

SERVOTRONICS INC /DE/  
Form DEF 14A  
March 29, 2019

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant  x

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(3) (2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

SERVOTRONICS, INC.  
(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.

Fee computer on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

**1110 Maple Street, P.O. Box 300 – Elma, New York 14059-0300 716-655-5990 Fax 716-655-6012**

**Kenneth D. Trbovich**

*Chairman of the Board of Directors and Chief*

*Executive Officer*

March 29, 2019

Dear Fellow Shareholder:

The Annual Meeting of Shareholders will take place on Friday, April 26, 2019 at 2:00 P.M., EDT, at the offices of Bond, Schoeneck & King, PLLC, Avant Building - Suite 900, 200 Delaware Avenue, Buffalo, NY 14202. You are cordially invited to attend. If you wish to attend the meeting in person, you will need to register with us in advance. Please follow the advance registration instructions described on page 1 of the Proxy Statement.

The enclosed Notice of Annual Meeting and Proxy Statement describe the matters to be acted upon during the meeting. To ensure your representation at the meeting, even if you are unable to attend, please sign the enclosed Proxy Card and return it in the postage paid envelope.

If you have any questions in regard to completing your proxy, please call our Corporate Secretary, Bernadine E. Kucinski (716) 655-5990.

Your continued interest and support is very much appreciated.

Sincerely,

Kenneth D. Trbovich

**SERVOTRONICS, INC.**

**1110 Maple Street**

**P.O. Box 300**

**Elma, New York 14059**

**NOTICE OF**

**2019 ANNUAL SHAREHOLDERS' MEETING**

To the Shareholders:

Notice is hereby given that the 2019 Annual Meeting of the Shareholders of Servotronics, Inc. (the "Company") will be held at the offices of Bond, Schoeneck & King, PLLC, Avant Building -Suite 900, 200 Delaware Avenue, Buffalo, NY 14202, on Friday, April 26, 2019 at 2:00 P.M., EDT, for the following purposes:

1. To re-elect five Directors to serve until the next Annual Meeting of Shareholders;
2. To consider and ratify the appointment of Freed Maxick CPAs, P.C. as the Company's independent registered public accounting firm for the 2019 fiscal year;
3. To cast an advisory vote on the Company's Executive Compensation for its named executive officers ("say-on-pay");
4. To cast an advisory vote on the frequency of future advisory "say on pay" votes; and
5. To transact such other business as may properly come before the meeting or any adjournments thereof.

Only shareholders of record at the close of business on March 15, 2019 are entitled to notice of and to vote at the meeting or any adjournments thereof.

Kenneth D. Trbovich  
*Chairman of the Board of Directors and  
Chief Executive Officer*

Dated: March 29, 2019

**Important notice regarding the availability of Proxy materials for the Annual Meeting of Shareholders to be held on April 26, 2019.**

This Proxy statement, form of proxy and the Company's 2018 Annual Report are available at [www.servotronics.com](http://www.servotronics.com).

SHAREHOLDERS ARE URGED TO VOTE BY SIGNING, DATING AND MAILING THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE TO WHICH NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES.

**SERVOTRONICS, INC.**

**1110 Maple Street P.O. Box 300**

**Elma, New York 14059**

**PROXY STATEMENT**

**FOR**

**ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD April 26, 2019**

The following information is furnished in connection with the Annual Meeting of Shareholders of Servotronics, Inc. (the "Company") to be held on April 26, 2019 at 2:00 P.M., EDT, at the offices of Bond, Schoeneck & King, PLLC, Avant Building - Suite 900, 200 Delaware Avenue, Buffalo, NY 14202.

If you would like to attend the Annual Meeting, please pre-register by 11:59 P.M. EDT on Monday, April 22, 2019. You must present valid government -issued photographic identification, such as a driver's license, to be admitted into the Annual Meeting. If you are a registered shareholder, please indicate that you intend to attend the Annual Meeting by checking the appropriate box on your proxy card. If you hold your shares beneficially, please notify us in writing that you will attend. In your written notification, please include a proof of ownership of our common stock (such as a letter from your broker, bank or other nominee, a photocopy of your current account statement or a copy of your voting card). Please also provide contact information where we can reach you if we have a question about your notification. Send your notification by mail to the Company's Corporate Secretary, 1110 Maple Street, P.O. Box 300, Elma, New York 14059.

A copy of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2018 accompanies this Proxy Statement. Additional copies of the Annual Report, Notice, Proxy Statement and form of proxy may be obtained without charge from the Company's Corporate Secretary, 1110 Maple Street, P.O. Box 300, Elma, New York 14059. This Proxy Statement and proxy card are first being mailed to shareholders on or about March 29, 2019.

#### **SOLICITATION AND REVOCABILITY OF PROXIES**

The enclosed proxy for the Annual Meeting of Shareholders is being solicited by the Directors of the Company. The proxy may be revoked by a shareholder at any time prior to the exercise thereof by filing with the Corporate Secretary



of the Company a written revocation or duly executed proxy bearing a later date. The proxy may be revoked by a shareholder attending the meeting, by withdrawing such proxy and voting in person. The cost of soliciting the proxies on the enclosed form will be paid by the Company. In addition to the use of mailings, proxies may be solicited by employees of the Company (who will receive no additional compensation therefor) personally or by telephone or other electronic communications and arrangements may be made with banks, brokerage houses and other institutions, nominees and/or fiduciaries to forward the soliciting material to their principals and to obtain authorization for the execution of proxies. The Company may, upon request, reimburse banks, brokerage houses and other institutions, nominees and fiduciaries for their expenses in forwarding proxy material to their principals.

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## VOTING INFORMATION

The record date for determining shares entitled to vote has been fixed at the close of business on March 15, 2019. On such date there were outstanding 2,573,044 shares of common stock of the Company, \$.20 par value ("Common Stock"), entitled to one vote each.

In order to conduct the Annual Meeting, the presence, in person or by properly executed proxy, of the holders of a majority (i.e., greater than 50%) of all the votes entitled to be cast at the Annual Meeting is necessary to constitute a quorum. Directors will be elected by a plurality of all the votes cast at the 2018 Annual Meeting with each share being voted for as many individuals as there are Directors to be elected. Ratification of the appointment of Freed Maxick CPAs, P.C. as the Company's independent registered public accounting firm for the 2019 fiscal year and the advisory vote on the Company's executive compensation for its Named Executive Officers requires the affirmative vote of a majority of the votes cast on each proposal. The frequency of the advisory vote on the compensation of the Company's Named Executive Officers will be determined based on the option receiving the greatest number of votes. Pursuant to SEC rules, shareholder proposals must have been received by March 9, 2019, which date is 45 days before the date (April 23) on which the Company mailed its proxy materials for last year's annual meeting, to be considered at the 2019 Annual Meeting. At March 9, 2019 the Company had not received notice of any intention to submit any other matter; and, therefore, the named proxies have discretion to vote on any other matter that comes before the meeting.

Shares of Common Stock represented by a properly signed, dated and returned proxy will be treated as present at the meeting for the purposes of determining a quorum. Proxies relating to "street name" shares of Common Stock that are voted by brokers will be counted as shares of Common Stock (i) present for purposes of determining the presence of a quorum and (ii) as having voted in accordance with the directions and statements on the form of proxy.

## **PROPOSAL 1: ELECTION OF DIRECTORS**

The By-Laws of the Company provide that there shall not be less than three Directors not more than nine and that the number of Directors to be elected at the Annual Meeting of Shareholders shall be fixed by the Board of Directors. As of March 14, 2019, the Board of Directors has fixed the number of Directors to be elected at the meeting at five. Each person so elected shall serve until the next Annual Meeting of Shareholders and until his successor is elected and shall have qualified.

Each nominee is currently serving as a Director of the Company. The Directors believe that all of the nominees are willing and able to serve as Directors of the Company. If any nominee at the time of election is unable or unwilling to serve or is otherwise unavailable for election, the enclosed proxy will be voted in accordance with the best judgment of the person or persons voting the proxy.

The following paragraphs set forth certain information regarding the nominees for election to the Company's Board of Directors, including the specific experience, qualifications, attributes or skills that led to the conclusion by the Board of Directors that such person should serve as a Director of the Company. The nominees for election to the Company's Board of Directors are Jason T. Bear, age 37, Edward C. Cosgrove, Esq., age 84, Lucion P. Gyax, age 48, Christopher M. Marks, age 54, and Kenneth D. Trbovich, age 44.

Jason T. Bear has served as a Director since 2017. Mr. Bear was appointed and serves as the Chairman of the Company's Nominating and Corporate Governance Committee and is a member of the Compensation Committee. Mr. Bear is the Founder, President, and CEO of Full-Throttle Communications, Inc., a marketing and public relations firm that represents a wide variety of national manufacturing brands. His experience ranges from aerospace and tactical manufacturers that service military government entities to outdoor sporting brands. Prior to founding Full Throttle Communications in 2007, Mr. Bear held the position of Marketing Director at Bear Enthusiast Marketing Group and also served as an account manager at Kodiak Communications, Inc. where he oversaw a number of client accounts providing strategic marketing direction. Mr. Bear's marketing experience includes the support of signature brands such as Wiley X, John Deere, Harley-Davidson, and Remington. His leadership skills, marketing acumen, and aptitude for negotiation qualify him to be a Company Director.

Edward C. Cosgrove, Esq. has served as Director since 2012. Mr. Cosgrove is a prominent long-term member of the Western New York legal community. He has been chosen by Martindale-Hubbell, Buffalo Law Journal, Business First and by his peers as one of the most accomplished attorneys in New York State. He earned a Bachelor of Arts Degree from the University of Notre Dame and a Doctor of Laws Degree from Georgetown University Law School. His range of experience has included years as a Special Agent, Federal Bureau of Investigation, Attorney at Law and District Attorney of Erie County, NY. From 1982 to the present his practice includes civil litigation, management of legal crises, representation of families, schools, corporations, businesses and professionals with The Cosgrove Law

Firm. In addition, Mr. Cosgrove brings extensive experience as an active member of professional and charitable organizations. Mr. Cosgrove is eminently qualified to be a Director of Servotronics, Inc. because of his wide-range of experience, excellent reputation and demonstrated competency in addressing complex personal and business challenges.

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Lucion P. Gygax, an author, entrepreneur and Major in the Army National Guard, was appointed to the Board of Directors in July 2015 and serves as Chairman of the Company's Compensation Committee and a member of the Company's Audit Committee and Nominating and Corporate Governance Committee. A decorated military officer, Mr. Gygax is the recipient of the Bronze Star and the Meritorious Service Medal, among other awards, and is a veteran of the Gulf War and the Iraq War. Mr. Gygax brings a diverse background to the board with experience in supply chain management, budget management, human resources and executive leadership. Mr. Gygax is the principal owner and managing partner of an event management company and is the Operations Officer of the Army National Guard's 224th Sustainment Brigade responsible for the training and operations for a brigade with over 1800 personnel. He has over 25 years of experience in the United States Armed Forces, including prior leadership assignments as a Non-commissioned Officer, Battalion Executive Officer, Battalion Support Operations Officer, Battalion Human Resources Officer, Battalion Operations Officer, Brigade Transportation Officer, Armor Company Commander and Recruiting Company Commander. Mr. Gygax's leadership experience and achievements qualify him as a Company Director.

Christopher M. Marks was appointed to the Board of Directors in July 2016 and serves as Chairman of the Company's Audit Committee and member of the Compensation Committee and Nominating and Corporate Governance Committee. Mr. Marks brings over 25 years of financial planning and analysis experience to the Company as well as a background in corporate law and governance. He holds a Bachelor's Degree in Business from Villanova University, a Master of Business Administration from St. Bonaventure University, and a Juris Doctorate with honors from the State University of New York at Buffalo. His extensive experience includes practicing commercial and corporate law at Phillips Lytle, LLP in Buffalo, NY and several years working for the auditing and accounting firm Price Waterhouse in New York City. Mr. Marks is a partner in the financial planning company Jensen, Marks, Langer & Vance (formerly Buffalo Financial Associates), where he provides financial planning advice and investment management services. Additionally, Mr. Marks is a member of the New York State and Erie County Bar Associations, is a past president of the Buffalo Chapter of the Society of Financial Service Professionals, and served on various boards and advisory committees for privately held companies, charities, and educational institutions. Mr. Marks' experience, accomplishments, and financial specialization qualifies him as a Company Director.

Kenneth D. Trbovich has been Chairman of the Board and Chief Executive Officer since November 2017 and President of the Company since 2012. Mr. Trbovich has served as a Director since 2012. Mr. Trbovich is also President and CEO of the Company's subsidiary, The Ontario Knife Company (OKC). Mr. Trbovich initially joined the Company in 1993 and held positions of increasing responsibilities that led to his current roles. He is listed as co-inventor on multiple patents or patents-pending used by the Company and has extensive project management and business development experience, coordinating Company business in the United States, Taiwan, Singapore, Australia, Germany, England, and other locations around the world. In addition to his positions within the Company, Mr. Trbovich represents OKC on the Board of Regents of the American Knife and Tool Institute, serves on the Board of Trustees for Medaille College, and is a trustee for a private charitable foundation. Mr. Trbovich is a member of the National Association of Corporate Directors and he also maintains Company relationships with industry associations including the Buffalo Niagara Partnership, the National Association of Manufacturers, and the Aerospace Industry Association. He holds undergraduate degrees from Medaille College and Skidmore College in addition to certificates from the State University of New York at Buffalo's School of Management and the University of Rochester's Simon School of Business. Mr. Trbovich's achievements, executive experience, established industry associations, and long tenure with the Company highly qualifies him as a Company Director.



The Directors recommend a vote FOR the five nominees listed above. Unless instructed otherwise, proxies will be voted FOR these nominees.

## **CORPORATE GOVERNANCE AND BOARD MATTERS**

### **Independent Directors**

Under the NYSE American listing standards, at least 50% of the Company's directors must meet the test of "independence" as defined by the NYSE American. The NYSE American standards provide that, to qualify as an "independent" director, in addition to satisfying certain bright-line criteria, the Board of Directors must affirmatively determine that a director has no relationship with the Company that would interfere with such person's ability to exercise independent judgment as a member of the Company's Board.

The Board of Directors has determined that each current director and nominee is independent other than Kenneth D. Trbovich, the Company's Chairman of the Board and Chief Executive Officer, and Mr. Edward C. Cosgrove, whose firm has provided legal services to the Company and its subsidiaries. In determining that Mr. Bear was "independent", the Board considered the fact that the Company and its subsidiaries paid approximately \$39,300 and \$30,100 to Full-Throttle Communications, Inc. in 2018 and 2017, respectively.

### **Committees and Meeting Data**

The Board of Directors has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Each member of each of these committees is "independent" as that term is defined in the NYSE American listing standards. The Audit Committee consists of Messrs. Gygax and Marks with Mr. Marks chairing the Committee and being designated as the Company's "Audit Committee financial expert." The Audit Committee meets with the Company's Independent Auditors and reviews with them matters relating to corporate financial reporting and accounting procedures and policies, the adequacy of financial, accounting and operating controls, the scope of the audit and the results of the audit. The Audit Committee is also charged with the responsibility of submitting to the Board of Directors any recommendations it may have from time to time with respect to financial reporting and accounting practices, policies and financial accounting and operation controls and safeguards.

The Compensation Committee consists of Messrs. Gygax, Bear and Marks with Mr. Gygax chairing the Committee. The Compensation Committee is responsible for reviewing and recommending appropriate executive compensation policy and determining the compensation of the Company's Directors and Executive Officers.

The Nominating and Corporate Governance Committee consists of Messrs. Bear, Gygax and Marks with Mr. Bear chairing the Committee. The Nominating and Corporate Governance Committee is responsible for (a) developing and implementing policies and procedures that are intended to ensure that the Board will be appropriately constituted and organized to meet its fiduciary obligations to the Company and its shareholders; and (b) identifying individuals qualified to become members of the Board, and to select, or to recommend that the Board select, the director nominees for the next annual meeting of shareholders.

The full Board of Directors approves/ratifies all Director nominees after they are determined by the Nominating and Corporate Governance Committee. See "Director Nominating Process" below. Additionally, Director and Executive Officer compensation determinations are subsequently submitted to the full Board of Directors for approval/ratification.

During the fiscal year ended December 31, 2018, the Board of Directors and the Audit Committee met 4 times. The Nominating and Corporate Governance Committee and the Compensation Committee were newly-created standing committees in May 2018. Prior to that time matters with respect to executive compensation and nominations were handled by the Independent Directors Committee, which met twice in 2018 and also approved certain actions by written consent. No Director attended less than 100% of the meetings held during the period that each individual served as a Director. Each Director is encouraged to attend the Annual Meeting of Shareholders. In 2018, the Annual Meeting of Shareholders was attended by five Directors then in or elected to office.

### **Code of Ethics**

The Company has adopted a Code of Ethics and Business Conduct (the "Code") that applies to all Directors, Officers and employees of the Company as required by the listing standards of the NYSE American. The Code is available on the Company's website at [www.servotronics.com](http://www.servotronics.com) and the Company intends to disclose on this website any amendment to the Code. Waivers under the Code, if any, will be disclosed under the rules of the SEC and the NYSE American.

The Company also has a Whistleblower Policy, which is incorporated into the Code of Ethics and Business Conduct that requires Directors, Executive Officers and employees to comply with appropriate accounting and internal controls and establishes procedures to report any perceived wrongdoing, questionable accounting or auditing matters in a confidential and anonymous manner.





## Report of the Audit Committee of the Board of Directors

*The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 except to the extent the Company specifically incorporates this Report by reference therein.*

The Audit Committee serves as the representative of the Board of Directors for general oversight of the Company's financial accounting and reporting, systems of internal control, audit process and monitoring compliance with standards of business conduct. The Audit Committee operates under a written charter which is available on the Company's website at [www.servotronics.com](http://www.servotronics.com). Management of the Company has primary responsibility for preparing financial statements of the Company as well as the Company's financial reporting process. Freed Maxick CPAs, P.C. ("Freed Maxick"), acting as Independent Auditors, is responsible for expressing an opinion on the conformity of the Company's audited financial statements with U.S. generally accepted accounting principles.

In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements for fiscal year 2018 with the Company's Management.

2. The Audit Committee has discussed with the Independent Auditors the matters required to be discussed by Auditing Standard No. 1301 *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board (PCAOB) and other matters required by the Charter of the Audit Committee.

3. The Audit Committee has received the written disclosures and the letter from the Independent Auditors required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, and has discussed with Freed Maxick the matter of that firm's independence.

4. Based on the review and discussion referred to in paragraphs (1) through (3) above, the Audit Committee approved that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, for filing with the Securities and Exchange Commission.

Each member of the Audit Committee is independent as defined under the listing standards of the NYSE American.

**AUDIT COMMITTEE**

Christopher M. Marks, Chairman

Lucion P. Gygax

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## **Leadership Structure**

Kenneth D. Trbovich is the Company's Chairman of the Board and Chief Executive Officer. The Company believes that having one person hold the roles of Chairman of the Board and Chief Executive Officer is the most effective way at this time to organize the leadership structure of the Board of Directors. Having one person hold the roles of Chairman of the Board and Chief Executive Officer promotes unified leadership and direction for the Board and executive management and it allows for a single and clear focus for the chain of command to execute the Company's strategic initiatives and business plans. Because Mr. Trbovich is primarily responsible for managing the Company's day-to-day operations and strategic plan implementations, he is in the best position to chair meetings of the Board of Directors where key business and strategic issues are discussed.

Another component of our leadership structure is the active role played by non-management and independent Directors in overseeing the Company's business, both at the Board and Committee level. The Board believes that the combined role of Chairman of the Board and Chief Executive Officer coupled with the existence of the independent Directors is the appropriate leadership structure for the Board of Directors at this time. This structure provides sufficient independent oversight while avoiding unnecessary confusion regarding the Board's oversight responsibilities and the day-to-day management of the Company's business operations and strategic plan implementations. The Nominating and Corporate Governance Committee periodically reviews this structure to assess its effectiveness on a continuing basis.

## **Board Oversight of Risk Management**

The Board of Directors oversees the Company's risk management process. This oversight is primarily accomplished through the Board's committees and management's reporting processes. The Company does not have a formal risk committee; however, the Audit Committee focuses on risk related to accounting, internal controls and financial and tax reporting. The Audit Committee also assesses economic and business risks and monitors compliance with ethical standards. The Compensation Committee identifies and oversees risks associated with the Company's executive compensation policies and practices and the Nominating and Corporate Governance Committee reviews Director independence, related party transactions and the implementation of corporate governance policies.

## **Director Nominating Process**

The determination of the individuals to be nominated for the Board of Directors is made by the Nominating and Corporate Governance Committee. This determination is then subsequently submitted to the full Board of Directors for approval/ratification.

The Board has not adopted specific minimum criteria for director nominees. Nominees are identified by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re-nomination. If any member of the Board does not wish to continue in service, the Board first considers the appropriateness of the size of the Board and then considers factors that it deems are in the best interests of the Company and its shareholders in identifying and evaluating a new nominee. Consistent with the concept of diversity, the Company recognizes the value of having a Board that encompasses a broad range of skills, expertise, contacts, industry knowledge and diversity of opinion.

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The Board will consider director nominees from any reasonable source, including nominees suggested by incumbent Board Members and Management as well as Shareholder recommendations tendered in accordance with the Company's advance notice provisions. The Company does not currently employ an executive search firm, or pay a fee to any other third party, to locate qualified candidates for director positions.

## Directors' Compensation

The Company's Non-employee Director Compensation Policy provides that Non-employee Directors are paid an annual cash retainer of \$50,000, payable in twelve monthly installments, plus reimbursement of actual expenses for attendance at Board or Committee meetings. The Chairperson of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are also paid a \$10,000 annual cash retainer, payable in twelve monthly installments.

The Company's Non-employee Director Compensation Policy was revised effective May 25, 2018 to provide that Non-employees Directors also receive an annual award of restricted stock under the Company's 2012 Long-Term Incentive Plan. The annual award consists of shares of the Company's common stock with a value of \$10,000 as of the date of the grant. These restricted shares will vest quarterly over the 12-month service period.

The following table contains information with respect to the total compensation paid to the Non-employee Directors for the year ended December 31, 2018.

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Total
Jason T. Bear	\$55,833	\$10,000	\$65,833
Edward C. Cosgrove	\$50,000	\$10,000	\$60,000
Lucion P. Gygax	\$60,000	\$10,000	\$70,000
Christopher M. Marks	\$60,000	\$10,000	\$70,000

**(1) Represents the grant date fair value of stock awards on the date of the award.**

## Shareholder Communications with the Board of Directors

Shareholders who wish to contact the Board of Directors or any of its members may do so by addressing their written correspondence to Board of Directors, 1110 Maple Street, P.O. Box 300, Elma, New York 14059. Correspondence directed to an individual Board member will be referred, if appropriate, to that member. Correspondence not directed to a particular Board member will be referred, if appropriate, to the Chairman of the Nominating and Corporate Governance Committee.

## EXECUTIVE OFFICERS

The following is a listing of the Company's current Executive Officers:

Name	Age	Position with the Company and Principal Occupation and Business Experience for Past Five Years
Kenneth D. Trbovich	44	Chairman of the Board of Directors and Chief Executive Officer of the Company since November 2017; President of the Company since September 2012; Director of the Company since November 2012.
Lisa F. Bencel	61	Chief Financial Officer since January 2017; Global Controller and Treasurer with kgb, a privately held information services company.
James C. Takacs	53	Chief Operating Officer since May 2018; Senior Vice President of the Company since September 2016; Vice President of the Company for more than five years prior to September 2016.

## EXECUTIVE COMPENSATION

The Summary Compensation Table quantifies the amount or value of the different forms of compensation earned by or awarded to the Company's Chief Executive Officer and the next two most highly compensated officers of the Company (the "Named Officers") in fiscal 2018 and 2017 and provides a dollar amount for total compensation. Descriptions of the material terms of the employment agreements with Chief Executive Officer is are provided under "Employment Agreements" below.

## **The Compensation Process Overview**

The Compensation Committee determines the compensation of the Company's Executive Officers in accordance with the NYSE American listing standards with the Chief Executive Officer playing a supporting role in the compensation-setting process for the Company's other Executive Officers. The most significant aspects of management's role are evaluating employee performance, recommending business performance targets and objectives, and recommending salary levels and other compensation awards, however final compensation determinations for all Executive Officers are approved by the Board upon the recommendation of the Compensation Committee.

## **Base Salary**

The Compensation Committee seeks to provide the Company's Executive Officers with a level of assured cash compensation in the form of base salary that is commensurate with their professional status, accomplishments and geographic location. The base salaries are reviewed annually by the Compensation Committee and are adjusted from time to time to recognize competitive market data, the officer's level of responsibility, outstanding individual performance, promotions and internal equity considerations. For the year ended December 31, 2018, base salary paid to each Named Officer is as set forth in the Summary Compensation Table.

## **Annual Bonus**

The Company also makes cash awards to the Executive Officers and other employees that are not part of any pre-established, performance-based criteria. Awards of this type are completely discretionary and subjectively determined by the Board upon the recommendation of the Independent Directors Committee at the time they are awarded. In the event this type of cash award is made, it is reflected in the "Summary Compensation Table" under a separate column entitled "Bonus". Bonus amounts for 2018 were not determined as of the date of this proxy statement.

## **Equity Awards**

Pursuant to the 2012 Long-Term Incentive Plan, as approved by the Company's shareholders, the Compensation Committee may grant equity awards, the vesting of which may be based on the passage of time, achievement of performance conditions or vesting conditions otherwise determined by the Compensation Committee. On May 25, 2018, the Company awarded the following number of restricted shares to the Executive Officers pursuant to the 2012 Long-Term Incentive Plan; Mr. Trbovich 45,000; Ms. Bencel 12,000 shares and Mr. Takacs 11,250 shares. These



shares will vest on January 1, 2019, 2020 and 2021.

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## Summary Compensation Table

The following table contains information with respect to the annual compensation for the years ended December 31, 2018 and 2017 for the Named Officers.

Name and Principle Position	Year	Salary	Bonus	All Other Compensation (1)	Total
Kenneth D. Trbovich Chairman and CEO	2018	\$555,831	TBD	\$ 47,114	\$602,945
	2017	\$449,943	\$110,000	\$ 44,330	\$604,273
Lisa F. Bencel CFO and Treasurer	2018	\$211,761	TBD	\$ 88,191	\$299,952
	2017	\$180,289	\$40,000	\$ 27,881	\$248,170
James C. Takacs Chief Operating Officer	2018	\$196,925	TBD	\$ 18,919	\$215,844
	2017	\$199,472	\$35,000	\$ 36,361	\$270,833

(1) For 2018, Bonus amounts have not been determined at this time but will be reported on a Current Report on Form 8-K when finally determined.

All Other Compensation for 2018 includes (i) \$5,243 for Mr. Trbovich, \$5,243 for Ms. Bencel and \$5,244 for Mr. Takacs in connection with the allocation of shares of Common Stock under the Servotronics Inc. Employee Stock Ownership Plan (“ESOP”) valued as of the closing price on November 30, 2018 (the date of allocation); (ii) \$412, \$2,036 and \$680 for Mr. Trbovich, Ms. Bencel, and Mr. Takacs, respectively, for life insurance; (iii) \$30,099, \$30,099 and \$11,195 for Mr. Trbovich, Ms. Bencel and Mr. Takacs, respectively, for health, dental and vision insurance premiums and the reimbursement of medical/ health related expenses not covered under the Company’s health insurance plans; (iv) \$4,160 for personal use of a company car for Mr. Trbovich; and (v) \$48,893 for reimbursement of relocation costs associated with the sale of a primary residence for Ms. Bencel.

## CEO Employment Agreement

Mr. Trbovich has an employment agreement with the Company pursuant to which he is entitled to receive minimum salary compensation as set forth in the agreement, or such greater amount as the Company’s Board of Directors may approve/ratify. On May 25, 2018 the Board of Directors approved a base salary for Mr. Trbovich of \$559,000, per annum. In the event of death or total disability during the term of the employment agreement, he or his estate is entitled to receive 50% of the compensation he is receiving from the Company at the time of his death or disability during the remainder of the term of the employment agreement. Also, in the event of (i) a breach of the agreement by the Company, (ii) a change in control of the Company, as defined, or (iii) a change in the responsibilities, positions or geographic office location, he is entitled to terminate the agreement and receive a payment of 2.99 times his average

annual compensation from the Company for the preceding five years. If this provision is invoked and the Company makes the required payment, the Company will be relieved of any further salary liability under the agreement notwithstanding the number of years covered by the agreement prior to termination. The term of the agreement extends to and includes December 31, 2020 provided however, the term of the agreement will be automatically extended for one additional year beyond its then expiration date unless either party has notified the other in writing that the term will not be extended. If the Company elects not to extend the agreement, he will be entitled to a severance payment equal to nine months' salary and benefits.

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The Company provides certain individual and spousal post-retirement health and life insurance benefits for Mr. Trbovich. Upon retirement and after attaining at least the age of 65, the Company will pay for the retired executives' and dependents' health benefits and will continue the Company-provided life insurance offered at the time of retirement. The retiree's health insurance benefits ceases upon the death of the retired executive. The actuarially calculated future obligation of the benefits at December 31, 2018 and 2017 for Mr. Trbovich is \$427,622 and \$434,669 respectively.

### Outstanding Equity Awards at 2018 Fiscal Year End

The following table shows all outstanding equity awards held by the Named Officers as of December 31, 2018.

Named Officer	Stock Awards	
	Number of shares or units that have not vested (#)	Market value of shares or units of stock that have not vested (\$) (1)
Kenneth D. Trbovich	45,000 (2)	\$455,850
Lisa F. Bencel	12,000 (3)	\$121,560
James C. Takacs	11,250 (4)	\$113,963

(1) Value is based on the December 31, 2018 average price of the Company's common stock of \$10.13, as reported on the NYSE American.

Mr. Trbovich's restricted stock holdings as of December 31, 2018 vest as follows provided that he remains (2)employed by the Company on such dates: 15,000 shares each on January 1, 2019, January 1, 2020 and January 2021.

(3) Ms. Bencel's restricted stock holdings as of December 31, 2018 vest as follows provided that she remains employed by the Company on such dates: 4,000 shares each on January 1, 2019, January 1, 2020 and January 2021.

(4) Mr. Takac's restricted stock holdings as of December 31, 2018 vest as follows provided that he remains employed by the Company on such dates: 3,750 shares each on January 1, 2019, January 1, 2020 and January 2021.

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**Certain Relationships and Related Transactions**

Kenneth D. Trbovich, Chairman of the Board and Chief Executive Officer, is an inventor or co-inventor of certain issued patents and patent pending applications that are