

NATIONAL PRESTO INDUSTRIES INC  
Form DEF 14A  
April 11, 2017

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**National Presto Industries, Inc.**

(Name of Registrant as Specified In Its Charter)

(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:

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Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

**National Presto Industries, Inc.**  
**Eau Claire, Wisconsin 54703**

**April 11, 2017**

Dear Stockholder:

We invite you to attend our annual meeting of stockholders. We will hold the meeting at our offices in Eau Claire on May 16, 2017 at 2:00 p.m. CDT.

We sincerely hope that you will be able to be present to meet the management of your Company, see any new products that may be displayed at the meeting, and vote on the items of business described in the enclosed Notice of Annual Meeting of Stockholders and Proxy Statement. If, however, you are unable to attend the meeting in person, we urge that you participate by voting your stock by proxy. You may cast your vote by signing and returning the enclosed proxy card.

Enclosed with this proxy, you should have received our Annual Report for 2016, which contains a description of our business and also includes audited financial statements for that year. If you did not receive a copy of the 2016 Annual Report, a copy will be made available at no charge by contacting us at 1-800-945-0199 Ext. 2244.

**We are always pleased to hear from our stockholders. If you cannot be present in person at the meeting, we would be happy to have your letters expressing your viewpoints on our products and businesses or to answer any questions that you might have regarding your Company.**

Chair of the Board and President

**NATIONAL PRESTO INDUSTRIES, INC.**  
**3925 North Hastings Way**  
**Eau Claire, Wisconsin 54703**

**Notice of Annual Meeting of Stockholders**

TO THE STOCKHOLDERS OF NATIONAL PRESTO INDUSTRIES, INC.:

The Annual Meeting of Stockholders of National Presto Industries, Inc. will be held at the offices of National Presto, 3925 North Hastings Way, Eau Claire, Wisconsin 54703, on Tuesday, May 16, 2017, at 2:00 p.m. (CDT), for the following purposes:

(1) to elect Randy F. Lieble and Joseph G. Stienessen as directors, each for a three-year term ending at the annual meeting to be held in 2020;

(2) to approve our 2017 Incentive Compensation Plan;

(3) to ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017;

(4) to approve on a non-binding advisory basis, the compensation of our named executive officers;

(5) to hold a non-binding advisory vote on the frequency of future advisory votes on executive compensation; and

(6) to transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 16, 2017, will be entitled to vote at the meeting and any adjournment thereof.

Douglas J. Frederick  
Secretary

April 11, 2017

**IMPORTANT NOTICE REGARDING THE AVAILABILITY  
OF PROXY MATERIALS FOR THE ANNUAL MEETING  
OF  
STOCKHOLDERS ON MAY 16, 2017.**

Our Notice of Annual Meeting of Stockholders, Proxy Statement, and 2016 Annual Report on Form 10-K are available on the National Presto website at [www.gopresto.com/proxy/](http://www.gopresto.com/proxy/).

**April 11, 2017**

**NATIONAL PRESTO INDUSTRIES, INC.  
3925 North Hastings Way  
Eau Claire, Wisconsin 54703**

**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 16, 2017**

The accompanying proxy is solicited by the Board of Directors of National Presto Industries, Inc. (the “Company”), for use at the Annual Meeting of Stockholders to be held at 3925 North Hastings Way, Eau Claire, Wisconsin 54703 on May 16, 2017, at 2:00 p.m. (CDT) (the “Annual Meeting”), and any adjournment thereof. When such proxy is properly executed and returned, the shares it represents will be voted at the meeting and at any adjournment thereof. Any stockholder giving a proxy has the power to revoke it at any time before it is voted. Presence at the meeting of a stockholder who has signed a proxy does not alone revoke that proxy. The proxy may be revoked by returning a later dated proxy, giving written notice of revocation to the Secretary of the Company, or attending the Annual Meeting and voting in person.

At the Annual Meeting stockholders will be asked:

- (1) to elect Randy F. Lieble and Joseph G. Stienessen as directors, each for a three-year term ending at the annual meeting to be held in 2020;
- (2) to approve our 2017 Incentive Compensation Plan;
- (3) to ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017;
- (4) to approve, on a non-binding advisory basis, the compensation of our named executive officers;

(5) to hold a non-binding advisory vote on the frequency of future advisory votes on executive compensation; and

(6) to transact such other business as may properly come before the meeting.

Only stockholders of record as of the close of business on March 16, 2017 will be entitled to vote at the Annual Meeting. Only those stockholders, persons holding proxies from such stockholders, beneficial owners of shares who demonstrate that they are in fact beneficial owners, representatives of the media, and other guests who are invited by the management of the Company may attend the Annual Meeting. If you hold your shares through a broker or otherwise in street name, please bring a brokerage statement or a letter from a bank or broker confirming ownership as of the record date and valid photo identification.

The presence in person or by proxy of holders of a majority of the shares of stock entitled to vote at the Annual Meeting will constitute a quorum for the transaction of business. Abstentions and proxies submitted by brokers who do not have authority to vote on certain matters will be considered “present” at the Annual Meeting for purposes of determining a quorum. The proxy materials were first mailed to stockholders on or about April 11, 2017.

Under the New York Stock Exchange (“NYSE”) rules, if a broker holds a beneficial owner’s shares in its name and does not receive voting instructions from the beneficial owner, the broker has discretion to vote these shares on certain “routine” matters, including ratification of the appointment of BDO USA, LLP as the Company’s independent registered public accounting firm. However, on non-routine matters, the broker must receive voting instructions from the beneficial owner, as it does not have discretionary voting power for these particular items. Non-routine matters include the election of directors, the approval of our 2017 Incentive Compensation Plan, the advisory vote on the compensation of our named executive officers, and the advisory vote on the frequency of holding future advisory votes on executive compensation. So long as the broker has discretion to vote on at least one proposal, these “broker non-votes” are counted toward establishing a quorum. When voted on “routine” matters, broker non-votes are counted toward determining the outcome of that “routine” matter.

Directors are elected by a plurality of the votes cast, which means the individuals receiving the largest number of votes will be elected directors as chosen in the election. Therefore, shares voted as “withhold authority to vote” will have no effect on the election of the director.

Approval of each of the other proposals at the Annual Meeting requires the affirmative approval of a majority of the votes cast. Abstentions do not constitute a vote “for” or “against” the proposal and will be disregarded in the calculation of “votes cast.”

If a stockholder signs and returns a proxy card without specifying how to vote the shares, the person named as proxy on the proxy card will vote the shares **FOR** the election of the two director nominees, **FOR** the approval of the 2017 Incentive Compensation Plan, **FOR** the ratification of BDO USA, LLP as the Company’s independent registered public accounting firm, **FOR** the approval of the compensation of the Company’s named executive officers, and **FOR** every “3 years” on the frequency of the non-binding advisory vote on executive compensation.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The Company has 6,988,316 shares of common stock outstanding and entitled to vote as of the close of business on the record date, March 16, 2017. Each share of common stock is entitled to one vote.



The following table sets forth information as to beneficial ownership of the Company's common stock as of the record date by (i) each person known to the Company to hold more than 5% of such stock, (ii) each director, (iii) each current named executive officer in the Summary Compensation Table, and (iv) all directors and officers as a group. Unless otherwise indicated, all stockholders listed in the table have sole voting and investment power with respect to the shares owned by them.

| <b>Beneficial Owner</b>  | <b>Amount<br/>and Nature<br/>of<br/>Beneficial<br/>Ownership</b> | <b>Percent<br/>of<br/>Common<br/>Stock</b> |
|--|--|--|
| Maryjo Cohen   | 1,903,463 <sup>(1)</sup>   | 27.2 %                                     |
| Royce & Associates, LLC<br>745 Fifth Avenue<br>New York, NY 10151        | 646,800 <sup>(2)</sup>   | 9.3 %                                      |
| BlackRock, Inc.<br>55 East 52 <sup>nd</sup> Street<br>New York, NY 10055 | 603,664 <sup>(3)</sup>   | 8.6 %                                      |
| The Vanguard Group, Inc.<br>100 Vanguard Blvd.<br>Malvern, PA 19355      | 477,731 <sup>(4)</sup>   | 6.8 %                                      |
| Douglas J. Frederick   | 142,334 <sup>(5)</sup>   | 2.0 %                                      |
| Randy F. Lieble  | 8,093 <sup>(6)</sup>   | *  |
| Spencer W. Ahneman   | 3,792 <sup>(6)</sup>   | *  |
| Richard N. Cardozo   | 2,000 <sup>(7)</sup>   | *  |
| Joseph G. Stienessen   | 1,382 <sup>(8)</sup>   | *  |
| Patrick J. Quinn   | 500  | *  |
| Jeffery A. Morgan  | 493 <sup>(6)</sup>   | *  |
| All officers and directors as a group (8 persons)                        | 2,062,057  | 29.5 %                                     |

(\*)Represents less than 1% of the outstanding shares of common stock of the Company.

<sup>(1)</sup>Includes 100,975 shares owned by the L.E. Phillips Family Foundation, Inc., a private charitable foundation of which Ms. Cohen is an officer and director and as such exercises shared voting and investment powers; 1,669,664 shares held in a voting trust described in the section below captioned "Voting Trust Agreement," in which Ms. Cohen has sole voting power over all of these shares; and 121,478 shares owned by private charitable foundations (other than the Phillips Foundation) of which Ms. Cohen is a co-trustee, officer, or director, and as such exercises shared voting and investment powers; 7,046 shares held as restricted stock pursuant to the National Presto Industries Incentive Compensation Plan and 4,300 shares held in a 401(k) account that were contributed into the account by the Company through the company's contribution. Ms. Cohen disclaims beneficial ownership of the shares owned or

held in trust for any other person, including family members, trusts, or other entities with she may be associated.

- (2) Based on a Schedule 13G filed with the SEC on January 11, 2017, reporting sole voting and dispositive power with respect to 646,800 shares.
- (3) Based on a Schedule 13G filed with the SEC on January 25, 2017, reporting sole voting power with respect to 592,092 shares and sole dispositive power with respect to 603,664 shares.

Based on a Schedule 13G filed with the SEC on February 10, 2017, reporting sole voting power with respect to

- (4) 6,452 shares, shared voting power with respect to 233 shares, sole dispositive power with respect to 471,313 shares and shared dispositive power with respect to 6,418 shares.

- Includes 137,781 owned by a private charitable foundation of which Mr. Frederick is a co-trustee and officer and as such exercises shared voting and investment powers; 3,947 shares received as restricted stock pursuant to the
- (5) National Presto Industries Incentive Compensation Plan; and 606 shares held in a 401(k) account that were contributed into the account by the Company through the Company's contribution. Mr. Frederick disclaims beneficial ownership of the shares owned by the private charitable foundation.

These figures include shares received as restricted stock pursuant to the National Presto Industries Incentive

- (6) Compensation Plan as well as shares of common stock that are owned by the individuals in their 401(k) accounts and that were contributed into such accounts by the Company.

- (7) Owned by the Arlene Cardozo Family Trust, Richard N. Cardozo Family Trust, Richard N. Cardozo SEP IRA, and Richard N. Cardozo Roth IRA.

- (8) Owned by the Joseph G. Stienessen SEP IRA.

**Section 16 (a) Beneficial Ownership Reporting Compliance**

Based upon a review of Forms 3, 4, and 5 and any amendments thereto filed with the SEC pursuant to Section 16(a) of the Securities and Exchange Act of 1934, the Company believes the reporting persons have filed timely reports during the fiscal year ended December 31, 2016.

**Voting Trust Agreement**

Twelve entities comprising trusts related to the Cohen family and extended family members have entered into a voting trust agreement with respect to the voting of an aggregate of 1,669,664 shares of common stock of the Company. The voting trust agreement will terminate on November 3, 2027 unless sooner terminated by the voting trustee or unanimous written consent of all the parties to the voting trust agreement, or unless extended by unanimous written consent by all parties to the agreement. The voting trustee under the agreement is Maryjo Cohen. Under the agreement, the voting trustee exercises all rights to vote the shares subject to the voting trust with respect to all matters presented for stockholder action.

**EQUITY COMPENSATION PLAN INFORMATION**

| <b>Plan Category</b>                                       | <b>Number of securities to be issued upon exercise of outstanding options, warrants, and rights</b> | <b>Weighted-average exercise price of outstanding options, warrants, and rights</b> | <b>Number of securities remaining available for future issuance under equity compensation plans <sup>(1)</sup></b> |
|--|---|---|--|
| Equity compensation plans approved by security holders     | —   | —   | 13,512   |
| Equity compensation plans not approved by security holders | —   | —   | —  |
| <b>Total</b>   | —   | —   | 13,512   |

(1) Calculations based on the number of shares that have been granted and not forfeited as of March 16, 2017.

**PROPOSAL NUMBER 1  
ELECTION OF DIRECTORS**

Two directors will be elected at the Annual Meeting, each for a three-year term expiring at the 2020 Annual Meeting. The Restated Articles of Incorporation as amended of the Company currently provide for five directors, divided into three classes with two classes of two directors and one class of one director and the term of office of one class expiring each year. At each Annual Meeting, successors of the class whose term of office expires in that year are elected for a three-year term. The nominee(s) who receive the highest number of votes will be elected director(s) of the Company for the three-year term commencing at the Annual Meeting. Upon recommendation of the Nominating/Corporate Governance Committee, the Board of Directors has nominated Randy F. Lieble and Joseph G. Stienessen for a term that will expire at the annual meeting to be held in 2020.

The Company believes that the nominees will be able to serve; but should any nominee be unable to serve as a director, the proxies will be voted for the election of such substitute nominee as the Board may propose.

### Information Concerning Directors and Nominees

All our directors bring to our Board a wealth of leadership experience. The process undertaken by the Nominating Committee in recommending qualified director candidates is described below under “Corporate Governance.” Information about each Board nominee and each other member of the Board, including certain individual qualifications and skills of our directors that contribute to the Board’s effectiveness as a whole, is provided immediately below.

| Name   | Age | Business Experience   | Director Since |
|--|-----|---|----------------|
| <i>Nominees for Election To The Board – For A Term Ending 2020</i> |     |   |                |
| Randy F. Lieble  | 63  | Director from December 2006 to August 2007 and December 2008 to present. Vice President from October 2004 to August 2007 and September 2008 to present. Chief Financial Officer from November 1999 to August 2007 and September 2008 to present. Treasurer from November 1995 to August 2007 and September 2008 to present. Secretary from January 2009 to November 2009. | 2008           |
| Joseph G. Stienessen, CPA  | 72  | Self employed as an accounting advisor and consultant since July 2007. Former principal with Larson, Allen, Weishair and Company, LLP, a CPA firm, from October 2004 to July 2007; prior to November 2003, Managing Partner of Stienessen, Schlegel and Company, LLC.   | 2005           |

Mr. Lieble’s experience as Chief Financial Officer (CFO) and his 39 years as an employee of the Company during which he has been involved in virtually all phases of the business are invaluable to Board discussions and judgments required for decision making that is in the best long-term interest of the Company and its stockholders.

Mr. Stienessen has extensive knowledge and experience in the areas of accounting and finance. His expertise in those areas is invaluable to Board discussions, judgments required for decision making that is in the best long-term interest of the Company and its stockholders, and to the fulfillment of his positions on the Nominating and Compensation Committees. His background also enables him to act as the financial expert for the Company’s Audit Committee.

| Name | Age | Business Experience | Director Since |
|------|-----|---------------------|----------------|
|------|-----|---------------------|----------------|

***Directors Continuing In Office – For A Term Ending 2019***

|                    |    |  |      |
|--------------------|----|--|------|
| Richard N. Cardozo | 81 | Professor Emeritus, Carlson School of Management, University of Minnesota; Former Chairman, Brownstone Distributing; Principal, CPE Associates, Inc., a consulting firm. | 1998 |
|--------------------|----|--|------|

Mr. Cardozo has an extensive academic background in and practical knowledge of management. That background, along with his experience, knowledge and long-standing service as a director of the Company and former Chairman of Brownstone Distributing are invaluable to Board discussions, judgments required for decision making that is in the best long-term interest of the Company and its stockholders, and to the fulfillment of his positions on the Audit, Nominating, and Compensation Committees.

|                  |    |  |      |
|------------------|----|--|------|
| Patrick J. Quinn | 67 | Former Chairman and President, Ayres Associates, an engineering firm, from January 2001 and April 2000 respectively, until his retirement in December 2010. Director of Wisconsin Capital Funds, Inc. (a SEC regulated mutual fund company). Mr. Quinn serves as a director of Future Wisconsin Housing (non-profit housing owner/developer) and is a former director of the Eau Claire Community Foundation (non-profit). | 2001 |
|------------------|----|--|------|

Mr. Quinn's executive experience and business acumen, together with his 16 years of service as a director of the Company, are invaluable to Board discussions, judgments required for decision making that is in the best long-term interest of the Company and its stockholders, and to the fulfillment of his positions on the Audit, Nominating, and Compensation Committees.

***Directors Continuing In Office – For A Term Ending 2018***

|              |    |  |      |
|--------------|----|--|------|
| Maryjo Cohen | 64 | Chair of the Board, President and Chief Executive Officer of the Company since May 1994. | 1988 |
|--------------|----|--|------|

Ms. Cohen's day-to-day leadership and experience as Chief Executive Officer (CEO) as well as her 40 years as an employee of the Company are invaluable to Board discussions and judgments required for decision making that is in the best long-term interest of the Company and its stockholders.

**The Board of Directors recommends that stockholders vote "FOR" the director nominees.**

## Corporate Governance

During 2016, there were four Board of Directors meetings. Each of the directors attended all of the meetings of the Board of Directors, the 2016 Annual Meeting of Stockholders, and all meetings of committees on which that director served. The attendance policy for members of the Board of Directors may be reviewed in the Corporate Governance Guidelines document found on the Company's website located at [www.gopresto.com](http://www.gopresto.com) and is available in print upon request.

The Board of Directors has determined that each of Messrs. Cardozo, Quinn and Stienessen qualify as an "independent director" as defined by the rules of the New York Stock Exchange. The Board has determined that Messrs. Cardozo, Quinn and Stienessen do not have a relationship with the Company, other than as a director, and are therefore independent.

The Company has Audit, Compensation, and Nominating/Corporate Governance Committees consisting of Messrs. Cardozo, Quinn, and Stienessen. During 2016, the Audit Committee held five formal meetings. The Board has determined that Mr. Stienessen qualifies as an Audit Committee Financial Expert under SEC rules. The Nominating/Corporate Governance Committee met once in 2016. The Compensation Committee had one meeting in 2016.

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities relating to: (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the Company's internal audit function and independent auditors.

The purpose of the Compensation Committee is to discharge the Board's responsibilities relating to the CEO's compensation and make recommendations regarding the compensation of other executives, including review of the succession plans for the CEO and other senior executives. Activities of the Compensation Committee shall be consistent with the Company's overall direction and purpose regarding executive compensation as set forth in its charter. See also "Compensation Discussion and Analysis" for a further description of the functions performed by the Compensation Committee.

The purpose of the Nominating/Corporate Governance Committee is to identify individuals qualified to become Board members in accordance with the criteria described below, and to take such other action consistent with provisions in its charter. The Nominating/Corporate Governance Committee is also responsible for advising the Board on corporate governance matters, which include developing and recommending to the Board corporate governance principles,



overseeing the self-evaluation process for the Board and its committees, and such other functions as set forth in its charter.

Charters of the Nominating/Corporate Governance, Compensation, and Audit Committees; the Corporate Governance Guidelines; and the Corporate Code of Conduct are set forth in the Corporate Governance section of the Company's website located at [www.gopresto.com](http://www.gopresto.com) and are available in print upon request.

The Company's Board of Directors has established a process whereby stockholders and other interested parties may send communications to the Board of Directors, as well as to the Presiding Director

(Mr. Cardozo) of executive sessions attended by only non-management directors. The Presiding Director may be reached by mailing a letter to: Independent Directors, Attn: Presiding Director, National Presto Industries, Inc., 3925 N. Hastings Way, Eau Claire, WI 54703. The manner in which stockholders and other interested parties can send communications to the Board is set forth in the Corporate Governance section of the Company's website located at [www.gopresto.com](http://www.gopresto.com).

In identifying prospective director candidates, the Nominating/Corporate Governance Committee (herein the "Nominating Committee") considers its personal contacts, recommendations from stockholders, and recommendations from business and professional sources, but has not historically paid a fee to any third party. The Nominating Committee's policy is to consider qualified candidates for positions on the Board recommended in writing by stockholders. Stockholders wishing to recommend candidates for future Board membership should submit the recommendations in writing to the Secretary of the Company no later than December 12, 2017 (for inclusion of such candidate, if subsequently nominated, in the Company's Proxy Statement) or February 15, 2018 (for recommending a candidate who, if subsequently nominated, would not be included in the Company's Proxy Statement) with the submitting stockholder's name and address and pertinent information about the proposed nominee similar to that required by the by-laws in connection with a nomination to be made by stockholders. When evaluating the qualifications of potential new directors, or the continued service of existing directors, the Nominating Committee considers a variety of criteria, including the individual's reputation for honesty and integrity; respect from leaders and the general citizenry in the community in which the individual resides; the individual's knowledge of business principles and intellectual capacity to quickly grasp and understand the intricacies of the Company's businesses; attainment of official status with a leading company, agency, educational institution, or other form of enterprise; accessibility geographically and otherwise for meetings; specialized skills or expertise; independence; financial expertise; freedom from conflicts of interest; ability to understand the role of a director; and ability to fully perform the duties of a director. While candidates recommended by stockholders will generally be considered in the same manner as any other candidate, special consideration will be given to existing directors desiring to stand for re-election given their history of service and their knowledge of the Company, as well as the Board's knowledge of their level of contribution resulting from such service. Stockholders wishing to recommend for nomination or nominate a director should contact the Company's Secretary for a copy of the relevant procedure for submitting nominations and a full delineation of the criteria considered by the Nominating Committee when evaluating potential new directors or the continued service of existing directors.

The Company has not adopted any formal policies or procedures for the review, approval, or ratification of transactions between the Company and its related persons that may be required to be reported under the SEC disclosure rules. Such transactions, if and when they are proposed or have occurred, have been or will be reviewed by the entire Board (other than the director involved) on a case-by-case basis. The Company's Corporate Code of Conduct does contain several provisions that would provide valuable guidance for the review of such transactions.

The Board believes that the Company's CEO is best situated to serve as Chair of the Board because she is the director most familiar with the Company's business and industry and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy.

The Board has an active role, as a whole and also at the committee level, in overseeing management of the Company's risks. The Board regularly reviews information regarding the Company's credit, liquidity, and operations, as well as the risks associated with each. The Company's Compensation Committee is responsible for overseeing the management of risks relating to the Company's executive compensation plans and arrangements. The Audit Committee oversees management of financial risks. The Nominating/Corporate Governance Committee manages risks associated with the independence of the Board of Directors and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports about such risks.

#### **Compensation Committee Interlocks and Insider Participation**

The directors who served on the Compensation Committee during fiscal 2016 were Richard N. Cardozo, Patrick J. Quinn, and Joseph G. Stienessen. The Compensation Committee determines the compensation of the CEO and makes recommendations to the Board with respect to the compensation of the other executive officers of the Company, including those listed in the Summary Compensation Table below. Board member Ms. Cohen did not participate in decisions regarding her own 2016 compensation.

None of the members of the Compensation Committee during fiscal 2016, or in the last three years, was an officer or employee of the Company, or had any related party transaction with the Company. During fiscal 2016, none of the executive officers of the Company served as a member of the board or compensation committee of any entity that has one or more officers serving as a member of the Company's Board or Compensation Committee.

#### **Director Compensation**

The fiscal 2016 compensation of non-employee directors of the Company is shown in the following table:

#### **DIRECTOR COMPENSATION FOR FISCAL 2016**

| <b>Name</b>          | <b>Fees Earned or Paid in Cash (\$) 2016</b> |
|----------------------|--|
| Patrick J. Quinn     | 38,500.00                                    |
| Richard N. Cardozo   | 38,500.00                                    |
| Joseph G. Stienessen | 38,500.00                                    |

Each non-employee director receives an annual retainer of \$33,000. In addition, each director is paid \$1,000 for each full day Board or committee meeting attended and \$500 for each half day Board or committee meeting attended. The Company reimburses basic and reasonable travel costs associated with attending a meeting of the Board or a committee that requires in excess of 100 miles of travel. Non-employee directors do not receive stock or stock-related compensation.

## **Audit Committee Report**

Each member of the Audit Committee is independent as defined by the rules of the New York Stock Exchange and the Board of Directors has determined that no member has a relationship to the Company that may interfere with the exercise of their independence from management of the Company. It is the purpose of the Audit Committee to assist the Board of Directors in fulfilling its oversight responsibilities relating to: (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the Company's internal audit function and independent auditors.

The Audit Committee has reviewed, and discussed with management and the independent auditors, the Company's audited financial statements as of and for the year ended December 31, 2016, management's assessment of the effectiveness of the Company's internal control over financial reporting, and the independent auditors' attestation report on the Company's internal control over financial reporting. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Public Company Accounting Oversight Board Audit Standard No. 16, Communications with Audit Committees. The Audit Committee has received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence, and has discussed with the independent auditors the independent auditors' independence. This included consideration of the compatibility of non-audit services with the auditors' independence.

Based on the Audit Committee's review and discussions referred to above, the Audit Committee recommended to the Company's Board that the Company's audited financial statements be included in the Company's annual report on Form 10-K for the year ended December 31, 2016 for filing with the SEC.

Submitted by members of the Audit Committee:

Joseph G. Stienessen  
Richard N. Cardozo  
Patrick J. Quinn

## **EXECUTIVE COMPENSATION AND OTHER INFORMATION**

### **Compensation Discussion and Analysis**

*Overview*

The Discussion and Analysis section addresses the material elements of the Company's executive compensation program, including its compensation philosophy and objectives and the fashion in which it is to be administered. It is intended to complement and enhance an understanding of the compensation information presented in the tables that follow. As used in this proxy statement, the term "named executive officers" means the Company's CEO and CFO for the 2016 fiscal year as well as the three other current executive officers named in the Summary Compensation Table on page 14. In this discussion and analysis, the term "Committee" means the Compensation Committee of the Board.

### ***Compensation Objectives and Philosophy***

The Company's executive compensation program is intended to:

Provide fair compensation to executive officers based on their performance and contributions to the Company;

Provide incentives that attract and retain key executives;

Instill a long-term commitment to the Company; and

Develop pride and a sense of ownership.

The compensation program is therefore intended to attract, motivate, and retain executive officers who have the capability to manage the Company's day-to-day operations and personnel, compete ethically in each of its competitive business segments, implement any strategic plans developed by the Company, and implement the Company's strategic plan to increase stockholder value.

The principal element of the executive compensation program is base salary. An award of a discretionary bonus to reward exceptional performance is sometimes made. The Company provides health and life insurance benefits, a 401(k) program with a generous Company contribution and other welfare benefits that are available to all of its salaried employees on a non-discriminatory basis. Awards of restricted stock are part of the executive compensation program. The Committee believes that restricted stock awards reward performance and align the interests of executives with the long-term interests of stockholders.

The objectives and factors considered with respect to the form and amount of each individual element of our compensation program are more fully described below.

### ***Compensation Process***

The Committee has the responsibility to determine and approve the compensation of the CEO, to make recommendations to the Board with respect to the compensation of selected non-CEO executive officers, and to make

recommendations to the Board with respect to incentive plans.

The Committee met on November 19, 2015 to review compensation matters and establish the base salary of the CEO for 2016. On the same date, the Board established the base salaries of other executive officers. No executive officer made a recommendation regarding the form or amount of his or her own compensation. The CEO does provide the Committee with recommendations on salaries of the other executive officers. The Committee met on November 17, 2016 to review and approve discretionary cash bonuses and stock awards with respect to performance in 2016. The Committee did not retain any compensation consultant to assist it in the review or determination of executive compensation in 2016.



### *Elements of Our Executive Compensation Program*

*Base Salary and Benefits.* The base salaries for executive officers is intended to promote the Company's compensation objectives generally and specifically to provide basic economic security at a level that will attract and retain talented executive officers. Annual increases in base salary of each of the Company's executive officers, if any, are determined in accordance with its compensation policy and, where appropriate, the economic conditions in which the Company is operating. Individual job performance is the single most important factor in the Committee's role in determining base salary. The base salaries of the executive officers were established at levels considered appropriate in light of the duties and scope of their responsibilities.

The Company strives to provide employee benefits to executive officers and all other salaried employees that are consistent with benefits provided in the communities in which they reside, including 401(k), health insurance, life and disability insurance, and other welfare benefits. Executive officers participate in these plans on the same basis as other employees.

*Discretionary Bonus.* Although the Company primarily relies upon awarding an adequate and proper base salary to promote its compensation objectives, the Committee also acknowledges the benefit of awarding discretionary bonuses. To this end, the Company's executive officers may from time to time identify executive officer contributions to the overall performance of the Company to the Committee and request that the Committee consider approving a bonus to reward such performance. In 2016, the Committee made discretionary bonuses to Messrs. Lieble and Frederick for their contributions to corporate performance.

*Incentive, Equity, and Deferred Compensation.* Historically, the Company did not feel this type of compensation was necessary because the Company has experienced low turnover and long-term executive officer retention without emphasizing incentive or equity based compensation. It has found, however, that SEC insider trading restrictions are such that it is difficult for executives to purchase stock on the open market without violating insider trading rules. Accordingly, with the stockholders adoption of the National Presto Industries Incentive Compensation Plan on May 18, 2010, the Compensation Committee has the authority to grant restricted stock awards at its discretion based on an employee's noteworthy performance. In order to create ownership as well as provide incentives for future performance, in November 2016, the Committee decided to grant restricted stock to five of the named executive officers and several other key employees. The awards are denominated in dollars but were payable in common stock based on the closing stock price on the NYSE on December 31, 2016 (\$106.40). The Committee determined the dollar value of the awards based on job responsibilities, experience, individual performance in 2016 as well as recommendations of the CEO. Those made in 2016 recognized contributions made to corporate performance.

*Perquisites.* In 2016, no named executive officer received perquisites having a value in excess of \$10,000. The Committee does not consider perquisites to be a material element of the Company's compensation program for

executive officers.

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*Termination and Change in Control Arrangements.* The Company does not maintain any employment or change in control agreements for its executive officers.

*Tax Considerations.* The Committee is aware that, except for certain plans approved by stockholders, Section 162(m) of the Internal Revenue Code of 1986, as amended, limits deductions to \$1 million for compensation paid to the CEO and each of the four most highly paid executive officers named in the summary compensation table who are officers on the last day of the year. The Committee reviews this limit and its application to the compensation paid to its executive officers as part of its compensation policy.

### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained under this heading. On the basis of its reviews and discussions, the Committee has recommended to the Board that the Compensation Discussion and Analysis section be included in the Company's annual report on Form 10-K for the year ended December 31, 2016, and this Proxy Statement.

Submitted by the Company's Compensation Committee:

Richard N. Cardozo  
Patrick J. Quinn  
Joseph G. Stienessen

**Summary Compensation Table**

The following table sets forth compensation for individuals who served as CEO and CFO during fiscal 2016 and for each of the other three most highly compensated executive officers who were serving as executive officers as of December 31, 2016.

| <b>Name and Principal Position</b>   | <b>Year</b> | <b>Salary<br/>(1) (\$)</b> | <b>Bonus<br/>(2) (\$)</b> | <b>Stock Awards<br/>(3) (\$)</b> | <b>Option Awards<br/>(4) (\$)</b> | <b>Non-Equity Incentive Plan Compensation<br/>(5) (\$)</b> | <b>Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)</b> | <b>All Other Compensation<br/>(6) (\$)</b> | <b>Total<br/>(7) (\$)</b> |
|--|-------------|----------------------------|---------------------------|----------------------------------|-----------------------------------|--|--|--|---------------------------|
| Maryjo Cohen,<br>Chair of the Board,<br>President,<br>Chief Executive Officer,<br>and Director | 2016        | 555,000                    |                           | 85,946                           |                                   |  |  | 24,606                                     | 665,102                   |
|  | 2015        | 555,577                    |                           | 108,226                          |                                   |  |  | 25,532                                     | 689,335                   |
|  | 2014        | 534,423                    |                           | 80,792                           |                                   |  |  | 24,720                                     | 639,935                   |
| Randy F. Lieble,<br>Vice President,<br>Treasurer,<br>Chief Financial Officer,<br>and Director  | 2016        | 418,000                    | 83,600                    | 71,474                           |                                   |  |  | 23,759                                     | 596,833                   |
|  | 2015        | 420,892                    | 40,600                    | 87,855                           |                                   |  |  | 24,385                                     | 573,732                   |
|  | 2014        | 393,498                    | 39,400                    | 39,751                           |                                   |  |  | 21,855                                     | 494,534                   |
| Spencer W. Ahneman,<br>Vice President–Sales  | 2016        | 290,000                    |                           | 8,468                            |                                   |  |  | 19,953                                     | 318,421                   |
|  | 2015        | 289,615                    |                           | 32,486                           |                                   |  |  | 21,269                                     | 343,370                   |
|  | 2014        | 249,673                    |                           | 20,169                           |                                   |  |  | 20,322                                     | 290,164                   |
| Douglas J. Frederick,<br>General Counsel and<br>Secretary                                      | 2016        | 251,400                    | 25,140                    | 21,488                           |                                   |  |  | 20,739                                     | 318,767                   |
|  | 2015        | 253,225                    | 24,400                    | 26,384                           |                                   |  |  | 20,926                                     | 324,935                   |
|  | 2014        | 236,731                    | 23,700                    | 23,921                           |                                   |  |  | 20,792                                     | 305,144                   |

|   |      |         |        |       |         |
|---|------|---------|--------|-------|---------|
| Jeffery A. Morgan,<br>Vice President-<br>Engineering <sup>(5)</sup> | 2016 | 200,000 | 4,188  | 9,193 | 213,381 |
|   | 2015 | 183,164 | 21,627 | 9,435 | 214,226 |

The annual base salaries in 2015 were as follows: Ms. Cohen, \$535,000; Mr. Lieble, \$405,740; Mr. Ahneman,  
(1) \$280,000; Mr. Frederick, \$244,110; and Mr. Morgan, \$179,247. The additional amounts reported are due to one extra pay period in 2015.

Amounts shown for 2016 represent discretionary cash bonuses granted with respect to 2016 performance and paid  
(2) in January 2017. Amounts shown for 2015 represent discretionary cash bonuses granted with respect to 2015 performance but paid in January 2016. Amounts shown for 2014 represent discretionary cash bonuses granted with respect to 2014 performance and paid in January 2015.

These amounts reflect the grant date fair value of restricted stock awards computed in accordance with FASB ASC  
(3) Topic 718 based on the closing price of the Company's common stock on the date of grant and do not reflect the actual amounts earned. See the Grants of Plan-Based Awards During Fiscal 2016 table and the accompanying disclosure for information on the actual number of shares of restricted stock paid out in fiscal 2016.

(4) All Other Compensation includes 401(k) employer contributions, the value of life and disability insurance premiums paid by the Company, and

the dividends paid related to the stock awards identified for each year, but paid in March of the following year. For the year 2016, 401(k) employer contributions included \$18,550 for each of Ms. Cohen, Mr. Lieble, Mr. Ahneman and Mr. Frederick, and \$8,049 for Mr. Morgan.

(5) Mr. Morgan was appointed Vice President of Engineering on November 19, 2015. He has been associated with the registrant since 2010. Prior to becoming an officer, he was Director of Engineering and Chief Engineer.

### Grants of Plan-Based Awards During Fiscal Year 2016

The following table shows all plan-based awards granted to the named executive officers during fiscal 2016.

| Name                 | Grant Date | Committee Action Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards |             |              | Estimated Future Payouts Under Equity Incentive Plan Awards |             |              | All Other Stock Awards: Number of Shares of Stock or Stock Units (\$) (1) | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Award (\$) (2) |
|----------------------|------------|-----------------------|---|-------------|--------------|---|-------------|--------------|---|--|---|--|
|                      |            |                       | Threshold (\$)  | Target (\$) | Maximum (\$) | Threshold (\$)  | Target (\$) | Maximum (\$) |   |  |   |  |
| Maryjo Cohen         | 11/17/2016 | 11/17/2016            |   |             |              |   |             |              | 100,000   |  | 85,496  |  |
| Randy F. Lieble      | 11/17/2016 | 11/17/2016            |   |             |              |   |             |              | 83,600  |  | 71,474  |  |
| Spencer W. Ahneman   | 11/17/2016 | 11/17/2016            |   |             |              |   |             |              | 10,000  |  | 8,468   |  |
| Douglas J. Frederick | 11/17/2016 | 11/17/2016            |   |             |              |   |             |              | 25,140  |  | 21,488  |  |
| Jeffery A. Morgan    | 11/17/2016 | 11/17/2016            |   |             |              |   |             |              | 5,000   |  | 4,188   |  |

(1) These amounts reflect stock awards denominated in dollars but payable in shares of restricted stock based on the closing price of the Company's common stock on December 31, 2016 under the Incentive Compensation Plan.

(2) These amounts reflect the grant date fair value of the awards computed in accordance with FASB ASC Topic 718 based on the actual number of shares of restricted stock paid out and the closing price of the Company's common stock on the grant date (\$91.05 per share) and do not reflect the actual amounts earned.

The stock awards granted on November 17, 2016 were denominated in dollars but payable in common stock based on a per share price of \$106.40, the closing price of the Company's common stock on December 31, 2016, and were paid as follows: Ms. Cohen, 939 shares; Mr. Lieble, 785 shares; Mr. Ahneman, 93 shares; Mr. Frederick, 236 shares; and Mr. Morgan, 46 shares. Unless vested earlier in accordance with the Incentive Compensation Plan, the restricted stock awards will vest 100% on March 15, 2022, assuming the employee remains in the Company's employ through such date. Certificates evidencing the shares related to the above awards were registered to the named individuals upon the execution of a Restricted Stock Award Agreement which occurred on January 25, 2017 or February 16,

2017, in accordance with the provisions of the Incentive Compensation Plan. The executive officers have voting and dividend rights in unvested restricted shares.

### Outstanding Equity Awards At 2016 Fiscal Year-End

The following table shows all outstanding equity awards held by the named executive officers at the end of fiscal 2016.

| Name                 | Grant Date | STOCK AWARDS   |   |  |   |
|----------------------|------------|--|---|--|---|
|                      |            | Number of Shares or Units of Stock That Have Not Vested (#) <sup>(1)</sup> | Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup> | Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (\$) |
| Maryjo Cohen         | 11/15/2011 | 534  | 56,818  |  |   |
|                      | 11/15/2012 | 697  | 74,161  |  |   |
|                      | 11/21/2013 | 993  | 105,655   |  |   |
|                      | 11/20/2014 | 1,378  | 146,619   |  |   |
|                      | 11/19/2015 | 1,206  | 128,318   |  |   |
|                      | 11/17/2016 | 939  | 99,910  |  |   |
| Randy F. Lieble      | 11/15/2011 | 385  | 40,964  |  |   |
|                      | 11/21/2013 | 950  | 101,080   |  |   |
|                      | 11/20/2014 | 678  | 72,139  |  |   |
|                      | 11/19/2015 | 979  | 104,166   |  |   |
|                      | 11/17/2016 | 785  | 83,524  |  |   |
| Spencer W. Ahneman   | 12/30/2011 | 53   | 5,639   |  |   |
|                      | 11/15/2012 | 69   | 7,342   |  |   |
|                      | 11/21/2013 | 298  | 31,707  |  |   |
|                      | 11/20/2014 | 344  | 36,602  |  |   |
|                      | 11/19/2015 | 362  | 38,517  |  |   |
|                      | 11/17/2016 | 93   | 9,895   |  |   |
| Douglas J. Frederick | 11/15/2011 | 320  | 34,048  |  |   |



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|                   |            |     |        |
|-------------------|------------|-----|--------|
|                   | 11/15/2012 | 306 | 32,558 |
|                   | 11/21/2013 | 571 | 60,754 |
|                   | 11/20/2014 | 408 | 43,411 |
|                   | 11/19/2015 | 294 | 31,282 |
|                   | 11/17/2016 | 236 | 25,110 |
| Jeffery A. Morgan | 11/19/2015 | 241 | 25,642 |
|                   | 11/17/2016 | 46  | 4,894  |

Assuming the employee remains in the Company's employ through such date, the restricted stock granted on 11/15/2011 vests 100% on March 15, 2017; the restricted stock granted on 11/15/2012 vests 100% on March 15, <sup>(1)</sup>2018; the restricted stock granted on 11/21/2013 vests 100% on March 15, 2019; the restricted stock granted 11/20/2014 vests 100% on March 15, 2020; the restricted stock granted 11/19/2015 vests 100% on March

15, 2021 and the restricted stock granted 11/17/2016 vests 100% on March 15, 2022. All restricted stock awards vest upon retirement as set forth in the Incentive Compensation Plan and related documents.

(2) Calculations based on the closing price of the Company's common stock of \$106.40 on December 31, 2016.

### Option Exercises and Stock Vested in Fiscal Year 2016

No options were granted or exercised by the named executive officers during fiscal 2016. The following restricted stock awards granted to the named executive officers vested during fiscal 2016.

### STOCK AWARDS

| Name                 | Vesting Date | Number of Shares<br>Acquired on Vesting (#) | Value Realized on<br>Vesting (\$) <sup>(1)</sup> |
|----------------------|--------------|---|--|
| Maryjo Cohen         | 3/15/2016    | 384   | 31,277   |
| Randy F. Lieble      | 3/15/2016    | 269   | 21,910   |
| Spencer W. Ahneman   | 3/15/2016    | 38  | 3,095  |
| Douglas J. Frederick | 3/15/2016    | 153   | 12,462   |

(1) Calculations based on the closing price of the Company's common stock on the vesting date.

### Potential Payments Upon Termination or Change in Control

The Company does not have any change in control agreements with any executive officer, director, or employee. The Incentive Compensation Plan under which restricted stock awards have been granted provides that in the event of a change in control or the employee's employment is terminated due to death, disability, or retirement, the shares of restricted stock would immediately vest.

The amounts shown in the following table reflect the potential value to the named executive officers of acceleration of all unvested restricted stock awards upon a change in control of the Company and termination of employment due to death, disability, or retirement, assuming that the change in control and termination of employment were effective as of December 31, 2016 and based on the closing price of the Company's common stock of \$106.40 on December 31, 2016. The amounts below are estimates of the amounts that would be paid to the named executive officers; the actual amounts to be paid can only be determined at the actual time of a change in control or an officer's termination of

employment.

**ACCELERATED PORTION OF RESTRICTED STOCK AWARDS**

| <b>Name</b>          | <b>Number (#) <sup>(1)</sup></b> | <b>Value (\$) <sup>(2)</sup></b> |
|----------------------|----------------------------------|----------------------------------|
| Maryjo Cohen         | 5,747                            | 611,481                          |
| Randy F. Lieble      | 3,777                            | 401,873                          |
| Spencer W. Ahneman   | 1,219                            | 129,702                          |
| Douglas J. Frederick | 2,135                            | 227,164                          |
| Jeffrey A. Morgan    | 287                              | 30,537                           |

(1) Total number of shares related to unvested restricted stock awards as of December 31, 2016.

(2) Total value of unvested restricted stock awards as of December 31, 2016 that would be accelerated.

## **PROPOSAL NUMBER 2**

### **APPROVAL OF 2017 INCENTIVE COMPENSATION PLAN**

As of February 10, 2017, the Board of Directors formally adopted the National Presto Industries, Inc. 2017 Incentive Compensation Plan (the “2017 Plan”), subject to stockholder approval. The 2017 Plan recognizes insider employees’ difficulty in purchasing stock, as a result of SEC insider trading rules. The purpose of the 2017 Plan is to attract and retain qualified employees, motivate employees to achieve long-term Company goals and more closely align the interests of employees with those of stockholders.

Stockholder approval of the 2017 Plan is necessary in order for the Company to meet the stockholder approval requirements of the NYSE and to take tax deductions for certain compensation resulting awards granted under the plan qualifying as performance-based compensation under Section 162(m) of the Code.

The 2017 Plan will replace the National Presto Industries, Inc. Incentive Compensation Plan that became effective as of May 18, 2010 (the “2010 Plan”). If stockholders approve the 2017 Plan, the Company will not make any further awards under the 2010 Plan. Approximately 13,500 shares remaining in the 2010 Plan will no longer be available for grant. All outstanding awards under the 2010 Plan will remain outstanding in accordance with their terms and conditions.

#### **Summary Description of 2017 Plan**

The major features of the 2017 Plan are summarized below. The summary is qualified in its entirety by reference to the full text of the 2017 Plan that is contained in Appendix A to this Proxy Statement.

#### ***Eligibility***

Only employees of the Company and its subsidiaries are eligible to receive awards under the 2017 Plan. As of March 16, 2017, there were approximately 963 employees of the Company and its subsidiaries. Based on practice established under the 2010 Plan, the primary recipients are expected to be executive officers and other key employees.

***Shares Authorized***

A maximum of 150,000 shares of common stock are available for issuance under the 2017 Plan. The shares covered by the 2017 Plan will be treasury shares. Shares subject to forfeited or terminated awards will again become available for issuance under the 2017 Plan.

***Share Adjustments***

In the event of a dividend, stock split, spin-off, merger, reorganization, recapitalization or other specified corporate events or transactions, the Compensation Committee may, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2017 Plan, adjust the number and type of shares with respect to which awards may be granted under the 2017 Plan, the number and type of shares subject to outstanding awards, and the number and kind of shares with respect to which awards may be granted to a grantee.

### ***Restricted Stock Awards***

The 2017 Plan provides for the grant of restricted stock awards. A restricted stock award is an award of the Company's common stock that is subject to restrictions. The Compensation Committee will determine the restrictions or conditions to vesting for each award and the purchase price, if any. Restrictions may include time-based restrictions, performance-based restrictions and the occurrence of a specific event. Grantees of restricted stock have all the rights of a stockholder, except as otherwise provided in the award agreement. The terms, restrictions and conditions of each award will be set forth in an award agreement.

### ***Performance-Based Compensation***

The Compensation Committee may grant restricted stock awards under the 2017 Plan to "covered employees" that are intended to be performance-based compensation within the meaning of Section 162(m) of the Code in order to preserve the deductibility of these awards for federal income tax purposes. Grantees are only entitled to receive payment for a Section 162(m) performance-based award to the extent that pre-established performance goals set by the Compensation Committee for the period are satisfied. The pre-established performance goals must be based on one or more of the following performance criteria specified in the 2017 Plan: earnings; net income or loss; operating profit; EBITDA; growth or rate of growth in cash flow; cash flow provided by operations; free cash flow; gross revenues; reductions in expense levels, operating and maintenance cost management and employee productivity; stockholder returns and return measures; growth or rate of growth in return measures; share price; net economic value and/or economic value added; aggregate product unit and pricing targets; strategic business criteria; achievement of business or operational goals; maintenance of asset base; results of customer satisfaction surveys; or debt ratings, debt leverage and debt service.

### ***Change in Control***

If a change in control (as defined in the 2017 Plan) occurs, all unvested restricted stock awards will fully vest and any performance goals applicable to the awards will be considered met to the maximum degree.

### ***Death, Disability, or Retirement***

Upon termination of the grantee's employment due to death, disability, or retirement, (i) all unvested restricted stock awards that are not subject to performance-based vesting conditions will become fully vested and (ii) all unvested

restricted stock awards that are subject to performance-based vesting conditions will vest only when and to the extent the applicable performance goals are satisfied.

*Transferability*

No right or interest in any award may be assigned, transferred, pledged or encumbered by a grantee except by will or the laws of descent and distribution.

### ***Administration***

The 2017 Plan will be administered by the Compensation Committee. The Compensation Committee will select the employees who will receive awards, determine the amount of the awards and establish the terms and conditions of the awards, including if the award will be tied to meeting the performance-based requirements under Code Section 162(m). The Compensation Committee may interpret the 2017 Plan and establish, amend or waive any rules for the proper administration of the 2017 Plan. The Compensation Committee may delegate its authority to the Company's Chief Executive Officer with respect to the grant of awards to persons other than executive officers, covered employees or Section 16 persons.

### ***Term and Amendments***

Unless terminated earlier, the 2017 Plan will remain in effect until the date all shares subject to the 2017 Plan have been issued and the restrictions and conditions on all awards have lapsed. The Board may amend, suspend or terminate the 2017 Plan at any time, provided that no amendment to the 2017 Plan will be effective without stockholder approval if it is required by applicable law or NYSE rules. Except as specifically provided in the 2017 Plan or an award agreement, termination, amendment or modification of the 2017 Plan will not adversely affect in any material way any outstanding award without the consent of the affected grantee.

### ***Federal Income Tax Consequences***

The following is a summary of the principal U.S. federal income tax consequences generally applicable to awards under the 2017 Plan. The description is not intended to address specific tax consequences applicable to an individual who receives an award.

An award of restricted stock that is subject to substantial risk of forfeiture and is not freely transferable results in ordinary income recognition by the grantee in an amount equal to the fair market value of the shares received (determined as if the shares were not subject to substantial risk of forfeiture), less the amount (if any) paid for the shares by the grantee, at the time the restrictions lapse and the shares vest, unless the grantee elects under Section 83(b) of the Code to accelerate income recognition and the taxability of the award to the date of grant. The Company will generally have a corresponding income tax deduction at the time the grantee recognizes income, subject to Section 162(m) of the Code with respect to covered employees.



*New Plan Benefits*

No benefits or amounts have been granted or received under the 2017 Plan. Awards under the 2017 Plan will be made at the discretion of the Compensation Committee. Thus, it is not possible to determine the benefits that will be received by eligible participants if the 2017 Plan is approved by our stockholders.

**The Board of Directors recommends a vote “FOR” the adoption of the National Presto Industries, Inc. 2017 Incentive Compensation Plan.**

**PROPOSAL NUMBER 3**

**RATIFY APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors is submitting the selection of BDO USA, LLP to serve as the Company’s independent registered public accounting firm for fiscal 2017 for ratification in order to ascertain the views of stockholders on this selection. Proxies solicited by the Board of Directors will, unless otherwise directed, be voted to ratify the appointment by the Audit Committee of BDO USA, LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2017. If stockholders do not ratify the appointment of BDO USA, LLP, the Audit Committee will reconsider its selection, but it retains the sole responsibility for appointing and terminating the Company’s independent registered public accounting firm.

It is not anticipated that a representative of the accounting firm will be present at the Annual Meeting.

**The Board of Directors recommends a vote “FOR” the ratification of BDO USA, LLP as the Company’s independent registered public accounting firm for fiscal 2017.**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee meets with representatives of the independent registered public accounting firm to review its comments and plans for future audits. The following fees have been incurred by the Company:

|  | <b>Audit Fees</b> <sup>(1)</sup> | <b>Audit Related Fees</b> <sup>(2)</sup> | <b>Tax Fees</b> <sup>(3)</sup> | <b>All Other Fees</b>    |
|--|----------------------------------|--|--------------------------------|--------------------------|
| Year ended<br>December 31, 2016 <sup>(4)</sup> | \$ 475,084                       | \$ 2,500                                 | \$ 27,649                      | \$ 89,412 <sup>(6)</sup> |
| Year ended<br>December 31, 2015 <sup>(5)</sup> | \$ 404,088                       | \$ 5,000                                 | \$ 41,933                      | \$—                      |

<sup>(1)</sup>Includes fees for financial statement audits, 10-Q reviews, Sarbanes-Oxley 404 controls work, and related expenses.

- (2) Includes fees for agreed upon procedures to assist the Company in completing a declaration letter regarding financial assurance for one of the states in which the Company operates.
- (3) Includes tax return preparation, planning, and compliance filings. Also includes fees for amended state tax returns and fees for other tax and acquisition related issues.
- (4) Fees for 2016 are estimates.
- (5) Fees for 2015 reflect final amounts billed.
- (6) This amount mainly relates to agreed upon procedures performed to assist the Company in completing the divestiture of its absorbent products business completed on January 3, 2017.

In accordance with the Audit Committee charter, the Audit Committee must review and, in its sole discretion, pre-approve an itemized budget for the independent auditors' annual engagement letter and all audit, audit-related, tax and other permissible services proposed to be provided by the independent auditor in accordance with the applicable New York Stock Exchange listing standards and United States Securities and Exchange Commission rules, and the fees for such services. The Audit Committee approved all services provided by BDO USA, LLP during fiscal years 2016 and 2015.

#### **PROPOSAL NUMBER 4**

##### **ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION**

As required by Section 14A of the Securities Exchange Act of 1934, we are offering our stockholders an opportunity to cast an advisory vote on the compensation of our named executive officers, as disclosed in this Proxy Statement. This advisory vote is commonly referred to as a “say-on-pay” vote. Although the vote is not binding on the Company or the Board, the Board and the Compensation Committee will consider the voting results when making future compensation decisions.

As described in the “EXECUTIVE COMPENSATION AND OTHER INFORMATION” section of this Proxy Statement beginning on page 10, we believe that our Executive Compensation Program (1) provides a competitive total compensation program that enables us to attract, retain and motivate executive management employees, and (2) aligns the interests of the named executive officers with the interests of our stockholders in different ways, by focusing on both short-term and long-term performance goals, by promoting ownership of the Company, and by rewarding individual performance. For these reasons, we recommend that stockholders vote in favor of the following resolution:

“RESOLVED, that the stockholders hereby approve the compensation of National Presto Industries, Inc.’s named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and the related disclosures.”

**The Board of Directors recommends a vote “FOR” approval of this advisory resolution on executive compensation.**

#### **PROPOSAL NUMBER 5**

##### **ADVISORY (NON-BINDING) VOTE ON FREQUENCY OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION**

In addition to providing stockholders with the opportunity to cast an advisory vote on executive compensation in Proposal Number 4 above, the Company this year is providing stockholders with an advisory vote on the frequency of future advisory votes on our executive compensation. This advisory vote is commonly referred to as a “say-on-frequency” vote. Under this proposal, stockholders may indicate whether they prefer that we hold a say-on-pay

vote every year, every two years or every three years, or they may abstain from this vote.

This say-on-frequency vote is required to be conducted every six years under Section 14A of the Securities Exchange Act of 1934. Our prior say-on-frequency vote occurred in 2011. At that year's annual meeting, our Board recommended a say-on-pay vote every three years and our stockholders concurred. Accordingly, we held a say-on-pay vote at the 2014 annual meeting.

The Board continues to believe that a frequency of every three years for the advisory vote on executive compensation is the optimal interval for conducting and responding to a say-on-pay vote. Stockholders who

have concerns about executive compensation during the interval between say-on-pay votes are welcome to bring their specific concerns to the attention of the Board. Please refer to the “Corporate Governance” section in this Proxy Statement for information about communicating with the Board.

Although this say-on-frequency vote is not binding on the Company, the Board or the Compensation Committee, the Board and the Compensation Committee will take into account the outcome of the vote when considering the frequency of future advisory votes on executive compensation.

**The Board of Directors recommends that you vote for a frequency of every 3 years for future advisory votes on executive compensation.**

## **OTHER MATTERS**

The Company will pay the entire cost of preparing, assembling, and mailing the proxy materials and soliciting votes. Management has made no arrangement to solicit proxies for the meeting other than by use of mail, except that some solicitation may be made by telephone, facsimile, email, or personal calls by officers or regular employees of the Company. The Company will, upon request, reimburse brokers and other persons holding shares for the benefit of others in accordance with the rates approved by the New York Stock Exchange for their expenses in forwarding proxies and accompanying material and in obtaining authorization from beneficial owners of the Company’s stock to give proxies.

The Board of Directors knows of no other matters to be brought before this Annual Meeting. If any other matter is properly presented for a vote at the meeting, however, it is the intention of each person named in the proxy to vote such proxy in accordance with his or her judgment on such matters.

**The 2016 Annual Report is enclosed with this Proxy Statement and contains the Company’s financial statements for the fiscal year ended December 31, 2016. National Presto Industries, Inc. 2016 Annual Report and Form 10-K annual report on file with the Securities and Exchange Commission may be obtained, without charge, upon written request to Douglas J. Frederick, Secretary, National Presto Industries, Inc., 3925 North Hastings Way, Eau Claire, Wisconsin 54703, phone number 1-800-945-0199 Ext. 2244. Copies of exhibits to Form 10-K may be obtained upon payment to the Company of the reasonable expense incurred in providing such exhibits.**

## **STOCKHOLDER PROPOSALS**

The Company expects the 2018 Annual Meeting of Stockholders will be held on May 15, 2018. Therefore, any stockholder who desires to present a proposal at the 2018 Annual Meeting, must deliver the written proposal to the Secretary of the Company at 3925 North Hastings Way, Eau Claire, Wisconsin 54703:

Not later than December 12, 2017, if the proposal is submitted for inclusion in the Company's proxy materials for the 2018 Annual Meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934; or

Not later than February 15, 2018, if the proposal is submitted pursuant to the Company's bylaws, in which case the Company is not required to include the proposal in its proxy materials.

Stockholders may present a proposal at the 2018 Annual Meeting for consideration only if proper notice of the proposal has been given in accordance with one of these requirements. Recommendations of Director nominees for the 2018 Annual Meeting may be made only if advance written notice in accordance with the bylaws is delivered to the Secretary of the Company by February 15, 2018 (but December 12, 2017, if any such candidate, if subsequently nominated by the Company's Nominating Committee, is to be included in the Proxy Statement).

**BY ORDER OF THE BOARD OF DIRECTORS**

Douglas J. Frederick, Secretary

## APPENDIX A

### NATIONAL PRESTO INDUSTRIES, INC. 2017 INCENTIVE COMPENSATION PLAN

#### SECTION 1. PURPOSE AND DURATION

1.1 Purpose. The purpose of the National Presto Industries, Inc. 2017 Incentive Compensation Plan (the “Plan”) is to attract and retain qualified employees of National Presto Industries, Inc. (the “Company”) and its Subsidiaries. By encouraging employees of the Company and its Subsidiaries to acquire a proprietary interest in the Company’s growth and performance, the Company intends to motivate employees to achieve long-term Company goals and to more closely align the interests of such persons with those of the Company’s stockholders.

1.2 Duration of the Plan. The Plan shall become effective as of May 16, 2017, subject to the approval of the stockholders of the Company at the Annual Meeting on May 16, 2017 (the “Effective Date”). The Plan shall remain in effect, subject to the right of the Board to amend or terminate the Plan at any time pursuant to Section 6 hereof, until the date all Shares subject to the Plan shall have been issued or acquired and the Restrictions on all Awards granted under the Plan shall have lapsed, according to the Plan’s provisions.

#### SECTION 2. DEFINITIONS

As used in the Plan, in addition to terms elsewhere defined in the Plan, the following terms shall have the meanings set forth below:

2.1 **“Award” or “Restricted Stock Award”** means an award of Restricted Stock granted to an Eligible Person under this Plan.

2.2 **“Award Agreement”** means any written agreement, contract, or other instrument or document evidencing any Award granted hereunder between the Company and a Grantee.



2.3 **“Board”** means the Board of Directors of the Company.

2.4 **“Change in Control”** means the occurrence of any one or more of the following:

An acquisition of outstanding or newly issued Company securities that results in any Person with Beneficial Ownership (as each are defined within the meaning of Rule 13d-3 under the Exchange Act) of more than 50% (a) (other than any Person who, as of the date hereof, already has Beneficial Ownership of at least 20%) of either (x) the then outstanding shares of the Company’s Common Stock (the **“Outstanding Company Common Stock”**), or (y) the combined voting power of the then outstanding voting securities of the Company

entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); or

A change in the composition of the Board in connection with a tender or exchange offer, a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a “**Corporate Transaction**”) or a direct purchase of securities from the Company such that (i) the individuals who, as of the date hereof, constitute the members of the Board (the “**Incumbent Board**”) cease to constitute at least a majority of the Board, or (ii) a majority of the individuals who, as of the date hereof, constitute the Incumbent Board resign or are removed from the Board; provided, however, that (b) any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents; or

The approval by the stockholders of the Company of a Corporate Transaction or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Corporate Transaction pursuant to which (i) all or substantially all of the Beneficial Owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will Beneficially Own, directly or indirectly, more than 50% of the Outstanding Company Common Stock, or more than 50% of the Outstanding Company Voting Securities of the Company resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns (c) the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (other than the Company, any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or such corporation resulting from such Corporate Transaction) will Beneficially Own, directly or indirectly, 20% or more of, respectively, the Outstanding Company Common Stock or Outstanding Company Voting Securities resulting from such Corporate Transaction except to the extent that such ownership existed with respect to the Company prior to the Corporate Transaction, and (iii) individuals who were members of the Incumbent

Board will constitute at least a majority of the board of directors of the corporation resulting from such Corporate Transaction; or

(d) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Despite all of the foregoing, no Change in Control is deemed to have occurred with respect to a Grantee if a Grantee is part of a purchasing group which consummates the Change in Control transaction. A Grantee is deemed “part of a purchasing group” for purposes of the preceding sentence if the Grantee is an equity participant in the purchasing company or group except for (i) passive ownership of less than three percent (3%) of the stock of the purchasing company or (ii) ownership of an equity participation in the purchasing company or group which is otherwise not significant, as determined prior to the Change in Control by a majority of the Incumbent Board.

2.5 “**Code**” means the Internal Revenue Code of 1986 (and any successor thereto), as amended from time to time, and applicable regulations and rulings thereunder.

2.6 “**Committee**” *has the meaning set forth in Section 3.1.*

2.7 “**Common Stock**” means common stock, par value \$1.00 per share, of the Company.

2.8 “**Company**” has the meaning set forth in Section 1.1.

2.9 “**Covered Employee**” means a Grantee who, as of the last day of the fiscal year in which the value of an Award is includable in income for federal income tax purposes, is one of the group of “covered employees,” within the meaning of Code Section 162(m), with respect to the Company.

2.10 “**Disability**” means the disability of the Grantee such as would entitle the Grantee to receive disability income benefits pursuant to the long-term disability plan of the Company or Subsidiary then covering the Grantee or, if no such plan exists or is applicable to the Grantee, the permanent and total disability of the Grantee in the sense that he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

2.11 **“Effective Date”** has the meaning set forth in Section 1.2.

2.12 **“Eligible Person”** means any employee of an Employer.

2.13 **“Employer”** means the Company or any Subsidiary.

2.14 **“Exchange Act”** means the Securities and Exchange Act of 1934, as amended, or any successor thereto, and the rules and regulations promulgated thereunder, all as shall be amended from time to time.

2.15 **“Fair Market Value”** means, as of any applicable date, (a) the last sale price for one Share on such date as reported on the New York Stock Exchange or, if the foregoing does not apply, on such

other market system or stock exchange on which the Company's Common Stock is then listed or admitted to trading, or on the last previous day on which a sale was reported if no sale of a Share was reported on such date, or (b) if the foregoing subsection (a) does not apply, the fair market value of a Share as reasonably determined in good faith by the Board.

2.16 **“Grant Date”** means the date designated in a resolution by the Committee as the date on which an Award is granted. In no event shall the Grant Date be earlier than the date on which the Committee approves the granting of the Award.

2.17 **“Grantee”** means an Eligible Person who has been granted an Award.

2.18 **“Including”** or **“includes”** means “including, but not limited to,” or “includes, but is not limited to,” respectively.

2.19 **“Performance-Based Exception”** means the performance-based exception from the tax deductibility limitations of Code Section 162(m).

2.20 **“Performance Goal”** means the objective or subjective criterion or criteria determined by the Committee, the degree of attainment of which will affect the amount of the Award the Grantee is entitled to receive or retain, and to the extent the Committee intends an Award to comply with the Performance-Based Exception, the Performance Goal(s) shall be chosen from among the Performance Measures set forth in Section 4.4(a).

2.21 **“Performance Measure”** has the meaning set forth in Section 4.4(a).

2.22 **“Person”** means any individual, sole proprietorship, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department.

2.23 **“Restricted Stock”** means any Share issued under the Plan that is subject to Restrictions.

2.24 **“Restrictions”** means any restriction on a Grantee’s free enjoyment of the Shares or other rights underlying Awards, including (a) that the Grantee or other holder may not sell, transfer, pledge, or assign a Share or right, and (b) such other restrictions as the Committee may impose in the Award Agreement (including any restriction on the right to vote such Share and the right to receive any dividends). Restrictions may be based upon the passage of time or the satisfaction of performance criteria or the occurrence of one or more events or conditions, and shall lapse separately or in combination upon such conditions and at such time or times, in installments or otherwise, as the Committee shall specify. Awards subject to a Restriction shall be forfeited if the Restriction does not lapse prior to such date or the occurrence of such event or the satisfaction of such other criteria as the Committee shall determine.

2.25 **“Retirement”** means (a) the Termination of Service at or after age 65 or (b) the Termination of Service at or after the age of 60 if the combination of the sum of the Grantee’s years of service to the Company plus the age of the Grantee exceeds 85 years and the Grantee does not intend to continue employment at another company or for oneself at the time of retirement.

2.26 “**Section 16 Person**” means a person who is subject to potential liability under Section 16(b) of the Exchange Act with respect to transactions involving equity securities of the Company.

2.27 “**Share**” means a share of the Common Stock of the Company.

2.28 “**Subsidiary**” means any Person that directly, or through one (1) or more intermediaries, is controlled by the Company.

2.29 “**Termination of Service**” occurs on the first day on which an individual is for any reason no longer providing services to an Employer in the capacity of an employee.

2.30 “**Year**” means a calendar year.

### **SECTION 3. ADMINISTRATION**

3.1 Committee. The Plan shall be administered by the Compensation Committee of the Board unless otherwise determined by the Board (the “Committee”). The members of the Committee shall be appointed by the Board from time to time and may be removed by the Board from time to time. Subject to Section 4.4(c), the Committee may delegate to the Chief Executive Officer of the Company any or all of the authority of the Committee with respect to the grant of Awards to Grantees, other than Grantees who are executive officers, or are (or are expected to be) Covered Employees and/or are Section 16 Persons at the time any such delegated authority is exercised.

3.2 Powers of the Committee. Subject to the express provisions of the Plan and to applicable law, the Committee shall have full power and authority and sole discretion as follows:

(a) to determine when, to whom and in what amounts Awards should be granted;

(b) to grant Awards to Eligible Persons in any number, and to determine the terms and conditions applicable to each Award (including without limitation conditions intended to comply with Code Sections 409A and 162(m)), the number of Shares to be awarded, any purchase price to be paid by the Grantee, any Restriction, the length of the restricted period, any schedule for or performance conditions relating to the earning of the Award or the lapse of forfeiture restrictions, restrictive covenants, restrictions on transferability, any performance period, any Performance Goals, including those relating to the Company and/or a Subsidiary and/or any division thereof and/or an individual, and/or vesting based on the passage of time;

(c) to determine whether any performance or vesting conditions, including Performance Measures or Performance Goals, have been satisfied;

(d) except as provided in Sections 5.8(b) and 5.9, to determine whether, to what extent and under what circumstances an Award may be accelerated, vested, canceled, forfeited or surrendered, or any terms of the Award may be waived;



- (e) to interpret and administer the Plan and any instrument or agreement, including any Award Agreement, relating to the Plan;
- (f) to establish, amend, suspend or waive rules and regulations for the proper administration of the Plan;
- (g) to determine the terms and conditions of all Award Agreements applicable to Eligible Persons (which need not be identical) and, with the consent of the Grantee (except as provided in this Section 3.2(g) and 6.2), to amend any such Award Agreement at any time; provided that the consent of the Grantee shall not be required for any amendment (i) which does not adversely affect the rights of the Grantee, or (ii) which is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any new applicable law or regulation or change in an existing applicable law or regulation or interpretation thereof, or (iii) to the extent the Award Agreement specifically permits amendment without consent;
- (h) to impose such additional terms and conditions upon the grant or retention of Awards as the Committee may, before or concurrently with the grant thereof, deem appropriate;
- (i) to correct any defect or supply any omission or reconcile any inconsistency, and to construe and interpret the Plan, the rules and regulations, and Award Agreement or any other instrument entered into or relating to an Award under the Plan; and
- (j) to take any other action with respect to any matters relating to the Plan and to make all other decisions and determinations, including factual determinations, as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

3.3 **Decisions Binding.** Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all Persons, including the Company, its Subsidiaries, any Grantee, any Eligible Person, any Person claiming any rights under the Plan from or through any Grantee, and stockholders. If not specified in the Plan, the time at which the Committee must or may make any determination shall be determined by the Committee, and any such determination may thereafter be modified by the Committee. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee.

#### **SECTION 4.**

**SHARES SUBJECT TO THE PLAN AND ADJUSTMENTS; CODE SECTION 162(M)**

4.1 Number of Shares Available for Grants.

(a) Subject to adjustment as provided in Section 4.2, the aggregate number of Shares which may be delivered under the Plan shall not exceed 150,000 Shares. If any Shares subject to an Award granted hereunder are forfeited or such Award otherwise terminates without the delivery of such Shares, the Shares subject to such Award, to the extent of any such forfeiture or termination, shall again be available for grant under the Plan.

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(b) The Committee shall from time to time determine the appropriate methodology for calculating the number of Shares that have been delivered pursuant to the Plan. Shares delivered pursuant to the Plan shall be treasury Shares, including Shares repurchased by the Company for purposes of the Plan.

4.2 Adjustments in Authorized Shares and Awards. In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, or other securities or property), stock split or combination, forward or reverse merger, reorganization, subdivision, consolidation or reduction of capital, recapitalization, consolidation, scheme of arrangement, split-up, spin-off or combination involving the Company or repurchase or exchange of Shares, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of: (i) the number and type of Shares (or other securities or property) with respect to which Awards may be granted under the Plan, (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, and (iii) the number of Shares with respect to which Awards may be granted to a Grantee, and provided further that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

4.3 Compliance With Code Section 162(m).

(a) Section 162(m) Compliance. To the extent the Committee determines that compliance with the Performance-Based Exception is desirable with respect to an Award, Sections 4.3 and 4.4 shall apply (it being understood that compliance with 162(m) is not mandated under the Plan with respect to Awards). In the event that changes are made to Code Section 162(m) to permit flexibility with respect to any Awards available under the Plan, the Committee may, subject to Sections 4.3 and 4.4, make any adjustments to such Awards as it deems appropriate.

(b) Eligible Persons. The Committee shall designate the Eligible Persons (each of whom shall be Covered Employees) to be granted an Award intended to comply with Performance-Based Exception within the time period prescribed by Section 162(m) of the Code (i.e., within the first ninety (90) days of each Year subject to any exception stated therein); provided that for a hiring or promotion after such period, the designation shall not be later than the elapse of 25% of the remainder of such Year after such hiring or promotion.

(c) Time Frame Required to Establish Performance Measures. The Committee shall set the objective-based Performance Measures (as set forth in Section 4.4 below) in writing within the time period prescribed by Section 162(m) of the Code (i.e., within the first ninety (90) days of each Year subject to any exception stated therein).



(d) Committee Certification and Determination of Amount of Award. The Committee shall determine and certify in writing (resolutions or minutes are acceptable) the degree of attainment of Performance Measures for any Award intended to comply with Performance-Based Exception as soon as administratively practicable after the end of each Year but not later than sixty (60) days after the end of such Year. The Committee reserves the discretion to reduce (but not below zero) the amount of an individual's Award below the maximum Award. The determination of the Committee to reduce (or not pay) an individual's Award for a Year shall not affect the maximum Award payable to any other individual.

(e) 162(m) Award Limitations. The aggregate number of Shares subject to Restricted Stock Awards granted under this Plan to any single Grantee shall not exceed 7,500 Shares during any calendar year. The foregoing limitation shall be subject to adjustment under Section 4.2(a), but only to the extent that such adjustment will not affect the status of any Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

#### 4.4 Performance Based Exception Under Section 162(m).

(a) Performance Measures. Subject to Section 4.4(d), unless and until the Committee proposes for stockholder vote and stockholders approve a change in the general Performance Measures set forth in this Section 4.4(a), for Awards designed to qualify for the Performance-Based Exception, the objective performance criteria shall be based upon one or more of the following (each a "**Performance Measure**"):

- (i) Earnings before interest, tax, depreciation or amortization (actual and adjusted and either in the aggregate or on a per-Share basis);
- (ii) Earnings (either in the aggregate or on a per-Share basis);
- (iii) Net income or loss (either in the aggregate or on a per-Share basis);
- (iv) Operating profit;
- (v) Growth or rate of growth in cash flow;
- (vi) Cash flow provided by operations (either in the aggregate or on a per-Share basis);
- (vii) Free cash flow (either in the aggregate on a per-Share basis);
- (viii) Gross revenues;
- (ix) Reductions in expense levels, operating and maintenance cost management and employee productivity;

- (x) Stockholder returns and return measures (including return on assets, investments, equity, or gross sales);
- (xi) Growth or rate of growth in return measures;

- (xii) Share price (including growth measures and total stockholder return or attainment by the Shares of a specified value for a specified period of time);
- (xiii) Net economic value and/or economic value added;
- (xiv) Aggregate product unit and pricing targets;  
  
Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market
- (xv) share, market penetration, geographic business expansion goals, objectively identified project milestones, production volume levels, cost targets, and goals relating to acquisitions or divestitures;
- (xvi) Achievement of business or operational goals such as market share and/or business development;
- (xvii) Results of customer satisfaction surveys;
- (xviii) Debt ratings, debt leverage and debt service; and/or
- (xix) Maintenance of the asset base;

*provided* that applicable Performance Measures may be applied on a pre- or post-tax basis; and provided further that the Committee may, on the Grant Date of an Award intended to comply with the Performance-Based Exception, and in the case of other Awards, at any time, provide that the formula for such Award may include or exclude items to measure specific objectives, such as losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, foreign exchange impacts, and any unusual, nonrecurring gain or loss.

(b) Flexibility in Setting Performance Measures. The levels of performance required with respect to Performance Measures may be expressed in absolute or relative levels and may be based upon a set increase, set positive result, maintenance of the status quo, set decrease or set negative result. Performance Measures may differ for Awards to different Grantees. The Committee shall specify the weighting (which may be the same or different for multiple objectives) to be given to each performance objective for purposes of determining the final amount payable with respect to any such Award. Any one or more of the Performance Measures may apply to the Grantee, a department, unit, division or function within the Company or any one or more Subsidiaries; and may apply either alone or relative to the performance of other businesses or individuals (including industry or general market indices).

(c) Adjustments. The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established Performance Measures; provided, however, that Awards which are designed to qualify for the Performance-Based Exception may not (unless the Committee determines to amend the Award so that it no longer qualified for the Performance-Based Exception) be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward). The Committee may not, unless the Committee determines to amend the Award so that it no longer qualifies for





the Performance-Based Exception, delegate any responsibility with respect to Awards intended to qualify for the Performance-Based Exception. All determinations by the Committee as to the achievement of the Performance Measure(s) shall be in writing prior to payment of the Award.

(d) Changes to Performance Measures. In the event that applicable laws, rules or regulations change to permit Committee discretion to alter the governing Performance Measures without obtaining stockholder approval of such changes, and still qualify for the Performance-Based Exception, the Committee shall have sole discretion to make such changes without obtaining stockholder approval.

## **SECTION 5.**

### **RESTRICTED STOCK AWARDS**

5.1 Grant of Restricted Stock. Subject to and consistent with the provisions of the Plan, the Committee, at any time and from time to time, may grant Restricted Stock to any Eligible Person in such amounts as the Committee shall determine.

5.2 Award Agreement. Each grant of Restricted Stock shall be evidenced by an Award Agreement that shall specify the Restrictions, the number of Shares subject to the Restricted Stock Award, and such other provisions not inconsistent with the provisions of this Plan as the Committee shall determine. The Committee may impose such Restrictions on any Restricted Stock Award as it deems appropriate, including time-based Restrictions, performance-based Restrictions, Restrictions based on the occurrence of a specified event, and/or Restrictions under applicable securities laws.

5.3 Consideration for Award. The Committee shall determine the amount, if any, that a Grantee shall pay for Restricted Stock.

5.4 Vesting. Shares subject to a Restricted Stock Award shall become vested as specified in the applicable Award Agreement. For purposes of calculating the number of Shares of Restricted Stock that become vested, Share amounts shall be rounded to the nearest whole Share amount.

5.5 Effect of Forfeiture. If Restricted Stock is forfeited, and if the Grantee was required to pay for such Shares, the Grantee shall be deemed to have resold such Restricted Stock to the Company at a price equal to the lesser of (a) the

amount paid by the Grantee for such Restricted Stock and (b) the Fair Market Value of a Share on the date of such forfeiture. The Company shall pay to the Grantee the deemed sale price as soon as is administratively practical. Such Restricted Stock shall cease to be outstanding, and shall no longer confer on the Grantee thereof any rights as a stockholder of the Company, from and after the date of the event causing the forfeiture, whether or not the Grantee accepts the Company's tender of payment for such Restricted Stock.

5.6 Escrow; Legends. The Committee may provide that the certificates for any Restricted Stock (a) shall be held (together with a stock power executed in blank by the Grantee) in escrow by the Secretary of the Company until such Restricted Stock becomes non-forfeitable or is forfeited and/or (b) shall bear an appropriate legend restricting the transfer of such Restricted Stock under the Plan. If any Restricted Stock

becomes non-forfeitable, the Company shall cause certificates for such Shares to be delivered without such legend or shall cause a release of restrictions on a book entry account maintained by the Company's transfer agent.

5.7 Payment of Withholding Taxes. The Company has the right to withhold amounts from Awards to satisfy federal, state, local, or foreign tax withholding requirements as it deems appropriate. The Company may decide to satisfy the withholding obligations through additional withholding on salary or other wages or by requiring the Grantee to promptly remit the amount of withholding to the Company prior to the delivery of the Shares with respect to the Award, or the Company may in its discretion withhold from the Shares to be delivered Shares sufficient to satisfy all or a portion of such tax withholding requirements.

5.8 Rights Upon Termination of Service.

(a) General. Except to the extent that the Committee provides otherwise in an Award Agreement, in the event the Grantee's Termination of Service is due to any reason other than death, Disability, or Retirement, all unvested Restricted Stock Awards then held by the Grantee shall be cancelled and forfeited to the Company.

(b) Termination of Service Due to Death, Disability, or Retirement. In the event the Grantee's Termination of Service is due to death, Disability, or Retirement, all unvested Restricted Stock Awards then held by the Grantee that are not subject to performance-based vesting conditions will become fully vested. If the unvested Restricted Stock Awards then held by the Grantee are subject to performance-based vesting conditions, the vesting of such Restricted Stock Awards shall occur only when and to the extent the applicable Performance Goals are satisfied.

5.9 Change in Control. In the event of a Change in Control, all unvested Restricted Stock Awards will become immediately fully vested and non-forfeitable and any Performance Goals applicable to the Restricted Stock Awards will be deemed to have been satisfied to the maximum degree specified in the Award.

5.10 Nontransferability of Awards. No right or interest of any Grantee in a Restricted Stock Award prior to vesting may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Grantee other than by will or by the laws of descent and distribution. Nothing herein shall be construed as requiring the Committee to honor the order of a domestic relations court regarding an Award, except to the extent required under applicable law.

5.11 Beneficiary Designation. Each Grantee under the Plan may, from time to time, name a beneficiary to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. If no

beneficiary has been designated or if a beneficiary designated by the Grantee fails to survive the Grantee, benefits remaining unpaid at the Grantee's death shall be paid to the Grantee's estate.

5.12 Stockholder Rights in Restricted Stock. Restricted Stock, whether held by a Grantee or in escrow or other custodial arrangement by the Secretary of the Company, shall confer on the Grantee all rights of a stockholder of the Company, except as otherwise provided in the Plan or Award Agreement. At the time of a grant of Restricted Stock, the Committee may require the payment of cash dividends thereon to be deferred and, if the Committee so determines, reinvested in additional Shares of Restricted Stock. Stock dividends and deferred cash dividends issued with respect to Restricted Stock shall be subject to the same restrictions and other terms as apply to the Shares of Restricted Stock with respect to which such dividends are issued.

## **SECTION 6.**

### **AMENDMENTS AND TERMINATION**

6.1 Amendment and Termination. Subject to Section 6.2, the Board may at any time amend, alter, suspend, discontinue or terminate the Plan in whole or in part without the approval of the Company's stockholders, provided that any amendment shall be subject to the approval of the Company's stockholders if such approval is required by any federal or state law or regulation or any stock exchange or automated quotation system on which the Shares may then be listed or quoted.

6.2 Previously Granted Awards. Except as otherwise specifically provided in the Plan or an Award Agreement, no termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan without the written consent of the Grantee of such Award.

## **SECTION 7.**

### **GENERAL PROVISIONS**

7.1 Governing Law. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Wisconsin other than its law respecting choice of laws and applicable federal law.

7.2 Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise of all or substantially all of the business and/or assets of the Company.

7.3 Securities Law Compliance. If the Committee deems it necessary to comply with any applicable securities law, or the requirements of any securities exchange or market upon which Shares may be listed, the Committee may impose any restriction on Awards or Shares acquired pursuant to Awards under the Plan as it may deem advisable. All evidence of Share ownership delivered pursuant to any Award shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations or other requirements of the SEC, any securities exchange or market upon which Shares are then listed, and any applicable securities law. If so requested by the Company, the Grantee

shall make a written representation and warranty to the Company that he or she will not sell or offer to sell any Shares unless a registration statement shall be in effect with respect to such Shares under the Securities Act of 1933, as amended, and any applicable state securities law or unless he or she shall have furnished to the Company an opinion of counsel, in form and substance satisfactory to the Company, that such registration is not required.

If the Committee determines that non-forfeiture of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any national securities exchange or national market system on which are listed any of the Company's equity securities, then the Committee may postpone any such non-forfeiture or delivery to comply with all such provisions at the earliest practicable date.

7.4 Section 409A. To the extent applicable and notwithstanding any other provision of this Plan, this Plan and Awards hereunder shall be administered, operated and interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date on which the Board approves the Plan; provided, however, in the event that the Committee determines that any amounts payable hereunder may be taxable to a Grantee under Code Section 409A and related Department of Treasury guidance prior to the payment and/or delivery to such Grantee of such amount, the Company may (a) adopt such amendments to the Plan and related Award, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Awards hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to comply with or exempt the Plan and/or Awards from the requirements of Code Section 409A and related Department of Treasury guidance, including such Department of Treasury guidance and other interpretive materials as may be issued after the date on which the Board approves the Plan. The Company and its Subsidiaries make no guarantees to any Person regarding the tax treatment of Awards or payments made under the Plan, and, notwithstanding the above provisions and any agreement or understanding to the contrary, if any Award, payments or other amounts due to a Grantee (or his or her beneficiaries, as applicable) results in, or causes in any manner, the application of an accelerated or additional tax, fine or penalty under Code Section 409A or otherwise to be imposed, then the Grantee (or his or her beneficiaries, as applicable) shall be solely liable for the payment of, and the Company and its Subsidiaries shall have no obligation or liability to pay or reimburse (either directly or otherwise) the Grantee (or his or her beneficiaries, as applicable) for, any such additional taxes, fines or penalties.

7.5 No Right to Continued Employment or Awards. No employee shall have the right to be selected to receive an Award under this Plan or, having been so selected, to be selected to receive a future Award. The grant of an Award shall not be construed as giving a Grantee the right to be retained in the employ of the Company or any Subsidiary or to be retained as a director of the Company or any Subsidiary. Further, the Company or a Subsidiary may at any time terminate the employment of a Grantee free from

any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

7.6 Construction. The following rules of construction will apply to the Plan: (a) the word “or” is disjunctive but not necessarily exclusive, and (b) words in the singular include the plural, words in the plural include the singular, and words in the neuter gender include the masculine and feminine genders and words in the masculine or feminine gender include the other neuter genders. The headings of sections and subsections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.

7.7 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

7.8 Plan Document Controls. This Plan and each Award Agreement constitute the entire agreement with respect to the subject matter hereof and thereof; provided that in the event of any inconsistency between this Plan and such Award Agreement, the terms and conditions of the Plan shall control unless otherwise expressly stated in the Award Agreement.



***Notice of  
Annual  
Meeting  
and  
Proxy  
Statement***

***Annual Meeting of Stockholders  
May 16, 2017***

Please sign and return the  
enclosed proxy card promptly.

***National Presto Industries, Inc.  
3925 North Hastings Way  
Eau Claire, Wisconsin 54703***

**NATIONAL PRESTO  
INDUSTRIES, INC.**

***IMPORTANT ANNUAL MEETING INFORMATION*** 000004  
ENDORSEMENT\_LINE \_\_\_\_\_ SACKPACK \_\_\_\_\_

MR A SAMPLE  
DESIGNATION (IF ANY)  
ADD 1  
ADD 2  
ADD 3  
ADD 4  
ADD 5  
ADD 6

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

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**Electronic Voting Instructions**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 11:59 p.m., Central Time, on May 15, 2017.**

**Vote by Internet**

Go to [www.investorvote.com/NPK](http://www.investorvote.com/NPK)

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

**Annual Meeting Proxy Card** 1234 5678 9012 345

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**A Proposals — The Board of Directors recommends a vote “FOR” Proposals 1, 2, 3 and 4 and “3 Years” on Proposal 5.**

|                           |            |                 |                           |                 |          |
|---------------------------|------------|-----------------|---------------------------|-----------------|----------|
| 1. Election of Directors: | <b>For</b> | <b>Withhold</b> | <b>For</b>                | <b>Withhold</b> | <b>+</b> |
| 01 - Randy F. Lieble      |            |                 | 02 - Joseph G. Stienessen |                 |          |

|    |            |                |                |    |            |                |                |
|----|------------|----------------|----------------|----|------------|----------------|----------------|
| 2. | <b>For</b> | <b>Against</b> | <b>Abstain</b> | 3. | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
|----|------------|----------------|----------------|----|------------|----------------|----------------|



**Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting:**  
The Notice of Annual Meeting, Proxy Statement and 2016 Annual Report are available at  
[www.gopresto.com/proxy](http://www.gopresto.com/proxy) and <http://www.edocumentview.com/NPK>

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**Proxy NATIONAL PRESTO INDUSTRIES, INC.**

**This Proxy is Solicited on Behalf of the Board of Directors**

The undersigned hereby appoints Maryjo Cohen as proxy, with the power to appoint substitutes, and hereby authorizes her to represent and to vote as designated below, all the shares of common stock of National Presto Industries, Inc., held of record by the undersigned on March 16, 2017, at the Annual Meeting of Stockholders to be held on May 16, 2017 and any adjournment thereof.

**This proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted “FOR” Proposals 1, 2, 3 and 4 and “3 years” on Proposal 5.**

**PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.**

*(Continued, and to be signed, on the other side)*

**NATIONAL PRESTO  
INDUSTRIES, INC.**

***IMPORTANT ANNUAL MEETING INFORMATION***

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.



Presto's named executive officers. compensation.

In her discretion, the proxy is authorized to vote upon such other business as may properly come before the meeting.

**Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**  
Please sign exactly as name appears above. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

|   |              |                                |  |                                |  |
|---|--------------|--------------------------------|--|--------------------------------|--|
| Date (mm/dd/yyyy)<br>date below.<br>/ / | Please print | Signature 1<br>within the box. | Please keep signature<br>within the box. | Signature 2<br>within the box. | Please keep signature<br>within the box. |
|---|--------------|--------------------------------|--|--------------------------------|--|

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The Notice of Annual Meeting, Proxy Statement and 2016 Annual Report are available at  
[www.gopresto.com/proxy](http://www.gopresto.com/proxy) and <http://www.edocumentview.com/NPK>

**PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**Proxy NATIONAL PRESTO INDUSTRIES, INC.**

**This Proxy is Solicited on Behalf of the Board of Directors**

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**PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.**

*(Continued, and to be signed, on the other side)*