisdiction for a dispute covered by this Agreement, Company may, at any time within sixty (60) days of the service of Executive's complaint upon Company, at its option, require all or part of the dispute to be arbitrated by one arbitrator in accordance with the rules of the American Arbitration Association. Executive agrees that the option to arbitrate any dispute is governed by the Federal Arbitration Act, and is fully enforceable. Executive understands and agrees that, if Company exercises its option, any dispute arbitrated will be heard solely by the arbitrator, and not by a court. The parties agree that the prevailing party shall be entitled to have all of their legal fees paid by the non-prevailing party. This pre-dispute resolution agreement will cover all matters directly or indirectly related to Executive's recruitment, employment or termination of employment by Company; including, but not limited to, claims involving laws against any form of discrimination whether brought under federal and/or state law, and/or claims involving co-employees, but excluding Worker's Compensation Claims.

THE RIGHT TO A TRIAL, AND TO A TRIAL BY JURY, IS OF VALUE. YOU MAY WISH TO CONSULT AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT. IF SO, TAKE A COPY OF THIS AGREEMENT WITH YOU. HOWEVER, YOU WILL NOT BE OFFERED EMPLOYMENT UNDER THIS AGREEMENT UNTIL THIS AGREEMENT IS SIGNED AND RETURNED BY YOU.

12. AMENDMENTS. No supplement, modification, amendment or waiver of the terms of this Agreement shall be binding on the parties hereto unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Any failure to insist upon strict compliance with any of the terms and conditions of this Agreement shall not be deemed a waiver of any such terms or conditions.

13. ACKNOWLEDGMENTS OF EXECUTIVE. Executive hereby acknowledges and agrees that: (a) this Agreement is necessary for the protection of the legitimate business interests of Company and its Affiliates; (b) the restrictions contained in this Agreement may be enforced in a court of law whether or not Executive is terminated with or without cause or for performance related reasons; (c) Executive has no intention of competing with Company and its Affiliates within the limitations set forth above; (d) Executive has received adequate and valuable consideration for entering into this Agreement; (e) Executive's covenants shall be construed as independent of any other provision in this Agreement and the existence of any claim or cause of action Executive may have against Company or any Affiliate, whether predicated on this Agreement or not, shall not constitute a defense to the enforcement by Company or an Affiliate of these covenants; and (f) the execution and delivery of this Agreement is a mandatory condition precedent to Executive's receipt of the consideration provided herein.

14. FULL UNDERSTANDING. Executive acknowledges that Executive has been afforded the opportunity to seek legal counsel, that Executive has carefully read and fully understands all of the provisions of this Agreement and that Executive, in consideration for the compensation set forth herein, is voluntarily entering into this Agreement.

15. ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, between Company or Affiliates and Executive concerning the subject matter hereof.

16. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. The restrictive covenants stated herein may be read as if separate and apart from this Agreement and shall survive the termination of Executive's employment with Company for any reason.

17. OTHER AGREEMENTS. Executive represents and warrants that Executive is not a party to or otherwise subject to or bound by the terms of any contract, agreements or understandings that would affect Executive's right or abilities to perform under this Agreement. Executive specifically represents that Executive will not use any confidential information obtained from Executive's prior employer(s) in the performance of Executive's duties herein and is not subject to any other restrictive covenants or non-competition agreements.

18. CHOICE OF LAW, JURISDICTION AND VENUE. The parties agree that this Agreement shall be deemed to have been made and entered into in Allegheny County, Pennsylvania and that the law of the Commonwealth of Pennsylvania shall govern this Agreement, without regard to conflict of laws principles. Jurisdiction and venue is exclusively limited in any proceeding by Company or an Affiliate or Executive to enforce their rights hereunder to any court or arbitrator geographically located in Allegheny County, Pennsylvania. Executive hereby waives any objections to the jurisdiction and venue of the courts in or for Allegheny County, Pennsylvania, including any objection to personal jurisdiction, venue, and/or forum non-conveniens, in any proceeding by Company or any Affiliate to enforce its rights hereunder filed in or for Allegheny County, Pennsylvania. Executive agrees not to object to any petition filed by Company or an Affiliate to remove an action filed by Executive from a forum or court not located in Allegheny County, Pennsylvania.

19. SUCCESSORS IN INTEREST. This Agreement shall be binding upon and shall inure to the benefit of the successors, assigns, heirs and legal representatives of the parties hereto. Parent and Company shall each require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of its business and/or assets to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Parent or Company, as the case may be, would be required to perform it if no such succession had taken place, and Executive agrees to be obligated by this Agreement to any successor, assign or surviving entity. As used in this Paragraph, "Parent" shall mean Parent as

hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise and "Company" shall mean Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. Any successor to Company is an intended third party beneficiary of this Agreement. Executive may not assign this Agreement otherwise than by will or the laws of decent and distribution.

20. NOTICES. All notices, requests, demands or other communications by the terms hereof required or permitted to be given by one party to the other shall be given in writing by personal delivery or by registered mail, postage prepaid, addressed to such other party or delivered to such other party as follows:

- (a) to Company at:
Company's last known address
Attention: President or Chairman of the Board
- (b) to Executive at:
Executive's last known address
Attention: Executive

or at such other address as may be given by either of them to the other in writing from time to time, and such notices, requests, demands, acceptances or other communications shall be deemed to have been received when delivered or, if mailed, three (3) Business Days after the day of mailing thereof; provided that if any such notice, request, demand or other communication shall have been mailed and if regular mail service shall be interrupted by strikes or other irregularities, such notices, requests, demands or other communications shall be deemed to have been received when delivered or, if mailed, three (3) Business Days from the day of the resumption of normal mail service.

21. SECTION 409A.

(a) Notwithstanding anything herein to the contrary, this Agreement is intended to be interpreted and applied so that the payment of the benefits set forth herein either shall either be exempt from the requirements of Code Section 409A ("Section 409A") or shall comply with the requirements of such provision. Notwithstanding any provision of this Agreement to the contrary, if Executive is a "specified employee" within the meaning of Section 409A, any payments or arrangements due upon a termination of Executive's employment, if any, under any arrangement that constitute a "nonqualified deferral of compensation" within the meaning of Section 409A and which do not otherwise qualify under the exemptions under Treas. Regs. Section 1.409A-1 (including without limitation, the short-term deferral exemption or the permitted payments under Treas. Regs. Section 1.409A-1(b)(9)(iii)(A)), shall be delayed and paid or provided on the earlier of (i) the date which is six months after Executive's "separation from service" (as such term is defined in Section 409A and the regulations and other published guidance thereunder) for any reason other than death; and (ii) the date of Executive's death.

(b) After Executive's termination, Executive shall have no duties or responsibilities that are inconsistent with having a "separation from service" within the meaning of Section 409A as of the date of his termination and, notwithstanding anything in the Agreement to the contrary, distributions upon termination of employment of nonqualified deferred compensation may only be made upon a "separation from service" as determined under Section 409A and such date shall be the date of Executive's termination for purposes of this Agreement. Each payment under this Agreement or otherwise shall be treated as a separate payment for purposes of Section 409A. In no event may Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement which constitutes a "nonqualified deferral of compensation" within the meaning of Section 409A and to the extent an amount is payable within a time period, the time during which such amount is paid shall be in the discretion of Company.

22. COUNTERPARTS: TELECOPY. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Delivery of executed signature pages by facsimile transmission will constitute effective and binding execution and delivery of this Agreement.

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

24. DRAFTER PROVISION. The parties agree that they have both had the opportunity to review and negotiate this Agreement, and that any inconsistency or dispute related to the interpretation of any of the provisions of this Agreement shall not be construed against either party.

25. SURVIVABILITY. The terms of this Agreement survive the termination of Executive's employment with Company for any reason.

[signature page follows]

I ACKNOWLEDGE THAT I HAVE CAREFULLY READ AND FULLY UNDERSTAND ALL OF THE PROVISIONS OF THIS AGREEMENT AND THAT I AM VOLUNTARILY ENTERING INTO THIS AGREEMENT.

MASTECH, INC.:

EXECUTIVE:

By: _____

John J. Cronin, Jr.

Date: _____

Date: _____

Witness: _____

Witness: _____

Date: _____

Date: _____

MASTECH HOLDINGS, INC.

By: _____

Date: _____

Witness: _____

Date: _____

Schedule A (5)

This Schedule A (5) dated March 20, 2014, is issued pursuant to the Amended and Restated Executive Employment Agreement by and among Company, Parent and Executive, dated March 20, 2014 (the "Agreement"), and shall be incorporated therein and governed by the terms and conditions of such Agreement. This Schedule A (5) is effective April 1, 2014, and is intended to replace any previously issued Schedule A.

1. Position: Chief Financial Officer. Executive shall report in such capacity to Company's Chief Executive Officer.

2. Base Salary: \$250,000 per year.

3. Bonus: Executive will be entitled to an annual performance-based cash bonus of \$140,000, for the achievement of certain financial and operational targets. These targets, and the bonus dollars tied to such targets, will be determined and communicated to you by the Chief Executive Officer on an annual basis. For the 2014 calendar year, your bonus will be based on the following performance measures:

- a. Consolidated Revenue;
- b. Consolidated Earnings Per Share; and
- c. Subjective performance.

The target amount for each measure for the 2014 calendar year is set forth on Appendix I to this schedule. Should Company fail to achieve the target amount for the above performance measures, Executive's annual performance-based bonus, if any, shall be based upon Company's evaluation of the percentage of the target amount achieved during the year. Conversely, should Company's performance exceed the target amount for the above performance measures, Executive's annual performance-based bonus may exceed the bonus amount stated above, based upon Company's evaluation of the percentage of the over-achievement of such target amount(s). All bonuses will be paid by February 15, 2015, following the completion of Company's year-end audit. If Executive leaves Company voluntarily, or is terminated with Cause, before December 31, 2014, Executive will not be eligible for a bonus. If Executive is terminated by Company during 2014 without Cause, Executive's bonus calculation will be based on Company's annual results (calculated as though Executive were still an employee) and a prorated bonus will be paid considering the days in 2014 in which Executive was employed by Company divided by 365.

4. Benefits: Executive is eligible for standard company benefits in the same manner as other executives of Company.

5. Expenses: Company will reimburse all properly documented expenses reasonably related to Executive's performance of Executive's duties hereunder.

6. Stock Options: Executive shall be eligible to receive non-qualified stock options pursuant to Company's Stock Incentive Plan.

BY: _____
Company / Date

BY: _____
Executive / Date

EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement is made as of the effective date indicated below between Mastech, Inc., a Pennsylvania corporation (hereinafter the "Company"), and the undersigned employee, Scott A. Aicher (hereinafter called the "Executive").

WHEREAS, this Agreement is a term and condition of Executive's employment and is made in consideration for employment, wages and benefits offered to Executive contemporaneously with this Agreement; and

WHEREAS, this Agreement is necessary for the protection of the legitimate and protectible business interests of Company and its Affiliates (as hereinafter defined) in their customers, prospective customers, accounts and confidential, proprietary and trade secret information.

NOW THEREFORE, for the consideration set forth herein, the receipt and sufficiency of which are acknowledged by the parties, and intending to be legally bound hereby, Company and Executive agree as follows:

1. DEFINITIONS. As used herein:

(a) "Affiliate" shall mean and include Parent and any corporation, trade or business which is, as of the date of this Agreement, together with Company, part of a group of corporations, trades or businesses connected through common ownership with Parent, where more than 50% of the stock or other equity interests of each member of the group (other than Parent) are owned, directly or indirectly, by one or more other members of the group.

(b) "Confidential Information" shall include, but is not necessarily limited to, any information which may include, in whole or part, information concerning Company's and its Affiliates' accounts, sales, sales volume, sales methods, sales proposals, customers or prospective customers, prospect lists, manuals, formulae, products, processes, methods, financial information or data, compositions, ideas, improvements, inventions, research, computer programs, computer related information or data, system documentation, software products, patented products, copyrighted information, know how and operating methods and any other trade secret or proprietary information belonging to Company or any Affiliate or relating to Company's or any Affiliate's affairs that is not public information.

(c) "Customer(s)" shall mean any individual, corporation, partnership, business or other entity, whether for-profit or not-for-profit (i) whose existence and business is known to Executive as a result of Executive's access to Company's and its Affiliates' business information, Confidential Information, customer lists or customer account information; (ii) that is a business entity or individual with whom Company or any Affiliate has contracted or negotiated during the one (1) year period preceding the termination of Executive's employment; or (iii) who is or becomes a prospective client, customer or acquisition candidate of Company or any Affiliate during the period of Executive's employment.

SCHEDULE A

(d) "Competing Business" shall mean any individual, corporation, partnership, business or other entity which operates or attempts to operate a business which provides, designs, develops, markets, engages in, produces or sells any products, services, or businesses which are the same or similar to those produced, marketed, invested in or sold by Company or any Affiliate.

(e) "Parent" shall mean Mastech Holdings, Inc. or any successor.

2. DUTIES. Executive, who is employed in the position set forth on Schedule A hereof as of the effective date of this Agreement, agrees to be responsible for such duties as are commensurate with and required by such position and any other duties as may be assigned to Executive by Company from time to time. Executive further agrees to establish legal domicile for Executive and his immediate family within fifty (50) miles of the Company's Pittsburgh office by July 31, 2013. Executive further agrees to perform Executive's duties in a diligent, trustworthy, loyal, businesslike, productive, and efficient manner and to use Executive's best efforts to advance the business and goodwill of Company and its Affiliates. Executive further agrees to devote all of Executive's business time, skill, energy and attention exclusively to the business of Company and to comply with all rules, regulations and procedures of Company. During the term of this Agreement, Executive will not engage in any other business for Executive's own account or accept any employment from any other business entity, or render any services, give any advice or serve in a consulting capacity, whether gratuitously or otherwise, to or for any other person, firm or corporation, other than as a volunteer for charitable organizations, without the prior written approval of Company or Parent, which shall not be unreasonably withheld.

3. COMPENSATION. Executive's compensation as of the date of this Agreement is as set forth on Schedule A-1 hereto. Said compensation is subject to being reviewed and modified annually by Company. Any changes to compensation will be set forth in a revised Schedule A, with each subsequently issued Schedule A increasing in numeration. Company shall be entitled to withhold from any payments to Executive pursuant to the provisions of this Agreement any amounts required by any applicable taxing or other authority, or any amounts payable by Executive to Company or any Affiliate (including, without limitation, repayment of any amount loaned to Executive by Company or any Affiliate).

4. BENEFITS. Executive is eligible for the standard Company benefits, which may be modified by Company at any time or from time to time in accordance with the terms of Company's applicable benefit plans and policies. Executive shall also be entitled to reimbursement of business-related expenses in accordance with Company's standard policies concerning reimbursement of such expenses.

5. POLICIES AND PRACTICES. Executive agrees to abide by all Company rules, regulations, policies, practices and procedures, which Company may amend from time to time.

6. AGREEMENT NOT TO COMPETE. In order to protect the business interests and good will of Company and its Affiliates with respect to Customers and accounts, and to protect Confidential Information, Executive covenants and agrees that for the entire period of

time that this Agreement remains in effect, and for a period of one (1) year after termination of Executive's employment for any reason, Executive will not:

(a) directly or indirectly contact any Customer for the purpose of soliciting such Customer to purchase, lease or license a product or service that is the same as, similar to, or in competition with those products and/or services made, rendered, offered or under development by Company or any Affiliate;

(b) directly or indirectly employ, or knowingly permit any company or business directly or indirectly controlled by Executive to employ any person who is employed by Company or any Affiliate at any time during the term of this Agreement, or in any manner facilitate the leaving of any such person from his or her employment with Company or any Affiliate;

(c) directly or indirectly interfere with or attempt to disrupt the relationship, contractual or otherwise, between Company or any Affiliate and any of its employees or solicit, induce, or attempt to induce employees of Company or any Affiliate to terminate employment with Company or Affiliate and become self-employed or employed with others in the same or similar business or any product line or service provided by Company or any Affiliate; or

(d) directly or indirectly engage in any activity or business as a consultant, independent contractor, agent, employee, officer, partner, director or otherwise, alone or in association with any other person, corporation or other entity, in any Competing Business operating within the United States or any other country where the Executive has worked and/or conducted business for Company and its Affiliates within the one (1) year period prior to the termination of Executive's employment.

Executive acknowledges that Company and its Affiliates are engaged in business throughout the United States, as well as in other countries and that the marketplace for Company's and its Affiliates' products and services is worldwide. Executive further covenants and agrees that the geographic, length of term and types of activities restrictions (non-competition restrictions) contained in this Agreement are reasonable and necessary to protect the legitimate business interests of Company and its Affiliates because of the scope of Company's and the Affiliates' businesses.

In the event that a court of competent jurisdiction shall determine that one or more of the provisions of this Paragraph 6 is so broad as to be unenforceable, then such provision shall be deemed to be reduced in scope or length, as the case may be, to the extent required to make this Paragraph enforceable. If the Executive violates the provisions of this Paragraph 6, the periods described therein shall be extended by that number of days which equals the aggregate of all days during which at any time any such violations occurred. Executive acknowledges that the offer of employment under this Agreement, or any other consideration offered for signing this agreement, is sufficient consideration for Executive's agreement to the restrictive covenants set forth in this Paragraph 6, and that each Affiliate is an intended third-party beneficiary of such covenants with a separate and independent right to enforce the same. Executive agrees that Executive's signing of an Employment Agreement containing the restrictive covenants set forth herein was a condition precedent to Executive's continued employment with Company.

7. NONDISCLOSURE AND NONUSE OF CONFIDENTIAL INFORMATION. The Executive covenants and agrees during Executive's employment or any time after the termination of such employment, not to communicate or divulge to any person, firm, corporation or business entity, either directly or indirectly, and to hold in strict confidence for the benefit of Company, all Confidential Information except that Executive may disclose such Information to persons, firms or corporations who need to know such Information during the course and within the scope of Executive's employment. Executive will not use any Confidential Information for any purpose or for Executive's personal benefit other than in the course and within the scope of Executive's employment. Executive agrees to sign and abide by the terms and conditions of Company's Confidential Information and Intellectual Property Protection Agreement, a copy of which is attached hereto as Schedule B and incorporated as though fully set forth herein.

8. TERMINATION. This Agreement may be terminated by either party with or without cause under the following conditions:

(a) With Cause Termination. Executive may be terminated by Parent or Company with "cause." "Cause" shall mean (i) failure of Executive to establish legal domicile for Executive and his immediate family within fifty (50) miles of the Company's Pittsburgh office by July 31, 2013; (ii) gross negligence or willful misconduct in the performance of duties to the Company that has resulted or is likely to result in substantial and material damage to the Company, (iii) repeated unexplained or unjustified absence from the Company, (iv) a material and willful violation of any federal or state law, (v) commission of any act of fraud with respect to the Company, or (vi) conviction of a felony or a crime involving moral turpitude causing material harm to the standing and reputation of the Company, in each case as determined in good faith by the Board of Directors of the Company and Parent or engaging in conduct which brings the Company or any Affiliate into public disgrace or disrepute; or (vii) substantial or continued unwillingness to perform duties as reasonably directed by the Company's Board of Directors or Chief Executive Officer, or (vi) any material breach of paragraph 6 or 7 of this Agreement, or Executive's Confidential Information and Intellectual Property Protection Agreement. In the event that Executive is terminated with "Cause," Company may immediately cease payment of any further wages, benefits or other compensation hereunder. Executive acknowledges that Executive has continuing obligations under this Agreement including, but not limited to Paragraphs 6 and 7, in the event that Executive is terminated with Cause.

(b) Without Cause. In the event that Executive's employment is terminated by Company or Parent without Cause, Executive will be entitled to the following.

(1) A number of months set forth below (the "Severance Period") of Executive's last monthly base salary as set forth in the latest issued Schedule A, less appropriate deductions, payable following Executive's termination of employment in accordance with the Company's regular payroll practices ("Severance Pay"):

- a. Three (3) months, if termination occurs prior to the six-month anniversary of the effective date of this Agreement.
- b. Twelve (12) months, if termination occurs on or after the six-month anniversary of the effective date of this Agreement.

Severance Pay will be treated as amounts paid under the Company's generally applicable severance pay policy ("Severance Policy") as in effect from time to time to the extent of Executive's entitlement to payments under the Severance Policy. Notwithstanding any other provision in this Agreement to the contrary, in the event that the Severance Pay, when combined with other severance payments pursuant to the Agreement, exceed the maximum amount of severance pay permitted to be paid to a "specified employee" under Internal Revenue Code §409A, the excess Severance Pay shall be paid instead in a single lump sum on the first business day after the end of the six (6)-month period.

(2) Continued coverage under Company's employee benefit plans (other than 401(k) or pension benefit coverage) and group health plans (medical, dental and vision after termination of employment for Executive and his eligible dependents, as and when provided under the Severance Policy, and subject to the payment of applicable premiums or other costs, all in accordance with the terms of the Severance Policy and the applicable benefit plans (including, without limitation, cessation of such benefits due to receiving similar benefit coverage from a new employer) with such modifications as are necessary to comply with federal COBRA requirements.

(3) For the Severance Period, continued vesting in unvested stock options outstanding as of such termination date and granted under the Company's Stock Incentive Plan (the "Stock Plan"), or any successor thereto (the "Options").

(4) The exercise period for a vested Option, including those which vest pursuant to (5) above, will be extended for a period equal to the Severance Period, but not later than the earlier of (i) the original expiration date of such Option or (ii) ten (10) years from the date of grant.

Executive further acknowledges that the Company's and Parent's obligations under this Section 8(b), are contingent upon and subject to Executive's signing (and not revoking) an agreement and release of all claims against Company and Affiliates in the form attached hereto as Schedule C (or such other form acceptable to Company or Parent) within thirty (30) days of the date of termination without Cause. Executive acknowledges that Executive has continuing obligations under this Agreement including, but not limited to Paragraphs 6 and 7, in the event that Executive is terminated without Cause.

(c) Termination for convenience by Executive. Executive agrees to provide Company with three (3) months written notice in the event Executive elects to terminate employment with Company for the convenience of Executive. In the event that Executive terminates for convenience, Executive agrees that no further wages, benefits or other compensation hereunder is payable to Executive after the day in which Executive is last employed by Company. Executive acknowledges that Executive has continuing obligations under this Agreement including, but not limited to Paragraphs 6 and 7, in the event that Executive elects to terminate for convenience.

9. TERM. Executive's employment shall continue from year to year or until such employment is terminated in accordance with the provisions of Paragraph 8. Executive acknowledges and agrees that nothing herein guarantees Executive continued employment by Company for any specified or intended term, and that his employment may be terminated by Company at any time.

10. EQUITABLE RELIEF; FEES AND EXPENSES. Executive stipulates and agrees that any breach of this Agreement by Executive will result in immediate and irreparable harm to Company and its Affiliates, the amount of which will be extremely difficult to ascertain, and that Company and its Affiliates could not be reasonably or adequately compensated by damages in an action at law. For these reasons, Company and its Affiliates shall have the right to obtain such preliminary, temporary or permanent injunctions or restraining orders or decrees as may be necessary to protect Company or any Affiliate against, or on account of, any breach by Executive of the provisions of this Agreement without the need to post bond. Such right to equitable relief is in addition to all other legal remedies Company or any Affiliate may have to protect its rights. The prevailing party in any such action shall be responsible for reimbursing the non-prevailing party for all costs associated with obtaining the relief, including reasonable attorneys' fees, and expenses and costs of suit. Executive further covenants and agrees that any order of court or judgment obtained by Company or an Affiliate which enforces Company's or Affiliate's rights under this Agreement may be transferred, without objection or opposition by Executive, to any court of law or other appropriate law enforcement body located in any other state in the U.S.A. or any other country in the world where Company or such Affiliate does business, and that said court or body shall give full force and effect to said order and or judgment.

11. EMPLOYMENT DISPUTE SETTLEMENT PROCEDURE-WAIVER OF RIGHTS. In consideration of Company employing Executive and the wages and benefits provided under this Agreement, Executive and Company each agree that, in the event either party (or its representatives, successors or assigns) brings an action in a court of competent jurisdiction relating to Executive's recruitment, employment with, or termination of employment from Company, the plaintiff in such action agrees to waive his, her or its right to a trial by jury, and further agrees that no demand, request or motion will be made for trial by jury.

In consideration of Company employing Executive and the wages and benefits provided under this Agreement, Executive further agrees that, in the event that Executive seeks relief in a court of competent jurisdiction for a dispute covered by this Agreement, Company may, at any time within 60 days of the service of Executive's complaint upon Company, at its option, require all or part of the dispute to be arbitrated by one arbitrator in accordance with the rules of the American Arbitration Association. Executive agrees that the option to arbitrate any dispute is governed by the Federal Arbitration Act, and is fully enforceable. Executive understands and agrees that, if Company exercises its option, any dispute arbitrated will be heard solely by the arbitrator, and not by a court. The parties agree that the prevailing party shall be entitled to have all of their legal fees paid by the non-prevailing party. This pre-dispute resolution agreement will cover all matters directly or indirectly related to Executive's recruitment, employment or termination of employment by Company; including, but not limited to, claims involving laws against any form of discrimination whether brought under federal and/or state law, and/or claims involving co-employees, but excluding Worker's Compensation Claims.

THE RIGHT TO A TRIAL, AND TO A TRIAL BY JURY, IS OF VALUE. YOU MAY WISH TO CONSULT AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT. IF SO, TAKE A COPY OF THIS AGREEMENT WITH YOU. HOWEVER, YOU WILL NOT BE OFFERED EMPLOYMENT UNDER THIS AGREEMENT UNTIL THIS AGREEMENT IS SIGNED AND RETURNED BY YOU.

12. AMENDMENTS. No supplement, modification, amendment or waiver of the terms of this Agreement shall be binding on the parties hereto unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Any failure to insist upon strict compliance with any of the terms and conditions of this Agreement shall not be deemed a waiver of any such terms or conditions.

13. ACKNOWLEDGMENTS OF EXECUTIVE. Executive hereby acknowledges and agrees that: (a) this Agreement is necessary for the protection of the legitimate business interests of Company and its Affiliates; (b) the restrictions contained in this Agreement may be enforced in a court of law whether or not Executive is terminated with or without Cause or for performance related reasons; (c) Executive has no intention of competing with Company and its Affiliates within the limitations set forth above; (d) Executive has received adequate and valuable consideration for entering into this Agreement; (e) Executive's covenants shall be construed as independent of any other provision in this Agreement and the existence of any claim or cause of action Executive may have against Company or any Affiliate, whether predicated on this Agreement or not, shall not constitute a defense to the enforcement by Company or an Affiliate of these covenants; and (f) the execution and delivery of this Agreement is a mandatory condition precedent to the Executive's receipt of the consideration provided herein.

14. FULL UNDERSTANDING. Executive acknowledges that Executive has been afforded the opportunity to seek legal counsel, that Executive has carefully read and fully understands all of the provisions of this Agreement and that Executive, in consideration for the compensation set forth herein, is voluntarily entering into this Agreement.

15. ENTIRE AGREEMENT. This Agreement supercedes all prior agreements, written or oral, between Company or Affiliates and Executive concerning the subject matter hereof.

16. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. The restrictive covenants stated herein may be read as if separate and apart from this Agreement and shall survive the termination of Executive's employment with Company for any reason.

17. OTHER AGREEMENTS. Executive represents and warrants that Executive is not a party to or otherwise subject to or bound by the terms of any contract, agreements or understandings that would affect Executive's right or abilities to perform under this Agreement. Executive specifically represents that Executive will not use any confidential information obtained from Executive's prior employer(s) in the performance of Executive's duties herein and is not subject to any other restrictive covenants or non-competition agreements.

18. CHOICE OF LAW, JURISDICTION AND VENUE. The parties agree that this Agreement shall be deemed to have been made and entered into in Allegheny County, Pennsylvania and that the Law of the Commonwealth of Pennsylvania shall govern this Agreement, without regard to conflict of laws principles. Jurisdiction and venue is exclusively limited in any proceeding by Company or an Affiliate or Executive to enforce their rights hereunder to any court or arbitrator geographically located in Allegheny County, Pennsylvania. The Executive hereby waives any objections to the jurisdiction and venue of the courts in or for Allegheny County, Pennsylvania, including any objection to personal jurisdiction, venue, and/or forum non-conveniens, in any proceeding by Company or any Affiliate to enforce its rights hereunder filed in or for Allegheny County, Pennsylvania. Executive agrees not to object to any petition filed by Company or an Affiliate to remove an action filed by Executive from a forum or court not located in Allegheny County, Pennsylvania.

19. SUCCESSORS IN INTEREST. This Agreement shall be binding upon and shall inure to the benefit of the successors, assigns, heirs and legal representatives of the parties hereto. Company shall have the right to assign this Agreement in connection with a merger, consolidation or restructuring involving Company, or a sale or transfer of the business and/or any assets of Company, and Executive agrees to be obligated by this Agreement to any successor, assign or surviving entity. Any successor to Company is an intended third party beneficiary of this Agreement. Executive may not assign this Agreement.

20. NOTICES. All notices, requests, demands or other communications by the terms hereof required or permitted to be given by one party to the other shall be given in writing by personal delivery or by registered mail, postage prepaid, addressed to such other party or delivered to such other party as follows:

(a) to Company and Parent at:

Company's and Parent's last known address
Attention: President or Chairman of the Board

(b) to the Executive at:

Executive's last known address
Attention: Executive

or at such other address as may be given by either of them to the other in writing from time to time, and such notices, requests, demands, acceptances or other communications shall be deemed to have been received when delivered or, if mailed, three (3) Business Days after the day of mailing thereof; provided that if any such notice, request, demand or other communication shall have been mailed and if regular mail service shall be interrupted by strikes or other irregularities, such notices, requests, demands or other communications shall be deemed to have been received when delivered or, if mailed, three (3) Business Days from the day of the resumption of normal mail service.

21. COUNTERPARTS; TELECOPY. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Delivery of executed signature pages by facsimile transmission will constitute effective and binding execution and delivery of this Agreement.

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

23. DRAFTER PROVISION. The parties agree that they have both had the opportunity to review and negotiate this Agreement, and that any inconsistency or dispute related to the interpretation of any of the provisions of this Agreement shall not be construed against either party.

24. SURVIVABILITY. The terms of this Agreement survive the termination of Executive's employment for any reason.

25. EFFECTIVE DATE. This Agreement shall be effective on the date that the Executive joins the Company on a full-time basis, which is to be January 7, 2013. In the event Executive fails to joins the Company on the aforementioned date, this Agreement shall not take effect and all offers made under this Agreement shall be rescinded.

I ACKNOWLEDGE THAT I HAVE CAREFULLY READ AND FULLY UNDERSTAND ALL OF THE PROVISIONS OF THIS AGREEMENT AND THAT I AM VOLUNTARILY ENTERING INTO THIS AGREEMENT.

MASTECH, INC.:

EXECUTIVE:

By: _____

Scott A. Aicher

Date: _____

Date: _____

Witness: _____

Witness: _____

Date: _____

Date: _____

Schedule A (1)

This Schedule A (1) dated March 20, 2014, is issued pursuant to the Executive Employment Agreement by and between the undersigned, effective January 7, 2013, and shall be incorporated therein and governed by the terms and conditions of such Executive Employment Agreement.

1. Position: Chief Operating Officer. Executive shall report in such capacity to Company's Chief Executive Officer.

2. Base Salary: \$260,000 per year.

3. Bonus: Executive will be entitled to an annual performance-based cash bonus of \$130,000 for the achievement of certain financial and operational targets. These targets, and the bonus dollars tied to such targets, will be determined and communicated to you by the Chief Executive Officer on an annual basis. For the 2013 calendar year, your bonus will be based on the following performance measures:

- a. C/M \$'s
- b. Net COB Growth
- c. Gross Margin Percentage
- d. MHH Consolidated EPS
- e. Subjective Performance

The target amount for each measure for the 2014 calendar year is set forth on Appendix 1 to this schedule. Should Executive fail to achieve the target amount for the above performance measures, Executive's annual performance-based bonus, if any, shall be based upon the Company's evaluation of the percentage of the target amount achieved during the year. Conversely, should Executive's performance exceed the target amount for the above performance measures, the Executive's annual performance-based bonus may exceed the bonus amount stated above, based upon the Company's evaluation of the percentage of the over-achievement of such target amount(s). All bonuses will be paid by February 28, 2015, following the completion of Company's year-end audit. If Executive leaves the Company voluntarily, or is terminated with Cause, before December 31, 2014, Executive will not be eligible for a Bonus. If Executive is terminated by the Company during 2014 without cause, Executive's bonus calculation will be based on the Company's annual results (calculated as though Executive were still an employee) and a prorated bonus will be paid considering the days in 2014 in which Executive was employed by Company divided by 365.

4. Benefits: Executive is eligible for standard company benefits in the same manner as other executives of the Company.

5. Expenses: The Company will reimburse all properly documented expenses reasonably related to Executive's performance of Executive's duties hereunder.

BY: _____
Company / Date

BY: _____
Executive / Date

**AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT**

This Amended and Restated Executive Employment Agreement (hereinafter called the "Agreement") is made as of the latest date indicated below between Mastech, Inc., a Pennsylvania corporation (hereinafter called "Company"), Mastech Holdings, Inc., a Pennsylvania corporation (hereinafter called "Parent") and the undersigned employee, D. Kevin Horner (hereinafter called "Executive").

WHEREAS, Company, Parent and Executive are parties to that certain Executive Employment Agreement, dated October 10, 2011, as amended on March 18, 2013 (solely with respect to compensation), pursuant to which Executive is employed by Company (hereinafter called the "Existing Employment Agreement");

WHEREAS, Company, Parent and Executive wish to amend and restate the Existing Employment Agreement into this Agreement, which shall replace and supersede in its entirety the Existing Employment Agreement;

WHEREAS, this Agreement is a term and condition of Executive's employment and is made in consideration for employment, wages and benefits offered to Executive contemporaneously with this Agreement; and

WHEREAS, this Agreement is necessary for the protection of the legitimate and protectable business interests of Company and its Affiliates (as hereinafter defined) and their customers, prospective customers, accounts and confidential, proprietary and trade secret information.

NOW THEREFORE, for the consideration set forth herein, the receipt and sufficiency of which are acknowledged by the parties, and intending to be legally bound hereby, Company and Executive agree as follows:

1. DEFINITIONS. As used herein:

(a) "Affiliate" shall mean and include Parent and any corporation, trade or business which is, as of the date of this Agreement, with Company, part of a group of corporations, trades or businesses connected through common ownership with Parent, where more than 50% of the stock or other equity interests of each member of the group (other than Parent) are owned, directly or indirectly, by one or more other members of the group.

(b) "Change of Control" shall mean (i) the consummation of a reorganization, merger or consolidation or similar form of corporate transaction, involving Company or any of its subsidiaries (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the outstanding common stock immediately prior to such Business Combination do not, immediately following such Business Combination, beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination; or

(ii) the complete liquidation or dissolution of Company or sale or other disposition of all or substantially all of the assets of Company other than to a corporation with respect to which, following such sale or disposition, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the common stock of Company immediately prior to such sale or disposition.

(c) "Confidential Information" shall include, but is not necessarily limited to, any information which may include, in whole or part, information concerning Company's and its Affiliates' accounts, sales, sales volume, sales methods, sales proposals, customers or prospective customers, prospect lists, manuals, formulae, products, processes, methods, financial information or data, compositions, ideas, improvements, inventions, research, computer programs, computer related information or data, system documentation, software products, patented products, copyrighted information, know how and operating methods and any other trade secret or proprietary information belonging to Company or any Affiliate or relating to Company's or any Affiliate's affairs that is not public information.

(d) "Customer(s)" shall mean any individual, corporation, partnership, business or other entity, whether for-profit or not-for-profit (i) whose existence and business is known to Executive as a result of Executive's access to Company's and its Affiliates' business information, Confidential Information, customer lists or customer account information; (ii) that is a business entity or individual with whom Company or any Affiliate has contracted or negotiated during the one (1) year period preceding the termination of Executive's employment; or (iii) who is or becomes a prospective client, customer or acquisition candidate of Company or any Affiliate during the period of Executive's employment.

(e) "Competing Business" shall mean any individual, corporation, partnership, business or other entity which operates or attempts to operate a business which provides, designs, develops, markets, engages in, produces or sells any products, services, or businesses which are the same or similar to those produced, marketed, invested in or sold by Company or any Affiliate.

(f) "Good Reason" shall mean, without the written consent of Executive, (i) a material diminution of Executive's job responsibilities; (ii) a material reduction in Executive's base salary, unless such reduction is part of a reduction in compensation for all employees of Company in general; (iii) the geographic relocation of Executive's principal place of employment greater than fifty (50) miles from Company's offices in Pittsburgh, Pennsylvania; or (iv) material breach by Company of this Agreement. Notwithstanding the foregoing, Good Reason shall not be deemed to exist unless notice of termination on account thereof is given no later than sixty (60) days after the time at which the event or condition purportedly giving rise to Good Reason first occurs or arises; and, provided that if there exists an event or condition that constitutes Good Reason, Company shall have thirty (30) days from the date notice of such a termination is given to cure such event or condition and, if Company does so, such event or condition shall not constitute Good Reason hereunder.

(g) "Parent" shall mean Mastech Holdings, Inc. or any successor.

2. DUTIES. Executive, who is employed in the position set forth on Schedule A hereof as of the date of this Agreement, agrees to be responsible for such duties as are commensurate with and required by such position and any other duties as may be assigned to Executive by Company from time to time. Executive further agrees to perform Executive's duties in a diligent, trustworthy, loyal, businesslike, productive, and efficient manner and to use Executive's best efforts to advance the business and goodwill of Company and its Affiliates. Executive further agrees to devote all of Executive's business time, skill, energy and attention exclusively to the business of Company and to comply with all rules, regulations and procedures of Company. During the term of this Agreement, Executive will not engage in any other business for Executive's own account or accept any employment from any other business entity, or render any services, give any advice or serve in a consulting capacity, whether gratuitously or otherwise, to or for any other person, firm or corporation, other than as a volunteer for charitable organizations, without the prior written approval of Company, which shall not be unreasonably withheld. Executive's duties shall be performed at Company's offices in Pittsburgh, Pennsylvania, reasonable periods of business travel excepted.

3. COMPENSATION. Executive's compensation as of the date of this Agreement is as set forth on Schedule A hereto. Company shall be entitled to withhold from any payments to Executive pursuant to the provisions of this Agreement any amounts required by any applicable taxing or other authority, or any amounts payable by Executive to Company or any Affiliate (including, without limitation, repayment of any amount loaned to Executive by Company or any Affiliate).

4. BENEFITS. Executive is eligible for the standard Company benefits, which may be modified by Company at any time or from time to time in accordance with the terms of Company's applicable benefit plans and policies. Executive shall also be entitled to reimbursement of business-related expenses in accordance with Company's standard policies concerning reimbursement of such expenses.

5. POLICIES AND PRACTICES. Executive agrees to abide by all Company rules, regulations, policies, practices and procedures, of which he shall be given notice by Company, which Company may amend from time to time.

6. AGREEMENT NOT TO COMPETE. In order to protect the business interests and goodwill of Company and its Affiliates with respect to Customers and accounts, and to protect Confidential Information, Executive covenants and agrees that for the entire period of Executive's employment, and for a period of one (1) year after termination of Executive's employment for any reason, Executive will not:

(a) directly or indirectly contact any Customer for the purpose of soliciting such Customer to purchase, lease or license a product or service that is the same as, similar to, or in competition with those products and/or services made, rendered, offered or under development by Company or any Affiliate;

(b) directly or indirectly employ, or knowingly permit any company or business directly or indirectly controlled by Executive to employ any person who is employed by Company or any Affiliate at any time during the term of Executive's employment, or in any manner facilitate the leaving of any such person from his or her employment with Company or any Affiliate;

(c) directly or indirectly interfere with or attempt to disrupt the relationship, contractual or otherwise, between Company or any Affiliate and any of its employees or solicit, induce, or attempt to induce employees of Company or any Affiliate to terminate employment with Company or Affiliate and become self-employed or employed with others in the same or similar business or any product line or service provided by Company or any Affiliate; or

(d) directly or indirectly engage in any activity or business as a consultant, independent contractor, agent, employee, officer, partner, director or otherwise, alone or in association with any other person, corporation or other entity, in any Competing Business operating within the United States or any other country.

Executive acknowledges that Company and its Affiliates are engaged in business throughout the United States, as well as in other countries and that the marketplace for Company's and its Affiliates' products and services is worldwide. Executive further covenants and agrees that the geographic, length of term and types of activities restrictions (non-competition restrictions) contained in this Agreement are reasonable and necessary to protect the legitimate business interests of Company and its Affiliates because of the scope of Company's and the Affiliates' businesses.

In the event that a court of competent jurisdiction shall determine that one or more of the provisions of this Paragraph 6 is so broad as to be unenforceable, then such provision shall be deemed to be reduced in scope or length, as the case may be, to the extent required to make this Paragraph enforceable. If Executive violates the provisions of this Paragraph 6, the periods described therein shall be extended by that number of days which equals the aggregate of all days during which at any time any such violations occurred. Executive acknowledges that the offer of employment by Company, or any other consideration offered for signing this agreement, is sufficient consideration for Executive's agreement to the restrictive covenants set forth in this Paragraph 6, and that each Affiliate is an intended third-party beneficiary of such covenants with a separate and independent right to enforce the same. Executive agrees that Executive's signing of an employment agreement containing the restrictive covenants set forth herein was a condition precedent to Executive's continued employment with Company.

7. NONDISCLOSURE AND NONUSE OF CONFIDENTIAL INFORMATION. Executive covenants and agrees during Executive's employment or any time after the termination of such employment, not to communicate or divulge to any person, firm, corporation or business entity, either directly or indirectly, and to hold in strict confidence for the benefit of Company, all Confidential Information except that Executive may disclose such Confidential Information to persons, firms or corporations who need to know such Confidential Information during the course and within the scope of Executive's employment. Executive will not use any Confidential Information for any purpose or for Executive's personal benefit other than in the course and within the scope of Executive's employment. Executive agrees to sign and abide by

the terms and conditions of Company's Confidential Information and Intellectual Property Protection Agreement, a copy of which is attached hereto as Schedule B and incorporated as though fully set forth herein.

8. TERMINATION. This Agreement may be terminated by either party with or without Cause under the following conditions:

(a) With Cause Termination. Executive may be terminated from employment with "Cause." "Cause" shall mean (i) the commission of a crime involving moral turpitude, theft, fraud or deceit; (ii) conduct which brings Company or any Affiliate into public disgrace or disrepute and that is demonstrably and materially injurious to the business interest of Company or any Affiliate; (iii) substantial or continued unwillingness to perform duties as reasonably directed by Executive's supervisors or Company's Board of Directors; (iv) gross negligence or deliberate misconduct; or (v) any material breach of Paragraphs 6 or 7 of this Agreement, or Executive's Confidential Information and Intellectual Property Protection Agreement. In the event that Executive is terminated with Cause, Company may immediately cease payment of any further wages, benefits or other compensation hereunder other than salary and benefits (excluding options) earned through the date of termination. Executive acknowledges that Executive has continuing obligations under this Agreement including, but not limited to Paragraphs 6 and 7, in the event that Executive is terminated with Cause.

(b) Without Cause Termination; Resignation. In the event that Executive's employment is terminated by Company without Cause or Executive resigns for Good Reason or at the direction of Company's or Parent's Board of Directors, Executive will be entitled to the following:

(1) Twelve (12) months of Executive's last monthly base salary, as set forth in Schedule A, less appropriate deductions, divided into equal installments and paid on Company's regular payroll dates over a period of twelve (12) months commencing with the first regular payroll date occurring on or after the sixtieth (60th) day following Executive's termination date, together with a catch-up payment consisting of the installments that otherwise would have been paid on the regular payroll dates occurring between the termination date and such initial payment date, and the remaining installments paid on succeeding regular payroll dates during such twelve (12)-month period until paid in full ("Severance Pay").

Executive shall not be eligible to participate in Company's generally applicable severance policy ("Severance Policy"), except as provided in Paragraph 8(b)(2) below. Severance Pay shall be payable under this Agreement and will be treated as paid in satisfaction of the Severance Policy as in effect from time to time to the extent of Executive's entitlement to payments under the Severance Policy.

(2) Executive's annual performance-based cash bonus target, as set forth in Schedule A, less appropriate deductions, payable on the sixtieth (60th) day following Executive's termination of employment.

(3) Continued coverage under Company's employee benefit plans (other than 401(k) or pension benefit coverage) after termination of employment for Executive and his eligible dependents, as and when provided under the Severance Policy, and subject to the payment of applicable premiums or other costs, all in accordance with the terms of the Severance Policy and the applicable benefit plans (including, without limitation, cessation of such benefits due to receiving similar benefit coverage from a new employer) with such modifications as are necessary to comply with the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA").

(4) For a period of twelve (12) months following Executive's termination date, continued vesting in unvested stock options outstanding as of such termination date and granted under Company's Stock Incentive Plan, or any successor thereto (the "Options").

(5) The exercise period for a vested Option, including those which vest pursuant to Paragraph 8(b)(4) above, will be extended for a period of twelve (12) months after the otherwise applicable expiration date, but not later than the earlier of (i) the original expiration date of such Option; or (ii) ten (10) years from the date of grant.

Executive further acknowledges that Company's obligations under this Paragraph 8(b), are contingent upon and subject to Executive's signing (and not revoking) an agreement and release of all claims against Company in a form similar to the one attached hereto as Schedule C (or such other form acceptable to Company), and such release becoming effective in accordance with its terms prior to the sixtieth (60th) day following Executive's termination date.

(c) Without Cause or Good Reason Termination following Change of Control. In the event that upon or within one (1) year following a Change of Control, either Executive voluntarily terminates his employment with Company for Good Reason or Company terminates Executive's employment with Company without Cause, Executive will be entitled to the following in lieu of the payments and benefits to which Executive would otherwise be entitled upon such termination in accordance with Paragraph 8(b):

(1) A lump sum payment, less appropriate deductions, equal to two (2) times the sum of (i) Executive's average annual base salary for the last three (3) years (including the year of termination); and (ii) Executive's average annual performance-based cash bonus received for the prior three (3) years (not including the year of termination), such payment to be made on the sixtieth (60th) day following Executive's termination date.

(2) Payment by Company of the premiums, less appropriate withholding, required to continue Executive's and his eligible dependents' group health care (medical, dental, and vision) coverage under the applicable provisions of COBRA, provided that Executive timely elects to continue such coverage under COBRA, for a period ending on the first to occur of (i) the date twenty-four (24) months following Executive's termination of employment; and (ii) the date

Executive becomes eligible for health care coverage through another employer, provided that the amount of the premiums payable under this Paragraph is equal to the excess of Executive's cost for COBRA coverage over the cost Executive would have paid for group health plan coverage as an active employee of Company.

(3) Acceleration in full, effective as of Executive's final day of employment, of the vesting and/or exercisability of all then-outstanding equity awards held by Executive.

(4) The exercise period for a vested Option, including those which vest pursuant to Paragraph 8(c)(3) above, will be extended for a period of twelve (12) months after the otherwise applicable expiration date, but not later than the earlier of (i) the original expiration date of such Option; or (ii) ten (10) years from the date of grant.

(5) Reimbursement for outplacement services (not exceeding Twenty-Five Thousand Dollars (\$25,000)) in accordance with Company's standard policies concerning reimbursement.

Executive further acknowledges that Company's obligations under this Paragraph 8(c), are contingent upon and subject to Executive's signing (and not revoking) an agreement and release of all claims against Company in a form similar to the one attached hereto as Schedule C (or such other form acceptable to Company), and such release becoming effective in accordance with its terms prior to the sixtieth (60th) day following Executive's termination date.

(d) Section 280G. Notwithstanding anything herein to the contrary, if any payment or benefit hereunder or otherwise payable to Executive constitutes a "parachute payment" (as defined in Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended ("Code")), and the net after-tax amount of any such parachute payment is less than the net after-tax amount if the aggregate payments and benefits to be made to Executive were three times Executive's "base amount" (as defined in Code Section 280G(b)(3)), less One Dollar (\$1.00), then the aggregate of the amounts constituting the parachute payments shall be reduced to an amount equal to three (3) times Executive's base amount, less One Dollar (\$1.00). If a reduction in severance and other benefits constituting parachute payments is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: reduction of cash payments; then reduction of employee benefits.

The determinations to be made with respect to this Paragraph shall be made by Company's independent accountants or such other person or entity to which the parties mutually agree, which shall be paid by Company for the services to be provided hereunder. For purposes of making the calculations required by this Paragraph, the accountants may make reasonable, good faith interpretations concerning the application of Code Sections 280G and 4999 and make reasonable assumptions regarding Executive's marginal tax rate in effect for such parachute payments, including the effect of the deductibility of state and local taxes on such marginal tax rate. Executive and Company shall furnish to accountants such information and documents as the accountants may reasonably request in order to make a determination under this Paragraph.

9. TERM. Executive's employment shall continue from year to year or until such employment is terminated in accordance with the provisions of Paragraph 8. Executive acknowledges and agrees that nothing herein guarantees Executive continued employment by Company for any specified or intended term, and that his employment and this Agreement may be terminated by Company at any time.

10. EQUITABLE RELIEF; FEES AND EXPENSES. Executive stipulates and agrees that any breach of this Agreement by Executive will result in immediate and irreparable harm to Company and its Affiliates, the amount of which will be extremely difficult to ascertain, and that Company and its Affiliates could not be reasonably or adequately compensated by damages in an action at law. For these reasons, Company and its Affiliates shall have the right to obtain such preliminary, temporary or permanent injunctions or restraining orders or decrees as may be necessary to protect Company or any Affiliate against, or on account of, any breach by Executive of the provisions of this Agreement without the need to post bond. Such right to equitable relief is in addition to all other legal remedies Company or any Affiliate may have to protect its rights. The prevailing party in any such action shall be responsible for reimbursing the non-prevailing party for all costs associated with obtaining the relief, including reasonable attorneys' fees, and expenses and costs of suit. Executive further covenants and agrees that any order of court or judgment obtained by Company or an Affiliate which enforces Company's or Affiliate's rights under this Agreement may be transferred, without objection or opposition by Executive, to any court of law or other appropriate law enforcement body located in any other state in the United States or any other country in the world where Company or such Affiliate does business, and that said court or body shall give full force and effect to said order and or judgment.

11. EMPLOYMENT DISPUTE SETTLEMENT PROCEDURE-WAIVER OF RIGHTS. In consideration of Company employing Executive and the wages and benefits provided under this Agreement, Executive and Company each agree that, in the event either party (or its representatives, successors or assigns) brings an action in a court of competent jurisdiction relating to Executive's recruitment, employment with, or termination of employment from Company, the plaintiff in such action agrees to waive his, her or its right to a trial by jury, and further agrees that no demand, request or motion will be made for trial by jury.

In consideration of Company employing Executive, and the wages and benefits provided under this Agreement, Executive further agrees that, in the event that Executive seeks relief in a court of competent jurisdiction for a dispute covered by this Agreement, Company may, at any time within sixty (60) days of the service of Executive's complaint upon Company, at its option, require all or part of the dispute to be arbitrated by one arbitrator in accordance with the rules of the American Arbitration Association. Executive agrees that the option to arbitrate any dispute is governed by the Federal Arbitration Act, and is fully enforceable. Executive understands and agrees that, if Company exercises its option, any dispute arbitrated will be heard solely by the arbitrator, and not by a court. The parties agree that the prevailing party shall be entitled to have all of their legal fees paid by the non-prevailing party. This pre-dispute resolution agreement will cover all matters directly or indirectly related to Executive's recruitment, employment or termination of employment by Company; including, but not limited

to, claims involving laws against any form of discrimination whether brought under federal and/or state law, and/or claims involving co-employees, but excluding Worker's Compensation Claims.

THE RIGHT TO A TRIAL, AND TO A TRIAL BY JURY, IS OF VALUE. YOU MAY WISH TO CONSULT AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT. IF SO, TAKE A COPY OF THIS AGREEMENT WITH YOU. HOWEVER, YOU WILL NOT BE OFFERED EMPLOYMENT UNDER THIS AGREEMENT UNTIL THIS AGREEMENT IS SIGNED AND RETURNED BY YOU.

12. AMENDMENTS. No supplement, modification, amendment or waiver of the terms of this Agreement shall be binding on the parties hereto unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Any failure to insist upon strict compliance with any of the terms and conditions of this Agreement shall not be deemed a waiver of any such terms or conditions.

13. ACKNOWLEDGMENTS OF EXECUTIVE. Executive hereby acknowledges and agrees that: (a) this Agreement is necessary for the protection of the legitimate business interests of Company and its Affiliates; (b) the restrictions contained in this Agreement may be enforced in a court of law whether or not Executive is terminated with or without cause or for performance related reasons; (c) Executive has no intention of competing with Company and its Affiliates within the limitations set forth above; (d) Executive has received adequate and valuable consideration for entering into this Agreement; (e) Executive's covenants shall be construed as independent of any other provision in this Agreement and the existence of any claim or cause of action Executive may have against Company or any Affiliate, whether predicated on this Agreement or not, shall not constitute a defense to the enforcement by Company or an Affiliate of these covenants; and (f) the execution and delivery of this Agreement is a mandatory condition precedent to Executive's receipt of the consideration provided herein.

14. FULL UNDERSTANDING. Executive acknowledges that Executive has been afforded the opportunity to seek legal counsel, that Executive has carefully read and fully understands all of the provisions of this Agreement and that Executive, in consideration for the compensation set forth herein, is voluntarily entering into this Agreement.

15. ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, between Company or Affiliates and Executive concerning the subject matter hereof.

16. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. The restrictive covenants stated herein may be read as if separate and apart from this Agreement and shall survive the termination of Executive's employment with Company for any reason.

17. OTHER AGREEMENTS. Executive represents and warrants that Executive is not a party to or otherwise subject to or bound by the terms of any contract, agreements or understandings that would affect Executive's right or abilities to perform under this Agreement. Executive specifically represents that Executive will not use any confidential information obtained from Executive's prior employer(s) in the performance of Executive's duties herein and is not subject to any other restrictive covenants or non-competition agreements.

18. CHOICE OF LAW, JURISDICTION AND VENUE. The parties agree that this Agreement shall be deemed to have been made and entered into in Allegheny County, Pennsylvania and that the law of the Commonwealth of Pennsylvania shall govern this Agreement, without regard to conflict of laws principles. Jurisdiction and venue is exclusively limited in any proceeding by Company or an Affiliate or Executive to enforce their rights hereunder to any court or arbitrator geographically located in Allegheny County, Pennsylvania. Executive hereby waives any objections to the jurisdiction and venue of the courts in or for Allegheny County, Pennsylvania, including any objection to personal jurisdiction, venue, and/or forum non-conveniens, in any proceeding by Company or any Affiliate to enforce its rights hereunder filed in or for Allegheny County, Pennsylvania. Executive agrees not to object to any petition filed by Company or an Affiliate to remove an action filed by Executive from a forum or court not located in Allegheny County, Pennsylvania.

19. SUCCESSORS IN INTEREST. This Agreement shall be binding upon and shall inure to the benefit of the successors, assigns, heirs and legal representatives of the parties hereto. Parent and Company shall each require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of its business and/or assets to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Parent or Company, as the case may be, would be required to perform it if no such succession had taken place, and Executive agrees to be obligated by this Agreement to any successor, assign or surviving entity. As used in this Paragraph, "Parent" shall mean Parent as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise and "Company" shall mean Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. Any successor to Company is an intended third party beneficiary of this Agreement. Executive may not assign this Agreement otherwise than by will or the laws of decent and distribution.

20. NOTICES. All notices, requests, demands or other communications by the terms hereof required or permitted to be given by one party to the other shall be given in writing by personal delivery or by registered mail, postage prepaid, addressed to such other party or delivered to such other party as follows:

- (a) to Company at:
Company's last known address
Attention: President or Chairman of the Board
- (b) to Executive at:
Executive's last known address
Attention: Executive

or at such other address as may be given by either of them to the other in writing from time to time, and such notices, requests, demands, acceptances or other communications shall be deemed to have been received when delivered or, if mailed, three (3) Business Days after the day of mailing thereof; provided that if any such notice, request, demand or other communication shall have been mailed and if regular mail service shall be interrupted by strikes or other irregularities, such notices, requests, demands or other communications shall be deemed to have been received when delivered or, if mailed, three (3) Business Days from the day of the resumption of normal mail service.

21. SECTION 409A.

(a) Notwithstanding anything herein to the contrary, this Agreement is intended to be interpreted and applied so that the payment of the benefits set forth herein either shall either be exempt from the requirements of Code Section 409A ("Section 409A") or shall comply with the requirements of such provision. Notwithstanding any provision of this Agreement to the contrary, if Executive is a "specified employee" within the meaning of Section 409A, any payments or arrangements due upon a termination of Executive's employment, if any, under any arrangement that constitute a "nonqualified deferral of compensation" within the meaning of Section 409A and which do not otherwise qualify under the exemptions under Treas. Regs. Section 1.409A-1 (including without limitation, the short-term deferral exemption or the permitted payments under Treas. Regs. Section 1.409A-1(b)(9)(iii)(A)), shall be delayed and paid or provided on the earlier of (i) the date which is six months after Executive's "separation from service" (as such term is defined in Section 409A and the regulations and other published guidance thereunder) for any reason other than death; and (ii) the date of Executive's death.

(b) After Executive's termination, Executive shall have no duties or responsibilities that are inconsistent with having a "separation from service" within the meaning of Section 409A as of the date of his termination and, notwithstanding anything in the Agreement to the contrary, distributions upon termination of employment of nonqualified deferred compensation may only be made upon a "separation from service" as determined under Section 409A and such date shall be the date of Executive's termination for purposes of this Agreement. Each payment under this Agreement or otherwise shall be treated as a separate payment for purposes of Section 409A. In no event may Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement which constitutes a "nonqualified deferral of compensation" within the meaning of Section 409A and to the extent an amount is payable within a time period, the time during which such amount is paid shall be in the discretion of Company.

22. COUNTERPARTS; TELECOPY. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Delivery of executed signature pages by facsimile transmission will constitute effective and binding execution and delivery of this Agreement.

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

24. DRAFTER PROVISION. The parties agree that they have both had the opportunity to review and negotiate this Agreement, and that any inconsistency or dispute related to the interpretation of any of the provisions of this Agreement shall not be construed against either party.

25. SURVIVABILITY. The terms of this Agreement survive the termination of Executive's employment with Company for any reason.

[signature page follows]

I ACKNOWLEDGE THAT I HAVE CAREFULLY READ AND FULLY UNDERSTAND ALL OF THE PROVISIONS OF THIS AGREEMENT AND THAT I AM VOLUNTARILY ENTERING INTO THIS AGREEMENT.

MASTECH, INC.

EXECUTIVE:

By: _____

D. Kevin Horner

Date: _____

Date: _____

Witness: _____

Witness: _____

Date: _____

Date: _____

MASTECH HOLDINGS, INC.

By: _____

Date: _____

Witness: _____

Date: _____

Schedule A (3)

This Schedule A (3) dated March 20, 2014, is issued pursuant to the Amended and Restated Executive Employment Agreement by and among Company, Parent and Executive, dated March 20, 2014 (the "Agreement"), and shall be incorporated therein and governed by the terms and conditions of such Agreement. This Schedule A (3) is effective April 1, 2014, and is intended to replace any previously issued Schedule A.

1. Position: Chief Executive Officer and President of Parent and Company. Executive shall report in such capacity to the Parent's Board of Directors. Executive shall also be an executive officer of Company and report to Company's Boards of Directors.

2. Base Salary: \$370,000 per year.

3. Bonus: Executive will be entitled to an annual performance-based cash bonus of \$210,000, for the achievement of certain financial and operational targets. These targets, and the bonus dollars tied to such targets, will be determined and communicated to you by the Compensation Committee of Parent's Board of Directors on an annual basis. For the 2014 calendar year, your bonus will be based on the following performance measures:

- a. Consolidated Revenue;
- b. Consolidated Earnings Per Share; and
- c. Subjective performance.

The target amount for each measure for the 2014 calendar year is set forth on Appendix 1 to this schedule. Should Company fail to achieve the target amount for the above performance measures, Executive's annual performance-based bonus, if any, shall be based upon Company's evaluation of the percentage of the target amount achieved during the year. Conversely, should Company's performance exceed the target amount for the above performance measures, Executive's annual performance-based bonus may exceed the bonus amount stated above, based upon Company's evaluation of the percentage of the over-achievement of such target amount(s). All bonuses will be paid by February 15, 2015, following the completion of Company's year-end audit. If Executive leaves Company voluntarily, or is terminated with Cause, before December 31, 2014, Executive will not be eligible for a bonus. If Executive is terminated by Company during 2014 without Cause, Executive's bonus calculation will be based on Company's annual results (calculated as though Executive were still an employee) and a prorated bonus will be paid considering the days in 2014 in which Executive was employed by Company divided by 365.

4. Benefits: Executive is eligible for standard company benefits in the same manner as other executives of Company and Parent.

5. Expenses: Company will reimburse all properly documented expenses reasonably related to Executive's performance of Executive's duties hereunder.

6. Stock Options: Executive shall be eligible to receive non-qualified stock options pursuant to Company's Stock Incentive Plan.

BY: _____
Company / Date

BY: _____
Executive / Date

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is made and entered into this day of July, 2013 by and among CURASTAT INC., an Arizona corporation, with an address of 1000 Commerce Drive, Suite 500, Pittsburgh, PA 15275 ("Curastat"), MASTECH HEALTHCARE, INC., a Pennsylvania corporation, with a principal business address of 1000 Commerce Drive, Suite 500, Pittsburgh, PA 15275 ("Mastech Healthcare") (Curastat and Mastech Healthcare are hereinafter collectively the "Seller"), MASTECH HOLDINGS, INC., a Pennsylvania corporation, with an address of 1000 Commerce Drive, Suite 500, Pittsburgh, PA 15275 (hereinafter referred to as "Shareholder"), and ACCOUNTABLE HEALTHCARE STAFFING, INC., a Delaware corporation with a principal business address at 4755 Technology Way, Suite 202, Boca Raton, FL 33431 ("Buyer").

For value received, and in consideration of the mutual promises contained in this Agreement, the parties agree to the following recitals, terms and conditions.

1. Recitals.

(a) Shareholder owns and operates the supplemental healthcare staffing businesses Curastat and Mastech Healthcare under the trade names of "Curastat Healthcare Group," "Curastat Home Health Care," "Curastat Home Care," "Surgical Service Staffing, Inc.," "Surgical Service Staffing," and "Mastech Healthcare" throughout the United States, principally operating in Phoenix, AZ and Chicago, IL (the "Business").

(b) The Shareholder is the sole officer, director and shareholder of Curastat and Mastech Healthcare.

(c) Seller and Shareholder desire to sell, and Buyer desires to purchase, substantially all of the assets used in or relating to the operation of the Business, as a going concern, in accordance with the terms and conditions set forth in this Agreement.

2. Transfer of Assets. Except as set forth in Section 2(k), Seller and Shareholder agree to sell, assign, transfer and deliver to Buyer (or its assigns and subsidiaries as determined by Buyer), and Buyer agrees to purchase and accept from Seller, at the Closing (as defined below), as described below, all of Seller's assets and properties, real and personal, tangible and intangible, of every kind and description, wherever located, which are used by Seller in connection with the operation of the Business, as a going concern including, without limitation, the following assets (collectively, the "Assets"):

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(a) Tangible Personal Property. All machinery, equipment, tools, furniture, fixtures, office equipment, supplies, inventory, and other items of tangible personal property of every kind owned by Seller and used in connection with the Business (wherever located and whether or not carried on Seller's books), including, without limitation, those listed on Schedule 2(a) (the "Tangible Personal Property"), and any additions, improvements, replacements and alterations thereto made between the date of this Agreement and the Closing Effective Date (as defined below), together with any express or implied warranty by the manufacturers of any item or component part thereof, and all maintenance records and other documents relating thereto; together with all of Seller's other tangible assets of every kind and description, real, personal or mixed, wherever located, which are carried on the books of the Business or which are owned by Seller and used in connection with the Business.

(b) Leased Real Property. All of Seller's interests in real property leased by Seller and used in connection with the Business (the "Leased Real Property"), which interests, together with the leases relating thereto (the "Real Property Leases"), are more particularly described on Schedule 2(b).

(c) Contracts. All of Seller's interests in Seller's ordinary course contracts with its clients, Seller's rights under covenants not to compete, confidentiality agreements and/or proprietary rights agreements with Seller's employees and independent contractors (to the extent such agreements exist and such rights are assignable), and Seller's contracts and commitments described on Schedule 2(c) (the "Contracts").

(d) Intellectual Property. All of the intellectual property rights that are owned or used by Seller in connection with the Business, including the following: (A) the name "Curastat Healthcare Group," "Curastat Home Health Care," "Curastat Home Care," and "Mastech Healthcare," and all trademarks, service marks, licenses, trade names, logos and other designations (the "Marks") and all registrations and applications for registration relating thereto, (B) all computer databases, software and licenses thereto, and all copyrighted works (the "Copyrights") and registrations therefor, (C) all inventions that are the subject of letters patent or applications therefor (the "Patents") and (D) all confidential or proprietary processes, technical data and other similar information that is of commercial value to the Business (the "Trade Secrets") (the Marks and registrations therefor, Copyrights and registrations therefor, Patents and Trade Secrets being referred to collectively herein as the "Intellectual Property"), together with the goodwill related thereto, and any royalty income from the Intellectual Property accruing after the Closing Effective Date. All other items of Intellectual Property not described in this subsection are described on Schedule 2(d). Buyer agrees to discontinue use of the name Mastech Healthcare on or before December 31, 2013.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(e) Permits. All permits, authorizations, certificates, approvals and licenses relating to the operation of the Business, including without limitation those listed on Schedule 2(e) (the "Permits").

(f) Records. All of Seller's records, technical data, asset ledgers, books of account, inventory records, budgets, customer and supplier lists, payroll and personnel records, computer programs, advertising material, marketing information, policy or operational manuals, correspondence and other files created or maintained in connection with the Business.

(g) [Deleted]

(h) [Deleted]

(i) Goodwill. Any and all of Seller's goodwill in and going concern value of the Business, together with Seller's confidentiality and non-competition agreements with employees, whether oral or written, and Seller's rights to its existing telephone numbers.

(j) Other Intangibles. All other intangible assets of any kind or description, wherever located, whether or not carried on the books of the Business, which are owned by Seller or which are used in connection with the operation of the Business.

(k) Excluded Assets. The following assets shall be excluded from the Assets and shall be retained by Seller.

(1) Cash. All cash on hand and on deposit in banks, cash equivalents and investments.

(2) Accounts Receivable. All of Seller's accounts receivable, and unbilled revenue and trade accounts in connection with the Business prior to the Closing Effective Date.

(3) Personal Property Disposed Of. All tangible personal property disposed of or consumed in the ordinary course of business of the Business or with the written consent of Buyer between the date hereof and the Closing Effective Date.

(4) Certain Records. Corporate minute books and stock books of Seller and any of Seller's predecessors in interest.

(5) Certain Contracts. Any contracts or other agreements entered into by Seller or by which Seller or any of the Assets is bound, other than the Contracts described in Schedule 2(c); provided, however, that Buyer shall have the option of assuming one or more of such contracts and receiving assignments of such assumed contracts.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(6) Employees' Property. Any personal property owned by employees of the Seller.

(7) Insurance. All insurance policies relating to the Business in force prior to or at the time of Closing.

(8) Personal Vehicles. Any vehicles owned by Seller.

(9) Deposits and Prepaid Expenses. All of Seller's deposits, rights to refunds and prepaid expenses in connection with the Business.

3. Liabilities.

(a) The Assets shall be sold and conveyed to Buyer, or its assigns or subsidiaries as determined by Buyer, free and clear of all liabilities, obligations, liens, security interests and encumbrances whatsoever, except as specifically provided herein. Buyer shall in no event assume or be liable for any liability or obligation not specifically assumed pursuant to this Section 3 and in instruments of assumption delivered by it at Closing, and, except as expressly provided in this Section 3, Seller shall retain responsibility for all liabilities, whether or not accrued and whether or not disclosed that occurred up to the Closing Date. Specifically, but without limiting the generality of the foregoing sentence, except as provided on Schedule 3(a), Buyer shall not assume any liability or obligation of Seller with respect to (i) malpractice liability and any other similar claims, (ii) taxes and related penalties and interest of any kind, (iii) employees or former employees of Seller, including any liability for accrued salaries, wages, payroll taxes, severance pay entitlements, health, medical, retirement, vacation or deferred compensation benefits or any other obligations or expenses arising out of or relating to the employment by Seller of their employees or Seller's termination of such employees, and (iv) independent contractors or former independent contractors of Seller, including any liability for accrued compensation, taxes, severance pay entitlements, deferred compensation benefits or any other obligations or expenses arising out of or relating to the engagement by Seller of its independent contractors or Seller's termination of such independent contractors. Seller shall retain and shall assume and discharge all liabilities and costs under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") (including liabilities for violations thereof), for all "qualifying events" (as defined in COBRA) occurring with respect to employees and their dependents prior to and on the Closing Effective Date, including qualifying events that occur as a result of the sale of the Assets contemplated by this Agreement.

(b) As the sole exceptions to the provisions of Section 3(a) above, Buyer, or its assigns or subsidiaries as determined by Buyer, will assume at Closing the following obligations of Seller: (i) to the extent that such obligations are not performed or to be performed prior to the Closing Effective Date the obligations of Seller under the Contracts and Real Property Leases to the extent

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

such obligations are disclosed in the text of such Contracts and Real Property Leases and accrue subsequent to the Closing Effective Date, and (ii) the expenses pursuant to Section 4(d)(5) and (6) limited to the period subsequent to the Closing Effective Date (collectively, the "Assumed Liabilities").

4. Consideration.

(a) Purchase Price. The total consideration (the "Purchase Price") to be paid by Buyer to Seller for the Assets is contained in this Section 4.

(b) Payment of Purchase Price. Buyer shall pay the Purchase Price as follows:

\$1,150,000 (the "Closing Payment") shall be paid to Seller by wire transfer to an account designated by the applicable payee or a cashier's check drawn upon a federally insured Florida lending institution on the date of Closing.

(c) Allocation. The Purchase Price shall be allocated among the Assets as set forth on Schedule 4(c). For tax purposes, the parties shall report the transactions contemplated by this Agreement in accordance with such allocation.

(d) Adjustment of Certain Items. With respect to certain expenses incurred in the operation of the Business, Buyer and Seller shall make the following adjustments, and after all adjustments have been made and a determination has been made as to which party is entitled to a credit, if such adjustment cannot be made at the time of Closing, such party shall be promptly reimbursed by the other party for the amount of such credit:

(1) Operating Expenses. Except as provided in Section 3(b), Seller shall continue to be responsible for all costs and expenses attributable to the operation of the Business or ownership of the Assets up to the Closing Effective Date, and Buyer shall become responsible for all costs and expenses attributable to the operation of the Business or ownership of the Assets from and after the Closing Effective Date.

(2) Taxes. Personal property taxes shall be apportioned at the Closing as of the Closing Effective Date, based on current tax bills available; and if not available, based on the most recent tax bills available with appropriate subsequent adjustment when bills for the current year are received. Seller shall be liable for all taxes that result from payments received by or made on behalf of Seller pursuant to the transactions contemplated by this Agreement.

(3) Utilities. Electric, water, sewer and similar charges shall be paid directly to the obligee by Seller and Buyer based on meter readings as of the Closing Effective Date and at the prevailing rates, if possible; otherwise such charges shall be apportioned based on the number of operating days occurring before and after the Closing Effective Date during the billing period for each such charge.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(4) Personal Property Leases. The next payment due to personal property lessors after the Closing Effective Date with respect to any leased equipment that is assigned to and assumed by Buyer shall be apportioned between Seller and Buyer based on the time in such period before and after the Closing Effective Date.

(5) Employee Expenses. Salaries, wages, commissions, payroll taxes, vacation pay and sick pay shall be prorated between Seller and Buyer as of the Closing Effective Date with respect to all of Seller's employees who enter the employment of Buyer following the Closing. Seller shall provide Buyer with a credit on the Closing Statement reflecting Buyer's assumption of the accrued paid time off (vacation and personal leave time) and severance due Seller's employees, including the corresponding payroll tax burden of ten percent (10%), as of the Closing Effective Date. See Schedule 4(d) for a list of Seller's employees who are to be employed by Buyer as of the Closing Effective Date, as well as their respective vacation, paid time off, severance, bonus, and commission accruals as of the Closing Effective Date.

(6) Independent Contractor Expenses. Expenses associated with services provided by independent contractors shall be prorated between Seller and Buyer as of the Closing Effective Date with respect to all of Seller's independent contractors who enter into an engagement with Buyer following the Closing. See Schedule 4(d) for a list of Seller's independent contractors who are to be engaged by Buyer as of the Closing Effective Date.

(e) Noncompetition. In order to ensure to Buyer the full benefits of the Assets and the Business, Seller, the Shareholder, for themselves and their affiliates, will execute and deliver at the Closing a Confidential Information and Noncompete Agreement (the "Noncompetition Agreement") in the form attached hereto as **Exhibit A**.

(f) Employment. In order to provide for the orderly transition of the Business, Buyer shall enter into an employment agreement with Risher G. Dumpit (the "Employment Agreement"), in the form attached as **Exhibit B**, which shall reference, replace and supersede the employment agreement entered into between Seller and Dumpit dated March 18, 2013 ("Prior Agreement"). The Employment Agreement shall specifically state that Dumpit acknowledges and represents that the Prior Agreement is null and void as of the effective date of the Employment Agreement.

5. Closing. The closing ("Closing") of the sale and purchase contemplated by this Agreement shall take place on the 12th day of August 2013, which may be extended at Buyer's sole discretion for an additional ten (10) days, or at such other time as the parties may mutually agree, at Seller's office or at such other place as the parties may mutually agree. The Closing shall be deemed to have occurred as of 12:01 am EST on August 11, 2013 ("Closing Effective Date"), unless extended as provided above.

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Initialed (Mastech Healthcare):

Initialed (Buyer):

6. Closing Documentation.

(a) Seller's and Shareholder's Documents. At Closing, Seller and Shareholder shall deliver to Buyer the following fully executed documents:

- (1) A Bill of Sale in the form attached to this Agreement as **Exhibit C**;
- (2) An Assignment of Trade Names and Intellectual Property Rights in the form attached to this Agreement as **Exhibit D** (the "Intellectual Property Assignment");
- (3) An Assignment and Assumption of Real Property Leases in the form attached to this Agreement as **Exhibit E** (the "Real Property Assignment");
- (4) An Assignment and Assumption of Contracts in the form attached to this Agreement as **Exhibit F** (the "Contract Assignment");
- (5) The Noncompetition Agreement;
- (6) The Restrictive Covenant Agreements (as defined in Section 12(a)(1));
- (7) Duly entered corporate resolutions of Seller authorizing the transactions contemplated by this Agreement, accompanied by a certification of the Secretary of Seller to the effect that such resolutions are in full force and effect and have not been amended, modified or rescinded, together with evidence that Curastat, Inc. and Mastech Healthcare, Inc. are in good standing within the State of Arizona and Pennsylvania, respectively;
- (8) An opinion of counsel substantially in the form attached to this Agreement as **Exhibit G**;
- (9) Such releases, consents, waivers and approvals in forms reasonably satisfactory to Buyer;
- (10) Such releases, consents, waivers and approvals, in forms reasonably satisfactory to Buyer, as may be necessary to effect the conveyance, transfer, assignment and delivery of the Assets, free and clear of all liens, encumbrances, claims, options, rights of first refusal and other agreements (collectively, "Liens");

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(11) Such other instruments of transfer or assignment, in forms reasonably satisfactory to Buyer, as may be necessary in order to vest Buyer with good and marketable title to the Assets; and

(12) An opinion of counsel, from Michael Hammond, Esq. of Hammond Law Group, in form and substance acceptable to Buyer, evidencing that there are no anticipated liabilities associated with the H1B employees being transferred to Buyer's payroll (the "Employees"), such Employees being reflected on Schedule 6(a)(12) attached hereto; and

(13) Transfer of telephone number (630) 734-3016 from Farah Rajwany and/or Surgical Service Staffing, Inc. to Buyer.

(b) Buyer's Documents. At Closing, Buyer shall deliver or cause to be delivered the following:

(1) Duly entered corporate resolutions of Buyer authorizing the transaction contemplated by this Agreement, accompanied by a certification of the Secretary of Buyer to the effect that such resolutions are in full force and effect and have not been amended, modified or rescinded, together with a good standing certificate from the Delaware Secretary of State dated not more than 3 days prior to the Closing;

(2) A final version of Schedule 4(c) to this Agreement reasonably acceptable to Seller;

(3) The Closing Payment;

(4) The Intellectual Property Assignment;

(5) The Real Property Assignment;

(6) The Contract Assignment; and

(7) The Noncompetition Agreement.

7. Warranties and Representations. Seller and the Shareholder, jointly and severally, warrant and represent to Buyer as follows:

(a) Seller is the owner of and have good, absolute and marketable title to the Assets, and, as of the Closing Effective Date, the Assets shall be free and clear of all Liens of every kind, except those Liens assumed by the Buyer in accordance with this Agreement.

Initialed (Shareholder):

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Initialed (Mastech Healthcare):

Initialed (Buyer):

(b) All financial information furnished and to be furnished to Buyer in connection with this transaction is complete and fairly represents the financial information of the Business. Except as described in this Agreement or reflected in the financial statements furnished by Seller to Buyer, there is no liability or obligation of Seller related to the operation of the Business, whether accrued, absolute or contingent, other than liabilities and obligations that have been incurred in the ordinary course of business since June 30, 2012, and are not material, in the aggregate, to the Business or the operations or financial condition of Seller.

(c) Seller has entered into no other contract for the sale of the Assets.

(d) Curastat is a C corporation duly organized and in good standing under the laws of the State of Arizona, and Mastech Healthcare is a C corporation duly organized and in good standing under the laws of the State of Pennsylvania, with all requisite power and authority to carry on the Business as is presently conducted. Seller is qualified to do business and in good standing under the laws of the jurisdictions listed on Schedule 7(d).

(e) Except as disclosed on Schedule 7(e), Seller has duly filed all federal, state and local payroll tax returns required to be filed and has paid all federal, state and local payroll taxes required to be paid with respect to the periods covered by such returns. All federal, state and local payroll taxes of Seller shall be paid as of the Closing Effective Date. Neither the Internal Revenue Service nor any other taxing authority is now asserting or, to the knowledge of Seller of the Shareholder, threatening to assert against Seller any deficiency or claim for additional payroll taxes or interest thereon or penalties in connection therewith, which additional payroll taxes, interest or penalties, if any, Seller shall promptly pay upon assessment.

(f) Seller has full power and authority to enter into this Agreement and to carry out the transactions contemplated by this Agreement.

(g) The transactions contemplated by this Agreement have been duly authorized by appropriate corporate actions on the part of Seller and, upon the execution and delivery of this Agreement, it shall be a valid and binding obligation of the Seller.

(h) Neither the execution and delivery by Seller or the Shareholder of this Agreement nor the consummation by Seller or the Shareholder of the transactions contemplated herein will, with or without the giving of notice or passage of time, or both, be contrary to or violate, breach, or constitute a default under, or permit the termination or acceleration of maturity of, or result in the imposition of any Lien upon any property or asset of Seller or any of the Shareholder pursuant to any provision of any note, bond, indenture, mortgage, deed of trust, evidence of indebtedness or lease agreement, other agreement or instrument or any judgment, order, injunction or decree by which Seller or any of the Shareholder is bound, to which Seller or any of the Shareholder is a party, or to which the assets of Seller or any of the Shareholder is subject; nor is the effectiveness or enforceability of this Agreement or such other documents adversely affected by any provision of the articles of organization or bylaws of Seller.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(i) Seller has all necessary licenses and permits to carry on the Business, and Seller has complied, and through the Closing Effective Date will continue to comply, in all material respects with all applicable federal, state and local laws, rules and regulations. No authorization or approval of, or filing with, any governmental agency, board, commission, bureau, instrumentality or department (each, a "Governmental Authority") or any other third Persons will be required in connection with Seller's or the Shareholder' execution and delivery of this Agreement or consummation of the transactions contemplated herein.

(j) Except as provided on Schedule 7(j), there are no legal actions, suits, arbitrations, or other legal, administrative or other proceedings pending or threatened against the Seller or any of the Shareholder, their properties, assets or the Business, and Seller and the Shareholder are not aware of any fact which might result in any such action, suit, arbitration or other legal, administrative or other proceeding. Neither Seller nor any of the Shareholder is in default with respect to any currently effective judgment, order, writ, injunction, decree, demand or assessment issued by any court or of any federal, state, municipal or other Governmental Authority. Neither Seller nor Shareholder is charged or threatened with or under investigation with respect to any violation of any provision of any federal, state, municipal or other law or administrative rule or regulation.

(k) All Contracts are in full force and effect, valid and enforceable in accordance with their respective terms. There are no existing defaults of Seller or events of default that, with the giving of notice or lapse of time, or both, would constitute defaults of Seller under the Contracts, nor are material amendments pending with respect to any Contracts. No Contract is a governmental contract subject to price redetermination or renegotiation. Seller has no oral agreements with customers which require Seller to provide services at no charge or at rates significantly below the average rates for such services set forth in Seller's written customer contracts. Seller and Shareholder shall act in good faith and use best efforts to effectuate the transfer of all Contracts to Buyer.

(l) The Shareholder is the sole owner of Curastat and Mastech Healthcare.

(m) All equipment used in connection with the Business is in proper working order and is, and will be as of the Closing Effective Date, in compliance with the rules and regulations of all applicable statutes, ordinances, rules and regulations.

Initialed (Shareholder):

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Initialed (Mastech Healthcare):

Initialed (Buyer):

(n) A true, correct and complete copy of each Real Property Lease to which the Seller is a party is referenced on Schedule 7(n). The payments due under each Real Property Lease are current as of the Closing Effective Date. There have been no violations or breaches under any Real Property Lease by either Seller or the applicable landlord, and Seller has not notified any landlord of any intention to terminate the Lease. Seller has not carried out any alterations or caused any damage to any Leased Real Property which would require Seller, as tenant, to restore the Leased Real Property to its original condition at the expiration of the applicable Real Property Lease. Each Real Property Lease may be assigned to Buyer, subject to approval of the applicable landlord, and prior to the Closing Effective Date, Seller shall furnish Buyer with evidence of each landlord's consent to the assignment of the applicable Real Property Lease to Buyer in a form satisfactory to Buyer.

(o) [deleted].

(p) Schedule 7(p) contains a true and complete list of each employee benefit plan as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), employee welfare benefit plan as defined in Section 3(1) of ERISA, and each deferred compensation, option, stock purchase, bonus, medical, welfare, disability, severance or termination pay, insurance or incentive plan, and each other employee benefit plan, program, agreement or arrangement, (whether funded or unfunded, written or oral, qualified or nonqualified), sponsored, maintained or contributed to or required to be contributed to by Seller or by any trade or business, whether or not incorporated, that together with Seller would be deemed a "single employer" within the meaning of Section 4001 of ERISA (a "Seller ERISA Affiliate"), for the benefit of any employee, terminated employee, leased employee or former leased employee, director, officer, member, manager, Shareholder or independent contractor of the Seller or any Seller ERISA Affiliate (the "Employee Benefit Plans"). Schedule 7(p) identifies each plan that is an "employee benefit plan," within the meaning of Section 3(3) of ERISA. Seller has no liability with respect to any plan, arrangement or practice of the type described in this Section 7(p) other than the Employee Benefit Plans set forth on Schedule 7(p).

Seller does not participate currently and has never participated in and is not required currently and has never been required to contribute to or otherwise participate in any "multiemployer plan," as defined in Sections 3(37)(A) and 4001(a)(3) of ERISA and Section 414(f) of the Internal Revenue Code of 1986, as amended (the "Code"), or any "multiple employer plan" within the meaning of Section 210(a) of ERISA or Section 413(c) of the Code.

No Employee Benefit Plan is or at any time was a "defined benefit plan" as defined in Section 3(35) of ERISA or a pension plan subject to the funding standards of Section 302 of ERISA or Section 412 of the Code. Seller does not participate currently and has never participated in and are not required currently and has never been required to contribute to or otherwise participate in any plan, program or arrangement subject to Title IV of ERISA.

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Except for Seller's general severance policy disclosed to Buyer, no Employee Benefit Plan or other agreement obligates Seller to pay separation, severance, termination or similar benefits as a result of any transaction contemplated by this Agreement and no individual shall accrue or receive any additional benefits, service or accelerated rights to payments of benefits under any Employee Benefit Plan as a result of the actions contemplated by this Agreement.

Buyer will not suffer any loss, cost or liability as a result of any claim that Seller or any entity that would be aggregated with Seller under Code Section 414(b), (c), (m) or (o), has not complied with the provisions of this Section 7(p) with respect to each Employee Benefit Plan maintained by any such entity.

(q) Except as noted in Schedule 7(q), since January 1, 2013, none of Seller's major customers have terminated or indicated an intention to terminate its business with Seller, or indicated to Seller an intention to reduce the volume of its business with Seller.

(r) Schedule 7(r) lists the names of all full-time and part-time employees of Seller and sets forth a job description or title and compensation for each such Person. Schedule 7(r) also sets forth a list of all written and oral employment and noncompetition agreements with Seller's employees. During the past three years there has not been, and there is not now, any strike, labor dispute, slow down, work stoppage, or other material interference with or impairment by labor of the business of Seller pending or, to the knowledge of Seller, threatened or contemplated against or directly affecting the Business. Seller's employees are not represented by any labor or trade union, nor has there been any attempt to organize Seller's employees during the 90 day period prior to the date of this Agreement. Seller warrants that there has been no carryover of employee vacation or sick pay from prior fiscal years.

(s) Schedule 7(s) lists the names of all independent contractors of Sellers and sets forth a description of each contractor's skill set and compensation for each such Person. Schedule 7(s) also sets forth a list of all written and oral agreements with Sellers' independent contractors.

(t) Except for the trade names "Curastat Healthcare Group," "Curastat Home Health Care," "Curastat Home Care," and "Mastech Healthcare," Seller has no patents, trademarks, service marks, trade names, copyrights, computer programs or program rights, licenses or other similar intangible property rights and interest which they use in connection with the Business. Seller has the right to use, free and clear of any claims or rights of others, all trade secrets, customer lists, intellectual property and operating methods required for or incident to the operation of the Business. Seller is not using or in any way making use of any confidential information or trade secrets of any third party, including without limitation, a former employer of any present or past employee of Seller.

(u) Neither Seller nor the Shareholder own directly or indirectly, on an individual or joint basis, any material interest in any customer, competitor or supplier of the Business, or any organization which has a material contract or arrangement with the Business. None of Seller's customers has become a customer of Seller because of personal or financial relationships with Seller's management or affiliated Persons.

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Initialed (Buyer):

(v) Neither Seller nor the Shareholder have dealt with a broker or finder in connection with this Agreement, and no broker or other Person is entitled to any commission or finder's fee from Seller or Shareholder in connection with the transactions contemplated by this Agreement.

(y) No representation or warranty by the Seller or Shareholder in this Agreement contains any untrue statement of a material fact, or omits to state any material fact required to make the statements contained herein not misleading.

(z) Sellers representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement, any examination by or on behalf of the parties hereto and the completion of the transactions contemplated herein, but only for a period of two (2) years following the Closing Effective Date.

8. Warranties and Representations of Buyer. Buyer warrants and represents to Seller as follows:

(a) Buyer is a corporation which is duly organized and in good standing under the laws of the State of Delaware. Buyer has all requisite power and authority to carry on its business as it is presently conducted.

(b) Buyer has full power and authority to enter into this Agreement and to carry out the transactions contemplated by this Agreement.

(c) The transactions contemplated by this Agreement have been duly authorized by appropriate corporate actions, and upon the execution and delivery of this Agreement, it shall be a valid and binding obligation of the Buyer.

(d) Buyer has not dealt with a broker or finder in connection with this Agreement, and no broker or other Person is entitled to any commission or finder's fee from Buyer in connection with the transactions contemplated by this Agreement.

(e) No representation or warranty by Buyer in this Agreement contains any untrue statement of a material fact, or omits to state any material fact required to make the statements contained herein not misleading.

(f) Buyers representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement, any examination by or on behalf of the parties hereto and the completion of the transactions contemplated herein, but only for a period of two (2) years following the Closing Effective Date.

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Initialed (Buyer):

9. Expenses of Sale. Except as otherwise provided in this Agreement, each party agrees to bear its own legal, accounting and other expenses in connection with the preparation and consummation of this Agreement.

10. Risk of Loss. The risk of loss and damage to the Assets shall be borne by Seller prior to Closing Effective Date. If the Assets are damaged and cannot be substantially restored to their current condition prior to Closing Effective Date, Buyer may elect to terminate its obligations under this Agreement. Alternatively, Buyer may elect to purchase the Assets in their damaged condition, in which event Buyer shall be entitled to the benefit of any insurance on the Assets, or if not insured, a reduction of the Purchase Price.

11. Covenants of the Parties.

(a) Maintenance of Business Records. For a period of seven (7) years after the Closing Effective Date, Buyer will preserve and safe keep any records, files and documents transferred to Buyer that relate to the Assets as required by reasonable business practices for the joint benefit of Seller and Buyer. Seller and Buyer shall cooperate from and after the Closing Effective Date to provide to the other upon request such information and records relating to the Business in the possession of the non-requesting party which information or record is reasonably necessary for the operation of the requesting party or the requesting party is required to produce to a third party in connection with legal, administrative or governmental proceedings. The requesting party agrees to give the non-requesting party prompt notice of all requests for disclosure of such information or records that arise during legal, administrative or governmental proceedings involving the requesting party, so that the non-requesting party may seek a protective order with respect to the threatened disclosure. If the requesting party or any other Person is required to disclose such information or records, the requesting party agrees to give written notice to the non-requesting party as soon as possible of the information and records required to be disclosed and, at the non-requesting party's request and expense, to use reasonable efforts to obtain assurances that such information and records required to be disclosed will be maintained on a confidential basis and will not be disclosed to a greater degree than required by law.

(b) Seller's Debts and Obligations. Except as otherwise provided in this Agreement, all of Seller's debts and obligations including, but not limited to, accounts payable and sales, federal and state income taxes, will be paid by Seller.

(c) Further Assurances. Seller, Shareholder and Buyer, as applicable, shall use their respective best efforts to (i) cause to be fulfilled and satisfied all of the conditions to the Closing; (ii) cause to be performed all of the matters required to be performed upon the Closing; and (iii)

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Initialed (Buyer):

take such steps and do such acts as may be necessary to make all of the warranties and representations of the applicable party true and correct in all material respects as of the Closing. From time to time after the Closing, at Buyer's request and without further consideration, Seller and Shareholder as applicable, shall execute and deliver such other instruments of conveyance and transfer and take such other actions as Buyer may reasonably require in order to more effectively convey, transfer, assign or deliver the Assets to Buyer, its successors or assigns, including but not limited to, Seller and Shareholder acting in good faith and using best efforts to effectuate the transfer to and assumption of all Contracts by Buyer.

(d) Employment of Seller's Employees. Seller and Buyer acknowledge that Buyer desires to hire those employees of Seller that meet Buyer's employment criteria. Seller agrees to use its best efforts to assist Buyer in hiring such employees of Seller

(e) Engagement of Seller's Independent Contractors. Seller and Buyer acknowledge that Buyer desires to engage those independent contractors of Seller that meet Buyer's criteria. Seller agrees to use its best efforts to assist Buyer in engaging such independent contractors of Seller.

(f) Name Change. As soon as practicable after the Closing, Seller will change its name to a name that is not similar to its current name, and will provide Buyer with prompt written notice of the name change, including a copy of any certificate or document issued by the applicable Governmental Authority confirming the name change.

(g) Insurance. Seller shall obtain and provide Buyer with evidence reasonably satisfactory to Buyer that Seller's insurance coverage for all professional liability and employment practices liability arising prior to the Closing Effective Date, as well as any Seller healthcare professional shifts that start the day prior to the Closing Effective Date and continue into the Closing Effective Date (i) is on a claims made basis; (ii) Seller shall obtain three (3) years of tail coverage; and (iii) provide Buyer proof of the tail coverage. For the sake of clarification, it is not intended that the insurance coverage obtained by Seller cover any liabilities incurred during the healthcare professional shifts that occur after the Closing Effective Date despite that the commencement of the healthcare professional shift occurs prior to the Closing Effective Date.

(h) Payment of Brokers. Seller has not incurred or become liable for any broker's commission or finder's fee relating to or in connection with the transactions contemplated by this Agreement. Notwithstanding the foregoing, Seller shall be solely responsible for, and shall pay at Closing, all commissions, fees and expenses of Seller's broker, if any.

(i) Operation of the Business. Between the date of this Agreement and the Closing, Seller shall (and Shareholder shall cause Seller to): (a) conduct its business only in the ordinary course of business; (b) except as otherwise directed by Buyer in writing, and without making any

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Initialed (Mastech Healthcare):

Initialed (Buyer):

commitment on Buyer's behalf, use its best efforts to preserve intact its current business organization, keep available the services of its officers, employees and agents and maintain its relations and good will with suppliers, customers, landlords, creditors, employees, agents and others having business relationships with it; (c) confer with Buyer prior to implementing operational decisions of a material nature; (d) otherwise report periodically to Buyer concerning the status of its business, operations and finances; (e) make no material changes in management personnel without prior consultation with Buyer; (f) maintain the Assets in a state of repair and condition that complies with all legal requirements and is consistent with the requirements and normal conduct of Seller's business; (g) keep in full force and effect, without amendment, all material rights relating to Seller's business; (h) comply with all legal requirements and contractual obligations applicable to the operations of Seller's business; (i) continue in full force and effect all insurance coverage or substantially equivalent policies; (j) cooperate with Buyer and assist Buyer in identifying the governmental authorizations required by Buyer to operate the business from and after the Closing Effective Date and either transferring existing governmental authorizations of Seller to Buyer, where permissible, or obtaining new governmental authorizations for Buyer; and (k) maintain all books and records of Seller relating to Seller's business in the ordinary course of business.

(j) Access Investigation. Between the date of this Agreement and the Closing, and upon reasonable advance notice received from Buyer, Seller shall (and Shareholder shall cause Seller to): (a) afford Buyer and its representatives (collectively, "Buyer Group") full and free access, during regular business hours, to Seller's personnel, Contracts, governmental authorizations, books and records and other documents and data, such rights of access to be exercised in a manner that does not unreasonably interfere with the operations of Seller; (b) furnish Buyer Group with copies of all such Contracts, governmental authorizations, books and records and other existing documents and data as Buyer may reasonably request; (c) furnish Buyer Group with such additional financial, operating and other relevant data and information as Buyer may reasonably request; and (d) otherwise cooperate and assist, to the extent reasonably requested by Buyer, with Buyer's investigation of the properties, assets and financial condition related to Seller.

(k) Notification. Between the date of this Agreement and the Closing, Seller and Shareholder shall promptly notify Buyer in writing if either of them becomes aware of (a) any fact or condition that causes or constitutes a breach of any of Seller's representations and warranties made as of the date of this Agreement or (b) the occurrence after the date of this Agreement of any fact or condition that would or be reasonably likely to (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had that representation or warranty been made as of the time of the occurrence of, or Seller's or either Shareholder' discovery of, such fact or condition.

(l) No Negotiation. Until such time as this Agreement shall be terminated, neither Seller nor Shareholder shall directly or indirectly solicit, initiate, encourage or entertain any inquiries or proposals from, discuss or negotiate with, provide any nonpublic information to or

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

consider the merits of any inquiries or proposals from any person (other than Buyer) relating to any business combination transaction involving Seller, including the sale by Shareholder of Seller's stock, the merger or consolidation of Seller or the sale of Seller's business or any of the Assets. Seller and Shareholder shall notify Buyer of any such inquiry or proposal within twenty-four (24) hours of receipt or awareness of the same by Seller or Shareholder.

(m) Interim Financial Statements. Until the Closing, Seller shall deliver to Buyer within five (5) days after Buyer's request, the end of each month a copy of the Seller's financial statements for such month prepared in a manner and containing information consistent with Seller's current practices.

12. Conditions Precedent.

(a) Conditions Precedent to Buyer's Obligations. Buyer's obligations pursuant to this Agreement are subject to the satisfaction of the following conditions on or before the Closing:

(1) The execution of the confidentiality and noncompetition agreements (the "Restrictive Covenant Agreements") in a form reasonably satisfactory to Buyer by all of Seller's employees and independent contractors listed in Schedules 7(r) and 7(s).

(2) Execution of the Employment Agreements, Noncompetition Agreement and the Shareholder Agreement.

(3) Consent by all landlords to the assignment or sublease of the Real Property Leases to Buyer.

(4) [Deleted]

(5) Seller's and Shareholder's representations and warranties contained in this Agreement being true and correct.

(6) Seller's delivery to Buyer of all bills, instruments of transfer and assignment documents necessary or appropriate to transfer to Buyer good and marketable title in and to the Assets, free and clear of Liens including, without limitation, all documents described in Section 6(a) above.

(7) Seller and Shareholder having duly performed and complied with all covenants, agreements and obligations required by this Agreement to be performed by or complied with by Seller or the Shareholder, as applicable, on or before the Closing.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(8) No action or proceeding shall be pending by or before any Court or other Governmental Authority seeking to restrain, prohibit or invalidate the transactions contemplated by this Agreement.

(9) All third party consents and approvals required in connection with the transactions contemplated by this Agreement shall have been obtained and be in full force and effect, and Buyer shall have received evidence reasonably satisfactory to it reflecting the granting of the consents and approvals.

(10) All actions, proceedings, instruments, documents and other relevant legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory to counsel for Buyer.

(b) Conditions Precedent to Seller's and Shareholder's Obligations. Seller's and Shareholder' obligations pursuant to this Agreement are subject to the satisfaction of the following conditions on or before the Closing:

(1) Consent by all landlords to the assignment or sublease of the Real Property Leases to Buyer.

(2) Buyer's delivery to Seller of all documents described in Section 6(b) above.

(3) Buyer's delivery of the Closing Payment.

(4) Buyer having duly performed and complied with all covenants, agreements and obligations required by this Agreement to be performed by or complied with by Buyer on or before the Closing.

(5) No action or proceeding shall be pending by or before any Court or other Governmental Authority seeking to restrain, prohibit or invalidate the transactions contemplated by this Agreement.

(6) Buyer's representations and warranties contained in this Agreement being true and correct.

(7) All third party consents and approvals required in connection with the transactions contemplated by this Agreement shall have been obtained and be in full force and effect, and Sellers shall have received evidence reasonably satisfactory to it reflecting the granting of the consents and approvals.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(8) All actions, proceedings, instruments, documents and other relevant legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory to counsel for Sellers.

13. Disclosure of Transaction. No public announcement of the execution of this Agreement or the transactions contemplated herein shall be made without the mutual prior written approvals of Buyer and Seller. No party shall make any disclosure of the Purchase Price or other terms hereunder except to its lenders or investors without the prior written approval of the other party; provided that any party may disclose such information as may be required under federal, state or provincial securities laws and regulations.

14. Indemnification.

(a) From and after the Closing, Seller and Shareholder, jointly and severally, shall reimburse, indemnify and hold harmless Buyer and its successors and assigns (each an "Indemnified Buyer Party") against and in respect of all damages, losses, deficiencies, liabilities, costs and expenses incurred or suffered by any Indemnified Buyer Party that result from, relate to or arise out of:

(1) liabilities and obligations of Seller or Shareholder of any nature whatsoever (including liabilities for taxes), except for those liabilities and obligations of Seller which Buyer specifically assumes pursuant to this Agreement;

(2) actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against any Indemnified Buyer Party that (i) relate to the Business in which the principal event giving rise thereto occurred prior to the Closing Effective Date, (ii) relate to the Seller or to the Shareholder (unless and to the extent arising from action of or failure to act by an Indemnified Buyer Party) or (iii) result from or arise out of any action or inaction of Seller or the Shareholder or any director, officer, employee, agent, representative or subcontractor of Seller arising out of or relating to the Business, except for those which Buyer specifically assumes pursuant to this Agreement;

(3) any misrepresentation, breach of warranty or nonfulfillment of any agreement or covenant on the part of Seller or any of the Shareholder under this Agreement, or from any misrepresentation in or omission from any certificate, schedule, statement, document or instrument furnished to Buyer pursuant hereto or in connection with the negotiation, execution or performance of this Agreement; and

(4) all actions, suits, claims, proceedings, investigations, demands, assessments, audits, fines, judgments, costs and other expenses (including, without limitation, reasonable legal fees and expenses) incident to any of the foregoing or to the enforcement of this Section.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(b) From and after the Closing, Buyer shall reimburse, indemnify and hold harmless Sellers and Shareholder and each of their successors and assigns (each an “Indemnified Seller Party”) against and in respect of all damages, losses, deficiencies, liabilities, costs and expenses incurred or suffered by any Indemnified Seller Party that result from or arise out of:

(1) liabilities and obligations of Buyer of any nature whatsoever (including liabilities for taxes), except for liabilities and obligations for which Buyer is entitled to indemnification by Seller and the Shareholder pursuant to this Agreement;

(2) actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against any Indemnified Seller Party that (i) relate to the Business in which the principal event giving rise thereto occurred from and after the Closing Effective Date, (ii) relate to Buyer (unless and to the extent arising from action of or failure to act by an Indemnified Seller Party) or (iii) result from or arise out of any action or inaction from and after the Closing Effective Date of Buyer or any director, officer, employee, agent or representative of Buyer arising out of or relating to the Business;

(3) any misrepresentation, breach of warranty or nonfulfillment of any agreement or covenant on the part of Buyer under this Agreement, or from any misrepresentation in or omission from any certificate, schedule, statement, document or instrument furnished to Seller pursuant to this Agreement or in connection with the negotiation, execution or performance of this Agreement; and

(4) all actions, suits, claims, proceedings, investigations, demands, assessments, audits, fines, judgments, and reasonable costs and other expenses (including, without limitation, reasonable legal fees and expenses) incident to any of the foregoing or to the enforcement of this Section.

(c) In the event that an Indemnified Buyer Party or an Indemnified Seller Party seeks indemnification (the “Indemnitee”) from the other party or parties to this Agreement (the “Indemnitor”), the Indemnitee shall promptly notify the Indemnitor in writing of such claim or demand, specifying the nature of such claim or demand and the amount or the estimated amount thereof to the extent then feasible, which estimate shall not be conclusive of the final amount of such claim or demand (the “Claim Notice”). The Indemnitor shall have ten business days from the date of delivery of the Claim Notice (the “Notice Period”) to notify the Indemnitee whether or not the Indemnitor disputes its liability to the Indemnitee hereunder with respect to such claim or demand and, notwithstanding any such dispute, whether or not it desires, at its sole cost and expense, to defend the Indemnitee against any such claim or demand.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(d) In the event that Indemnitor notifies the Indemnitee within the Notice Period that it desires to defend the Indemnitee against such claim or demand then, except as hereinafter provided, the Indemnitor shall have the right to defend the Indemnitee by appropriate proceedings, which proceedings shall be promptly settled or prosecuted by it to a final conclusion in such a manner as to avoid any risk of Indemnitee becoming subject to further liability in respect of such matter; provided, however, Indemnitor shall not, without the prior written consent of the Indemnitee, consent to the entry of any judgment against the Indemnitee or enter into any settlement or compromise which does not include, as an unconditional term thereof, the giving by the claimant or plaintiff to the Indemnitee of a release, in form and substance reasonably satisfactory to the Indemnitee, as the case may be, from all liability in respect of such claim or litigation. If any Indemnitee desires to participate in, but not control, any such defense or settlement, it may do so at its sole cost and expense. If, in the reasonable opinion of the Indemnitee, any such claim or demand or the litigation or resolution of any such claim or demand involves an issue or matter which would reasonably be expected to have a materially adverse effect on the business, operations, assets, properties or prospects of the Indemnitee, then the Indemnitee shall have the right to control the defense or settlement of any such claim or demand and its reasonable costs and expenses shall be included as part of the indemnification obligation of Indemnitor hereunder; provided, however, that the Indemnitee shall not settle any such claim or demand without the prior written consent of the Indemnitor, which consent shall not be unreasonably withheld, conditioned or delayed. If the Indemnitee elects to exercise such right, the Indemnitor shall have the right to participate in, but not control, the defense or settlement of such claim or demand at its sole cost and expense.

(e) (1) If the Indemnitor elects not to defend the Indemnitee against a claim or demand, by not giving the Indemnitee timely notice as provided above or otherwise, then the amount of any such claim or demand, or if the same be defended by the Indemnitor or the Indemnitee (but no Indemnitee shall have any obligation to defend any such claim or demand), then that portion thereof as to which such defense is unsuccessful, in each case, shall be conclusively deemed to be a liability of the Indemnitor hereunder, unless the Indemnitor shall have disputed its liability to the Indemnitee hereunder.

(2) In the event an Indemnitee has a claim against the Indemnitor hereunder that does not involve a claim or demand being asserted against or sought to be collected from the Indemnitee by a third party, the Indemnitee shall promptly send a Claim Notice with respect to such claim to Indemnitor. If Indemnitor does not notify the Indemnitee within the Notice Period that it disputes such claim, the amount of such claim shall be conclusively deemed a liability of Indemnitor hereunder.

(f) Notwithstanding any other provision hereof, the Indemnitor shall not have any indemnification obligations under Section 14 unless and until the claims asserted against such Indemnitor exceed \$20,000 in the aggregate (the "Threshold Amount"); thereafter, such Indemnitor shall be liable for all indemnification claims properly asserted against it, excluding those comprising the Threshold Amount.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(g) Seller and Shareholder's indemnification obligations under Section 14(a) shall be capped at \$1,115,000; provided, however, that where liabilities arise from or out of or are caused by or in any way relate to fraud on the part of Seller or any person acting on its behalf, there shall be no limitation on Seller's indemnification obligations hereunder.

(h) Upon the determination of liability under this Section, the Indemnitor shall pay to the Indemnitee, within ten business days after such determination, the amount of the claim for indemnification made hereunder. In the event that the Indemnitee is not paid in full for any such claim pursuant to the foregoing provisions promptly after the Indemnitor's obligation to indemnify has been determined, the Indemnitee shall have the right, notwithstanding any other rights that it may have against any other Person, to set off the unpaid amount of any such claim against any amounts owed by the Indemnitee under any agreements entered into pursuant to this Agreement. Upon the payment in full of a claim, either by set off or otherwise, the Indemnitor shall be subrogated to the rights of the Indemnitee against any Person with respect to the subject matter of such claim.

(i) The indemnification rights under this Section are independent of and in addition to such rights and remedies as the parties may have at law or in equity or otherwise for any misrepresentation, breach of warranty or failure to fulfill any agreement or covenant hereunder on the part of any party hereto including, without limitation, the right to seek specific performance, rescission or restitution, none of which rights or remedies shall be affected or diminished hereby.

(j) Without precluding Buyer from exercising any other right, power or remedy pursuant to this Agreement or at law or in equity, Buyer shall be entitled to offset against amounts due Seller hereunder any expenses suffered, incurred or sustained, directly or indirectly, by Buyer because a representation or warranty of Seller or any of the Shareholder contained in this Agreement is false or materially misleading or which arises or results from or relates to any breach of or failure by Seller or Shareholder to perform any of their representations, warranties, covenants or agreements contained in this Agreement.

15. Miscellaneous Provisions.

(a) Notices. All notices, requests, demands or other communications that are required to be or may be given under this Agreement shall be in writing and shall be delivered to the parties at the addresses set forth below by (i) certified mail, return receipt requested, and in such case shall be deemed given three business days after mailing or (ii) confirmed email, personal delivery or overnight delivery by a nationally recognized delivery service, and in each case shall be deemed given upon delivery. Any party may, by written notice to the other parties as provided in this Section, change the place to which all further notices to such party shall be sent.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

If to Curastat, Mastech Healthcare or Shareholder:

1000 Commerce Drive, Suite 500
Pittsburgh, PA 15275

If to Buyer:

Accountable Healthcare Staffing, Inc.
4755 Technology Way, Suite 202
Boca Raton, FL 33431
Attention: General Counsel
Email: AndrewGoldwyn@AHCStaff.com

(b) Binding Effect. This Agreement shall inure to the benefit of, and shall be binding upon, the parties and their respective heirs, legal representatives, administrators, successors and assigns.

(c) Governing Law; Venue and Jurisdiction. This Agreement shall be governed by and shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to conflicts of law principles. Venue and jurisdiction of all actions relating to the performance or interpretation of this Agreement may be brought only in the courts of the Commonwealth of Pennsylvania located in Allegheny County or the United States District Court for the Western District of Pennsylvania. The parties consent to personal jurisdiction in the courts described in this Section for the purpose of all actions, and waive all objections to venue and the right to assert that a court chosen under this Section is improper based on the doctrine of forum non conveniens.

(d) Headings; Interpretation; Definition of "Person". The paragraph headings have been used solely for convenience, and are not intended to describe, interpret, define or limit the scope of this Agreement. All referenced is this Agreement to Sections, subsections, clauses, paragraphs and Exhibits shall be deemed references to such parts of this Agreement, unless the context otherwise requires. Whenever the term "including" is used in this Agreement, it will be deemed to mean including without limitation the matters following thereafter. Conflicts or discrepancies, errors, or omissions in the Agreement or the various documents delivered in connection with this Agreement will not be strictly construed against the drafter of the contract language; rather, they shall be resolved by applying the most reasonable interpretation under the circumstances, giving full consideration to the intentions of the parties at the time of contracting. For purposes of this Agreement, "Person" means and includes a natural person, a corporation, an association, a partnership, a limited liability company, a trust, a joint venture, an unincorporated organization or a Governmental Authority.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(e) Attorneys' Fees. If there is any action in any manner between the parties arising out of or related to this Agreement or the transactions contemplated by this Agreement, the prevailing party will be entitled to recover, in addition to the relief awarded, all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees, accountants' and other professional fees and expenses) whether at trial, on appeal, in bankruptcy or arbitration or other dispute resolution proceedings. In determining the costs and expenses to be awarded the prevailing party, the court is not bound by the rules and case law regarding reimbursable costs, but should instead venture to make the prevailing party whole by awarding all reasonable costs incurred in connection with the litigation.

(f) Severability. If any one or more of the provisions of this Agreement is held invalid, illegal or unenforceable, the remaining provisions of this Agreement shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision that comes closest to the intent of the parties.

(g) Signatures; Counterparts. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (.pdf) form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute but one and the same instrument.

(h) Assignability. No party may assign its rights or obligations under this Agreement to any other Person without the prior written consent of the non-assigning party.

(i) Investigation. Buyer may, through its accountants, attorneys, engineers, agents, employees and others, make such investigations of the business, properties and assets and of the financial and legal and other conditions and location of the Business as it may deem necessary or advisable with respect to those matters and the transactions contemplated by this Agreement.

(j) Time of Essence. Time is of the essence of this Agreement.

(k) Entire Agreement; Amendment. This Agreement together with the Schedules and Exhibits to this Agreement constitute the entire agreement of the parties with respect to its subject matter and supersede and replace all previous verbal or written agreements that the parties may have made with respect to the subject matter hereof. All modifications or amendments of this Agreement must be in writing and signed by all parties to this Agreement.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

(l) No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with the waiver or estoppel. No written waiver shall be deemed a continuing waiver unless specifically stated therein, and each waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of the term or condition for the future or as to any act other than that specifically waived. The waiver by any party of any other party's breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach, and the failure of any party to exercise any right or remedy shall not operate or be construed as a waiver or bar to the exercise of such right or remedy upon the occurrence of any subsequent breach. No delay on the part of a party in exercising a right, power or privilege hereunder shall operate as a waiver thereof. No waiver on the part of a party of a right, power or privilege, or a single or partial exercise of a right, power or privilege, shall preclude further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of this Agreement are cumulative and are not exclusive of the rights or remedies that a party may otherwise have at law or in equity.

(m) The representations, warranties, covenants and agreements contained in this Agreement shall survive the closing of the transactions contemplated by this Agreement.

(n) WAIVER OF JURY TRIAL. IF LITIGATION IS BROUGHT TO ENFORCE THIS AGREEMENT, THE PARTIES KNOWINGLY AND INTENTIONALLY WAIVE THE RIGHT ANY OF THEM HAS TO A TRIAL BY JURY. THE PARTIES AGREE THIS PROVISION IS A MATERIAL INDUCEMENT TO THE PARTIES' ENTERING INTO THIS AGREEMENT.

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

The parties have executed this Agreement as of the date first written above.

SELLER:

CURASTAT, INC.,
an Arizona corporation

By: _____
D. Kevin Horner,
its President & Chief Executive Officer

MASTECH HEALTHCARE, INC.,
a Pennsylvania corporation

By: _____
D. Kevin Horner,
its President & Chief Executive Officer

SHAREHOLDER:

MASTECH HOLDINGS, INC.,
a Pennsylvania corporation

By: _____
D. Kevin Horner,
its President & Chief Executive Officer

Initialed (Shareholder):

Initialed (Curastat):

Initialed (Mastech Healthcare):

Initialed (Buyer):

SUBSIDIARIES

Incorporation/Organization

Mastech, Inc.
Mastech Alliance, Inc.
Mastech Trademark Systems, Inc.

Jurisdiction of

Pennsylvania
Pennsylvania
Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors of
Mastech Holdings, Inc.**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-153759) of Mastech Holdings, Inc. of our report dated March 21, 2014, relating to the consolidated financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ **UHY LLP**

Farmington Hills, Michigan
March 21, 2014

I, D. Kevin Horner, certify that:

1. I have reviewed this report on Form 10-K of Mastech Holdings, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 21, 2014

MASTECH HOLDINGS, INC.

/s/ D. KEVIN HORNER

D. Kevin Horner

President, Chief Executive Officer, and Director

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

1. I have reviewed this report on Form 10-K of Mastech Holdings, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 21, 2014

MASTECH HOLDINGS, INC.

/s/ JOHN J. CRONIN, JR.

John J. Cronin, Jr.
Chief Financial Officer

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Mastech Holdings, Inc. (the "Company") on Form 10-K for the year ending December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. Kevin Horner, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 21, 2014

/S/ D. KEVIN HORNER

D. Kevin Horner
President, Chief Executive Officer, and Director

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Mastech Holdings, Inc. (the "Company") on Form 10-K for the year ending December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John J. Cronin Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 21, 2014

/S/ JOHN J. CRONIN, JR.

John J. Cronin Jr.
Chief Financial Officer

