

BALLANTYNE STRONG, INC.
Form PREC14A
April 13, 2015

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

Ballantyne Strong, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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PRELIMINARY PROXY STATEMENT

SUBJECT TO COMPLETION

PRELIMINARY PROXY STATEMENT AND NOTICE

FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS

to be held at

**Hilton Garden Inn
4025 Windward Plaza
Alpharetta, Georgia 30005**

on

May 13, 2015 at 9:00 a.m. (Eastern Daylight Time)

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held May 13, 2015

The Annual Meeting of Stockholders of Ballantyne Strong, Inc. will be held at Hilton Garden Inn, 4025 Windward Plaza, Alpharetta, Georgia 30005, on May 13, 2015 at 9:00 a.m., Eastern Daylight Time, (including any adjournments or postponements thereof, the “Annual Meeting”) for the following purposes:

1. To elect directors to the Company's Board of Directors (the “Board”) for one-year terms.
2. To consider and act upon a non-binding advisory resolution to approve the compensation of the Company’s Named Executive Officers, as described in the Proxy Statement.
3. To ratify the appointment of KPMG LLP as the Company’s independent auditors for the fiscal year ending December 31, 2015.
4. To transact such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof.

Only those stockholders of record at the close of business on March 16, 2015, (the “Record Date”) shall be entitled to notice of the Annual Meeting and to vote at the Annual Meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting in person, please vote your WHITE proxy card as soon as possible to assure a quorum. Please vote in one of these three ways:

- (1) **Visit the website at *www.proxyvote.com* and have your WHITE proxy card in hand to vote through the internet, or**
- (2) **Use the toll-free telephone number listed on the WHITE proxy card, or**
- (3) **Mark, sign, date and promptly return the enclosed WHITE proxy card in the postage-paid envelope.**

If you vote on the website or by telephone you do not need to return a proxy card by mail, unless you wish to change your vote or revoke your vote.

Voting by any of these methods will ensure that you are represented at the Annual Meeting even if you are not there in person. Stockholders who have previously voted but attend the Annual Meeting may withdraw their proxy if they wish to do so, and vote in person.

If you desire assistance in scheduling overnight accommodations in Alpharetta, contact Tiffanie Pusateri at Ballantyne at (402) 829-9403. Early reservations are encouraged.

The formal meeting of stockholders will be followed by a review of our business. I look forward to seeing you at the Annual Meeting.

If you have any questions or require any assistance in executing your proxy, please call or e-mail:

D.F. King & Co., Inc.

Stockholders call toll-free: (866) 796-1292

Banks and Brokerage Firms call: (212) 269-5550

E-mail: btn@dfking.com

Important Notice regarding the availability of proxy materials for the Annual Meeting: The Company's Proxy Statement, its Annual Report to stockholders and this Notice are available at www.strong-world.com or www.proxyvote.com.

Dated this [•] day of April, 2015.

By Order of the Board of Directors

Gary L. Cavey

President and Chief Executive Officer

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PRELIMINARY PROXY STATEMENT

SUBJECT TO COMPLETION

FOR ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 13, 2015

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Ballantyne Strong, Inc. (the "Company"). The 2015 Annual Meeting of Stockholders will be held on May 13, 2015 at 9:00 a.m., Eastern Daylight Time, at Hilton Garden Inn, 4025 Windward Plaza, Alpharetta, Georgia 30005 and its telephone number is (770) 369-9000.

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Who may vote?

The Company has one class of voting shares outstanding. Only stockholders of record of our common stock at the close of business on March 16, 2015, the Record Date, are entitled to receive notice of the Annual Meeting and to vote the shares of common stock that they held on the Record Date. At the close of business on March 16, 2015, the Company had 14,103,396 shares of outstanding common stock, all of which are entitled to vote at the Annual Meeting. Each share of common stock will have one vote on each matter to be voted on. The shares of common stock held in treasury will not be voted.

What is the purpose of the Annual Meeting?

At the Company's Annual Meeting, stockholders will act upon the matters described in the accompanying notice of meeting. In addition, management will report on Ballantyne's performance during fiscal 2014 and respond to questions from stockholders.

Who may attend the Annual Meeting?

All stockholders as of the Record Date, or their duly appointed proxies, may attend the Annual Meeting.

What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the Company's common stock outstanding on the Record Date will constitute a quorum, permitting action to be taken and the conduct of business at the Annual Meeting. As of the Record Date, 14,103,396 shares of common stock were outstanding. Broker non-votes, abstentions and proxies marked "withheld" for the election of directors, will be counted for purposes of determining the presence or absence of a quorum for the transaction of business, but will not be counted for purposes of determining the number of votes cast with respect to a proposal.

May I vote by proxy card, by telephone or through the internet?

You may vote by proxy card, by telephone or through the internet. Voting by any of these methods will ensure that you are represented at the Annual Meeting even if you are not there in person. Please refer to the instructions on the **WHITE** proxy card.

Has the Company been notified that a stockholder intends to propose an alternative slate of director nominees at the Annual Meeting?

Yes. Fundamental Global Investors, LLC, and certain of its affiliates (collectively, the "Global Investors Group") has notified the Company of its intention to propose an alternative slate of seven (7) director nominees for election at the Annual Meeting in opposition to the slate of nominees recommended by the Board of Directors. The Global Investors Group's proposed nominees have **NOT** been endorsed by the Board of Directors, and the Board of Directors recommends a vote "**FOR**" each of the Board's nominees for director on the enclosed **WHITE** proxy card accompanying this proxy statement. The Board strongly urges you **NOT** to sign or return any proxy card sent to you by the Global Investors Group. If you have previously submitted a proxy card sent to you by the Global Investors Group, you can revoke that proxy and vote for the Board of Directors' nominees and on the other matters to be voted on at the Annual Meeting by using the enclosed **WHITE** proxy card.

What should I do if I receive a proxy card from the Global Investors Group?

The Global Investors Group has notified the Company that it intends to nominate an alternative slate of seven (7) director nominees for election at the Annual Meeting in opposition to the slate of nominees recommended by the Board of Directors. You may receive proxy solicitation materials from the Global Investors Group, including an opposition proxy statement and proxy card. The Company is not responsible for the accuracy of any information contained in any proxy solicitation materials used by the Global Investors Group or any other statements that it may otherwise make. ***The Board of Directors does not endorse the Global Investors Group's nominees and recommends that you disregard any proxy card or solicitation materials that may be sent to you by the Global Investors Group. Voting to "withhold" with respect to any Global Investors Group nominee on a proxy card sent to you by the Global Investors Group is not the same as voting for the Board of Directors' nominees because a vote to "withhold" with respect to any Global Investors Group nominee on its proxy card will revoke any proxy you previously submitted. If you have already voted, or do vote, using a proxy card sent to you by the Global Investors Group, you have every right to change your vote by executing and returning the enclosed WHITE proxy card or by voting by telephone or via the Internet by following the instructions provided on the enclosed WHITE proxy card. Only the latest dated proxy you submit will be counted. If you have any questions or require any assistance in executing your proxy, please call or e-mail:***

D.F. King & Co., Inc.

Stockholders call toll-free: (866) 796-1292

Banks and Brokerage Firms call: (212) 269-5550

E-mail: btn@dfking.com

Why is the Board of Directors nominating a slate of six directors for the available seven seats at the Annual Meeting?

D. Kyle Cerminara was invited by the Company to join the Board and was appointed in February 2015 through Board action filling a vacancy on the Board. Following the announcement of the proxy contest initiated by the Global Investors Group, the Board invited Mr. Cerminara to remain on the Company's slate of nominees even though it recognized that he would also be on the Global Investors Group's slate of nominees. The Company was informed on March 30, 2015 that Mr. Cerminara was not willing to consent to also be on the Company's slate of nominees. In view of the short amount of time remaining before the Annual Meeting on May 13, 2015, the Company does not believe it is practicable to find and vet another nominee to fill the vacancy on the Company's slate. Accordingly, the Company is nominating only six nominees to fill the seven Board seats up for election. The time period for advance notice of director nominations required by the Company's Bylaws has passed so that no nominees can be submitted at the Annual Meeting other than those submitted by the Company or the Global Investors Group. As a result, at least one of the nominees submitted by the Global Investors Group will be elected at the Annual Meeting. The Board believes ensuring that fresh perspective is brought to the Board, through the election of at least one nominee of the Global Investors Group, is consistent with the openness and spirit of reasonable compromise the Company has exhibited throughout this proxy contest. The Board strongly urges you to submit your voting instructions **"FOR ALL"** six of the

nominees recommended by the Board.

May I change my vote?

You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting. You may change your vote on the internet or by telephone (only your latest internet or telephone proxy submitted prior to the Annual Meeting will be counted), or by signing and returning a new proxy card with a later date, or by attending the meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the meeting or specifically request in writing that your prior proxy be revoked.

If you have previously signed a proxy card sent to you by the Company or any participants in an opposing solicitation, you may change your vote by marking, signing, dating and returning the enclosed **WHITE** proxy card in the accompanying pre-paid envelope or by voting by telephone or via the Internet by following the instructions on your **WHITE** proxy card. Submitting a later proxy card sent to you by the Company or any participants in an opposing solicitation will revoke votes you have already made. ***Only the latest validly executed proxy that you submit will be counted.***

How does the Board recommend I vote?

Unless you give instructions on your **WHITE** proxy card, the persons named as proxy holders on the **WHITE** proxy card will vote in accordance with the recommendations of the Board of Directors. The Board's recommendation is set forth in the description of each proposal in this Proxy Statement. With respect to any other matter that properly comes before the Annual Meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion.

How Does the Contested Solicitation Impact Voting Matters?

If you have already delivered, or if you deliver at a later date, a properly executed **WHITE** proxy, you do not have to do anything further unless you want to change your vote. In the event you do not execute a new proxy, you will be disenfranchised as to any proposal from opposing solicitations to the extent that we will not have specific instructions concerning your preferences. In such a case, the persons indicated as proxies on the **WHITE** proxy card will, using the proxy you have already submitted, exercise their discretion and vote "**AGAINST**" each proposal by opposing solicitor participants. If you have not previously voted or if you wish to revoke or change your vote, please complete, date, sign, and return the enclosed **WHITE** proxy card, or vote the **WHITE** proxy card by telephone or electronically according to the instructions.

Any proxy given by a stockholder may be revoked at any time prior to its use by execution of a later dated proxy, by a personal vote at the meeting, or by a timely written notice of revocation to the Corporate Secretary of the Company. If voting in person, please bring written evidence confirming your ownership of the shares you wish to vote.

You may be solicited by or on behalf of the Global Investors Group in an attempt to get you to sign their proxy card. We urge you not to sign any proxy card or other materials you may receive from the Global Investors Group. Only your latest dated proxy card will be counted, and any proxy card sent in for any reason could invalidate previous WHITE proxy cards sent by you to support the Company's position.

The Company is not responsible for the accuracy of any information provided by or relating to the Global Investors Group contained in any proxy solicitation materials filed or disseminated by, or on behalf of, the Global Investors Group or any statements the Global Investors Group may otherwise make. The Global Investors Group chooses which of our stockholders will receive its proxy solicitation materials.

How many votes are required to approve each Proposal?

Proposal 1—Election of directors to the Ballantyne Board, each to hold office until our 2016 Annual Meeting of Stockholders and a successor is elected and qualified.

As a result of the Global Investors Group's intention to nominate seven alternative director nominees in opposition to the six nominees recommended by the Board there are more than seven nominees for election to the Board. Under our Bylaws, this means that the seven candidates receiving the highest number of "FOR" votes cast by holders of shares represented in person or by proxy at the Annual Meeting will be elected. This number is called a plurality. A properly executed proxy card marked "WITHHOLD" with respect to the election of a director nominee will be counted for purposes of determining if there is a quorum at the Annual Meeting, but will not be considered to have been voted for the director nominee. Similarly, any broker non-votes will be counted for purposes of determining if there is a quorum, but will not be considered to have been voted for the director nominee.

THE ONLY WAY TO SUPPORT ALL SIX OF THE BALLANTYNE DIRECTOR NOMINEES IS TO SUBMIT YOUR VOTING INSTRUCTIONS "FOR" THE BOARD'S NOMINEES ON THE WHITE PROXY CARD. PLEASE DO NOT SIGN OR RETURN A BLUE PROXY CARD FROM THE GLOBAL INVESTORS GROUP, EVEN IF YOU INSTRUCT TO "WITHHOLD" ON THEIR DIRECTOR NOMINEES. DOING SO WILL REVOKE ANY PREVIOUS VOTING INSTRUCTIONS YOU PROVIDED ON THE COMPANY'S WHITE PROXY CARD.

Proposal 2—Advisory Vote on Executive Compensation.

The affirmative vote of a majority of the shares present or represented by proxy at the meeting or entitled to vote will be deemed by the Board to constitute the advisory vote on executive compensation.

Proposal 3—Ratification of Independent Auditors.

The affirmative vote of a majority of the shares present or represented by proxy at the meeting or entitled to vote is required to approve Proposal 3, ratification of the appointment of KPMG LLP as the Company's independent auditors for the fiscal year ended December 31, 2015.

Other Proposals. No other matters are anticipated to be brought before the meeting.

What should I do if I receive more than one WHITE proxy card or other set of proxy materials from the Company?

If you hold your shares in multiple accounts or registrations, you will receive a **WHITE** proxy card for each account. Please sign, date and return all **WHITE** proxy cards you receive from the Company. If you choose to vote by phone or via the Internet, please vote once for each **WHITE** proxy card you receive to ensure that all of your shares are voted. Only your latest dated proxy for each account will be voted.

You will likely receive multiple mailings from the Global Investors Group, and the Company may conduct multiple mailings prior to the Annual Meeting date to ensure stockholders have the Company's latest proxy information and materials to vote. The Company will send you a new **WHITE** proxy card with each mailing, regardless of whether you have previously voted. The latest dated proxy you submit will be counted, and, if you wish to vote as recommended by the Board of Directors, then you should only submit the **WHITE** proxy cards.

What is a broker non-vote?

If you hold your shares in street name and do not provide voting instructions to your broker, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. In this situation, a "broker non-vote" occurs. Shares constituting broker non-votes are not counted or deemed to be present or represented for the purpose of determining whether stockholders have approved a matter, but they are counted as present for the purpose of determining a quorum at the Annual Meeting.

Who pays the expenses incurred in connection with the solicitation of proxies?

The Company will bear the cost of its solicitation of proxies, including the charges and expenses of brokers and others for forwarding solicitation materials to beneficial owners of stock. In addition to the use of mail, proxies may be solicited by personal interview, telephone or facsimile. The Company has retained D.F. King & Co., Inc. ("D.F. King & Co.") for a fee of up to \$75,000, of which \$20,000 was a non-refundable retainer, plus expense reimbursement to assist in proxy solicitation activities. D.F. King & Co. expects that approximately [•] of its employees will assist in the solicitation. In addition, the Company will reimburse brokers, custodians, nominees and other persons holding shares for others for their reasonable expenses in sending proxy materials to the beneficial owners of such shares and in obtaining their proxies. The Company's aggregate expenses, including those of D.F. King & Co., related to the Company's solicitation of proxies in excess of those normally spent for an Annual Meeting as a result of the potential proxy contest, and excluding salaries and wages of its regular employees, are expected to be approximately \$[•], approximately \$[•] of which has been spent to date.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. In addition, final voting results will be published in a Current Report on Form 8-K that we expect to file within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an amendment to the Form 8-K to publish the final results.

How may I get additional copies of the Annual Report?

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, including financial statements, is available through our website at www.strong-world.com. For a printed copy, please contact our Corporate Secretary by mail at the address listed below:

Attn:

Corporate Secretary
Ballantyne Strong, Inc.
13710 FNB Parkway, Suite 400
Omaha, NE 68154

BACKGROUND TO OPPOSING SOLICITATION

In various Securities and Exchange Commission (“SEC”) filings, the Global Investors Group has reported that it began purchasing shares of the Company’s common stock in January 2013.

On September 3, 2014, having continued making acquisitions of shares of the Company’s common stock increasing aggregate beneficial ownership of the Global Investors Group above the 5% reporting threshold required by SEC rules, the Global Investors Group filed a Schedule 13D disclosing that it beneficially owned 1,092,710 shares of the Company’s common stock. The Global Investors Group reported that its beneficial ownership represented 7.7% of the 14,181,222 outstanding shares of the Company’s common stock as of August 5, 2014, as reported in the Company’s Form 10-Q filed on August 8, 2014. In the filing, the Global Investors Group reserved the right to formulate any plans or proposals to change or influence control and management of the Company. In connection with continued rapid purchasing of the Company’s common stock, the Global Investors Group first amended its Schedule 13D a few weeks later, on September 12, 2014, reporting beneficial ownership of 1,441,839 shares of the Company’s common stock, representing 10.2% of the outstanding shares of the Company’s common stock based on the same numbers. The following month, on October 3, 2014, the Global Investors Group filed a second amendment to its Schedule 13D, reporting beneficial ownership of 1,754,890 shares of the Company’s common stock, representing 12.4% of the outstanding shares of the Company’s common stock again based on the same numbers. In addition, the Global Investors Group filed a Statement of Changes in Beneficial Ownership on Form 4 with the SEC on October 31, 2014 reporting beneficial ownership of 1,879,705 shares of the Company’s common stock, representing 13.3% of the outstanding shares of the Company’s common stock.

In response to the Global Investors Group’s rapid acquisition of shares of the Company’s common stock in 2014 and without a commitment by the Global Investors Group not to continue acquiring shares, the Board unanimously adopted the Rights Plan, dated as of November 5, 2014, with Computershare, Inc. as Rights Agent, in order to protect the Company’s stockholders from a creeping acquisition of control without payment of a control premium to all stockholders. In order to ensure that protection, any person who acquired beneficial ownership of 15% or more of the Company’s outstanding shares would be subject to significant dilution unless they negotiated with the Board to provide fair treatment of all stockholders.

The Global Investors Group continued acquiring shares of the Company’s common stock, and filed a third amendment to its Schedule 13D on February 26, 2015. The third amendment reported beneficial ownership by the Global Investors Group of 1,957,040 shares of the Company’s common stock, representing 13.6% of the 14,421,222 shares of the Company’s common stock outstanding as of November 3, 2014, as reported in the Company’s Form 10-Q filed on November 7, 2014.

In an exercise of openness to the concerns and points of views of certain shareholders, the Company's President and Chief Executive Officer, Gary Cavey, and a member of the Company's Board of Directors, Samuel C. Freitag, met with a representative of the Global Investors Group, D. Kyle Cerminara, several times during 2014 to address and provide an open forum for certain of the Global Investors Group's concerns and questions regarding the Company's recent acquisitions and future plans and strategies. During these discussions, Mr. Cerminara expressed a desire that they be granted representation on the Company's Board of Directors.

To address Mr. Cerminara's requests and to obtain fresh perspectives from a representative of a significant shareholder of the Company, Mr. Cerminara was appointed to the Board effective February 20, 2015.

On March 16, 2015, the Global Investors Group filed a fourth amendment to its Schedule 13D disclosing beneficial ownership of 1,985,748 shares of the Company's common stock, representing 14.1% of the 14,092,129 shares of the Company's common stock outstanding as of March 3, 2015, as reported in the Company's Form 10-K filed on March 6, 2015. The fourth amendment reports that Fundamental Global Investors, LLC, the investment manager of the Global Investors Group's funds, owns a 50% interest in CWA Asset Management Group, LLC, which beneficially owns another 88,936 shares of the Company's common stock, representing another 0.6% of the Company's outstanding shares of common stock.

The Global Investors Group also disclosed in its March 16, 2015 amended Schedule 13D that it had submitted notice to the Company of its intent to nominate an alternative slate of seven director nominees to the Company's Board of Directors at the Annual Meeting. In connection with the fourth amendment, the Global Investors Group filed a press release on March 16, 2015 stating the names of its director nominees (who are participants, along with the Global Investors Group, in the proxy solicitations by the Global Investors Group) and including brief backgrounds of each.

Mr. Cerminara attended the regularly called meeting of the Board held on March 18, 2015, which was the first Board meeting he had attended. During the Board meeting and various breakout sessions during that meeting, discussions were held with Mr. Cerminara regarding his willingness to settle the proxy contest and various scenarios under which such a settlement might take place. In exploring the possibility of a settlement involving the addition to the Board of certain directors nominated by the Global Investors Group, Mr. Cerminara expressed his insistence that his nominees constitute a majority of the Board.

The other directors informed Mr. Cerminara that if the Global Investors Group expected to obtain a majority of the Board through settlement of this proxy contest, he would need to submit a strategic plan and financial projections that could reasonably be expected to result in producing shareholder value that is equal or superior to that produced by execution of the Company's strategic plan. Without such a plan, we believe we would be surrendering Board control without assurance that such action would be in the best interests of shareholders and would not be consistent with our fiduciary duty to shareholders.

In order to assist the Global Investors Group's efforts to develop such a plan, the Company provided access to relevant information to the Global Investors Group, subject to the terms of a confidentiality agreement to assure compliance with Regulation FD and protection of the confidentiality of such information.

The Board also proposed that if such a plan were presented and determined by the Board not to produce superior value, the Board would nevertheless be willing to settle the proxy contest by an agreement pursuant to which: (i) size of the Board would be increased to eight directors and the Global Investors Group would be allowed to nominate four of those directors, (ii) the Global Investors Group would agree not to increase its ownership beyond 20% of our outstanding shares, and (iii) with that ownership cap in place, the Shareholder Rights Plan would be terminated. If the Global Investors Group's plan was presented and determined by the Board to produce superior value, the Board offered that the settlement of the proxy contest would be pursuant to an agreement in which (i) the size of the Board would be kept at seven or increased to nine and the Global Investors Group would be allowed to nominate a majority of the directors, and (ii) the same ownership cap would be agreed to in exchange for termination of the Rights Plan and the other terms of the settlement.

The Board's willingness to settle the proxy contest on either set of these basic terms was predicated on the following considerations:

- (i) the Board would be able to fulfill its fiduciary duties to act in the best interests of shareholders to pursue a plan most likely to produce superior shareholder value;

(ii) the benefits of preserving continuity and institutional knowledge of Ballantyne's businesses, industries, competitive environment, the strengths and weaknesses of Ballantyne's personnel and other teachings from experience on the Board (A) would be best achieved by maintaining a majority of the current directors, but (B) could still be impactful if Board action required building a consensus to prevent a deadlock if the Board size was set at eight members and the existing Board and the Global Investors Group could each nominate four directors;

(iii) the addition of more skills, fresh insights and broader perspectives could be useful to increasing the Board's effectiveness without losing the benefits of continuity described above;

(iv) proxy contests are expensive, distracting to management and have the potential to disrupt our operations and momentum at a critical time in the development of the Company's digital communications business; and

(v) the pragmatic recognition that achieving success in the proxy contest would be challenging in view of the Company's financial performance since embarking on the necessary effort to transform the Company's business, without the shareholders having the same information and in-the-trenches experience that the Board possesses regarding the likelihood that this turnaround will be achieved.

Following completion of the settlement discussions and the regular items of business at that meeting, the Board adopted resolutions forming an Executive Committee of the Board to fulfill all functions of the Board between Board meetings. In recognition of the conflict created by initiation of the proxy contest, all of the Board members, except Mr. Cerminara, were appointed as members of the Executive Committee, and Mr. Freitag was appointed as Chairman of the Executive Committee. Mr. Cerminara was in attendance at the Board meeting when the Executive Committee was formed and expressed his understanding of the need for the Executive Committee to be formed. After the Board meeting adjourned, the Executive Committee met and authorized the following: (i) the engagement of Duff & Phelps to provide advice on valuation of the Company and the valuation that may result from the proposal and related projections that may be provided by the Global Investors Group in connection with the possible settlement of the proxy contest referenced above and (ii) the engagement of D.F. King & Co. to serve as the Company's proxy solicitor in connection with the proxy contest.

On March 19, 2015, the Company's President and Chief Executive Officer held a town hall meeting for employees in order to answer their questions regarding the announced proxy contest and to encourage them to stay focused on doing their job to the best of their abilities. He also encouraged the employees to execute better and generate results that demonstrate that our growth strategies are gaining traction.

On March 23, 2015, the Company issued a press release regarding the proxy contest initiated by the Global Investors Group. The press release expressed the Company's surprise and disappointment of the news of the proxy contest in view of prior constructive discussions with Mr. Cerminara regarding our business and growth strategies, our invitation for him to join our Board and the openness we had expressed to adding other new directors he proposed that would work collaboratively to enhance shareholder value. It also described our belief that the initiation of the proxy contest is an unnecessary and costly measure that has the potential to disrupt the Company's operations and momentum at a critical time in the development of its digital communications business. It also reiterated our commitment to continuing our practice of exploring all options for enhancing shareholder value, including returning capital to shareholders, considering strategic business combinations, reinvesting in the business to accelerate organic growth and enhancing efficiencies through cost reduction initiatives, among other considerations.

The Global Investors Group filed its preliminary proxy statement on March 26, 2015 containing information regarding its nomination of an alternative slate of director nominees to replace all of our current directors other than Mr. Cerminara. The Global Investors Group reported beneficial ownership of 2,074,684 shares of the Company's common stock, representing approximately 14.7% of the outstanding shares, based on the Company's outstanding stock as of March 3, 2015, as reported in the Company's Form 10-K filed on March 6, 2015. In addition, the Global Investors Group reported that one of its director nominees is the beneficial holder of an additional 7,500 shares of the Company's common stock.

In connection with the Board's desire to foster openness with the Company's largest shareholders and to continue the addition of a fresh perspective on the Board, Mr. Cerminara was offered a position on the Company's slate of director nominees. Mr. Cerminara notified the Company on March 30, 2015 that he was not consenting to inclusion in the Company's slate of director nominees. Due to the timing of Mr. Cerminara's decision, the difficulty in identifying a qualified replacement nominee and the proximity to the Annual Meeting date, the Company has only selected six director nominees, as more fully discussed below in connection with "Proposal One—Election of Directors."

On April 7, 2015, the Global Investors Group presented its proposal to the Board in connection with the possible settlement described in the Letter to Stockholders. The Board and its financial advisor, Duff & Phelps, and legal counsel, Stinson Leonard Street LLP, continue to evaluate that proposal and are continuing to hold discussions with the Global Investors Group to determine whether a settlement can be reached and documented. Like the Global Investors Group, we are continuing our communication efforts for the proxy context during this hiatus to fulfill our fiduciary duty to inform shareholders so that they can make an appropriate investment decision in the event that the proxy context cannot be settled.

You may receive an opposition proxy statement and proxy card as well as follow-up solicitation material from the Global Investors Group. **The Board urges you to DISCARD any proxy card sent to you by the Global Investors Group.**