

Heritage-Crystal Clean, Inc.
Form DEF 14A
April 07, 2014

HERITAGE-CRYSTAL CLEAN, INC.
2175 Point Boulevard, Suite 375
Elgin, Illinois 60123

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 30, 2014

To the shareholders of Heritage-Crystal Clean, Inc.:

The Annual Meeting of Shareholders of Heritage-Crystal Clean, Inc. (the "Company") will be held at the Holiday Inn located at 495 Airport Road, Elgin, Illinois 60123 on April 30, 2014, at 9:00 A.M., Central Time, for the following purposes:

1. To elect three directors to serve as Class III Board Members for terms of three years;
2. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for fiscal 2014;
3. To hold an advisory vote on named executive officer compensation for fiscal 2013;
4. To approve the Company's Annual Incentive Plan for the purpose of complying with Section 162(m) of the Internal Revenue Code;
5. To increase the number of shares available for issuance under the Heritage-Crystal Clean, Inc. Employee Stock Purchase Plan of 2008 by 125,000;
6. To amend the Company's Amended and Restated Bylaws to provide an exclusive Delaware forum for certain litigation and other proceedings; and
7. To consider and transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on March 14, 2014 are entitled to receive notice of and to vote at the Annual Meeting or any adjournments or postponements thereof. Whether or not you expect to attend the Annual Meeting, we encourage you to vote your shares as soon as possible. Please sign, date, and mail the included proxy card in the envelope provided. It is important that your shares be represented at the Annual Meeting, whether your holdings are large or small.

By Order of the Board of Directors,

Gregory Ray, Chief Operating Officer and Secretary

April 7, 2014

Important Notice Regarding the Availability of Proxy Materials
for the Annual Meeting of Shareholders To Be Held On April 30, 2014.

Our Proxy Statement and Annual Report to Shareholders for fiscal 2013 are available on Heritage-Crystal Clean, Inc.'s website at www.crystal-clean.com under "Investor Relations."

You may also request hard copies of these documents free of charge by writing to:

Heritage-Crystal Clean, Inc.

2175 Point Boulevard, Suite 375

Elgin, Illinois 60123

Attention: Secretary

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HERITAGE-CRYSTAL CLEAN, INC.
2175 Point Boulevard, Suite 375
Elgin, Illinois 60123

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 30, 2014

About the 2014 Annual Meeting

This Proxy Statement is being furnished to the shareholders of Heritage-Crystal Clean, Inc. (the "Company") on or about April 7, 2014 in connection with the solicitation of proxies on behalf of the Board of Directors of the Company for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on April 30, 2014 at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting, and at any adjournments or postponements of that meeting. The Annual Report to Shareholders for fiscal 2013 accompanies this Proxy Statement. If you did not receive a copy of the Annual Report, you may obtain one by writing to the Secretary of the Company. This Proxy Statement and the Annual Report are also available on the Company's website at www.crystal-clean.com under "Investor Relations."

Voting Procedures

Voting Rights. Only shareholders who owned common stock of the Company at the close of business on March 14, 2014 (the "record date") may attend and vote at the Annual Meeting or any adjournment or postponement of the Annual Meeting. On the record date, 18,577,906 shares of common stock were outstanding. Shareholders are entitled to one vote per share of common stock that they own as of the record date on each matter that may properly come before the Annual Meeting.

If your shares are registered directly in your name with our transfer agent, you are considered the shareholder of record with respect to those shares, and these proxy materials are being sent directly to you. As the shareholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the Annual Meeting. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in "street name," and these proxy materials are being forwarded to you by your broker, bank, or nominee who is considered the shareholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank, or nominee on how to vote and are also invited to attend the Annual Meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the Annual Meeting, unless you request, complete, and deliver a legal proxy from your broker, bank, or nominee. Your broker, bank, or nominee has enclosed a voting instruction card for you to use in directing the broker, bank, or nominee regarding how to vote your shares.

Quorum. The presence, in person or by properly executed proxy, of a majority of the outstanding common stock as of the record date is necessary to constitute a quorum at the Annual Meeting. If a quorum is not present at the time the Annual Meeting is convened, the Company may adjourn or postpone the Annual Meeting. Shares that are represented at the Annual Meeting but abstain from voting on any or all matters will be counted as shares present and entitled to vote in determining the presence of a quorum. If a broker indicates on a proxy that it lacks discretionary authority as to certain shares to vote on particular matters, commonly referred to as "broker non-votes," those shares will still be counted for purposes of determining the presence of a quorum at the meeting. A broker non-vote occurs when a broker holding shares registered in street name is permitted to vote, in the broker's discretion, on routine matters without receiving instructions from the client, but is not permitted to vote without instructions on non-routine matters, and the broker returns a proxy card with no vote on the non-routine matter. Under the rules and regulations of the primary trading markets applicable to most brokers, the ratification of the appointment of Grant Thornton LLP ("Grant

Thornton") as our independent registered public accounting firm for fiscal 2014 is considered a routine matter on which a broker has the discretion to vote if instructions are not received from the client. All other items being considered at the Annual Meeting are considered non-routine matters. Because brokers do not have discretionary authority to vote on these proposals, broker non-votes will not be counted for purposes of determining the number of votes cast on these proposals and will not affect the outcome of these non-routine matters.

The inspector of election appointed for the Annual Meeting will determine the number of shares of our common stock present at the Annual Meeting, determine the validity of proxies and ballots, determine whether or not a quorum is present, and count all votes and ballots.

Required Vote. Directors are elected by a plurality of all of the votes cast, in person or by proxy. A "plurality" means that the individuals who receive the largest number of votes are elected as directors up to the maximum number of directors to be

elected at the meeting. Abstentions and broker non-votes have no effect on the election of directors, except to the extent that the failure to vote for a director nominee results in another nominee receiving a larger number of votes. The proposal regarding the Annual Incentive Plan will be approved by our stockholders if the number of votes cast in favor of the Annual Incentive Plan exceeds the number of votes cast against the Annual Incentive Plan at the Annual Meeting. The remaining proposals will be approved if holders of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal are voted in favor of the proposal. Abstentions are included in the determination of shares present for quorum purposes. For all of the proposals other than the proposal regarding the Annual Incentive Plan, abstentions will have the effect of a no vote. For the proposal regarding the Annual Incentive Plan, because abstentions are not included as votes "cast", abstentions will have no effect.

All common stock represented at the Annual Meeting by properly executed proxies received prior to or at the Annual Meeting and not properly revoked will be voted at the Annual Meeting in accordance with the instructions indicated in such proxies. If no instructions are indicated, such proxies will be voted FOR all proposals listed in the Notice of Annual Meeting attached to this Proxy Statement. The Board of Directors of the Company does not know of any matters, other than the matters described in the Notice of Annual Meeting attached to this Proxy Statement that will come before the Annual Meeting.

Any proxy given by a holder of record pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Such proxies may be revoked by:

filing with the Secretary of the Company, at or before the Annual Meeting, a written notice of revocation bearing a date later than the date of the proxy;

duly executing and dating a subsequent proxy relating to the common stock and delivering it to the Secretary of the Company at or before the Annual Meeting; or

attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute a revocation of proxy).

Any written notice revoking a proxy should be sent to: Heritage-Crystal Clean, Inc., 2175 Point Boulevard, Suite 375, Elgin, Illinois 60123, Attention: Secretary. If you hold your shares in "street name," you must follow the directions provided by your broker, bank, or nominee to revoke your proxy.

Other

The proxies are solicited by the Board of Directors of the Company. In addition to the use of the mail, proxies may be solicited personally, over the Internet, or by telephone or facsimile transmission, by directors, officers, or employees of the Company or persons employed by the Company for the purpose of soliciting proxies. It is contemplated that brokerage houses, custodians, nominees, and fiduciaries will be requested to forward the soliciting material to the beneficial owners of common stock held of record by such persons and will be reimbursed for expenses incurred therewith. The cost of solicitation of proxies will be borne by the Company.

The date of this Proxy Statement is April 7, 2014.

PROPOSAL 1:

ELECTION OF DIRECTORS

At the Annual Meeting, our shareholders will vote on the nomination of three directors to be elected as Class III Board Members for three-year terms expiring at the 2017 Annual Meeting. The Board is divided into three classes, denominated as Class I, Class II, and Class III. Members of each class hold office for staggered three-year terms. The terms of the current Class III Board Members expire on the date of the 2014 Annual Meeting. It is the intention of the persons named in the accompanying form of proxy to nominate as directors and, unless otherwise specified in a proxy by a shareholder, to vote such proxy for the election of the persons named below as nominees. In the event any of the nominees should become unable or unwilling to serve as a director, proxies may be voted for another nominee recommended by the Board.

Directors are elected by a plurality of all of the votes cast, in person or by proxy. This means that the three nominees receiving the highest number of votes at the Annual Meeting will be elected, even if these votes do not constitute a majority of the votes cast.

Nominees for Election at the 2014 Annual Meeting.

The following table sets forth certain information with respect to the three director nominees, each of whom is currently a Class III Board Member.

Name	Age	Principal Occupation and Other Information
Bruce Bruckmann	60	<p>Mr. Bruckmann has served as a director on our Board since 2004. Mr. Bruckmann has been a Managing Director of Bruckmann, Rosser, Sherrill & Co., Inc., a private equity investment firm, since January 1995. From March 1994 to January 1995, Mr. Bruckmann served as Managing Director of Citicorp Venture Capital, Ltd. and as an executive officer of 399 Venture Partners, Inc. (formerly Citicorp Investments, Inc.). From 1983 until March 1994, Mr. Bruckmann served as Vice President of Citicorp Venture Capital, Ltd. Mr. Bruckmann is also a director of Town Sports International, Inc. a fitness club operator; Mohawk Industries, Ind., a floor covering manufacturer; H and E Equipment Services, Inc., a renter and distributor of industrial and construction equipment; and Chairman of the Board of MWI Veterinary Products, Inc., a distributor of companion and food animal veterinary products. Mr. Bruckmann also serves as a director for two private companies.</p>
Carmine Falcone	67	<p>The Board has concluded that Mr. Bruckmann should be a director of the Company because of his extensive experience in investing in and advising public and private companies, as well as the fact that his stock ownership in the Company aligns his interests with those of our shareholders. His broad exposure to financing and funding issues also benefits the Company.</p> <p>Mr. Falcone has served as a director on our Board since March 2008. Mr. Falcone served in various operating and executive positions with Shell Group from 1968 through 2004, including roles as Executive Vice President, Oil Products, Shell Canada, as Director -- Strategic Planning for Global Oil Products, Shell International, and from 1999 to 2004 as Vice President Manufacturing and Supply, Shell Oil Products USA. Mr. Falcone is currently Chairman of the Board of Hightowers Petroleum of Cincinnati (Fuels Distribution) and Chairman of the Board of The Plaza Group of Houston (Chemicals Marketing). Mr. Falcone also serves as a</p>

Board member of Northwest Upgrading of Calgary (Oil Sands Project). Mr. Falcone holds a Chemical Engineering degree with honors from McGill University.

The Board has concluded that Mr. Falcone should be a director of the Company because of his demonstrated skills in engineering and management with one of the world's largest and most preeminent diversified oil companies. Mr. Falcone's expertise is also helpful to the Company in evaluating growth opportunities.

Robert W. Willmschen, Jr.	66	Mr. Willmschen has served as a director on our Board since March 2008. Mr. Willmschen served as Chief Financial Officer of Safety-Kleen from 1981 to 1997 and as Controller of Safety-Kleen from 1979 to 1981. He was Executive Vice President, Finance of ABC Rail Products Corporation for approximately one year in 1998. Since 1999, Mr. Willmschen has been engaged in managing his private investments. Mr. Willmschen also has nine years experience in public accounting, including Audit Manager with Arthur Andersen LLP.
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The Board has concluded that Mr. Willmschen should be a director of the Company because of his demonstrated financial experience in the Company's industry area. His CPA and public accounting experience is also beneficial to the Company and he is the designated financial expert for the Board.

The Board recommends a vote FOR approval of the director nominees.

The following tables set forth information with respect to our directors who are not up for election at the 2014 Annual Meeting.

Class I Directors - Terms Expire in 2015.

Name	Age	Principal Occupation and Other Information
Joseph Chalhoub	68	Mr. Chalhoub, founder of Heritage-Crystal Clean, LLC, has served as our President, Chief Executive Officer, and director since the formation of the Company in 1999. He started his career with Shell Canada as a process engineer, and he then worked for several years at SNC, an engineering firm. In 1977 he founded Breslube Enterprises and built this into the largest used oil re-refiner in North America before selling a controlling interest to Safety-Kleen in 1987. Mr. Chalhoub then served as an executive of Safety-Kleen from 1987 to 1998, and he was President of Safety-Kleen from 1997 to 1998. Mr. Chalhoub holds a Chemical Engineering degree with high distinction from École Polytechnique, Montréal.

The Board has concluded that Mr. Chalhoub should be a director of the Company because he is the President and Chief Executive Officer. In addition, his significant stock ownership in the Company aligns his interests with those of other shareholders. The Company and the Board benefit from his prior experience and knowledge gained as a senior executive of both the Company and Safety-Kleen.

Fred Fehsenfeld, Jr.	63	Mr. Fehsenfeld has served as a director on our Board since 1999. Mr. Fehsenfeld has served as Chairman of the Board of Directors of Calumet Specialty Products Partners, L.P. ("Calumet Partners") since 2006. Mr. Fehsenfeld has served as the Vice Chairman of the Board of the predecessor to Calumet Partners since 1990. Mr. Fehsenfeld has worked for the Heritage Group in various capacities since 1977 and has served as its Managing Trustee since 1980. Mr. Fehsenfeld received his B.S. in Mechanical Engineering from Duke University and his M.S. in Management from
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the Massachusetts Institute of Technology Sloan School.

The Board has concluded that Mr. Fehsenfeld should be a director and Chairman of the Company's Board because of his significant executive experience referred to above, as well as the fact that his significant stock ownership in the Company aligns his interests with those of other shareholders. Mr. Fehsenfeld's engineering and management training and senior leadership roles in other companies also benefit the Company.

Class II Directors - Terms Expire in 2016.

Name	Age	Principal Occupation and Other Information
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Brian Recatto	49	<p>Mr. Recatto has served as a director on our Board since July 25, 2012. Mr. Recatto currently serves as President U.S. Operations for Gibson Energy Inc., one of the largest independent midstream energy companies in Canada and a major participant in the crude oil transportation business in the U.S. Gibson purchased OMNI Energy Services, where Mr. Recatto had served since 2007 in various operating and executive positions, in October 2012. In his tenure at OMNI, Mr. Recatto provided in part: environmental and fluid handling services, from 2007, including roles as Vice President and Chief Operating Officer from 2007 to 2008; and as President and Chief Executive Officer since 2008. Mr. Recatto served as President of Charles Holston, Inc., a waste management and environmental cleaning company, from 2004 to 2007. Mr. Recatto has served in various operating and executive positions with Philip Services Corporation, an environmental and industrial services company, from 1997 to 2004, including roles as General Manager of Gulf Coast Waste Operations from 1997 to 1999, Senior Vice President, By-Products Services Group from 1999 to 2002 and President, Industrial Services Division from 2002 to 2004. Mr. Recatto also served as President of Meklo, Inc., an industrial waste management company from 1991 to 1997; Founder of Emras, Inc., an environmental consulting firm from 1990 to 1991; and Director of Sales and Marketing for Marine Shale Processors, Inc., a hazardous waste disposal facility from 1987 to 1990. Mr. Recatto holds a Bachelor of Science in Finance degree from Louisiana State University.</p>
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The Board has concluded that Mr. Recatto should be a director of the Company because of his significant executive experience in environmental waste handling services with a variety of companies.

Charles E. Schalliol	66	<p>Mr. Schalliol has served as a director on our Board since March 2008. Mr. Schalliol served as the Director, Office of Management and Budget, State of Indiana, from 2004 to 2007. Mr. Schalliol served as the President and CEO of BioCrossroads, Indiana's life science initiative, from 2003 to 2004. Mr. Schalliol served in various executive positions, including strategic planning and investment banking, with Eli Lilly & Company from 1978 to 2003. Mr. Schalliol has served as Chairman of the Board of Directors of First Merchant's Corporation since 2007 and as a director since 2004. Mr. Schalliol is also a director of four venture capital funds and several other for profit and not for profit organizations. Mr. Schalliol holds a business degree with high distinction from Indiana University and a law degree from Yale University.</p>
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The Board has concluded that Mr. Schalliol should be a director of the Company because of his financial and executive experience with the above entities and other Board experience. His legal experience also benefits the Company.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors, and persons who own more than ten percent of the Company's common stock to file initial reports of ownership and

changes in ownership with the SEC. Based on a review of the copies of such forms furnished to the Company and written representations from the Company's executive officers and directors, to the knowledge of the Company, all Section 16(a) filing requirements applicable to its officers, directors, and greater than ten percent beneficial owners were complied with during fiscal 2013, except for the following: Mr. Hillstrom reported on September 16, 2013 that he purchased stock on March 17, 2008 and sold stock on December 9, 2011 and December 16, 2011. Mr. Falcone reported on August 6, 2013 that he sold stock on March 1, 2012 and March 2, 2012.

SECURITIES BENEFICIALLY OWNED BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of March 14, 2014 for:

each director and named executive officer;

each person or entity who is known by us to own beneficially more than 5% of our common stock; and

all of our executive officers and directors as a group.

The number of shares beneficially owned by each shareholder is determined under rules promulgated by the SEC. The information is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting or investment power and any shares as to which the individual or entity has the right to acquire beneficial ownership within 60 days after March 14, 2014 through the exercise of any stock option, warrant, or other right. The inclusion in the following table of those shares, however, does not constitute an admission that the named shareholder is a direct or indirect beneficial owner. Unless otherwise indicated below, to our knowledge, all persons listed below have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. Unless otherwise indicated below, the address of each director and named executive officer listed below is Heritage-Crystal Clean, Inc., 2175 Point Boulevard, Suite 375, Elgin, Illinois 60123.

Name	Number of Shares Beneficially Owned (1)	Percentage of Outstanding Common Stock
Non-employee Directors:		
Fred Fehsenfeld, Jr. (2)	1,022,086	5.5%
Bruce Bruckmann	100,366	*
Carmine Falcone	7,410	*
Brian Recatto	4,419	*
Charles Schalliol	30,801	*
Robert Willmschen, Jr.	28,410	*
Beneficial Owners owning more than 5% of common stock (other than directors and named executive officers):		
The Heritage Group (2)(3)	4,795,444	25.8%
Fehsenfeld Family Trusts (2)(4)	1,440,959	7.8%
Janus Capital Management LLC (5)	1,408,566	7.6%
Kinderhook Partners LLC (6)	1,191,704	6.4%
Royce & Associates (7)	994,548	5.4%
Named Executive Officers:		
Joseph Chalhoub (8)	1,533,861	8.3%
Gregory Ray (9)	294,915	1.6%
John Lucks	112,761	*
Mark DeVita	12,192	*
Ellie Bruce	15,219	*
Tom Hillstrom	20,084	*

All directors and executive officers as a group (12 persons)	3,182,524	17.1%
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* Less than 1%

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