

NORTECH SYSTEMS INC  
Form DEF 14A  
April 01, 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 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**Nortech Systems Incorporated**

(Name of Registrant as Specified In Its Charter)

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

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To be Held May 10, 2019**

**TO THE SHAREHOLDERS OF NORTECH SYSTEMS INCORPORATED:**

The Annual Meeting of Shareholders of Nortech Systems Incorporated (the Company) will be held at the Company's office in person at 7550 Meridian Circle N., Suite 150, Maple Grove, Minnesota 55369, and will be available through the following virtual meeting link <https://web.lumiagm.com/?fromurl=232337670> on May 10, 2019, at 3:00 p.m., for the following purposes:

1. To elect five members of the Board of Directors to serve for a one-year term and until their successors are elected and qualify;
2. To approve, on an advisory basis, the compensation of our named executive officers (referred to as the Say-on-Pay proposal);
3. To approve an amendment to the 2017 Stock Incentive Plan increasing the shares of Common Stock reserved for issuance from 350,000 to 400,000;
4. To ratify the appointment of Baker Tilly Virchow Krause, LLP as the independent registered public accounting firm of the Company for fiscal 2019; and
5. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on March 25, 2019, will be entitled to notice of and to vote at the meeting or any adjournment thereof.

**Important Notice regarding the availability of proxy materials for the Annual Meeting of Shareholders to be held on May 10, 2019: The Notice and Proxy Statement and Annual Report on Form 10-K are available online at [www.proxypush.com/nsys](http://www.proxypush.com/nsys).**

**YOU ARE CORDIALLY INVITED TO ATTEND THE MEETING. WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE. IF YOU ATTEND THE MEETING, YOU MAY REVOKE THE PROXY AND VOTE YOUR SHARES IN PERSON.**

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Your attention is called to the accompanying Proxy Statement.

April 1, 2019

By Order of the Board of Directors  
Constance M. Beck  
*Secretary*

2

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**Nortech Systems Incorporated**

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**PROXY STATEMENT**

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**ANNUAL MEETING OF SHAREHOLDERS, MAY 10, 2019**

This Proxy Statement is furnished to shareholders of NORTECH SYSTEMS INCORPORATED, a Minnesota corporation (the Company), in connection with the solicitation on behalf of the Company's Board of Directors of proxies for use at the annual meeting of shareholders to be held at the Company's office at 7550 Meridian Circle N., Suite 150, Maple Grove, Minnesota 55369, and will be available through the following virtual meeting link <https://web.lumiagm.com/?fromurl232337670> on May 10, 2019, at 3:00 p.m., and at any adjournment thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders.

The address of the principal executive office of the Company is 7550 Meridian Circle N., Suite 150, Maple Grove, Minnesota 55369. We will begin mailing this proxy statement and proxy card to shareholders on or about April 5, 2019.

**SOLICITATION AND REVOCATION OF PROXIES**

The Company will pay the costs and expenses of solicitation of proxies. In addition to the use of the mails, directors, officers and regular employees of the Company may solicit proxies personally or by telephone or letter with extra compensation. The Company will reimburse brokers and other custodians, nominees or fiduciaries for their expenses in forwarding proxy materials to principals and obtaining their proxies.

Proxies in the form enclosed are solicited on behalf of the Board of Directors. Any shareholder giving a proxy in this form may revoke it at any time before it is exercised by (i) giving written notice of revocation to the Secretary of the Company, (ii) delivering a duly executed proxy bearing a later date, or (iii) voting in person at the annual meeting. Such proxies, if received in time for voting and not revoked, will be voted at the annual meeting in accordance with the specifications indicated on the proxy.

**VOTING RIGHTS AND REQUIREMENTS**

Only shareholders of record as of the close of business on March 25, 2019, will be entitled to sign proxies or to vote. On that date, there were 2,684,672 shares issued, outstanding and entitled to vote. Each share of Common Stock is entitled to one vote. A majority of the outstanding shares present in person or by proxy at the meeting is required to transact business, and constitutes a quorum for voting on items at the meeting. If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted as being present at the meeting in determining the quorum, but neither will be counted as a vote in favor of a matter. A broker non-vote is a proxy submitted by a bank, broker or

other custodian that does not indicate a vote for some of the proposals because the broker does not have or does not exercise discretionary voting authority on certain types of proposals and has not received instructions from its client as to how to vote on those proposals.

**Vote Required**

*Election of Directors.* The affirmative vote of a plurality of the shares of Common Stock present in person or by proxy and entitled to vote at this annual meeting is required for the election to the Board of each of the nominees for director. Shareholders do not have the right to cumulate their votes in the election of directors. Plurality means that the individuals who receive the greatest number of votes cast For are elected as directors.

*Say-on-Pay.* The advisory vote on executive compensation in PROPOSAL 2 is not binding on us; however, we will consider the shareholders to have approved our executive compensation if the number of shares voted For the proposal exceed the number of shares voted Against the proposal. A shareholder who abstains with respect to this proposal will have no effect on its outcome.

*Approval of Amendment to 2017 Stock Incentive Plan Increasing the shares reserved for issuance from 350,000 to 400,000.* The approval of the proposed amendment to the 2017 Stock Incentive Plan requires the affirmative vote of a majority of the votes cast at the meeting by shareholders who are present and entitled to vote on the matter. An abstention by a shareholder with respect to this proposal will have the same effect as a vote Against the proposal.

*Appointment of Independent Auditor.* The ratification of the appointment of Baker Tilly Virchow Krause, LLP as the Company's independent registered public accounting firm for fiscal 2019 requires the affirmative vote of a majority of the votes cast at the meeting by shareholders who are present and entitled to vote on the matter.

*Routine Versus Non-Routine Matters.* Brokers can vote on their customers' behalf on routine proposals such as PROPOSAL 4, the ratification of appointment of Baker Tilly Virchow Krause, LLP as the Company's independent registered public accounting firm. Brokers cannot vote on their customers' behalf on non-routine proposals such as PROPOSAL 1, the election of directors, PROPOSAL 2, the advisory vote on executive compensation and PROPOSAL 3, the amendment of the 2017 Stock Incentive Plan. Because brokers require their customers' direction to vote on such non-routine matters, it is critical that shareholders provide their brokers with voting instructions.

*Effect of Broker Non-Votes.* If you hold your shares in street name and do not provide voting instructions to your bank, broker or other custodian, your shares will not be voted on PROPOSAL 1, PROPOSAL 2 or PROPOSAL 3 which are proposals on which your broker does not have or does not exercise discretionary authority to vote (a broker non-vote), such as may be the case with other non-routine matters for which you do not provide voting instructions. A broker non-vote on any of the proposals presented at the annual meeting will have no effect on the outcome of the proposal.

## **PROPOSAL 1**

### **ELECTION OF DIRECTORS**

The Board of Directors currently consists of six members. The Board has nominated the five individuals below to be elected at the meeting. All of the nominees are presently directors of the Company. Michael J. Kennedy will not stand for re-election. Proxies solicited by the Board will, unless otherwise directed, be voted for the election of the following eight nominees:

**Kathleen P. Iverson**

**David B. Kunin**

**Ryan P. McManus**

**Jay D. Miller**

**Steven J. Rosenstone**

Following is information regarding the nominees:

<b>Name:</b>	<b>Age:</b>	<b>Position:</b>	<b>Director Since:</b>
Kathleen P. Iverson	63	Director	2015
David B. Kunin	59	Chairman of the Board of Directors	2015
Ryan P. McManus	46	Director	2016
Jay D. Miller	59	Director	2018
Steven J. Rosenstone	67	Director	2018

**Kathleen P. Iverson.** Ms. Iverson retired in March 2016 from CEO (consulting) of Black Hills IP, a provider of IP, paralegal and trademark services since October 2014. Ms. Iverson previously served on the board of directors of MOCON Inc., which develops, manufactures and markets measurement, analytical and monitoring products for the barrier packaging, food and pharmaceutical markets until MOCON was sold. She previously served as a director of Speed Commerce, Inc., a provider of end-to-end e-commerce services from 2008 until 2014. Ms. Iverson served as President and CEO of CyberOptics Corporation, a designer and manufacturer of optical process control sensors and measurement inspection systems used in the electronic assembly and semiconductor industries, from January 2003 until her retirement in January 2014. Ms. Iverson held a variety of positions with CyberOptics beginning in 1998; she was a director from May 1998 through January 2014, and she was Chairman of the Board



from August 2009 through January 2014. Ms. Iverson brings to our Board her experience and knowledge from her executive and board positions and strong experience in the electronics manufacturing industry.

**David B. Kunin.** Mr. Kunin is currently the chief executive officer of Beautopia LLC, a beauty products manufacturing business, since 1998. From 1997 until October 2011 he served as a director of Regis Corporation, the world's largest owner and franchisor of hair salons. He spent ten years in sales and senior management positions for computer companies, contract manufacturing and printed circuit board fabrication. He serves as president of a family holding company, Curtis Squire, Inc., the owner of 49% of the Company's outstanding common stock. Mr. Kunin has been a director of the Company since May 2014 and has been the Company's Chairman of the Board since May 2015. Mr. Kunin brings to our Board his experience in the contract manufacturing and printed circuit board businesses as well as his twenty years' business perspective, including as a director of large publicly traded businesses.

**Ryan P. McManus.** Mr. McManus is a recognized as a global leader in the field of digital business strategy. He is the founder and CEO of techtonic.io where he works with startups, growth firms and large corporations on digital strategy and transformation topics including new ventures, growth, product development and innovation. From 2015 to 2018, he was Senior Vice President of Partnerships at EVERYTHING, a Smart Products IoT Platform company. McManus was with Accenture Strategy from 2010 to 2015 and during that time he founded Accenture's Digital Business Strategy practice and also served as Accenture Strategy's chief operating officer and a leader in the firm's Corporate Strategy, M&A and International Expansion practices. After starting out in 1995 in Chicago with Andersen, in 2002 he joined PriceWaterhouseCoopers as Director of Strategy and Operations and then in 2009 formed RPM Global Advisors delivering strategy, product development and international growth services before joining Accenture. He has worked with large and small companies on digital business, new venture, and global strategies across industrial, technology, financial services, pharma, health, professional services, retail, and government sectors. He is the author of several publications and a frequent presenter at summits, forums and institutions in the field of digital and business strategy. Mr. McManus brings to our Board his experience and knowledge as a global leader in business strategy. He has been a director since 2016.

**Jay D. Miller.** Mr. Miller has been a Director of the Company since May 2018 and the Company's President and Chief Executive Officer since February 2019. Mr. Miller is also a member of the board of directors of icometrix (Leuven, Belgium), and the acting chairman of the board for NXC Imaging (Minneapolis, MN), a medical imaging distribution company, a position he has held since 2016. Mr. Miller also is on the board of NerveVision (Toronto, Canada), which develops medical software products. From August 2013 to February 2016, he was president, chief executive officer and member of the board of IMRIS, which designs image-guided surgical solutions, and was previously chief operating officer since 2012. In May 2015, IMRIS filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. Mr. Miller was chief executive officer at the time of the bankruptcy filing, guided the company through the restructuring process and remained chief executive officer for a period of time after IMRIS, Inc. emerged successfully from bankruptcy. Prior to 2012, Mr. Miller was the CEO of Zonare, Inc and Vital Images, Inc. in the medical imaging and visualization industry. Early in his career Mr. Miller worked for Siemens Medical Systems (now Siemens Healthineers) and GE Medical Systems (now GE Healthcare). He has also advised and served on the boards of directors of numerous companies in the healthcare industry. Mr. Miller brings to our Board broad experience in the healthcare industry and knowledge of governance and public company compliance.

**Steven J. Rosenstone.** Dr. Rosenstone was the Chancellor of the Minnesota State Colleges and Universities from 2011 until his retirement in 2017. Previously he was Vice President of Scholarly and Cultural Affairs at the University of Minnesota from 2007 to 2011 and Dean of the College of Liberal Arts of the University of Minnesota from 1996 to 2007. He was earlier on the faculty at Yale University and the University of Michigan. He has served on numerous boards and commissions including the Minnesota Business Partnership and the Governor's Workforce Development Board, and he is a member of the American Academy of Arts and Sciences. He twice traveled to the People's Republic of China on behalf of the University of Minnesota and in 2016 was a member of Governor Mark Dayton's trade mission to Mexico. Dr. Rosenstone brings to our Board his broad academic background, leadership skills, knowledge of research universities and technical colleges, workforce development, and the culture and markets of China and Mexico.

### **DIRECTORS MEETINGS**

There were six meetings of the Board of Directors during the last fiscal year. All directors acting that year attended all the meetings of the Board and committees of the Board on which such director served, either in person or telephonically. The Board of Directors took action by written consent on one occasion.

We encourage Board members to attend the annual meeting of shareholders. All the Company directors serving on the Board of Directors at the time of the Company's 2018 annual meeting were in attendance.

### **COMMITTEES**

The Board of Directors has established a Nominating and Corporate Governance Committee, a Compensation and Talent Committee, and an Audit Committee. The members of the Nominating and Corporate Governance Committee are Ms. Iverson, Mr. McManus and Mr. Rosenstone. The members of the Compensation and Talent Committee are Ms. Iverson, Mr. Kennedy, Mr. McManus and Mr. Rosenstone. The members of the Audit Committee are Ms. Iverson, Mr. McManus, Mr. Rosenstone and Mr. Kennedy.

In the last fiscal year the Audit Committee met four times, the Compensation and Talent Committee met four times, and the Nominating and Corporate Governance Committee met four times. The charters of all committees are posted on the Company's website at [www.nortechsys.com](http://www.nortechsys.com).

### **DIRECTOR INDEPENDENCE**

The Board of Directors has determined that Ms. Iverson, Mr. Kennedy, Mr. McManus and Mr. Rosenstone are independent directors in accordance with the NASDAQ rules. Mr. Miller was an independent director until January 1, 2019, when he became Interim President of the Company. In evaluating Mr. Miller's independence, the Board has considered his employment agreement with the Company, described under [Employment Agreements](#) and has determined that he was not independent, effective January 1, 2019 and therefore he resigned from the Company's Audit Committee on such date. Mr. Miller resigned from the Compensation and Talent Committee and the Nominating and Corporate Governance Committee when he was appointed Chief Executive Officer and President of the Company on February 27, 2019.

Further, the Board has determined that Ms. Iverson is an audit committee financial expert as defined by applicable regulations of the Securities and Exchange Commission.

### **BOARD LEADERSHIP STRUCTURE**

The Board has determined that the positions of Chairman of the Board and Chief Executive Officer should be held by different persons. The Board believes that this leadership structure has enhanced the Board's oversight of, and independence from, the Company's management and the Board's ability to carry out its roles and responsibilities on behalf of the shareholders.

#### **RISK OVERSIGHT**

Management and the Company's outside counsel discuss risks, both during Board meetings and in direct discussions with Board members. These discussions identify Company risks which are prioritized and assigned to the appropriate Board committee or the full Board for oversight. Internal control and financial risks are overseen by the Audit Committee; compensation risks are overseen by the Compensation and Talent Committee; CEO succession planning is overseen by the Nominating and Corporate Governance Committee; and compliance risks are typically overseen by the full Board. Management regularly reports on each such risk to the relevant committee or the Board, and material risks identified by a relevant committee are then presented to the full Board. The Company's risk management program as a whole is reviewed annually at a meeting of the Board. Additional review or reporting on Company risks is conducted as needed or as requested by the Board or committee.

**EXECUTIVE OFFICERS**

The Executive Officers of the Company as of the mailing date of this proxy statement are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Jay D. Miller	59	President, Chief Executive Officer and Director
Constance Beck	43	Vice President and Chief Financial Officer
John Lindeen	54	Senior Vice President of Global Operations
Curtis J. Steichen	62	Senior Vice President, Chief Marketing and Sales Officer

Mr. Miller joined the Company in May 2018 on the Board of Directors and was appointed Interim President in January 2019 and then President & Chief Executive Officer in February 2019. Mr. Miller's full biography can be found within Proposal 1.

Ms. Beck joined the Company in January 2018, and has held the position of Vice President and Chief Financial Officer since her hiring. Ms. Beck was formerly vice president of finance and controller for MOCON, Inc., a publicly traded provider of measurement instruments and services, from 2013 to 2017.

Mr. Lindeen joined the Company in 2013 as the Company's Industrial Market Lead. He has held various positions since joining the Company and as of January 2019, is the Sr. Vice President of Global Operations.

Mr. Steichen has been Chief Marketing and Sales Officer since January 2012. He has held senior marketing and operational positions with the Company since May 2005.

**Executive Cash Compensation**

The Company sets base salaries for the named executive officers at a level that is believed to enable the Company to hire and retain them in a competitive environment and to reward satisfactory individual performance and level of contribution to the Company's overall business objectives. The Compensation and Talent Committee reviews base salaries for the Company's named executive officers each year and generally approves increases for the following year in December or as soon as practicable thereafter.

In addition to base compensation, the Company provides the named executive officer an opportunity for annual performance-based bonus compensation to motivate achievement of Company-related performance goals. The performance-based bonus typically has been tied to a combination of achievement of certain financial goals and pre-established individual goals, subject to adjustments approved by the Compensation and Talent Committee. Annual incentives are paid following approval by the Compensation and Talent Committee in the year following the achievement of the goals.

The target cash compensation for named executive officers for fiscal 2019 is as follows:

	<b>Annualized Base Salary (\$)</b>	<b>Target Annual Bonus (\$)</b>	<b>Target Annual bonus as a % of Base Salary</b>	<b>Total Target Cash Compensation (\$)</b>
Jay D. Miller	\$ 400,000	\$ 200,000	50%	\$ 600,000
Constance Beck	215,000	96,750	45%	311,750
John Lindeen	211,750	84,700	40%	296,450
Curtis J. Steichen	175,000	105,000	60%	280,000

## COMPENSATION AND TALENT COMMITTEE

The Compensation and Talent Committee is composed of the independent outside directors whose names appear below. The Committee has a charter which is available on the Company's website ([www.nortechsys.com](http://www.nortechsys.com)). The Committee determines the compensation of the Chief Executive Officer of the Company and recommends to the Board the compensation of the other executive officers. Compensation for executive officers includes three elements: base salaries, performance-based bonuses, equity based compensation. Salaries are based on factors such as the individual's level of responsibility and the amount of salary paid to executives with similar responsibilities in comparable companies. Performance-based bonuses are awarded based on a combination of the executive's success in meeting certain pre-established individual goals and the Company's performance in meeting certain financial goals. All equity-based compensation is designed to increase the incentive for an executive's interest in the Company's success as measured by the market value of its stock or other financial-related measures and to align the interests of the executives with those of the Company's shareholders.

The Chief Executive Officer's base compensation for 2018 was established under an amended and restated employment agreement executed on May 15, 2017. It was determined that the total compensation of the Chief Executive Officer was comparable to compensation of chief executive officers of comparable companies. The base compensation of the other executive officers was set at the level necessary to attract and retain executives performing the functions being performed by such executives.

Steven J. Rosenstone, Chair  
 Kathleen P. Iverson  
 Michael J. Kennedy  
 Ryan P. McManus

*Members of the Compensation and Talent Committee*

## EXECUTIVE COMPENSATION

### 2018 Summary Compensation Table

The table below shows the compensation of the Company's Chief Executive Officer, Chief Financial Officer and each of the other two most highly compensated executive officers for services to the Company in 2018 and 2017.

Name and Principal Position	Year	Salary \$	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation \$(2)	All Other Compensation \$	Total \$
Richard G. Wasielewski Chief Executive Officer	2018	285,000		37,000	7,716	329,716
	2017	299,212	103,680	3,105	75,680(3)	481,677
Constance Beck Chief Financial Officer	2018	188,461	30,160	35,000	7,427	261,048
	2017					