

SCHMITT INDUSTRIES INC  
Form PREC14A  
September 04, 2018

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(RULE 14a-101)**

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

**Securities Exchange Act of 1934**

**(Amendment No.    )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Schmitt Industries, Inc.**

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

Edgar Filing: SCHMITT INDUSTRIES INC - Form PREC14A

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (2) Aggregate number of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  
  
  
  
  
  
  
  
- (4) Proposed maximum aggregate value of transaction:
  
  
  
  
  
  
  
  
  
  
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
  
  
  
  
  
  
  
  
  
  
- (2) Form, Schedule or Registration Statement No.:
  
  
  
  
  
  
  
  
  
  
- (3) Filing Party:

(4) Date Filed:

**SCHMITT INDUSTRIES, INC.**

**2765 N.W. NICOLAI STREET**

**PORTLAND, OREGON 97210**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON OCTOBER 12, 2018**

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of SCHMITT INDUSTRIES, INC., an Oregon corporation (the "Company"), will be held on Friday, October 12, 2018 at 3:00 p.m., local time, at the Company's offices located at 2765 N.W. Nicolai Street, Portland, Oregon 97210.

A [WHITE] proxy card, the Proxy Statement and the 2018 Annual Report to Shareholders on Form 10-K for the Annual Meeting are enclosed.

The Annual Meeting is for the purpose of considering and acting upon:

1. **Election of Directors.** To elect two director nominees named in the attached Proxy Statement to serve three-year terms expiring in 2021;
2. **Approval of Executive Compensation.** To approve, on an advisory basis, the compensation paid to the Company's Named Executive Officers (as defined in the Proxy Statement accompanying this Notice);
3. **Ratification of Appointment of Independent Registered Public Accounting Firm.** To ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the year ending May 31, 2019; and
4. **Other Business.** To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on August 24, 2018 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and any postponements or adjournments thereof.

By Order of the Board of Directors

Edgar Filing: SCHMITT INDUSTRIES INC - Form PREC14A

Michael J. Ellsworth  
*Chairman of the Board of Directors*

Portland, Oregon

[\*], 2018

**YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. FOR DIRECTIONS, PLEASE CONTACT OUR CORPORATE SECRETARY AT [AFERGUSON@SCHMITT-IND.COM](mailto:AFERGUSON@SCHMITT-IND.COM) OR CALL 503-227-7908. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER YOU OWN. THEREFORE, WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, SIGN AND DATE THE ACCOMPANYING PROXY CARD AND RETURN IT IN THE ENCLOSED PREPAID ENVELOPE, OR SUBMIT YOUR VOTING INSTRUCTIONS BY TELEPHONE OR THROUGH THE INTERNET IF THOSE OPTIONS ARE AVAILABLE TO YOU. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.**

**YOUR VOTE IS IMPORTANT.**

**DEPENDING ON HOW YOUR SHARES ARE HELD THERE MAY BE THREE WAYS TO VOTE:**

Sign, date and return your proxy card in the enclosed envelope as soon as possible, or  
By internet, or  
By telephone.

***Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on October 12, 2018:***  
This notice of Annual Meeting of Shareholders, our Proxy Statement, and our 2018 Annual Report to Shareholders on Form 10-K are available at [www.schmitt-ind.com](http://www.schmitt-ind.com) and [www.viewproxy.com/schmittindustries/2018](http://www.viewproxy.com/schmittindustries/2018).

**SCHMITT INDUSTRIES, INC.**

**2765 N.W. Nicolai Street**

**Portland, Oregon 97210**

**(503) 227-7908**

**PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION**

**PROXY STATEMENT**

**for the**

**ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON OCTOBER 12, 2018**

**INTRODUCTION**

**General**

This Proxy Statement is being furnished to the shareholders of Schmitt Industries, Inc., an Oregon corporation (the "Company" or "Schmitt"), as part of the solicitation of proxies by the Company's Board of Directors from holders of the outstanding shares of Schmitt common stock (the "Common Stock") for use at the Company's Annual Meeting of Shareholders to be held on October 12, 2018, at 3:00 p.m. local time, at the Company's offices located at 2765 N.W. Nicolai Street, Portland, Oregon 97210, and at any postponements or adjournments thereof (the "Annual Meeting"). This Proxy Statement and the enclosed proxy card are first being mailed to shareholders of Schmitt Industries, Inc. entitled to vote at the Annual Meeting on or about [ \* ], 2018.

**Purpose of the Annual Meeting**

The purpose of the Annual Meeting is to vote on the following matters:

1. **Election of Directors.** To elect two directors to serve three-year terms expiring in 2021;
2. **Approval of Executive Compensation.** To approve, on an advisory basis, the compensation paid to the Company's Named Executive Officers (as defined in the paragraph immediately preceding the 2018 Summary Compensation Table below);
3. **Ratification of Appointment of Independent Registered Public Accounting Firm.** To ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the year ending May 31, 2019; and

Edgar Filing: SCHMITT INDUSTRIES INC - Form PREC14A

4. **Other Business.** To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

As of the date of this Proxy Statement, the Company is not aware of any business to come before the meeting other than the items noted above.

**Please note that Sententia Capital Management, LLC, Sententia Group, LP, Michael R. Zapata and Andrew Hines (the Sententia Group ) have filed a Preliminary Proxy Statement with the Securities and Exchange Commission regarding the solicitation of your vote for two director nominees, Andrew P. Hines and Michael R. Zapata (together, the Sententia Nominees ) to the Board as directors to serve until the Company s 2021 Annual Meeting of Shareholders. The Sententia Nominees are in direct opposition to the two incumbent Directors nominated by our Board of Directors. You may receive solicitation materials from the Sententia Group, including proxy statements and proxy cards. We are not responsible for the**

accuracy of any information provided by or relating to the Sententia Group or the Sententia Nominees contained in solicitation materials filed or disseminated by or on behalf of the Sententia Group or any other statements the Sententia Group or its representatives may make.

**Our Board of Directors unanimously recommends that you vote FOR the election of each of the incumbent nominees proposed on the Company's [WHITE] proxy card. Our Board of Directors does NOT endorse the Sententia Nominees. Our Board of Directors strongly urges you NOT to sign or return the [color] proxy card sent to you by the Sententia Group. If you have previously submitted a [color] proxy card sent to you by the Sententia Group, you can revoke that proxy and vote for our Board of Directors' nominees and on the other matters to be voted on at the meeting by using the enclosed [WHITE] proxy card or by voting by telephone or internet using the instructions on the [WHITE] proxy card. Only the latest proxy card or vote you submit will be counted.**

EACH SHAREHOLDER, WHETHER PLANNING ATTEND THE MEETING OR NOT, IS REQUESTED TO SIGN, DATE AND RETURN THE [WHITE] PROXY CARD WITHOUT DELAY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. ANY PROXY GIVEN BY THE SHAREHOLDER MAY BE REVOKED AT ANY TIME BEFORE IT IS EXERCISED. A PROXY MAY BE REVOKED BY FILING WITH OUR SECRETARY A WRITTEN REVOCATION OR A DULY EXECUTED PROXY BEARING A LATER DATE OR BY FOLLOWING THE INTERNET OR PHONE INSTRUCTIONS ON THE ENCLOSED [WHITE] PROXY CARD. ANY SHAREHOLDER PRESENT AT THE MEETING MAY REVOKE HIS OR HER PROXY AND VOTE PERSONALLY ON EACH MATTER BROUGHT BEFORE THE MEETING. HOWEVER, IF YOU ARE A SHAREHOLDER WHOSE SHARES ARE NOT REGISTERED IN YOUR OWN NAME, YOU WILL NEED ADDITIONAL DOCUMENTATION FROM YOUR RECORD HOLDER IN ORDER TO VOTE PERSONALLY AT THE MEETING.

#### **Solicitation and Revocability of Proxies; Expenses**

The cost of soliciting proxies will be borne by the Company. The Company has retained Alliance Advisors, LLC ( Alliance ) in connection with the Annual Meeting and will pay a fee not to exceed \$40,000, plus reasonable out-of-pocket expenses, for proxy solicitation services. Alliance expects that approximately 25 of its employees will assist in the solicitation. Proxies may be solicited by mail, personally, by telephone, by press release, by facsimile transmission or by other electronic means. Our directors and certain executive officers may supplement the proxy solicitor's solicitation of proxies. No additional compensation will be paid to our directors or employees for such services. Appendix A sets forth information relating to the Company's directors and employees who are considered participants in our solicitation under the rules of the Securities and Exchange Commission ( SEC ). Alliance may ask brokerage houses, banks and other custodians and nominees whether other persons are beneficial owners of the Company's Common Stock. If so, the Company will reimburse brokers, banks and other custodians and nominees for their costs of sending our proxy materials to the beneficial owners of our Common Stock.

Because of the contested nature of this solicitation, we estimate that we may incur approximately \$110,000 of additional expense, of which we estimate that approximately \$45,000 has been incurred to date, in furtherance of, and in connection with, the solicitation of proxies for the Annual Meeting in excess of that normally spent for an annual meeting. This additional expense includes attorney fees, other professional advisor fees, and printer costs incurred in connection with the preparation and filing of preliminary proxy materials with the SEC and the preparation of additional solicitation materials, and the fees to Alliance. However, this estimate does not include the costs represented by salaries and wages of officers and employees of the Company engaged in the solicitation process, costs we would normally incur in an uncontested director election or any costs associated with any potential litigation that may arise in connection with the proxy solicitation. Furthermore, the actual amount of additional expense we may incur could be materially different from what we currently estimate, depending on further potential actions that might be taken by the Sententia Group in connection with this proxy contest.



***What is the purpose of the Annual Meeting?***

At our Annual Meeting, shareholders will act upon the matters outlined in the notice of meeting on the cover page of this proxy statement, including the election of directors and ratification of appointment of the Company's independent registered public accounting firm for the year ending May 31, 2019. In addition, management will report on the performance of Schmitt Industries, Inc. and respond to questions from shareholders. Shareholders will also have the opportunity for the annual vote on a non-binding proposal to approve the executive compensation disclosed in this Proxy Statement, which we refer to as the say-on-pay proposal. The annual vote was adopted by resolution of the Board of Directors following the advisory vote at the 2013 Annual Meeting indicating a preference for an annual vote.

***Who is entitled to vote?***

Only our shareholders of record as of the close of business on the record date for the meeting, August 24, 2018, are entitled to vote at the Annual Meeting. On the record date, we had 3,994,545 shares of Common Stock issued and outstanding and no other class of equity securities outstanding. For each issued and outstanding share of Common Stock you own on the record date, you will be entitled to one vote on each matter to be voted on at the meeting, in person or by proxy.

***How do I submit my proxy?***

After you have carefully read this Proxy Statement, indicate on your [WHITE] proxy card how you want your shares to be voted. Then sign, date and mail your [WHITE] proxy card in the enclosed prepaid return envelope as soon as possible. This will enable your shares to be represented and voted at the Annual Meeting.

***If my shares are held in street name by my broker, could my broker automatically vote my shares for me?***

Street name means that your shares are held in the name of your broker or another nominee, rather than in your own name. Under New York Stock Exchange Rule 452, which governs NYSE brokerage members, brokers are entitled to vote shares held by them for their customers on matters deemed routine under applicable rules, even though the brokers have not received voting instructions from their customers. Although Schmitt Industries, Inc. is listed on the NASDAQ Global Market, Rule 452 affects us since shares of our Common Stock held in street name may be held with NYSE member-brokers. Brokerage firms may not vote on non-routine matters at their discretion on behalf of their clients if such clients have not furnished voting instructions. A broker non-vote occurs when a broker's customer does not provide the broker with voting instructions on non-routine matters for shares owned by the customer but held in the name of the broker. For such non-routine matters, the broker cannot vote either FOR or AGAINST a proposal or FOR or WITHHELD for the election of directors. In that case, the broker reports the number of such shares as non-votes. The election of directors is deemed to be a non-routine matter, so your broker may not vote on these matters at its discretion. However, given the contested nature of the election, the rules of the New York Stock Exchange governing brokers' discretionary authority (which apply to brokers' authority with respect to companies listed on the NASDAQ Stock Market) do not permit brokers to exercise discretionary authority regarding any of the proposals to be voted on at the Annual Meeting, whether routine or not.

***Can I attend the meeting and vote my shares in person?***

Yes. All shareholders are invited to attend the Annual Meeting. Shareholders of record can vote in person at the Annual Meeting. If your shares are held in street name, then you are not the shareholder of record and you must obtain a legal proxy from your broker or other nominee and bring the legal proxy with you to the Annual Meeting to be able to vote in person.

*Can I change or revoke my vote after I return my proxy card?*

Yes. If you have not voted through your broker or other nominee, there are three ways you can change your vote or revoke your proxy after you have sent in your proxy card.

First, you may send a written notice to our Corporate Secretary, Schmitt Industries, Inc., 2765 NW Nicolai Street, Portland, Oregon 97210, stating that you would like to revoke your proxy.

Second, you may complete and submit a new proxy card. Any earlier proxies will be revoked automatically.

Third, you may attend the Annual Meeting and vote in person. Any earlier proxy will be revoked. However, attending the Annual Meeting without voting in person will not revoke your proxy.

If you have instructed a broker or other nominee to vote your shares, you must follow directions you receive from your broker or other nominee to change your vote.

If you have previously signed a proxy card sent to you by the Sententia Group or otherwise voted according to instructions provided by the Sententia Group, you may change your vote by marking, signing, dating and returning the enclosed [WHITE] proxy card in the accompanying postage-prepaid envelope or by voting by telephone or via the Internet by following the instructions above. Submitting a proxy card sent to you by the Sententia Group will revoke votes you have previously made via the Company's [WHITE] proxy card.

*What constitutes a quorum?*

The presence at the Annual Meeting, by person or by proxy, of the holders of a majority of the shares of Common Stock entitled to vote at the Annual Meeting as of the record date will constitute a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting for purposes of establishing a quorum.

*What are the Board of Directors' recommendations?*

The recommendations of the Board of Directors are set forth under the description of each proposal in this Proxy Statement. In summary, the Board of Directors recommends that you vote **FOR** the Nominees for Director described herein, **FOR** the Advisory Vote on Executive Compensation and **FOR** the Ratification of Appointment of Independent Registered Public Accounting Firm.

The proxy solicited hereby, if properly signed and returned to us and not revoked prior to its use, will be voted in accordance with your instructions contained in the proxy. If no contrary instructions are given, each proxy signed and received will be voted in the manner recommended by the Board of Directors and, upon the transaction of such other business as may properly come before the meeting, in accordance with the best judgment of the persons appointed as proxies. Proxies solicited hereby may be exercised only at the Annual Meeting and any adjournment of the Annual Meeting and will not be used for any other meeting.

*Do you expect other candidates to be nominated for election as directors at the Annual Meeting in opposition to the Board of Directors' nominees?*

Yes. The Sententia Group has notified the Company of its intent to nominate two nominees for election as director at the Annual Meeting in opposition to the two nominees recommended by our Board of Directors. Our Board of Directors does not endorse the Sententia Nominees and unanimously recommends that you vote **FOR** the election of each of the two nominees proposed by the Board of Directors by using the enclosed [WHITE] proxy card. The Board of Directors strongly urges you not to sign or return any [color] proxy card sent to you by the Sententia Group.

*Can I access the Proxy Statement and Annual Report electronically?*

This Proxy Statement, proxy card and the Annual Report to Shareholders on Form 10-K are available at: <http://www.schmitt-ind.com> and [www.viewproxy.com/schmittindustries/2018](http://www.viewproxy.com/schmittindustries/2018).

**Purpose of the Annual Meeting**

As to the election of the directors, the [WHITE] proxy card provided by the Board of Directors enables a shareholder to vote FOR the election of the nominees proposed by the Board of Directors or to WITHHOLD authority to vote for the nominees being proposed. Under Oregon law and our Articles of Incorporation and Bylaws, directors are elected by a plurality of the shares voted at the Annual Meeting without regard to either broker non-votes or proxies as to which the authority to vote for the nominee is withheld. Plurality means that individuals who receive the largest number of votes cast are elected, up to the maximum number of directors to be elected at the Annual Meeting.

A WITHHOLD vote will be counted as present for the purposes of establishing quorum for the vote but are not counted as votes cast. Our Board of Directors does not endorse the Sententia Nominees and unanimously recommends that you disregard any proxy card that may be sent to you by the Sententia Group. Voting to WITHHOLD with respect to the Sententia Nominees on the Sententia Group's [color] proxy card is not the same as voting for our Board of Directors' nominees, because a vote to WITHHOLD with respect to the Sententia Nominees on a [color] proxy card will revoke any previous proxy submitted by you, including a [WHITE] proxy card in favor of our Board of Directors' nominees. If you have already voted using a proxy card sent to you by the Sententia Group, you have every right to change it and we urge you to revoke that proxy by voting in favor of our Board of Director's nominees by using the enclosed [WHITE] proxy card. Only the latest validly executed proxy that you submit will be counted.

As to the advisory vote on executive compensation of our named executive officers, by checking the appropriate box a shareholder may vote FOR the item, vote AGAINST the item or ABSTAIN from voting on the item. The advisory vote on executive compensation of our named executive officers must be approved by a majority of the shares voted at the Annual Meeting without regard to broker non-votes or proxies marked ABSTAIN.

As to the ratification of Moss Adams LLP as the Company's independent registered public accounting firm, by checking the appropriate box a shareholder may vote FOR the item, vote AGAINST the item or ABSTAIN from voting on the item. The ratification of the Company's independent registered public accounting firm must be approved by a majority of the shares voted at the Annual Meeting without regard to broker non-votes or proxies marked ABSTAIN.

In the event at the time of the Annual Meeting there are not sufficient votes for a quorum or to approve or ratify any matter being presented, the Annual Meeting may be adjourned in order to permit the further solicitation of proxies.

Proxies solicited hereby will be returned to us and will be tabulated by an independent inspector of election designated by our Board of Directors.

**IF YOU HAVE ALREADY RETURNED A [COLOR] PROXY CARD TO THE SENTENTIA GROUP, WE URGE YOU TO CHANGE YOUR VOTE BY SIGNING, DATING, AND RETURNING THE ENCLOSED [WHITE] PROXY CARD TO SUPPORT THE BOARD OF DIRECTORS' NOMINEES.**

The Board of Directors has fixed the close of business on August 24, 2018 as the record date for the determination of the shareholders entitled to notice of and to vote at the Annual Meeting. Accordingly, only holders of record of shares of Common Stock at the close of business on such date will be entitled to vote at the

Annual Meeting, with each such share entitling its owner to one vote on all matters properly presented at the Annual Meeting. On the record date, there were 3,994,545 shares of Common Stock then outstanding. The presence, in person or by proxy, of a majority of the total number of outstanding shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the Annual Meeting, but are not counted and have no effect on the outcome of any of the proposals to be voted upon.

If the enclosed form of proxy on the [WHITE] proxy card is properly executed and returned in time to be voted at the Annual Meeting, the shares represented thereby will be voted in accordance with the instructions marked thereon. ***Executed but unmarked proxies will be voted (1) FOR the election of the two director nominees to the Board of Directors, (2) FOR the approval of the compensation paid to the Company's Named Executive Officers and (3) FOR the ratification of appointment of independent registered public accounting firm.***

The Board of Directors does not know of any matters other than those described in the Notice of Annual Meeting that are to come before the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons named in the proxy will vote the shares represented by such proxy upon such matters as determined by a majority of the Board of Directors. The presence of a shareholder at the Annual Meeting will not automatically revoke such shareholder's proxy. A shareholder may, however, revoke a proxy at any time prior to its exercise by filing a written notice of revocation with, or by delivering a duly executed proxy bearing a later date to, Corporate Secretary, Schmitt Industries, Inc., 2765 N.W. Nicolai Street, Portland, Oregon 97210, or by attending the Annual Meeting and voting in person. However, a shareholder who attends the Annual Meeting need not revoke a previously executed proxy and vote in person unless such shareholder wishes to do so. All valid, unrevoked proxies will be voted at the Annual Meeting.

***Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on October 12, 2018:*** The notice of Annual Meeting of Shareholders, this Proxy Statement, and our Annual Report to Shareholders on Form 10-K are available at [www.schmitt-ind.com](http://www.schmitt-ind.com) and [www.viewproxy.com/schmittindustries/2018](http://www.viewproxy.com/schmittindustries/2018).

If you have any questions or need assistance with voting your shares, please call:

Alliance Advisors, LLC

200 Broadacres Drive, 3<sup>rd</sup> Floor

Bloomfield, NJ 07003

**(833) 786-6483**

## ELECTION OF DIRECTORS

At the Annual Meeting, two Directors will be elected for three-year terms expiring in 2021. Unless otherwise specified on the proxy, it is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy for the election as Director of the person named below as a nominee. The Board of Directors believes that the nominees will stand for election and will serve if elected as Director. However, if a person nominated by the Board of Directors fails to stand for election or is unable to accept election, the number of Directors constituting the Board of Directors may be reduced prior to the Annual Meeting or the proxies may be voted for the election of such other person as the Board of Directors may recommend.

Under the Company's Second Restated Articles of Incorporation and Second Restated Bylaws ( Restated Bylaws ), the Directors are divided into three classes. The term of office of only one class of Directors expires in each year, and their successors are elected for terms of three years and until their successors are elected and qualified. There is no cumulative voting for election of Directors.

### Information as to Nominees and Continuing Directors

The following table sets forth the names of the Board of Directors' nominees for election as Director and those Directors who will continue to serve after the Annual Meeting. Also set forth is certain other information with respect to each such person's age, principal occupation or employment during the past five years, the periods during which he has served as a Director of Schmitt Industries, Inc., the expiration of his term as a Director and the positions currently held with Schmitt.

Nominees:	Age	Director Since	Expiration of Current Term	Expiration of Term for which Nominated	Position Held with Schmitt
Maynard E. Brown	71	1992	2018	2021	Director
David W. Case	54	2018	2018	2021	Director, President and Chief Executive Officer
<b>Continuing Directors:</b>					
Michael J. Ellsworth	75	2006	2020		Chairman of the Board of Directors
Charles Davidson	59	2016	2019		Director
David M. Hudson	66	2006	2019		Director

#### *Nominees*

*Maynard E. Brown*, a director since 1992, resides in West Vancouver, Canada. He is a retired member of the Law Society of British Columbia. Mr. Brown has more than 25 years of direct experience in advising publicly held corporations in securities and related matters. He also serves as a director and an audit committee member for a publicly traded company in Canada. Mr. Brown has a Bachelor of Law (LLB) degree from Dalhousie University in Halifax, Canada. In addition to his extensive legal experience involving public companies and corporate law matters, Mr. Brown adds considerable directorial service, including audit committee service, and experience in risk oversight.

*David W. Case* was appointed Chief Executive Officer and President in January 2018. Prior to that, Mr. Case had held the position of Vice President of Operations of the Company since 1996 and before then was Production Manager. He has been responsible for many of the initial design features of the SBS Dynamic Balance System. His operational experience and duties have included management of many of the Company's functions, including manufacturing, engineering and quality assurance. Mr. Case holds a B.S. degree in Economics from the University of Oregon. Mr. Case brings a variety of skills and attributes to the Board of Directors, including experience in the areas of executive leadership, technology and operations, as well as in-depth experience with the products, customers, and markets served by the Company.

*Continuing Directors*

*Michael J. Ellsworth* was appointed Chairman of the Board of Directors in January 2017 and has served as a director since April 2006. Mr. Ellsworth is currently the President of Kinetic Technologies, Inc., a business consulting company serving a number of industries. Mr. Ellsworth served at ADE Corporation, Westwood, Massachusetts ( ADE ), from 1993 to 2001. He was the Vice President and Chief Operating Officer from 1993 to 1997 and Vice President and Advisor to the Board of Directors from 1997 to 2001. ADE was a semiconductor metrology and instrumentation company until being acquired by KLAC in 2007. From 1969 to 1992, Mr. Ellsworth served at Electro Scientific Industries ( EIS ). He was the President, CEO and Director from 1987 until 1992. ESI is a leading supplier of laser-based manufacturing systems for the microtechnology industry. Prior to joining ESI, Mr. Ellsworth was a member of technical staff at Bell Telephone Laboratories. Mr. Ellsworth holds a B.S. degree in Engineering Science from the University of Portland, an M.S. degree in Mechanical Engineering from Northwestern University, and an M.B.A. from the University of Portland. Mr. Ellsworth brings a variety of skills and attributes to the Board of Directors, including other directorial service and experience in the areas of executive leadership, technology, finance, risk oversight, strategy and operations.

*Charles Davidson* was appointed as a director in May 2016. Mr. Davidson has served as Chief Executive Officer of Attensa Corporation, an enterprise software provider, since August 2014. He was the CEO of Attensa's predecessor company Leeward, Inc. from 2009 until 2014, when it was merged into Attensa Corporation, and was Chief Executive Officer of Attensa, Inc. from 2007 until 2009. From 2000 to 2003, Mr. Davidson was Chief Executive Officer and President of StatiaFX, a developer of software solutions for financial advisory services. When StatiaFX was acquired in 2003 by Financial Profiles, a business unit of Hanover Insurance Group, Mr. Davidson became Vice President for Strategy and Business Development of Financial Profiles and served in that function until 2006 when the business was sold. From 1994 to 1999, Mr. Davidson was Chief Operating Officer and a member of the Board of Directors of the Crabbe Huson Group. In 1993, he co-founded Co-Operations, Inc. and served as its Chairman until 2000. Mr. Davidson holds a B.S. degree in Business from the University of Oregon and a J.D. magna cum laude from Northwestern School of Law, Portland. He is a member (inactive) of the bar associations of Oregon and Washington. Mr. Davidson brings a variety of skills and attributes to the Board of Directors, including experience in the areas of executive leadership, technology, finance, accounting, risk oversight, strategy and operations.

*David M. Hudson* was appointed as a director in April 2006. He previously served as a director of the Company from 1996 to 2003. From 2016 to 2018, Mr. Hudson served as President and Chief Executive Officer. Prior to his appointment as Chief Executive Officer and President, Mr. Hudson was a private business consultant and the managing member of Gemini Value Partners LLC. Mr. Hudson was the founder and President of Hudson Capital Management, which through a merger became part of the Crabbe Huson Group. In 1994, he co-founded Coldstream Capital Management, Inc. Mr. Hudson holds a B.S. degree in Mathematics from the University of Oregon. Mr. Hudson brings a variety of skills and attributes to the Board of Directors, including other directorial service and experience in the areas of executive leadership, finance, risk oversight, strategy and operations.

**Contested Solicitation**

The Sententia Group has notified the Company that they intend to nominate two persons for election as director at the Annual Meeting. Accordingly, there may be four nominees for election to the Board, but only two nominees will be elected. The Sententia Group consists of Sententia Capital Management, LLC, Sententia Group, LP, Michael R. Zapata and Andrew Hines. No other nominations of persons for election as directors of the Company were submitted to the Company pursuant to the advance notice provisions of our Restated Bylaws.

The Sententia Group has filed preliminary proxy material with the SEC indicating its intent to solicit proxies in support of its candidates. The Sententia Group's candidates have NOT been endorsed by our Board. We are not responsible for the accuracy of any information provided by or relating to the Sententia Group contained in any proxy solicitation materials filed or to be filed or disseminated by, or on behalf of, the Sententia Group or any other statements that the Sententia Group may otherwise make.

***Recommendation of the Board of Directors***

**We urge you to elect the directors recommended by the Board of Directors by completing the attached [WHITE] proxy card and returning it in the enclosed postage-paid envelope. The Board of Directors recommends that you DO NOT sign or return any proxy card that may be sent to you by the Sententia Group or anyone else.** Voting against another person's nominees on a proxy card sent to you by that person is not the same as voting for the Board of Directors' nominees, because a vote against another person's nominees on its proxy card will revoke any previous proxy submitted by you. If you have previously submitted the [color] proxy card to the Sententia Group, we urge you to revoke that proxy by voting in favor of the Board of Directors' nominees by using the enclosed [WHITE] proxy card. Only the latest validly executed proxy that you submit will be counted.

**CORPORATE GOVERNANCE AND RELATED MATTERS**

**Shareholder Communications with the Board of Directors**

Any shareholder may contact the Board of Directors in writing by addressing the communication to the Board of Directors of Schmitt Industries, Inc., c/o Corporate Secretary, 2765 N.W. Nicolai Street, Portland, Oregon 97210.

Our Corporate Secretary has undertaken the responsibility to forward all written shareholder correspondence to the appropriate director(s), except for spam, junk mail, mass mailings, customer complaints or inquiries, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material. Our Corporate Secretary will determine, in her discretion, whether any response is necessary and may forward certain correspondence, such as customer-related inquiries, elsewhere within our company for review and possible response. Comments or questions regarding our accounting, internal controls or auditing matters will be referred to the Audit Committee. Comments or questions regarding the nomination of directors will be referred to the Nominating Committee. Comments or questions regarding executive compensation will be referred to the Compensation Committee. Comments or questions regarding other corporate governance matters will be referred to the appropriate Committee.

**Board Leadership Structure and Role in Risk Oversight**

*Board of Directors Risk Oversight* Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. The Company faces a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of risks the Company faces, while the Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, the Chairman of the Board meets regularly with management to discuss strategy and the risks facing the Company. Senior management attends the Board of Directors meetings and is available to address any questions or concerns raised by the Board of Directors on risk management and any other matters. The Chairman of the Board and independent members of the Board of Directors work together to provide strong, independent oversight of the Company's management and affairs through its standing committees and, when necessary, special meetings of independent directors.

*Board of Directors Leadership Structure* The Board of Directors does not have a policy on whether or not the roles of Chairman of the Board and Chief Executive Officer should be separate. The Board of Directors believes that it should be free to make a choice from time to time in any manner that is in the best interests of the Company and the shareholders. Currently, the Company separates the roles of Chairman and Chief Executive Officer, with Mr. Ellsworth serving as the Chairman of the Board and Mr. Case serving as Chief Executive Officer. The Board of Directors believes that this separation is appropriate as it allows the Chief Executive

Officer to focus primarily on leading the day-to-day operations of the Company, while the Chairman can focus on leading the Board of Directors in its consideration of strategic issues and monitoring corporate governance and other shareholder issues.

The Board of Directors does not have a lead independent director.

Given our current size and operating history, we believe that the Board's existing leadership structure is appropriate. The Board will continue to evaluate its role and the appropriateness of its structure in the future.

### Meetings

During Fiscal 2018, the Company's Board of Directors held five meetings. Each incumbent Director attended 75% or more of the aggregate of the total number of meetings held by the Board of Directors and the total number of meetings held by all committees of the Board on which he served during the period that he served. While the Company does not have a formal policy with regard to Directors' attendance at annual meetings, all members of the Company's Board of Directors attended the 2017 Annual Meeting of Shareholders.

### Board of Director Committees

The Board of Directors has standing Audit, Compensation and Nominating Committees. The Audit, Compensation and Nominating Committees operate pursuant to written charters. The charters may be viewed online at [www.schmitt-ind.com](http://www.schmitt-ind.com). During Fiscal 2018, the Board of Directors formed the ad hoc Strategic Advisory Committee. Each committee may obtain advice and assistance from internal or external legal, accounting and other advisors. The members of the committees, each of whom has been determined to be independent as defined by applicable rules of the Securities and Exchange Commission (the "SEC") and the NASDAQ Stock Market, are identified in the following table. Mr. Hudson, who served as the Company's President and Chief Executive Officer from January 2016 through January 2018, is not independent as defined by applicable SEC and NASDAQ Stock Market rules.

Name	Audit	Compensation	Nominating	Strategic Advisory
Maynard E. Brown	X	Chair	X	
Charles Davidson	Chair	X	X	Chair
Michael J. Ellsworth	X	X	Chair	

*Audit Committee.* The Audit Committee currently consists of Messrs. Brown, Davidson and Ellsworth. Mr. Davidson chairs the committee. The Board has determined all current members of the Audit Committee are independent under the rules of the SEC and the NASDAQ Stock Market, and each of them is able to read and understand fundamental financial statements. The Board has determined that Mr. Davidson qualifies as an audit committee financial expert as defined by the rules of the SEC and the NASDAQ Stock Market. The Audit Committee is responsible for, among other things, the engagement, compensation and oversight of the Company's independent certified public accountants, the review of the scope and results of the audit, and the review and evaluation of accounting procedures and internal controls within the Company. The Audit Committee operates pursuant to a written charter which is available on the Company's website ([www.schmitt-ind.com](http://www.schmitt-ind.com)). The Audit Committee held four meetings in Fiscal 2018.

*Compensation Committee.* The Compensation Committee currently consists of Messrs. Brown, Davidson and Ellsworth. Mr. Brown chairs the committee. The Board has determined that all members of the Compensation Committee are independent under the rules of the SEC and the NASDAQ Stock Market. The Compensation Committee reviews executive compensation, establishes executive compensation levels, and administers the Company's stock option plans. The Compensation Committee operates pursuant to a written charter which is available on the Company's website ([www.schmitt-ind.com](http://www.schmitt-ind.com)). The Compensation Committee held two meetings in Fiscal 2018.



*Nominating Committee.* The Nominating Committee currently consists of Messrs. Brown, Davidson, and Ellsworth. Mr. Ellsworth chairs the committee. The Board has determined that all members of the Nominating Committee are independent under the rules of the SEC and the NASDAQ Stock Market. The Nominating Committee assists the Board in director selection, identifying and assessing each candidate based upon his or her background, skills and experience and in light of the needs of the Board of Directors at that time. The committee operates pursuant to a written charter which is available on the Company's website ([www.schmitt-ind.com](http://www.schmitt-ind.com)). The Nominating Committee held two meetings in Fiscal 2018.

*Strategic Advisory Committee.* The Strategic Advisory Committee current consists of Messrs. Davidson and Case. Mr. Davidson chairs the committee. The Board created the ad hoc committee in Fiscal 2018 to assist the Company's management team with evaluation and implementation of certain key strategic initiatives. The Strategic Advisory Committee held monthly meetings from January 2018 to May 2018.

### **Director Qualifications**

There are certain minimum qualifications for Board membership that director candidates should possess, including strong values and discipline, high ethical standards, a commitment to full participation on the Board and its committees, and relevant career experience. The Nominating Committee also evaluates candidates for Board membership based on individual skills, experience and demonstrated abilities that help meet the current needs of the Board, such as experience or expertise in some of the following areas: global business, science and technology, finance and/or economics, competitive positioning, corporate governance, public affairs, and experience as an executive officer. Other factors that are considered include independence of thought, meeting applicable director independence standards (where independence is desired) and absence of conflicts of interest. The Nominating Committee may modify the minimum qualifications and evaluation guidelines from time to time as it deems appropriate. The Nominating Committee does not have a formal policy with respect to diversity; however, the Board of Directors and the Nominating Committee believe that it is essential that Board members represent diverse viewpoints. In the context of the existing composition and needs of the Board and its committees, the Nominating Committee considers various factors, including, but not limited to, independence, age, diversity (which, in this context, means race, ethnicity and gender), integrity, skills, financial and other expertise, breadth of experience and knowledge about our business or industry.

### **Shareholder Nominations for Director and Related Procedures**

The Nominating Committee will consider recommendations by shareholders of individuals to consider as candidates for election to the Board of Directors. Any such recommendations should be submitted to Schmitt Industries, Inc., c/o Corporate Secretary, 2765 N.W. Nicolai Street, Portland, Oregon 97210. Historically, the Company has not had a formal policy concerning shareholder recommendations to the Nominating Committee (or its predecessors) because it believes that the informal consideration process in place to date, based in part on the minimum criteria as described in *Director Qualifications* above, has been adequate given that the Company has never received any Director recommendations from shareholders. The absence of such a policy does not mean, however, that a recommendation would not have been considered had one been received. The Nominating Committee intends to periodically review whether a more formal policy should be adopted.

The Company's Restated Bylaws permit shareholders to make nominations for the election of directors, if such nominations are made pursuant to timely notice in writing to the Company's Secretary. To be timely, notice must be delivered to, or mailed to and received at, the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the date of the meeting, provided that at least 60 days notice or prior public disclosure of the date of the meeting is given or made to shareholders. If less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be received by the Company not later than the close of business on the tenth business day following the date on which such notice of the meeting was mailed or such public disclosure was made. Public disclosure of the date of the Annual Meeting was made by the issuance of a press release on August 24, 2018. A shareholder's notice of nomination must also set forth certain information specified in Section 2.3.2 of the Company's Restated Bylaws concerning each person the shareholder proposes to nominate for election and the nominating shareholder.

## Director Compensation

The Company's general philosophy towards Directors' compensation is that Directors should be paid fairly for the work, time and effort required to serve on the Board of Directors, and that Directors' compensation should be competitive relative to comparable companies. The Board of Directors believes that it is appropriate for all of the non-employee Directors to receive a monthly retainer, and for the Chairman and members of the Board committees to receive additional compensation on a per meeting basis for their services in those positions. A non-employee Director who does not serve on any committee may receive a monthly retainer that is greater than the monthly retainer for committee members in recognition of efforts made outside of committee and Board meetings.

Under a policy adopted by the Board of Directors, Messrs. Brown, Davidson and Ellsworth are paid a monthly retainer of \$500. Each non-employee Director is paid a \$1,500 fee for each Board meeting attended either in person or by phone. The chairman and members of the Audit Committee each receive a fee of \$3,500 and \$2,500 per quarter, respectively; the chairman and members of the Compensation Committee each receive a fee of \$1,000 for each meeting attended either in person or by phone; and the chairman and members of the Nominating Committee each receive a fee of \$500 for each meeting attended either in person or by phone. Non-employee Directors also receive either monthly compensation of \$500 or, at the non-employee Director's option, an annual award of nonstatutory options to purchase 5,000 shares of Common Stock pursuant to the Company's Stock Option Plan. As of May 31, 2018, all outside directors had elected monthly compensation. In addition, the Chairman of the Board of Directors receives a monthly stipend of \$2,500 and the chairman of the Strategic Advisory Committee receives a monthly stipend of \$3,000. Cash fees paid to the non-employee Directors are recommended annually by the Compensation Committee for Board approval and paid quarterly beginning on the date the non-employee Director is elected by shareholders at our annual meeting of shareholders. The Company also reimburses travel and lodging expenses incurred in connection with attending meetings of the Board and its committees.

### 2018 INDEPENDENT DIRECTORS COMPENSATION TABLE

Name	Fees Earned or Paid in	
	Cash	Total
Maynard E. Brown	\$ 29,500	\$ 29,500
Charles Davidson	\$ 47,000	\$ 47,000
Michael J. Ellsworth	\$ 59,500	\$ 59,500
David M. Hudson	\$ 4,500	\$ 4,500

## Corporate Governance

As part of the Schmitt's Code of Ethics and Business Conduct, the Company has adopted a code of ethics that applies to all officers and employees, including the Company's principal executive, financial and accounting officers.

Schmitt maintains a Corporate Governance page on its website that includes key information about its corporate governance initiatives, including Schmitt's Code of Ethics and Business Conduct and charters for the Audit, Compensation and Nominating Committees of the Board of Directors. The Corporate Governance page can be found at [www.schmitt-ind.com](http://www.schmitt-ind.com) within the Investor Relations segment of the website.

Schmitt's policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of the NASDAQ Stock Market and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including: (1) a majority of the Board members are independent of Schmitt and its management; (2) all members of the Board standing committees the Audit, Compensation and Nominating Committees are independent; (3) Schmitt has a Code of Ethics and Business Conduct that is monitored by its Corporate Secretary, who acts as the Company's ethics officer; and (4) the charters of the Audit, Compensation and Nominating Committees of the Board clearly establish their respective roles and responsibilities.

---

**MANAGEMENT**
**Executive Officers**

The executive officers of the Company are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
David W. Case	54	President, Chief Executive Officer and Director
Ann M. Ferguson	49	Chief Financial Officer and Treasurer; Corporate Secretary

Information concerning the principal occupation of David W. Case is set forth under Board of Directors. Information concerning the principal occupation during the last five years of the executive officers of the Company who are not also Directors of the Company is set forth below.

*Ann M. Ferguson* has been Chief Financial Officer and Treasurer of the Company since April 2013 and Corporate Secretary since April 2016. Ms. Ferguson is also the Managing Director of Schmitt Europe Ltd. Ms. Ferguson is a certified public accountant (inactive) with over 25 years of experience in finance and accounting. Until June 2012, Ms. Ferguson was a partner at Deloitte & Touche LLP, where she had been employed since 1991 and served in various roles of increasing responsibility until she was admitted to the partnership in 2006. Ms. Ferguson holds a B.S. degree in Business with an emphasis in accounting from the University of Oregon.

**EXECUTIVE COMPENSATION**

The Board of Directors has delegated the responsibility for fixing the compensation of the Named Executive Officers (as defined in the paragraph immediately preceding the Summary Compensation Table below) to the Compensation Committee. The Compensation Committee consists entirely of independent, non-employee Directors. No former employees of the Company serve on the Compensation Committee. The Compensation Committee approves all compensation and awards to executive officers, which include the President and Chief Executive Officer and the Chief Financial Officer and Treasurer and Corporate Secretary.

The Compensation Committee annually reviews the performance and compensation of the executive officers, or more often if necessary, and establishes their compensation. David W. Case may participate in certain discussions with the Compensation Committee and the Company's Board of Directors concerning executive officer compensation, but Mr. Case does not participate in the decisions with respect to his own compensation.

The Compensation Committee has not prepared tally sheets for executive officers because the compensation structure for these executive officers has consisted primarily of base salary, cash bonuses, and stock options and has not included many of the hidden costs (such as retirement benefits, perquisites and deferred compensation plans) that tally sheets are typically designed to reveal. Similarly, because of the overall size of the Company and the small number of executive officers, the Compensation Committee has not deemed it necessary to retain outside compensation consultants or conduct formal internal or external pay equity studies.

The key components of the Company's compensation program are base salary, personal performance bonuses and potential long-term compensation through stock options. These components are administered with the goal of providing total compensation that is competitive in the marketplace, rewards successful financial performance and aligns executive officers' interests with those of shareholders. The Company generally does not adhere to rigid formulas or necessarily react to short-term changes in business performance in determining the amount and mix of compensation elements for our executives, although changes in business performance do affect individual performance bonus awards.

The Company's executive compensation programs are designed to attract, retain, motivate and appropriately reward its executive officers, as well as to align the interests of executive officers with those of shareholders of the Company. The objectives of the Company's compensation programs are to:

provide competitive compensation opportunities that attract and retain top executives;

inspire the executive team to achieve superior performance in order to deliver results above the Company's business plan and those of its peers; and

continue to align the interests of executives and shareholders through the use of long-term and short-term incentives, while effectively managing dilution.

*Compensation levels should be sufficiently competitive to attract and retain the talent needed*

The Company's overall compensation levels are designed to attract and retain the type of talent needed to enable the Company to achieve and maintain a leadership position in the businesses in which it competes.

*Compensation should be related to performance*

In general, the Company's compensation policy is designed to reward the achievement of individual and company objectives. The Company has followed a practice of linking executive compensation to individual levels of performance, as well as to the performance of the Company as a whole. Cash bonuses are tied to individual performance, as well as to the performance of the Company. In addition, the value of long-term incentive compensation (stock options) is tied to corporate performance over the long term.

*Incentive compensation should strike a balance between short-term and long-term performance*

The Company's compensation policy is designed to focus management on achieving strong short-term (annual) performance objectives as well as ensuring that the necessary steps are taken to achieve long-term success and profitability. To reward a balanced approach, the Company uses both short-term performance bonuses and long-term incentives in structuring the compensation of its executive officers.

*Setting Executive Compensation*

The Compensation Committee awarded Fiscal 2018 compensation to the Named Executive Officers based on its review and analysis of their performance.