

EASTERN CO  
Form DEF 14A  
March 15, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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 14(a)-6(e) (2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Section 240.14a-12

The Eastern Company  
(Name of Registrant as Specified In Its Charter)

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

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No fee required

Fee computed 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:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No. :

(3) Filing Party:

(4) Date Filed:

THE EASTERN COMPANY  
112 Bridge Street  
P.O. Box 460  
Naugatuck, CT 06770-0460

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
April 27, 2016

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The Annual Meeting of shareholders of The Eastern Company (“Eastern” or the “Company”) will be held on April 27, 2016 at 11:00 a.m., local time, at the office of the Company, 112 Bridge Street, Naugatuck, Connecticut 06770-0460, for the following purposes:

1. To elect two directors.
2. To amend the Company’s certificate of incorporation to declassify the Board of Directors and to elect Directors by majority vote.
3. To ratify the Audit Committee’s recommendation and the Board of Directors’ appointment of Fiondella, Milone & LaSaracina LLP as the independent registered public accounting firm to audit the consolidated financial statements of the Company and its subsidiaries for the fiscal year 2016.
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed February 24, 2016 as the record date for the determination of common shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, we urge you to sign, date and return the enclosed proxy card promptly in the postpaid return envelope that is provided or call the toll free number provided on the enclosed proxy card. If you attend the meeting and desire to vote in person, your proxy will not be used.

All shareholders are cordially invited to attend the meeting, and management looks forward to seeing you there.

By order of the Board of Directors,

Theresa P. Dews  
Secretary

March 15, 2016

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PROXY STATEMENT

of

THE EASTERN COMPANY

for the Annual Meeting of Shareholders  
To Be Held on April 27, 2016

The Board of Directors of The Eastern Company (“Eastern” or the “Company”) is furnishing this proxy statement in connection with its solicitation of proxies for use at the 2016 Annual Meeting of Shareholders and at any adjournment thereof. This proxy statement is first being furnished to shareholders on or about March 15, 2016.

GENERAL INFORMATION REGARDING VOTING AT THE ANNUAL MEETING

The Board of Directors of Eastern has fixed the close of business on February 24, 2016 as the record date for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting. On the record date, there were 6,247,732 outstanding shares of Eastern common stock, no par value (“Common Shares”), with each Common Share entitled to one vote.

The presence, in person or by proxy, of holders of a majority of the voting power of the Common Shares entitled to vote at the Annual Meeting is necessary to constitute a quorum.

Shares represented by Eastern’s proxy card will be voted at the Annual Meeting, either in accordance with the directions indicated on the proxy card, or, if no directions are indicated, in accordance with the recommendations of the Board of Directors contained in this Proxy Statement and on the form of proxy. If a proxy is signed and returned without specifying choices, the Common Shares represented thereby will be voted (1) FOR the proposal to elect Messrs. DiSanto and Henry to the Board of Directors; (2) FOR the proposal to amend the Company’s certificate of incorporation to declassify the Board of Directors and to elect Directors by majority vote; and (3) FOR the proposal to appoint Fiondella, Milone & LaSaracina LLP as the independent registered public accounting firm. The Company is not aware of any matters other than those set forth herein which will be presented for action at the Annual Meeting. If other matters should be presented, the persons named in the proxy intend to vote such proxies in accordance with their best judgment.

A shareholder may revoke the appointment of a proxy by making a later appointment or by giving notice of revocation to The Eastern Company, 112 Bridge Street, P.O. Box 460, Naugatuck, CT 06770-0460. Attendance at the Annual Meeting does not in itself revoke the appointment of a proxy; however, it may be revoked by giving notice in open meeting. A revocation made during the Annual Meeting after the polls have been closed will not affect the previously taken vote.

The Common Stock of the Company is registered on The NASDAQ Stock Market LLC (“NASDAQ”).

Solicitation of Proxies

The cost of solicitation of proxies will be borne by the Company. This solicitation by mail to the Company’s shareholders (including this proxy statement and the enclosed proxy) began on approximately March 15, 2016. In

addition to this solicitation by mail, officers and regular employees of the Company and its subsidiaries may make solicitation by mail, telephone or personal interviews, and arrangements may be made with companies, brokerage firms, and others to forward proxy material to their principals. The Company will defray the expenses of such additional solicitations. We have retained D.F. King, an ASTOne Company to solicit proxies and to verify related records for a fee of \$7,000.00, plus expenses.

The proxy statement is also available on the Company's website at [www.easterncompany.com](http://www.easterncompany.com).

### Voting at the Annual Meeting

A plurality of the votes duly cast is required for the election of directors. Each of the other matters to be acted upon at the Annual Meeting will be approved if the votes cast in favor of the matter exceed the votes cast opposing the matter.

Under Connecticut law, an abstaining vote or a broker “non-vote” is considered to be present for purposes of determining a quorum but is not deemed to be a vote cast. A broker “non-vote” occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. As a result, abstentions and broker “non-votes” are not included in the tabulation of the voting results on the election of directors or the other matters to be acted on at the Annual Meeting, each of which requires the approval of a plurality or majority of the votes cast, and therefore do not have the effect of votes of opposition in such tabulations.

The Board of Directors recommends voting:

FOR the election of Messrs. DiSanto and Henry as directors.

FOR the amendment of the Company’s certificate of incorporation to declassify the Board of Directors and to elect Directors by majority vote.

FOR the appointment of Fiondella, Milone & LaSaracina LLP as the independent registered public accounting firm.

Item No. 1

ELECTION OF DIRECTORS

At the meeting, two directors will be elected to serve for a three-year term which expires in 2019 or until his successor is elected and qualified. Mr. Charles W. Henry, a current director whose term expires in 2016, is a nominee for election at the meeting. Mr. Fredrick DiSanto is the other nominee for election at the meeting.

Unless otherwise specified in your proxy, the persons with power of substitution named in the proxy card will vote your shares FOR the Company's nominees named below. If a nominee is unable or unwilling to accept nomination, the proxies will be voted for the election of such other person as may be recommended by the Board of Directors. The Board of Directors, however, has no reason to believe that the Company's nominees will be unavailable for election at the Annual Meeting. Approval of this resolution requires the affirmative vote of a plurality of the votes duly cast by the shares represented at the meeting which are entitled to vote on the matter.

The Board of Directors recommends a vote FOR the election of Mr. DiSanto and Mr. Henry as directors.

Each director has furnished the biographical information set forth below with respect to his present principal occupation, business and other affiliations, and beneficial ownership of equity securities of the Company. Unless otherwise indicated, each director has been employed in the principal occupation or employment listed for at least the past five years.

Company Nominees for Election at the 2016 Annual Meeting  
For a three-year term expiring in 2019

Fredrick D. DiSanto, age 54, is the Chief Executive Officer of The Ancora Group, a registered investment advisor. Mr. DiSanto was the President and Chief Operating officer of Maxus Investment Group from 1998 until December of 2000. In January 2001 when Maxus was sold to Fifth Third Bank, he served as Executive Vice President and Manager of Fifth Third Bank's Investment Advisor Division. Mr. DiSanto was recommended for election to the Board of Directors by GAMCO Investors, Inc., the Company's largest shareholder.

Mr. DiSanto is an experienced public company director and has knowledge and background in finance, strategic planning, governance and international business. He currently serves as a Director for Axia NetMedia Corporation and Medical Mutual of Ohio, and previously served on the boards of directors of LNB Bancorp and VF Capital Corporation.

Charles W. Henry, age 66, is an attorney and partner with the law firm Henry & Federer, LLP located in Woodbury, Connecticut. Mr. Henry has been a Director of the Company since 1989, and brings to the Board of Directors extensive knowledge of the Company's business. He serves on the Audit, Compensation, Executive, and Nominating and Corporate Governance Committees.

Mr. Henry's independent legal expertise is valuable to the Company if and when matters of law or regulation arise in the normal course of the Company's businesses. His firm does not provide any services to the Company.

Continuing Directors (Terms to Expire in 2018)

James A. Mitarotonda, age 61, has been the Chairman of the Board, President and Chief Executive Officer of Barington Capital Group, L.P., an investment firm, since 1991.

Mr. Mitarotonda is an experienced public company director. He currently serves as a director of A. Schulman, Inc., OMNOVA Solutions Inc. and Barington/Hilco Acquisition Corp. During the past five years, Mr. Mitarotonda has also served as a director of Ameron International Corporation, Griffon Corporation, Gerber Scientific, Inc., The Pep Boys – Manny, Moe & Jack, The Jones Group Inc. and Ebix, Inc. Mr. Mitarotonda serves as a member of the Board of Trustees for Queens College.



Mr. Mitarotonda was elected as a Director of the Company at the last Annual Meeting which was held on May 20, 2015. The Board of Directors appointed Mr. Mitarotonda to serve as Chairman of the Board, effective January 1, 2016. Mr. Mitarotonda is the Chairman of the Audit and Nominating and Corporate Governance Committees, and he also serves on the Executive and Compensation Committees.

Michael A. McManus, Jr., age 73, is the Chairman, President and Chief Executive Officer of Misonix, Inc., a public medical device company. Mr. McManus previously served as President of New York Bankcorp, a NYSE company until its sale in 1998. Earlier he served as President of Jamcor Pharmaceuticals, as a Vice President of strategic planning at Pfizer, and as an executive vice president of MacAndrews and Forbes, Revlon and Pantry Pride. Mr. McManus was elected as a Director of the Company at the last Annual Meeting which was held on May 20, 2015. Mr. McManus is the Chairman of the Company's Compensation Committee as of July 29, 2015, and he also serves on the Audit, Executive, and Nominating and Corporate Governance Committees.

Mr. McManus is an experienced public company director and has experience in financial matters, sales and marketing, strategic acquisitions, government relations and international business matters. He serves as a Director of Novavax, Inc., a vaccine company and A. Schulman, an international plastics and resins company. He previously served on the Board of Directors of the Communications Satellite Corporation, Arrhythmia Research, National Wireless Holdings, American Home Mortgage and Guest Services.

#### Continuing Directors (Terms to Expire in 2017)

John W. Everets, age 69, was the Chairman, President and CEO of SBM Financial in Portland, Maine from June 2010 until 2015. He previously was Chairman of Yorkshire Capital in Boston, Massachusetts from January 2006 through May 2010 and he was Chairman and CEO of H.P.S.C. which was acquired by General Electric in 2004. He then became President and CEO of the acquired company, G.E. H.P.S.C., from 2004 to 2006.

Mr. Everets has been a Director of the Company since 1993, and brings to the Board of Directors extensive knowledge of the Company's business. He serves on the Audit, Compensation, and Nominating and Corporate Governance Committees. Mr. Everets has also served on the Boards of Dairy Mart Convenience Stores, Micro Financial/M.F.I. Inc and Financial Security Assurance (FSA), Crowns North Corp, ADVEST Group and Trustee of the Martin Currie Business Trust Edinburgh Scotland.

Leonard F. Leganza, age 85, was President and Chief Executive Officer of the Company from April 1997 until December 2015 and was Chairman of the Board of Directors from December 2006 until December 2015. Mr. Leganza retired as an officer of the Company on December 31, 2015. Mr. Leganza serves on the Executive Committee. He also serves on the Board of Directors of the American-Republican, Inc.

Mr. Leganza has served as a Director of the Company for more than 30 years, from 1980 through the present, and brings to the Board of Directors extensive knowledge of the Company's business. He is a Certified Public Accountant who practiced with the firm Ernst & Ernst (now Ernst & Young) for several years. He also served as a Director, Executive Vice President and Chief Financial Officer of Scovill, Inc., a NYSE company, for twenty years. In addition to his operations and financial experience, his several years of directorships in public and private companies and non-profit institutions have provided him with extensive knowledge of governance issues. He brings his broad wealth of experiences to the Board.

Name	Percentage
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	Common Stock Beneficially Owned as of February 24, 2016	Of Class
Fredrick D. DiSanto (1)	11,700	0.19%
John W. Everets	93,253	1.49%
Charles W. Henry	63,496	1.02%
Leonard F. Leganza	127,110	2.03%
Michael A. McManus, Jr.	1,027	0.02%
James A. Mitarotonda (2)	516,632	8.27%

(1) Mr. DiSanto has direct ownership of 3,000 shares and has shared voting power and shared investment power of an additional 8,700 shares.

(2) Mr. Mitarotonda has direct ownership of 1,027 shares and beneficial ownership of an additional 515,605 shares.

Item No. 2

AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO  
DECLASSIFY THE BOARD OF DIRECTORS AND TO ELECT DIRECTORS BY MAJORITY VOTE

Under the current terms of the certificate of incorporation of the Company, the Board of Directors is divided into three classes, with the term of one class expiring each year. When the number of directors is changed, any newly-created directorships or any decrease in the number of directorships is apportioned among the classes in order to make all classes as nearly equal in number as possible. Any director elected to fill a vacancy in a class will hold office for the unexpired portion of the term of the director whose place he or she has been elected to fill.

The Connecticut General Statutes state that, unless the certificate of incorporation provides otherwise, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election of directors at a meeting at which a quorum is present. Since the Company's certificate of incorporation does not currently provide otherwise, the directors of the Company are elected by a plurality of the votes cast by the shares entitled to vote in the election of directors at a meeting at which a quorum is present.

The proposed amendment to the certificate of incorporation of the Company provides for the phased-in declassification of the Board of Directors. As a result, directors will be elected for one year terms once their current terms expire. Therefore, if the amendment to the certificate of incorporation is approved by the shareholders: (a) at the 2017 annual meeting, the term of the directors elected at the 2014 annual meeting will expire and their successors will be elected for a one year term; (b) at the 2018 annual meeting, the term of the directors elected at the 2015 annual meeting and at the 2017 annual meeting will expire and their successors will be elected for a one year term; and (c) at the 2019 annual meeting, the term of the directors elected at the 2016 annual meeting, the 2017 annual meeting and the 2018 annual meeting (i.e., all of the directors) will expire and their successors will be elected for a one year term. In addition, if a vacancy occurs in any directorship, any successor elected by the Board of Directors will serve only until the next annual meeting of the shareholders (even if the director was elected prior to the 2017 annual meeting for a term that was longer than one year).

The proposed amendment to the certificate of incorporation of the Company also provides that directors will be elected by a majority of the votes cast by the shares entitled to vote in the election of directors at a meeting at which a quorum is present. By changing the vote required for the election of a director from a plurality to a majority of the votes cast, it is possible that, if more than two individuals are presented for election to a directorship, no individual will obtain the majority of votes that is needed to be elected.

The presence in person or by proxy of a majority of the voting power of the shares of common stock of the Company entitled to vote at a meeting will continue to be necessary in order to constitute a quorum. In addition, for all matters other than the election of directors, if a quorum is present, the matter will be approved if a majority of the votes cast with respect to the matter are in favor of the matter.

The Board of Directors of the Company has unanimously approved the amendment to the certificate of incorporation which declassifies the Board of Directors and provides for the election of directors by a majority of the votes cast at the annual meeting at which a quorum is present. The Board of Directors believes that the amendment will improve corporate governance, and will make the Board of Directors more accountable to the shareholders. The Board of Directors has also unanimously approved a corresponding amendment to the by-laws of the Company, contingent upon the shareholders' approval of the amendment to the certificate of incorporation. A copy of the proposed amendments to the certificate of incorporation and the by-laws of the Company are attached to this proxy as Exhibit

A.

In order to adopt the amendment to the certificate of incorporation to declassify the Board of Directors and to provide for the election of directors by a majority of the votes cast at a meeting at which a quorum is present, a majority of the outstanding shares of common stock of the Company must be present at the April 27, 2016 annual meeting in order to constitute a quorum, and the votes cast in favor of the amendment must exceed the votes cast against the amendment.

The Board of Directors recommends a vote FOR the approval of the amendment to the certificate of incorporation of the Company to declassify the Board of Directors and to provide for the election of directors by majority vote.

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Item No. 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The firm of Fiondella, Milone & LaSaracina LLP acts as our principal independent registered public accounting firm. The services of Fiondella, Milone & LaSaracina LLP for the fiscal year ended January 2, 2016 included an audit of the consolidated financial statements of the Company; assistance in connection with filing the Form 10-K annual report with the Securities and Exchange Commission; assistance on financial accounting and reporting matters; preparation of state and federal tax returns; audits of employee benefit plans; and meetings with the Audit Committee of the Board of Directors.

All audit services provided by Fiondella, Milone & LaSaracina LLP for 2015, which were similar to the audit service provided in prior years, were approved by the Audit Committee in advance of the work being performed.

The Audit Committee has recommended, and the Board of Directors has approved, continuing the services of Fiondella, Milone & LaSaracina LLP for the current fiscal year. Accordingly, the Board of Directors will recommend at the meeting that the shareholders approve the appointment of Fiondella, Milone & LaSaracina LLP to audit the consolidated financial statements of the Company for the current year.

The proposal to appoint Fiondella, Milone & LaSaracina LLP as the independent registered public accounting firm will be approved if, at the Annual Meeting at which a quorum is present, the votes cast in favor of the proposal exceed the votes cast opposing the proposal.

Representatives of Fiondella, Milone & LaSaracina LLP will be present at the Annual Meeting and will have an opportunity to make a statement if they desire to do so, as well as respond to questions.

**Audit Fees:** Fiondella, Milone & LaSaracina LLP audit fees were \$375,000 in 2015 and \$385,163 in 2014. Audit fees include fees associated with the annual audit and the reviews of the Company's quarterly reports on Form 10-Q for the quarters ended April 4, 2015, July 4, 2015 and October 23, 2015.

**Audit-Related Fees:** Fiondella, Milone & LaSaracina LLP fees for audit related services were \$51,136 in 2015 and \$50,055 in 2014. Audit related services primarily include audits of the employee benefit plans of the Company.

**Tax Fees:** Fiondella, Milone & LaSaracina LLP fees paid in 2015 for preparation of the 2014 federal and state income tax returns were \$31,529, and fees paid in 2014 for preparation of the 2013 federal and state income tax returns were \$29,071.

**All Other Fees:** Fiondella, Milone & LaSaracina LLP did not provide non-audit services in 2015 and 2014.

The Board of Directors recommends a vote FOR the appointment of Fiondella, Milone & LaSaracina LLP as the independent registered public accounting firm.



### AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that all audit committee members are financially literate and are independent under the current listing standards of NASDAQ. The Board has also determined that James A. Mitarotonda qualifies as an “audit committee financial expert” as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002.

### REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Company’s financial reporting process on behalf of the Board of Directors. The Board of Directors adopted a revised written charter for the Audit Committee on February 4, 2004. A copy of the Audit Committee’s charter is available on the Company’s website at [www.easterncompany.com](http://www.easterncompany.com).

Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those statements with generally accepted accounting principles. Within this framework, the Audit Committee has reviewed and discussed the audited financial statements included in the Annual Report on Form 10-K with the independent registered public accounting firm and management. In connection therewith, the Audit Committee reviewed with the independent registered public accounting firm their judgments as to the quality, not just the acceptability, of the Company’s accounting principles; the reasonableness of significant judgments; the clarity of disclosures in the financial statements; and other related matters as required to be discussed under generally accepted auditing standards.

In addition, the Audit Committee has discussed with the independent registered public accounting firm the auditors’ independence from management and the Company, including the matters in the written disclosures required by the Public Company Accounting Oversight Board and the Independence Standards Board, and considered the compatibility of nonaudit services with the auditors’ independence.

The Audit Committee also discussed with the Company’s independent registered public accounting firm the overall scope and plan for their audit, their evaluation of the Company’s internal controls and the overall quality of the Company’s financial reporting. The Audit Committee meets with and without management present and held six meetings during fiscal year 2015.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company’s Annual Report on Form 10-K for the year ended January 2, 2016 for filing with the Securities and Exchange Commission. The Audit Committee has recommended and the Board of Directors has approved, subject to shareholder ratification, the selection of Fiondella, Milone & LaSaracina LLP as the Company’s independent registered public accounting firm for the current fiscal year.

Audit Committee:

James A. Mitarotonda, Chairman  
Charles W. Henry  
John W. Everets  
Michael A. McManus, Jr.





## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL SHAREHOLDERS

The following table sets forth information, as of February 24, 2016 (unless a different date is specified in the notes to the table), with respect to (a) each person known by the Board of Directors of the Company to be the beneficial owner of more than 5% of the Company's outstanding Common Shares, (b) each current director of the Company and nominee to be a director of the Company, (c) each of the Named Officers (as hereinafter defined) and (d) all directors, nominees and executive officers of the Company as a group:

Shareholder	Amount and nature of beneficial ownership (a)	Percent of class (b)
GAMCO Investors, Inc. (c) One Corporate Center Rye, NY 10580	902,124	14.44%
Barington Capital Group, L.P. (d) 888 Seventh Avenue, 17th Floor New York, NY 10019	515,605	8.25%
Minerva Advisors LLC (e) 50 Monument Road, Suite 201 Bala Cynwyd, PA 19004	367,274	5.88%
Dimensional Fund Advisors LP (f) Building One 6300 Bee Cave Road Austin, TX 78746	333,876	5.34%
Fredrick D. DiSanto (g)	11,700	0.19%
John W. Everets	93,253	1.49%
Charles W. Henry	63,496	1.02%
Angelo M. Labbadia (h)	-	-
Leonard F. Leganza	127,110	2.03%
James A. Mitarotonda (i)	516,632	8.27%
Michael A. McManus, Jr.	1,027	0.02%
John L. Sullivan III (j)	26,202	0.42%
August M. Vlask (k)	-	-
All directors, nominees and executive officers as a group (9 persons)(l)	839,420	13.44%

(a) The Securities and Exchange Commission has defined “beneficial owner” of a security to include any person who has or shares voting power or investment power with respect to any such security or who has the right to acquire beneficial ownership of any such security within 60 days. Unless otherwise indicated, (i) the amounts owned reflect direct beneficial ownership, and (ii) the person indicated has sole voting and investment power.

Amounts shown include the number of Common Shares (if any) subject to outstanding options under the Company’s stock option plans that are exercisable within 60 days.

Reported shareholdings include, in certain cases, shares owned by or in trust for a director or nominee, and in which all beneficial interest has been disclaimed by the director or the nominee.

- (b) The percentages shown for the directors and executive officers are calculated on the basis that outstanding shares include Common Shares (if any) subject to outstanding options under the Company's stock option plans that are exercisable by the directors and officers within 60 days.
- (c) GAMCO Investors, Inc., an investment advisor, filed a Schedule 13D/A on February 16, 2016. The following entities affiliated with GAMCO Investors, Inc. in the aggregate have sole voting and dispositive power of a total of 902,124 shares: Gabelli Funds, LLC, GAMCO Asset Management Inc., Gabelli Securities, Inc., Teton Advisors, Inc. and Gabelli Foundation. Each of these entities owns individually less than 10% of the outstanding shares of the Company, and such entities have stated in their Schedule 13D/A that they do not admit to constituting a group for purposes of the securities laws.
- (d) Barington Capital Group, L.P., per a Form 4 filed on January 15, 2016 by Mr. Mitarotonda, is deemed to have beneficial ownership of 515,605 Common Shares. Mr. Mitarotonda beneficially owns 1,027 shares of common stock granted to him under The Eastern Company's Directors Fee Program. He may also be deemed to beneficially own 515,605 shares of common stock beneficially owned by Barington Companies Equity Partners, L.P. ("BCEP"). Mr. Mitarotonda is the sole stockholder and director of LNA Capital Corp, the general partner of Barington Capital Group, L.P., which is the majority member of Barington Companies Investors, LLC, the general partner of BCEP. Mr. Mitarotonda disclaims beneficial ownership of the shares beneficially owned by BCEP except to the extent of his pecuniary interest therein.
- (e) Minerva Advisors LLC, Minerva Group, LP, Minerva GP, LP, Minerva GP, Inc. and David P. Cohen, per a Schedule 13G/A filed on February 5, 2016, is deemed to beneficially own 367,274 Common Shares. Minerva Advisors LLC has sole voting and dispositive power over 222,345 shares and shared voting and dispositive power over 144,929 shares. Mr. Cohen is President and sole member of Minerva Advisors LLC, whose principal business is serving as an investment advisor to Minerva Group and to individually-managed accounts.
- (f) Dimensional Fund Advisors LP ("Dimensional"), a registered investment advisor, is deemed to have beneficial ownership of 333,876 Common Shares per a Schedule 13G filed as of February 9, 2016. Dimensional has sole voting and dispositive power over 322,267 shares and sole dispositive power over the remaining 11,609 shares. The shares are owned by the clients of Dimensional, and it disclaims beneficial ownership of the shares.
- (g) Mr. DiSanto is a nominee for election to the Board at the Annual Meeting. Mr. DiSanto's shareholdings include 8,700 Common Shares held by Ancora Catalyst Fund LP, of which he may have indirect beneficial ownership.
- (h) Mr. Labbadia is a Named Executive Officer of the Company. See "Executive Compensation – Summary Compensation Table" for information regarding Mr. Labbadia's age and business experience.
- (i) Mr. Mitarotonda's shareholdings include 515,605 Common Shares held by Barington Capital Group, L.P., of which he may have indirect beneficial ownership.
- (j) Mr. Sullivan is a Named Executive Officer of the Company. See "Executive Compensation – Summary Compensation Table" for information regarding Mr. Sullivan's age and business experience.
- (k) Mr. Vlask was appointed President and Chief Executive Officer effective January 1, 2016 and is a Named Executive Officer of the Company. See "Executive Compensation – Summary Compensation Table" for information regarding Mr. Vlask's age and business experience.
- (l)

Unless otherwise indicated, Directors, Nominees and Named Executive Officers have sole voting and investment power as to 839,420 shares (13.44% of the outstanding stock).

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and with NASDAQ. Directors, officers and greater-than-10% beneficial owners are required by SEC regulations to furnish the Company with copies of all Section 16(a) reports that they file. Based solely on its review of copies of such reports filed with the SEC since January 2015, or written representations from certain reporting persons that no such reports were required for those persons, the Company believes that all persons subject to the reporting requirements of Section 16(a) have filed the required reports on a timely basis, with the exception of two reports that were filed late by James A. Mitarotonda. These reports related to shares indirectly owned by Barington Capital Group L.P.

## THE BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors of the Company is currently composed of five members, four of whom are independent as defined in the listing standards of NASDAQ. The fifth director is the former Chairman and Chief Executive Officer of the Company. The positions of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are not combined as of January 1, 2016.

The current structure of the Board allows it to perform its duties effectively and efficiently considering the relatively small size of the Company. All directors are members of all committees, except that the former Chairman and Chief Executive Officer is not a member of the audit, compensation, or nominating and corporate governance committees, and one director is not a member of the executive committee.

Because of the Company's diversified manufacturing and marketing activities, risk oversight responsibilities are focused generally on the Board's overall assessment of broad and general business and economic conditions in the market sectors in which the Company operates. With Board oversight, the executive management teams planning and review and extensive Sarbanes-Oxley compliance testing of internal controls substantiates the credibility of the Company's financial reporting and operating controls.

The Board is provided with detailed and timely financial and operating communications, including the nature of significant capital projects as well as other important business matters indicating business trends and economic projections that might affect the Company's businesses.

The subject of Board "diversity" has not been approached in any formal manner but is reviewed and discussed. The Board currently does not have any specific policy focused on diversity. Diversity is, however, considered.

Directors were selected to serve based on their individual professional and business background and skills as they might relate especially to activities beyond the "core" businesses of the Company. Those skills include Finance, Legal, Governance matters, sales, marketing, international and government relations.

The Board of Directors of the Company is committed to sound corporate governance practices. The Board of Directors believes that its corporate governance practices enhance the Company's ability to achieve its goals and to govern the Company with the highest standards of integrity.

The Company's Board of Directors has four standing committees: an Executive Committee, an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. During 2015, the Board of

Directors had eighteen (18) meetings. During 2015, each Director attended all of those meetings and the meetings of committees on which he served.

Executive Committee. The Executive Committee, acting with the full authority of the Board of Directors, approves minutes, monthly operating reports, capital expenditures, banking matters, and other issues requiring immediate attention when the Board is not in session. During 2015, the Executive Committee held one meeting.

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Audit Committee. The Audit Committee advises the Board of Directors and provides oversight on matters relating to the Company's financial reporting process, accounting functions and internal controls, and the qualifications, independence, appointment, retention, compensation and performance of the Company's independent registered public accounting firm. The Audit Committee also provides oversight with respect to the legal compliance and ethics programs established by management and the Board of Directors. The Company's Code of Business Conduct and Ethics, as adopted by the Board of Directors on February 4, 2004, is available on the Company's website at [www.easterncompany.com](http://www.easterncompany.com). During 2015, the Audit Committee held six (6) meetings.

Compensation Committee. The Compensation Committee is responsible for establishing basic management compensation, incentive plan goals, and all related matters, as well as determining stock option grants to employees. The Board of Directors adopted the Company's Compensation Committee Charter on December 13, 2006, and it is available on the Company's website at [www.easterncompany.com](http://www.easterncompany.com). During 2015, the Compensation Committee held three (3) meetings.

Nominating and Corporate Governance Committee. The Board of Directors adopted the Company's Nominating and Corporate Governance Committee Charter on May 21, 2015, and it is available on the Company's website at [www.easterncompany.com](http://www.easterncompany.com). As defined by the rules and regulations of NASDAQ, the independent members of the Board of Directors of the Company include all of the members of the Board of Directors other than the former chairman, president and chief executive officer of the Company. These independent directors select and nominate individuals for election to the Board of Directors. During 2015, the Nominating and Corporate Governance Committee held one (1) meeting.

Each member of the Board of Directors must have the ability to apply good business judgment and must be able to exercise his or her duties of loyalty and care. Candidates for the position of director must exhibit proven leadership capabilities and high integrity, exercise high level responsibilities within their chosen careers, and have an ability to quickly grasp complex principles of business and finance. In general, candidates will be preferred to the extent they hold an established executive level position in business, finance, law, education, research, government or civic activities. When current members of the Board of Directors are considered for nomination for reelection, their prior contributions to the Board of Directors, their performance and their meeting attendance records are taken into account.

The independent members of the Board of Directors will consider director nominees who are identified either by the directors, by the shareholders, or through some other source. The independent members of the Board of Directors may also utilize the services of a third party search firm to assist them in the identification or evaluation of director candidates, as they deem necessary or appropriate.

Shareholders wishing to submit the names of qualified candidates for possible nomination to the Board of Directors may make such a submission by sending to the Board of Directors (in care of the Secretary of the Company) the information described in the Company's Bylaws. This information generally must be submitted not more than 90 days nor less than 60 days prior to the first anniversary of the preceding year's annual meeting.

The independent members of the Board of Directors will make a preliminary assessment of each proposed nominee based upon his or her resume and biographical information, the individual's willingness to serve as a director, and other background information. This information is evaluated against the criteria described above and the specific needs of the Company at the time. Based upon a preliminary assessment of the candidate(s), those who appear best suited to meet the needs of the Company may be invited to participate in a series of interviews, which are used as a further means of evaluating potential candidates. On the basis of information learned during this process, the independent members of the Board of Directors will determine which nominee(s) they will recommend for election to the Board of Directors. The independent members of the Board of Directors use the same process for evaluating all

nominees, regardless of the original source of the nomination.

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## DIRECTOR COMPENSATION IN FISCAL 2015

Name (1)	Fees Earned or Paid in Cash (\$) (2)	Stock Awards (\$)	Option Awards (\$)	Non-equity Incentive Plan Compensation (\$)	Change in pension value and nonqualified deferred compensation earnings (\$)	All Other Compensation (\$) (3)	Total (\$)
John W. Everets	\$40,000					\$ 762	\$40,762
Charles W. Henry	40,001					762	40,763
Michael A. McManus, Jr. (4)	17,495					361	17,856
James A. Mitarotonda (4)	17,495					231	17,726
David C. Robinson (5)	25,000					258	25,258
Donald S. Tuttle III (5)	25,000					318	25,318

- (1) This table discloses 2015 director compensation. All non-employee directors who served as a director in 2015 received compensation.
- (2) In 2015, The Eastern Company paid non-employee directors an annual rate of \$30,000, which was paid in Common Shares of the Company or cash, in accordance with the Directors Fee Program adopted by the shareholders on March 26, 1997 and amended on January 5, 2004. The amounts listed could include adjustments for fractional shares from previous periods. On May 20, 2015, the directors that were in office prior to the Annual Meeting (Messrs. Everets, Henry, Robinson and Tuttle) were awarded a stipend of \$10,000 for their additional services to the Company. The directors make an annual election, within a reasonable time before their first quarterly payment, to receive their fees in the form of cash, stock or a combination thereof. The election remains in force for one year. Messrs. Henry, McManus and Mitarotonda elected to receive their director compensation in stock.
- (3) All non-employee directors are provided a \$50,000 life insurance benefit.
- (4) Mr. McManus and Mr. Mitarotonda were elected as directors at the 2015 Annual Meeting, and their fees were pro-rated for the second quarter.
- (5) Messrs. Robinson and Tuttle received fees for the first and second quarters of 2015 in the amount of \$15,000, and a stipend award of \$10,000.

## POLICIES AND PROCEDURES CONCERNING RELATED PERSONS TRANSACTIONS

Our Code of Business Conduct and Ethics prohibits all conflicts of interest between the Company and any of its directors, officers and employees, except under guidelines approved by the Board of Directors or committees of the Board of Directors. A conflict of interest exists whenever an individual's private interests interfere or conflict in any way (or even appear to interfere or conflict) with the interests of the Company. Employees are encouraged to report any conflicts of interest, or potential conflicts of interest, to their supervisors or superiors. However, if they do not believe it appropriate or if they are not comfortable approaching their supervisors or superiors about their concerns or complaints, then they may contact either the chairman of the Audit Committee of the Board of Directors or Company counsel. The Code of Business Conduct and Ethics is available for review at our website at [www.easterncompany.com](http://www.easterncompany.com).

To identify related party transactions, each year the Company requires our directors and executive officers to complete a questionnaire that identifies any transaction with the Company or any of its subsidiaries in which the director or executive officer or their family members have an interest. If any related party transactions are reported, the Board of Directors reviews them to determine if the potential for a prohibited conflict of interest exists. Prior to its review, the Board of Directors will require full disclosure of all material facts concerning the relationship and financial interest of the relevant individuals in the transaction. Each year, our directors and executive officers also review our Code of Business Conduct and Ethics.

In 2015, the Company or its insurers reimbursed certain expenses incurred by Barington Capital Group, L.P. ("Barington") in the amount of \$235,000 in connection with the election of Barington's nominees to the Board of Directors of the Company at the 2015 annual meeting of shareholders. Mr. Mitarotonda, a director and the Chairman of the Board of the Company, is the Chairman and Chief Executive Officer of Barington.

## COMPENSATION DISCUSSION AND ANALYSIS

### Compensation Governance

The Compensation Committee of the Board is established pursuant to a resolution adopted by the Board. The Committee recommends to the Board policies and processes for the regular and orderly review of the performance and compensation of the Company's senior executive management personnel, including the President and Chief Executive Officer. The Committee regularly reviews, administers, and when necessary recommends changes to the Company's stock incentive and performance-based compensation plans. The Compensation Committee has adopted a charter and it is available on the Company's website at [www.easterncompany.com](http://www.easterncompany.com).

The Committee is comprised of members of the Board, none of whom may be an active or retired officer or employee of the Company or any of its subsidiaries. Members of the Compensation Committee are appointed annually by the Board. Messrs. Michael A. McManus, Jr., John W. Everets, Charles W. Henry, and James A. Mitarotonda are the members of the Compensation Committee. Mr. McManus is the Chairman of the Committee as of July 29, 2015. The Compensation Committee held three meetings during the year ended January 2, 2016. Neither the Compensation Committee nor management engaged any compensation consultant during fiscal 2015.

This report by the Compensation Committee will focus on:

- The guiding principles and objectives underlying the Company's compensation program, including what performance the program is designed to reward; and
- A description of each of the components of the compensation program, including an explanation of why these elements have been selected as the preferred means to achieve the compensation program's objectives, and how the amount of each element of compensation is determined.

### Principles and Objectives of the Compensation Program

The Company's compensation programs and policy are designed to attract, motivate, retain and reward highly qualified executives and employees, and to reinforce the relationship between individual performance and business results in a manner that aligns the interests of executives and shareholders.

At our 2014 Annual Meeting, the shareholders were asked to vote on a non-binding resolution relating to the compensation of the Company's named executive officers. The advisory vote requested the shareholders to approve the compensation of the Company's named executive officers, and the resolution was adopted by the shareholders. The Compensation Committee has considered the results of this advisory vote, and has deemed it to indicate the shareholders' approval of the Company's compensation package, which is designed to be competitive and to encourage executive retention. Another advisory vote requested the shareholders to determine the frequency with which the compensation of the named executive officers would be presented for a shareholders vote. At our 2011 Annual Meeting, the shareholders elected to have such a vote every three years. Based on the shareholders' vote, the Board has adopted a policy which provides that an advisory vote on the compensation of the named executive officers will be held every three years.

The following principles guide the Company's compensation practices as applied to all executives.

Compensation levels should be sufficiently competitive to attract and retain highly qualified executives and employees.

The Company endeavors to pay compensation at levels consistent with prevailing levels of compensation for similar positions in the geographic areas in which the Company maintains operations, in order to enable it to attract and retain the talent needed to achieve its business objectives. The Compensation Committee has used various sources to evaluate the competitiveness and overall structure of executive compensation and non-employee director compensation.

Compensation should be related to performance and should reinforce cooperation and a team-based approach to achieving business success.

The Company believes that a significant portion of executive compensation should take the form of annual incentives that generally reflect the results of operations achieved by the Company and its subsidiaries. Under this policy, executives typically receive annual incentives. The Company believes that its policy of paying annual incentives based on individual and overall results of operations supports an integrated business model and a team-based approach.

Compensation should reflect position and responsibility, and compensation for named executive officers should be more heavily weighted toward incentive pay.

Total compensation should generally increase with position and responsibility. Employees in named executive officer positions have greater roles and responsibilities associated with achieving the Company's performance goals, and therefore should have a greater portion of their compensation tied to the achievement of those goals. Accordingly, a greater percentage of compensation for more senior positions, particularly those with the greatest responsibility for driving achievement of performance targets, is paid in the form of potential short- and long-term incentive pay as a percent of salary.

Incentive compensation should be flexible and responsive to the Company's business environment, and should strike a balance between short-term and long-term performance.

The Company's incentive compensation program is balanced between short- and long-term incentive compensation. Short-term incentive compensation — annual cash incentives — are awarded based on business units and other performance criteria. This design achieves our objective of offering superior pay for superior performance. Long-term incentive compensation is an important component of the Company's total compensation for executives. The Company's long-term incentive compensation program has granted stock options and restricted stock awards at appropriate times and in appropriate amounts to serve as a long-term performance incentive. The Committee believes that the Company's stock incentive program provides executives with the opportunity to increase their ownership in the Company, thereby more closely aligning the best interest of the shareholders and the executives.

#### Components of the Compensation Program

##### Base salary

Base salaries are set after referencing market data for similar positions from the Towers Watson Data Services survey report on Top Management Compensation in the manufacturing sector.

August M. Vlak became the President and Chief Executive Officer of the Company, and a named executive officer of the Company, on January 1, 2016. Effective January 1, 2016, the Compensation Committee recommended, and the Board of Directors approved, a base salary for Mr. Vlak of \$400,000.

The compensation of named executive officer, John L. Sullivan III, Vice President and Chief Financial Officer, is determined annually by the Compensation Committee and approved by the Board. Mr. Sullivan's base salary was \$300,000 for the fiscal year ended January 2, 2016. Effective January 3, 2016, Mr. Sullivan received an increase in his rate of base pay to \$307,000.

The compensation of named executive officer, Angelo M. Labbadia, Vice President and Chief Operating Officer, is determined annually by the Compensation Committee and approved by the Board. Mr. Labbadia's base salary was \$290,000 for the fiscal year ended January 2, 2016. Effective January 3, 2016, Mr. Labbadia received an increase in his rate of base pay to \$296,500.

The compensation of the Company's former Chairman, President and Chief Executive Officer, Leonard F. Leganza, was determined pursuant to the terms and conditions of an employment agreement between Mr. Leganza and the Company, entered into effective February 22, 2005 and as subsequently amended and restated on December 18, 2013 (effective as of January 1, 2014). On October 22, 2014, the Company executed an amendment to extend the term of

the Agreement to December 31, 2015. Pursuant to the terms of the employment agreement, Mr. Leganza was entitled to receive base compensation at a rate determined by the Board. Mr. Leganza received an annual base salary of \$620,000 for the 2015 fiscal year. Mr. Leganza retired effective December 31, 2015 when the term of his employment agreement expired.

The total cash compensation of Messrs. Vlax, Sullivan, Labbadia and Leganza is within the average level, as compared to manufacturing companies of similar size in the New England region of the United States as reported in the Towers Watson Data Services survey.

## Short-Term Incentives — Annual Cash Incentives

For fiscal year 2015, the named executive officers were eligible to receive incentive compensation based on the combined performance of the Company's ten (10) business units with respect to two specific financial goals for each business unit as related to their annual operating plans. 75% of the incentive compensation was determined by the combined business units' operating earnings performance, and 25% on working capital efficiency. All incentive payments are subject to final approval by the Compensation Committee of the Board.

Operating earnings for 2015 were defined as income before income taxes of \$8,021,000 and before allocation of corporate charges of \$8,833,000. Corporate charges included but were not limited to corporate salaries, incentive compensation, benefits and related payroll charges, corporate governance and compliance, tax and audit expenses, pension and retiree medical expenses, incentive accruals recorded on subsidiary books, non-operating earnings, and one-time expenses incurred during a proxy contest in the first half of 2015. Working capital was defined as current assets less current liabilities less cash of the combined ten operating units.

During 2015, if the combined business units achieved the annual operating earnings plan of \$16,737,000, a target award of 23.27% of base salary would be earned.

A threshold target award of 10% would be made if the combined business units achieved 91% or more of the annual operating earnings plan, and a maximum base salary target award of 100% of base salary would be made if the combined business units achieved at least 145% of the annual operating earnings plan.

If the combined business units achieved a working capital to sales ratio of 28% to 27%, bottom tier, a target award of 10% to 20% of base salary could be earned. For a working capital to sales ratio of 26% to 25%, middle tier, a target award of 30% to 40% of base salary could be earned. For a working capital to sales ratio of 24% to 23%, third tier, a target award of 50% to 75% of base salary could be earned. For a working capital to sales ratio of 22% or less, upper tier, a maximum target award of 100% of base salary could be earned.

During 2015, the named executive officers earned Non-Equity Incentive Plan Compensation as follows:

- A) Based on operating earnings achievement of \$16,854,000 versus the 2015 plan of \$16,737,000, the named executive officers' earned incentive was 24.22% weighted 75%, resulting in a Weighted Achievement on Earnings of 18.17%.
- B) The working capital achievement calculation for 2015 was based on a quarterly weighted average of the operating units equal to 26.20% of sales. Based on the operating units' working capital achievement, the 2015 incentive earned was 18% weighted 25%, resulting in a Weighted Achievement on Working Capital of 4.50%.

Adding the result of the A and B calculations above, 18.17% and 4.50%, respectively, resulted in an earned incentive of 22.67% for 2015. The following table shows the incentive calculation based on the incentive earned:

	Mr. Sullivan	Mr. Labbadia	Mr. Leganza
Base Salary	\$300,000	\$290,000	\$620,000
Incentive achievement	22.67%	22.67%	22.67%
Incentive earned	\$ 68,002	\$ 65,735	\$140,537

Mr. Vlak did not become a named executive officer of the Company until January 1, 2016, and so did not receive an earned incentive for 2015.

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## Retirement and Other Post-Termination Plans

### 401(k) Plan

The Company maintains a savings and investment plan (the "SIP Plan") for eligible employees, including executive officers. An eligible employee who is participating in the SIP Plan may execute a salary reduction agreement requiring the Company to reduce his or her taxable earnings by a percentage of his or her compensation (as elected by the participant) and to contribute that amount to the SIP Plan. The amount of the contribution could not exceed \$18,000 for calendar year 2015, plus an additional \$6,000 catch-up contribution for those participants age 50 and older. If an employee executes such a salary reduction agreement, the Company will make a matching contribution to the SIP Plan on behalf of the employee. For 2015 the matching contribution equaled 50% of that portion of an employee's salary reduction contribution which did not exceed 4% of his or her earnings. Earnings in excess of \$265,000 for calendar year 2015 cannot be taken into account. An employee is fully vested in his or her salary reduction contributions and the earnings on those contributions. An employee will become vested in any matching contributions, and the earnings thereon under a graded vesting schedule, with full vesting after completing five years of service or upon reaching age 65. Employees who are participating in the SIP Plan may direct that their account balances be invested in one or more investment options offered under the plan.

### Retirement Benefits

The Company maintains a pension plan for salaried employees. Under the plan, the amount of a member's annual normal retirement benefit is equal to one percent (1%) of total annual compensation applicable to each year of service and the sum of one-half of one percent (0.5%) of average annual compensation plus one-half of one percent (0.5%) of average annual compensation in excess of \$10,000, multiplied by years of service not in excess of thirty (30). Average annual compensation means the average of the member's annual compensation for the five (5) consecutive calendar years prior to retirement which result in the highest average. Earnings in excess of \$265,000 for calendar year 2015 cannot be taken into account.

An employee reaches his or her normal retirement date and can begin benefits without reduction upon reaching age 65 (or, if later, the earlier of the attainment of age 70 or the completion of five years of participation in the plan). An employee reaches his or her early retirement date when he or she reaches age 55 after completing 20 years of service. An employee who is eligible for early retirement can elect to begin to receive his or her benefits on an actuarially reduced basis. In addition, if an employee's age and years of service equal at least 90, the employee can elect to begin to receive his or her benefits with a smaller reduction for early commencement than is otherwise applicable for early retirement. These plans and benefits are reviewed to compare to those of similar sized companies in the same industry.

### Supplemental Benefit Plans

The Company maintained an unfunded supplemental employee retirement plan (the "SERP") for the benefit of Mr. Leganza, the former Chairman of the Board, President and Chief Executive Officer of the Company. Under the terms of the SERP, Mr. Leganza will receive a monthly retirement benefit equal to the excess of: (a) the benefit he would be entitled to receive under the Company's qualified pension plan, based on the assumption that Mr. Leganza was fully vested under the plan and without regard to the limitations on benefits imposed by the Internal Revenue Code; over (b) the benefit which he is actually entitled to receive under the Company's qualified pension plan, subject to the plan's vesting schedule and the limitations on benefits imposed by the Internal Revenue Code. The monthly retirement

benefit under the SERP will begin on July 1, 2016, which is the first day of the month that is six months after the date of Mr. Leganza's termination of employment. The benefit will be paid as an annuity over Mr. Leganza's life, with 60 monthly payments guaranteed. However, if Mr. Leganza is married at the time benefits start, his benefits will be actuarially adjusted and will be paid over his life with the provision that, at the time of his death, 50% of the amount payable to him during his lifetime will be paid to his surviving spouse for the remainder of her lifetime.

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### Employment Agreement

The Company entered into an employment agreement with Leonard F. Leganza, the former Chairman of the Board, President and Chief Executive Officer of the Company, on December 10, 2013 (effective January 1, 2014). The term of the agreement expired on December 31, 2015, when Mr. Leganza retired from the Company.

Under the terms of the employment agreement, Mr. Leganza was entitled to earn deferred compensation equal to one-sixtieth of \$600,000 for every full calendar month employed on or after January 1, 2014. As of December 31, 2015, Mr. Leganza earned \$240,000 in deferred compensation. The Company will commence payment of the earned deferred compensation on July 1, 2016, which is the first day of the month that is at least six months after Mr. Leganza's termination of employment, and it will be paid in equal monthly installments for a period of sixty (60) consecutive months. If Mr. Leganza dies prior to receiving sixty (60) monthly payments, the monthly payments will be paid to his spouse for the remainder of the sixty (60) month period or until the death of his spouse (if earlier).

Mr. Leganza and his spouse are entitled to coverage under the Company's medical plan for eligible retirees, paid coverage under a Medicare supplement policy, and reimbursement of Medicare Part D premiums in accordance with Mr. Leganza's employment agreement.

### Pension Benefits Table

The following table provides certain information regarding the present value of accumulated benefits under the Company's qualified and nonqualified defined benefit pension plans as of the last day of the 2015 fiscal year:

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit (1)	Payments During Last Fiscal Year
John L. Sullivan III	Salaried Employees Retirement Plan of The Eastern Company (2)	39	\$ 1,442,884	
Angelo M. Labbadia	Salaried Employees Retirement Plan of The Eastern Company	6	\$ 330,263	
Leonard F. Leganza	Salaried Employees Retirement Plan of The Eastern Company	18	\$ 704,617	
	Supplemental Retirement Plan for the Chief Executive Officer of The Eastern Company	18	\$ 1,338,535	
	Deferred compensation under Employment Agreement between the Company and Mr. Leganza effective as of		\$ 240,000 (3)	

January 1, 2014.

(1) Present value is determined by reference to the RP09 mortality table and an interest rate of 4.24%.

(2) Under the defined benefit plan, Mr. Sullivan is eligible for early retirement.

(3) This deferred compensation equals \$10,000 for each full calendar month of Mr. Leganza's employment on and after January 1, 2014 and prior to January 1, 2016. It will commence on July 1, 2016, the first day of the month that is at least six months after Mr. Leganza's separation of service, and will be paid in equal monthly installments for a period of sixty (60) consecutive months.

## COMPENSATION COMMITTEE REPORT

We, the Compensation Committee of the Board of Directors of the Company, have reviewed and discussed the Compensation Discussion and Analysis set forth above with management and, based on such review and discussions, have recommended to the Board of Directors inclusion of the Compensation Discussion and Analysis in this proxy statement and, through incorporation by reference from this proxy statement, in the Company's annual report on Form 10-K for the fiscal year ended January 2, 2016.

Compensation Committee:

Michael A. McManus, Chairman  
John W. Everets  
Charles W. Henry  
James A. Mitarotonda

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During the 2015 fiscal year, no member of the Compensation Committee was, or had previously been, an officer or employee of the Company or its subsidiaries or had any direct or indirect material interest in a transaction with the Company or in a business relationship with the Company that would require disclosure under the applicable rules of the Securities and Exchange Commission. In addition, no interlocking relationship existed between any member of the Compensation Committee or an executive officer of the Company, on the one hand, and any member of the compensation committee (or committee performing equivalent functions, or the full Board of Directors) or an executive officer of any other entity, on the other hand.

## EXECUTIVE COMPENSATION

## Summary Compensation Table

The following information relates to annual and long-term compensation for services to the Company in all capacities for the fiscal year ended January 2, 2016 of those persons who, at January 2, 2016 were (i) the President and Chief Executive Officer; (ii) the Vice President and Chief Financial Officer; (iii) the Vice President and Chief Operating Officer; and (iv) the former Chairman of the Board, President and Chief Executive Officer (collectively, the “Named Officers”).

Name and Principal Position as of January 2, 2016	Year	Salary (1) (\$)	Bonus (2) (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (3) (\$)	Change in pension value and non-qualified deferred earnings (4) (\$)	All Other Compensation (5) (\$)	Total (\$)
August M. Vlak, (6) President and CEO	2015	-							-
John L. Sullivan III, 62	2015	\$300,000				\$ 68,002	\$ 45,401	\$ 36,049	\$ 449,452
	2014	298,635				97,303	256,903	33,407	686,248
Vice President and CFO (7)	2013	285,000	78,809			106,469	-27,522	31,493	474,249
Angelo M. Labbadia, 58	2015	290,000				65,735	90,817	28,266	474,818
	2014	280,000				46,768	57,008	26,869	410,934
Vice President & COO (8)	2013	260,000				251,864	26,729	26,226	564,819
Leonard F. Leganza, 84	2015	620,000				140,537	541,583	35,561	1,337,681
	2014	611,538				199,255	279,213	34,463	1,124,469
Former Chairman of the Board, President and CEO (9)	2013	600,000				224,144	-78,381	32,054	777,817

(1) 2014 fiscal year consisted of 53 weeks and 2015 and 2013 fiscal years consisted of 52 weeks.

(2) Amount shown was earned in the applicable year and paid in the subsequent year. Mr. Sullivan earned a discretionary cash bonus for 2013 in the amount of \$78,809.

(3) Amounts shown were earned in the applicable year and paid in the subsequent year. Mr. Sullivan earned a bonus for 2015 in the amount of \$68,002, Mr. Labbadia earned a bonus for 2015 in the amount of \$65,735, and Mr. Leganza earned a bonus for 2015 in the amount of \$140,537.

(4) The amount shown reflects the aggregate change in the actuarial present value of each named executive officer's accumulated benefit under all defined benefit plans, including supplemental plans, during each fiscal year. For Mr.

Sullivan, accruals under the qualified defined benefit pension plan equaled \$45,401 for 2015, \$256,903 for 2014 and (\$27,522) for 2013. For Mr. Labbadia, accruals under the qualified defined benefit pension plan equaled \$90,817 for 2015, \$57,008 for 2014 and \$26,729 for 2013. For Mr. Leganza, accruals under the qualified defined benefit plan equaled \$132,597 for 2015, \$43,282 for 2014 and \$3,532 for 2013, and under the SERP equaled \$288,986 for 2015, \$115,931 for 2014 and \$7,702 for 2013. The change in the present value of deferred compensation for Mr. Leganza equaled \$120,000 for 2015, \$120,000 for 2014 and (\$89,615) for 2013.

- (5) All Other Compensation includes Company 401(k) matching contributions, the cost of the use of a company-owned vehicle, company paid term life insurance premiums, life insurance under the Company's defined benefit plan and the value of group term life insurance in excess of \$50,000. Matching contributions for Mr. Sullivan equal \$5,300 for 2015 and \$5,100 for 2014 and 2013; for Mr. Labbadia equal \$5,300 for 2015 and \$5,100 for 2014 and 2013; and for Mr. Leganza equal \$5,300 for 2015 and \$5,100 for 2014 and 2013. The cost of the use of a company-owned vehicle for Mr. Sullivan equals \$10,250 for 2015, \$8,250 for 2014 and \$7,937 for 2013; for Mr. Labbadia equals \$9,250 for 2015, \$8,876 for 2014 and \$8,750; and for Mr. Leganza equals \$8,250 for 2015, \$8,950 for 2014 and \$7,750 for 2013. Term life insurance premiums for Mr. Sullivan equal \$2,688 for 2015, \$2,472 for 2014 and \$2,412 for 2013; for Mr. Labbadia equal \$2,604 for 2015, \$2,532 for 2014 and \$2,376 for 2013; and for Mr. Leganza equal \$2,532 for 2015 and \$2,448 for 2014 and 2013. The value of group term life insurance in excess of \$50,000 for Mr. Sullivan equals \$2,138 for 2015, \$2,083 for 2014 and \$2,020 for 2013; for Mr. Labbadia equals \$1,342 for 2015, \$1,264 for 2014 and \$1,187 for 2013; and for Mr. Leganza equals \$6,674 for 2015, \$6,427 for 2014 and 2013. Life insurance under the Company's defined benefit plan for Mr. Sullivan equals \$15,673 for 2015, \$15,502 for 2014 and \$14,024 for 2013; for Mr. Labbadia equals \$9,771 for 2015, \$9,097 for 2014 and \$8,813 for 2013; and for Mr. Leganza equals \$12,805 for 2015, \$11,538 for 2014 and \$10,329 for 2013.
- (6) Mr. Vlak was appointed the President and Chief Executive Officer on January 1, 2016. From 2012 to 2015, Mr. Vlak was a senior advisor to Barington Capital Group, L.P. Prior to that, he was a partner at Katzenback Partners, a senior advisor at Booz & Company, and a consultant at McKinsey & Company. At his prior positions, Mr. Vlak's work focused on growth strategy and operational performance improvement at more than 50 companies - including leading domestic and global industrial enterprises - where he has worked directly with numerous senior management teams and boards of directors.
- (7) Mr. Sullivan was appointed Chief Financial Officer on December 13, 2006. Prior to that, he was the Vice President, Treasurer and Secretary of the Company.
- (8) Mr. Labbadia was appointed Chief Operating Officer on April 29, 2015. Prior to that, he was Vice President and Managing Director of Frazer & Jones Division.
- (9) Mr. Leganza was appointed the Chairman of the Board on December 13, 2006 and became President and CEO on April 23, 1997. Mr. Leganza retired from the Company on December 31, 2015.

## STOCK OPTIONS

On April 28, 2010, the shareholders approved The Eastern Company 2010 Executive Stock Incentive Plan (the “2010 Plan”), which by its terms will expire either on February 9, 2020 or upon any earlier termination date established by the Board of Directors. The 2010 Plan authorizes the grant of incentive stock options and non-qualified stock options to purchase Common Shares and the grant of shares of restricted stock. The Compensation Committee of the Company’s Board of Directors will determine the restrictions which will apply to shares of restricted stock granted under the 2010 Plan. Awards may be granted to salaried officers and other key employees of the Company, whether or not such employees are also serving as directors of the Company. The 2010 Plan also provides for the grant of nonqualified stock options to non-employee directors of the Company. The total amount of Common Shares which may be issued under awards granted under the 2010 Plan shall not exceed in the aggregate 500,000 shares.

The purchase price of the shares subject to each incentive stock option granted under the 2010 Plan may not be less than the fair market value of the shares on the date of grant. The purchase price of shares subject to non-qualified stock options granted under the 2010 Plan, and the price (if any) which must be paid to acquire a share of restricted stock granted under the 2010 Plan, is set by the Compensation Committee of the Company’s Board of Directors. All non-qualified stock options granted to date under prior stock option plans have required a purchase price equal to 100% of the fair market value of the Common Shares on the date of the grant.

Incentive stock options generally may not be granted under the 2010 Plan to any employee who owns more than ten percent (10%) of the Company’s voting stock at the time of such grant. Incentive stock options must be exercised within ten years. Non-qualified stock options must be exercised within the period set forth in the plan or, if the plan permits, within the period established by the Compensation Committee. Moreover, options may not be exercised more than three months after termination of employment or termination of service as a director. However, in the case of death or disability, the option may be exercised within one year after death or disability. The three month period is also extended to one year for an optionee who terminates employment or terminates service as a director at or after reaching age sixty-five (65).

Option/SAR and Long-term Incentive Plan. There were no grants of stock options, stock appreciation rights or long term incentive awards to any Named Executive Officers during the fiscal year ended January 2, 2016.

## OPTIONS EXERCISED IN FISCAL 2015

There were no stock options exercised by Named Executive Officers during the fiscal year ended January 2, 2016.

## OUTSTANDING EQUITY AWARDS AT FISCAL 2015 YEAR-END

There currently are no outstanding equity awards held by any of the Named Executive Officers.





## TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

On March 3, 2015, the Company executed a Change in Control Agreement with John L Sullivan III effective January 1, 2015. The agreement has a term of three years. If a change in control of the Company (as defined in the Agreement) occurs, and Mr. Sullivan is terminated without cause within six months before or twelve months after the change of control, then Mr. Sullivan will receive a lump sum severance payment equal to 1.00 times his average adjusted compensation (as defined in the Agreement). However, this amount will be reduced to the extent necessary to avoid the applicability of Section 280G of the Internal Revenue Code. The agreement also contains certain noncompetition, nonsolicitation and nondisclosure covenants.

On March 3, 2015, the Company executed a Change in Control Agreement with Angelo M. Labbadia effective January 1, 2015. The agreement has a term of three years. If a change in control of the Company (as defined in the Agreement) occurs, and Mr. Labbadia is terminated without cause within six months before or twelve months after the change of control, then Mr. Labbadia will receive a lump sum severance payment equal to 1.00 times his average adjusted compensation (as defined in the Agreement). However, this amount will be reduced to the extent necessary to avoid the applicability of Section 280G of the Internal Revenue Code. The agreement also contains certain noncompetition, nonsolicitation and nondisclosure covenants.

The term of the employment agreement between the Company and Mr. Leganza expired on December 31, 2015, when Mr. Leganza retired from the Company. Pursuant to the terms of the employment agreement, Mr. Leganza is entitled to receive certain deferred compensation payments following his termination of employment. He is also subject to certain noncompetition, nonsolicitation and nondisclosure covenants with the Company.

On February 5, 2016, the Company entered into a consulting agreement with Mr. Leganza. Pursuant to the terms of the agreement, Mr. Leganza will provide consulting services to the Company for the six month period following his termination of employment (from January 1, 2016 to June 30, 2016). In consideration of these services, Mr. Leganza will receive a fee of \$10,000 per month, payable on the last day of each month.

The following table provides certain information regarding the benefits payable under the termination of employment and change in control agreements. The payments under the change in control agreements are based on compensation received for the fiscal year ending January 2, 2016.

		Absent a change in control		Following a change in control	
		Termination	Termination	Termination	Termination
		For	Without	For	Without
		Cause	Cause	Cause	Cause
John L. Sullivan III	Lump sum change in control (1)	-	-	-	\$ 408,429
	Total	-	-	-	\$ 408,429
Angelo M. Labbadia	Lump sum change in control (2)	-	-	-	\$ 411,448
	Total	-	-	-	\$ 411,448
Leonard F. Leganza(3)	Medical continuation	-	\$ 10,370	-	-
	Deferred compensation	-	240,000	-	-

(4)				
Consulting fee	-	60,000	-	-
(5)				
Total	-	\$ 310,370	-	-

(1) Mr. Sullivan's change in control benefit is payable only if a change in control occurs and Mr. Sullivan's employment is terminated without cause within six months before or twelve months after the change in control.

(2) Mr. Labbadia's change in control benefit is payable only if a change in control occurs and Mr. Labbadia's employment is terminated without cause within six months before or twelve months after the change in control.

(3) Mr. Leganza terminated employment from the Company on December 31, 2015 without cause and prior to a change in control.

(4) Mr. Leganza's deferred compensation equals \$10,000 for each full calendar month of his employment on and after January 1, 2014 and prior to January 1, 2016.

(5) Mr. Leganza will receive a consulting fee of \$10,000 per month for six months following his termination of employment.

#### RISK ASSESSMENT OF COMPENSATION POLICIES AND PRACTICES

Management and the Compensation Committee of the Board of Directors have reviewed the existing incentive compensation programs in which executives who are not Named Executive Officers participate, in order to establish that such programs do not create risks that are reasonably likely to have a material adverse effect on the Company. Incentive compensation programs exist at the Corporate Office and at the Company divisions, and no particular division carries a significant portion of the Company's overall risk profile. Stock incentive awards are also available under the Company's 2010 Executive Stock Incentive Plan. These awards are determined based upon guidelines set by the Chief Executive Officer and are reviewed and approved by

the Compensation Committee of the Board of Directors. The cash incentive compensation program for corporate executives is subject to performance parameters and dollar limitations approved by the Compensation Committee of the Board of Directors. Cash incentive programs at the Company divisions are based upon attainment of specific financial performance goals which are developed on a basis consistent with the division's financial goals. These programs are approved by the Chief Executive Officer. In conclusion, management has determined that the existing incentive programs applicable to Non-Named Executive Officers do not create risks that are reasonably likely to have a material adverse effect on the Company.

#### SHAREHOLDER RETURN PERFORMANCE INFORMATION

The U.S. Securities and Exchange Commission requires that the Company include in its Annual Report on Form 10-K the line graph presented below. The Company is also including the graph in this proxy statement for the Company's shareholders' ease of reference.

The following graph sets forth the Company's cumulative total shareholder return based upon an initial \$100 investment made on December 31, 2010 (i.e., stock appreciation plus dividends during the past five fiscal years) compared to the Russell 2000 Index and the S&P Industrial Machinery Index.

The Company manufactures and markets a broad range of locks, latches, fasteners and other security hardware that meets the diverse security and safety needs of industrial and commercial customers. Consequently, while the S&P Industrial Machinery Index being used for comparison is the standard index most closely related to the Company, it does not completely represent the Company's products or market applications. The Russell 2000 is used to measure performance of publicly-traded small cap companies.

	Dec. 10	Dec. 11	Dec. 12	Dec. 13	Dec. 14	Dec. 15
The Eastern Company	\$100	\$114	\$ 93	\$ 96	\$106	\$120
Russell 2000	\$100	\$ 96	\$111	\$155	\$162	\$155
S&P Industrial Machinery	\$100	\$ 91	\$116	\$169	\$177	\$170

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([www.researchdatagroup.com/S&P.htm](http://www.researchdatagroup.com/S&P.htm))

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#### ADDITIONAL INFORMATION

Any shareholder who intends to present a proposal at the 2017 Annual Meeting of shareholders and desires that it be included in the Company's proxy material must submit to the Company a copy of the proposal on or before November 15, 2016. Any shareholder who intends to present a proposal at the 2017 Annual Meeting but does not wish that the proposal be included in the Company's proxy material must provide notice of the proposal to the Company, in accordance with the terms of the Company's by-laws, no earlier than January 27, 2017 and no later than February 26, 2017.

It is the Company's policy to have the members of the Board of Directors attend the Annual Meeting, to the extent feasible. All of the members of the Board of Directors attended the 2015 Annual Meeting.

If any shareholder wishes to send communications to the Board of Directors or to any member of the Board of Directors, he or she may do so by sending such communications to the Board of Directors or to the individual director in care of The Eastern Company, 112 Bridge Street, P.O. Box 460, Naugatuck, Connecticut 06770. All such communications will be delivered to the Board of Directors or to the individual director in strict confidence.

#### FORM 10-K ANNUAL REPORT

A copy of the Company's annual report on Form 10-K as filed with the Securities and Exchange Commission for the fiscal year ended January 2, 2016 will be furnished without exhibits to shareholders upon written request. Exhibits to the Form 10-K will be provided if so indicated. Direct all inquiries to Investor Relations, The Eastern Company, 112 Bridge Street, P.O. Box 460, Naugatuck, Connecticut 06770-0460. Form 10-K is also available on the Company's website at [www.easterncompany.com](http://www.easterncompany.com).

EXHIBIT A

PROPOSED AMENDMENT TO CERTIFICATE OF INCORPORATION  
TO DECLASSIFY BOARD OF DIRECTORS AND TO ELECT DIRECTORS BY MAJORITY VOTE

The shareholders of the Company are being requested to approve an amendment to Article Ninth of the certificate of incorporation of the Company. As amended, Article Ninth will read as follows:

NINTH: Each member of the Board of Directors of the corporation shall be elected by the stockholders at the annual meeting of the stockholders, and shall serve for a term of one year. Directors shall be elected by a majority of the votes cast by the shares entitled to vote in the election of directors at the annual meeting of the stockholders at which a quorum is present. Any director elected to fill a vacancy shall hold office until the next annual meeting of stockholders.

At the annual meeting of stockholders in 2017, the term of the directors elected in 2014 shall expire, and their successors shall be elected for a term of one year. At the annual meeting of stockholders in 2018, the term of the directors elected in 2015 and 2017 shall expire, and their successors shall be elected for a term of one year. At the annual meeting of stockholders in 2019, the term of the directors elected in 2016, 2017 and 2018 shall expire, and their successors shall be elected for a term of one year. At each annual meeting thereafter, the term of all of the directors shall expire and their successors shall be elected for a term of one year.

PROPOSED AMENDMENTS TO BY-LAWS  
TO DECLASSIFY BOARD OF DIRECTORS AND TO ELECT DIRECTORS BY MAJORITY VOTE

The Board of Directors of the Company has approved the amendment of Article III, Section 2 and Section 3 of the By-laws of the Company, contingent on the shareholders' approval of the proposed amendment to Article Ninth of the certificate of incorporation of the Company. As amended, Article III, Section 2 and Section 3 will read as follows:

Section 2. The Board of Directors shall consist of not less than five (5) nor more than ten (10) persons serving for a term of one year, as provided in the Certificate of Incorporation. At each Annual Meeting of the Shareholders, the Shareholders shall elect Directors to serve for a term of one year and until their respective successors shall be duly elected and qualified. Directors shall be elected by a majority of the votes cast by the shares entitled to vote in the election of directors at the Annual Meeting of the Shareholders at which a quorum is present.

Notwithstanding the foregoing, the number of persons constituting the Board of Directors may be increased or decreased by vote of the Directors then in office; provided, however, a decrease in the number of Directorships shall not affect the unexpired term of any Director in office who shall continue until the expiration of his or her term.

Section 3. Whenever any vacancy shall occur in the Board of Directors (including vacancies created by an increase in the number of Directors), the remaining Directors in office, although less than a quorum, may fill the vacancy by majority vote. The person elected to fill such vacancy shall hold office until the next Annual Meeting of the Shareholders, and until his successor shall be duly elected and qualified.



Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, Annual Report on Form 10K is/are available at [www.proxyvote.com](http://www.proxyvote.com).

THE EASTERN COMPANY  
112 Bridge Street, P.O. Box 460, Naugatuck, CT 06770-0460  
THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF THE COMPANY

The undersigning hereby appoints Fredrick D. DiSanto and Charles W. Henry or any one or more of them, true and lawful attorneys and agents, with the power of substitution for the undersigned in his name, place and stead, to vote at the Annual Meeting of Shareholders of The Eastern Company on April 27, 2016 and any adjournments thereof, all shares of common stock of said Company which the undersigned would be entitled to vote, if then personally present, as specified on the reverse side of this card on proposals 1, 2 and 3 and in their discretion on all other matters coming before the meeting.

This proxy will be voted as directed by the shareholder but if no choice is specified, it will be voted FOR proposals 1, 2 and 3.

Address change/comments:

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(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

Continued and to be signed on reverse side

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THE EASTERN COMPANY  
112 BRIDGE STREET  
NAUGATUCK, CT 06770-0460

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

**TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: [X]KEEP THIS PORTION FOR YOUR RECORDS**

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**DETACH AND RETURN THIS PORTION ONLY**

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

The Board of  
Directors  
recommends  
you vote

FOR the following:

For Withhold For All

All All Except

Except" and write the number(s) of the

To withhold authority to vote for any individual nominee(s), mark "For All

nominee(s) on the line below.

1. Election of Directors

Nominees

01 Fredrick D. DiSanto02 Charles W. Henry

The Board of Directors recommends you vote FOR proposals 2 and 3.

For Against Abstain

2. Amend the certificate of incorporation to declassify the Board of Directors and to elect Directors by majority vote.

3. Ratify the appointment of the independent registered public accounting firm (Fiondella, Milone & LaSaracina LLP).

NOTE: Such other business as may properly come before the meeting or any adjournment thereof. Note: A vote to withhold authority to vote for any nominee(s) is treated as a vote against the nominee(s).

For address change/comments, mark here.  (see reverse for instructions)

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

\_\_\_\_\_  
Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date