

SPARTON CORP
Form DEF 14A
October 30, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
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 Rule 14a-12

SPARTON CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

No fee required

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- N/A
7. (c) Filing Party:
- N/A
8. (d) Date Filed:
- N/A

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Our Shareholders:

Notice is hereby given that the Annual Meeting of Shareholders of Sparton Corporation will be held at 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173-2213, on November 30, 2017, at 8:00 a.m., local time, for the following purposes:

- (1) To elect seven directors each for a term of one year as set forth in the Proxy Statement.
- (2) To ratify the appointment of independent registered public accountants by an advisory vote.
- (3) To approve the Named Executive Officer compensation by an advisory vote.
- (4) To approve the frequency of the advisory vote on compensation of Named Executive Officers by an advisory vote.
- (5) To transact such other business as may properly come before the meeting or at any adjournments thereof.

Only holders of common stock of record at the close of business on October 20, 2017 are entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

/s/ Joseph J. Hartnett

JOSEPH J. HARTNETT
Interim President and Chief Executive Officer
Schaumburg, Illinois

October 30, 2017

IMPORTANT

ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND IN PERSON, YOU ARE URGED TO SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED, OR USE OUR INTERNET VOTING SYSTEM AS PROMPTLY AS POSSIBLE. THIS WILL ASSURE YOUR REPRESENTATION AND A QUORUM FOR THE TRANSACTION OF BUSINESS AT THE MEETING. IF YOU ATTEND THE MEETING IN PERSON, THE PROXY WILL NOT BE USED IF YOU SO REQUEST BY REVOKING IT AS DESCRIBED IN THIS PROXY STATEMENT.

You may obtain directions to the Annual Meeting by sending a written request to Sparton Corporation, Attention: Corporate Secretary, 425 N. Martingale Road, Suite 1000, Schaumburg, Illinois 60173-2213.

This Notice of Annual Meeting of Shareholders, Proxy Statement and our 2017 Annual Report are also available at <http://www.proxyvote.com>.

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Sparton Corporation

2017 Proxy Statement Summary

The following is a summary of certain information provided in the body of this Proxy Statement. This Summary does not contain all of the information contained in this Proxy Statement, and shareholders should review the entire Proxy Statement before voting on any matter proposed hereunder.

2017 Annual Meeting of Shareholders

Time and Date 8:00 a.m. Central Standard Time, November 30, 2017
425 North Martingale Road, Suite 1000,

Place Schaumburg, Illinois 60173-2213

Shareholders as of the record date, October 20, 2017, are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.

Voting

Meeting Agenda and Voting Matters	Board Vote Recommendation	Page Reference (for more detail)
Election of Seven Directors	FOR each director nominee	13
Ratification of BDO USA, LLP as independent registered public accountant for fiscal year 2018 by advisory vote	FOR	18
Advisory vote on Named Executive Officer compensation	FOR	20
Advisory vote on frequency of the shareholder advisory vote on Named Executive Officer compensation.	In favor of a shareholder advisory vote every 1 YEAR	21
Transact other business that properly comes before the meeting		

Director Nominees

Alan L. Bazaar
James D. Fast
Joseph J. Hartnett
Charles R. Kummeth
David P. Molfenter
James R. Swartwout
Frank A. Wilson

Independence

Other than Mr. Hartnett, who is the Interim President and Chief Executive Officer of Sparton Corporation, all director nominees are independent.

Attendance

Each of our director nominees attended at least 75% of all meetings of the Board of Directors and committees on which they serve (during the period served).

Independent Registered Public Accountant

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Sparton Corporation is asking the shareholders to ratify the appointment of BDO USA, LLP for fiscal year 2018. The following table summarizes the fees that BDO USA, LLP billed Sparton Corporation for the fiscal years ended July 2, 2017 and July 3, 2016:

(In thousands)	Year Ended	
	July 2, 2017	July 3, 2016
Audit Fees	\$ 521	\$ 572
Audit-Related Fees	34	43
Tax Fees	356	530
All Other Fees		890
Total	\$ 911	\$ 2,035

Executive Compensation

Sparton Corporation believes that its compensation policies and practices are effective in achieving its goals of attracting, motivating, retaining and rewarding its senior management team in order to achieve Sparton Corporation's corporate objectives and increase value for its shareholders. Please see Executive Officer and Director Compensation below at page 24 for details regarding compensation for fiscal year 2017.

2018 Annual Shareholders Meeting

Deadline for shareholder proposals to be included in the 2018 Proxy Statement: July 2, 2018.

Deadline for shareholder proposals: August 2, 2018.

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SPARTON CORPORATION

425 N. Martingale Road

Suite 1000

Schaumburg, Illinois 60173-2213

PROXY STATEMENT

For the Annual Meeting of Shareholders to be held on November 30, 2017

SOLICITATION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of SPARTON CORPORATION, an Ohio corporation (the Company), of proxies for use at the 2017 Annual Meeting of Shareholders of the Company (the Annual Meeting) to be held at 425 North Martingale Road, Schaumburg, Suite 1000, Illinois 60173-2213, on Thursday, November 30, 2017, at 8:00 a.m., Local Time, and at any and all adjournments thereof. The cost of solicitation will be paid by the Company. In addition to solicitation of proxies by mail, the Company will request that banks, brokers and other holders of record send proxies and proxy materials to the beneficial owners of Company common stock and secure their voting instructions. The Company has also made arrangements with Morrow Sodali LLC to assist it in soliciting proxies and has agreed to pay Morrow Sodali LLC approximately \$8,500 plus reasonable expenses for these services. Officers and employees of the Company and its subsidiaries may solicit proxies personally, by facsimile or other means, without additional compensation.

At the meeting, the Company's shareholders will act upon four proposals. The first proposal is the election of seven directors, each to serve for a one-year term until the annual meeting held in the year 2018 and the election and qualification of their successors. The second proposal is the ratification of the appointment of independent registered public accountants by an advisory vote. The third proposal is the approval of the compensation of the Named Executive Officers (defined below) by an advisory vote. The fourth proposal is the approval of the frequency of the advisory vote on the compensation of the Named Executive Officers by an advisory vote. The proposals are described in more detail in this Proxy Statement.

OUTSTANDING STOCK AND VOTING RIGHTS

In accordance with the Code of Regulations of the Company, the Board of Directors has fixed the close of business on October 20, 2017 as the record date for determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. Only shareholders of record on that date will be entitled to vote. As of the record date for the Annual Meeting, the Company had outstanding 9,834,723 shares of common stock, each entitled to vote at the Annual Meeting. Votes cast at the meeting and votes submitted by proxy are counted by the inspectors of the election, who are appointed by the Company.

Voting by Proxy

If a shareholder is a corporation or partnership, the accompanying proxy card should be signed in the full corporate or partnership name by a duly authorized person. If the proxy card is signed pursuant to a power of attorney or by an executor, administrator, trustee or guardian, the signer's full title should be given and a certificate or other evidence of appointment should be furnished.

You can vote in one of four ways. You can vote by mail, you can authorize the voting of your shares over the telephone, you can authorize the voting of your shares over the Internet, or you can vote in person at the Annual Meeting. Your proxy may be solicited up to the date and time of the meeting.

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Voting by Mail

If you choose to vote by mail, you may vote by completing and signing the proxy card that accompanies this Proxy Statement and promptly mailing it in the enclosed postage-prepaid envelope. You do not need to put a stamp on the enclosed envelope if you mail it in the United States. The shares you own will be voted according to the instructions on the proxy card you mail. If you return the proxy card, but do not give any instructions on a particular matter described in this Proxy Statement, the shares you own will be voted in accordance with the recommendations of the Company's Board of Directors. If you choose to vote by mail, your duly signed proxy card must be received by 11:59 p.m., Eastern Standard Time, on November 29, 2017.

Voting by Phone

If you choose to vote by telephone, call 1-800-690-6903. These procedures allow shareholders to appoint a proxy to vote their shares and confirm that their instructions have been properly recorded. If you vote by telephone, you do not have to mail in your proxy card, but your vote must be received by 11:59 p.m. Eastern Standard Time on November 29, 2017.

Voting by Internet

If you choose to vote over the Internet, instructions for a shareholder of record to vote by the Internet are set forth on the enclosed proxy card. The Internet voting procedures are designed to authenticate votes cast by use of a personal identification number that appears on the proxy card. These procedures allow shareholders to appoint a proxy to vote their shares and to confirm that their instructions have been properly recorded. If you vote over the Internet, you do not have to mail in your proxy card, but your vote must be received by 11:59 p.m. Eastern Standard Time on November 29, 2017.

Voting 401(k) Plan Shares

If you participate in the Company's 401(k) retirement savings plan (the "401(k) Plan") and hold shares in your plan account, you may vote the number of shares credited to your account as of the record date. You should receive instructions from the 401(k) Plan trustee, Merrill Lynch, Pierce, Fenner & Smith ("Merrill Lynch") on how to vote your shares of Company common stock held in the 401(k) Plan. You must provide Merrill Lynch with instructions on how to vote your shares. Only the trustee may vote your shares. You may not vote shares held in the 401(k) Plan by returning a proxy card directly to the Company or by voting in person at the Annual Meeting. If you do not instruct the 401(k) Plan trustee, Merrill Lynch, as how to vote your shares held in the 401(k) Plan, Merrill Lynch may vote your shares in accordance with its fiduciary obligations under the Employee Retirement Income Security Act as 1974, as amended. Your voting instructions (or change or revocation in voting instructions) must be received before 8:00 a.m. Eastern Standard Time November 29, 2017.

Shares Held in Street Name

If you are not the record holder of the shares you own because they are held in "street name" by a bank or brokerage firm, your bank or brokerage firm is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your bank or brokerage firm provides you. Many banks and brokerage firms also offer the option of voting over the Internet or by telephone, instructions for which would be provided by your bank or brokerage firm on your vote instruction form. Under the rules of The New York Stock Exchange ("NYSE"), if you do not give instructions to your brokerage firm, it may still be able to vote your shares with respect to certain "discretionary" items that are deemed by the NYSE to be routine (e.g., the ratification of the appointment of independent registered public accountants), but it will not be allowed to vote your shares with respect to certain "non-discretionary" items. If you do not provide voting instructions to your broker with respect to non-discretionary items such as election of directors and the advisory vote on the

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compensation of Named Executive Officers, your shares will not be voted for any such proposal. In such case, the shares will be treated as broker non-votes.

Revocation and How Shares are Voted if No Instructions are Provided

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing a written notice of revocation with the Chairman or Secretary of the Company, at or before the Annual Meeting, (ii) duly executing a subsequent proxy relating to the same shares and delivering it to the Chairman or Secretary of the Company either signed and returned by mail or transmitted using the Internet or telephone procedures at or before the Annual Meeting subject to deadlines set forth above or (iii) attending the Annual Meeting and voting in person with adequate notification. Attending the Annual Meeting alone, without voting at the Annual Meeting, will not be sufficient to revoke your proxy. Written notice of revocation should be mailed to: Sparton Corporation, Attn: Corporate Secretary, 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173-2213.

Unless revoked, the shares represented by the enclosed proxy will be voted at the meeting in accordance with any specification made thereon, if the proxy is returned properly executed and delivered in time for voting in accordance with the deadlines set forth above.

Unless otherwise specified, the proxy will be voted **FOR** the election of the seven director nominees, **FOR** the ratification of the appointment of independent registered public accountants, **FOR** approval of the compensation of the Named Executive Officers, and in favor of holding shareholder advisory votes on the compensation of the Named Executive Officers every **1 YEAR**.

Quorum and Vote Required

At all meetings of shareholders, including the Annual Meeting, the holders of record of a majority of the outstanding voting shares of the Company, present in person or by proxy, constitutes a quorum for the transaction of business.

In accordance with the Company's Second Amended Articles of Incorporation, and with respect to Proposal 1, a director nominee must receive, in an uncontested election of directors, a greater number of votes cast **FOR** his or her election than **AGAINST** his or her election. Broker non-votes and abstentions are not counted for purposes of this Proposal. Under our governing documents and Ohio law, an incumbent director who is not re-elected will continue in office as a **holdover** director until his or her successor is elected by a subsequent shareholder vote, or his or her earlier resignation, removal from office or death. In order to address **holdover** terms for any incumbent directors who fail to be re-elected under our majority vote standard, our Corporate Governance Guidelines provide that if a director nominee does not receive a majority affirmative vote, he or she will promptly offer his or her resignation as a director to the Board of Directors. Within ninety (90) days, the Board of Directors will decide, after taking into account the recommendation of the Nominating and Corporate Governance Committee (in each case excluding the nominee(s) in question), whether to accept the resignation. The Nominating and Corporate Governance Committee and the Board of Directors may consider any relevant factors in deciding whether to accept a director's resignation. The Board of Directors explanation of its decision shall be promptly disclosed in a filing with the Securities and Exchange Commission (**SEC**).

With respect to Proposal 2, the ratification of the appointment of the independent registered public accountant requires the affirmative vote of a majority of the shares entitled to vote thereon and present in person or represented by proxy at the Annual Meeting. Broker non-votes are not counted for purposes of this Proposal. Abstentions have the same effect as a vote against this Proposal.

With respect to Proposal 3, the approval of the compensation of the Named Executive Officers requires the affirmative vote of a majority of the shares entitled to vote thereon and present in person or represented by proxy

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at the Annual Meeting. Broker non-votes are not counted for purposes of this Proposal. Abstentions have the same effect as a vote against this Proposal.

With respect to Proposal 4, the proposal on the frequency of the advisory vote on the compensation of the Named Executive Officers seeks approval of a vote every one, two or three years. The option that receives the highest number of votes cast on this Proposal will be treated as the option approved by the shareholders. Broker non-votes and abstentions are not counted for purposes of this Proposal.

Proposals 2, 3 and 4 are advisory in nature and not binding, although the Board of Directors will carefully consider the shareholder votes.

Other Matters

Management does not intend to present, and does not know of anyone who intends to present, any matters at the meeting to be acted upon by the shareholders not referred to in the Notice and this Proxy Statement. If any other matters should properly come before the meeting, it is the intention of the persons named in the proxy to vote in accordance with their judgment on such matters.

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CORPORATE GOVERNANCE AND BOARD MATTERS

Director Independence

Independence criteria and determination

The listing requirements under Section 303A.01 of the NYSE Listed Company Manual (the Manual) provide that a majority of the members of a listed company's board of directors must be independent. The question of independence is determined with respect to each director pursuant to standards set forth in the Manual. The Manual also requires that certain committees be composed entirely of independent directors. The committees covered by this requirement are the Audit, Compensation, and Nominating and Corporate Governance Committees. Based upon the standards set forth in the Manual, as of the date of this Proxy Statement, seven of the Board of Director's eight members, being more than a majority of the Board of Directors, are independent. All current members of the Audit, Compensation, and Nominating and Corporate Governance Committees are independent in that those directors do not have a material relationship with the Company directly or as a partner, shareholder or affiliate of an entity that has a relationship with the Company.

In making such determinations, the Board considered (i) whether a director had, within the last three years, any of the relationships under Section 303A.02(b) of the Manual with the Company that would disqualify a director from being considered independent, (ii) whether the director had any disclosable transaction or relationship with the Company under Item 404 of Regulation S-K of the Securities Exchange Act of 1934, as amended (Exchange Act), which relates to transactions and relationships between directors and their affiliates, on the one hand, and the Company and its affiliates (including management), on the other, and (iii) the factors suggested in the NYSE's Commentary to Section 303A.02, such as commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationships, among other relationships, or other interactions with management that do not meet the absolute thresholds under Section 303A.02 or Item 404(a) but which, nonetheless, could reflect upon a director's independence from management. In considering the materiality of any transactions or relationships that do not require disqualification under Section 303A.02(b), the Board of Directors considered the materiality of the transaction or relationship to the director, the director's business organization and the Company and whether the relationship between (i) the director's business organization and the Company, (ii) the director and the Company and (iii) the director and his or her business organization interfered with the relevant director's business judgment.

Based on the foregoing, the Company has determined that the following directors are independent: Alan L. Bazaar, James D. Fast, John A. Janitz, Charles R. Kummeth, David P. Molfenter, James R. Swartwout and Frank A. Wilson.

Meetings of Independent Directors

The independent directors schedule meetings in executive sessions without the presence of the Company's management. The Chairman presides over the sessions during the year.

The independent directors met five times during fiscal year 2017.

Shareholder Communication with Independent Directors

Shareholders wishing to communicate directly with the independent directors may send correspondence addressed as follows:

Independent Directors

c/o Corporate Secretary

Sparton Corporation

425 N. Martingale Road, Suite 1000

Schaumburg, Illinois 60173-2213

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Mr. James R. Swartwout has been elected by the directors as the Chairman. The Chairman provides leadership to enhance the effectiveness of the Board of Directors, presides over meetings of the directors, and serves as a liaison between the Board of Directors and management. The Chairman is responsible for determining when to hold, and who shall preside over, executive sessions held by the independent directors. If a shareholder, employee, or third party prefers not to communicate directly with the entire Board of Directors or management, communications may be sent to the Chairman, in care of the Corporate Secretary, using the above address.

Board and Committee Structure

As of the date of this Proxy Statement, the Company's Board of Directors consists of seven independent directors, including the Chairman of the Board, Mr. Swartwout, and one non-independent director, Mr. Joseph J. Hartnett, the Interim President and Chief Executive Officer of the Company. The Board of Directors has established four committees, being the Audit, Compensation, Nominating and Corporate Governance, and Process Committees, as further described below. Other than the Process Committee, each of the committees is comprised solely of independent directors, and each committee has a different chair. The Company believes that its predominantly independent Board of Directors, mixed with the experience of its non-independent director, constitutes a leadership structure that is most appropriate for the Company and its shareholders.

The Board of Directors had 19 meetings during fiscal year 2017.

Board of Directors Committee Membership

Director	Independent	Audit	Compensation	Nominating and Corporate Governance	Process
Alan L. Bazaar	Yes	x		x - Chairman	x
James D. Fast	Yes			x	
Joseph J. Hartnett	No				x
John A. Janitz	Yes		x		x
Charles R. Kummeth	Yes		x		
David P. Molfenter	Yes		x - Chairman	x	x
James R. Swartwout	Yes	x			x - Chairman
Frank A. Wilson	Yes	x - Chairman			

x denotes committee membership

Audit Committee

The Audit Committee met five times during fiscal year 2017 and is currently comprised of Messrs. Frank A. Wilson (Chairman), Alan L. Bazaar, and James R. Swartwout. Mr. Bazaar joined the Audit Committee and Messrs. James D. Fast and John A. Janitz departed from the Audit Committee after the 2016 Annual Meeting of Shareholders. The Audit Committee operates under a written charter and oversees auditing, financial reporting and internal control matters regarding accounting and financial controls. It also selects the firm that the Company retains as its independent registered public accountants and recommends the ratification of their selection by the shareholders. The Audit Committee consults with the independent registered public accountants and oversees their audit and other work. The Audit Committee also consults with the Chairman of the Board, President and Chief Executive Officer, and Chief Financial Officer and oversees those individuals who review the Company's internal controls and compliance with policies. Each member of the Audit Committee is independent, as defined under the NYSE listing standards.

Mr. Wilson, in addition to being independent, qualifies as an audit committee financial expert as defined in the SEC Regulation S-K, Item 407(d)(