

EMRISE Corp  
Form DEF 14A  
May 09, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**EMRISE CORPORATION**

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(4) Date Filed:

**EMRISE CORPORATION**

**2530 Meridian Parkway**

**Durham, North Carolina 27713**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**June 19, 2014**

May 9, 2014

NOTICE IS HEREBY GIVEN that the 2014 annual meeting of stockholders of EMRISE Corporation, a Delaware corporation (“EMRISE” or the “Company”), will be held at DoubleTree by Hilton Hotel, 128 Frontage Road, Newark, New Jersey, 07114 on June 19, 2014 at 11:00 a.m. EST.

At this important stockholders meeting, stockholders will be asked to consider and vote upon the following proposals:

1. To elect Carmine T. Oliva as Class III director, to serve a three-year term on the Company’s Board of Directors.
2. To consider and conduct a vote upon a proposal to ratify the selection of BDO LLP, our independent registered public accountant, to audit our consolidated financial statements for 2014.
3. To consider and conduct a non-binding advisory vote on a proposal to approve the Company’s executive compensation.
4. To transact such other business that may properly come before the meeting or any other adjournment or postponement thereof.

Our Board of Directors has fixed the close of business on May 1, 2014 as the record date for determining those stockholders who will be entitled to notice of and to vote at the 2014 annual meeting. Only holders of our common stock at the close of business on the record date are entitled to vote at the meeting. Stockholders whose shares are held in the name of a broker or other nominee and who desire to vote in person at the meeting should bring with them a legal proxy.

Instead of mailing a printed copy of our proxy materials, including our Annual Report, to each stockholder of record, the Company will utilize the voluntary “notice and access” system adopted by the SEC relating to the delivery of proxy materials over the Internet. As a result, we will provide access to these materials in a fast and efficient manner via the Internet. EMRISE believes that these rules allow us to use Internet technology that many stockholders prefer, continue to provide our stockholders with the information they need and, at the same time, assure more prompt delivery of the proxy materials. The notice and access rules also lower our costs of printing and delivering the proxy materials and minimize the environmental impact of printing paper copies

Accordingly, on or about May 9, 2014, we will begin mailing a Notice of Internet Availability of Proxy Materials to all stockholders of record as of May 1, 2014. We will also post our proxy materials on the website <https://www.edocumentview.com/EMRI>. All stockholders may choose to access our proxy materials on the website or may request to receive a printed set of our proxy materials.

By Order of the Board of Directors,

Timothy J. Blades, *Secretary*  
Durham, North Carolina

May 9, 2014

**YOUR VOTE IS IMPORTANT**

**WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE VOTE BY TELEPHONE OR INTERNET OR, IF YOU RECEIVED PRINTED PROXY MATERIALS AND WISH TO VOTE BY MAIL, PLEASE SIGN AND DATE THE ACCOMPANYING PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.** Voting by telephone or internet, or returning a signed proxy card will help us secure a quorum and avoid the expense of additional proxy solicitation. If you later desire to revoke your proxy for any reason, you may do so in the manner described in the attached proxy statement.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 19, 2014: The proxy statement for the 2014 annual meeting of stockholders and the Annual Report for the year ended December 31, 2013 are available via the Internet at <http://www.edocumentview.com/EMRI>.**

**Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any state securities commission determined that this proxy statement is accurate or adequate. Any representation to the contrary is a criminal offense.**

This proxy statement is dated May 9, 2014 and is first being made available to the stockholders of the Company on or about May 13, 2014.

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**EMRISE CORPORATION**

**2530 Meridian Parkway**

**Durham, North Carolina 27713**

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**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS**

**June 19, 2014**

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**VOTING AND PROXY**

We are furnishing this proxy statement in connection with the solicitation of proxies by our Board of Directors (the “Board”) for use at our 2014 annual meeting of stockholders to be held at 11:00 a.m. EST on June 19, 2014, at the DoubleTree by Hilton Hotel, 128 Frontage Road, Newark, New Jersey, 07114, and at any and all adjournments and postponements of the meeting. On or about May 9, 2014, we will begin mailing a Notice of Internet Availability of Proxy Materials to all stockholders of record as of May 1, 2014. The following items of business will be discussed at the 2014 annual meeting of stockholders:

1. To elect Carmine T. Oliva as Class II directors, to serve a three-year term on the Company’s Board of Directors.
2. To consider and conduct a vote upon a proposal to ratify the selection of BDO LLP, our independent registered public accountant, to audit our consolidated financial statements for 2014.
- 3.

To consider and conduct a non-binding advisory vote on a proposal to approve the Company's executive compensation.

4. To transact such other business that may properly come before the meeting or any other adjournment or postponement thereof.

Our Annual Report on Form 10-K for the year ended December 31, 2013 (the "Annual Report"), this proxy statement and the accompanying notice of annual meeting and certain other proxy materials are first being made available to our stockholders on the Internet, at <http://www.edocumentview.com/EMRI>, on or about May 9, 2014. The Annual Report is not to be regarded as proxy soliciting material or as a communication through which any solicitation of proxies is made.

The shares represented by each properly executed, unrevoked proxy will be voted as directed by the stockholder with respect to the matters described in the proxy. If no direction is made, the shares represented by each properly executed proxy will be voted "**FOR**" proposals 1, 2, and 3 as listed on the proxy.

You may revoke or change your proxy at any time before it is voted, except as otherwise described herein. If you are the registered stockholder (that is, you hold your Company shares in certificated form), you may revoke or change your proxy before it is voted by:

filing a notice of revocation, which is dated a later date than your proxy, with the Company's Secretary;

submitting a duly executed proxy card bearing a later date;

submitting a new proxy by telephone or through the Internet at a later time, but not later than 1:00 a.m. EST on June 19, 2014, or the day prior to the meeting date, if the annual meeting is adjourned or postponed; or

voting by ballot at the annual meeting (simply attending the annual meeting will not constitute revocation of a proxy).

If your shares of the Company are held in "street name," you should follow the instructions of your broker, bank or other nominee regarding revocation or change of proxies in order to revoke or change your proxy. If your broker, bank or other nominee allows you to submit a proxy by telephone or the Internet, you may be able to change your vote by submitting a proxy again by telephone or the Internet.



At the close of business on May 1, 2014, the record date for determining the stockholders entitled to notice of and to vote at the 2014 annual meeting, we had 10,719,337 shares of common stock issued and outstanding. Only holders of record of our common stock at the close of business on the record date are entitled to notice of and to vote at the annual meeting or at any adjournments and postponements of the meeting.

Each share of our common stock issued and outstanding on the record date entitles the holder of that share to one vote at the 2014 annual meeting for all matters to be voted on at the meeting. The holders of a majority of our shares of common stock issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for purposes of voting on the proposals. Votes cast at the 2014 annual meeting will be tabulated by the person or persons appointed by us to act as inspector of election for the meeting. Shares of our common stock represented in person or by proxy (regardless of whether the proxy has authority to vote on all matters), as well as abstentions and broker non-votes, will be counted for purposes of determining whether a quorum is present at the meeting.

Proposal 1, the election of a Class III director to our Board, is an uncontested election. An affirmative vote of a majority of the shares of our common stock entitled to vote at and present in person or represented by proxy at the meeting will constitute stockholder ratification of the selection of the nominee. Approval of Proposal 2, the ratification of the selection of our independent registered public accountants, is not required. However, the affirmative vote of a majority of the shares of our common stock entitled to vote at and present in person or represented by proxy at the meeting will constitute stockholder ratification of the selection of our independent registered public accountants. Further, the affirmative vote of a majority of the shares of our common stock entitled to vote at and present in person or represented by proxy at the annual meeting is required to approve the advisory vote on executive compensation (Proposal 3).

If a broker or other financial institution holds your shares in its name and you do not provide your voting instructions to them, then that firm has discretion to vote your shares for certain routine matters. Proposal 2, the ratification of the selection of our independent registered public accountants to audit our consolidated financial statements for 2014, is a routine matter.

However, the broker or other financial institution that holds your shares in its name does not have discretion to vote your shares for non-routine matters. The approval of the election of a director (Proposal 1) and the advisory vote on executive compensation (Proposal 3) are non-routine matters and the firm that holds your shares in its name may not vote on this item absent your instruction. When a firm votes a client's shares on some but not all of the proposals at the 2014 annual meeting, the missing votes are referred to as "broker non-votes." Those shares will be included in determining the presence of a quorum at the 2014 annual meeting, but are not considered "present" for purposes of voting on the non-routine items.

As of May 1, 2014, the record date for the annual meeting, the directors and executive officers of the Company held and are entitled to vote, in the aggregate, 518,876 shares of the Company's common stock (excluding options), representing approximately 4.8% of the voting power of the Company. Each of our directors and executive officers have informed the Company that they intend to vote all of their Company shares "**FOR**" the election of Carmine T. Oliva as Class III director to serve a three-year term on the Company's Board, "**FOR**" the ratification of the selection of our independent registered public accountant to audit our consolidated financial statements for 2014, and "**FOR**" the approval of the Company's executive compensation.

Although it is not currently expected, the annual meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Despite the absence of a quorum, the chairperson of the annual meeting or a majority of the shares held by stockholders present in person or by proxy at such meeting may adjourn the annual meeting to another time and place, and it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the annual meeting is adjourned are announced at the meeting at which the adjournment is taken. At the adjourned annual meeting, any business may be transacted that might have been transacted on the original date of the meeting. Any adjournment or postponement of the annual meeting for the purpose of soliciting additional proxies will allow the Company's stockholders who have already sent in their proxies to revoke them prior to their use at the annual meeting, when it is reconvened following such adjournment or postponement, in the manner described above.

We will pay the expenses of soliciting proxies for the 2014 annual meeting, including the cost of preparing, assembling and mailing the proxy solicitation materials. Proxies may be solicited personally, by mail, by Internet or by telephone, or by our directors, officers and regular employees and our investor relations firm who will not be additionally compensated. The matters to be considered and acted upon at the 2014 annual meeting are referred to in the preceding notice and are discussed more fully below.

If you have more questions about the 2014 annual meeting of stockholders or how to submit your proxy, or if you need a copy of this proxy statement with an enclosed proxy card or voting instructions, please contact EMRISE Corporation, 2530 Meridian Parkway, Durham, NC 27713 Attention: Secretary, or by telephone at (919) 806-4722 or e-mail at [investors@emrise.com](mailto:investors@emrise.com).

**DIRECTORS, DIRECTOR NOMINEES AND EXECUTIVE OFFICERS****Biographical Information**

The names, ages and positions held by our directors and executive officers as of May 1, 2014 and descriptions of their respective business experience are as follows:

<b>Name</b>	<b>Age</b>	<b>Titles</b>
Carmin T. Oliva	71	Chairman of the Board, Chief Executive Officer, and Director
Graham Jefferies	56	Director, President and Chief Operating Officer
Timothy J. Blades	57	Chief Financial Officer, Principal Accounting Officer, Treasurer and Secretary
Julie A. Abraham (1)	56	Director
Otis W. Baskin (1)	68	Director
Frank P. Russomanno (1)	67	Director

- (1) Member of the Compensation Committee, Nominating and Corporate Governance Committee, Special Committee and Audit Committee.

**Carmin T. Oliva** has been Chairman of the Board, Chief Executive Officer and a Class III director of EMRISE Corporation since March 26, 1997 and of our subsidiary, EMRISE Electronics Corporation, since he founded EMRISE Electronics Corporation in 1983. From March 1997 until July 2009, he was President of EMRISE Corporation. Mr. Oliva served as Acting Chief Financial Officer and Secretary of EMRISE Corporation from August 18, 2006 to May 15, 2007 and served as Acting Chief Financial Officer from April to July 2005. Mr. Oliva has been Chairman of the Board of EMRISE Electronics Ltd. since 1985 and Chairman and Chief Executive Officer of CXR Larus since March 1997. In 2002, Mr. Oliva obtained a French government working permit and assumed responsibility as President of our CXR-AJ subsidiary. From January 1999 to January 2000, Mr. Oliva served as a director of Digital Transmission Systems Inc. From 1980 to 1983, Mr. Oliva was Senior Vice President and General Manager, ITT Asia Pacific Inc. Prior to holding that position, Mr. Oliva held a number of executive positions with ITT Corporation and its subsidiaries over an eleven-year period. Mr. Oliva attained the rank of Captain in the United States Army and is a veteran of the Vietnam War. Mr. Oliva earned a B.A. degree from Seton Hall University and an M.B.A. degree from The Ohio State University. Mr. Oliva is founder of EMRISE from inception. This, in addition to his vast business acumen and experience in the aerospace and defense and communications equipment industries for over 40 years along with his judgment, integrity and reputation and his extensive international business background, including his extensive acquisition and divestiture expertise, makes Mr. Oliva an ideal director of the Company as well as its Chairman.

**Graham Jefferies** joined the Board of Directors as a Class II director on March 1, 2011. He was appointed as President in July 2009. He served as Executive Vice President from October 21, 1999 until July 2009. Mr. Jefferies was also appointed as our Chief Operating Officer on January 3, 2005, after having served as Chief Operating Officer of our Telecommunications Group since October 21, 1999. Mr. Jefferies served as Executive Vice President of EMRISE Corporation from April 1999 through October 1999. Mr. Jefferies has served as a director of CXR-AJ since March 1997 and as its General Manager since July 2002, has served as Managing Director of Belix Power Conversions Ltd., Belix Wound Components Ltd. and Belix Company Ltd. since our acquisition of those companies in April 2000, as Managing Director of XCEL Power Systems, Ltd. since September 1996 and as Managing Director of EMRISE Electronics Ltd. since March 1992. Prior to joining us in 1992, he was Sales and Marketing Director of Jasmin Electronics PLC, a major United Kingdom software and systems provider, from 1987 to 1992. Mr. Jefferies held a variety of project management positions at GEC Marconi from 1978 to 1987. Mr. Jefferies earned a B.S. degree in Engineering from Leicester University and has experience in mergers and acquisitions. Mr. Jefferies is a citizen and resident of the United Kingdom. We believe Mr. Jefferies' education and experience in several leadership roles, such as Chief Operating Officer and Managing Director, as well as his business acumen, judgment, integrity and reputation, make him an ideal director.

**Timothy J. Blades** currently serves as the Company's Chief Financial Officer and having served as the Company's interim Director of Finance from April 11, 2012. In the period from March 6, 2012 to April 10, 2012 he provided accounting services to the Company. He became an employee of the Company on December 1, 2012 and was appointed as Chief Financial Officer on February 5, 2013. He is the Company's Treasurer, Principal Accounting Officer and Corporate Secretary, which are positions he has held on an interim basis between April 2012 and February 2013. Mr. Blades is based in England, where the Company's primary business units, operations management and financial teams are located. He is a Chartered Accountant and an experienced international financial executive who has led multi-disciplinary teams focused on profit improvement, fundraising, mergers and acquisitions and a range of essential finance and accounting functions throughout his career. He has extensive expertise in international finance, particularly in the U.S., Europe, the UK, and the Far East. During a career with Grant Thornton UK LLP of more than 30 years Mr. Blades was Managing Partner of the Northampton Grant Thornton office, overseeing a staff of 100 and prior to that was the partner in charge of audit in Grant Thornton's London office. From 2002 to 2010, he was a regional managing partner leading a 12-partner team directing a 300-member staff responsible for accounting, tax and financial planning. During this period, he built the Grant Thornton Cambridge office from a staff of 30 to more than 100 professionals. Mr. Blades graduated from the University of Sheffield in England earning a Bachelor of Arts in Business. He has extensive experience in U.S. and UK GAAP, IFRS (International Financial Reporting Standards), due diligence reporting and a range of regulatory matters. Mr. Blades is a trustee of a large defined benefit pension fund, a non-executive director of a trade and research organization, a member of the Court of Northampton University in England and is active in a number of charitable organizations.

**Julie A. Abraham** joined the Board of Directors as a Class II director on February 1, 2011. Since January 2011, Ms. Abraham has been the Chief Financial Officer of Essex, CT-based Structural Graphics LLC, a high-impact dimensional print company where she had previously served as a consulting Chief Financial Officer since July 2010. In 2008, Ms. Abraham began as a principal with Westbrook, CT-based The Edbraham Group LLC, a privately-held, national direct and digital marketing recruiting firm that she co-founded. During 2007 to 2008, she also served as a financial consultant to the Magnet Group LLC, a promotional products marketing firm. From 2004 to 2007, Ms. Abraham was CEO and majority owner of Newington, CT-based DMJ Search, an executive recruiting firm specializing in the direct marketing, print and mail industries. From 1985 to 2002, Ms. Abraham was employed at ADVO, Inc., a New York Stock Exchange-traded, national direct mail marketing firm, with her last position being Senior Vice President, Chief Financial Officer and Operating Committee Member, participating in running the day-to-day operations of the company. During her career at ADVO, she also held the titles of Senior Vice President of Finance and Controller and Operating Committee Member, Vice President and Controller, Vice President Financial Planning and Investor Relations and Vice President Shared Financial Services. Ms. Abraham earned a bachelor's degree in accounting from the University of Vermont, and she became a certified public accountant in 1982. Ms. Abraham's financial expertise in the public company arena and experience in strategic financial planning, as well as her direct knowledge of regulatory affairs, particularly with the SEC, financial controls and financial systems, Sarbanes-Oxley and financial due diligence in preparation for acquisitions provides valuable insight and guidance to the Company and the Board and makes her an ideal director and chairperson of our Audit Committee.

**Otis W. Baskin** has served as a Class I director since February 2004. He was a Professor of Management at The George L. Graziadio School of Business and Management at Pepperdine University in Malibu, California from June 1995 to 2012 and also served as dean from 1995 to 2001. As dean at Pepperdine he was responsible for all aspects of the management of an organization with 200 employees and \$47 million in annual revenue. He has been a member of the full-time faculty of the University of Houston - Clear Lake (1975-1987), where he served as Coordinator of the Management Faculty and Director of the Center for Advanced Management Programs. He has also been Professor of Management at Arizona State University, West Campus (1987-1991) and The University of Memphis (1991-1995), in addition to serving as dean at both universities. In each of these assignments he has had responsibilities for recruitment and setting compensation of both professional and support personnel. Dr. Baskin worked with AACSB International (Association for the Advancement of Collegiate Schools of Business) as Special Advisor to the President and as Chief Executive Officer from July 2002 to June 2004. He is an Associate with the Family Business Consulting Group, where he advises family owned and closely held businesses. He has served as an advisor to Exxon/Mobile Research and Engineering Corporation, NASA and the United States Air Force. Dr. Baskin is an expert in international business who has worked with companies and business schools in more than 40 countries. He earned a Ph.D. in Management, Public Relations and Communication Theory from The University of Texas at Austin, an M.A. degree in Speech Communication from the University of Houston, and a B.A. degree in Religion from Oklahoma Christian University. Dr. Baskin brings a unique blend of business, management, communications and leadership skills, experience and education, as well as his judgment, integrity and reputation, to his role as director and chair of the Compensation Committee.

**Frank P. Russomanno** joined the Board of Directors as a Class I director on March 1, 2011. He served as Vice Chairman of Imation, a New York Stock Exchange-traded company, from March 2009 and Chief Executive Officer of Imation from April 2007 until he retired from the Company in May 2010. He also served as President of Imation from April 2007 to March 2009 and served as a member of the Imation Board of Directors from April 2007 until he retired.

Previously, Mr. Russomanno was Chief Operating Officer of Imation from November 2003 to April 2007 and from November 2006 to April 2007 was also acting Chief Executive Officer and President. Prior to November 2003, Mr. Russomanno was president of Imation's Data Storage and Information Management business. Mr. Russomanno is active in industry and nonprofit organizations. Mr. Russomanno is the former chairman of the board of the Content Delivery & Storage Association (CDSA). He currently serves on the Boards of Directors of Hutchinson Technologies Incorporated and the Greater Twin Cities United Way and Intellectual Takeout. In addition, he is a former board member of Merrick Community Services in St. Paul, MN. Mr. Russomanno has a Bachelor of Arts degree in history from Seton Hall University. He has taken graduate courses at the University of Oklahoma and Monmouth College and served in the U.S. Army as an artillery officer in Vietnam, achieving the rank of Captain. Mr. Russomanno's background and direct experience leading the operations of a large, diverse organization can be applied to helping the management of the Company and makes him an ideal director and chairman of our Nominating and Corporate Governance Committee.

### **Term of Office and Family Relationships**

Our officers are appointed by, and serve at the discretion of, our Board. There are no family relationships among our executive officers or directors.

### **Legal Proceedings**

There are no material proceedings to which any director or officer, or any associate of any such director or officer, is a party that is adverse to our Company or any of our subsidiaries or has a material interest adverse to our Company or any of our subsidiaries. No director or executive officer has been a director or executive officer of any business which has filed a bankruptcy petition or had a bankruptcy petition filed against it during the past ten years. No director or executive officer has been convicted of a criminal offense or is the subject of a pending criminal proceeding during the past ten years. No director or executive officer has been the subject of any order, judgment or decree of any court permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities during the past ten years. No director or officer has been found by a court to have violated a federal or state securities or commodities law during the past ten years.

**EXECUTIVE COMPENSATION AND RELATED INFORMATION****Summary Compensation Table**

The following table provides information concerning the compensation for the years ended December 31, 2013 and December 31, 2012 for our principal executive officer, our current principal financial officer, and our chief operating officer and our former principal financial officer who served as executive officers during 2013 (collectively, the “Named Executive Officers”).

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards \$(1)	All Other Compensation (\$)	Total (\$)
Carmine T. Oliva Chairman and Chief Executive Officer	2013	405,567	-	-	77,846	(3) 492,830
	2012	414,984	-	-	24,078	(2) 439,062
Graham Jefferies (4) Director, President, Chief Operating Officer	2013	272,461	-	-	74,251	(5) 346,712
	2012	270,548	-	-	50,498	(6) 321,046
Timothy J. Blades (7) Chief Financial Officer and Treasurer (from April 11, 2012)	2013	192,741	-	19,095	7,849	(9) 219,685
	2012	149,523	-	-	-	(8) 149,523

(1) Neither Mr. Oliva nor Mr. Jefferies received any non-equity incentive plan compensation or non-qualified deferred compensation in 2013 or 2012.

(2) In 2012 the amount included \$4,640 in insurance premiums paid with respect to a \$1.0 million term life insurance policy for the benefit of Mr. Oliva’s spouse and other perquisites or personal benefits provided, none of which individually exceed the greater of \$25,000 or 10% of the total amount of these benefits provided to Mr. Oliva.

(3) In 2013 the amount included \$4,640 in insurance premiums paid with respect to a \$1.0 million term life insurance policy for the benefit of Mr. Oliva’s spouse and other perquisites or personal benefits including Medicare and a car allowance, none of which individually exceed the greater of \$25,000 or 10% of the total amount of these benefits provided to Mr. Oliva.

(4) Mr. Jefferies is based in the United Kingdom and receives his remuneration in British pounds sterling. The compensation amounts listed for Mr. Jefferies are shown in U.S. Dollars (“USD”), converted from British pounds sterling using the average of the daily conversion rates in effect in the years under review. Mr. Jefferies’ base salary in British pounds sterling was approximately £180,000 for both 2013 and 2012. Under the terms of his contract, Mr. Jefferies has the option to convert a proportion of this salary into contributions to a pension scheme.

In 2013 the amount included (i) \$50,902 in Company contributions to Mr. Jefferies' retirement account, (ii) 11,126 (5) in auto allowance benefits, and (iii) other perquisites or personal benefits provided, none of which individually exceed the greater of \$25,000 or 10% of the total amount of these benefits provided to Mr. Jefferies

In 2012 the amount included (i) \$29,915 in Company contributions to Mr. Jefferies' retirement account, (ii) \$10,288 (6) in auto allowance benefits, and (iii) other perquisites or personal benefits provided, none of which individually exceed the greater of \$25,000 or 10% of the total amount of these benefits provided to Mr. Jefferies.

Mr. Blades acted as interim Principal Accounting Officer from April 11, 2012. In the period from April 11, 2012 to November 30, 2012, his services were provided through TJB Business Advisory Services Limited ("TJB BAS"), a company under his control. Mr. Blades has been an employee of the Company since December 1, 2012. Mr. Blades (7) is based in the United Kingdom. Compensation, for his services, paid through TJB BAS and paid as salary as an employee, have been paid in British pounds sterling. The compensation amounts listed for Mr. Blades are shown in USD, converted from British pounds sterling using the average of the daily conversion rates in effect in 2012. From December 1, 2012, Mr. Blades' annual salary in British pounds sterling was at the rate of £120,000.

Mr. Blades received \$16,125 in salary for the period from December 1, 2012 to December 31, 2012. Prior to (8) December 1, 2012, TJB BAS received \$133,398 for providing his services in the period from April 11, 2012 to December 1, 2012.

Mr. Blades was granted 50,000 options to purchase shares of the Company's common stock in connection with his (9) appointment as Chief Financial Officer on February 5, 2013. Other benefits included pension contributions and the provision of a car for a portion of the year. None of the other personal benefits provided exceeded the greater of \$25,000 or 10% of the total amount of these benefits provided to Mr. Blades.



### **Review of Executive Compensation.**

The Compensation Committee regularly reviews the overall reward structure to ensure that it is commensurate with retaining key management, rewarding effort and providing an incentive for performance that aligns with the Company's corporate objectives. It is the Compensation Committee's practice to review the compensation of each of the Named Executive Officers annually in the light of annual objectives for the Company and the individual. External consultants are engaged to advise on executive contracts when considered appropriate.

### **Annual Incentive Compensation.**

We provide our executives the opportunity to earn annual bonuses based on an incentive compensation plan, which is designed to motivate and reward executives for their contribution to EMRISE's performance during the fiscal year. The cash compensation that our executive officers could receive is dependent upon our corporate performance. The bonus plan available for 2013 was determined by a formula based on designated performance measures for total company pre-tax income, total company revenue and net free cash. We use these performance measures for our incentive awards because they align with the overall Company objectives and we consider them as the most appropriate drivers of stockholder value. Total company pre-tax income and total company revenue performance measures require outperformance against budgets and prior year for officers to receive any bonus. The Committee does not have the discretion, under the bonus scheme, to grant an award absent attainment of the minimum performance measures. Our executives did not earn any bonuses for 2013 performance. The 2014 Variable Incentive Compensation Plan requires a minimum increase in pre-tax income of 80% over 2013 for officers to receive any bonus, and even if this is achieved, the amount payable is limited by the achievement of revenue and net free cash targets.

### **Termination Payments**

*Carmine T. Oliva*

The Company has a two year employment agreement with Mr. Oliva which commenced on December 12, 2013. This agreement is automatically renewable thereafter for periods of one year unless Mr. Oliva has been given written notice of non-renewal. The Company may terminate Mr. Oliva's employment at any time, with or without due cause. "Due cause" includes any intentional misapplication of our funds or other material assets, or any other act of dishonesty injurious to us, or conviction of a felony or a crime involving moral turpitude. "Due cause" also includes abuse of controlled substances or alcohol and breach, non-performance or non-observance of any of the terms of the agreement, provided that Mr. Oliva fails to satisfactorily remedy the performance problem following 30 days' written notice.

Mr. Oliva may terminate his employment at any time, with or without good reason. However, termination for good reason must occur within 30 days of the occurrence of an event constituting good reason, and Mr. Oliva must furnish the Company with written notice of the event within 30 days after the initial existence of the event and provide the Company with at least a 60-day cure period. "Good reason" includes: a material diminution in his authority, duties, responsibilities, titles or offices; a purported reduction in Mr. Oliva's base salary amounting to an enforced material diminution in his salary to an amount more than 10% below the base salary in effect at the time of the reduction; the Company's failure to timely cure or diligently initiate a cure of any material breach within 30 days after Mr. Oliva gives us written notice of the breach.

If the Company terminates Mr. Oliva's employment for due cause or due to Mr. Oliva's breach of his employment agreement by refusing to continue his employment, or if Mr. Oliva terminates his employment without good reason, then all compensation and benefits for Mr. Oliva will cease, other than amounts under retirement and benefit plans and programs that were earned and vested by the date of termination, pro rata annual salary through the date of termination, any stock options that were vested as of the date of termination, and accrued vacation.

If Mr. Oliva dies or becomes incapacitated, the Company may terminate his employment under the agreement. If Mr. Oliva's employment terminates due to his incapacity or death, Mr. Oliva or his estate or legal representative will be entitled to receive benefits under our retirement and benefits plans and programs that were earned and vested at the date of termination, a prorated incentive bonus for the fiscal year in which incapacity or death occurred (to the extent he would otherwise be eligible), and a lump sum cash payment in an amount equal to one year of his then current, annual salary.

If Mr. Oliva's employment terminates for good reason, or because the contract is not-renewed or for reasons other than as a result of due cause, incapacity, death or retirement at Mr. Oliva's own choice this will be deemed to be 'constructive termination'. Under such circumstances Mr. Oliva will be entitled to his salary through the end of the month in which termination occurs plus credit for accrued vacation, and a prorated incentive bonus, if eligible, for the fiscal year during which termination occurred. In addition, under those circumstances, if Mr. Oliva enters into a separation and release agreement with us, then he will be entitled to receive the following:

- (i) a severance payment equal to two times his then current annual salary (paid, with interest, over a three year period);

all medical insurance benefits to which he was entitled immediately prior to the date of termination for a period of eighteen months or the date that Mr. Oliva's continued participation in our medical insurance plan was not possible

- (ii) under the plan, whichever was earlier; If the Company's medical insurance plan does not allow Mr. Oliva's continued participation in the plan, then Mr. Oliva will receive the estimated monthly COBRA premiums at the time of termination (taking into account all known or anticipated premium increases) to be used by Mr. Oliva to maintain his medical insurance coverage for an additional eighteen months;

- (iii) a lump-sum cash payment equal to twenty-four times the estimated monthly life insurance premiums at the time of termination (taking into account all known or anticipated premium increases) to be used by Mr. Oliva to maintain his existing group life insurance coverage and the \$1,000,000 life insurance policy on his life for two years;

- (iv) 250,000 warrants (exercisable over a four year period) to purchase stock in the Company at the share price prevailing on the date of termination; and

other benefits, including an automobile allowance, charitable donations and contributions towards the cost of a

- (v) personal assistant for a period of twelve months. Full details are set out in Mr. Oliva's contract dated December 12, 2013.

In the event of a change of control in the Company the above benefits due to Mr. Oliva will become payable immediately.

#### *Graham Jefferies*

Mr. Jefferies may terminate his employment at any time, with or without good reason. However, termination for good reason must occur within 30 days of the occurrence of an event constituting good reason. The term "good reason" has the same meaning as in Mr. Oliva's employment agreement described above.

The Company may terminate Mr. Jefferies' employment at any time, immediately upon written notice, with or without due cause. The term "due cause" has the same meaning as in Mr. Oliva's employment agreement described above, except that Mr. Jefferies may satisfactorily remedy the performance problem following 90 days' written notice. If we terminate Mr. Jefferies' employment for due cause or due to Mr. Jefferies's breach of his employment agreement by refusing to continue his employment, or if Mr. Jefferies terminates his employment without good reason, then all compensation and benefits for Mr. Jefferies will cease, other than amounts under retirement and benefit plans and programs that were earned and vested by the date of termination, pro rata annual salary through the date of termination, and any stock options that were vested as of the date of termination, and accrued vacation as required by applicable law.

If Mr. Jefferies becomes mentally or physically incapable of performing the services required under the agreement for a period of 180 consecutive days, the agreement terminates; provided, however, that Mr. Jefferies will remain an employee of EMRISE Electronics Ltd. and be entitled to remuneration in an amount equal to the amount paid under EMRISE Electronics Ltd.'s permanent health insurance scheme, subject to the paragraph immediately below. Upon Mr. Jefferies' death, the agreement terminates immediately.

If Mr. Jefferies' employment terminates due to his incapacity or death, Mr. Jefferies or his estate or legal representative will be entitled to receive benefits under our retirement and benefits plans and programs that were earned and vested at the date of termination, a prorated incentive bonus for the fiscal year in which incapacity or death occurred (to the extent he would otherwise be eligible), and a lump sum cash payment in an amount equal to one year of his then current annual salary, grossed up to cover applicable taxes that are deducted from such amount.

If Mr. Jefferies' employment terminates for good reason or other than as a result of due cause, incapacity, death or retirement, Mr. Jefferies will be entitled to his salary through the end of the month in which termination occurs plus credit for accrued vacation, and a prorated incentive bonus, if eligible, for the fiscal year during which termination occurred. In addition, under those circumstances, if Mr. Jefferies enters into a separation and release agreement with us, then he will be entitled to receive a severance payment equal to two times his then current annual salary (to be paid, with interest, over thirty-six months), to receive all medical and life insurance benefits to which he was entitled immediately prior to the date of termination (or at the election of Mr. Jefferies in the event of a change in control, immediately prior to the date of the change in control) for a period of two years or the date or dates that Mr. Jefferies' continued participation in our medical and/or life insurance plans was not possible under the plans, whichever was earlier. If our medical and/or life insurance plans did not allow Mr. Jefferies' continued participation, then we will be required to pay to Mr. Jefferies, in monthly installments, the monthly premium or premiums that had been payable by us covering the two-year period.

*Timothy J. Blades*

On February 5, 2013, the Company appointed Mr. Blades as Chief Financial Officer in addition to his prior roles as Treasurer and Secretary. The contractual terms for Mr. Blades require three months' notice of termination from either party. During this three month period, Mr. Blades is required to work for the Company and the Company is required to pay Mr. Blades at the rate of salary pertaining at that time. No other sums are payable.

**Compensation Committee Report**

The Compensation Committee of EMRISE’s Board currently consists of Messrs. Baskin and Russomanno and Ms. Abraham, each of whom the Board has determined to be independent. This report shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”) or the Securities Exchange Act of 1934, as amended (the “Exchange Act”) by virtue of any general statement in such filing incorporating the Annual Report by reference, except to the extent that the Company specifically incorporates the information contained in this section by reference and shall not otherwise be deemed filed under either the Securities Act or the Exchange Act.

The Compensation Committee has reviewed and discussed with management the disclosure regarding Executive Compensation and Related Information contained in this proxy statement for the 2014 annual meeting. Based on the review and discussions, the Compensation Committee recommended to the Board that such disclosure be included in this proxy statement. The Compensation Committee also recommends a vote “FOR” the adoption of the resolution 3 approving the Company’s executive compensation policies and procedures and the 2013 compensation paid to the Named Executive Officers, as disclosed in the “*Executive Compensation*” section of this proxy statement, and the accompanying compensation tables and the related disclosures and “FOR” an annual vote on future executive compensation.

The Compensation Committee of the Board of Directors

Otis W. Baskin, Chairperson  
 Julie A. Abraham,  
 Frank P. Russomanno

**Outstanding Equity Awards at December 31, 2013**

The following table sets forth information about outstanding equity awards held by our Named Executive Officers as of December 31, 2013.

Option Awards			
Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying	Option Exercise Price (\$)	Option Expiration Date

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	Unexercised Options (#)	Unexercisable	Exercise Price	Expiration Date
Carmine T. Oliva	6,934	-	3.75	2/24/2014
	13,334	-	7.50	12/29/2015
	20,000	-	2.18	8/22/2018
	20,000	-	3.06	8/22/2018
	20,000	-	1.53	3/24/2019
Graham Jefferies	10,667	-	3.75	2/24/2014
	13,334	-	7.50	12/29/2015
	20,000	-	2.18	8/22/2015
	20,000	-	3.06	8/22/2015
	20,000	-	1.53	3/24/2016
Timothy Blades	50,000	-	0.55	2/5/2023

**Director Compensation-2013**

Each non-employee director is entitled to receive \$1,000 per month as compensation for his or her services. In addition, each member of the Board chairing a standing committee is entitled to receive \$500 per month as compensation for his or her services. Additional compensation is provided to each member of the Board at \$750 for attendance of teleconference meetings of thirty minutes or longer in duration and \$1,000 plus 2,000 shares of restricted common stock issued for in-person attendance at meetings. Until October 2013, the compensation provided to each independent member of the Board was amended to provide \$2,000 plus 1,000 shares of restricted common stock for in-person attendance at meetings. We reimburse all directors for out-of-pocket expenses incurred in connection with attendance at Board and committee meetings. We may periodically award options or warrants to our directors under our existing option and incentive plans.

The following table provides information concerning the compensation of our non-employee directors for the year ended December 31, 2013:

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Restricted Stock Awards (\$)(1)</b>	<b>Option Awards (\$)</b>	<b>Total (\$)</b>
Julie A. Abraham	31,000	2,800	-	33,280
Otis W. Baskin(2)	31,000	2,800	-	33,280
Frank Russomanno	31,000	2,800	-	33,280
Laurence P. Finnegan (3)	10,000	-	-	10,000

(1) The dollar amount reflected is the value of the restricted shares issued on the date of issue. Awards are restricted to transfer for a six-month vesting period.

(2) At December 31, 2013, Mr. Baskin held vested options to purchase an aggregate of 52,668 shares of common stock.

(3) Mr. Finnegan retired from the Board in June 2013.

**INFORMATION ABOUT OUR BOARD OF DIRECTORS, BOARD COMMITTEES AND RELATED MATTERS***Board Composition, Responsibilities and Leadership Structure*

Our business, property and affairs are managed under the direction of our Board. Directors are kept informed of our business through discussions with our executive officers, by reviewing materials provided to them and by participating in meetings of our board and its committees.

Our bylaws provide that our Board shall consist of at least four directors. Our Board is divided into three classes of directors: Class I, Class II and Class III. The term of office of each class of directors is three years, with one class expiring each year at our annual meeting of stockholders. We currently have five directors on our Board, with no vacancies. Our current Board consists of one Class III director whose term expires at our 2014 annual meeting, two Class I directors whose terms expire at our 2015 annual meeting and two Class II directors whose terms expire at our 2016 annual meeting.

During 2013, our Board held 7 meetings. During 2013, none of our current directors attended fewer than 80% of the aggregate of: (1) the total number of meetings of the Board (held during the period for which he/she has been a director); and (2) the total number of meetings held by all committees of the Board on which he/she served (during the periods that he/she served).

Our Board has determined that each of Messrs. Baskin and Russomanno and Ms. Abraham are independent based on the director independence standards of the NYSE. The independent members of our Board are selected because of their independence from management; depth of understanding of technology, manufacturing, sales and marketing, finance and/or other elements directly relevant to the technology and business of EMRISE; education and professional background; and judgment, skill, integrity and reputation.

The leadership of our Company and our Board is split between the executive and chairman leadership of Mr. Oliva, our founder, and the executive leadership of Mr. Jefferies on the one hand, and our independent directors, which make up 60% of the Board, on the other hand. Mr. Oliva has over 40 years of experience in the electronics and communications industry. His in-depth knowledge of each of our businesses and the competitive challenges each business faces, as well as his extensive experience as a director and senior member of management, make him the best-qualified director to serve as Chairman. Our independent directors are strong leaders with diverse educations, skills and backgrounds. They are appropriately skeptical, leading to thorough review and oversight of the strategies and actions proposed by the Chairman and management. The independent members meet regularly in executive session, with the most qualified member taking the lead in such sessions based on the issues being discussed. The Board may subsequently decide to change its leadership structure, as there is no formal policy that requires the Chief Executive Officer and Chairman to be served by one person.



We believe the combination of Mr. Oliva as our Chief Executive Officer and Chairman in combination with our strong independent members of the Board has been an effective leadership structure for EMRISE. The division of duties and the level of communication between the Board and our management provide the basis for the proper functioning of our Board and its oversight of management.

### *Risk Oversight*

Our Board provides consideration and oversight of risks facing EMRISE and its subsidiaries in the ordinary course of operating the businesses. Together with the Board's standing committees, the Board is responsible for ensuring that material risks are identified and managed appropriately. The Board and its committees regularly review material strategic, operational, financial, compensation and compliance risks with senior management and discuss the key risks to our business. The committees communicate the risks they oversee with the other committees and the Board, as a whole. The Audit Committee is responsible for discussing overall risk assessment and risk management practices, as set forth in the Audit Committee's charter. For example, the Audit Committee assists the Board in its risk oversight function by reviewing and discussing with management our system of disclosure controls and our internal controls over financial reporting. The Audit Committee also performs a central oversight role with respect to financial and compliance risks and meets at least quarterly with our independent auditor, BDO LLP. The Nominating and Corporate Governance Committee assists the Board in its risk oversight function by periodically reviewing and discussing with management important compliance and quality issues. The Compensation Committee considers risk in connection with its design of compensation programs for our executives. At this time, the Compensation Committee does not believe that the risks arising from the Company's compensation policies and practices for its employees are reasonably likely to have a material adverse effect on the Company.

### *Code of Ethics*

Our Board has adopted an Amended and Restated Code of Business Conduct and Ethics that apply to all of our directors, officers and employees and an additional Code of Business Ethics that applies to our Chief Executive Officer and senior financial officers. These codes are available on our Internet website, located at <http://www.emrise.com>.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from provision of these codes that relate to one or more of the items set forth in Item 406(b) of Regulation S-K, by describing on our Internet website within four business days following the date of a waiver or a substantive amendment, the date of the waiver or amendment, the nature of the amendment or waiver, and the name of the person to whom the waiver was granted. Information on our Internet website is not, and shall not be deemed to be, a part of this proxy statement or incorporated into any filings we make with the SEC.

*Board Committees*

Our Board currently has an Audit Committee, a Compensation Committee, a Special Committee and a Nominating and Corporate Governance Committee.

*Audit Committee*

The Audit Committee selects our independent registered public accountant; reviews the results and scope of the audit and other services provided by our independent registered public accountants; reviews our financial statements for each interim period and for our year end and our internal financial and accounting controls; and recommends, establishes and monitors our disclosure controls and procedures. Currently, our Audit Committee consists of Ms. Abraham and Messrs. Baskin and Russomanno, with Ms. Abraham serving as chairperson. Our Board has determined that Ms. Abraham is an audit committee financial expert. The Audit Committee operates pursuant to a charter approved by our Board and Audit Committee, according to the rules and regulations of the SEC. The Audit Committee held eight (8) meetings in 2013.

*Compensation Committee*

The Compensation Committee is responsible for establishing and administering our policies involving the compensation of all of our executive officers and establishing and recommending to our Board the terms and conditions of all employee and consultant compensation and benefit plans. Our entire Board also may perform these functions with respect to our employee stock option plans. Messrs. Baskin and Russomanno and Ms. Abraham, with Mr. Baskin serving as chairman, currently serve on the Compensation Committee. The Compensation Committee operates pursuant to a charter approved by our Board and Compensation Committee. The Compensation Committee held four (4) meetings in 2013.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board for the year ended December 31, 2013 consisted of Messrs. Baskin and Russomanno and Ms. Abraham. Mr. Finnegan served as a member of the committee until his retirement in June 2013. None of the current members of the committee has ever served as an officer or employee of EMRISE. No executive officer of EMRISE served as a director or member of a compensation committee of another entity in which the members of the Compensation Committee or the Board were an executive officer or director.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee reviews and provides oversight with regard to our corporate governance related policies and procedures and also recommends nominees to our Board and committees of our Board, develops and recommends to our Board corporate governance principles, and oversees the evaluation of the Board and management. Our Nominating and Corporate Governance Committee consists of Ms. Abraham and Messrs. Baskin and Russomanno, with Mr. Russomanno serving as chairman. The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director, including candidates that may be referred by stockholders. The Nominating and Corporate Governance Committee held 4 meetings in 2013.

The Nominating and Corporate Governance Committee will consider candidates for director recommended by any stockholder that is the beneficial owner of shares representing more than 1.0% of the then-outstanding shares of our common stock and that has beneficially owned those shares for at least one year. The Nominating and Corporate Governance Committee will evaluate those recommendations by applying its regular nominee criteria and considering the additional information described in the Nominating and Corporate Governance Committee's below-referenced charter. Stockholders that desire to recommend candidates for the Board for evaluation may do so by contacting EMRISE in writing, identifying the potential candidate and providing background and other information in the manner described in the Nominating and Corporate Governance Committee's charter. Candidates may also come to the attention of the Nominating and Corporate Governance Committee through current members of the Board, professional search firms and other persons. In evaluating potential candidates, the Nominating and Corporate Governance Committee will take into account a number of factors, including, among others, the following:

independence from management;

depth of understanding of technology, manufacturing, sales and marketing, finance and/or other elements directly relevant to the technology and business of our company;

education and professional background;

judgment, skill, integrity and reputation;

existing commitments to other businesses as a director, executive or owner;

personal conflicts of interest, if any; and

the size and composition of the Board of Directors.

In addition, prior to nominating a sitting director for re-election at an annual meeting of stockholders, the Nominating and Corporate Governance Committee considers the director's past attendance at, and participation in, meetings of our Board and its committees and the director's formal and informal contributions to their respective activities.

The Nominating and Corporate Governance Committee strives to maintain a Board with a diverse set of skills and qualifications, to ensure that the Board is adequately serving the needs of our stockholders. Before evaluating director candidates, the committee reviews the skills and qualifications of the directors currently serving on the board and identifies any areas of weakness or skills of particular importance. On the basis of that review, the committee will evaluate director candidates with those identified skills. While the Nominating and Corporate Governance Committee does not have a formal policy on board diversity, the committee takes into account a broad range of diversity considerations when assessing director candidates, including individual backgrounds and skill sets, professional experiences and other factors that contribute to our board having an appropriate range of expertise, talents, experiences and viewpoints, and considers those diversity considerations, in view of the needs of the Board as a whole, when making decisions on director nominations.

The Nominating and Corporate Governance Committee operates pursuant to a charter approved by our Board and the Nominating and Corporate Governance Committee.

#### Special Committee

In 2013, the Board authorized the creation of the Special Committee to monitor and oversee the strategic direction of the Company. The Board appointed Messrs. Baskin and Russomanno and Ms. Abraham as members. Mr. Russomanno serves as the Chairman and Mr. Baskin serves as the Secretary. This committee meets as often as is deemed appropriate. In 2013, there were four (4) meetings.

Committee Charters

The charters of our Audit, Compensation and Nominating and Corporate Governance committees, and our codes of business conduct and ethics, are included on our website at <http://www.emrise.com>. The foregoing information is also available in print to any stockholder who requests it. All such requests should be in writing and should be sent to EMRISE Corporation “c/o Secretary” at 2530 Meridian Parkway, Durham, NC 27113 or by telephone at (919) 806-4722, or by e-mail at [investors@emrise.com](mailto:investors@emrise.com).

Security Holder Communications with the Board of Directors

The Board has established a process to receive communications from security holders. Security holders and other interested parties may contact any member (or all members) of the Board, or the independent directors as a group, any committee of the Board or any chair of any such committee, by mail or electronically. To communicate with the Board, any individual directors or any group or committee of directors, correspondence should be addressed to the Board or any such individual directors or group or committee of directors by either name or title. All such correspondence should be sent “EMRISE Corporation “c/o Secretary” at 2530 Meridian Parkway, Durham, NC 27113. To communicate with any of our directors electronically, security holders should send an email to our Secretary at: [secretary@emrise.com](mailto:secretary@emrise.com) or call (919) 806-4722.

All communications received as set forth in the preceding paragraph will be opened by the Secretary for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, patently offensive material or matters deemed inappropriate for the Board will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, our Secretary will make sufficient copies (or forward such information in the case of e-mail) of the contents to send to each director who is a member of the group or committee to which the envelope or e-mail is addressed.

Policy With Regard to Board Members’ Attendance at Annual Meetings

It is our policy that our directors are invited and encouraged to attend all of our annual meetings. At the date of our 2013 annual meeting, we had six members on our Board, five of whom were in attendance in person or telephonically at our 2013 annual meeting.

**Report of the Audit Committee of the Board of Directors**

Management is responsible for the preparation of the Company's financial statements and the Company's independent registered public accountants are responsible for auditing those statements. In connection with the preparation of the financial statements for the year ending December 31, 2013, the Audit Committee (i) reviewed and discussed the audited financial statements with management; (ii) discussed with the independent registered public accountants the matters required to be discussed under Statement on Auditing Standards No. 61, as amended, (AICPA Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and (iii) received the written report, disclosures and the letter from the independent registered public accountants required by Public Company Accounting Oversight Board Rule 3526, "Communication with Audit Committees Concerning Independence," and the Audit Committee has reviewed, evaluated and discussed with that firm the written report and its independence from the Company. The Audit Committee also has discussed with management of the Company and the independent registered public accountants such other matters and received such assurances from them as the Audit Committee deemed appropriate.

Based upon these reviews and discussions, the Audit Committee recommended, and the Board approved, the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, for filing with the SEC.

Audit Committee

Julie A. Abraham, Chairperson  
Otis W. Baskin  
Frank P. Russomanno

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

*Beneficial Ownership Table*

Except as otherwise indicated in the related footnotes, the following table sets forth information with respect to the beneficial ownership of our common stock as of May 1, 2014, by:

each person known by us to beneficially own more than 5% of the outstanding shares of our common stock;

each of our current directors;

each of the Named Executive Officers in the summary compensation table contained above; and

all of our current directors and our current officers as a group.



Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting or dispositive power with respect to the securities. To our knowledge, except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table below have sole voting and dispositive power with respect to all shares of common stock shown as beneficially owned by them. Except as indicated in the discussion of contractual beneficial ownership limitations below and except as indicated in the footnotes to the table below, shares of common stock underlying derivative securities, if any, that currently are exercisable or convertible or are scheduled to become exercisable or convertible for or into shares of common stock within 60 days after the date of the table are deemed to be outstanding in calculating the percentage ownership of each listed person or group but are not deemed to be outstanding as to any other person or group. Percentage of beneficial ownership is based on 10,719,337 shares of common stock outstanding as of the date of the table.

The address of each of the following stockholders, unless otherwise indicated in the footnotes to the table, is c/o EMRISE Corporation, 2530 Meridian Parkway, Durham, NC 27713. Messrs. Oliva, Jefferies and Blades are current Named Executive Officers.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Carmine T. Oliva	461,318	(1) 4.3 %
Otis W. Baskin	84,121	(2) *
Graham Jefferies	77,780	(3) *
Frank P. Russomanno	44,659	*
Julie A. Abraham	40,000	*
Timothy J. Blades	50,000	(4) *
All officers and directors as a group (6 persons)	757,878	(5) 7.1 %
Echo Holdings, LLC (6)	543,477	5.1 %
All officers, directors and 5% holders as a group (7 persons)	1,301,355	12.2 %

\* Less than 1.00%

(1) Includes 21,837 shares held individually by Mr. Oliva's spouse, and 73,334 shares underlying vested options.

(2) Includes 39,334 shares underlying vested options.

(3) Includes 73,334 shares underlying vested options.



(4) Includes 50,000 shares underlying vested options.

(5) Includes 236,002 shares underlying vested options and 21,837 outstanding shares held individually by Mr. Oliva's wife.

(6) The address for Echo Holdings, LLC is 120 Old Post Road, Suite AWRE, Rye, New York 10580.

### Securities Authorized for Issuance under Equity Compensation Plans

The following table gives information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2013:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	350,947	(1) \$ 3.36	6,498,848
Equity compensation plans not approved by security holders	-	-	-
Total	350,947	\$ 3.36	6,498,848

Represents shares of common stock underlying options that are outstanding under our Amended and Restated (1) 2000 Stock Option Plan and our 2007 Stock Incentive Plan. The material features of these plans are described in note 11 to our consolidated financial statements for the year ended December 31, 2013.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Director Independence**

The Company is not required by the OTCQB (“OTCQB”), on which it is quoted, to determine or comply with independent director requirements. The following information concerning director independence is based on the director independence standards of the NYSE. Our Board has determined that each of Messrs. Baskin and Russomanno and Ms. Abraham are independent in accordance with the definition of independence of the NYSE because none of those directors has, or during the past three years has had, a material relationship with us, either directly or as a partner, stockholder or officer of an organization that has a relationship with us, and none of those directors is disqualified from being deemed independent under the NYSE rules. Our Board has also determined that each member of the audit committee is independent.

The non-management members of our Board must meet at regularly scheduled executive sessions without management, with a non-management director presiding over each executive session. A presiding director for each session is selected by the members of the Board in attendance at the session based upon the topics to be discussed at the session. The non-management directors can be contacted by calling the chairperson of the audit committee. Further, if the non-management directors include directors who are not independent, then we should at least once a year schedule an executive session including only independent directors.

### **Transactions with Related Persons**

We are party to indemnification agreements with each of our directors and executive officers. The indemnification agreements and our certificate of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law. The Nominating and Corporate Governance Committee reviews, approves and ratifies any transactions between the Company and related persons. The Company is not aware of any transaction since January 1, 2012, or any currently proposed transaction, in which the Company was or is to be a participant and the amount involved exceeds \$120,000 and in which any related party was or will have a direct or indirect material interest.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than 10% of a registered class of our common stock, to file initial reports of ownership and reports of changes in

ownership with the SEC. These officers, directors and stockholders are required by the SEC regulations to furnish us with copies of all reports that they file.

Based solely upon a review of copies of the reports furnished to us during the year ended December 31, 2013 and thereafter, or any written representations received by us from directors, officers and beneficial owners of more than 10% of our common stock that no other reports were required, we believe that, during 2013, all Section 16(a) filing requirements applicable to our directors and officers were made on a timely basis.

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

The following discussion should be read in conjunction with our consolidated financial statements and the related notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2013. The following discussion contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally include the plans and objectives of management for future operations, including plans and objectives relating to our future economic performance and our current beliefs regarding revenues we might generate, expenses we might incur and profits we might earn if we are successful in implementing our business and growth strategies.

These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially from the expected results. Many of these factors are outside of EMRISE's control and are difficult to predict. Factors that may cause such differences include, but are not limited to:

our ability to pay outstanding debt as it comes due;

our ability to successfully support the working capital needs of our company;

our ability to maintain our cost management activities implemented over the past years and to otherwise contain costs;

our ability to increase revenues through additional sales, customers, products and pricing;

our ability to reach sustained profitability;

our ability to continue to borrow funds under the financing arrangements currently in place or to secure additional financing in the future;

exposure to and impacts of various international risks including legal, business, political and economic risks associated with our international operations, also including the impact of foreign currency translation;

the projected growth or contraction in the electronic devices and communications equipment markets in which we operate, including military and defense spending across the globe;

our strategies for expanding, maintaining or limiting our presence in these markets;

anticipated trends in our financial condition and results of operations;

our ability to distinguish ourselves from our current and future competitors;

our ability to secure long term purchase orders;

our ability to deliver against our existing or future book of shippable orders (backlog);

technical or quality issues experienced by us, our suppliers and/or our customers;

failure to comply with existing or future government or industry standards and regulations;

our ability to successfully locate, acquire and integrate any possible future acquisitions;

the impact of current and/or future economic conditions, including but not limited to, the overall condition of the stock market, the overall credit market, the global recession, political, economic and/or other constraints which are or may negatively impact the industries in which we participate and/or the ability for us to market the products which we sell; and

our ability to successfully compete against competitors that in many cases are larger than us, have access to significantly more working capital than we do and have significant resources in comparison to us.

Any of the factors described above could cause our financial results, including our net income or loss or growth in net income or loss to differ materially from prior results, which in turn could, among other things, cause the price of our common stock to fluctuate substantially.

EMRISE cautions that the foregoing list of factors is not exclusive. EMRISE is also subject to risks and uncertainties and other factors discussed in documents incorporated by reference in this proxy statement, including EMRISE's most recently filed Form 10-K and Form 10-Q and any amendments thereto. All subsequent written and oral forward-looking statements concerning EMRISE, the 2014 annual meeting, or other matters attributable to EMRISE or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements above. EMRISE does not undertake any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed in this document.

## **PROPOSAL 1**

### **ELECTION OF CLASS III DIRECTOR**

Our bylaws provide that our Board shall consist of at least four directors. Our Board is divided into three classes of directors: Class I, Class II and Class III. The term of office of each class of directors is three years, with one class expiring each year at our annual meeting of stockholders.

Our current Board consists of two Class II directors, Graham Jefferies and Julie A. Abraham, whose terms expire at our 2016 annual meeting, two Class I directors, Otis W. Baskin and Frank P. Russomanno, whose terms expire at our 2015 annual meeting, and one Class III director, Carmine T. Oliva, whose term expires at the 2014 annual meeting. Mr. Oliva is named as nominee for election to serve a three-year term expiring at our 2017 annual meeting or until succeeded by another qualified director who has been duly elected.

The proxy holders intend to vote all proxies received by them in favor of the election of Carmine T. Oliva unless instructions to the contrary are marked on the proxy. If Mr. Oliva is unable or declines to serve as a director at the time of the annual meeting, an event not now anticipated, the proxies will be voted for any nominee designated by our present Board. However, the proxy holders may not vote proxies for a greater number of persons than the number of nominees named on the proxy.

### **Required Vote of Stockholders and Board Recommendation**

Directors are elected by a plurality vote of shares present in person or represented by proxy at the meeting. This means that the director nominee with the most votes for a particular slot on the Board is elected for that slot. In an uncontested election for directors, the plurality requirement is not a factor.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE ELECTION OF CARMINE T. OLIVA AS A CLASS III DIRECTOR.**

**PROPOSAL 2****RATIFICATION OF SELECTION OF****INDEPENDENT REGISTERED PUBLIC ACCOUNTANT**

Our audit committee has selected BDO LLP (“BDO”), independent registered public accountants, to audit our consolidated financial statements for 2014, and our Board has concurred in this selection. Additional information regarding our relationship with our independent public accountants is contained in this proxy statement under the headings “Report of the Audit Committee of the Board,” “Principal Accounting Fees and Services,” and “Pre-Approval Policies and Procedures.” We anticipate that a representative of BDO will be present by telephone at our 2014 annual meeting, will have the opportunity to make a statement if they desire to do so at the meeting, and will be available to respond to appropriate questions at the meeting.

**The Audit Committee of the Board and the Board unanimously recommend that the stockholders vote “FOR” the proposal to ratify the appointment of BDO LLP as our independent registered public accounting firm.**

**Principal Accounting Fees and Services***Fees and Services*

Our principal accountants for the audit of our consolidated financial statements for the years ended December 31, 2013 and 2012 were BDO LLP, based in the United Kingdom and for the year ended December 31, 2011 were BDO USA, LLP, based in the USA. The following table sets forth the aggregate fees billed to us by BDO LLP, and BDO USA, LLP, in 2013 and 2012, for professional services:

Fee Category	BDO LLP		BDO USA LLP	
	2013	2012	2013	2012
Audit Fees	\$283,000	\$57,000	-	197,000
Audit-Related Fees	-	-	-	5,000
Tax Fees	16,000	18,000	41,000	47,000

All Other Fees	-	-	-	-
Total	\$299,000	\$75,000	41,000	249,000

Audit Fees. Audit fees consist of fees billed for professional services for (i) audit of our 2013 and 2012 consolidated financial statements, (ii) review of the interim consolidated financial statements included in our 2013 and 2012 quarterly reports, and (iii) services that are normally provided by an independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

Audit-Related Fees. Audit related fees in 2012 consisted of fees billed for professional services performed with respect to the retirement benefit plan audit and internal control documentation review.

Tax Fees. Tax fees for 2013 and 2012 consisted of fees billed for professional services for tax compliance, tax advice and tax planning and equity transaction related activities. These services include assistance regarding federal, state and international tax compliance, tax audit defense, customs and duties, mergers and acquisitions, and international tax planning.

*Pre-Approval Policies and Procedures*

Our Audit Committee pre-approves all services provided by our principal accountant. Our audit committee also considers in advance whether or not to approve any non-audit services to be performed by the independent accounting firm required to be approved by the audit committee pursuant to any applicable rules and regulations.

During the two fiscal years ended December 31, 2013 and 2012 and the subsequent interim period through May 14, 2014, there were no disagreements or reportable events as described in Item 304(a)(1) of Regulation S-K under the Securities Act (“Regulation S-K”).

We did not consult with BDO or BDO USA, LLP during the fiscal years ended December 31, 2013 or December 31, 2012 and the subsequent interim period through May 1, 2014 regarding either:

1. The application of accounting principles to any specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report was provided to us nor oral advice was provided that BDO concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue in the consolidated financial statements; or



2. Any matter that was either subject of disagreement, as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instruction to Item 304 of Regulation S-K, or a reportable event, as that term is explained in Item 304(a)(1)(v) of Regulation S-K.

### **Required Vote of Stockholders and Board Recommendation**

Although stockholder approval is not required, our Board has directed that this selection be submitted to our stockholders for ratification at our 2014 annual meeting. The affirmative vote of a majority of the shares of our common stock entitled to vote at and present in person or represented by proxy at the meeting will constitute stockholder ratification of the selection. Abstentions, but not broker non-votes, will be treated as shares present and entitled to vote on this proposal. Applying that standard, an abstention will have the effect of a vote “against” this proposal, and a broker non-vote will reduce the absolute number (although not the percentage) of the affirmative votes needed for approval of this proposal. If stockholder approval of this proposal is not obtained, our audit committee and Board may reconsider our appointment of BDO as our independent registered public accountants.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE RATIFICATION OF THE SELECTION OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANT TO AUDIT OUR CONSOLIDATED FINANCIAL STATEMENTS FOR 2014.**

### **PROPOSAL 3**

#### **NON-BINDING ADVISORY VOTE APPROVING EXECUTIVE COMPENSATION**

We are asking our stockholders to provide advisory approval of the compensation of our Named Executive Officers, as we have described it in the “*Executive Compensation*” section of this proxy statement. While this vote is advisory, and not binding on the Company, it will provide information to our Board and Compensation Committee regarding investor sentiment about our executive compensation policies and practices, which the Committee will be able to consider when determining executive compensation for the remainder of fiscal 2014 and beyond.

This proposal, commonly known as a “say-on-pay” proposal, gives the Company’s stockholders the opportunity to endorse or not endorse our executive compensation program and policies through the following resolution:

“Resolved, that the compensation of the Company’s Named Executive Officers, as disclosed pursuant to compensation disclosure rules of the Securities and Exchange Commission located in the “*Executive Compensation*” section of this proxy statement, and the accompanying executive compensation table and narrative discussions, is hereby APPROVED.”

The vote on this Item 3 is advisory, and therefore not binding on the Company, the Compensation Committee, or the Board. The vote will not be construed to create or imply any change to the fiduciary duties of the Company or the Board, or to create or imply any additional fiduciary duties for the Company or the Board. However, the Board and the Compensation Committee value input from stockholders and will consider the outcome of the vote when making future executive compensation decisions. The affirmative vote of a majority of the shares present or represented and entitled to vote either in person or by proxy is required to approve this Item 3.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE ADOPTION OF THE FOREGOING RESOLUTION APPROVING THE COMPANY’S EXECUTIVE COMPENSATION POLICIES AND PROCEDURES AND THE 2013 COMPENSATION PAID TO THE EXECUTIVE OFFICERS.**

**STOCKHOLDERS’ PROPOSALS FOR 2015 ANNUAL MEETING**

Pursuant to Rule 14a-8 under the Exchange Act, proposals by stockholders that are intended for inclusion in our proxy statement and proxy card and to be presented at our next annual meeting need to be received by us no later than 120 calendar days in advance of the one-year anniversary of the date of this proxy statement, or January 9, 2015, in order to be considered for inclusion in our proxy materials relating to the next annual meeting. However, if the date of our 2015 annual meeting changes by more than 30 days from the date of our 2014 annual meeting, proposals by stockholders must be received a reasonable time before we mail our proxy materials for the current year’s meeting in order to be timely. For purposes of the preceding sentence, a “reasonable time” coincides with any adjusted deadline we publicly announce. Proposals intended for inclusion in our proxy statement and proxy card for our 2014 annual meeting must be addressed to our secretary at our corporate headquarters and may be included in next year’s annual meeting proxy materials if they comply with rules and regulations of the SEC governing stockholder proposals.

Any stockholder proposal must be in writing, must comply with Rule 14a-8 under the Exchange Act and must set forth (1) a description of the business desired to be brought before the meeting and the reasons for conducting the business at the meeting, (2) the name and address, as they appear on our books, of the stockholder submitting the proposal, (3) the class and number of shares that are beneficially owned by such stockholder, (4) the dates on which the stockholder acquired the shares, (5) documentary support for any claim of beneficial ownership as required by Rule 14a-8, (6) any material interest of the stockholder in the proposal, (7) a statement in support of the proposal and (8) any other information required by the rules and regulations of the SEC. Proposals by stockholders that are not intended for inclusion in our proxy materials may be made by any stockholder who timely and completely complies with the notice procedures contained in our bylaws, was a stockholder of record at the time of giving of notice and is entitled to vote at the meeting, so long as the proposal is a proper matter for stockholder action and the stockholder otherwise complies with the provisions of our bylaws and applicable law. However, stockholder nominations of persons for election to our Board of Directors at a special meeting may only be made if our Board of Directors has determined that directors are to be elected at the special meeting.

To be timely, a stockholder's notice regarding a proposal not intended for inclusion in our proxy materials must be delivered to our Secretary at our corporate headquarters not later than:

Typically in the case of an annual meeting, the close of business on the 45th day before the first anniversary of the date on which we first mailed our proxy materials for the prior year's annual meeting of stockholders, or May 9, 2014. However, if the date of our 2015 annual meeting changes more than 30 days from the date of our 2014 annual meeting, in order for the stockholder's notice to be timely it must be delivered to our secretary a reasonable time before we mail our proxy materials for the current year's meeting. For purposes of the preceding sentence, a "reasonable time" coincides with any adjusted deadline we publicly announce.

In the case of a special meeting, the close of business on the 7th day following the day on which we first publicly announce the date of the special meeting.

Except as otherwise provided by law, if the chairperson of the meeting determines that a nomination or any business proposed to be brought before a meeting was not made or proposed in accordance with the procedures set forth in our bylaws and summarized above, the chairperson may prohibit the nomination or proposal from being presented at the meeting.

## **OTHER MATTERS**

The Board knows of no matter to come before the annual meeting other than as specified in this proxy statement. If other business should, however, be properly brought before the meeting, the persons voting the proxies will vote them in accordance with their best judgment.

## **DELIVERY OF THIS PROXY STATEMENT**

For the stockholders who do not participate in the electronic delivery of proxy materials or "Notice and Access", the SEC has adopted rules that permit companies and intermediaries (such as brokers) to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, known as "householding," potentially means extra convenience for stockholders and cost savings for companies. This year, a number of brokers with customers who are our stockholders will be "householding" our proxy materials unless contrary instructions have been received from the broker's customers. We will promptly deliver, upon oral or written request, a separate copy of the proxy statement to any stockholders sharing an address to which only one copy was mailed. Requests for additional copies should be directed to EMRISE Corporation, 2530 Meridian Parkway, Durham, NC 27713 Attention: Secretary, or by telephone at (919) 806 4722 or e-mail at [secretary@emrise.com](mailto:secretary@emrise.com).

Once a stockholder has received notice from his or her broker that the broker will be “householding” communications to the stockholder’s address, “householding” will continue until the stockholder is notified otherwise or until the stockholder revokes his or her consent. If, at any time, a stockholder no longer wishes to participate in “householding” and would prefer to receive separate copies of the proxy statement, the stockholder should so notify his or her broker. Any stockholder who currently receives multiple copies of the proxy statement at his or her address and would like to request “householding” of communications should contact his or her broker or, if shares are registered in the stockholder’s name, our Secretary, at the address or telephone number provided above.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

The Company files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, proxy statements or other information that we file with the SEC at the following location of the SEC:

Public Reference Room

Station Place

100 F Street, N.W.

Washington, D.C. 20549

Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, Station Place, 100 F Street, N.W., Washington, D.C. 20549, at prescribed rates. The Company’s public filings are also available to the public from document retrieval services and the Internet website maintained by the SEC at <http://www.sec.gov>. You may also retrieve this information from our website at [www.emrise.com](http://www.emrise.com). Information contained on our website is not incorporated in or made a part of this proxy statement.

A copy of our Annual Report on Form 10-K for the year ended December 31, 2013 is being made available with this proxy statement **via the Internet at <http://www.edocumentview.com/EMRI>**.

Any person, including any beneficial owner, who receives the Notice of Internet Availability of Proxy Materials, may request copies of reports, proxy statements or other information concerning us, without charge, by written or telephonic request directed to us at EMRISE Corporation, 2530 Meridian Parkway, Durham, NC. 37713 Attention: Secretary, or by telephone at (919) 806 4722 or e-mail at [secretary@emrise.com](mailto:secretary@emrise.com). If you would like to request documents, please do so by June 9, 2014, in order to receive them before the annual meeting.

**No persons have been authorized to give any information or to make any representations other than those contained in this proxy statement and, if given or made, such information or representations must not be relied upon as having been authorized by us or any other person. This proxy statement is dated May 9, 2014. You should not assume that the information contained in this proxy statement is accurate as of any date other than that date, and the mailing of this proxy statement to stockholders shall not create any implication to the contrary.**















