

Kimball Electronics, Inc.  
Form DEF 14A  
September 10, 2015

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

**SCHEDULE 14A**

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

Filed by the Registrant    
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**KIMBALL ELECTRONICS, INC.**  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

Fee paid previously with preliminary materials.

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

- 1) Amount Previously Paid:

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- 2) Form, Schedule or Registration Statement No.:
  - 3) Filing Party:
  - 4) Date Filed:
-

Notice of 2015 Annual Meeting  
and Proxy Statement

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## **OUR GUIDING PRINCIPLES**

### **Customers**

Our customer is our business. We must provide innovative products and services that excite our customers and exceed their expectations of quality, features and enduring value. We also must recognize and respond quickly and creatively to ideas of others, both internally and externally.

Long-term customers are more important than short-term results. We will promise only what we know can be delivered; we will strive to deliver more than was promised.

We seek to consistently demonstrate a sense of warmth, humor and mutual respect in our relationships with our customers, to be the company with which they most enjoy working.

### **People**

Our people are the company. Kimball has been built upon the tradition of pride in craftsmanship, mutual trust, personal integrity, respect for dignity of the individual, a spirit of cooperation, and a sense of family and good humor. We seek to enhance this culture as we grow.

We cultivate a leadership style that embraces the attitudes of personal autonomy and empowerment; individual initiative and teamwork; employee involvement and continuous improvement; and open, non-defensive communication.

We shall foster an organizational structure, information systems and development of personal skills that maximize our peoples' flexibility to respond to our customers on their own terms.

We want employees to share in their company's success, both financially and through personal growth and fulfillment.

The most unfair system of all is one that blindly treats all situations the same. Therefore, we discourage rigid rules and policies in favor of a philosophy of individual responsibility and flexibility, so that real needs, rather than the rules, are met.

Offering ideas for improvements and new products is an opportunity we all share, a responsibility we must all accept. We seek to promote and reinforce an entrepreneurial spirit -- a conviction that growth and continuous improvement is everyone's job.

We seek a diversified group of employees who can be committed to preserving and enhancing these values.

Suppliers are our partners, an extension of our company. They must share our commitment to total quality that exceeds our customers' expectations.

### **Citizenship**

The environment is our home. We will be leaders in not only protecting but enhancing our world.

Recognizing that an attitude of pride in the company and the community are intertwined, we seek to share, but not impose, our values within the communities in which we live. We also strive to help our communities be great places to live.

We believe the greatest contribution we can make to the prosperity and quality of life of the communities in which we operate lies in being a dynamic, growing company.

**Profits**

Profits are the ultimate measure of how efficiently and effectively we serve our customers and are the only true source of long-term job security.

Profitability and financial resources give us the freedom to shape our future and achieve our vision.

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## **CHAIRMAN'S OVERVIEW**

### **Dear Share Owner:**

I am honored, humbled and extremely excited to begin my first year of service as Chairman of the Board and CEO of Kimball Electronics, Inc., which became a much more **focused** and effective competitor within the contract electronics manufacturing services market following the spin-off from Kimball International on October 31, 2014. I am extremely excited because we are in a better position to create greater value for you as a Share Owner.

This has been a record year. A breakout year. A year of firsts and lasts. Highlights include:

Smooth Transition - became a stand-alone company without interruptions to our operations, customers, or suppliers.

Timely Post-Spin Separation - necessary activities to physically separate the company completed ahead of schedule; moved into new headquarters building in August.

Effective Board Leadership - a new board of directors, made up of three independent directors from the Kimball International board and three new independent directors, each of whom has provided a helpful blend of continuity and fresh thinking.

Outstanding Financial Results- record sales and profits for fiscal year 2015. Consolidated net sales for fiscal year 2015 were \$819,350,000, a 10% increase over the prior year. Consolidated net income was a record \$26.2 million, or \$0.89 per diluted share. Operating cash flow remained strong at \$28.1 million for fiscal year 2015 and we ended fiscal year 2015 with a cash balance of \$65.2 million and no debt.

Continued Customer Satisfaction - customer loyalty was strong as indicated by an increased number of customers as well as the percentage of our sales that came from customers that we have been doing business with for over 10 years. We received several supplier recognition awards - three of which came from customers in our top ten by revenue list.

Investments for the Future - utilizing our strong balance sheet, we deployed capital to support our European capacity expansion in Romania and the significant new business wins that we were awarded during the year. We invested \$37 million in capital expenditures to improve our operational efficiencies and support future growth.

We are **focused!** As we move forward, we can be proud of the global team of Kimball Electronics employees who have embraced the strategy of growth and new opportunities. They have made it happen. They have remained true to our time-proven values and Guiding Principles (which are reprinted in the inside front cover of this Proxy) which have made Kimball Electronics successful. We are confident that their spirit of commitment will ensure future success.

For more detailed insights into the past year, I encourage you to read our Annual Report and Form 10-K, as well as follow us on our website at [www.kimballelectronics.com](http://www.kimballelectronics.com).

And I would like to extend a personal invitation for you to attend our annual meeting at our new Kimball Electronics Headquarters, located at 1205 Kimball Blvd. in Jasper, Indiana beginning at 9 a.m. EDT on Wednesday, October 21, 2015. I hope to see you there.

**Donald D. Charron**

Chairman and Chief Executive Officer  
Kimball Electronics, Inc.

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## **NOTICE OF ANNUAL MEETING OF SHARE OWNERS**

KIMBALL ELECTRONICS, INC.  
1205 Kimball Blvd  
Jasper, Indiana 47546  
(812) 634-4000

To the Share Owners of Kimball Electronics, Inc.:

The annual meeting of the Share Owners of KIMBALL ELECTRONICS, INC., an Indiana corporation (the "Company"), will be held at the principal offices of the Company, 1205 Kimball Blvd, Jasper, Indiana on Wednesday, October 21, 2015, at 9:00 A.M., Eastern Daylight Time (EDT), for the following purposes:

By Order of the Board of Directors

John H. Kahle, Secretary

September 10, 2015

### **Annual Share Owners Meeting Information**

### **Meeting Agenda Items**



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## **ELECTION OF DIRECTORS**

### **NOMINEES FOR ELECTION AS DIRECTORS BY HOLDERS OF COMMON STOCK**

The Board of Directors (the "Board") is divided into three classes with approximately one-third of the directors up for election each year. The class of each director and the date of their election is noted in their qualification descriptions below. At the 2015 Annual Meeting of Share Owners, the Share Owners are to elect each of three (3) directors to serve a term of three years, or until their respective successors have been duly elected and qualified.

A director elected by the Board to fill a vacancy holds office until the end of the term for which such director's predecessor was elected, or if the vacancy arises because of an increase in the size of the Board of Directors, at the end of the term specified at the time of such director's election or selection, and until that director's successor has been elected and qualified or until his or her earlier resignation, disqualification, disability or removal.

Each nominee is currently serving as a director of Kimball Electronics, Inc. ("we", "us", "our", or the "Company"). Each nominee has consented to continue to serve as a director. If for any reason any such nominee shall become unable or unwilling to serve, the proxies will be voted to fill any vacancy so arising in accordance with the discretionary authority of the persons named in the accompanying proxy. The Board has no reason to believe that any such nominee will be unable to serve.

The Class I nominees to be elected (serving a three-year term and then up for re-election in 2018):

Donald D. Charron  
Colleen C. Replier  
Gregory J. Lampert

Unique individual qualifications and skills of our nominees that led our Board to the conclusion that each should serve as a director are further described below and includes information each director has given us about his or her age, positions held, principal occupation, and business experience for the past five years, and the names of other publicly-held companies of which he or she currently serves (or during the past five years has served) as a director.

The nominees are:

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**Election of Directors**

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**Election of Directors**

**COMMUNICATING WITH THE BOARD**

Share Owners may communicate with a member of the Board by sending comments in care of the Secretary of the Company at 1205 Kimball Blvd, Jasper, Indiana 47546. The Secretary has the discretion to forward the correspondence to the director, or if circumstances dictate, to other departments within the Company to which such communication is more appropriately addressed. A log of correspondence received and copies of the correspondence are available to any director who wishes to review them.

8 [www.kimballelectronics.com](http://www.kimballelectronics.com)

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## CORPORATE GOVERNANCE AT KIMBALL ELECTRONICS

### Director Qualifications

The rapidly changing business conditions and markets in which the Company operates require a high-performance and committed Board. Individual Board members should possess a broad variety of personal attributes, experience, and skills to give the Board the depth and breadth necessary to effectively oversee management on behalf of our Share Owners. Personal attributes include integrity, commitment to the Company's Vision and Guiding Principles, practical judgment, broad complementary education, and willingness to commit the time and energy necessary to effectively contribute as a Board member. Necessary skills and experience and why they are important include:

**Financial** - for evaluation of financial performance, capital investments, and capital structure.

**International** - for evaluation of global operations and expansion.

**Technology** - for evaluation of technology investments and cyber-security risks.

**Operations** - for evaluation of our manufacturing operating plans and strategies.

**Human Resources** - for evaluation of our human capital resources, needs and compensation programs.

**Public Company Experience** - for evaluation of corporate governance policies, regulatory structures and Share Owner relations.

**Marketing** - for evaluation of our business development, customer relationships, and end-market strategies.

**Risk Management** - for evaluation of our business risks and mitigation strategies.

**Leadership** - for evaluation of management leadership and succession planning.

### DIRECTOR SKILLS AND EXPERIENCE