

EGAIN Corp  
Form DEF 14A  
October 15, 2013

**United States**

**Securities and Exchange Commission**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**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 Pursuant to §240.14a-12

**eGain Corporation**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.



2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

**eGAIN**  
**CORPORATION**  
**1252 Borregas Avenue**  
**Sunnyvale, CA 94089**  
**(408) 636-4500**

October 15, 2013

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of eGain Corporation that will be held on November 8, 2013, at 4:00 P.M., Pacific Time, at 1252 Borregas Avenue, Sunnyvale, California 94089.

The formal notice of the Annual Meeting and the Proxy Statement has been made a part of this invitation.

After reading the Proxy Statement, please mark, date, sign and return, at an early date, the enclosed proxy in the enclosed prepaid envelope, to ensure that your shares will be represented. **YOUR SHARES MAY NOT BE VOTED WITH RESPECT TO EACH OF THE PROPOSALS UNLESS YOU SIGN, DATE AND RETURN THE ENCLOSED PROXY OR ATTEND THE ANNUAL MEETING IN PERSON.**

A copy of eGain's 2013 Annual Report to Stockholders on Form 10-K is also enclosed.

The Board of Directors and management look forward to seeing you at the meeting.

Sincerely yours,

Ashutosh Roy

*Chief Executive Officer*

**eGAIN CORPORATION**

**Notice of Annual Meeting of Stockholders**

**to be held November 8, 2013**

To the Stockholders of eGain Corporation:

The Annual Meeting of Stockholders of eGain Corporation or eGain, a Delaware corporation will be held at 1252 Borregas Avenue, Sunnyvale, California 94089, on November 8, 2013, at 4:00 P.M., Pacific Time, for the following purposes:

1. to elect directors to serve until the 2014 Annual Meeting of Stockholders and thereafter until their successors are elected and qualified;
2. to hold a non-binding advisory vote on the compensation of our named executive officers;
3. to hold a non-binding advisory vote on the frequency of an advisory stockholder vote on the compensation of our named executive officers;
4. to ratify the appointment of Burr Pilger Mayer, Inc., as eGain's independent registered public accounting firm; and
5. to transact such other business as may properly come before the Annual Meeting and any adjournment of the Annual Meeting.

Stockholders of record as of the close of business on September 19, 2013 are entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. A complete list of stockholders entitled to vote at the Annual Meeting will be available at eGain's offices, 1252 Borregas Avenue, Sunnyvale, California 94089, ten days prior to the meeting.

**It is important that your shares are represented at this meeting. Even if you plan to attend the meeting, we hope that you will promptly mark, sign, date and return the enclosed proxy. This will not limit your right to attend or vote at the meeting.**

By Order of the Board of Directors,

Stanley F. Pierson

*Secretary*

Sunnyvale, California

October 15, 2013

**Important Notice Regarding the Availability of Proxy Materials**

**for the Annual Meeting of Stockholders to be held on November 8, 2013.**

The Proxy Statement for our Annual Meeting and our 2013 Annual Report are available on our website at <http://www.egain.com>.

**eGAIN CORPORATION**

**1252 Borregas Avenue,**

**Sunnyvale, California 94089**

**PROXY STATEMENT**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of eGain Corporation, a Delaware corporation, referred to as eGain or the Company, of proxies in the accompanying form to be used at the Annual Meeting of Stockholders of eGain, or the Annual Meeting, to be held at 1252 Borregas Avenue, Sunnyvale, California 94089, on November 8, 2013, at 4:00 P.M., Pacific Time, and any postponement or adjournment thereof. The shares represented by the proxies received in response to this solicitation and not properly revoked will be voted at the Annual Meeting in accordance with the instructions therein. A stockholder who has given a proxy may revoke it at any time before it is exercised by filing with the Secretary of eGain a written revocation or a duly executed proxy bearing a later date or by voting in person at the Annual Meeting. On the matters coming before the Annual Meeting for which a choice has been specified by a stockholder by means of the ballot on the proxy, the shares will be voted accordingly. If no choice is specified, the shares will be voted in accordance with the recommendations of the Board of Directors set forth below.

The Board of Directors recommends that you vote:

**FOR** election of each of the nominated directors;

**FOR** approval, on a non-binding advisory basis, of the compensation of our executive officers;

**FOR** approval, on a non-binding advisory basis, as to the frequency of a non-binding stockholder vote on the compensation of our executive officers; and

**FOR** the appointment of Burr Pilger Mayer, Inc., as eGain's independent registered accounting firm.

Stockholders of record at the close of business on September 19, 2013, or the Record Date, are entitled to vote at the Annual Meeting. As of the close of business on that date, eGain had 25,311,155 shares of Common Stock, \$0.001 par value, or the Common Stock, outstanding. The presence in person or by proxy of the holders of a majority of eGain's outstanding shares of Common Stock constitutes a quorum for the transaction of business at the Annual Meeting. Each holder of Common Stock is entitled to one vote for each share held as of the Record Date.

Directors are elected by a plurality vote. The four nominees for director who receive the most votes cast in their favor will be elected to serve as a director. Other proposals submitted for stockholder approval at the Annual Meeting will be decided by the affirmative vote of the majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on such proposal. Abstentions with respect to any proposal are treated as shares present or represented and entitled to vote on that proposal and thus have the same effect as negative votes. If a broker

which is the record holder of shares indicates on a proxy that it does not have discretionary authority to vote on a particular proposal as to such shares, or if shares are not voted in other circumstances in which proxy authority is defective or has been withheld with respect to a particular proposal, these non-voted shares will be counted for quorum purposes but are not deemed to be present or represented for purposes of determining whether stockholder approval of that proposal has been obtained.

The expense of printing, mailing proxy materials and solicitation of proxies will be borne by eGain. eGain will reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation materials to beneficial owners of eGain's Common Stock. No additional compensation will be paid to such persons for such solicitation.

This Proxy Statement, the accompanying form of proxy and the Annual Report to Stockholders on Form 10-K for the fiscal year ended June 30, 2013, or the 2013 Annual Report, including financial statements, are being mailed to stockholders on or about October 15, 2013.



**IMPORTANT**

**Please mark, sign and date the enclosed proxy and return it at your earliest convenience in the enclosed postage-paid return envelope so that, whether you intend to be present at the Annual Meeting or not, your shares can be voted. This will not limit your rights to attend or vote at the Annual Meeting.**

## PROPOSAL 1

### ELECTION OF DIRECTORS

#### Nominees

Our Board of Directors proposes the election of four directors of eGain to serve until the 2014 Annual Meeting of Stockholders and thereafter until their successors are elected and qualified. Mark A. Wolfson is retiring from the Board of Directors as of the Annual Meeting. We are grateful for his guidance and his years of service to eGain. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, an event not now anticipated, proxies will be voted for any nominee designated by our Board of Directors to fill the vacancy.

Names of the nominees and certain biographical information about them are set forth below:

*Ashutosh Roy*, age 47, co-founded eGain and has served as Chief Executive Officer and a Director of eGain since September 1997 and as President and Chief Executive Officer since October 1, 2003. From May 1995 through April 1997, Mr. Roy served as Chairman of WhoWhere? Inc., an Internet-services company co-founded by Mr. Roy. From June 1994 to April 1995, Mr. Roy co-founded Parsec Technologies, a call center company based in New Delhi, India. From August 1988 to August 1992, Mr. Roy worked as a software engineer at Digital Equipment Corporation. Mr. Roy holds a B.S. in Computer Science from the Indian Institute of Technology, New Delhi, a Master's degree in Computer Science from Johns Hopkins University and a M.B.A. from Stanford University. Mr. Roy's qualifications to serve on our Board of Directors include his industry experience and deep knowledge of eGain from his position as a founder of our Company and as our Chief Executive Officer for over 15 years.

*Gunjan Sinha*, age 46, co-founded eGain and has served as a Director of eGain since inception in September 1997 and as President of eGain from January 1, 1998 until September 30, 2003. Since October 1, 2003, Mr. Sinha has served as Chairman of MetricStream Inc., a supplier of software applications for enterprise quality and compliance management. From May 1995 through April 1997, Mr. Sinha served as President of WhoWhere? Inc., an Internet-services company co-founded by Mr. Sinha. Prior to co-founding WhoWhere? Inc., Mr. Sinha was a hardware developer of multiprocessor servers at Olivetti Advanced Technology Center. In June 1994, Mr. Sinha co-founded Parsec Technologies, Inc. Mr. Sinha holds a degree in Computer Science from the Indian Institute of Technology, New Delhi, a Master's degree in Computer Science from the University of California, Santa Cruz, and a Master's degree in Engineering Management from Stanford University. Mr. Sinha's qualifications to serve on our Board of Directors include his extensive experience founding, managing and investing in technology companies and deep knowledge of the Company gained from his position as a founder of our Company and as a former officer of the Company.

*David S. Scott*, age 34, has served as a Director of eGain since November 2009. Mr. Scott is a Principal of Oak Hill Capital Management, Inc., a private equity firm. Prior to joining HCM in 2002, Mr. Scott worked at The Blackstone Group in their Mergers & Acquisitions Group from 2000 to 2002. He also serves on the Board of Directors of Ability Resources, Inc, Intermedia.net, Inc. and the Regional Council for the National Parks Conservation Association (Pacific Region). Mr. Scott holds a B.A. and a B.S. from the University of Pennsylvania. Mr. Scott's qualifications to serve on our Board of Directors include his financial and business expertise, including a diversified background of investing in and working with technology companies and finance companies.

*Phiroz P. Darukhanavala*, age 66, has served as a member of eGain's Board of Directors since September 2000. Dr. Darukhanavala has served in various capacities with BP Amoco p.l.c. and The British Petroleum Company since 1975, most recently as Vice President and Chief Technology Officer for Group Digital business. Before assuming his current position, Dr. Darukhanavala was Director of Global IT Services for the BP Group responsible for the rollout of the Common Operating Environment project worldwide and IT Functional Chief for



BP-Exploration. Dr. Darukhanavala has also served as CIO of BP-Alaska and Director of BP-Exploration Business Systems. Dr. Darukhanavala holds a Ph.D. and M.S. degrees in Operations Research from Case Western Reserve University in Cleveland, Ohio. Dr. Darukhanavala's qualifications to serve on our Board of Directors include , business and financial expertise, including his extensive management experience.

### **Director Independence**

Our Board of Directors has determined that, except for Mr. Roy, each individual who currently serves as a member of our Board of Directors is an independent director within the meaning of the rules of The NASDAQ Stock Market and the Securities and Exchange Commission. Mr. Roy is not considered independent as he is employed by eGain as its Chief Executive Officer.

### **Board Leadership**

The Board of Directors does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board, as the Board of Directors believes it is in the best interests of eGain and its stockholders to evaluate such roles from time to time based on the composition of the Board of Directors and on the input from our independent directors. The Board of Directors has determined that having eGain's Chief Executive Officer serve as Chairman is in the best interests of the Company's stockholders at this time. This structure makes the best use of the Chief Executive Officer's extensive knowledge of the Company and its industry, as well as fosters greater communication between the Company's management and the Board of Directors.

The Board of Directors has chosen not to appoint a lead independent director at this time in view of the active roles assumed by the independent directors.

### **Board of Directors - Risk Oversight**

Companies, including eGain, face a variety of risks, including credit risk, liquidity risk, currency exchange risk and operational risk. For a detailed discussion of these risks, we encourage you to review our 2013 Annual Report. Our Board of Directors believes an effective risk management system will timely identify the material risks that eGain faces and communicate necessary information with respect to material risks to senior executives. As appropriate, our Board of Directors or its relevant committees have in the past and will in the future implement risk management strategies consistent with the Company's risk profile and integrate risk management into the Company's decision-making.

Our Board of Directors retains the ultimate oversight over the Company's risk management. Our Audit Committee takes an active role in overseeing Company-wide risk management and discusses risk management processes with our Board of Directors. The Compensation Committee also oversees the Company's compensation policies and practices to ensure that the Company's compensation policies and practices do not motivate imprudent risk taking. In addition, our Board of Directors encourages management to promote a corporate culture that incorporates risk management into the Company's corporate strategy and day-to-day business operations. Our Board of Directors, with the input of the Company's executive officers, assesses likely areas of future risk for the Company on an on-going basis.

### **Board Meetings and Committees**

Our Board of Directors held seven meetings during fiscal year 2013. Each director attended or participated in 75% or more of the meetings of our Board of Directors and of the committees on which such directors serve. Ashutosh Roy attended the 2012 annual meeting of stockholders. While we do not have a formal policy on attendance at the Annual Meeting, eGain encourages each of the members of its Board of Directors to attend the Company's Annual Meeting of Shareholders.

Our Board of Directors has appointed a Compensation Committee, a Stock Option Committee, a Nominating and Corporate Governance Committee and an Audit Committee.

The members of the Compensation Committee are independent directors Phiroz P. Darukhanavala, David S. Scott, and Mark A. Wolfson. The Compensation Committee held one meeting during fiscal year 2013. The Compensation Committee's functions are to assist in the implementation of, and provide recommendations with respect to, general and specific compensation policies and practices of eGain. The Compensation Committee operates under the Compensation Committee Charter adopted by our Board of Directors. The charter is available at the Company's website at [http://www.egain.com/wp-content/uploads/2012/11/egain\\_compensation\\_charter.pdf](http://www.egain.com/wp-content/uploads/2012/11/egain_compensation_charter.pdf).

The members of the Stock Option Committee are Ashutosh Roy and Dr. Wolfson. The Stock Option Committee held one meeting in fiscal year 2013. The Stock Option Committee's functions are to grant options to eGain's employees and other service providers, consistent with eGain's compensation policies and practices.

The members of the Nominating and Corporate Governance Committee are independent directors Dr. Darukhanavala, Gunjan Sinha, and Dr. Wolfson. The Nominating and Corporate Governance Committee held one meeting during fiscal year 2013. The Nominating and Corporate Governance Committee's primary functions are to seek and recommend to our Board of Directors qualified candidates for election to our Board of Directors and to oversee matters of corporate governance, including the evaluation of our Board of Directors' performance and processes, and assignment and rotation of members of the committees established by the Board of Directors. The Nominating and Corporate Governance Committee operates under the Nominating and Corporate Governance Committee Charter adopted by our Board of Directors. The charter is available at the Company's website at [http://www.egain.com/wp-content/uploads/2012/11/egain\\_nominating\\_governance\\_charter.pdf](http://www.egain.com/wp-content/uploads/2012/11/egain_nominating_governance_charter.pdf).

The members of the Audit Committee are independent directors Mr. Scott, Mr. Sinha and, Dr. Wolfson. Dr. Wolfson is the Audit Committee financial expert, as defined by the Securities and Exchange Commission. The Audit Committee held four meetings during fiscal year 2013. The Audit Committee's functions are to review the scope of the annual audit, monitor the independent registered public accounting firm's relationship with eGain, advise and assist the Board of Directors in evaluating the independent registered public accounting firm's examination, supervise eGain's financial and accounting organization and financial reporting, and nominate, for approval of the Board of Directors, the independent registered public accounting firm whose duty it is to audit the financial statements of eGain for the fiscal year for which it is appointed. The Audit Committee operates under the Audit Committee Charter adopted by our Board of Directors. The charter is available at the Company's website at [http://www.egain.com/wp-content/uploads/2012/11/egain\\_audit\\_charter.pdf](http://www.egain.com/wp-content/uploads/2012/11/egain_audit_charter.pdf).

### **Stockholder Communications with the Board of Directors**

If you wish to communicate with the Board of Directors, you may send your communications in writing to: Secretary, eGain Corporation, 1252 Borregas Avenue, Sunnyvale, California 94089. You must include your name and address in the written communication and indicate whether or not you are a stockholder of the Company. The Secretary will review any communications received from a stockholder, and all material communications from stockholders will be forwarded to the appropriate director or directors or committee of the Board based on the subject matter.

### **Code of Ethics**

Our Board of Directors approved a code of ethics applicable to the Board of Directors, senior management including financial officers, and all other employees. The Code of Ethics and Business Conduct, or Code of Ethics, includes standards intended to deter wrongdoing and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable disclosure in reports filed with the Securities and Exchange Commission; compliance with laws; prompt internal reporting of violations of the Code of Ethics; and accountability for the adherence to the Code of Ethics. The Code of Ethics is available on the Company's website at [http://www.egain.com/about\\_us/investors.asp](http://www.egain.com/about_us/investors.asp). Copies of the Code of Ethics are also available in print upon written request to Secretary, eGain Corporation, 1252

Borregas Avenue, Sunnyvale, California 94089.

## **Director Qualifications**

The Nominating and Corporate Governance Committee periodically reviews with our Board of Directors the appropriate skills and characteristics required of Board members given the current composition of the Board of Directors. Although we have no formal diversity policy for members of our Board of Directors, the Board of Directors and the Nominating and Corporate Governance Committee believe that our Board of Directors should be comprised of individuals who have a diversity of backgrounds, leadership qualities, a record of success in their arena of activity and who can make substantial contributions to the operations of the Board of Directors. The assessment of Board candidates includes, but is not limited to, consideration of relevant industry experience, relevant financial experience, general business experience and compliance with independence and other qualifications necessary to comply with any applicable corporate and securities laws and the rules and regulations thereunder. Specific consideration shall also be given to: contributions valuable to the business community; personal qualities of leadership, character, and judgment whether the candidate possesses and maintains throughout his or her service on the Board, a reputation in the community at large, of integrity, competence and adherence to the highest ethical standards; relevant knowledge and diversity of background and experience in such things as business, software development, manufacturing, technology, finance and accounting, marketing, international business, government and the like; or whether the candidate is free of conflicts and has the time required for preparation, participation and attendance at all meetings. Other than the foregoing, there are no stated minimum criteria for director nominees. The Nominating and Corporate Governance Committee does, however, believe it is appropriate for at least one, and preferably multiple, members of the Board to meet the criteria for an audit committee financial expert as defined by Securities and Exchange Commission rules, and that a majority of the members of the Board meet the definition of independent director under the rules of The NASDAQ Stock Market. The Nominating and Corporate Governance Committee also believes it is appropriate for certain members of management to serve on the Board of Directors. When evaluating a candidate for the Board of Directors, the Nominating and Corporate Governance Committee does not assign specific weight to any of these factors nor does it believe that all of the criteria necessarily apply to every candidate. A director's qualifications in light of the above-mentioned criteria are considered at least each time the director is nominated or re-nominated for Board membership.

## **Identifying and Evaluating Director Nominees**

The Nominating and Corporate Governance Committee considers candidates for Board membership suggested by Board members and management of eGain. The Nominating and Corporate Governance Committee will consider persons recommended by eGain's stockholders in the same manner as a nominee recommended by Board members or management. A stockholder who wishes to suggest a prospective nominee for the Board should notify eGain's Secretary or any member of the Nominating and Corporate Governance Committee in writing with any supporting material the stockholder considers appropriate. After completing the evaluation and review, the Nominating and Corporate Governance Committee makes a recommendation to our full Board of Directors as to the person who should be nominated to the Board of Directors, and our Board of Directors considers the nominee after evaluating the recommendation and report of the Nominating and Corporate Governance Committee. Each director candidate recommended for election at this year's Annual Meeting is an existing director, seeking re-election to the Board of Directors.

In addition, our Bylaws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to our Board of Directors at our annual meeting of stockholders. In order to nominate a candidate for director, a stockholder must give timely notice in writing to Secretary and otherwise comply with the provisions of our Bylaws. To be timely, our Bylaws provide that we must have received the stockholder's notice not less than 120 days prior to any meeting called for the election of Directors; however, if we have not given 100 days notice, we must have received the stockholder's notice not later than the close of business on the 7th day following the day on which notice was given. Information required by the Bylaws to be in the notice includes (a) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (b) the principal



occupation or employment of each such nominee, (c) the number of shares of our common stock which are beneficially owned by each such nominee and by the nominating

stockholder, and (d) any other information concerning the nominee that must be disclosed of nominees in proxy solicitations regulated by Regulation 14A of the Securities Exchange Act of 1934, as amended.

Stockholder nominations must be made in accordance with the procedures outlined in, and include the information required by, our Bylaws and must be addressed to: Secretary, eGain Corporation, 1252 Borregas Avenue, Sunnyvale, California 94089. You can obtain a copy of our Bylaws by writing to the Secretary at this address.

### Compensation of Directors

Directors of eGain do not currently receive any fees for service on the Board of Directors. Directors are reimbursed for their expenses for each meeting attended. Each non-employee director will receive, if elected or re-elected as a director at the Annual Meeting, an option to purchase 500 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of grant. Such options will vest on the first anniversary of the grant and are nonqualified stock options.

The following table details the compensation paid to non-employee directors for fiscal year 2013:

| Name (1)                | Option Awards (\$) (2) | Total (\$) |
|-------------------------|------------------------|------------|
| Gunjan Sinha            | 1,418                  | 1,418      |
| Mark A. Wolfson         | 1,418                  | 1,418      |
| David S. Scott          | 1,418                  | 1,418      |
| Phiroz P. Darukhanavala | 10,809                 | 10,809     |

- (1) Mr. Roy, eGain's Chief Executive Officer and Chairman of the Board, is not included in the table as he is an employee of eGain and received no compensation for his services as Chairman of the Board. The compensation received by Mr. Roy is shown in the Summary Compensation Table on page 18.
- (2) Amounts reported represent the compensation recognized for financial reporting purposes for the fiscal year 2013, in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC 718, *Compensation - Stock Compensation*, excluding forfeitures, utilizing the assumptions discussed in Note 6 to our consolidated financial statements in our 2013 Annual Report.

The following table provides information on the outstanding option awards for each of the non-employee directors as of June 30, 2013:

| Name                    | Number of Options |        | Option Grant Price (\$) | Option Expiration Date |
|-------------------------|-------------------|--------|-------------------------|------------------------|
|                         | Unexercised       | (#)    |                         |                        |
| Gunjan Sinha            |                   | 1,000  | 2.40                    | 12/08/2013             |
|                         |                   | 500    | 1.25                    | 12/15/2014             |
|                         |                   | 500    | 0.80                    | 12/08/2015             |
|                         |                   | 1,000  | 0.85                    | 06/09/2018             |
|                         |                   | 1,000  | 1.05                    | 01/08/2020             |
|                         |                   | 500    | 1.15                    | 11/12/2020             |
|                         |                   | 500    | 5.55                    | 11/11/2021             |
|                         |                   | 500    | 4.42                    | 11/11/2022             |
| Total                   |                   | 5,500  |                         |                        |
| Mark A. Wolfson         |                   | 1,000  | 2.40                    | 12/08/2013             |
|                         |                   | 500    | 1.25                    | 12/15/2014             |
|                         |                   | 500    | 0.80                    | 12/08/2015             |
|                         |                   | 1,000  | 0.85                    | 06/09/2018             |
|                         |                   | 1,000  | 1.05                    | 01/08/2020             |
|                         |                   | 500    | 1.15                    | 11/12/2020             |
|                         |                   | 500    | 5.55                    | 11/11/2021             |
|                         |                   | 500    | 4.42                    | 11/11/2022             |
| Total                   |                   | 5,500  |                         |                        |
| David S. Scott          |                   | 500    | 1.05                    | 01/08/2020             |
|                         |                   | 500    | 1.15                    | 11/12/2020             |
|                         |                   | 500    | 5.55                    | 11/11/2021             |
|                         |                   | 500    | 4.42                    | 11/11/2022             |
| Total                   |                   | 2,000  |                         |                        |
| Phrioz P. Darukhanavala |                   | 1,000  | 2.40                    | 12/08/2013             |
|                         |                   | 500    | 1.25                    | 12/15/2014             |
|                         |                   | 500    | 0.80                    | 12/08/2015             |
|                         |                   | 1,000  | 0.85                    | 06/09/2018             |
|                         |                   | 1,000  | 1.05                    | 01/08/2020             |
|                         |                   | 500    | 1.15                    | 11/12/2020             |
|                         |                   | 50,000 | 1.50                    | 02/03/2021             |
|                         |                   | 500    | 5.55                    | 11/11/2021             |
|                         |                   | 500    | 4.42                    | 11/11/2022             |
|                         | Total             |        | 55,500                  |                        |

#### Compensation Committee Interlocks and Insider Participation

Dr. Darukhanavala, Mr. Scott and Dr. Wolfson, all of whom are non-employee directors, served as members of the Compensation Committee in fiscal year 2013. None of eGain's executive officers serves as a member of the Board of

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Directors or Compensation Committee of any entity that has one or more of its executive officers serving as a member of eGain's Board of Directors or Compensation Committee.

**Our Board of Directors recommends a vote FOR election as director of each of the nominees set forth above.**

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information concerning the beneficial ownership of Common Stock of eGain as of September 19, 2013 for the following:

each person or entity who is known by eGain to own beneficially more than 5% of the outstanding shares of Common Stock;

each of eGain's current directors and executive officers as a group; and

eGain's Chief Executive Officer, the Chief Financial Officer, and three other most highly compensated executive officers during fiscal year 2013.

Unless otherwise noted, the address of each named beneficial owner is that of eGain.

The percentage ownership is based on 25,311,155, shares of eGain Common Stock outstanding as of September 19, 2013. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of Common Stock subject to options and warrants held by that person (and only that person) that are currently exercisable or exercisable within sixty (60) days after September 19, 2013. Unless otherwise indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. In addition to our Chief Executive Officer and Chief Financial Officer, we had only two named executive officers during fiscal year 2013, as defined in our executive officers section on page 13.

| Name and Address of Beneficial Owner   | Amount and Nature of<br>Beneficial Ownership | Percentage of<br>Common Stock<br>Beneficially Owned |
|--|--|---|
| <b>Certain Beneficial Owners:</b>  |  |   |
| c/o Keystone Group, L.P. (1)<br>201 Main Street, Suite 3100<br>Fort Worth, Texas 76102 | 1,821,471                                    | 7.2   |
| <b>Named Executive Officers and Directors:</b>   |  |   |
| Ashutosh Roy (2)   | 8,650,383                                    | 33.8  |
| Gunjan Sinha (3)   | 1,120,043                                    | 4.4   |
| Promod Narang (4)  | 371,105                                      | 1.5   |
| Eric Smit (5)  | 289,947                                      | 1.1   |
| Charles Jepson (6)   | 79,166                                       | *   |
| Phiroz P. Darukhanavala (7)  | 39,875                                       | *   |
| Mark A. Wolfson (8)  | 21,666                                       | *   |
| David S. Scott (9)   | 2,000  | *   |
| <b>All executive officers and directors as a group: (8 persons)<br/>(10)</b>           | <b>10,574,185</b>                            | <b>40.9</b>   |

\* Indicates less than one percent.

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- (1) Includes 858,456 shares held by Live Oak Trust, 537,576 shares held by Capital Partnership, L.P., 346,713 shares held by FW Private Investments, L.P., 41,325 shares held by Woodside Partners, L.P., 25,100 shares held by J. Taylor Crandall Revocable Trust, 9,300 shares held by Keystone Group, L.P., and 3,001 shares held by Group III 31, L.L.C.
- (2) Includes 244,792 shares subject to options exercisable within 60 days of September 19, 2013.
- (3) Includes 5,500 shares subject to options exercisable within 60 days of September 19, 2013.
- (4) Includes 162,000 shares subject to options exercisable within 60 days of September 19, 2013.
- (5) Includes 108,500 shares subject to options exercisable within 60 days of September 19, 2013.
- (6) Includes 5,016 shares subject to options exercisable within 60 days of September 19, 2013. Mr. Jepson ceased to be an employee of the Company effective September 1, 2013.

- (7) Includes 38,375 shares subject to options exercisable within 60 days of September 19, 2013.
- (8) Includes 5,500 shares subject to options exercisable within 60 days of September 19, 2013.
- (9) Includes 2,000 shares subject to options exercisable within 60 days of September 19, 2013.
- (10) Includes an aggregate of 571,683 shares subject to options exercisable within 60 days of September 19, 2013.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Under the securities laws of the United States, eGain's directors, executive officers and any persons holding more than 10% of eGain's Common Stock are required to report their initial ownership of eGain's Common Stock and any subsequent changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and eGain is required to identify in this Proxy Statement those persons who failed to timely file these reports. To the Company's knowledge, based solely on a review of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended June 30, 2013, all Section 16(a) filing requirements applicable to its officers and directors were met in a timely manner.

## EXECUTIVE COMPENSATION

### Executive Officers

The following table sets forth information regarding eGain's executive officers as of June 30, 2013:

| Name           | Age | Position  |
|----------------|-----|---|
| Ashutosh Roy   | 47  | Chief Executive Officer, President and Chairman                   |
| Eric Smit      | 51  | Chief Financial Officer   |
| Promod Narang  | 55  | Senior Vice President of Products and Engineering                 |
| Charles Jepson | 67  | Senior Vice President of Worldwide Sales and Business Development |

Ashutosh Roy co-founded eGain and has served as Chief Executive Officer and a Director of eGain since September 1997 and President since October 2003. From May 1995 through April 1997, Mr. Roy served as Chairman of WhoWhere? Inc., an Internet-service company co-founded by Mr. Roy. From June 1994 to April 1995, Mr. Roy co-founded Parsec Technologies, a call center company based in New Delhi, India. From August 1988, to August 1992, Mr. Roy worked as a Software Engineer at Digital Equipment Corporation. Mr. Roy holds a B.S. in Computer Science from the Indian Institute of Technology, New Delhi, a Master's degree in Computer Science from Johns Hopkins University and a M.B.A. from Stanford University.

Eric Smit has served as Chief Financial Officer since August 2002. From April 2001 to July 2002, Mr. Smit served as Vice President, Operations of eGain. From June 1999 to April 2001, Mr. Smit served as Vice President, Finance and Administration of eGain. From June 1998 to June 1999, Mr. Smit served as Director of Finance of eGain. From December 1996 to May 1998, Mr. Smit served as Director of Finance for WhoWhere? Inc., an Internet services company. From April 1993 to November 1996, Mr. Smit served as Vice President of Operations and Chief Financial Officer of Velocity Incorporated, a software game developer and publishing company. Mr. Smit holds a Bachelor of Commerce in Accounting from Rhodes University, South Africa.

Promod Narang has served as Senior Vice President of Engineering of eGain since March 2000. Mr. Narang joined eGain in October 1998, and served as Director of Engineering prior to assuming his current position. Prior to joining eGain, Mr. Narang served as President of VMpro, a system software consulting company from September 1987 to October 1998. Mr. Narang holds a B.S. in Computer Science from Wayne State University.

Charles Jepson has served as Senior Vice President of Worldwide Sales and Business Development since July 2012. Previously, Mr. Jepson served as the Senior Vice President of Business Development since June 2010. Prior to joining eGain, Mr. Jepson worked as an independent consultant specializing in enterprise software from January 2006 to June 2010. He served as President and Chief Executive Officer of Extended Systems from February 2002 to October 2005, President and Chief Executive Officer of Diligent Software Systems Inc. from July 2001 to January 2002, Vice President of North American Sales for eGain from June 2000 to July 2001, President and Chief Executive Officer of Inference Corporation from May 1997 to June 2000; and President and Chief Executive Officer of Interlink Computer Sciences from March 1992 to May 1997. Mr. Jepson holds a M.B.A. from the University of California, Berkeley and a B.A. from San Jose State University.

### Compensation Discussion and Analysis

#### *Company Philosophy on Compensation*

The Compensation Committee of our Board of Directors is responsible for providing oversight and determining our executive compensation programs. To that end, our Compensation Committee reviews corporate performance



relevant to the compensation of our executive officers and works with management to establish our executive compensation programs. The general philosophy of our executive compensation program is to:

encourage creation of stockholder value and achievement of strategic corporate objectives by providing management with long-term incentives through equity ownership by management;

provide a competitive total compensation package that enables us to attract and retain, on a long-term basis, high caliber personnel;

provide a total compensation opportunity that is competitive with companies in our industry, taking into account relative company size, performance and geographic location, as well as individual responsibilities and performance;

provide fair and internally consistent compensation; and

other relevant considerations such as rewarding extraordinary performance.

Our executive compensation program is designed to reward team accomplishments while promoting individual accountability. The combination of incentives is designed to balance annual operating objectives and eGain's earnings performance with longer-term stockholder value creation.

### ***Establishing Compensation***

Recommendations for executive compensation are made by our Compensation Committee and approved by the independent members of our Board of Directors. The Compensation Committee may not delegate its authority in these matters to other persons. Our Compensation Committee typically reviews our executive officers' compensation, including our named executive officers, on an annual basis. Our Compensation Committee determines the appropriate levels of compensation to recommend based primarily on:

competitive benchmarking consistent with our recruiting and retention goals;

internal consistency and fairness; and

other relevant considerations such as rewarding extraordinary performance.

To assist in the process of establishing executive compensation, our Compensation Committee reviews publicly available compensation information from a group of peer companies located in the Silicon Valley. Our Compensation Committee recommends compensation for our Chief Executive Officer, which was set at \$24 per annum at his request beginning October 2003, as discussed below. With respect to our other named executive officers, our Compensation Committee reviews compensation that is recommended by our Chief Executive Officer.

### ***Compensation Components***

Our executive compensation program generally consists of three primary components: base salary, annual non-equity incentives and stock option awards. These primary compensation components are described in more detail below. Executive officers are also eligible to participate in all of our respective local employee benefits plans, such as medical insurance, life and disability insurance and our 401(k) retirement plan, in each case on the same basis as other employees.

We view the three primary components of executive compensation as related, but we do not believe that compensation should be derived entirely from one component, or that significant compensation from one component should

necessarily reduce compensation from other components. Our Compensation Committee has not adopted a formal or informal policy for allocating compensation between long-term and current compensation or between cash and non-cash compensation.

*Base Salary*

We provide our named executive officers with a base salary to compensate them for services rendered during the fiscal year. We establish base salaries for our executives based on the scope of their responsibilities and experience and take into account competitive market compensation paid by companies in our peer group commensurate for similar responsibilities and positions. We believe that executive base salaries should be targeted to be within the range of salaries for similar positions at comparable companies, which is in line with our compensation philosophy, in order to best attract, retain and motivate our executives. In reviewing compensation of our peer companies, our Compensation Committee takes into account the annual revenues and market size of these companies and other relevant factors it deems appropriate. Our Compensation Committee attempts to establish compensation, particularly base salary, in the same comparable range that our revenues and market size

fall when compared to these peer companies. In some cases, our executive compensation may rise above this range due to certain circumstances, such as a strong retention need or an extraordinary performance.

We note that the salary for our Chief Executive Officer, Ashutosh Roy, was set at a nominal amount of \$24 per annum at his request beginning October 2003. Mr. Roy requested this reduction initially in connection with our cost reduction initiatives and more recently to assist in our investment efforts. As a significant stockholder, a substantial portion of Mr. Roy's personal wealth is tied directly to the performance of eGain's stock, which provides direct alignment with stockholder interests.

We attempt to review base salaries annually and adjust base salaries from time to time to ensure that our compensation programs remain competitive with market levels.

The base salary for each of our named executive officers in fiscal year 2013 was:

| <b>Name</b>    | <b>Base Salary</b> |
|----------------|--------------------|
| Ashutosh Roy   | \$ 24              |
| Eric Smit      | \$ 220,000         |
| Promod Narang  | \$ 200,000         |
| Charles Jepson | \$ 150,000         |

*Annual Non-Equity Incentive Plan Compensation*

Currently most eGain employees participate in either a non-equity incentive plan tied primarily to revenue or bookings metrics or, in the case of sales representatives and managers, a commission plan tied primarily to revenue and bookings metrics. The plans are designed to provide awards to employees as an incentive to contribute to eGain's continued growth.

Amounts paid to our named executive officers pursuant to our non-equity incentive plan are contingent upon the attainment of certain performance targets established by our Compensation Committee and Board of Directors and are made in accordance with our executive compensation strategy. For fiscal year 2013, approximately 30% of the target for each executive officer was tied to company performance and 70% to the individual performance of the executive officer and his team. The performance targets may include:

financial metrics, such as new hosting and license bookings, gross or net revenues, operating income, enterprise value/revenue ratio, cash balances, days sales outstanding and

business operational metrics, such as customer satisfaction, customer retention, operational efficiencies, product delivery and product quality.

Amounts paid to our named executive officers pursuant to our commission plan are contingent upon the attainment of certain sales targets established by our Compensation Committee and Board of Directors and are made in accordance with our executive compensation strategy. The sales targets include financial metrics such as license revenue, new hosting bookings and professional services invoiced.

We anticipate that our Chief Executive Officer will present his recommendations for Mr. Smit and Mr. Narang's non-equity incentive compensation for fiscal year 2013 to the Compensation Committee for approval in fiscal year 2014. The non-equity incentive compensation plan awards earned for fiscal year 2013 of \$75,960 for Mr. Jepson,

related to his commission plan.

*Stock Option Awards*

We believe the use of stock-based awards for our named executive officers is a strong compensation tool that encourages officers to act in a manner that leads to long-term company success. We believe this type of compensation aligns our executive officers' performance with the interests of our long-term investors by rewarding our officers through equity appreciation. The stock-based incentive program for the entire Company, including executive officers, currently consists of stock option grants only, but we may introduce different types of equity awards or instruments to remain competitive in the compensation we pay our employees.

Our Stock Option Committee approves grants of proposed stock options awards and administers our stock option plans consistent with the compensation policies and practices as set by our Compensation Committee. Proposed stock option awards to our executive officers are presented to our entire Board of Directors for consideration. The stock option committee normally grants options to executive officers upon the hiring of an executive officer, as part of an annual review, and as special circumstances arise. The exercise price of our stock option awards is based on the closing price of our Common Stock on the Over-the-Counter Bulletin Board or the NASDAQ Stock Market LLC, as applicable; on the date such stock option award is approved. Except with respect to new hire grants, proposals for significant stock option awards to our executive officers are not considered during our established blackout period, which commences 20 days prior to the end of each fiscal quarter and ends the trading day following the announcement of earnings for such fiscal quarter. Except for such proposed stock option awards to our executive officers, we intend to grant options in accordance with the foregoing procedures without regard to the timing of the release of material non-public information, such as an earnings announcement.

#### *Other Supplemental Benefits*

In addition to the compensation opportunities we describe above, we also provide our named executive officers and other employees with benefits, such as medical insurance, life and disability insurance and our 401(k) retirement plan, in each case on the same basis as other employees.

#### *Defined Pension Plan*

None of our named executive officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us. We do not offer such qualified or non-qualified defined benefit plans to our executives because we believe that such defined benefit plans are not typical for similar companies in both our industry and geographic region. We may elect to adopt qualified or non-qualified defined benefit plans if our Compensation Committee and Board of Directors determine that doing so is in our best interests.

#### *Change of Control Benefits*

None of our named executive officers currently have agreements to receive benefits in the event of a change of control. To date, we have not had a significant reason to offer such benefits. We may elect to provide our officers and other employees with change of control agreements if our Compensation Committee and Board of Directors determine that doing so is in our best interests.

#### *Non-qualified Deferred Compensation*

None of our named executive officers participate in or have account balances in non-qualified defined contribution plans or other deferred compensation plans maintained by us. To date, we have not had a significant reason to offer such non-qualified defined contribution plans or other deferred compensation plans. We may elect to provide our officers and other employees with non-qualified defined contribution or deferred compensation benefits if our Compensation Committee and Board of Directors determine that doing so is in our best interests.

#### *Section 162(m) Treatment Regarding Performance-Based Equity Awards*

Under Section 162(m) of the Internal Revenue Code of 1986, as amended, we may not receive a federal income tax deduction for compensation paid to our Chief Executive Officer, Chief Financial Officer or up to three additional executive officers whose total compensation is required to be reported in our Proxy Statement to the extent that any of these persons receives more than \$1,000,000 in compensation in the taxable year. We intend to preserve the deductibility of compensation payable to our executives, although deductibility will be only one of the many factors considered in determining appropriate levels or modes of compensation.



**COMPENSATION COMMITTEE REPORT**

*The following report of the Compensation Committee does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filing by eGain under the Securities Act of 1933 or the Securities Exchange Act of 1934.*

The Compensation Committee of our Board of Directors has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this definitive proxy statement on Schedule 14A for our 2013 annual stockholders meeting, which is incorporated by reference in our 2013 Annual Report, each as filed with the Securities and Exchange Commission.

Respectfully submitted,

Compensation Committee

Mark Wolfson

Phiroz P. Darukhanavala

David S. Scott



**2013 Summary Compensation Table**

The following table summarizes information concerning compensation earned by eGain's Chief Executive Officer (principal executive officer), Chief Financial Officer and each of eGain's other two most highly compensated executive officers whose total annual salary and bonus exceeded \$100,000, for services rendered in all capacities to eGain during the fiscal years ended June 30, 2013 and 2012. These individuals are referred to as the named executive officers.

| Name and Principal Position   | Fiscal Year | Salary (\$) | Option Non-Equity Incentive Awards Plan Compensation |         | Total (\$) |
|---|-------------|-------------|--|---------|------------|
|   |             |             | (\$)(1)  | (\$)(2) |            |
| Ashutosh Roy (3)<br>President, Chief Executive Officer and Chairman                     | 2013        | 24          | 278,197  |         | 278,221    |
|   | 2012        | 24          | 191,476  |         | 191,500    |
| Eric Smit<br>Chief Financial Officer  | 2013        | 220,000     | 1,491  |         | 221,491    |
|   | 2012        | 200,000     | 4,225  |         | 204,225    |
| Promod Narang<br>Senior Vice President of Products and Engineering                      | 2013        | 200,000     | 1,917  |         | 201,917    |
|   | 2012        | 190,000     | 5,584  |         | 195,584    |
| Charles Jepson (4)<br>Senior Vice President of Worldwide Sales and Business Development | 2013        | 103,462     | 7,033  | 75,960  | 186,455    |
|   | 2012        | 150,000     | 14,142   | 50,744  | 214,886    |

- (1) Amounts reported represent the compensation recognized for financial reporting purposes for fiscal year 2013, in accordance with ASC 718, *Compensation Stock Compensation*, excluding forfeitures, utilizing the assumptions discussed in Note 6 to our consolidated financial statements in our 2013 Annual Report.
- (2) Reflects the amount approved by our Compensation Committee and Board of Directors as cash incentive to executive officers for fiscal year 2013 based upon satisfaction of the criteria established under our non-equity incentive plan and commission plan. See Compensation Components Annual Non-Equity Incentive Plan Compensation for a discussion on our plans in fiscal year 2013. We anticipate that our Chief Executive Officer will present his recommendations for Mr. Smit and Mr. Narang's non-equity incentive compensation for fiscal year 2013 to the Compensation Committee for approval in fiscal year 2014.
- (3) In October 2003, at the request of Mr. Roy, the Board of Directors reduced Mr. Roy's salary to \$24 per annum.
- (4) Mr. Jepson took a leave of absence during which time he did not receive a salary and effective September 1, 2013, he ceased to be an employee of the Company.

## Outstanding Equity Awards

The following table provides information on the outstanding option awards held by each of our named executive officers as of June 30, 2013:

| Name           | Grant Date | Number of Securities Underlying Unexercised Options/ Exercisable (#) | Number of Securities Underlying Unexercised Options/ Unexercisable (#) | Option Exercise Price (\$) | Option Expiration Date |
|----------------|------------|--|--|----------------------------|------------------------|
| Ashutosh Roy   | 08/20/2009 | 151,042  | 10,417   | 0.74(1)                    | 08/20/2019             |
|                | 02/28/2012 | 66,666   | 133,334  | 5.28(1)                    | 02/28/2022             |
| Total          |            | 217,708  | 143,751  |                            |                        |
| Eric Smit      | 05/27/2005 | 62,500   |  | 0.64(1)                    | 05/27/2015             |
|                | 08/20/2009 | 53,666   | 2,334  | 0.74(1)                    | 08/20/2019             |
| Total          |            | 116,166  | 2,334  |                            |                        |
| Promod Narang  | 12/08/2003 | 35,000   |  | 2.40(2)                    | 12/08/2013             |
|                | 05/27/2005 | 90,000   |  | 0.64(1)                    | 05/27/2015             |
|                | 08/20/2009 | 69,000   | 3,000  | 0.74(1)                    | 08/20/2019             |
| Total          |            | 194,000  | 3,000  |                            |                        |
| Charles Jepson | 6/28/2010  | 15,850   | 25,000   | 0.78(3)                    | 6/28/2020              |
| Total          |            | 15,850   | 25,000   |                            |                        |

- (1) Shares vest in equal monthly installments over 4 years.
- (2) Shares vest as to 25% of the shares of Common Stock after 12 months and the balance vests in equal monthly installments over 36 months.
- (3) Mr. Jepson retired from the Company as of September 1, 2013. Therefore, 20,834 unvested shares were cancelled and a remaining 5,016 vested shares may be exercised 60 days from his retirement date.

## PROPOSAL 2

### NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act and the related rules of the SEC), we are asking stockholders to approve, on an advisory basis, the compensation of our named executive officers as described in the Compensation Discussion and Analysis section, accompanying compensation tables and narrative disclosure set forth in this proxy statement. This vote is not intended to address any specific item of compensation or the compensation of any particular named executive officer, but rather the overall compensation of our named executive officers as well as the philosophy and objectives of our executive compensation programs.

As described in the Compensation Discussion and Analysis, our executive compensation program is designed to reward team accomplishments while promoting individual accountability. Our compensation takes into account competitive practices and internal consistency and fairness. Please read the Compensation Discussion and Analysis for additional details about our executive compensation programs, including information about the compensation of our named executive officers in fiscal year 2013.

Our Board of Directors asks that you indicate your support of the compensation of our named executive officers as disclosed in the Compensation Discussion and Analysis and Executive Compensation sections of this Proxy Statement. Accordingly, we ask our stockholders to vote **For** the following resolution at the Annual Meeting:

RESOLVED, that the Company's stockholders approve, on a non-binding advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2013 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and narrative discussions.

Although the vote is non-binding, our Board of Directors and the Compensation Committee will review the voting results. To the extent there is any significant negative vote on this proposal, we would attempt to consult directly with stockholders to better understand the concerns that influenced the vote. Our Board of Directors and the Compensation Committee would consider constructive feedback obtained through this process in making future decisions about executive compensation programs.

#### **Required Vote**

This vote, which is commonly referred to as the **say-on-pay** vote, is not binding on the Company, our Compensation Committee or our Board of Directors, however we value the opinions of our stockholders, and the Compensation Committee will take into account the result of the vote on this proposal when determining future executive compensation.

**Our Board of Directors recommends a vote **FOR** this proposal.**

### PROPOSAL 3

#### NON-BINDING ADVISORY VOTE ON THE FREQUENCY OF A NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act and the related rules of the SEC), we are asking stockholders to vote, on an advisory basis, on how frequently they would like to hold an advisory vote on our executive compensation of our named executive officers. By voting on this Proposal 3, stockholders may indicate whether they would prefer an advisory vote on our executive compensation once every one, two or three years.

After careful consideration, our Board of Directors recommends holding an advisory vote on our named executive officer compensation once every three years (a triennial vote). We believe that a triennial vote will be the most effective means for conducting and responding to a say-on-pay vote. An advisory vote held every three years will provide our Board of Directors and the Compensation Committee with sufficient time to thoughtfully evaluate and respond to stockholder input and effectively implement desired changes to compensation programs. The results of a say-on-pay vote received at our Annual Meeting will be considered by our management and our Board as we develop our compensation policies for the coming fiscal year. Accordingly, we believe that a triennial vote is appropriate as it allows time for any changes to incentive programs to be designed, implemented, and for the results to be evaluated and reported to stockholders. A triennial vote will also provide stockholders with sufficient time to evaluate the effectiveness of incentive programs, compensation strategies and our performance. Because our executive compensation programs do not generally change significantly from year to year, a triennial vote avoids the cost of including an additional proposal and vote in the annual meeting proxy statement more frequently.

You may cast your vote on your preferred voting frequency by choosing the option of one year, two year, three years or abstain from voting when you vote on the following resolution at the Annual Meeting:

RESOLVED, that the Company's stockholders hereby approve that the option of once every one year, two years or three years that received the highest number of votes cast for this resolution will be considered, on an advisory basis, to be the preferred frequency with which the Company is to hold a stockholder vote to approve the compensation of its named executive officers, as disclosed pursuant to the Securities and Exchange Commission's compensation disclosure rules (which disclosure shall include the Compensation Discussion and Analysis, and the Executive Compensation).

#### Required Vote

Because this proposal seeks the input of our stockholders and provides our stockholders with the option to vote to hold a say-on-pay vote once every one, two or three years, there is no minimum vote requirement for this proposal. Although our Board of Directors recommends holding a say-on-pay vote once every three years, you have the option to specify one of four choices for this proposal on the proxy card: one year, two years, three years or abstain. You are not voting to approve or disapprove of the Board of Director's recommendation. Notwithstanding the Board of Director's recommendation and the outcome of the stockholder vote on this Proposal 3, the Board of Directors may, in the future, decide to conduct advisory votes on a more or less frequent basis and may vary its practice based on factors such as discussions with stockholders and the adoption of material changes to compensation programs.

**Our Board of Directors recommends a vote for holding the say-on-pay advisory vote every 3 YEARS.**



## **PROPOSAL 4**

### **RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Upon the recommendation of the Audit Committee, the Board of Directors has appointed the firm of Burr Pilger Mayer, Inc., or BPM, as eGain's independent registered public accounting firm for the fiscal year ended June 30, 2014, subject to ratification by the stockholders. BPM audited eGain's financial statements for the fiscal year ending June 30, 2013. Representatives of BPM are expected to be present at eGain's Annual Meeting. They will have an opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

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

The aggregate fees for professional services by BPM the Company's independent registered public accounting firm in fiscal year 2013 and fiscal year 2012 for these various services to the Company and its subsidiaries were:

#### **Audit Fees**

The aggregate audit fees and expenses billed by BPM for professional services rendered for the audit of the Company's annual financial statements, review of financial statements included in the Company's quarterly reports on Form 10-Q and services that were provided in connection with statutory and regulatory filings, including S-1 amendment (prospectus supplement) and Form 8-K filing or engagements were approximately \$614,838 for fiscal year 2013 and \$479,265 for fiscal year 2012.

#### **Audit-Related Fees**

There were no fees billed by BPM for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported above under Audit Fees.

#### **Tax Fees**

There was no aggregate fees billed or to be billed by BPM for professional services related to tax advice, tax compliance tax auditing, tax planning and foreign tax matters for fiscal years 2013 and 2012.

#### **All Other Fees**

There were no fees billed to the Company by BPM for the fiscal years 2013 and 2012 other than those reported in the categories above.

#### **Policy on Pre-Approval of Retention of Independent Registered Public Accounting Firm**

The engagement of BPM for non-audit accounting and tax services performed for the Company is limited to those circumstances where these services are considered integral to the audit services that it provides or in which there is another compelling rationale for using its services. Pursuant to the Sarbanes-Oxley Act of 2002, all audit and permitted non-audit services for which the Company engages BPM require pre-approval by the Audit Committee. The Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the Company's independent registered public accounting firm. The percentage of Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees, out of all fees paid to BPM and all as approved by the Audit Committee in accordance with the policy, was 100% for fiscal year 2013.



### **Required Vote**

Ratification will require the affirmative vote of a majority of the shares present and voting at the meeting in person or by proxy. In the event ratification is not provided, the Board of Directors will review its future selection of eGain's independent registered public accounting firm but will not be required to select a different independent registered public accounting firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of our company and our stockholders.

**Our Board of Directors recommends a vote FOR ratification of Burr Pilger Mayer, Inc. as eGain's independent registered public accounting firm.**



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## REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

*The following report of the Audit Committee does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filing by eGain under the Securities Act of 1933 or the Securities Exchange Act of 1934.*

The Audit Committee of the Board of Directors, or the Audit Committee, operates under a written charter adopted by the Board of Directors. The current members of the Audit Committee are Mark A. Wolfson, David S. Scott, and Gunjan Sinha, each of whom meets the independence standards established by The NASDAQ Stock Market.

The Audit Committee performs the following activities:

oversees eGain's financial reporting process on behalf of the Board of Directors; and

provides independent, objective oversight of eGain's accounting functions and internal controls.

The Audit Committee reviewed and discussed the audited financial statements contained in the 2013 Annual Report with eGain's management and its independent registered public accounting firm. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent registered public accounting firm is responsible for expressing an opinion on the material conformity of those financial statements with accounting principles generally acceptable in the United States.

The Audit Committee met privately with the independent registered public accounting firm, and discussed issues deemed significant by the independent registered public accounting firm, including those required by Statement on Auditing Standards No. 114, The Auditor's Communication with Those Charged with Governance, as adopted by the Public Company Accounting Oversight Board (United States), or PCAOB, in Rule 3200T. In addition, the Audit Committee discussed with the independent registered public accounting firm their independence from eGain and its management, including the matters in the written disclosures required by PCAOB Rule 3526 (Communications with Audit Committees Concerning Independence). The Audit Committee also considered BPM's provision of non-audit services to eGain and determined that such provision of such services was compatible with maintaining the independence of BPM. BPM has provided the Audit Committee the written disclosures and the letter required by PCAOB Rule 3526.

In reliance on the reviews and discussions outlined above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the 2013 Annual Report, for filing with the Securities and Exchange Commission.

Audit Committee

Mark Wolfson

Gunjan Sinha

Dr. Phiroz Darukhanavala

## RELATED PARTY TRANSACTIONS

### Repayment of Indebtedness

We have an interest-bearing subordinated loan, or the Note, from our Chief Executive Officer, Ashutosh Roy, which originated in 2002 and previously had a maturity date of March 31, 2012. On March 31, 2012, we entered into Amendment No.1 to the loan agreement with Mr. Roy. Pursuant to the Amendment and subject to the terms and conditions contained therein, we agreed that (i) the maturity date of the Note would be extended 90 days to June 29, 2012; (ii) as of April 1, 2012 the Face Amount of the Note would be \$5.6 million, which included \$109,000 of interest for the 90 day extension. The Face Amount of \$5.6 million reflects the reduced interest rate on the Note of 8% beginning April 1, 2012 prior to which the interest rate was 12%; and (iii) the Company may prepay the Note in full or in part at any time prior to the maturity date without interest penalty.

On June 29, 2012, we entered into Amendment No. 2 to the loan agreement with Mr. Roy. Pursuant to Amendment No. 2, and subject to the terms and conditions contained therein, we agreed to extend the maturity date of the Note to July 31, 2013. We may prepay the Note in full or in part at any time prior to the maturity date without interest penalty. On December 31, 2012, we made a \$3.0 million partial repayment to Mr. Roy bringing the remaining indebtedness to Mr. Roy to \$2.8 million.

The highest amount of principal outstanding, net of discount and interest, due on the Note was \$5.6 million for fiscal years 2013 and 2012. As of June 30, 2013 and 2012, the principal, net of discount and interest, due on the Note was \$2.9 million and \$5.6 million, respectively. Interest expense on related party notes was \$334,000 and \$588,000 for fiscal years 2013 and 2012, respectively.

On July 31, 2013, we repaid the outstanding amount of \$2.9 million owed under the related party notes to Mr. Roy.

### Procedures for Approval of Related Party Transactions

It is eGain's current policy that all transactions between eGain and its officers, directors, 5% stockholders and eGain's affiliates will be entered into only if these transactions are approved by a majority of the disinterested directors, are on terms no less favorable to eGain than could be obtained from unaffiliated parties and are reasonably expected to benefit eGain.

## STOCKHOLDER PROPOSALS FOR THE 2014 ANNUAL MEETING

Proposals of stockholders of eGain that are intended to be presented by such stockholders at eGain's 2014 Annual Meeting must be received by the Secretary of eGain no later than June 16, 2014 in order that they may be included in eGain's proxy statement and form of proxy relating to that meeting.

A stockholder proposal not included in the eGain proxy statement for the 2014 Annual Meeting will be ineligible for presentation at the meeting unless the stockholder gives timely notice of the proposal in writing to the Secretary of eGain at the principal executive offices of eGain and otherwise complies with the provisions of its Bylaws. To be timely, eGain's Bylaws provide that eGain must have received the stockholder's notice not less than 50 days or more than 75 days prior to the scheduled date of such meeting. However, if notice or prior public disclosure of the date of the annual meeting is given or made to stockholders less than 65 days prior to the meeting date, eGain must receive the stockholder's notice by the close of business on the 15th day after the earlier of the day eGain mailed notice of the annual meeting date or provided such public disclosure of the meeting date.

## OTHER MATTERS

eGain knows of no other business that will be presented at the Annual Meeting. If any other business is properly brought before the Annual Meeting, it is intended that proxies in the enclosed form will be voted in accordance with the judgment of the persons voting the proxies.

eGain has adopted a process for mailing the 2013 Annual Report and Proxy Statement called "householding," which has been approved by the Securities and Exchange Commission. Householding means that stockholders who share the same last name and address will receive only one copy of the 2013 Annual Report and Proxy Statement, unless eGain receives contrary instructions from any stockholder at that address. eGain will continue to mail a proxy card to each stockholder of record.

If you prefer to receive multiple copies of the 2013 Annual Report and Proxy Statement at the same address, additional copies will be provided to you upon request. If you are a stockholder of record, you may contact us by writing to Eric N. Smit, eGain Corporation, 1252 Borregas Avenue, Sunnyvale, California 94089 or by calling (408) 636-4500. Eligible stockholders of record receiving multiple copies of the 2013 Annual Report and Proxy Statement can request householding by contacting eGain in the same manner. eGain has undertaken householding to reduce printing costs and postage fees, and we encourage you to participate.

If you are a beneficial owner, you may request additional copies of the 2013 Annual Report and Proxy Statement or you may request householding by notifying your broker, bank or nominee.

Current and prospective investors can also access free copies of our 2013 Annual Report, Proxy Statement and other financial information on our Investor Relations section of our web site at [http://www.egain.com/about\\_us/investors.asp](http://www.egain.com/about_us/investors.asp).

**ANNUAL REPORT ON FORM 10-K**

A copy of eGain's 2013 Annual Report accompanies this proxy statement. An additional copy will be furnished without charge to beneficial stockholders or stockholders of record upon request to Chief Financial Officer, eGain Corporation, 1252 Borregas Avenue, Sunnyvale, California 94089. The Company will provide copies of exhibits to the 2013 Annual Report, but may charge a reasonable fee per page to any requesting stockholder entitled to vote at the Annual Meeting.

Whether you intend to be present at the Annual Meeting or not, we urge you to return your signed proxy promptly.

By order of the Board of Directors,

Ashutosh Roy

*Chief Executive Officer*

October 15, 2013





