



April 28, 2021

Dear Shareholders:

It is my pleasure to invite you to the 2021 annual meeting of the shareholders of Omega Flex, Inc. We will hold the meeting on Wednesday, June 9, 2021, at 1:00 p.m. Similar to the annual shareholder meeting held in 2020, this annual meeting will be held virtually, as described in the notice of meeting and in this proxy statement. At the annual meeting, we will discuss each item of business described in the notice of annual meeting and in the accompanying proxy statement and give a report on our business operations. There will also be time for your questions.

You will have received a notice of internet availability, which directs you to our website to access the proxy statement and annual report through the internet at [www.envisionreports.com/OFLX](http://www.envisionreports.com/OFLX) for registered shareholders, or [www.edocumentview.com/OFLX](http://www.edocumentview.com/OFLX) for shares held through a banker or broker.

You can also request a paper copy of these documents by following the instructions in that notice. This booklet contains the proxy statement and a notice of annual meeting. The proxy statement provides information about the business we will conduct at the annual meeting, in addition to describing our directors and management. Also available on our website is a copy of our Annual Report, which includes information about our business and our 2020 financial results.

We hope you will be able to attend the virtual annual meeting. If you need special assistance at the meeting, please contact the Company secretary at the address shown on the next page. Whether or not you expect to attend, please vote your shares using any of the following methods:

- vote by telephone or the internet, as described in the instructions on the notice of internet availability;
- request a proxy card or voting instruction card; sign, date and return it in the prepaid envelope; or
- vote in person at the meeting.

We look forward to your participation at the annual meeting, and thank you for investing in Omega Flex, Inc.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin R. Hoben', written over a white background.

Kevin R. Hoben,  
Chairman and Chief Executive Officer

# Notice of 2021 Annual Meeting of Stockholders

**Date:**

Wednesday,  
June 9, 2021

**Time:**

1:00 p.m.  
Eastern Time

**Website Access:**

<https://www.omegaflex.com/2021shareholdermeeting>

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<b>Access</b>	<p>Due to the public health impact of the COVID-19 and to support the health and well-being of our shareholders, employees, partners and communities, the Annual Meeting of Shareholders (the “Annual Meeting”) of Omega Flex, Inc. will be held in a virtual meeting format via webcast only, and will not be held at a physical location.</p> <p>You are entitled to participate in the Annual Meeting if you were a “registered shareholder” at the close of business on April 5, 2021, the record date, or hold a legal proxy for the meeting provided by your bank, broker, or nominee (“beneficial owner”).</p> <p>To be admitted to the Annual Meeting, please register for the meeting at <a href="https://www.omegaflex.com/2021shareholdermeeting">https://www.omegaflex.com/2021shareholdermeeting</a></p>
<b>Record Date</b>	<p><b>April 5, 2021.</b> Only shareholders of record of the Company’s common stock at the close of business on the record date are entitled to receive notice of, and to vote at, the Annual Meeting and any adjournments or postponements of the meeting.</p>
<b>Items of Business</b>	<ul style="list-style-type: none"><li>• To elect two Class 1 nominees as directors to our Board of Directors;</li><li>• To ratify the selection of RSM US LLP as our independent auditor for 2021; and</li><li>• To transact any other business as may properly come before the Annual Meeting or any adjournments or postponements of the meeting.</li></ul>
<b>Proxy Materials</b>	<p>Attached to this meeting notice you will find a proxy statement that contains further information about the items upon which you will be asked to vote and the meeting itself. <b>Your vote is very important</b>— you may vote on the Internet, by telephone, or by completing and mailing a proxy or voting card as explained in the attached 2021 Proxy Statement.</p>
<b>Admission to the Meeting</b>	<p>Our Annual Meeting can be accessed virtually via the Internet at: <a href="https://www.omegaflex.com/2021shareholdermeeting">https://www.omegaflex.com/2021shareholdermeeting</a></p> <p>To participate, you will need the 16-digit control number provided on your proxy card or voting instruction form.</p>
<b>Proxy Voting</b>	<p>Even if you plan to virtually attend the Annual Meeting, we encourage you to submit your proxy by Internet, telephone, or mail prior to the meeting. If you later choose to revoke your proxy or change your vote, you may do so by following the procedures described in the “Information about the Annual Meeting and Voting” section in the attached 2021 Proxy Statement.</p>
<b>Access to Proxy Materials</b>	<p>A Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access proxy materials (including the 2021 Proxy Statement and 2020 Annual Report) were first mailed on or about April 28, 2021 to all shareholders entitled to vote at the Annual Meeting, and the proxy materials were posted on the Company’s website, <a href="http://www.omegaflex.com">www.omegaflex.com</a> and on the website referenced in the Notice on the same day.</p>

**On behalf of the Board of Directors,**

Timothy P. Scanlan  
*Corporate Secretary*  
April 28, 2021

**Principal Executive Office:**

213 Court Street, Suite 1001  
Middletown, CT 06457

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## SOLICITATION AND REVOCATION OF PROXIES

This proxy statement is being provided on or about April 28, 2021 to shareholders of record of Omega Flex, Inc. (“OmegaFlex,” or the “Company”) as of April 5, 2021 in connection with the solicitation of proxies by the board of directors for use at the annual meeting of the shareholders to be held on Wednesday, June 9, 2021.

**The accompanying proxy is solicited by and on behalf of the board of directors of OmegaFlex.** The cost of the solicitation of proxies will be borne entirely by the Company. Regular employees of the Company may solicit proxies by personal interview, mail or telephone and may request brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of the stock held of record by such intermediaries. Broadridge Investor Communication Solutions and Georgeson has been retained by the Company to assist in the distribution of proxy materials and the solicitation of proxies by mail, for a total estimated fee of \$5,000, plus expenses to be paid by the Company. This proxy statement and the enclosed form of proxy are first being mailed to shareholders on or about April 28, 2021.

If a proxy is voted pursuant to the instructions in the notice of internet availability, the shares represented will be voted at the annual meeting and where a choice is specified, will be voted in accordance with the specification made. Proxies may be revoked at any time prior to voting by (1) executing and delivering a later dated proxy to the secretary of the Company at or before the annual meeting, (2) voting in person at the annual meeting or (3) giving written notice of revocation to the secretary of the Company at or before the annual meeting.

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## PROPOSALS FOR SHAREHOLDERS’ VOTE

The following proposals are being submitted to the shareholders for a vote to approve or disapprove these measures. Please read each of the proposals carefully before voting your shares.

### Proposal 1 - Election of Directors

Pursuant to the Company’s amended and restated by-laws, our board of directors is divided into three classes, with members of each class holding office for staggered three-year terms (in all cases, subject to the election and qualification of their successor, resignation or removal). Unless authority to vote for the election of any or all of the nominees is withheld by marking the proxy to that effect, the persons named in the proxy will vote to elect the persons listed below. Proxies cannot be voted for a greater number of persons than the number of nominees named.

The nominees for directors for a three-year term expiring at the 2024 annual meeting of shareholders (Class 1 Directors) are:

Stewart B. Reed	Age 73	Director of OmegaFlex since 2005
David K. Evans	Age 66	Director of OmegaFlex since 1996

Each of the nominees is currently a Class 1 director whose term expires at the 2021 annual meeting of shareholders. All of the nominees have indicated their willingness to serve if elected, but if any should be unable or unwilling to stand for election, proxies may be voted for a substitute nominee designated by our board of directors. For complete biographical information concerning each of the Class 1 directors, please refer to the information under the caption “Directors’ Background Information”

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “**FOR**” THE ELECTION OF THE NOMINEES LISTED ABOVE AS DIRECTORS.

**Proposal 2 – Ratification of Audit Committee’s Appointment of Auditors**

To ratify the appointment of independent auditors by the audit committee of the board of directors for the fiscal year ending December 31, 2021. Currently the audit committee has engaged RSM US LLP (“RSM”) as the Company’s independent auditor. Although action by the shareholders in this matter is not required, the board believes that it is appropriate to seek shareholder ratification of this appointment in light of the critical role played by independent auditors in maintaining the integrity of our financial controls and reporting. If a majority of the shares present and entitled to vote on the proposal do not ratify the appointment of independent auditors, the audit committee will consider the vote and the reasons therefor in future decisions on the selection of independent auditors. A representative of the independent auditors is expected to attend the annual meeting, and that representative will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “**FOR**” THE RATIFICATION OF THE AUDIT COMMITTEE’S APPOINTMENT OF AUDITORS.

**Vote Required**

The Company’s by-laws provide that the presence of the holders of a majority of the issued and outstanding stock of the Company entitled to vote at the annual meeting, in person or represented by a proxy, constitutes a quorum for the annual meeting; and that the vote of the shareholders who hold a majority of the voting power present in person or represented by proxy at the annual meeting and entitled to vote will decide any question brought before the annual meeting, unless otherwise provided by statute or the Company’s restated articles of incorporation or by-laws.

For **Proposal 1**, the nominees for election as directors of the Company at the annual meeting who receive the greatest number of votes cast will be elected as directors for the two positions on the board of directors of the Company to be filled. Abstentions and non-votes will have no effect on the outcome of the election of directors.

For **Proposal 2**, the vote of a majority of the shares present at the annual meeting and entitled to vote FOR the ratification of the selection by the audit committee of the board of directors of independent auditors for the Company for the fiscal year ending December 31, 2021 will pass the proposal. Any abstentions and non-votes will have no effect on the outcome of the proposal. If a majority of the shares present and entitled to vote on the proposal do not ratify the appointment of the independent auditors, the audit committee will consider the vote and the reasons therefor in future decisions on the selection of independent auditors.

If you do not provide your broker or other nominee with instructions on how to vote your shares held in “street name,” your broker or nominee will not be permitted to vote your shares on non-routine matters (a broker non-vote), and your shares will not affect the outcome of proposals concerning non-routine matters. Please note that the rules regarding how brokers may vote your shares have changed, such that the election of directors is a “non-discretionary” item. This means that your broker may no longer vote your shares in connection with the election of directors in the absence of your specific instructions as to how to vote. If you hold your shares beneficially through a broker or nominee, we strongly encourage you to provide instructions regarding the voting of your shares as your broker cannot

vote your shares with respect to these proposals without instructions from you.

## **Voting Rights**

The shareholders entitled to vote at the annual meeting will be those whose names appeared on the records of the Company as holders of its common stock at the close of business on April 5, 2021, the record date. As of April 5, 2021, there were issued and outstanding 10,094,322 shares of common stock of the Company, all of which are entitled to vote. The Company is not entitled to vote the shares of common stock held in the treasury nor are such shares considered “issued and outstanding.” As of April 5, 2021, there were 59,311 shares of common stock held in the treasury.

Shareholders are entitled to one vote for each share held on all matters to be considered and acted upon at the annual meeting. Cumulative voting is not permitted. There are two directors to be elected at the annual meeting to be held on June 9, 2021. Unless otherwise indicated on the proxy cards, the votes represented by such proxies will be voted “FOR” the nominees listed thereon, and “FOR” Proposal 2.

## **Shareholder Proposals**

Proposals that shareholders wish to present for consideration at the annual meeting to be held in 2021 pursuant to SEC Rule 14a-5(e) must be received at the Company’s corporate offices no later than 120 days before the anniversary of this proxy statement’s mailing date in order to be included in the Company’s proxy statement and proxy relating to such meeting. Upon receipt of any proposal, the Company will determine whether or not to include such proposal in next year’s proxy statement and proxy in accordance with regulations governing the solicitation of proxies.

In order for a shareholder to bring other business before a shareholders’ meeting, timely notice must be received by the Company within the time limits described above. Such notice must include a description of the proposed business, the reasons therefor and other specified matters. These requirements are separate from the requirements a shareholder must meet to have a proposal included in the Company’s proxy statement and proxy.

Nominations by a shareholder for the election of a person or persons to the board of directors at an annual meeting of the shareholders must be delivered to the chairman of the board of directors not later than 180 days prior to the date of the next annual shareholder meeting. Please refer to the report of the nominating/governance committee on page 11 for further information and requirements.

## **BOARD OF DIRECTORS AND EXECUTIVE OFFICERS**

### **General Information**

The OmegaFlex board of directors currently consists of eight directors. The nominating/governance committee reviewed the disclosures submitted by the eight board members and determined the following that directors were “independent” directors under the requirements set forth in the corporate governance guidelines of the board, applicable Securities and Exchange Commission (“SEC”) rules and the NASDAQ listing standards.

#### Independent Directors

James M. Dubin	J. Nicholas Filler	Bruce C. Klink
David K. Evans	Derek W. Glanvill	Stewart B. Reed

Please refer to the report of the nominating/governance committee on page 11 below for additional information on the determination of director independence.

The Company's corporate governance guidelines can be found at the Company's website at [www.omegaflexcorp.com](http://www.omegaflexcorp.com). The Company will provide any person, without charge, upon filing a written request with the Secretary of the Company at its general offices, with a copy of the Company's corporate governance guidelines. The process by which directors are considered for nomination is more fully described in the report of the nominating/governance committee below.

During the calendar year of 2020, the board of directors held six meetings. All directors were present at all of the meetings, except that one director missed one meeting. At each meeting the independent directors had the opportunity to meet in executive session and did so at four of the six meetings. The Company's corporate governance guidelines sets forth the policy that all directors are encouraged, but not required to attend the annual meeting of shareholders, and all of the directors attended the annual meeting of shareholders in June 2020.

The board of directors has adopted a code of business ethics, applicable to all employees of the Company, including its principal executive officer, its principal financial officer, its principal accounting officer or financial controller and persons performing similar functions. This code of business ethics can be found at the Company's website at [www.omegaflexcorp.com](http://www.omegaflexcorp.com). The Company will provide any person, without charge, upon filing a written request with the Secretary of the Company at its general offices, with a copy of the Company's code of business ethics. Amendments to and waivers from the code of business ethics will be disclosed on the Company's website within four business days following the date of amendment or waiver.

The Company is not aware of any material proceeding in which any director or executive officer, or any associate of any director or executive officer, is a party adverse to the Company or has any material interest adverse to the Company. The Company is not aware of having made any charitable contribution to an entity of which any Director is a director, trustee or executive, in excess of the reporting thresholds of \$200,000 or 5% of such entity's gross revenues in the current or any of the past three fiscal years. The Company is not aware of any agreement or arrangement between any of the directors and any third party that provides for compensation or payment to the director in connection with the director's service as a director of the Company.

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

The board of directors exercises oversight of the Company and its business through the Company's executive management. Under the Company's by-laws, the board annually elects a chairman of the board, who may or may not be an officer of the Company, and who presides at all meetings of the shareholders and the directors, and a chief executive officer, who has the general and active management of the business of the Company. In December 2018, the board appointed Kevin R. Hoben as chairman of the board and chief executive officer, and also appointed Mark F. Albino as president and chief operating officer. Since OmegaFlex became a publicly traded company in 2005, the position of chairman of the board and the position of the Company's chief executive officer had been held by two different persons. The appointment of Mr. Hoben to the position of chairman was in recognition of Mr. Hoben's achievements and success in managing the Company as its chief executive officer, as well as a recognition of Mr. Albino's performance in managing the day-to-day affairs of the Company. Mr. Reed was appointed as vice-chairman of the board in December 2018.

J. Nicholas Filler has been designated as the lead independent director. The board of directors appointed Mr. Filler as lead independent director consistent with his position as chairman of the audit committee.

Risk is inherent in every business and the Company is subject to many risks which have been described in our periodic filings. Management is responsible for the day-to-day management of the risks that the Company faces and the board of directors is responsible for the oversight of risk management. While the board is ultimately responsible for risk oversight at the Company, our board committees assist the board in these oversight responsibilities in certain areas of risk. Most notably, the audit committee has general oversight with respect to risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements and reports to the board on these matters regularly.

### **Communication with the Board**

Shareholders who wish to communicate with the Company's board of directors may do so in writing, addressed to the chairman of the board of directors, or to any individual director, at the Company's corporate headquarters at Omega Flex, Inc., 213 Court St., Suite 1001, Middletown, CT, 06457. Shareholders wishing to communicate with the director presiding over the executive session of the Company's non-management directors may direct such communications to Mr. J. Nicholas Filler, chairman of the audit committee and lead independent director, at the address set forth above. All such correspondence will be forwarded to the Company's investor relations department, which will review the correspondence. The board has delegated to the investor relations personnel discretion to review such correspondence, and forward any matters dealing with current, specific business or customer matters to the appropriate senior management in the Company. All other correspondence will be forwarded to the appropriate director designated by the shareholders.

### **Director Background Information**

The following persons constitute the Company's board of directors. Only the Class 1 directors are standing for election for a three-year term and until their respective successors have been elected and qualified. The specific experience, qualifications, attributes or skills that have led the board to conclude that each of the directors should serve in that role in light of the Company's business and structure are included in each of their respective biographies. In the past ten-year period, no director (a) has filed or has been subject to a petition for bankruptcy or insolvency, or (b) was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding. No other candidates for election to the board of directors have been proposed or nominated.

#### ***Director Biographies***

##### **Mark F. Albino, Age 68**

Mr. Albino is currently President and Chief Operating Officer of the Company, serving in that position since 2018, and previously served as Executive Vice President from 2005 until 2018. Mr. Albino has served as our director since 1996, and has also served as director of Omega Flex Limited since 2001. Mr. Albino has over 30 years of experience and extensive knowledge of manufacturing operations in our industry, product design, and the technical requirements for bringing new products to market, and is the inventor of several patents covering important components of our products. Mr. Albino is a Class 3 director with a term expiring at the annual meeting of shareholders in 2023.

##### **James M. Dubin, Age 74**

Mr. Dubin was appointed by the board of directors in January 2020. He is currently the



Executive Chairman of Conair Corporation, a diversified consumer products company. He was formerly a senior partner at Paul, Weiss, Rifkind, Wharton & Garrison LLP, until his retirement from the firm in 2012. Since his retirement he has engaged in private consulting work through Madison Place Partners, LLC. Mr. Dubin is currently a director of Emmis Communications Corporation, and serves on its executive, audit, corporate governance, and compensation committees. He has served as a director or trustee on a number of corporate, non-profit and charitable organizations, including Carnival Corporation & plc, Lighthouse Guild International, National Foundation for Advancement in the Arts, and the American Ballet Theatre. Mr. Dubin has extensive experience in accounting, finance, and financial reporting, as well as being an attorney with a practice in corporate law, securities, and mergers and acquisitions. Mr. Dubin is a Class 3 Director with a term expiring at the annual meeting of shareholders 2023.

David K. Evans, Age 66

Mr. Evans has served as a director of the Company since 1996. He is currently the President and CEO of Partners Mechanical, Inc., a mechanical contractor in Raleigh, North Carolina. Mr. Evans has extensive experience in construction and installation of mechanical systems in construction, including products manufactured by the Company. Mr. Evans is a Class 1 Director with a term expiring at the annual meeting of shareholders in 2021, and is a candidate for election.

J. Nicholas Filler, Age 69

Mr. Filler has served as a director since 2009, and is currently the lead independent director. Prior to his retirement, Mr. Filler served as an executive of Argotec, Inc., a manufacturing firm in Greenfield, Massachusetts, serving as the Chief Operating Officer from 2007 and President from 2011 to 2014 when he retired. Previously, Mr. Filler was the Senior Vice President – Corporate and Legal of Mestek, Inc., the Company's former parent corporation, from 2001 to 2007. Mr. Filler is also a director and vice chairman at Mestek, Inc., and also serves as a director at CBC Wind Up, Inc. (f/k/a Channing Bete Co.), and Bete Fog Nozzle Co. Mr. Filler received a Juris Doctor degree from Boston University Law School, and has extensive experience in directing and leading manufacturing firms and in accounting, finance, and financial reporting, as well as being an attorney with a practice in corporate law and corporate financing. Mr. Filler is a Class 2 Director with a term expiring at the annual meeting of shareholders in 2022.

Derek W. Glanvill, Age 59

Mr. Glanvill has served on our board since 2018. He was formerly President and Chief Operating Officer of McCarthy Holdings, Inc., a large commercial construction company headquartered in St. Louis, Missouri, from 2007 until his retirement in 2015. In his position as President and COO of a large commercial construction company, Mr. Glanvill gained extensive experience in managing a large commercial organization, experience in the construction industry, and expertise in analyzing and using financial statements of a large commercial organization. Mr. Glanvill is a director of Mestek, Inc., the Company's former parent corporation, Black & Veatch, an engineering, consulting and construction company, Infrastructure and Energy Alternatives, Inc., Archkey Holdings, Inc. and DPR Construction, Inc. Mr. Glanvill is also a director and senior advisor to a privately held portfolio holding company. Mr. Glanvill is a Class 2 Director with a term expiring at the annual meeting of shareholders in 2022.

Kevin R. Hoben, Age 73

Mr. Hoben is currently Chairman and Chief Executive Officer of the Company, and previously served as President from 2005 to 2018. Mr. Hoben also has served as our director since 1996 and as a director and chairman of our United Kingdom subsidiary, Omega Flex Limited, since 2001. Mr. Hoben is also a director of Taco Comfort Solutions, Inc. Mr. Hoben has over 30 years of experience in the sale and distribution of flexible metal hose products in positions of increasing scope and responsibility, and is a significant shareholder of the Company. Mr. Hoben is a Class 3 Director with a term expiring at the

annual meeting of shareholders in 2023.

Bruce C. Klink, Age 70

Mr. Klink has served as a director of the Company since 1996. From 2008 until his retirement in 2009 Mr. Klink served as President of Dominion East Ohio, Inc., a subsidiary of Dominion, Inc., a diversified energy producer headquartered in Richmond, Virginia, and was previously Vice President – Gas Regulations and Vice President – Pricing and Business Development from 2000 to 2008. Mr. Klink has extensive experience and knowledge (a) of the natural gas utility market, which is an important factor in our flexible gas piping business, (b) managing and leading large and sophisticated companies in regulated markets, (c) of regulatory and compliance issues, and (d) in finance, financial accounting and auditing. Mr. Klink is a Class 2 Director with a term expiring at the annual meeting of shareholders in 2022.

Stewart B. Reed, Age 73

Mr. Reed has served as a director of the Company since 2005, and was formerly chairman of the board from 2014 to 2018, and currently serves as vice-chairman. Since 2013, Mr. Reed has served as the Chairman and Chief Executive Officer of Mestek, Inc., the Company's former parent corporation. From 2009 to 2013, he was Mestek, Inc.'s Vice Chairman and Chief Operating Officer. Mr. Reed has extensive knowledge and experience in managing and leading large manufacturing enterprises supplying the HVAC industry in which most of our products are distributed, and in corporate finance and accounting, and he is also a significant shareholder of the Company. Mr. Reed is a Class 1 director with a term expiring at the annual meeting of shareholders in 2021, and is a candidate for election.

***Executive Officers***

The executive officers of the Company in addition to Mr. Hoben and Mr. Albino, whose biographies appear in the section entitled "Director Background Information" above, are the following:

Dean W. Rivest, Age 51

Mr. Rivest is currently the Executive Vice President, responsible for manufacturing and engineering for all products, as well as sales and marketing for the industrial and MediTrac<sup>®</sup> products, which he has held since 2020. Prior to that, Mr. Rivest was the Vice President and General Manager of the industrial and MediTrac<sup>®</sup> products since 2005. Mr. Rivest is also managing director of one of the companies foreign subsidiaries. In addition to being a registered professional engineer, Mr. Rivest is the inventor of several patents directly related to the company's product lines.

Paul J. Kane, Age 53

Mr. Kane is currently Vice President – Finance and Chief Financial Officer of the Company, which position he has held since 2008. Mr. Kane joined OmegaFlex in September 2005, serving as Controller until 2007, and was named Principal Accounting Officer in 2007. He is currently a director of the Company's subsidiary, Omega Flex Limited, and a director of Shannon Chemical Corporation, a privately held manufacturing company, based in Exton, Pennsylvania. He has been a certified public accountant since 1996.

Edwin B. Moran, Age 54

Mr. Moran is employed as Vice President- Sales Residential Markets since 2007. Mr. Moran is responsible for all sales of the Flexible Gas Piping products manufactured by Omega Flex. Prior to 2007, Mr. Moran was the National Sales Manager.

Timothy P. Scanlan, Age 65

Mr. Scanlan is currently General Counsel, a position he has held since he joined the Company in 2006, and is also the Company's corporate secretary. He is currently a director of the Company's subsidiary, Omega Flex Limited. Mr. Scanlan is an attorney admitted to practice law in Massachusetts and Pennsylvania.

**SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership of shares of the Company's common stock held by each person known to the Company to own five percent or more of the Company's common stock, and each current director and nominee for director of the Company, each of the Company's executive officers and the current directors and executive officers of the Company as a group. As of April 5, 2021, there were 10,094,322 shares of common stock outstanding.

<b>Beneficial Owner</b>	<b>Number of Common Stock Beneficially Owned</b>	<b>Percent of Common Stock Beneficially Owned<sup>(1)</sup></b>
<u>Greater than 5% Owners</u>		
<b>Estate of John E. Reed</b> <sup>(2)</sup> 260 North Elm Street Westfield, MA 01085	2,673,899	26.5%
<b>Kayne Anderson Rudnick Inv. Mgmt., LLC</b> <sup>(3)</sup> 1800 Avenue of the Stars Los Angeles, CA 90067	1,204,518	11.9%
<u>Directors</u>		
Stewart B. Reed <sup>(4)</sup>	3,047,296	30.2%
Kevin R. Hoben	942,821	9.3%
Mark F. Albino	346,662	3.4%
James M. Dubin	500	*
David K. Evans <sup>(5)</sup>	1,826	*
J. Nicholas Filler	1,850	*
Derek Glanvill	0	*
Bruce C. Klink	2,150	*
<u>Executive Officers</u>		
Dean W. Rivest	1,336	*
Paul J. Kane	50	*
Edwin B. Moran	0	*
Timothy P. Scanlan	<u>250</u>	<u>*</u>
<b>All executive officers and directors as a group (12 persons)</b>	4,344,741	43.0%

\* indicates less than 1% ownership of the issued and outstanding common stock.

Except as otherwise noted in the footnotes below, the entity, individual director or executive officer or their family members or principal shareholder has sole voting and investment power with respect to such securities. The Company does not have a policy regarding the ability of the directors, officers and other employees to acquire hedges relating to equity compensation.

- (1) The percentage of ownership is based on 10,094,322 shares of common stock outstanding at April 5, 2021.
- (2) Based on a Form 5 filed with the Securities and Exchange Commission on July 26, 2018. Mr. Stewart Reed is acting as an executor for the estate but he disclaims beneficial ownership to those shares. The business address of the Estate of John E. Reed is 260 North Elm St., Westfield, Massachusetts, 01085.
- (3) Based on a Schedule 13G filed with the Securities and Exchange Commission on February 16, 2021 by Kayne Anderson Rudnick Inv. Mgmt., LLC, Virtus Investment Advisers, Inc., which have shared voting and dispositive power over 928,614 shares that are included in the amount listed in the table, and Virtus Equity Trust, which has shared voting and dispositive power over 908,755 shares that is included in the shares disclosed by Virtus Investment Advisers, Inc.
- (4) Based on a Form 4 filed with the Securities and Exchange Commission on March 26, 2021. (a) Includes 907,559 shares of common stock owned by various family trusts, of which Mr. Reed is a trustee but for which he disclaims beneficial ownership, and (b) excludes 2,673,899 shares of common stock held by the Estate of John E. Reed (which are reported separately) for which Mr. Stewart Reed is acting as an executor but for which he disclaims beneficial ownership. The business address of Mr. Reed is 260 North Elm St., Westfield, Massachusetts, 01085.
- (5) Includes 826 shares held by a corporation of which Mr. Evans is an officer and shareholder, and to which beneficial ownership is disclaimed except to the extent of Mr. Evans' pecuniary interest in that corporation.

## BOARD COMMITTEES

The board of directors has four (4) standing committees: nominating/governance, audit, executive and compensation. The chairmen (designated with (c)) and membership of each of the committees is as follows:

<b>Audit</b>	<b>Compensation</b>	<b>Executive</b>	<b>Nominating/Governance</b>
J. Nicholas Filler (c)	Stewart B. Reed (c)	Stewart B. Reed (c)	Bruce C. Klink (c)
James M. Dubin	David K. Evans	Mark F. Albino	James M. Dubin
David K. Evans	J. Nicholas Filler	James M. Dubin	David K. Evans
Derek W. Glanvill	Derek W. Glanvill	Kevin R. Hoben	Derek W. Glanvill
Bruce C. Klink	Bruce C. Klink	J. Nicholas Filler	Stewart B. Reed

### Nominating/Governance Committee

The board of directors has established the nominating/governance committee pursuant to the Company's by-laws and the NASDAQ listing standards. The nominating/governance committee's responsibilities are as set forth in its charter, which can be found at the Company's website at [www.omegaflexcorp.com](http://www.omegaflexcorp.com). The committee's responsibilities include (a) evaluating and recommending nominees for election as directors to the board of directors, (b) annually evaluating the independence of the individuals directors from the Company's management, (c) recommending to the board of directors criteria for membership on the board, (d) proposing nominees to fill vacancies on the board of directors as they occur, and (e) recommending principles of corporate governance pursuant to which the board and its committees perform their respective duties. The Company does not have a formal policy with regard to

the consideration of diversity in identifying candidates for director but the nominating committee strives to nominate directors with a variety of skills and qualifications such that the board, as a whole, will possess the appropriate expertise to oversee the Company's business. The committee held one meeting in 2020. The board of directors determined that the committee members are independent directors in accordance with the Company's corporate governance guidelines, applicable SEC rules and the requirements of the NASDAQ listing standards. In selecting candidates for election to the board of directors at future annual meetings of shareholders, the committee will consider prospective candidates whose names have been submitted by shareholders in accordance with the procedures described in the committee's report, below. Such submissions should be in writing and directed to the secretary of the Company at 213 Court Street, Suite 1001, Middletown, Connecticut, 06457.

### **Audit Committee**

The board of directors has established and maintains an audit committee comprised of five of the Company's independent directors. No member of the audit committee serves on the audit committee of more than three public companies.

The audit committee's responsibilities are as set forth in its charter, which can be found at the Company's website at [www.omegaflexcorp.com](http://www.omegaflexcorp.com). These responsibilities include assisting the board of directors in its oversight of the accounting and financial controls of the Company, reviewing the process and procedures underlying management's assessment of the effectiveness of the Company's systems and financial controls, and the Company's compliance with legal and regulatory requirements. The audit committee selects the independent auditors, reviews the scope of the audit and the results of the audit, approves permitted non-audit services (such as tax services), and reviews the financial and disclosure controls procedures. The audit committee also oversees management's efforts to establish and maintain a process for handling complaints or concerns relating to accounting or financial matters, as well as compliance issues generally.

As part of its oversight role relating to the Company's systems, controls and procedures, the audit committee also oversees management's response to relevant risk factors that potentially face the Company. On an annual basis, the committee reviews those risks to the Company and its businesses that have been identified by management, and reviews the analysis and plans prepared by management to eliminate, mitigate or address those potential risks.

The audit committee acts pursuant to the Company's by-laws and the audit committee charter. The audit committee charter is reviewed annually by the audit committee to determine the charter's adequacy to respond to the issues raised in the course of the audit committee's activities. The audit committee has acted under its charter. The committee held eight meetings in 2020, at which all members consulted with each other and management as necessary to discharge its duties. Please see the report of the audit committee set forth in this proxy statement. The full board of directors has determined that (a) Messrs. Filler and Klink are each an independent "audit committee financial expert" under SEC rules, and (b) all of the audit committee members are "financially sophisticated" as required by the NASDAQ Listing Standards.

### **Executive Committee**

To the extent permitted by the laws of the Commonwealth of Pennsylvania, the executive committee has and may exercise all the powers and authorities of the board of directors as follows: (a) to take action on behalf of the board of directors during intervals between regularly scheduled meetings of the board of directors if it is impracticable to delay action on a matter until the next regularly scheduled meeting of the board of directors, and (b) to take action on all matters of the Company that have been

delegated for action by the board of directors. The executive committee meets from time to time, irregularly, and consults with each other and management as necessary to discharge its duties.

### Compensation Committee

The compensation committee's responsibilities are as set forth in its charter, which can be found at the Company's website at [www.omegaflexcorp.com](http://www.omegaflexcorp.com). The committee's duties include establishing a compensation philosophy to guide the committee in executive compensation decisions, establishing and approving executive compensation plans, reviewing the compensation of the chief executive officer and the executive officers of the Company, and recommending to the board of directors the amount of compensation to be paid to the chief executive officer and the executive officers of the Company. Please see the report of the compensation committee set forth in this proxy statement. The committee met two times in 2020, with all members in attendance, to consider and recommend compensation matters to the board of directors. All of the current members of the committee have been determined to be independent directors in accordance with the Company's corporate governance guidelines, applicable SEC rules and the requirements of NASDAQ listing standards.

## BOARD REPORTS

### Nominating/Governance Committee Report And Director Nomination Process

*This report of the nominating/governance committee shall not be deemed to be "soliciting material" or subject to Regulations 14A or 14C of the Securities and Exchange Commission, or to the liabilities of Section 18 of the Securities and Exchange Act of 1934 (the "Exchange Act") and shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 ("Securities Act") or under the Exchange Act, notwithstanding any general incorporation by reference of this proxy statement into any other document, and shall not otherwise be deemed filed under such Acts. The Company will provide any person, without charge, upon filing a written request to the secretary of the Company at its general offices, with a copy of the Company's nominating/governance committee charter.*

### REPORT

The nominating/governance committee met once in 2020 to review director qualifications, nominate directors for election at the annual meeting of shareholders, to review the corporate governance issues for the board, and discuss the adoption of certain policies by the Company.

The Committee has reviewed the independence of directors from management, and has determined that the following directors are independent under the Company's Corporate Governance Guidelines, and the NASDAQ listing rules:

James M. Dubin	Derek W. Glanvill	Bruce C. Klink
David K. Evans	J. Nicholas Filler	Stewart B. Reed

With respect to Mr. Reed, although he owns or controls a significant number of the issued and outstanding common stock of the Company, that fact in and of itself does not disqualify him from being considered "independent" of the Company's management. The nominating/governance committee reviewed the independence criteria contained in the Company's Corporate Governance Guidelines, and the NASDAQ listing rules, and reviewed the totality of circumstances relating to Mr. Reed's independence from management. Specifically, the nominating/governance committee determined that:

Mr. Reed is not employed by the Company, neither he nor any family member has received any compensation or payments from the Company, directly or indirectly, other than through his position as a director or as shareholder(s), nor does he have any compensation interlock issues. There are no other factors known to the committee that would call it to question Mr. Reed's independence from the management of the Company. As a result, the nominating committee has unanimously determined that Mr. Reed is an "independent" director.

The Company has a policy, as set forth in its by-laws, of considering candidates for election to the board of directors who may be nominated by the shareholders. The board of directors recognizes and fully appreciates its position of stewardship of the Company for the benefit of the shareholders, and the board firmly subscribes to the proposition that the shareholders should be free to exercise their franchise to select and elect the persons who direct the Company in which the shareholders have invested. To that end, the by-laws of the Company provide for a process by which shareholders may nominate individuals for election to the board of directors. This process requires that such shareholder nomination be made in writing by a shareholder holding, or by a group of shareholders who in the aggregate hold, five percent (5%) or more of the Company's common stock continuously for at least one year prior to the date of the submission of such candidate, and delivered to the chairman of the board of directors not later than 180 days prior to the date of the next annual shareholders' meeting. Such nomination must also include (a) the name and residence of each proposed nominee and of the nominating shareholder, (b) the principal occupation of each proposed nominee, (c) the written consent of each nominee to serve as a director of the Company, if elected, and (d) any information regarding each nominee proposed by a shareholder that would be required to be included in a proxy statement filed with the Securities and Exchange Commission pursuant to the Securities Act, the Exchange Act, and the rules and regulations promulgated thereunder and applicable NASDAQ listing standards.

Any candidate for election to the board of directors nominated by a shareholder shall possess the minimum qualifications, as required by the by-laws and by the corporate governance guidelines, to wit: (a) be a natural person, (b) be not less than 21 years of age, and (c) not be a director, officer, employee or agent of a competitor of the Company. The specific skills or expertise of a shareholder nominee should complement the needs of the board at the time of the election. These needs will vary from time to time based on the composition of the board. In reviewing and identifying candidates for the board of directors, the nominating/governance committee is charged with a mandate under the Company's corporate governance guidelines to identify and consider candidates having significant skills or experience in any one or more of the following areas: understanding of the application and use of some or all of the Company's products, understanding of various manufacturing technologies, an understanding of general accounting principles as applied in the preparation and reporting of financial statements of a public company, and expertise and knowledge of management of a large multi-facility organization, international experience, and other pertinent characteristics – all in the context of an assessment of the then current perceived needs of the Company. To that extent, the committee will seek to identify and consider candidates who may have a diverse background and not limited strictly to the markets in which the Company competes or to manufacturing industries generally.

Identification of persons to become nominees for the board of directors are obtained through a variety of sources, including the directors, the executive officers of the Company, and trade or industry groups in which the Company participates. Once a candidate has been identified, the nominating/governance committee evaluates such candidate based upon his or her length and breadth of business experience, specific skills or knowledge, values, and other qualities which the Company may deem pertinent. The committee's review may include personal interviews and/or reference checks. This process is applied regardless of whether the potential nominee has been identified and proposed by a shareholder or by any other person.

As of the date of this proxy statement neither the chairman of the board nor the nominating/governance committee had received from shareholders owning more than 5% of the Company's common stock a nomination of any individual to the board of directors. There are no nominees included on the Company's proxy card who are not standing for re-election.

Bruce C. Klink, *Chairman*, James M. Dubin, David K. Evans, Derek W. Glanvill, Stewart B. Reed,  
*Members*

## **Audit Committee Report**

*This report of the audit committee shall not be deemed to be "soliciting material" or subject to Regulations 14A or 14C of the Securities and Exchange Commission or to the liabilities of Section 18 of the Exchange Act and shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act or under the Exchange Act, notwithstanding any general incorporation by reference of this proxy statement into any other document, and shall not otherwise be deemed filed under such Acts. The audit committee furnished the following report as required under the revised proxy rules adopted by the Securities and Exchange Commission. The Company will provide any person, without charge, upon filing a written request to the secretary of the Company at its general offices, with a copy of the Company's audit committee charter.*

### REPORT

The audit committee met eight times during 2020, and discussed with the Company's management the interim financial statements of the Company for each applicable reporting period prior to the filing or distribution of such financial statements. The audit committee met in March 2021 to review and discuss with the Company's management and the independent auditors the audited financial statements of the Company for the fiscal year ended December 31, 2020. Management has the responsibility for preparation of the Company's financial statements, and the independent auditors have the responsibility for examining those statements and expressing an opinion thereon. The audit committee's primary responsibility with respect to the Company's financial statements is one of review and oversight.

The committee has acted, pursuant to its charter, and has during the past year (a) reviewed with the independent auditors their internal quality control procedures and independence from management, (b) reviewed with management and the independent auditors recent accounting pronouncements and their effect on the financial statements of the Company, (c) reviewed the Company's financial and disclosure control procedures instituted by management, and (d) reviewed with the chief financial officer and the independent auditors the Company's internal system of financial and accounting controls.

The audit committee also discussed with the independent auditors matters required to be discussed by PCAOB Auditing Standard No. 1301, "Communications with Audit Committees," and received from the independent auditors written disclosures regarding the independence of the independent auditors from the Company as required by PCAOB Rule 3526, titled "Communications with Audit Committees Concerning Independence." The audit committee considered the compatibility of the non-audit services the Company received from its independent auditor and the effect of such engagements on the independence of the independent auditors.

Based on all of the above, the audit committee recommended that the board of directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the Securities and Exchange Commission.



J. Nicholas Filler, *Chairman*, James M. Dubin, David K. Evans, Derek W. Glanvill, Bruce C. Klink, *Members*.

**NOTE:** *If any person wishes to communicate with the Company's audit committee regarding any question or concern arising out of the Company's accounting, internal financial controls, or auditing matters, such questions or concerns should be forwarded to the Company under its compliance reporting policy, a copy of which is available for viewing at [www.omegaflex.com/compliance.asp](http://www.omegaflex.com/compliance.asp).*

## **Compensation Committee Report**

*This report of the compensation committee shall not be deemed to be "soliciting material" or subject to Regulations 14A or 14C of the Securities and Exchange Commission, or to the liabilities of Section 18 of the Exchange Act and shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act or under the Exchange Act, notwithstanding any general incorporation by reference of this proxy statement into any other document, and shall not otherwise be deemed filed under such Acts. The compensation committee furnishes the report on executive compensation as required under the proxy rules on executive compensation adopted by the Securities and Exchange Commission. The compensation committee charter is available on the Company's website at [www.omegaflex.com](http://www.omegaflex.com). The Company will provide any person, without charge, upon filing a written request to the secretary of the Company at its general offices, with a copy of the Company's compensation committee charter.*

### REPORT

The compensation committee of the board of directors consists entirely of independent, non-employee directors. The committee has the responsibility for: (a) fixing the elements of a comprehensive compensation program for the chief executive officer and the executive officers of the Company that provide rewards and create incentives for their performance in maintaining and improving the profitability of the Company and enhancing long-term shareholder value; (b) reviewing the levels of compensation to be paid or granted to the chief executive officer and the executive officers of the Company; and (c) recommending to the entire board of directors the levels of such compensation to be paid or awarded.

The compensation committee is fully committed to the proposition that compensation paid to the chief executive officer and the executive officers of the Company should be fashioned in a manner so as to encourage initiatives by those officers that will promote the long-term growth and enhancement of the intrinsic value of the Company. The committee believes that growth of the Company's intrinsic value will ultimately translate into the growth and enhancement of the interests of the shareholders in the Company. This compensation program is further intended to provide incentives to the executive officers that are linked to the financial results of the Company. The committee is also mindful of the need to attract and retain individuals possessing the vision and leadership skills necessary to continue the Company's growth into the future. With these propositions in mind, the compensation committee has based the compensation of the Company's executive officers upon three pillars: base salary, performance-related annual cash bonuses based on the actual financial results of the Company measured against its pre-established business plans, and long-term incentives, such as phantom stock units.

*Base salary.* The committee annually reviews the annual base salary of the chief executive officer, the chief operating officer and the chief financial officer. The committee also reviews the recommendations of the chief executive officer for the annual base salary of the Company's other executive officers. The factors upon which the committee determines the base salary of the chief

executive officer and the Company's other executive officers include the performance in the preceding year in meeting pre-established business plan goals for sales and net income, the level of responsibility within the Company, and the contributions of the chief executive officer and each of the Company's executive officers that will enhance the long range prospects of the Company, but the effects of which may not be immediately apparent. The committee has also reviewed the executive compensation of the chief executive officer in comparison to the CEO compensation within a peer group of twelve other companies, which are similar in size and market sector to the Company. Based on that comparative review and the other factors disclosed in this report, the compensation committee has concluded that the total compensation to the chief executive officer is appropriate and reasonable. Effective January 1, 2021, the annual base salary of the chief executive officer was increased from \$460,575 in 2020 to \$476,695 for 2021. The committee believes that the salary policy of the Company should be at a rate that may be considered "below market," with the view of encouraging superior performance with "above market" short-term incentive awards.

*Incentive Bonus Plan.* Effective January 2012, the committee adopted a performance measurement for the plan based on earnings before interest and taxes ("EBIT") because the committee determined that EBIT represented the true measure of management performance of the Company's continuing operations. For fiscal year 2020, the bonus pool earned by management was approximately \$5.1 million, which increased from the prior year due improvements in the level of operational costs.

As can be seen from the Summary Compensation Table on page 22, the amounts allocated from the incentive bonus plan to Mr. Hoben and Mr. Albino account for over 50% of their total compensation, and as the incentive bonus plan is calculated as a percentage of the Company's earnings before interest and taxes, a majority of the annual compensation paid to those executives is directly tied to the annual financial results of the Company.

In 2014, the employment agreements with each of Mr. Hoben and Mr. Albino were amended to add a "clawback" provision. Under the amended employment agreements, any amount of incentive compensation that is subject to recovery under any law, rule or listing requirement and based on an overstatement of earnings is subject to repayment by the employee to the Company. This "clawback" provision in the employment agreements of the chief executive officer and the chief operating officer is a safeguard against improper manipulation of the Company's earnings.

*Long-term Compensation.* The Omega Flex, Inc. 2006 Phantom Stock Plan is designed to function as the long term component of our compensation program. Under the phantom stock plan, select members of the management team may receive units of phantom stock. The value of the phantom stock is tied to the value of our common stock. The phantom stock units have a vesting schedule, typically three years. After the phantom stock units have vested, the executive would receive the value of the phantom stock, which would be equal to the then current value of the Company's common stock on the maturity date of the phantom stock units. This amount could either be full value (the phantom stock unit is equal to the common stock) or it could be appreciation only (the phantom stock unit is equal to any increase in the value of the common stock). The outstanding phantom stock units also accrue amounts equal to any cash or stock dividends declared on the Company's common stock. If the executive voluntarily leaves the Company or is terminated, then any unvested awards of phantom stock units are forfeited. Awards to employees are at the discretion of the committee and upon recommendation by the chief executive officer. We do not have a formal program on the timing of the phantom stock awards, but we do review decisions on whether to grant phantom stock units on an annual basis in the first quarter, and then during the year depending on circumstances. Generally, the awards will be made either outside any black-out period applicable to insider trading of our common stock, or in conjunction with the calculation and payment of our annual bonus program, which occurs in the first quarter of each year.

*Other Compensation.* In addition, each year the entire board of directors, based upon the recommendation of the compensation committee, considers the percentage participation of all employees (including the chief executive officer and the other executive officers of the Company) in the Company's Profit Sharing Plan. For the fiscal year ended December 31, 2020, the committee recommended and the board of directors voted in favor of a Company contribution of 3% of annual base salary for all eligible employees up to the maximum of \$137,700 and in favor of a Company contribution of six percent 6% of annual base salary for all eligible employees for amounts in excess of the maximum of \$137,700 (as limited in accordance with the Employee Retirement Income Security Act).

After considering all of the factors and making recommendations upon the annual base compensation and bonus formulae and percentage participations for the chief executive officer and each of the other executive officers of the Company, the compensation committee presents this report to the full membership of the board of directors at its December meeting each year. The recommendations of the compensation committee were presented, discussed and voted upon, and approved in an executive session of the board of directors of the Company, with Messrs. Hoben and Albino abstaining.

The compensation committee has reviewed the compensation discussion and analysis required by Item 402(b) of Regulation S-K and discussed that analysis with management. Based on this review and discussion, the compensation committee recommended to the board of directors that the compensation discussion and analysis be included in the Company's annual report on Form 10-K and in this proxy statement.

Stewart B. Reed, *Chairman*, David K. Evans, J. Nicholas Filler, Derek W. Glanvill, Bruce C. Klink, *Members*.

## COMPENSATION DISCUSSION AND ANALYSIS

**Introduction.** Our business is built upon a strategy of leveraging our ability to design and introduce new products using flexible metal hose products, which takes advantage of our superior engineering and manufacturing capabilities. These advantages allow us to compete in markets with competitors that are much larger companies. As a smaller competitor, we must be able to identify opportunities and react quickly to those opportunities. This strategy places a premium on performance of all of our employees, from the chief executive officer on down. Our compensation philosophy is intended to attract people who can work and succeed in a lean and nimble organization, to motivate our employees to achieve our short-term and long-term goals, and to retain those employees who contribute to our success.

**New Developments.** The compensation committee reviewed the peer group of other publicly traded companies with which to compare executive compensation, primarily for use in comparing CEO compensation levels. Several companies were added or dropped from the peer group as a result of merger and acquisition activity or performance results of the peer group. The committee examined specific performance measurements in comparing the OmegaFlex financial performance to the peer group, including (a) returns on capital, including returns on equity, returns on investment and returns on assets, (b) sales, and (c) and financial measures such as EBITDA, cash flow and net income. The committee did not weigh any specific measurement results over others.

**Review of Company Performance.** In 2020, the Company had net sales of \$105,796,000, which were 5% lower than the prior year net sales of \$111,360,000. However, net income in 2020 was \$19,910,000, which was 15.2% higher than the 2019 results of \$17,286,000, as a result of decreases during 2020 in several atypical Selling, General and Administrative Expenses items: legal costs (including costs associated primarily with one pending class action case in which the Company prevailed when the court dismissed the case); consulting costs related to our new product, MediTrac® flexible medical gas piping; and executive compensation accrual for prior equity awards.

At its meeting in December 2020, the compensation committee reviewed the executive compensation for the chief executive officer and compared it to a peer group of 12 publicly traded companies within the industrial

products sector with sales ranging from approximately \$50 million to \$300 million. The peer group consisted of the following companies:

**Peer Group**

CompX International, Inc.	Core Molding Technologies, Inc.	The Eastern Company	Friedman Industries, Inc.
Hudson Technologies, Inc.	Hurco Companies, Inc.	Lakeland Industries, Inc.	Perma-Pipe International Holdings, Inc.
Napco Security Technologies, Inc.	Northwest Pipe Company	Plug Power, Inc.	UFP Technologies, Inc.

The committee reviewed the financial performance of OmegaFlex in 2020 as compared to the median of the financial results of the companies in the peer group for the same period. Overall, the performance of the Company exceeded median levels of the peer group, and in areas such as returns on capital, the Company outperformed the median by several times. Finally, the committee reviewed the total shareholder return of OmegaFlex as compared to the S&P 500 Index and the S&P Building Products Index.

The five-year total shareholder return performance for OmegaFlex common stock and comparison indices are:

Stock / Index	5 Year Cumulative Return
Omega Flex, Inc. common stock (OFLX)	484.50
S&P 500	203.04
S&P Building Products Index	170.27

Based on this review, the compensation committee has concluded that the total compensation to the chief executive officer is appropriate and reasonable.

**Types of Compensation.** Our executive compensation program is comprised of several components listed in the table below. The table also describes the reasons why we use each of the compensation components, and results that we intend to reward through each of the components.

Compensation Component	Purpose for Component	Results that are Rewarded
<b>Salary</b>	<ul style="list-style-type: none"> <li>▪ Fixed payments that are consistent with industry practices and similar organizations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Attracting key personnel who will be instrumental in executing our objectives</li> </ul>
<b>Annual Incentive Performance Bonus</b>	<ul style="list-style-type: none"> <li>▪ Motivate individual performance that contributes to the Company’s financial results</li> <li>▪ Deliver strong bottom line performance to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bonus pool is equal to 16.2% of the Company’s earnings before interest and taxes</li> </ul>
<b>Long Term Incentives/ Phantom Stock Plan</b>	<ul style="list-style-type: none"> <li>▪ Promote a long-term and strategic viewpoint in terms of markets, product development and organizational growth</li> <li>▪ Retain certain employees who provide critical skills for our businesses</li> <li>▪ Align interests of executives and other key employees with shareholders in improving stock</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sustained stock price appreciation</li> <li>▪ Continued employment with the Company during the vesting period</li> </ul>

	price appreciation	
<b>Employment Contract/ Termination Benefits</b>	<ul style="list-style-type: none"> <li>▪ Retention of key employees to provide continuity of management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continued employment with the Company: <ul style="list-style-type: none"> <li>○ currently only the CEO and the COO have employment contracts;</li> <li>○ several executives have received change-of-control agreements.</li> </ul> </li> </ul>
<b>Employee Benefits</b>	<ul style="list-style-type: none"> <li>▪ Standard employee benefits, including medical, dental, life, and disability insurance, and retirement programs</li> <li>▪ Benefits are offered to all employees</li> </ul>	<ul style="list-style-type: none"> <li>▪ Assures executives of protection against unexpected costs for medical care</li> <li>▪ Institutes a retirement program for employees in which they can save for retirement</li> </ul>
<b>Additional Benefits and Perquisites</b>	<ul style="list-style-type: none"> <li>▪ Certain club memberships allow use facilities for business purposes, and Company car or reimbursement of car expenses are for availability and efficiency</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employment contracts with CEO and COO require certain benefits</li> </ul>

**Determination of Amounts.** Each of the components of the compensation program is set by the compensation committee of the board of directors. Because each of the components in our compensation program functions differently, the ways in which each compensation element is determined is slightly different from one element to the next.

#### *Salary and Employee Benefits*

The compensation committee had initially retained a compensation consultant that examined the cash compensation program for our executives. Based on the statistical peer group information provided by the consultant, the committee adjusted the salaries of the CEO, COO and CFO to the median level of the peer group. Since that time, the compensation committee has limited salary increases for the CEO and other named executive officers to the 3% to 4% range each year.

In reviewing the CEO compensation of the review group, the committee determined that the annual salary of OmegaFlex’s CEO Kevin Hoben of \$460,575 in 2020 was in line with the average of the review group CEO salary in 2020 of \$498,139. The base salaries established by the compensation committee for our named executive officers as of January 1, 2021 are set forth below:

#### **2021 Salary Levels**

<b>Officer</b>	<b>Annual Salary</b>
Kevin R. Hoben, Chairman & CEO	\$476,695
Mark F. Albino, President & COO	\$476,695
Dean W. Rivest, Executive Vice President	\$270,000
Paul J. Kane, Vice President – Finance & CFO	\$214,245
Edwin B. Moran, Vice President Sales	\$214,240

The Company provides a standard arrangement of employee benefits to all of our employees, including our executive officers. The employee benefits include insurance programs for medical, dental, life, and disability, as well as retirement plans consisting of a 401(k) and profit sharing plan. The executive officers participate in these plans on the same basis as all of our other employees.

### *Omega Flex, Inc. Executive Incentive Plan*

**Description.** Our executive officers participate in the Omega Flex, Inc. Executive Incentive Plan, while certain sales employees participate in a separate sales incentive program. The executive incentive plan is used to motivate individual employees to contribute to the overall success of the Company. The executive incentive plan uses a basic formula of 16.2% of the Company's earnings before interest and taxes (and excluding the bonus itself) to generate the total amount to be accrued for the executive incentive bonus pool.

**Purpose.** The purpose for using a performance bonus based on earnings before interest and taxes is based on the premise that management is placed in charge of the shareholder's investment and must diligently manage that investment and achieve earnings from the operation of the business. Only items relating to interest and taxes are excluded as those charges relate to the board's decision to incur debt to expand the Company's operations or other purposes. This bonus plan is significant in that it requires management to marshal and manage the assets used in the business in the most economical way to generate higher earnings and a return on the capital investment.

**Calculation.** Participating salaried employees receive a percentage of that pool that is designated by their manager. At a meeting on February 17, 2021, the compensation committee set the percentage of the incentive bonus pool awarded to Mr. Hoben and Mr. Albino at 37.07% and 31.01%, respectively. All other executive officers receive a participating share in the bonus pool based on the recommendations of the CEO, and subject to review and approval by the compensation committee. The following cash incentive bonuses were awarded by the compensation committee based on the Company's financial performance and individual performance in 2020 for each named executive officer:

#### **Employee Incentive Plan Distributions**

<b>Officer</b>	<b>Amount</b>	<b>Percentage (%) of Bonus Pool<sup>(1)</sup></b>
Kevin R. Hoben, Chairman & CEO	\$1,906,231	37.07
Mark F. Albino, President & COO	\$1,594,428	31.01
Dean W. Rivest, Executive Vice President	\$215,000	4.48
Paul J. Kane, Vice President – Finance & CFO	\$110,000	2.29
Edwin B. Moran, Vice President Sales Residential Markets	\$200,000	4.17

<sup>(1)</sup> Other executive officers also participate in the executive incentive bonus program and received an aggregate 20.98% of the 2020 Bonus Pool.

#### *Long Term Incentive Plans – Phantom Stock*

**Description.** The phantom stock plan was instituted in 2006. It is designed to function as the long term component of our compensation program. Under the plan, select numbers of the management team may receive units of phantom stock. The value of the phantom stock is tied to the value of our common stock. The phantom stock units have a vesting schedule, which is typically three years. After the phantom stock units have vested, the executive would receive the value of the phantom stock which would be equal to the then current value of the Company's common stock on the maturity date of the phantom stock units. This amount could either be full value (the phantom stock unit is equal to the common stock) or it could be appreciation only (the phantom stock unit is equal to any increase in the value if the common stock). If the executive voluntarily leaves the Company or is terminated, then any unvested awards of phantom stock units are forfeited.

**Determination of Awards.** The basis for determining the size of the awards is limited by the total amount of the phantom stock units authorized under the phantom stock plan. The phantom stock plan was implemented in 2006 with one million phantom stock units. Once the units are granted, they are deducted from the total authorized amount. Awards to employees are at the discretion of the compensation committee and upon recommendation by the CEO. Each year, approximately 5,000 to 10,000 phantom stock units are granted to participating executives. The number of phantom stock units granted at any one time is targeted to be between 5% to 15% of total compensation. The compensation committee believes that this level of periodic grants of phantom stock units to select key employees is appropriate to achieve the goal of promoting long-term strategic goals and retention of key executives. We do not have a formal program on the timing of the phantom stock awards, but we do review

decisions on whether to grant phantom stock units on an annual basis in the first quarter, and then during the year depending on circumstances. Generally, the awards will be made either outside any black-out period applicable to insider trading of our common stock, or in conjunction with the calculation and payment of our annual bonus program, which occurs in the middle of the first quarter of each year. For 2021, the following “full value” phantom stock unit awards were approved by the compensation committee on February 17, 2021 to each of the named executive officers:

### 2021 Phantom Stock Grants

Officer	Number of Units	Value at Grant Date
Kevin R. Hoben, Chairman & CEO	-	\$ 0
Mark F. Albino, President & COO	-	\$ 0
Dean W. Rivest, Executive Vice President	603	\$90,401.76
Paul J. Kane, Vice President – Finance & CFO	402	\$60,267.84
Edwin B. Moran, Vice President Sales Residential Markets	402	\$60,267.84

### *Employee Benefits and Perquisites*

All of our named executive officers participate in employee benefit programs that are offered to other Company employees, including the OmegaFlex Profit Sharing 401(k) plan, and medical, dental, and life insurance plans. In addition, Mr. Hoben has use of an automobile leased by the Company, and Mr. Albino receives payments to cover the cost of an automobile. Mr. Hoben also has the use of one club membership, which is paid for by the Company and which also allows the Company to utilize the club facilities for meetings and events.

### Role of Management

As stated above, the compensation committee has the primary role in setting the compensation level for the CEO and the COO. Some elements of compensation are set forth in employment agreements with the CEO and the COO, and we are required to comply with those contractual obligations. For other executive officers, the CEO is responsible for making recommendations to the compensation committee regarding annual salary increases and annual performance bonuses. The compensation committee reviews those recommendations and, after discussion with the CEO, may accept, modify or reject those recommendations.

### Coordination of Compensation Elements with Overall Objectives

**Salary.** Our base salary levels reflect on a combination of factors, including the executive’s assigned responsibilities, experience and length of company service, individual performance, and competitive pay levels. As previously noted, the base salaries of our CEO, COO and CFO were initially brought up to the median level of the comparison group, with the CEO salary at parity with the median salary level of the peer group. The salary levels of all executive officers have been adjusted annually at substantially the same rate as all management personnel within the range of 3% to 4%.

**Performance Bonus.** Our annual executive incentive bonus program is intended to motivate all of our salaried employees to actively contribute to the financial success of our business. Further, because our annual performance bonus is a large component of the overall compensation of our executive officers, more of their compensation is “at risk,” and this risk factor is an additional motivating factor to improve the performance of our businesses and achieve the targeted returns. In this manner, our executive officers are paid for performance. We believe that this system focuses management on the growth of the business, and that this compensation arrangement is appropriate for a high growth company such as ours. The risk to the shareholders is limited by the CEO and the COO both holding significant positions in the Company’s common stock, and having their long-term interests aligned with those of all other shareholders.

**Long Term Incentives – Phantom Stock.** The phantom stock plan fits into our compensation objectives in three different ways:

- Creating a long term perspective for management

- Aligning the interests of management with the shareholders
- Retention of key employees

Long Term Perspective. Because the amounts awarded under the phantom stock plan are not paid for several years, we expect that participants in the plan would view their participation in the program on a long term basis and use the time to foster conditions in the Company or the markets in which we operate that favor the growth of the Company over a long term basis. Therefore, strategic initiatives that require enormous amounts of planning to carry out properly would still be pursued by management because they would improve the chances that the value of the phantom stock unit would increase in value.

Alignment with Shareholders. Also, the Company is fortunate to have the chairman and the president as significant shareholders in the Company, and therefore the interests of the two highest executive officers are closely aligned with that of the other shareholders. However to increase this perspective among other members of management, we may use the phantom stock units to increase the executives' appreciation of the shareholders' interest. On receipt of full-value phantom stock units, the management's long term compensation will increase or decrease in unison with the value of the shareholders' investment. This provides a powerful incentive to increase the value of the phantom stock units while also enabling a discipline through the three year vesting period so that short term gains are not achieved at the expense of long term growth.

Retention of Key Employees. Because the other elements of compensation are biased towards short term goals, the ability to retain key management personnel is crucial. Our primary method of retaining key people is to grant phantom stock units that have a moderate vesting schedule with a payout over three or four years. The employee may not voluntarily terminate his or her employment with us without forfeiting their rights under the phantom stock plan. The phantom stock therefore functions as a retention tool to retain key employees who are necessary to the smooth and profitable operation of the Company.

### **Tax and Accounting Treatments**

In December 2017, the Tax Cut and Jobs Act of 2017 ("TCJA") was signed into law. Among the many other provisions, TCJA eliminated the exemption applicable to performance-based compensation that previously allowed public companies to avoid the \$1 million tax deduction limit under Section 162(m) of the Internal Revenue Code. While TCJA provided certain transition relief, that relief is not available for "new contracts entered into or renewed after November 2, 2017." The employment contracts for the Company's CEO and COO were written for a specific duration, and thereafter are automatically renewed on an annual basis, unless terminated by either party. Therefore, under the guidance from the Joint Explanatory Statement of the Committee of Conference, the transition relief is not available for OmegaFlex and executive compensation paid in 2018 and subsequent years that exceeds \$1 million may not be deductible on the Company's tax returns in those tax years. It is not expected that the changes initiated by TCJA will significantly alter the compensation plans and practices of the Company in the 2021 calendar year, but the compensation committee will review those plans and practices to ensure their overall effectiveness.

The accounting and tax treatment of compensation have not previously been a factor in determining the types or amounts of compensation for our executive officers. As can be seen, we heavily favor cash compensation as the biggest components of executive compensation, and these amounts have a fairly straight-forward accounting and tax treatment. We have likewise chosen to use the phantom stock plan for the primary purpose that it is non-dilutive to the shareholders – that is, no new shares of common stock are issued to executives that could decrease the shareholder's interests in the Company. The phantom stock units are treated as general unsecured liabilities of the Company.

## **EXECUTIVE COMPENSATION**

The following table sets forth all of the compensation earned by the Company's chief executive officer, chief financial officer, and the three other most highly compensated executive officers for all



services rendered by them to the Company in all capacities for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018.

### Summary Compensation Table

	Year	Salary (\$)	Stock Awards (\$) <sup>(1)</sup>	Non-equity Incentive Plan Compensation (\$) <sup>(2)</sup>	All Other Comp (\$) <sup>(3)</sup>	Total (\$)
<i>Kevin R. Hoben</i> <i>Chairman &amp; CEO</i>	2020	469,433	0	1,906,231	49,552	2,425,216
	2019	445,000	0	1,507,212	51,693	2,003,905
	2018	429,125	0	1,878,000	51,378	2,358,503
<i>Mark F. Albino</i> <i>President &amp; COO</i>	2020	469,433	0	1,594,428	37,110	2,100,971
	2019	445,000	0	1,248,383	34,623	1,728,006
	2018	358,215	0	1,545,000	34,308	1,937,523
<i>Dean W. Rivest</i> <i>Exec. Vice President</i>	2020	232,443	58,725	215,000	20,579	526,747
	2019	201,954	63,296	150,000	19,308	434,558
	2018	183,336	55,600	170,000	18,441	427,377
<i>Paul J. Kane</i> <i>Vice President – Finance</i>	2020	210,981	58,725	110,000	21,679	401,385
	2019	200,000	63,295	100,000	21,630	384,925
	2018	188,919	55,600	107,000	21,278	372,797
<i>Edwin B. Moran</i> <i>Vice President - Sales</i>	2020	212,616	58,725	200,000	19,197	471,341
	2019	198,390	63,295	162,977	21,548	424,662
	2018	180,419	55,600	200,000	20,435	436,019

*Footnotes:*

(1) All stock awards are in the form of *full value* phantom stock units issued pursuant to the Omega Flex, Inc. 2006 Phantom Stock Plan. In 2020, the number of *full value* phantom stock units issued to Mr. Rivest was 602, and 402 to each of Mr. Kane and Mr. Moran. The value of the stock award is the closing price of the OmegaFlex common stock as of the grant date. The closing price on the 2020 grant date was \$149.92.

(2) Amounts calculated were paid under the Omega Flex, Inc. Executive Incentive Plan.

(3) Amounts reflected in this column include:

*Company contributions* to the Omega Flex, Inc. 401(k) Profit Sharing Plan. The matching contributions paid in 2020 for each of the named executive officers was \$12,969.

*Company car* – For Mr. Hoben and Mr. Albino, this amount also includes the use of a company car, valued on an annual basis at \$18,305 and \$9,600 respectively.

*Benefits* – All Other Compensation includes amounts relating to employee benefit programs, including life and disability insurance, and medical and dental benefits, that are offered to all employees on equivalent terms.

### Outstanding Equity Awards at Fiscal Year End<sup>(1)</sup>

Name	Number of share or units of stock that have not vested (#) <sup>(2)</sup>	Market value of shares of units of stock that have not vested (\$) <sup>(3)</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 (\$)
<b>Kevin R. Hoben</b>	0	0	0	0
<b>Mark F. Albino</b>	0	0	0	0
<b>Dean W. Rivest</b>	1,703	\$133,061.73	0	0
<b>Paul J. Kane</b>	1,703	\$133,061.73	0	0
<b>Edwin B. Moran</b>	1,703	\$133,061.73	0	0

*Footnotes:*

(1) All equity awards are in the form of phantom stock units issued pursuant to the Omega Flex, Inc. 2006 Phantom Stock Plan, as described in the compensation committee report which begins on page 14.

(2) The vesting of the phantom stock awards occur in three approximately equal installments beginning one year after the grant date.

(3) The market value is computed by using the Black-Scholes option pricing model as its method for determining fair value of the phantom stock units. The Company uses the straight-line method of attributing the value of the stock-based compensation expense relating to the phantom stock units.

## Employment Agreements

On December 15, 2008, OmegaFlex entered into an employment agreement with each of Kevin R. Hoben, Chairman and Chief Executive Officer of the Company, and Mark F. Albino, President and Chief Operating Officer of the Company. As of January 1, 2014, the aforementioned employment agreements were amended in part to add a “clawback” provision.

The agreements with each of Mr. Hoben and Mr. Albino contain the following terms:

Duties and Term. Mr. Hoben will be employed by the Company as Chairman and CEO, and Mr. Albino will be employed as President and Chief Operating Officer of the Company. Each of the executives will be employed for a period of two years, and that term will be automatically extended for consecutive one-year periods unless the Company provides six-months advance notice of termination. In each case, the agreements are also subject to earlier termination by the Company or by the executive.

Compensation. The agreements provide for compensation in the form of: (1) annual base salary (at present approximately \$476,695 for each of Mr. Hoben and Mr. Albino) subject to annual review and adjustment by the compensation committee of the board of directors; (2) annual incentive bonus awards in accordance with the bonus programs established by the board; (3) 20 days of paid vacation, (4) a car allowance, and (5) other employment benefits provided by the Company to all of its employees, such as retirement plans, medical and life insurance programs, and short- and long-term disability plans, in accordance with the terms of those employee benefit plans. In addition, the Company pays for a club membership for Mr. Hoben. The executive will be reimbursed for all reasonable and necessary expenses incurred in performing his duties. The 2014 amendments to the employment agreements each included a “clawback” provision, whereby any amount of incentive compensation that is subject to recovery under any law, rule or listing requirement and based on an overstatement of earnings is subject to repayment by the employee to the Company.

Termination. Each of the agreements may be terminated in any of the following circumstances: (1) death, (2) permanent disability, (3) for “cause” (as defined below) at the option of the Company, (4) without “cause” at the option of the Company, (5) for “good reason” (as defined below) at the option of the executive, (6) by resignation or retirement at the option of the executive, or (7) by the Company’s decision not to renew the agreement.

Payments on Termination. The executive will receive payments under his agreement as a result of the termination of the agreement, as follows:

- *Death or disability* – accrued and unpaid base salary and vacation, and severance in an amount equal to the average incentive bonuses paid to the executive in the three previous fiscal years and prorated from the beginning of the fiscal year to the date of termination;
- *For cause, retirement or resignation* – accrued and unpaid base salary and vacation as of the date of termination, retirement, or resignation;
- *Without cause or for good reason* – accrued and unpaid base salary and vacation, severance in an amount equal to the average incentive bonuses paid to the executive in the three previous fiscal years, one year’s base salary, and continuation of health benefits and car allowance for one year; or

- *Non-renewal* – accrued and unpaid base salary and vacation, severance in an amount equal to the average incentive bonuses paid to the executive in the three previous fiscal years, one year’s base salary, and continuation of health benefits and car allowance for one year.

For purposes of the agreements, “*cause*” is defined under the agreements as (a) the willful failure to perform the executive duties under the agreement, (b) willful or gross misconduct, (c) conviction of, or plea of guilty or *nolo contendere* to, a felony, or (d) a material breach of the executive’s obligations under the agreement, including confidentiality and non-competition.

In addition, “*good reason*” is defined under the agreements to mean (a) a reduction in annual base salary; (b) a material reduction in bonus compensation related to factors other than (i) business or economic conditions, (ii) poor performance, (iii) limits on executive compensation imposed by law or regulation, or (iv) new requirements in the Internal Revenue Code or Employee Retirement Income Security Act; (c) a relocation of the place of employment greater than twenty five (25) miles from the current place of employment; or (d) a material reduction in principal duties and responsibilities.

Change in Control. Each of the agreements provides that if the agreement is terminated without cause or for good reason, or is not renewed by the Company, anytime in an 18 month period following a change in control, the executive will receive an amount equal to two years’ base salary and two times the average incentive bonus amounts paid or earned in the prior three years. These amounts are in addition to any payments that may be received in respect of the termination of the agreement. A “change in control” may occur through (1) a merger or consolidation of the Company with another entity, where the Company’s shareholders prior to the transaction will not hold a majority of the voting power of the equity interests of the successor entity, (2) a sale or transfer of all or substantially all of the Company’s assets, (3) acquisition by a person or group of persons acting together in a transaction or series of transaction resulting in that person or persons’ owning 50% or more of the voting power of the voting securities of the Company, (4) a change in the composition of the board of directors in a two year period where a majority of the board members as of the date of determination have changed from the beginning date, or (5) the liquidation or dissolution of the Company (excluding however, any bankruptcy of the Company).

Restrictive Covenants. During the term of each agreement and for one year after termination of each agreement, the executive may not solicit or induce any employee to leave the employment of the Company, or to solicit or induce any customer or supplier of the Company to terminate or modify their business relationship with the Company. Further, during the term of the agreement and for one year after termination of the agreement, the executive may not engage, either individually or as an employee, director, owner or consultant of any entity, in any business that is engaged in the manufacture and sale of flexible metal hose and braid products, or other line of business in which the Company is engaged at the time of termination.

Miscellaneous. The agreement will be interpreted in accordance with Section 409A of the Internal Revenue Code, including deferral of any payments to the executive if he is deemed to be a “specified employee” under Section 409A of the Internal Revenue Code. Any payments under the agreements that may be subject to an excise tax imposed under Section 4999 of the Internal Revenue Code will be reduced to a level so that the payment will not be subject to such excise tax. The agreements supersede and replace the prior executive employment agreements.

### **Change of Control Agreements**

In 2019 and in 2020, OmegaFlex entered into several change of control agreements with each of the following officers:

Paul J. Kane	Dean W. Rivest	Edwin B. Moran
Geraldine Glazer	Timothy P. Scanlan	Robert Haines
Steven Hockenberry		

In addition, the Company entered into several change of control agreements with three other key management employees. The change of control agreements all contain the following terms:

Change of Control. A change of control means an event where either (a) the individuals constituting the Company’s board of directors as of the date of the Agreement cease to constitute a majority of the board (except where the majority of the current board appoints or nominates for election a new board member), or (b) approval by the shareholders of a reorganization, merger or consolidation of the Company (except where 75% of the outstanding stock of the new organization is held by shareholders of the Company immediately prior to the reorganization, merger or consolidation), or (c) approval by the shareholders of a complete liquidation or dissolution of the Company, or a sale or disposition of substantially all of the Company’s assets.

Post-Change Employment Period. After a change of control occurs, the employee shall be employed by the Company for three years after the change of control occurred (the “post-change employment period”).

Terms of Employment. The employee shall be employed in substantially the same position with substantially the same duties and within 35 miles of the same physical location to which the employee was assigned as of the date of the change of control. During the post-change employment period, the employee will receive at least the highest base annual salary he received within the 12-month period prior to the change of control and will be entitled to participate in an executive incentive plan. The amount received under the executive incentive plan will be dependent on the performance of the Company during the post-change employment period. However, in lieu of participating in the executive incentive plan during the post-change employment period, the employee may instead elect to receive the three-year average compensation that the employee received under the Company’s executive incentive plans in the three years prior to the change of control, which would be paid monthly in arrears during the post-change employment period. The employee may also participate and receive benefits under the Company’s employee benefit programs, under the terms most favorable to employee as existed within 120 days prior to the change of control.

Termination of Employment during Post-Change Employment Period. The employee’s employment may be terminated during the post-change employment period (a) by the employee’s death, disability or retirement, (b) by the Company for “cause”, or (c) by the employee for “good reason.”

“Cause” means (i) deliberate misconduct having a material adverse effect on the Company, (ii) employee’s continuing failure to perform a substantial portion of his duties, after failing to cure those deficiencies within 30 days of receiving notice, (iii) a criminal felony conviction of the employee having a material adverse effect on the Company, (iv) employee’s use or abuse of controlled substances or habitual intoxication, after receiving 30 days’ notice, or (v) any material breach by employee of his obligations under the Agreement having a material adverse effect on the Company. In addition, the then current board of directors of the Company must notify the employee of the Company’s intent to terminate for cause and provide such employee with an opportunity to be heard with counsel by the board disputing the purported termination, and after that hearing provide to the employee a copy of the resolution that has been affirmatively approved by 75% of the then current board of directors finding that the employee’s conduct justifies termination for cause.

“Good Reason” means (i) any substantial increase or diminution of the employee’s authority, duties or responsibilities provided as part of the terms of his employment, unless the employee agrees to a substantial increase in his duties, (ii) any failure by the Company to pay the compensation provided under the relevant agreement, (iii) relocation to a location greater than 35 miles from his location before the change of control, or substantial increase in business travel than previously undertaken before the change of control, (iv) any purported termination by the Company, except as expressly provided under the Agreement, or (v) any failure by the Company to require any successor-in-interest to assume the obligations of the Agreement.

Company Obligation upon Termination. If during the post-change employment period the employee’s employment with the Company is terminated for the reasons set forth below, then the Company shall pay the following:

Death, Disability or Retirement – annual salary up to the date of termination to the extent not previously paid, and any deferred compensation to the extent not previously paid, together with any other death, disability, retirement or any other available benefits offered by the Company, either before the change of control or as of the date of termination, whatever is most favorable to the employee.

Cause – annual salary up to the date of termination to the extent not previously paid, and any deferred compensation to the extent not previously paid.

Other; Good Reason – if employee is terminated for reasons other than for death, disability, retirement, or cause, or if the employee resigns for good reason, then the employee shall be paid (i) annual salary up to the date of termination to the extent not previously paid, and any deferred compensation to the extent not previously paid, and (ii) a severance benefit equal to a multiple of two times the sum of employee’s base salary, and the average of the last two annual performance bonus awards paid to employee; and shall be entitled to continued participation in the Company’s benefit plans for a period of 12 months after termination.

Non-competition; Non-disclosure. During his employment with the Company, the employee shall not compete with the Company or have a substantial interest in any organization that competes with the Company. The employee may not disclose the Company’s confidential and proprietary information, and shall return such information to the Company upon his termination.

Severance. If prior to a change of control, the employee is terminated other than for death, disability or for cause, or the Agreement is terminated and the employee is terminated other than for death, disability or for cause within 12 months of such Agreement being terminated, the employee shall receive as severance for 18 months after termination his annual base salary, paid on a regular payroll schedule, continuation of all benefits, and an extension of any period in which to exercise vested stock options, and shall also be entitled to participate in any executive incentive bonus plan through the next annual calculation and distribution. This severance is an alternative payment to that provided after a change of control as described above.

Miscellaneous. No payments under the Agreement may be subject to set-off or recoupment by the Company. The Company shall pay employee’s costs, expenses and legal fees incurred to enforce any terms of the Agreement against the Company. The Company shall require any successor in interest to assume the obligations of the Agreement. The Agreement is not effective unless expressly authorized by the board, which authorization was issued at a meeting of the board on January 31, 2020 and September 23, 2020.

## Potential Payments upon Termination or Change in Control

The table below reflects the estimated amount of compensation payable to our named executive officers assuming their employment had terminated on December 31, 2020 under the circumstances indicated.

Payments with respect to termination from the Company may occur as a result of termination of the employment relationship or as a result of a change of control of the Company. These payments (“Severance Payments”) would be in the form of cash payments to which the named executive officers would be entitled under the terms of their respective agreements; for Mr. Hoben and Mr. Albino, those are their respective employment agreements (as described on page 23 (“Employment Agreements”)); for Mr. Rivest, Mr. Kane and Mr. Moran, those are their respective change of control agreements (as described on page 24 (“CIC Agreements”). Under the Employment Agreements, Severance Payments would be due and owing for termination by reason of (a) death or disability, (b) without cause or by the officer for good reason, (c) non-renewal of the Employment Agreement(s), or a change in control of the Company. Under the CIC Agreements, Severance Payments would be due and owing for termination following a change of control of the Company. The change in control Severance Payments require a “double-trigger”, meaning that a change in control alone, without a qualifying termination of employment during a specified period following a change in control, will not give rise to any change in control payments. A separate Severance Payment would be due and owing if the executive officer is terminated prior to a change of control for reasons other than for death, disability or for cause, or if the CIC Agreement is terminated and the employee is terminated other than for death, disability or for cause within 12 months of such CIC Agreement being terminated. As a result, amounts reflected under the column titled “Without Cause / Good Reason / Non-Renewal” assume either (a) involuntary termination by the Company without cause or resignation for good reason (where applicable) in connection with a change in control, (b) termination for reasons other than for death, disability or for cause, or (c) non-renewal of the relevant Employment Agreement.

In the event of termination by the Company without cause or by the executive with good reason following a change in control, under the terms of the phantom stock plan the compensation committee will take action to ensure that any phantom stock units outstanding at the closing of a potential change of control event would receive an equivalent value under the terms of a potential acquisition or merger agreement.

For further details about the post-termination amounts shown in the following table, see the footnotes to the table and the respective discussions above.

### *Termination Payments*

Name	Death or Disability		Without Cause / Good Reason / Non-Renewal		Termination after Change in Control	
Kevin R. Hoben	\$ 1,763,814	(1)	\$ 2,251,552	(2)(5)	\$ 6,699,742	(2)
Mark F. Albino	\$ 1,462,604	(1)	\$ 1,941,637	(2)	\$ 5,796,110	(2)
Dean W. Rivest	\$ -		\$ 563,665	(2)(3)	\$ 829,886	(2)(4)
Paul J. Kane	\$ -		\$ 426,472	(2)(3)	\$ 631,962	(2)(4)
Edwin B. Moran	\$ -		\$ 518,924	(2)(3)	\$ 769,712	(2)(4)

- (1) Pro-rated from beginning of fiscal year to undetermined termination date; amount shown is for full 12 months.
- (2) Executive will also receive continuing benefits under the Company’s medical insurance plan for one year.
- (3) Does not include any unvested phantom stock units that are permitted to vest within 18 month period after termination.
- (4) Does not include any equitable adjustment for unvested phantom stock units, as determined by compensation committee.

- (5) At termination of one year post-employment period, the Company will be required to purchase Mr. Hoben's leased car and transfer the car to him.

## Retirement Plans

All of the executive officers of the Company are participants in the Omega Flex, Inc. 401(k) Profit Sharing Plan.

## CEO PAY RATIO DISCLOSURE

### Overview

We are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Kevin R. Hoben, our Chief Executive Officer (CEO). The pay ratio included in this information is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

<b>CEO Annual Total Compensation</b>	\$ 2,026,197
<b>Median Employee Annual Total Compensation</b>	\$62,119.92
<b>CEO to Median Employee Pay Ratio</b>	33:1

### Methodology

Our CEO pay ratio is an estimate calculated in a manner consistent with Item 402(u) of Regulation S-K and based upon our reasonable judgment and assumptions. Our methodology and process is explained below:

Calculation of CEO Pay. We elected not to use the compensation of the CEO from the *Summary Compensation Table* on page 22 because a majority of the CEO's compensation is from the executive incentive payments that are disclosed in the table as earned in the year before the amounts are actually paid to the CEO, and do not correlate with the gross income of all employees based on our payroll records used to determine the median employee compensation. Therefore, we have used the salary, retirement plan contributions, life insurance and other perquisites paid to Mr. Hoben in 2020, plus the non-equity incentive plan compensation actually paid to Mr. Hoben in 2020, but which were earned for performance in 2019 and which is disclosed in the Summary Compensation Table for that year. Those amounts are as follows:

<b>CEO Estimated Compensation</b>	
<b>Salary</b>	\$ 469,433
<b>Non-equity Incentive Plan Compensation (2019)</b>	\$ 1,507,212
<b>Other Compensation</b>	\$ 49,552
<b>TOTAL</b>	\$ 2,026,197

If we had used Mr. Hoben's 2020 compensation from the Summary Compensation Table, the CEO pay ratio would have been 39:1.

Identification of Median Employee. We are using the same median employee in our pay ratio calculation for 2020 as we used in 2019, because there have been no significant changes in our employee population or employee compensation arrangements that would significantly impact the pay ratio disclosure. That median employee is a full-time hourly employee located in our Exton, Pennsylvania facility.

The disclosure presented above is a reasonable estimate. Because Item 402(u) of Regulation S-K allows companies to use different methodologies, exemptions, estimates and assumptions for identifying

the median employee and calculating the pay ratio, this disclosure may not be comparable to the pay ratio reported by other companies.

### **DIRECTOR COMPENSATION**

At a meeting in April 2021, the directors conducted the first full review of director compensation since 2005. The reports from compensation consultants showed that the directors were below the 25% percentile in total compensation as compared to their peers in other similarly-sized companies. Following the recommendations of the compensation consultants, the directors authorized a new cash compensation schedule that relied on an annual retainer, and eliminated meeting fees, consistent with current trends. The new compensation structure will place the directors slightly below the 50% percentile for director compensation among the company's peers. Each non-employee director receives the following compensation:

Annual Retainer	\$76,000
Retainer – Chair of board committee	\$5,000

In addition, there will be a one-time retroactive payment for reduced 2020 compensation in the amount of \$15,000. There will be an automatic increase of 5% every two years (starting March 2022) to account for inflation, and the compensation committee will use an outside compensation consultant to recommend any changes to the directors' compensation every four years (starting March 2024). Directors who are also employees of the Company receive no separate compensation for serving as directors or as members of any committees of the board. Directors are also reimbursed for their reasonable expenses in attending or participating in a board or committee meeting.

The compensation of each director for the fiscal year ended December 31, 2020 is set forth in the table below:

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)<sup>(1)</sup></u>	<u>Total (\$)</u>
David M. Dubin	36,000	---	36,000
David K. Evans	39,000	---	39,000
J. Nicholas Filler	49,000	---	49,000
Derek W. Glanvill	36,000	---	36,000
Bruce C. Klink	42,000	---	42,000
Stewart B. Reed	28,000	---	28,000

(1) As of December 31, 2020, there were no outstanding stock awards to any of the directors.

### **TRANSACTIONS WITH RELATED PERSONS**

There were no transactions with any related persons in 2020.

### **DELINQUENT SECTION 16(a) REPORTS**

Section 16(a) of the Securities Exchange Act of 1934 requires directors and certain officers of the Company, as well as persons who own more than ten percent (10%) of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission. To the Company's knowledge, based solely on its review of the copies of such reports furnished to the Company and related written representations, during the fiscal year ended December 31, 2020, all applicable Section 16(a) filing requirements were satisfied on a timely basis, with the exception of the reports and transactions described below.



- A Form 4 report was filed by each of Steven Treichel, Paul Kane and Timothy Scanlan on March 11, 2020 to report the acquisition of derivate securities (in the form of phantom stock units) on February 28, 2020.
- A Form 5 report was filed by David Evans on April 22, 2020 to report the purchase of stock in 2016 and 2018.

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the compensation committee are Messrs. Reed (chairman), Evans, Filler, Glanvill, and Klink. None of the members of the compensation committee was or has been an officer or employee of the Company. No member of the compensation committee is an executive officer of a company in which one of our executive officers sits as a director or serves on the compensation committee of that company. No member of the compensation committee served as a director of another company where one of the executive officers of that company served on the Company's compensation committee.

## PRINCIPAL ACCOUNTANT FEES AND SERVICES

The audit committee approved the retention of RSM to audit the Company's consolidated financial statements for the year ended December 31, 2020. The audit committee has restricted the non-audit services that RSM may provide primarily to special projects relating to prospective tax issues. The following table sets forth the aggregate amounts invoiced to the Company for the years ended December 31 of 2020, 2019 and 2018:

<u>Description</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Audit Fees:</b>	\$ 223,650	\$ 223,650	\$ 234,450
<b>Tax Fees</b>	\$20,500	\$ 13,000	\$ 15,600
<b>Audit Related Fees (Form 11-K)</b>	\$31,500	\$ 29,295	\$ 28,734
<b>All Other Fees</b>	<u>\$30,750</u>	<u>\$ 25,000</u>	<u>\$ 15,000</u>
<b>Total</b>	<u>\$ 306,400</u>	<u>\$ 290,945</u>	<u>\$ 293,784</u>

“Audit Fees” are fees billed to the Company for professional services for the audit of the Company's financial statements included in the Company's Annual Report on Form 10-K, review of financial statements included in Quarterly Reports on Forms 10-Q, audit of the Company's financial controls, or for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements. “Tax Fees” related to tax consulting services based on the review of the Company's tax returns. “Audit Related Fees” were incurred in the audit of the Company's retirement plans. “All Other Fees” represents professional services incurred in connection with the filing of Form S-8 by the Company on December 13, 2018 and Form S-3 on January 8, 2021, and other miscellaneous fees.

## FINANCIAL STATEMENTS

The Company's audited consolidated financial statements and notes thereto, including selected financial data and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2020, are included in the Company's annual report to shareholders, which is available on the internet at [www.omegaflexcorp.com](http://www.omegaflexcorp.com). The annual report does not constitute proxy soliciting material.



## Your vote matters – here's how to vote!

You may vote online or by phone instead of mailing this card.



**Votes submitted electronically must be received by June 8, 2021 at 5:00 P.M., local time.**

### Online

Go to [www.envisionreports.com/OFLX](http://www.envisionreports.com/OFLX) or scan the QR code – login details are located in the shaded bar below.



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



## 2021 Annual Meeting Proxy Card

▼ IF VOTING BY MAIL, SIGN, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ▼

### **A** Proposals – The Board of Directors recommend a vote **FOR** all the nominees listed; and **FOR** Proposal 2.

1. to elect two Class 1 directors for a three-year term expiring at the 2024 annual meeting of shareholders;

	<b>For</b>	<b>Withhold</b>		<b>For</b>	<b>Withhold</b>
01 - Stewart B. Reed	<input type="checkbox"/>	<input type="checkbox"/>	02 - David K. Evans	<input type="checkbox"/>	<input type="checkbox"/>

2. To ratify the appointment of independent auditors by the audit committee of the board of directors for the fiscal year ending December 31, 2021.

<b>For</b>	<b>Against</b>	<b>Abstain</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### **B** Authorized Signatures – This section must be completed for your vote to count. Please date and sign below.

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) – Please print date below.

Signature 1 – Please keep signature within the box.

Signature 2 – Please keep signature within the box.

2021 Annual Meeting of OMEGA FLEX, INC. Shareholders

June 9, 2021, 1:00 pm ET

The 2021 annual shareholder meeting will be held virtually, as described in the notice of meeting and in the proxy statement. To be admitted to the Annual Meeting, please register for the meeting at <https://www.omegaflex.com/2021shareholdermeeting>

Important notice regarding the Internet availability of proxy materials for the Annual Meeting of Shareholders.  
The material is available at: [www.envisionreports.com/OFLX](http://www.envisionreports.com/OFLX)



▼ IF VOTING BY MAIL, SIGN, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ▼

Proxy – Omega Flex, Inc.



## Notice of 2021 Annual Meeting of Shareholders

### Proxy Solicited by Board of Directors for Annual Meeting – June 9, 2021

J. Nicholas Filler and Bruce C. Klink, or any of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Annual Meeting of Shareholders of Omega Flex, Inc. to be held on **June 9, 2021** or at any postponement or adjournment thereof.

Shares represented by this proxy will be voted by the shareholder. If no such directions are indicated, the Proxies will have authority to vote FOR the election of the Board of Directors; and FOR item 2.

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

(Items to be voted appear on reverse side)

#### **C** Non-Voting Items

**Change of Address** – Please print new address below.

**Comments** – Please print your comments below.

