PAUL MUELLER COMPANY
1600 West Phelps Street • Springfield, Missouri 65802 U.S.A.

# NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
# (May 17, 2019)

Notice is hereby given that the annual meeting of shareholders of Paul Mueller Company, a Missouri corporation, will be held at the offices of the Company, 1600 West Phelps Street, Springfield, Missouri 65802, on Friday, May 17, 2019, commencing at 10:00 a.m., and thereafter as it may from time to time be adjourned, to consider and act upon the following:

1. To elect two (2) Class I directors for a term of three (3) years expiring at the annual meeting to be held in 2022 and until their respective successors are duly elected and shall qualify.

2. To transact such other business as may properly come before the meeting or any postponement, adjournment, or adjournments thereof.

The Board of Directors of the Company has fixed the close of business on March 15, 2019, as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting or any postponement, adjournment, or adjournments thereof.

Shareholders who are unable to attend the meeting but who wish their shares to be voted may vote by proxy. A proxy form has been prepared by the Board of Directors of the Company. Since it is important that your shares be represented at the annual meeting, you are requested to vote online at www.proxyvote.com, by phone at 1-800-690-6903, or mail. If you vote via mail, please sign, date, and return the enclosed proxy card in the envelope provided as soon as possible. Your proxy may be revoked at any time before it is exercised and will not be used if you attend the meeting and vote in person. **If your shares are held of record by a broker, bank, or other nominee ("Street Name") and you want to vote in person, you will need to obtain, and bring to the meeting, a proxy from the institution that holds your shares, issued in your name, authorizing you to vote the shares.**

## VOTING RULES FOR SHARES HELD IN STREET NAME

**Effective September 24, 2010, NASDAQ changed its rules regarding the authority of brokers to vote their customers' shares on certain matters without receiving voting instructions from their customers. A broker may no longer exercise discretion in voting shares without direction from the broker's customer in the election of directors, any matter involving executive compensation, or any other significant matter. If you own shares that are held in Street Name with a broker, this rule change means that you must instruct your broker as to how to vote your shares. If you do not give your broker voting instructions, the broker will not be able to vote your shares in the election of directors. Because no matters other than the election of directors are scheduled to come up for a vote at the Annual Meeting, any shares held in Street Name that a broker cannot vote will not even be counted as present for purposes of determining whether a quorum is present at the Annual Meeting. Your broker will provide instructions on how to direct the broker to vote your shares. Please take the time to instruct your broker.**

**This Proxy Statement is available at www.paulmueller.com/2019proxy.pdf.**
By order of the Board of Directors.

Denise Silvey – Secretary
March 15, 2019 Springfield, Missouri

PAUL MUELLER COMPANY

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# PROXY STATEMENT

## GENERAL INFORMATION

**Solicitation and Revocability of Proxies.** The enclosed proxy is being solicited on behalf of the Board of Directors of Paul Mueller Company ("Company") for use at the annual meeting of shareholders to be held on May 17, 2019 ("Annual Meeting"), and at any postponement, adjournment, or adjournments thereof. Any proxy given does not affect the right to vote in person at the Annual Meeting and may be revoked at any time before it is exercised by notifying Denise Silvey – Secretary, at Paul Mueller Company, 1600 West Phelps Street, Springfield, MO 65802, by mail, telegram, facsimile, or appearing at the Annual Meeting in person and requesting a ballot. This Proxy Statement and the proxy were first mailed to shareholders on or about April 5, 2019.

If your shares are held in the name of a broker, bank, or other nominee ("Street Name"), only your broker, bank, or other nominee can vote your shares and only upon your specific instructions. Please contact the person responsible for your account and instruct him or her to vote the Company's proxy card as soon as possible.

**Expense of Solicitation.** All expenses of solicitation will be borne by the Company, including the preparation, assembly, printing, and mailing of this Proxy Statement, the accompanying proxy, and any additional information furnished to shareholders. In addition to solicitations by mail, employees and directors of the Company may, but without compensation other than their regular compensation, solicit proxies in person or by telephone, facsimile, or electronic means. The Company does not expect to pay any compensation for the solicitation of proxies. The Company will reimburse banks, brokers, and other custodians, nominees, or fiduciaries for reasonable expenses incurred in forwarding proxy material to beneficial owners.

**Voting of Proxies. Any proxy given pursuant to this solicitation and received in time for the Annual Meeting will be voted as specified in such proxy. If the enclosed proxy card is executed and returned without instructions as to how it is to be voted, your shares will be voted FOR the election as directors of the nominees proposed by the Board of Directors listed below under the caption "Election of Directors;" provided, however, that if any other candidate for director is proposed at the Annual Meeting by persons other than the Board of Directors, the shares represented by the proxy may be voted cumulatively for fewer than all of the nominees named herein or distributed among the nominees, as the proxy holder may determine.**

If any of the nominees should unexpectedly become unavailable for election for any reason, the shares represented by the proxy will be voted for such substituted nominee or nominees as the Board of Directors may name. Each of the nominees hereinafter named has indicated his willingness to serve, if elected; and it is not anticipated that any of them will become unavailable for election.

The proxy confers discretionary authority with respect to the voting of the shares represented thereby on any other business that may properly come before the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place. At the date this Proxy Statement went to press, the Board of Directors was not aware that any such other business is to be presented for action at the Annual Meeting and does not itself intend to present any such other business; however, if any such other business does properly come before the Annual Meeting, shares represented by proxies given pursuant to this solicitation will be voted in accordance with the recommendation of the

Board of Directors or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

**Persons Entitled to Vote.** Only holders of common stock of the Company of record as of the close of business on March 15, 2019 (the "Record Date"), are entitled to vote at the Annual Meeting. At the close of business on the Record Date, 1,196,187 shares of common stock were outstanding. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock of the Company is necessary to constitute a quorum at the Annual Meeting. Holders of common stock are entitled to one vote per share standing in their names on the record date. In the election of directors, each shareholder will have cumulative voting rights, which means they will have the right to cast as many votes as equals the number of shares owned by them multiplied by the number of directors to be elected; and this total number of votes may be divided among one or more candidates for the office of director in such manner as the shareholder may elect, if present to vote in person, or as the proxy holders elect, if voting by proxy. In the event the votes for one of the director nominees are withheld, those votes will be cumulatively voted by the proxy holder for the remaining director nominees as the proxy holders may determine. Withholding authority to vote for all director nominees has the effect of abstaining from voting for any director nominees. Shares cannot be voted at the Annual Meeting unless the owner is present in person or represented by proxy.

The directors shall be elected by an affirmative vote of the plurality of shares that are entitled to vote on the election of directors and that are represented at the Annual Meeting by shareholders who are present in person or represented by a proxy, assuming a quorum is present. Accordingly, the two nominees for Class I directors receiving the greatest number of votes at the Annual Meeting will be elected as Class I directors.

In determining the number of shares that have been affirmatively voted for a particular matter, shares not represented at the Annual Meeting, shares represented by shareholders that abstain from voting on a matter, and shares held by brokers or other nominees for which no voting instructions on the matter being voted upon have been given by the beneficial owner and for which the nominee does not have discretionary authority to vote are not considered to be votes affirmatively cast. Any of the foregoing is equivalent to a vote against the proposal, other than the election of directors, and will have no effect on the election of directors. Abstentions will have the effect of a vote against any of the proposals to which the abstention applies.

When a broker or other nominee holding shares for a customer votes on one proposal but does not vote on another proposal because the broker or nominee does not have discretionary voting power with respect to such proposal and has not received instructions from the beneficial owner, it is referred to as a "broker non-vote." Properly executed proxies marked "abstain" or proxies required to be treated as "broker non-votes" will be treated as present for purposes of determining whether there is a quorum at the Annual Meeting. At this Annual Meeting, however, the only matter scheduled to be voted upon is the election of directors, which is a matter as to which brokers do not have discretionary voting power. Therefore, a "broker non-vote" is not possible at the Annual Meeting. If a shareholder holding stock in Street Name fails to give voting instructions to the shareholder's broker, the shares will not be counted for quorum purposes and will not be voted in the election of directors.

**Principal Shareholders, Directors and Officers.** Except as otherwise noted below, as of the close of business on March 15, 2019, the principal beneficial owners, directors and officers of the Company's common stock were as follows:

| Name and Address | Shares Beneficially Owned[1] | Percent of Class [2] |
|---|---|---|
| Robert Allen Fuss, James D. Fuss, and Judith A. Fuss | 202,856 | 17.0% |
| First Manhattan Co.<br>437 Madison Avenue<br>New York, New York 10022 | 110,726[3] | 9.3% |

| | | |
|---|---|---|
| Mueller Family Investments, LLC<br>4349 E. Valley Road<br>Springfield, Missouri 65809 | 98,857 | 8.3% |
| Kenneth A. Astbury<br>130 The Village #104<br>Redondo Beach, CA 90277 | 63,200 | 5.3% |
| John J. Ghirardelli [(4)]<br>Chairman and Director | 52,687 | 4.4% |
| David T. Moore [(4)]<br>President, CEO and Director | 48,662[(5)] | 4.1% |
| Jean L. Morris<br>Director | 38,622[(6)] | 3.2% |
| Royce & Associates, Inc.<br>745 Fifth Avenue<br>New York, New York 10151 | 36,888[(7)] | 3.1% |
| Kenneth E. Jeffries<br>Officer | 1,600 | - |
| Curtis L. Dinan<br>Director | - | - |
| John P. (Jack) Stack<br>Director | - | - |
| Lee J. Viorel III [(4)]<br>Director | - | - |
| Denise M. Silvey<br>Officer | - | - |

(1) Unless otherwise noted, each shareholder has sole voting and investment power over the number of shares set forth beside their name.
(2) Percentages are based on 1,196,187 shares outstanding on the Record Date. The percentage is less than 1%, except as otherwise indicated.
(3) First Manhattan Co. was the beneficial owner of 110,726 shares of the Company's common stock as of December 31, 2018 (the most recent date for which information is available). First Manhattan Co. reported that it possessed sole dispositive power over 110,726 shares and shared voting power over 104,506 shares.
(4) Member of the Executive Committee.
(5) The 48,662 shares include 1,521 shares held in Mr. Moore's daughter's trust, and Mr. Moore disclaims beneficial ownership in those shares.
(6) The 38,622 shares include 4,900 shares owned by Mrs. Morris' spouse, and she disclaims beneficial ownership in those shares. Also included are 6,700 and 3,200 shares held in Mrs. Morris children's trusts, and she disclaims beneficial ownership in those shares. Not included in the 38,622 shares are 14,006 shares owned by Mueller Family Foundation for which Mrs. Morris serves as a board member.
(7) Royce & Associates, Inc. ("Royce") was the beneficial owner of 36,888 shares of the Company's common stock as of May 31, 2018 (the most recent date for which information is available). Royce reported that it possessed sole power to vote or direct the vote and sole power to dispose or to direct the disposition.

All of the information set forth in the above table and footnotes is based solely on information furnished by the persons listed in the table. The Company does not know of any other person who owns of record or beneficially 5% or more of the Company's outstanding shares.

**Notice Requirements and Shareholder Proposals.** To permit the Company and its shareholders to deal with shareholder proposals in an informed and orderly manner, the bylaws of the Company establish an advance notice procedure. No shareholder proposal, no shareholder nominations of persons for election to the Board of Directors, or other business may be brought before the 2020 annual meeting of the shareholders unless written notice of such proposal, nomination, or other

business is received by the Secretary of the Company at the address set forth on page 1 of this Proxy Statement not earlier than January 17, 2020, nor later than February 16, 2020. Such notice must contain certain specified information concerning any proposal to be brought before the annual meeting or any nomination for a person to be elected as a director at the annual meeting, as well as the shareholder submitting the proposal. The proposals must also comply with all applicable statutes, laws and regulations, and the bylaws of the Company. A copy of the applicable bylaw provisions may be obtained, without charge, upon written request to the Secretary of the Company at the address set forth on page 1 of the Proxy Statement.

# ELECTION OF DIRECTORS

**Directors.** The following schedule sets forth the names of the two individuals who have been nominated by the Board of Directors for election as directors of the Company, the names of the remaining directors whose terms expire in subsequent years, and certain related information:

| Name and Present Position with Company | Age | Occupation During Past Five Years | First Became a Director | Shares of Common Stock of the Company Beneficially Owned on March 15, 2019 No. of Shares | Percent of Class |
|---|---|---|---|---|---|
| **NOMINEE CLASS I DIRECTORS** – TERM EXPIRING IN 2019 | | | | | |
| David T. Moore<br>President, CEO,<br>and Director | 46 | Current position since August 2011;<br>Board Member - Missouri Assoc. of Manuf.<br>and Guaranty Federal Bancshares | 1997 | 48,662 | 4.1% |
| John P. (Jack) Stack<br>Director | 69 | CEO, Board Chairman - SRC Holdings Corp | 2013 | - | - |
| **CONTINUING CLASS II DIRECTORS** – TERM EXPIRING IN 2020 | | | | | |
| John J. Ghirardelli<br>Director | 60 | Co-founder & CEO – Keystone Digital;<br>Chairman –Tech Spa Inc;<br>Managing Ptr- Burrito Concepts;<br>Trustee & CEO - Missouri Insulation & Supply | 2012 | 52,687 | 4.4% |
| Lee J. Viorel III<br>Director | 55 | Member – Lowther Johnson<br>Attorneys at Law | 2012 | - | - |
| **CONTINUING FOR CLASS III DIRECTORS** – TERM EXPIRING IN 2021 | | | | | |
| Curtis L. Dinan<br>Director | 51 | SVP Commercial - ONE Gas;<br>SVP, CFO & Treasurer - ONE Gas | 2014 | - | - |
| Jean L. Morris<br>Director | 70 | Marketing & Buyer - Bass Pro Shops<br>Buyer - Big Cedar Lodge | 2011 | 38,622 | 3.2% |
| All directors as a group (6 persons) | | | | 139,971 | 11.7% |

**Directors' Experience, Qualifications, Attributes, and Skills.**

- Curtis L. Dinan – In March of 2019, Mr. Dinan began serving as the Senior Vice President – Commercial of ONE Gas, Inc (NYSE:OGS) in Tulsa, Oklahoma. Previous to that, he served as the Senior Vice President, Chief Financial Officer, and Treasurer for ONE Gas, Inc. Prior to the separation of ONE GAS from ONEOK, Inc., he served as the President- Natural Gas of ONEOK Partners from 2011-2014, and was responsible for its natural gas gathering and processing and natural gas pipelines segments. Before that, Mr. Dinan was Senior Vice President, Chief Financial Officer, and Treasurer for ONEOK and ONEOK Partners and served on the ONEOK Partners Board of Directors from 2007-2011. He joined ONEOK in 2004 as Vice President and Chief Accounting Officer, after being an audit partner with both Arthur Andersen LLP and Grant Thornton LLP.

Mr. Dinan brings to the Board, among other skills and qualifications, extensive experience in financial management, knowledge of the reporting requirements of a publicly traded company, broad business acumen, and over a decade of experience preparing and executing strategic plans for public companies.

- John J. Ghirardelli – Mr. Ghirardelli currently serves as Paul Mueller Company Chairman of the Board; he was first elected as Chairman during February 2013. He is co-founder and CEO of Keystone Digital; Chairman of Tech Spa Incorporated; and a Board Member of Hammons Products Company. Additionally, he has over twenty years of experience in the explosive industry in various senior executive management positions. He served on many national explosive boards and committees, including being the Chairman of the IME (Institute Makers of Explosives).

  Mr. Ghirardelli brings to the Board, among other skills and qualifications, significant experience in applying technology in field applications, as well as a re-engineering emphasis to processes and companies. His past experience also includes knowledge of steel manufacturing and vast experience in financial and business management matters. He has been involved in the acquisition and mergers of various companies throughout North America.

- David T. Moore – Mr. Moore currently serves as President and Chief Executive Officer of the Company. For seventeen years he has been employed by the Company in various capacities. Prior to joining Paul Mueller Company, Mr. Moore was Vice President of Product Development at Corporate Document Systems LLC (a computer software company) for six years.

  Mr. Moore brings to the Board, among other skills and qualifications, an understanding of the Company's business and operations through his many years of experience with Paul Mueller Company. His time with Corporate Document Systems brings valuable informational and technological experience. Additionally, Mr. Moore spent a year at the Company's then newly acquired Dutch operations to assist in the integration of the companies. Mr. Moore serves on the Board of Directors of Guaranty Federal Bancshares, Inc., (Nasdaq:GFED), the holding company for Guaranty Bank. He also serves as the Secretary of the Board of Directors for the Missouri Association of Manufacturers.

- Jean L. Morris – Mrs. Morris has over thirty years of experience in the retail company, Bass Pro Shops, and its hospitality resort, Big Cedar Lodge. She has served in both the purchasing and marketing areas.

  Mrs. Morris brings to the Board, among other skills and qualifications, extensive leadership experience from her many positions on community boards, which includes serving two terms as President of the Springfield Regional Arts Council. Moreover, as a daughter of Paul Mueller and a longtime shareholder, her knowledge of the Company history and its current structure are a beneficial addition to the Board.

- John P. (Jack) Stack – Mr. Stack is currently the Chairman, President and Chief Executive Officer of SRC Holdings Corporation. He has received the Springfield Business Journal's Economic Impact "Lifetime Achievement" award for outstanding professional accomplishments and contributions in the business community. Additionally, his open-book management program has received both the National Business Ethics Award and the Business Enterprise Trust Award.

  Mr. Stack brings to the Board, among other skills and qualifications, nearly fifty years of manufacturing and leadership experience. Furthermore, he has co-authored two books on associate engagement and participation which have been used in businesses throughout the world. During his career, he has served on numerous business and community boards.

- Lee J. Viorel III – Mr. Viorel has been a practicing attorney for over thirty years and has been a member of Lowther Johnson Attorneys at Law for the past fourteen. From 2005 to 2007, Mr. Viorel served as the President of the board of directors of the Springfield Metropolitan Bar

Association. Additionally, he has been awarded Martindale-Hubbell's prestigious "AV" rating, the highest peer rating available, signifying preeminent professional excellence and ethical standards.

Mr. Viorel brings to the Board, among other skills and qualifications, extensive experience in corporate governance and formation, employment issues, banking and bank regulations matters, commercial transactions and litigation, as well as acquisitions and mergers.

The Board of Directors of the Company held four quarterly meetings in the year ended December 31, 2018. No director attended less than 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of all committees on which they served during 2018. Although the Company does not have a formal policy with respect to director attendance at annual meetings, the Company strongly encourages directors to attend the Annual Meeting. All of the Company's directors attended the Annual Meeting held on May 11, 2018, and it is expected that all of the directors will attend this year's Annual Meeting.

The Board of Directors has determined that Board members Mrs. Morris and Messrs. Dinan, Ghirardelli, Stack, and Viorel are "independent directors" within the meaning of Rule 4200(a)(15) of the NASDAQ Marketplace Rules, and thereby constitute a majority of the Board.

**Voting. The Board of Directors recommends a vote FOR Messrs. Stack and Moore as Class I directors of the Company.**

## 2018 DIRECTOR COMPENSATION

| Name | Fees Earned/ Paid in Cash | Stock Awards | All Other Compensation | Total |
|---|---|---|---|---|
| Curtis L. Dinan | $ 26,650.00 | | | $ 26,650.00 |
| John J. Ghirardelli | $ 37,525.00 | - | - | $ 37,525.00 |
| Jean L. Morris | $ 23,750.00 | - | - | $ 23,750.00 |
| John P. (Jack) Stack (1) | $ - | - | - | $ - |
| Lee J. Viorel III | $ 25,025.00 | - | - | $ 25,025.00 |

(1) Mr. Stack has waived any fees payable to directors.

Effective January 1, 2012, the Board of Directors approved for the Company to pay each director who is not an employee of the Company an annual fee of $15,000, plus a fee of $1,250 for each regular or special meeting of the Board attended, $675 for each Board committee meeting attended, and $300 for each teleconference meeting attended. All fees for special assignments are to be on a case-by-case basis, as determined by the Chairman of the Board. The Chairman of the Board receives an additional annual fee of $10,000. In addition, the Audit Committee Chairman receives an additional $1,000 annual fee.

The compensation program for directors who are not also employees of Paul Mueller Company (nonemployee directors) is reviewed periodically by the Nominating and Compensation Committee to insure that the program remains competitive. As a part of the committee's review, the types and levels of compensation offered to nonemployee directors are compared to those of companies of similar size.

## GOVERNANCE OF THE COMPANY

**Nominating and Compensation Committee.** The Company has a Nominating and Compensation Committee (the "Committee"). The members of the Committee are John P. (Jack) Stack- Chairman, John J. Ghirardelli, and Jean L. Morris. All members of the Committee are "independent" as defined

in the NASDAQ Marketplace Rules. The Committee has a written charter, which was amended and adopted by the Board of Directors on February 9, 2012. It can be found on the Company's website, www.paulmueller.com, under the heading "Investors." The Committee is required to meet as often as it deems necessary to perform its responsibilities.

- NOMINATING FUNCTION: One function of the Committee is to make recommendations to the Board of Directors as to candidates for the Board. The Committee will consider nominees recommended by shareholders. Nominations by shareholders must be in writing, must be received no later than 90 days nor earlier than 120 days prior to the anniversary of the preceding year's annual meeting of shareholders is held, and must include the full name of the proposed nominee and a brief description of the proposed nominee's business experience for at least the previous five years. Any such submission must also be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as director, if elected. Nominations should be delivered or mailed to the Committee at the following address: Nominating Committee, Paul Mueller Company, c/o Corporate Secretary, 1600 West Phelps Street, Springfield, MO 65802. The Committee has not rejected, within the preceding year, a candidate recommended by a beneficial owner of more than 5% of the Company's voting shares.

  In evaluating candidates for director nominees, the Committee shall apply the following criteria:

  1. Nominees shall have a reputation of integrity, honesty, and adherence to high ethical standards.

  2. Nominees should have demonstrated business acumen, experience, and ability to exercise sound judgment in matters that relate to the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision making process of the Company.

  3. Nominees should have a commitment to understand the Company and its industry and to regularly attend and participate in meetings of the Board of Directors and its committees.

  4. Nominees should have the interest and ability to understand the sometimes conflicting interests of the various constituencies of the Company, which include shareholders, employees, customers, governmental units, creditors, and the general public, and to act in the best interests of all shareholders.

  5. Nominees should not have, or appear to have, a conflict of interest that would impair the nominee's ability to represent the interests of all the Company's shareholders and to fulfill the responsibilities of a director.

  6. Nominees shall not be discriminated against on the basis of race, religion, national origin, sex, disability, or any other basis proscribed by law. The value of diversity on the Board of Directors should be considered.

  7. The Committee shall consider such other relevant factors as it deems appropriate, including the candidate's experience with accounting rules and practices; experience in the Company's industry, business, finance, administration, or public service; and familiarity with national and international business matters.

  The Committee will consider the backgrounds and qualifications of the directors considered as a group so as to provide a significant breadth of experience, knowledge, and abilities that shall assist the Board of Directors in fulfilling its responsibilities. In evaluating candidates, the Committee will consider the current composition of the Board, the desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members, the need for independent directors, the need for audit committee expertise, and the evaluations of other candidates.

The Committee shall review the qualifications and backgrounds of all directors and nominees (without regard to whether a nominee has been recommended by shareholders), as well as the overall composition of the Board of Directors. Current members of the Board may be polled for suggestions as to individuals meeting the criteria of the Committee. Research may be performed to identify qualified individuals. The Committee may, but shall not be required to, engage third parties to identify or evaluate or assist in identifying potential candidates. In connection with its evaluation of candidates, the Committee shall determine which, if any, candidates shall be interviewed; and if warranted, one or more members of the Committee, and others as appropriate, shall interview prospective candidates in person or by telephone. After completing this evaluation and interview process, the Committee shall recommend, to the full Board, individuals to be nominated for election at the annual meeting of shareholders or, in the case of a vacancy on the Board of Directors, recommend a director to be elected by the Board to fill such vacancy.

- COMPENSATION FUNCTION: Additionally, the Committee is responsible to develop, review, and make recommendations to the Board of Directors as to the compensation policies for executive officers and nonemployee directors of the Company and to administer salary and incentive plans for executive officers. The Committee is charged with the responsibility of developing, reviewing, and recommending to the Board of Directors of the Company policies related to compensation and remuneration of the executive directors and nonemployee directors with the view to insuring that such policies are fair and equitable in view of market conditions and that they contribute to the success of the Company. The Committee is also charged with the responsibility of administering the salary plan and any long-term and short-term incentive compensation plans for the executive officers. The Committee is currently composed of three nonemployee directors of the Board who have no interlocking relationships. Section 162(m) of the Internal Revenue Code prevents the Company from taking a tax deduction for non-performance based compensation over $1 million in any fiscal year paid to executive officers. In designing the executive compensation program, the Committee considers the effect of Section 162(m) together with other factors relevant to business needs. The Committee seeks to design the compensation plans to be tax-deductible, so long as preserving the tax deduction does not inhibit the Company's ability to achieve executive compensation objectives. The Committee does have discretion to design and use compensation elements that are not deductible under Section 163(m) if the Committee believes that paying non-deductible compensation is appropriate to achieve the Company's executive compensation objectives.

The Nominating and Compensation Committee periodically engages a consultant on executive compensation matters. The consultant provides comparative salary data and advice on elements and levels of pay for the Company's executive officers, and no additional services. The Committee's report on executive compensation follows.

**Report of the Nominating and Compensation Committee on Executive Compensation.** The Nominating and Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, recommends that the Compensation Discussion and Analysis be included in this Proxy Statement.

NOMINATING AND COMPENSATION COMMITTEE:
John P. (Jack) Stack, Chairman
John J. Ghirardelli, Member
Jean L. Morris, Member

**Compensation Committee Interlocks and Insider Participation.** The Company is not aware of any Compensation Committee interlocks or insider participation that would require disclosure pursuant to Item 407(e) of Regulation S-K.

**Audit Committee.** The Company has an Audit Committee (the "Audit Committee"). The members of the Audit Committee are Curtis L. Dinan– Chairman, John J. Ghirardelli, and Lee J. Viorel III. The Audit Committee provides independent oversight and review of the Company's financial reporting and system of internal controls. Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting principles, internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. The Audit Committee has a written charter that was last amended and adopted as of February 9, 2012. It can be found on the Company's website, www.paulmueller.com, under the heading "Investors." All members of the Audit Committee are "independent" as defined in the NASDAQ Marketplace Rules, and Mr. Dinan meets the definition of an "audit committee financial expert" under the Sarbanes-Oxley Act. In accordance with the Audit Committee charter, the Audit Committee held at least four meetings during 2018.

**Report of the Audit Committee.** Management has represented to the Audit Committee that the Company's financial statements were prepared in accordance with generally accepted accounting principles. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management and the independent auditor the Company's audited financial statements for the year ended December 31, 2018.

The Audit Committee discussed with the independent auditor the matters required to be discussed by generally accepted auditing standards (AU-C 260) – "The Auditor's Communication With Those Charged With Governance."

The Audit Committee has received the written disclosures and the letter from the independent auditor required by Ethics and Independence Rule 3526 – "Communication With Audit Committees Concerning Independence" and has discussed the auditor's independence with the auditor. The Audit Committee has also considered the compatibility of non-audit services with the auditor's independence.

The Audit Committee discussed with the Company's independent auditor the overall scope and plans for their audit. The Audit Committee met with the independent auditor, with and without management present, to discuss the results of their examination, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, the inclusion of the audited financial statements of the Company as of and for the year ended December 31, 2018, in the Company's 2018 Annual Report.

AUDIT COMMITTEE:
Curtis L. Dinan, Chairman
John J. Ghirardelli, Member
Lee J. Viorel III, Member

**Shareholder Communications with Directors.** The Company has established a process by which shareholders can communicate with the Company's Board of Directors. Shareholders may communicate with the Board of Directors, or any of the Company's individual directors, by sending their communications to the Board of Directors, or to any individual director, at the following address:

Board of Directors of
Paul Mueller Company
c/o Chairman of the Board
1600 West Phelps Street
Springfield, MO 65802

All shareholder communications received by the Company's Corporate Secretary will be delivered to all members of the Board of Directors or, in the case of communications sent to an individual director, to such director.

**Code of Conduct and Code of Ethics.** The Company has adopted the Code of Business Conduct ("Code of Conduct") that applies to all directors, officers, and employees of the Company. The Code of Conduct requires that the Company's employees, officers, and directors avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner, and otherwise act with integrity and in the Company's best interests. The Audit Committee has ultimate responsibility for monitoring and enforcing the Code of Conduct, while the day-to-day responsibility for implementing the Code is the responsibility of the Company's Chief Financial Officer who has been designated the Compliance Officer. The Code of Conduct can be found on the Company's website, www.paulmueller.com, under the heading "Investors."

The Audit Committee has established a special mailing address (Chairman of the Audit Committee, P.O. Box 10571, Springfield, MO 65808-0571) and a toll-free telephone number (1-844-768-3553) for receiving complaints, on an anonymous basis, regarding accounting, internal accounting controls, or auditing matters. Employees are encouraged to use the reporting system that has been established.

Related party transactions are prohibited as a matter of policy under the Code of Business Conduct, except under guidelines approved by the Audit Committee. Any potential related party transaction must be reported to the Company's Compliance Officer. The Compliance Officer reports any related party transactions to the Audit Committee, which renders a decision about whether to permit the transaction.

The Company has also adopted the Paul Mueller Company Code of Ethics for the Chief Executive Officer, Chief Financial Officer, and Controller or Principal Accounting Officer ("Code of Ethics") at the Board of Directors meeting held October 30, 2003. The Code of Ethics is intended to promote honesty and integrity; the avoidance of conflicts; full, accurate, and timely disclosure of financial reports; and compliance with laws and regulations and other matters. The Code of Ethics can be found on the Company's website, www.paulmueller.com, under the heading "Investors."

**Board Leadership Structure and Risk Oversight.** The Board includes management and non-management directors. The Company's CEO does not serve as Chairman of the Board, and in fact, Mr. Ghirardelli presently serves in that role. Currently, the Board is composed of six directors; five directors are not Company executives.

The Company's Board of Directors and management share responsibility for evaluating and oversight of Company risk. The Company believes that its current Board composition is beneficial for risk oversight in several respects. The presence of a majority of independent, non-management directors ensures that the Board is able to supervise management without fear of entanglements or divided loyalties. Non-management directors share their wealth of business experience and understanding of a broad array of industries with the Board. Mr. Moore brings the perspective of the Company's Chief Executive Officer to the Board.

In addition to management's daily oversight of risk, the Board reviews the annual operating budget for the Company. Performance against the budget is measured monthly, and all Board members receive a complete detailed management report on a monthly basis. The monthly management report includes complete financial statements that provide comparisons of actual results for the current month and year-to-date for all product lines. Additionally, analyses are provided for key operational and financial metrics. Performance is reviewed at each quarterly Board meeting, in addition to a performance outlook for subsequent periods.

The Audit Committee provides another layer of financial risk oversight. The Audit Committee, which consists solely of independent directors, has direct responsibility for the appointment, evaluation, compensation, retention, and oversight of the work of the Company's independent auditor. The

Company's independent auditor reports directly to the committee. Additionally, the Audit Committee reviews and discusses all earnings releases prior to any public disclosure thereof.

The Company designs its executive compensation structure with risk oversight in mind. By providing incentives based on measures of the Company's profitability, the Nominating and Compensation Committee intends to urge management to think in terms of the bottom-line impact of decisions they make, rather than simply focusing on growth regardless of the cost and risk involved. The Nominating and Compensation Committee of the Board of Directors has the right, at any time, to amend, suspend, or terminate any incentive plan, in whole or in part and for any reason, without the consent of any participant or beneficiary.

## COMPENSATION DISCUSSION AND ANALYSIS

**Compensation Philosophy.** Paul Mueller Company's philosophy in establishing compensation policies for executive officers is to align their compensation with the Company's strategic objectives, while concurrently providing competitive compensation that enables the Company to attract and retain top-quality executive talent. The primary objectives of the compensation policies for executive officers are:

- to attract and retain executive officers by offering total compensation that is competitive with that offered by similarly situated capital goods manufacturing companies in rewarding outstanding personal performance; and

- to promote and reward the achievement of short-term objectives that the Board of Directors and management believe lead to long-term growth, consistent profitability, and shareholder value.

**Components of Pay.** The compensation program for executive officers has the following components: a base salary and a short-term cash incentive award. The administration of the compensation program for executive officers is handled by the Nominating and Compensation Committee ("Committee") of the Board of Directors. Executive compensation is based on overall Company performance.

**CEO Pay.** Salary ranges for executive officer positions, including the Chief Executive Officer ("CEO"), are established periodically based on comparative salary data. The CEO's salary is established by considering salaries of CEOs of comparably sized capital goods manufacturing companies. In its consideration of comparable levels of CEO pay at other companies, the Committee gives weight to factors specific to the Company, such as the Company's geographic location, the Company's ability to attract and retain comparable CEO talent, and the historical job performance of the Company's current CEO. The CEO's salary is scheduled for review and adjustment on an annual basis based on an evaluation by the Committee of the CEO's performance. The CEO recommends to the Committee the salaries that the CEO believes to be appropriate for other executive officers. The CEO is responsible for establishing the salaries of the other management staff members. The Company's current President and Chief Executive Officer, has a non-compete agreement, but does not have a written employment agreement with the Company.

**Short-Term Incentive Plans.** The Committee administers short-term cash incentive plans in which the executive officers participate. The parameters of the plans are established over a period of one to three years, taking into account Company performance targets.

Based on the Company's 2018 results, the Committee determined that the 2018 one-year incentive award had been earned by the executive officers. The "Nonequity Plan Compensation" column of the Summary Compensation Table depicts the incentive awards as earned by the executive officers of the Company.

**Long-Term Incentive Compensation.** The Committee has historically used restricted shares as a long-term equity incentive award for executive officers and key managers. The award of restricted

shares is provided for in the 2009 Long-Term Incentive Plan, which expired February 12, 2019. No restricted stock grants were made during 2017 or 2016. In accordance with the Company's compensation philosophy, there were no grants during 2018.

**Special Vesting Conditions.** Under the provisions of the 1999 Long-Term Incentive Plan and the 2009 Long-Term Incentive Plan, if a change in control occurs, the outstanding restricted shares shall vest immediately. Additionally, shares of restricted stock will vest upon termination due to the holder's retirement, death or disability.

**Other Long-Term Compensation.** The Company has a tax-qualified defined benefit pension plan, the Paul Mueller Company Noncontract Employees Retirement Plan (the "Pension Plan") in which certain officers and directors participate. Effective December 31, 2010, the Pension Plan was frozen and ceased accruing benefits for participants; as of December 31, 2006, no new participants have been added to the Pension Plan. Executive officers participate in the Pension Plan on the same basis as substantially all other employees eligible to participate in the Pension Plan and not covered by the collective bargaining agreement. The Pension Plan is a standard defined benefit pension plan, granting monthly benefits at retirement based on each participant's years of service and highest 60 consecutive months of base compensation (incentives, equity compensation, and other non-base compensation are excluded) out of the final 120 months of the participant's employment with the Company (but, if the participant continued to work for the Company after the Pension Plan was frozen, the final 120 months are the 120 months preceding December 31, 2010). The annual retirement benefit under the Pension Plan is not subject to deductions for Social Security benefits or other offset amounts.

The Pension Plan contains the following material items:

- The normal form of benefit is a life annuity for unmarried participants and a joint-and-50% survivor annuity for married participants.
- A participant may elect out of the normal form of benefit and receive an actuarial equivalent of an alternative form of benefit, including a single life annuity (for a married participant) or a joint-and-survivor annuity with a survivor benefit of 50%, 75% or 100%.
- A participant has a fully vested benefit from the Pension Plan upon completing five years of service.
- The maximum years of credited service are 35 years.

# EXECUTIVE COMPENSATION

The following table summarizes the compensation of the individuals who served as the Company's Chief Executive Officer, Chief Financial Officer, and Corporate Secretary during 2018, 2017 and 2016. We refer to these individuals as the "named executive officers." The Company had no other executive officers serving in such capacity as of December 31, 2018.

## SUMMARY COMPENSATION TABLE

| Name and Principal Position | Year | Salary | Stock Awards[1] | Nonequity Plan Compen-sation[2] | Change in Pension Value and Nonqualified Compen-sation Earnings[3] | All Other Compen-sation[4] | Total |
|---|---|---|---|---|---|---|---|
| David T. Moore | 2018 | $ 350,000 | $ - | $ 38,605 | $ (19,146) [5] | $ 11,750 | $ 381,209 |
| President & CEO | 2017 | $ 330,000 | $ - | $ 35,550 | $ 40,268 | $ 37,259 | $ 443,077 |
| | 2016 | $ 330,000 | $ - | $ - | $ 11,579 | $ 12,419 | $ 353,998 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Kenneth E. Jeffries | 2018 | $ | 250,000 | $ | - | $ | 27,628 | $ | - | $ | 15,285 | $ | 292,913 |
| Chief Financial Officer | 2017 | $ | 225,000 | $ | - | $ | 24,238 | $ | - | $ | 13,194 | $ | 262,432 |
| | 2016 | $ | 225,000 | $ | - | $ | - | $ | - | $ | 14,157 | $ | 239,157 |
| Denise M. Silvey | 2018 | $ | 150,000 | $ | - | $ | 16,553 | $ | - | $ | 8,194 | $ | 174,747 |
| Secretary | 2017 | $ | 126,500 | $ | - | $ | 13,627 | $ | - | $ | 6,390 | $ | 146,517 |
| | 2016 | $ | 126,500 | $ | - | $ | - | $ | - | $ | 6,593 | $ | 133,093 |

(1) For 2018, 2017 and 2016, there were no grants of restricted stock under the Long-Term Incentive Plan.
(2) The amounts included in this column reflect the dollar value of the short-term incentive awards for plan years 2018, 2017, and 2016, as described in the section "Compensation Discussion and Analysis." Inclusion is based on plan year regardless of actual payment date of incentive.
(3) The amounts in this column reflect the aggregate change in the actuarial present value of a named executive officer's benefits under the Company's qualified and nonqualified pension plans, determined using the interest rate and mortality rate assumptions consistent with those used in the Company's audited financial statements. The retirement age is assumed to be the normal retirement age as defined in the applicable plan. The measurement date for the qualified and nonqualified pension plans has consistently been January 1st of each year.
(4) All Other Compensation may include, without limitation, dividends paid on outstanding restricted shares, Company contributions paid or accrued under the Profit Sharing and Retirement Savings Plan ("401(k) Plan"), relocation expense, severance, taxable fringe, and payments for cashed in PTO.
(5) The present value of accumulated benefits for Mr. Moore's qualified pension plan decreased primarily due to the change in interest discount rate from 3.51% used as of 12/31/17 to 4.17% used as of 12/31/18.

For 2018 "All Other Compensation" included the following:

| Name | 401(k) Match |
|---|---|
| Kenneth E. Jeffries | $ 9,450 |
| David T. Moore | $ 9,275 |
| Denise M. Silvey | $ 5,873 |

| Name | Long-Term Disability Insurance |
|---|---|
| Kenneth E. Jeffries | $ 675 |
| David T. Moore | $ 675 |
| Denise M. Silvey | $ 665 |

| Name | Group Term Life |
|---|---|
| Kenneth E. Jeffries | $ 5,160 |
| David T. Moore | $ 1,800 |
| Denise M. Silvey | $ 1,656 |

For 2017 "All Other Compensation" included the following:

| Name | 401(k) Match |
|---|---|
| Kenneth E. Jeffries | $ 7,875 |
| David T. Moore | $ 9,275 |
| Denise M. Silvey | $ 4,427 |

| Name | Long-Term Disability Insurance |
|---|---|
| Kenneth E. Jeffries | $ 675 |
| David T. Moore | $ 675 |
| Denise M. Silvey | $ 561 |

| Name | Group Term Life |
|---|---|
| Kenneth E. Jeffries | $ 4,644 |
| David T. Moore | $ 1,800 |
| Denise M. Silvey | $ 1,402 |

| Name | Pay in Lieu of Vacation/Earned Holiday |
|---|---|
| Kenneth E. Jeffries | $ - |
| David T. Moore | $ 25,384 |
| Denise M. Silvey | $ - |

| Name | Miscellaneous |
|---|---|
| Kenneth E. Jeffries | $ - |
| David T. Moore | $ 125 |
| Denise M. Silvey | $ - |

For 2016 “All Other Compensation” included the following:

| Name | 401(k) Match |
|---|---|
| Kenneth E. Jeffries | $ 7,973 |
| David T. Moore | $ 9,275 |
| Denise M. Silvey | $ 4,190 |

| Name | Long-Term Disability Insurance |
|---|---|
| Kenneth E. Jeffries | $ 675 |
| David T. Moore | $ 675 |
| Denise M. Silvey | $ 561 |

| Name | Group Term Life |
|---|---|
| Kenneth E. Jeffries | $ 4,644 |
| David T. Moore | $ 1,200 |
| Denise M. Silvey | $ 1,240 |

| Name | Pay in Lieu of Vacation/Earned Holiday |
|---|---|
| Kenneth E. Jeffries | $ 865 |
| David T. Moore | $ 1,269 |
| Denise M. Silvey | $ 527 |

| Name | Miscellaneous |
|---|---|
| Kenneth E. Jeffries | $ - |
| David T. Moore | $ - |
| Denise M. Silvey | $ 75 |

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## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

There are no outstanding equity awards at year-end 2018.

## PENSION BENEFITS FISCAL YEAR-END

| Name | Year | Plan Name | Number Years Credited Service | Present Value of Accumulated Benefit (1) | Payments During Last Fiscal Year |
|---|---|---|---|---|---|
| David T. Moore | 2018 | Noncontract Employees Retirement Plan | 9.0 | $ 120,669 | $ - |

(1) The value reflected in the “Present Value of Accumulated Benefit” column of the Pension Benefits table is equal to the 2018 actuarial present value of the officer’s accumulated benefit under the applicable plan as of December 31, 2018, using the same actuarial factors and assumptions used for financial statement reporting purposes and the retirement age that is assumed to be the normal retirement age as defined in the applicable plan.

## POTENTIAL PAYMENTS AND BENEFITS UPON TERMINATION OR CHANGE IN CONTROL

The potential payments due in this section are calculated based on December 31, 2018.

**Payments Pursuant to Severance Agreement.** The Company has not entered into any written severance or employment agreement with the named executive officers currently employed with the Company; therefore, there is no required payable upon termination or voluntary resignation (other than accrued vacation as described below). The named executive officers have signed a non-compete agreement.

**Payments Made Upon Retirement.** For a description of the Pension Plan in which the named executive officer, Mr. Moore, participates, see the Other Long-Term Compensation sub-section under the Compensation Discussion and Analysis section. The estimated Pension Plan benefit that would have become payable to the current CEO, Mr. Moore, if he had ceased to be employed as of December 31, 2018, would be $120,669. This amount is the estimated single sum present value of the Pension Plan accumulated as of December 31, 2018. Mr. Moore would be entitled to begin receiving the benefits upon normal retirement age. Actual payments are made over time, not in a lump sum. All other elements of payments pursuant to retirement are detailed in the table below.

**Payments Made Upon Death or Disability.** The named executive officers currently employed with the Company are covered by a Company-paid life insurance policy. The beneficiaries of the named executive officers would receive benefits of four-times their annual base salary, up to a maximum of $1,000,000. As of December 31, 2018, for Mr. Moore's beneficiary the resulting benefit would be $1,000,000; for Mr. Jeffries' beneficiary $1,000,000; and for Ms. Silvey's beneficiary $600,000.

The currently employed named executive officers are also covered by a Company-funded, short-term disability plan provided to all full-time, noncontract U.S. employees. The potential payments to the named executive officers are as detailed in the tables below.

The Company also pays the premiums for a long-term disability policy for the benefit of the currently employed named executive officers, and all full-time, noncontract U.S. employees.

All other elements of payments pursuant to death or disability are detailed in the table below.

**Potential Termination and Change in Control Benefits.** The estimated amount of compensation potentially payable to the currently employed named executive officers upon termination of employment is limited to accrued vacation.

In addition, although there are no written employment agreements requiring severance for the named executive officers, the Company may elect to offer or pay severance at its discretion, based on varying factors, including the reasons for the termination of employment with the Company, and the date of termination. All other elements of payments pursuant to potential termination and change in control benefits are detailed in the table below.

The following table shows the potential payments and benefits the currently employed named executive officers would have been entitled to at the occurrence of each of the events listed below as of December 31, 2018.

**Kenneth E. Jeffries**

| Element | Retirement | Death[1] | Disability | Change in Control | Voluntary Termination |
|---|---|---|---|---|---|
| Accrued Paid Time Off [2] | $4,807 | $12,700 | $12,700 | - | $4,807 |
| Disability Benefits[3] | - | - | $100,000 | - | - |
| **Total** | $4,807 | $12,700 | $112,700 | - | $4,807 |

**David T. Moore**

| Element | Retirement | Death[1] | Disability | Change in Control | Voluntary Termination |
|---|---|---|---|---|---|
| Accrued Paid Time Off [2] | $6,730 | $15,817 | $15,817 | - | $6,730 |
| Disability Benefits[3] | - | - | $139,994 | - | - |
| Pension Plan[4] | $120,669 | $120,669 | $120,669 | $120,669 | $120,669 |
| **Total** | $127,399 | $136,486 | $276,480 | $120,669 | $127,399 |

**Denise M. Silvey**

| Element | Retirement | Death[1] | Disability | Change in Control | Voluntary Termination |
|---|---|---|---|---|---|
| Accrued Paid Time Off [2] | $2,884 | $8,581 | $8,581 | - | $2,884 |
| Disability Benefits[3] | - | - | $60,000 | - | - |
| **Total** | $2,884 | $8,581 | $68,581 | - | $2,884 |

(1) The named executive officers are covered by a Company-paid life insurance policy that would be payable by the insurance carrier, as described in "Payments Made Upon Death or Disability."

(2) As of January 1, 2018, Paid Time Off for the named executive officers is limited to an annual cash-in of 40 hours, including retirement or voluntary termination. For involuntary termination, accrued, unused PTO is not paid out. In cases of death or disability, any accrued, unused PTO will be paid out.

(3) The estimated amount shown is the short-term, Company-funded disability insurance benefit payable by the Company to the named executive officers for the initial 26 weeks of disability, the first thirteen weeks at 100% of base salary and an additional thirteen weeks at 60% of base salary. The named executive officers are also covered by a Company-paid long-term disability insurance policy that would be payable by the insurance carrier, as described in “Payments Made Upon Death or Disability,” after the initial 26 weeks of disability.

(4) Reflects the estimated single sum present value of the Pension Plan accumulated as of December 31, 2018, which Mr. Moore would be entitled to receive at normal retirement age or earlier if due to disability.

# INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee annually selects the Company's independent auditing firm and preapproves fees to be paid to the independent auditor for audit services. RSM US LLP is the Company's independent auditing firm, and they were engaged to perform the audit for 2018.

It is not expected that RSM US LLP will have a representative present at the May 17, 2019, meeting of shareholders.

The following table presents the fees for professional audit services incurred from RSM US LLP for the audit of the Company's annual financial statements for 2018 and 2017.

| | **2018**[1] | **2017**[1] |
|---|---|---|
| Audit fees | $ 139,995[2] | $ 140,956[3] |
| Audit-related fees | $ 4,797 | $ 14,447 |
| Tax fees[4] | - | - |
| All other fees | - | - |
| | $ 144,792 | $ 155,403 |

(1) Includes audit of U.S. and European operations for the respective audit year, regardless of actual payment date. In the Netherlands, RSM relies on the work of another in-country auditor as their component auditor thereby reducing the time RSM spends on the US GAAP Dutch audit. Total fees paid to the other audit firm by Mueller BV for audit, tax and other services was $299,472 for 2018 and $325,451 for 2017. All expenditures in Euros were converted to dollars using an exchange rate of 1.00 EUR = 1.14 USD.

(2) Audit fee for the U. S. operation was $ 120,000 and $19,950 for the European Operation (€17,500). European fees are exclusive of Value Added Taxes and out-of-pocket expenses.

(3) Audit fee for the U. S. operation was $ 117,000 and $23,956 for the European Operation (€20,000). European fees are exclusive of Value Added Taxes and out-of-pocket expenses.

(4) All tax compliance and advice services are paid to another accounting firm.

As set forth in its charter, it is the policy of the Audit Committee to preapprove all audit fees and all permitted non-audit services provided by the Company's independent auditing firm.

Audit fees incurred by the Company during 2018 and 2017 were preapproved in accordance with the Audit Committee procedures.