

Omega Flex, Inc.  
Form DEF 14A  
April 27, 2012

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

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

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

**OMEGA FLEX, 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:

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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):

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Total fee paid:

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

(1)

Amount Previously Paid:

(2)

Form, Schedule or Registration Statement No.:

(3)

Filing Party:

(4)

Date Filed:

Dear Shareholders:

It is my pleasure to invite you to the 2012 annual meeting of the Omega Flex shareholders. We will hold the meeting on Wednesday, June 6, 2012, at 1:00 p.m., in the Reed Institute, 152 Notre Dame Street, Westfield, Massachusetts. At the annual meeting, we will discuss each item of business described in the notice of annual meeting and in the 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:

[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 on Form 10-K that we filed with the Securities and Exchange Commission, which includes information about our business and our 2011 financial results. We have dispensed with a glossy annual report this year to control our costs in a very challenging environment.

We hope you will be able to attend the 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 seeing you at the annual meeting, and thank you for investing in Omega Flex, Inc.

Sincerely,

Kevin R. Hoben,

President and Chief Executive Officer

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

To Be Held June 6, 2012

To The Shareholders of Omega Flex, Inc.:

Please take notice that the annual meeting of the shareholders of Omega Flex, Inc. (the Company ) will be held at the Reed Institute, 152 Notre Dame Street, Westfield, Massachusetts, on Wednesday, June 6, 2012 at 1:00 p.m. local time, for the following purposes:

1.

to elect three Class 1 directors for a three year term expiring at the 2015 annual meeting of shareholders;

2.

to approve the Omega Flex, Inc. Executive Incentive Plan;

3.

to ratify the appointment by the audit committee of the board of directors of McGladry & Pullen LLP, as independent auditors for the Company for the fiscal year ending December 31, 2012; and

4.

to transact such other business as may properly come before the annual meeting or any postponement or adjournment thereof.

Pursuant to the by-laws of the Company, the board of directors has by resolution fixed the close of business on April 11, 2012 as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting and any postponement or adjournment thereof. In accordance with recent rules instituted by the Securities and Exchange Commission, the notice of internet availability has been mailed to all shareholders. The notice contains instructions on accessing the proxy statement and the annual report of the Company on our website [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. If you wish to obtain a paper copy of the proxy statement and annual report, please follow the instructions on the notice of internet availability. Please refer to the proxy statement and annual report for information concerning the affairs of the Company. The annual report does not constitute proxy soliciting material.

*It is important that your shares be represented at the annual meeting.*

All shareholders are cordially invited to attend the annual meeting in person. Whether or not you plan to attend the annual meeting in person, please vote your shares in accordance with the instructions on the notice of internet availability. If you voted by internet or by telephone, that vote will not limit your right to vote in person at the annual meeting.

By Order of the Board of Directors

Omega Flex, Inc.

Timothy P. Scanlan,

Secretary

Principal Executive Office:

213 Court Street, Suite 701

Middletown, CT 06457

April 27, 2012

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**OMEGA FLEX, INC.**

Corporate Offices

213 Court Street, S. 701

Middletown, CT 06457

**PROXY STATEMENT**

**FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD**

Wednesday, June 6, 2012, 1 p.m. local time

**SOLICITATION AND REVOCATION OF PROXIES**

This proxy statement is being provided to shareholders of record of the Company as of April 11, 2012 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 6, 2012.

**The accompanying proxy is solicited by and on behalf of the board of directors of Omega Flex, Inc., hereinafter referred to as "Omega Flex" or the "Company".** 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 has been retained by the Company to assist in the distribution of proxy materials and the solicitation of proxies by mail, for an estimated fee of \$2,900, 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 27, 2012.

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.





**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 articles of incorporation, 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 David K. Evans, David W. Hunter and Stewart B. Reed as Class 1 directors for a term expiring at the 2015 annual meeting of shareholders. Proxies cannot be voted for a greater number of persons than the number of nominees named. Each of the nominees is currently a Class 1 director whose term expires at the 2012 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.

The nominees for directors for a three-year term expiring at the 2015 annual meeting of shareholders (Class 1 Directors) are:

David K. Evans

Age 57

Director of Omega Flex since 1996

David W. Hunter

Age 83

Director of Omega Flex since 2005

Stewart B. Reed

Age 64

Director of Omega Flex since 2005

For complete biographical information concerning each of the three 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 THREE NOMINEES LISTED ABOVE AS DIRECTORS.

**Proposal 2 - Approval of the Omega Flex, Inc. Executive Incentive Plan**

On April 4, 2012, our Board of Directors unanimously approved the Omega Flex, Inc. Executive Incentive Plan (the Incentive Plan ) and directed that the Incentive Plan be submitted to our shareholders at the annual meeting. Shareholder approval of this Incentive Plan will allow bonuses paid under the Incentive Plan to qualify as deductible performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The purpose of the Incentive Plan is to motivate certain executives to achieve goals relating to the performance of Omega Flex or one of its business units or other objectively determinable goals and to reward them when those objectives are satisfied.

***Description of the Executive Incentive Plan***

This is a summary of the principal features of the Incentive Plan. This summary does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the Incentive Plan, which is attached hereto as *Appendix A*. Capitalized terms used in this summary that are not defined will have the meanings defined in the Incentive Plan.

*Eligibility.* Participants in the Incentive Plan are executive officers and key employees who are chosen solely at the discretion of the Compensation Committee. As of April 4, 2012, there are three executive officers who will participate in the Incentive Plan for the 2012 fiscal year. Because our executive officers are eligible to receive awards under the Incentive Plan, our executive officers have an interest in this proposal. No person is automatically entitled to participate in the Incentive Plan in any Incentive Plan year. We may also pay discretionary bonuses, or other types of compensation, outside of the Incentive Plan.

*Purposes.* The purposes of the Incentive Plan are to motivate the participants to achieve goals relating to the performance of Omega Flex or one of its business units or other objectively determinable goals and to reward them when those objectives are satisfied, thereby increasing stockholder value and the success of Omega Flex by motivating executives to perform to the best of their abilities and to achieve its objectives. If certain requirements are satisfied, bonuses issued under the Plan may qualify as deductible performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code).

*Administration.* The Incentive Plan will be administered by the Compensation Committee, consisting of no fewer than two independent members of the Board.

*Determination of Awards.* Under the Incentive Plan, participants will be eligible to receive awards based upon the attainment and certification of certain performance criteria established by the Compensation Committee. The performance criteria the Compensation Committee may choose from may include one or more of the following: annual revenue; cash position; earnings per share; net income; operating cash flow; operating margins; operating income; return on assets; return on equity; return on sales; total stockholder return; or other performance objectives.

The performance criteria may be based on absolute target numbers or growth in one or more such categories compared to a prior period, and may differ for each participant. The measures that constitute performance criteria may, at the discretion of the Compensation Committee, be based on pro forma numbers excluding extraordinary or one-time expenses or credits, such as restructuring expenses, extraordinary tax events, stock option expensing or the like. The performance measures may also, as the Committee specifies, either include or exclude the effect of payment of the bonuses under the Incentive Plan or any other bonus plan of the Company. Performance criteria may apply to Omega Flex or to one of our business units. Any other performance objectives must relate to an objective that is objectively determinable within the meaning of Code Section 162(m).

Our Compensation Committee may provide that attainment of a performance goal shall be measured by adjusting the evaluation of performance goal performance to exclude (i) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial conditions and results of operations appearing in our annual report to stockholders for the applicable year, or (ii) the effect of any changes in accounting principles affecting Omega Flex's or a business unit's reported results.

Our Compensation Committee retains the discretion to reduce or eliminate any award that would otherwise be payable pursuant to the Incentive Plan.

For our 2012 fiscal year, the Compensation Committee granted target awards under the Incentive Plan to two executive officers, including the CEO, based on earnings before interest and taxes ("EBIT"). These 2012 fiscal year bonuses are intended to qualify as deductible performance-based compensation under Code Section 162(m).

*Payment of Awards.* All awards will be paid in cash as soon as is practicable following determination of the award, unless the Compensation Committee chooses to defer the payment of awards, as it determines, in its discretion, is necessary or desirable to preserve the deductibility of such awards under Code Section 162(m).

*Maximum Award.* The amounts that will be paid pursuant to the Incentive Plan are not currently determinable. The maximum bonus payment that any participant may receive under the Incentive Plan in any of our fiscal years is \$2,000,000.

*Amendment and Termination.* The Compensation Committee may amend, modify, suspend or terminate the Incentive Plan, in whole or in part, at any time and in any respect, including the adoption of amendments deemed necessary or desirable to correct any defect or supply omitted data or to reconcile any inconsistency in the Incentive Plan or in any award granted thereunder. Any such amendment, modification, suspension or termination may be made without the consent of any affected participant. However, in no event may such amendment or modification result in an increase in the amount of compensation payable pursuant to any award under the Incentive Plan.

*Indemnification.* Our Board of Directors and Compensation Committee are generally indemnified by Omega Flex for any liability arising from claims relating to the Incentive Plan.

*Federal Income Tax Consequences.* Under present federal income tax law, participants will recognize ordinary income equal to the amount of the award received in the year of receipt. That income will be subject to applicable income and employment tax withholding by Omega Flex. If and to the extent that the Incentive Plan payments

satisfy the requirements of Section 162(m) of the Code and otherwise satisfy the requirements for deductibility under federal income tax law, the Company will receive a deduction for the amount constituting ordinary income to the participant.

*Awards to be Granted to Certain Individuals and Groups.* Awards under the Incentive Plan are determined based on actual future performance, so future actual awards cannot now be determined.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL  
OF THE OMEGA FLEX, INC. EXECUTIVE INCENTIVE PLAN.

**Proposal 3 - Ratification of Audit Committee s Appointment of Auditors.**

To ratify the appointment by the audit committee of the board of directors of McGladry & Pullen LLP, as independent auditors for the Company for the fiscal year ending December 31, 2012. 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 McGladry & Pullen LLP, the audit committee will consider the vote and the reasons therefor in future decisions on the selection of independent auditors. A representative of McGladry & Pullen is expected to attend the annual meeting.

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

Congress has recently passed a law requiring non-binding advisory votes by shareholders approving executive compensation (commonly referred to as say-on-pay ). However, the Securities and Exchange Commission has by regulation delayed the implementation date for say-on-pay votes for smaller reporting companies such as OmegaFlex until the 2013 annual meeting. The board has elected to defer any say-on-pay shareholder resolutions until that implementation date. The compensation committee report on executive compensation appears on page 16 of this proxy statement.

No business other than that set forth in the attached notice of annual meeting is expected to be acted upon. Should any other matters requiring a vote of shareholders be properly brought before the annual meeting or any postponement or adjournment thereof, the persons named in the accompanying proxy card will vote thereon according to their best judgment in the interest of the Company.

## **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.

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 three (3) positions on the board of directors of the Company to be filled. Abstentions will have no effect on the outcome of the election of directors.

The affirmative vote of a majority of the votes cast at the annual meeting is required to approve the Omega Flex, Inc. Executive Incentive Plan and the ratification of the appointment of the independent

accountants. Abstentions are not deemed to be votes cast, and have no effect on the voting results for those two proposals.

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 this proposal 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 11, 2012, the record date. As of April 11, 2012, there were issued and outstanding 10,091,822 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 11, 2012 there were 61,811 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 three (3) directors to be elected at the annual meeting to be held on June 6, 2012. Unless otherwise indicated on the proxy cards, the votes represented by such proxies will be voted in favor of the nominees listed thereon and in favor of the other Proposals set forth above under the caption Proposals for Shareholders Vote.

### **Shareholder Proposals**

Proposals that shareholders wish to present for consideration at the annual meeting to be held in 2013, pursuant to SEC Rule 14a-8, must be received at the Company's corporate offices no later than December 30, 2012 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 must be delivered to the chairman of the board of directors not later than 120 days prior to the anniversary date of the immediately preceding annual meeting. Please refer to the report of the nominating/ governance committee on page 14 for further information and requirements.

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

### **General Information**

The Omega Flex board of directors consists of nine directors. The nominating/governance committee reviewed the disclosures submitted by the nine board members and determined that directors David K. Evans, J. Nicholas Filler, David W. Hunter, Bruce C. Klink, John E. Reed, Stewart B. Reed and Edward J. Trainor 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. The Company's corporate governance guidelines can be found at 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 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 2011 the board of directors held four regular and one special meeting. All directors were present at all of the meetings, except that Mr. Hunter was excused from attending one meeting. At each meeting non-management, independent directors had the opportunity to meet in executive session. 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 2011.

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 controller and persons performing similar functions. This code of business ethics can be found at 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 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.

### **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 bylaws, 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. Since 2005, when Omega Flex, Inc. became a publicly-traded corporation and continuing to the present time, John E. Reed has been the chairman of the board, and the position of the Company's chief executive officer has been held by Kevin R. Hoben.

The board of directors has determined that this leadership structure is appropriate in that the separation of the offices of chairman of the board and chief executive officer enhances board independence and oversight. Moreover, the separation of the chairman of the board and chief executive officer allows the chief executive officer to focus on his responsibilities of the day-to-day running the Company and expanding and strengthening

the Company, and allows the chairman of the board to lead the board in its fundamental role of providing advice to and independent oversight of management.

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 701, 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 the chairman of the board, 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 successor 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 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 59**

Mr. Albino is currently Executive Vice President and Chief Operating Officer. Since 1996, Mr. Albino served as Senior Vice President - Manufacturing and Engineering until he assumed his current position in 2005. Mr. Albino has served as our director since 1996, and has also served as director of Omega Flex Limited since 2001. Prior to his joining us, Mr. Albino held a variety of positions in manufacturing and engineering with Titeflex Corporation and Western Consolidated Technologies. 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 2014.

David K. Evans, Age 57

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 was

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previously the Construction Manager of American Residential Services, LLC ( ARS ), a large construction company headquartered in Raleigh, North Carolina. Previously, he was the General Manager of Metro Heating and Air Conditioning, Inc. of Raleigh, North Carolina prior to its acquisition by ARS. Mr. Evans previously held a number of senior executive positions at TD Industries, Inc. of Dallas, Texas. 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 2012, and is a candidate for election.

J. Nicholas Filler, Age 60

Mr. Filler has served as a director since 2009. Since 2007, Mr. Filler has been the Chief Operating Officer of Argotec, Inc., a manufacturing firm in Greenfield, Massachusetts. Previously, Mr. Filler was the Senior Vice President Corporate and Legal of Mestek, Inc., the Company's former parent corporation, from 2001 to 2007, and is currently the corporate secretary of Mestek. Mr. Filler was also employed as in-house counsel to several small manufacturing and transportation firms in Western Massachusetts, and was an attorney and partner at Bulkley Richardson and Gelinis in Springfield, Massachusetts. Mr. Filler also served as corporate secretary of the Company from 2005 to 2007, and assistant secretary from 2007 to 2009, until his resignation upon his appointment to the board. Mr. Filler is also a director at Channing Bete Co., Pinsley Railroad Co., Bete Fog Nozzle Co., and Argotec, Inc. Mr. Filler received a JD degree from Boston University Law School, and has extensive experience in directing and leading manufacturing firms, and also has extensive experience 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 2013.

Kevin R. Hoben, Age 65

Mr. Hoben is currently President and Chief Executive Officer of Omega Flex, and has served in that position since 2005, and prior to that he served as President since 1996. 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. Prior to joining Omega Flex, Mr. Hoben served in a number of senior executive positions with Titeflex Corporation, a manufacturer of flexible metal hose located in Springfield, Massachusetts, and is also a trustee of Williston-Northampton School, a private secondary school in Easthampton, Massachusetts. 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, has served as the Company's president since 1996 and CEO since 2005, and is a significant shareholder. Mr. Hoben is a Class 1 Director with a term expiring at the annual meeting of shareholders in 2014.

David W. Hunter, Age 83

Mr. Hunter has served as a director of the Company since 2005. He has been Chairman of Hunter Associates, Inc., an investment-banking firm in Pittsburgh, Pennsylvania since 1992. From 1990 to 1992 Mr. Hunter was Chairman Emeritus of Parker/Hunter, Inc., an investment-banking firm in Pittsburgh, Pennsylvania, where he was Chairman from 1978 until 1990. Mr. Hunter is also a director of Lockhart Companies, Kiene Diesel Accessories, Inc., and Justifacts, Inc. He served as Chairman of the Board of Governors of the National Association of Securities Dealers, Inc. from 1986 to 1987. Mr. Hunter is also a director of Mestek, Inc., the Company's former parent corporation. Mr. Hunter has extensive experience in capital markets, corporate finance, management, compliance and governance, as well as directing companies in a number of different industries. Mr. Hunter is a Class 1 Director with a term expiring at the annual meeting of shareholders in 2012, and is a candidate for election.

Bruce C. Klink, Age 61

Mr. Klink has served as a director since 1996. 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 from 2008 and was previously Vice President Gas Regulations and Vice President Pricing and Business Development from 2000 to 2008. Mr. Klink previously held a

number of executive positions primarily in senior positions for pricing and regulatory affairs with Consolidated Natural Gas from 1983 to 1999 prior to its acquisition by Dominion Resources, and prior to that, held a variety of positions in accounting, auditing, and regulatory affairs. Mr. Klink has extensive experience and knowledge (a) of the natural gas utility market, which is an important factor in our TracPipe<sup>®</sup> FGP business, (b) managing and leading large and sophisticated companies in regulated markets, (c) experience and knowledge of regulatory and compliance issues, and (d) finance, financial accounting and auditing. Mr. Klink is a Class 2 Director with a term expiring at the annual meeting of shareholders in 2013.

John E. Reed, Age 96

Mr. J.E. Reed is our current Chairman of the board of directors and had been Chairman and CEO, since 1997 to 2005. He is currently Chairman and Chief Executive Officer of Mestek, Inc., the Company's former parent corporation, and has served as a Mestek director since 1986. From 1986 until 1989 he was President and Chief Executive Officer of Mestek, and prior to the 1986 merger of Mestek and Reed National Corp., had been President and Chief Executive Officer of Reed since he founded it in 1946. Mr. JE Reed is also a director of Wainwright Bank & Trust Co., Boston, Massachusetts. Mr. Reed has an LLB in Law from Northeastern University, and has extensive knowledge and experience in (a) managing and leading large manufacturing enterprises supplying the HVAC industry in which most of our products are distributed, (b) experience as the CEO of a publicly-traded corporation, with experience and knowledge of regulatory and compliance issues, (c) corporate finance and accounting, (d) as an attorney (non-practicing), a number of legal areas; and he is also a significant shareholder. Mr. Reed is a Class 3 Director with a term expiring at the annual meeting of shareholders in 2014.

Stewart B. Reed, Age 64

Mr. S.B. Reed has served as a director of the Company since 2005. Since 2009, Mr. S.B. Reed has served as the Vice Chairman and Chief Operating Officer of Mestek, Inc., the Company's former parent corporation. Previously, he has filled a number of offices and roles at Mestek, including Vice Chairman since 2007, and Vice Chairman and Chief Operating Officer since 2008. Mr. Reed is a director of Mestek, Inc. Mr. Reed is the son of John E. Reed, our Chairman of the board. 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. Mr. S.B. Reed is a Class 1 director with a term expiring at the annual meeting of shareholders in 2012, and is a candidate for election.

Edward J. Trainor, Age 72

Mr. Trainor has served as a director of the Company since 2005. Mr. Trainor is currently Chairman of the board of Standex International Corporation (NYSE: SXI) and was formerly Chairman and Chief Executive Officer of Standex from 2001 to 2002, was President and Chief Executive Officer of Standex from 1995 to 2001, and was President of Standex from 1994 to 1995. Prior to joining Standex, Mr. Trainor held a variety of executive positions with Kodak Corporation in engineering and manufacturing. Mr. Trainor is also a director of Mestek, Inc., the Company's former parent corporation. He has an advanced degree from Harvard Business School; extensive experience and knowledge of manufacturing operations in a variety of industries; significant management experience as a CEO of a publicly-traded company; and knowledge and experience in corporate finance and accounting. Mr. Trainor is currently Vice Chairman of the Company, and is a Class 2 Director with a term expiring at the annual meeting of shareholders in 2013.

***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:





Paul J. Kane, Age 44

Mr. Kane is currently Vice President Finance and Chief Financial Officer, which he has held since 2008. Mr. Kane joined Omega Flex in September 2005, serving as Controller until 2007, and was named Principal Accounting Officer in 2007. Prior to joining the Company, he was the Assistant Controller at US Vision, Inc., a retail company, from 2002 to 2005; Senior Financial Analyst at Foamex International, a manufacturing and distribution company, from 1999 to 2002; and a Senior Accounting Consultant with Ernst & Young LLP from 1996 to 1999. He has been a certified public accountant since 1996.

Steven A. Treichel, Age 61

Mr. Treichel is currently the Senior Vice President-Corporate Development and Facilities Management, which he assumed in early 2006. Previously he served as Vice President TracPipe® Operations from 1996 to 2002, where he was responsible for engineering for the TracPipe® product line and research and development. Previously he served as Vice President of the Company in manufacturing and in engineering from 1990 to 2002, and prior to that, he was Plant Manager and Process Engineer from 1984 to 1990. Prior to joining Omega Flex, Mr. Treichel held a number of managerial positions at American Flexible Hose Company from 1978 to 1984, in manufacturing of metal hose fabrication, welding and assembly.

Timothy P. Scanlan, Age 56

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. Previously, Mr. Scanlan was Associate General Counsel with Mestek, Inc., the Company's former parent corporation, from 1993 to 2006. Prior to 1993, Mr. Scanlan was previously employed by General Electric Company in a variety of positions in legal, manufacturing and finance. 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 11, 2012, there were 10,091,822 shares of common stock outstanding.

| Beneficial Owner  | Number of Common<br>Stock Beneficially<br>Owned | Percent of<br>Common<br>Stock<br>Beneficially<br>Owned |
|---|---|--|
| Bares Capital Management, Inc.  | 533,451   | 5.29%(1)(2)  |
| <br><u>Directors</u>  |   |  |
| John E. Reed <sup>(3)</sup>   | 3,297,893                                       | 32.68%   |
| Stewart B. Reed <sup>(4)</sup>  | 2,195,387                                       | 21.75%   |
| Kevin R. Hoben  | 1,018,340                                       | 10.09%   |
| Mark F. Albino  | 406,145   | 4.02%  |
| David K. Evans <sup>(5)</sup>   | 1,040   | *  |
| J. Nicholas Filler  | 1,200   | *  |
| Bruce C. Klink  | 1,650   | *  |
| David W. Hunter <sup>(6)</sup>  | 22,830  | *  |
| Edward J. Trainor   | 5,000   | *  |
| <br><u>Executive Officers</u>   |   |  |
| Paul J. Kane  | 50  | *  |
| Timothy P. Scanlan  | 250   | *  |
| Steven A. Treichel  | 1,000   | *  |
| <b>All executive officers and directors<br/>as a group (12 persons)</b> | <b>6,950,785</b>                                | <b>68.89%</b>  |

\* 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.

(1)

The percentage of ownership is based on 10,091,822 shares of common stock outstanding at December 31, 2011.

(2)

Based on a Schedule 13G filed with the Securities and Exchange Commission for the period ending

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December 31, 2011.

(3)

Excludes 1,712,691 shares of common stock held by John E. Reed as trustee for various family trusts, but for which he disclaims beneficial ownership. However, 1,325,833 of such shares are included in the shares listed as beneficially owned by Stewart B. Reed per note (4) below. Includes 524,994 shares of common stock owned by Sterling Realty Trust, a Massachusetts trust of which John E. Reed is the trustee and of which he and a family trust are the beneficiaries. Mr. Reed has pledged 634,500 shares as collateral to Sovereign Bank, and 524,994 shares as collateral to Bank of America.

(4)

Includes 1,325,833 shares of common stock owned by the Stewart B. Reed Trust, of which Stewart B. Reed is the beneficiary and John E. Reed is the trustee.

(5)

Includes 790 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.

(6)

Includes 9,500 shares of common stock held by his spouse to which he disclaims beneficial ownership.

## **BOARD COMMITTEES**

The board of directors has four (4) standing committees: nominating/governance, audit, executive and compensation.

### **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.omegaflex.com](http://www.omegaflex.com). The committee responsibilities include (a) evaluating and recommending nominees for election as directors to the board of directors, (b) recommending to the board of directors criteria for membership on the board, (c) proposing nominees to fill vacancies on the board of directors as they occur, and (d) 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 2011. The current members of the committee are Messrs. Evans (Chairman), Hunter and S.B. Reed. 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 701, Middletown, Connecticut, 06457.

### **Audit Committee**

The board of directors has established and maintains an audit committee comprised of three 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.omegaflex.com](http://www.omegaflex.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 nine meetings in 2011, at which all members attended in person or by telephone, and 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 current members of the audit committee are Messrs. Trainor (Chairman), Klink and Filler. The board of directors has determined that (a) all of the members of the committee are each an 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. The current members of the committee are Messrs. J.E. Reed (chairman), Hoben and Albino.

### **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.omegaflex.com](http://www.omegaflex.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 three times in 2011, with all members in attendance, to consider and recommend compensation matters to the board of directors. The current members of the committee are Messrs. Hunter (chairman), Evans, S. Reed, and Trainor, each of whom 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 in 2011 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 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 120 days prior to the anniversary date of the immediately preceding annual 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.

David K. Evans, *Chairman*, David W. Hunter, 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 nine times during the 2011 fiscal year 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 2011 to review and discuss with the Company's management and the independent auditors, together and separately, the audited financial statements of the Company for the fiscal year ended December 31, 2011. 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 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 vice president-finance and chief financial officer 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 Statement and Auditing Standards No. 61, titled "Communication with Audit Committees," and received from the independent auditors written disclosures regarding the independence of the independent auditors from the Company as required by Independence Standards Board Standard No. 1, titled "Independence Discussions with Audit Committees." 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, 2011, filed with the Securities and Exchange Commission.

Edward J. Trainor, *Chairman*, J. Nicholas Filler, 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 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. Effective January 1, 2011, the annual base salary of the chief executive officer was increased by approximately 3% from \$338,500 in 2010 to \$348,500 in 2011. 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 2011, 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 2011, the bonus pool earned by management was approximately \$1.3 million, which is unchanged from the prior year and is consistent with the company's financial performance and general economic performance, and this result provides an appropriate example of the compensation philosophy employed by the committee pay for performance.

*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.

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 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 for 2011 was presented, discussed and voted upon, and approved in an executive session of the board of directors of the Company, Messrs. Hoben and Albino abstaining.





*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, 2011, 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 \$106,800 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 \$106,800 (as limited in accordance with the Employee Retirement Income Security Act).

David W. Hunter, *Chairman*, David K. Evans, Stewart B. Reed, Edward J. Trainor, *Members*.

## Executive Compensation

The following table sets forth all of the compensation earned by the Company's principal executive officer and its two most highly compensated executive officers other than the principal executive officer for all services rendered by them to the Company in all capacities for the fiscal years ended December 31, 2011 and December 31, 2010.

### Summary Compensation Table

|                            |      | Year    | Salary (\$) | Stock Awards (\$) | Non-equity Incentive Plan Compensation (\$) <sup>(1)</sup> | All Other Comp (\$) <sup>(2)</sup> | Total (\$) |
|----------------------------|------|---------|-------------|-------------------|--|------------------------------------|------------|
| Kevin R. Hoben,            | 2011 | 348,500 | 0           | 464,655           | 41,183   | 854,338                            |            |
| President & CEO            | 2010 | 338,500 | 0           | 522,602           | 59,874   | 920,976                            |            |
| Mark F. Albino,            | 2011 | 278,010 | 0           | 369,772           | 28,344   | 676,126                            |            |
| Exec. Vice President & COO | 2010 | 271,010 | 0           | 411,305           | 38,352   | 720,667                            |            |
| Steven A. Treichel,        | 2011 | 141,887 | 28,665      | 130,000           | 69,703   | 370,255                            |            |
| Sr. Vice President         | 2010 | 137,410 | 22,092      | 144,269           | 61,431   | 365,202                            |            |

#### Footnotes:

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

(2) Amounts reflected in this column include:

*Company contributions* to the Omega Flex Inc. 401(k) Profit Sharing Plan. The matching contributions paid in 2011 for each executive officer were: Mr. Hoben \$11,496; Mr. Albino \$11,496; and Mr. Treichel \$11,496; and the matching contributions paid in 2010 for each executive officer were: Mr. Hoben \$10,740; Mr. Albino \$10,740; and Mr. Treichel \$10,740.

*Supplemental executive retirement* Mr. Treichel is the beneficiary of a supplemental executive retirement plan ("SERP") that was in place prior to acquisition of the company by Mestek, Inc. in 1997; accruals for the benefits to be paid after his retirement were \$58,250 in 2011 and \$32,515 in 2010.

*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 \$12,104 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>**

| <b>Name</b>   | <b>Number of share<br/>or units of stock<br/>that have not<br/>vested (#)<sup>(2)</sup></b> | <b>Market value of<br/>shares of units of<br/>stock that have<br/>not vested (\$)<sup>(3)</sup></b> | <b>Equity incentive<br/>plan awards;<br/>number of<br/>unearned shares,<br/>units or other<br/>rights that have<br/>not vested (#)</b> | <b>Equity incentive<br/>plan awards;<br/>market or payout<br/>value of of<br/>unearned shares,<br/>units or other<br/>rights that have<br/>not vested (\$)</b> |
|---|---|---|--|--|
| Kevin R. Hoben,<br>President and<br>CEO               | 0   | 0   | 0  | 0  |
| Mark F. Albino,<br>Exec. Vice<br>President and<br>COO | 0   | 0   | 0  | 0  |
| Steven A.<br>Treichel,<br>Sr. Vice President          | 4,221   | 59,643  | 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 16.

(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 multiplying the closing market price of the Company's stock at December 31 of each year by the number of phantom stock units.

**Employment Agreements**

On December 15, 2008, Omega Flex, Inc. entered into an employment agreement with each of Kevin R. Hoben, President and CEO of the Company, and Mark F. Albino, Executive Vice President and Chief Operating Officer of the Company. The agreements supersede the prior employment agreements between the Company and each of those officers that were in effect since 1996.

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

Duties and Term. Mr. Hoben will be employed by the Company as President and CEO, and Mr. Albino will be employed as Executive Vice 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 (currently for Mr. Hoben \$348,500; for Mr. Albino - \$278,010) 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) twenty 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 two club memberships for Mr. Hoben. The executive will be reimbursed for all reasonable and necessary expenses incurred in performing his duties.

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;

§

*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 (as described above), 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 (as described above), 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; and (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 §409A. Any payments under the agreements that may be subject to an excise tax imposed under Section 4999 of the IRC will be reduced to a level so that the payment will not be subject to that excise tax. The agreements supersede and replace the prior executive employment agreements.

### Retirement Plans

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

### Director Compensation

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. Each non-employee director receives the following compensation:

|                 |                             |          |
|-----------------|-----------------------------|----------|
| Annual Retainer |                             | \$15,000 |
| Retainer        | Chairman of the board       | \$5,000  |
| Retainer        | Chairman of board committee | \$3,000  |
| Retainer        | Audit committee member      | \$3,000  |
| Attendance      | Board meeting               | \$3,000  |
| Attendance      | Committee meeting           | \$3,000  |
| Attendance      | Telephonic meeting          | \$1,000  |

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, 2010 is set forth in the table below:

| <u>Name</u>        | <u>Fees earned or paid in cash (\$)</u> | <u>Total (\$)</u> |
|--------------------|---|-------------------|
| David K. Evans     | 38,000                                  | 38,000            |
| J. Nicholas Filler | 43,000                                  | 43,000            |
| Bruce C. Klink     | 45,000                                  | 45,000            |
| David W. Hunter    | 35,000                                  | 35,000            |
| John E. Reed       | 36,000                                  | 36,000            |
| Stewart B. Reed    | 35,000                                  | 35,000            |
| Edward J. Trainor  | 52,000                                  | 52,000            |

The non-management directors do not receive any equity compensation, incentive plan compensation, or non-qualified deferred compensation.

### TRANSACTIONS WITH RELATED PERSONS

There were no transactions with any related persons in 2011.

**COMPLIANCE WITH SECTION 16(a)  
OF THE SECURITIES EXCHANGE ACT**

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 written representations, that during the fiscal year ended December 31, 2011, all applicable Section 16(a) filing requirements were satisfied on a timely basis.

### COMPENSATION COMMITTEE INTERLOCKS

The members of the compensation committee are Messrs. Hunter (chairman), Evans, S. Reed, and Trainor. 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.

### PRINCIPAL ACCOUNTANT FEES AND SERVICES

The audit committee approved the retention of McGlary & Pullen LLP to audit the Company's consolidated financial statements for the fiscal year ended December 31, 2011. On December 1, 2011, McGladrey & Pullen, LLP acquired RSM McGladrey, Inc. The audit committee has restricted the non-audit services that McGladry & Pullen LLP may provide primarily to special projects relating to prospective tax issues. The audit committee has appointed McGladry & Pullen LLP to audit the Company's consolidated financial statements in 2012. The following table sets forth the aggregate amounts invoiced to the Company for the audit period for the fiscal years ended December 31, 2011 and December 31, 2010 by McGladry & Pullen LLP:

| <u>Description</u>            |    | <u>2011</u> | <u>2010</u> |
|-------------------------------|----|-------------|-------------|
| Audit Fees:                   | \$ | \$          |             |
|                               |    | 126,000     | 120,000     |
| Tax Fees                      | \$ | \$          |             |
|                               |    | ---         | ---         |
| Audit-related Fees (Form 11K) | \$ | \$          |             |
|                               |    | ---         | 21,000      |
| Total                         | \$ | \$          |             |
|                               |    | 126,000     | 141,000     |

This amount does not reflect fees incurred in January and February 2012 and relating to the audit of the Company's 2011 financial statements. 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 and review of financial statements included in Quarterly Reports on Forms 10-Q, or for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements. Audit-Related Fees are fees for assurance and related services, reasonably related to the performance of the audit or review of the financial statements.

**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, 2011, are included in the Company's annual report to shareholders which is available on the internet at [www.edocumentview.com/OFLX](http://www.edocumentview.com/OFLX) . The annual report does not constitute proxy soliciting material.

**Omega Flex, Inc.**

**Executive Incentive Plan**

1.

**Purposes of the Plan.** This Omega Flex, Inc. Executive Incentive Plan sets forth the plan for payment of cash bonuses to those executive officers of the Company designated for participation and is intended to increase stockholder value and the success of the Company by motivating executives to perform to the best of their abilities and to achieve the Company's objectives. The Plan's goals are to be achieved by providing such executives with incentive awards based on the achievement of goals relating to the performance of the Company or one of its business units or upon the achievement of objectively determinable performance goals. The Plan is intended to permit the payment of bonuses that may qualify as performance-based compensation under Section 162(m).

2.

**Definitions.** The following terms shall bear the meanings ascribed to them as provided below.

(a)

*Annual Revenue* means the Company's or a business unit's net sales for the Fiscal Year, determined in accordance with generally accepted accounting principles.

(b)

*Award* means, with respect to each Participant, the award determined pursuant to Section 8(a) below for a Performance Period. Each Award is determined by a Payout Formula for a Performance Period, subject to the Committee's authority under Section 8(a) to eliminate or reduce the Award otherwise payable.

(c)

*Base Salary* means, as to any Performance Period, the Participant's annualized salary rate on the last day of the Performance Period. Such Base Salary shall be before both (a) deductions for taxes or benefits, and (b) deferrals of compensation pursuant to Company-sponsored plans.

(d)

*Board* means the Board of Directors of Omega Flex, Inc.

(e)

*Cash Position* means the Company's or a business unit's level of cash and cash equivalents.

(f)

*Code* means the Internal Revenue of 1986, as amended.

(g)

*Committee* means the Compensation Committee of the Board, or a sub-committee of the Compensation Committee, which shall, with respect to payments hereunder intended to qualify as performance-based compensation under Section 162(m), consist solely of two or more members of the Board who are not employees of the Company and who otherwise qualify as outside directors within the meaning of Section 162(m).

(h)

*Company* means Omega Flex, Inc. or any of its subsidiaries (as such term is defined in Code Section 424(f)).

(i)

*Earnings Per Share* means, as to any Fiscal Year, the Company's or a business unit's Net Income, divided by a weighted average number of common shares outstanding and dilutive common equivalent shares deemed outstanding, determined in accordance with generally accepted accounting principles.

(j)

*Effective Date* means January 1, 2007.

(k)

*Fiscal Year* means a fiscal year of the Company.

(l)

*Maximum Award* means as to any Participant for any Performance Period, \$2 million.

(m)

*Net Income* means, as to any Fiscal Year, the income after taxes of the Company or a business unit for the Fiscal Year determined in accordance with generally accepted accounting principles.

(n)

*Operating Cash Flow* means the Company's or a business unit's sum of Net Income plus depreciation and amortization less capital expenditures plus changes in working capital comprised of accounts receivable, inventories, other current assets, trade accounts payable, accrued expenses, product warranty, advance

payments from customers and long-term accrued expenses, determined in accordance with generally accepted accounting principles.

(o)

*Operating Margins* means the ratio of Operating Income to Annual Revenue.

(p)

*Operating Income* means the Company's or a business unit's income from operations, plus any incentive compensation accruals, and as determined in accordance with generally accepted accounting principles.

(q)

*Participant* means an eligible executive or key employee of the Company selected by the Committee, in its sole discretion, to participate in the Plan for a Performance Period.

(r)

*Payout Determination Date* means the date upon which the Committee determines the amounts payable pursuant to the Target Award and Payout Formula with respect to any previously completed Performance Period, in accordance with Section 8(a).

(s)

*Payout Formula* means, as to any Performance Period, the formula or payout matrix established by the Committee pursuant to Section 7 in order to determine the Awards (if any) to be paid to Participants, which is generally expressed as a percentage (which may be more than 100%) of the Target Award. The formula or matrix may differ from Participant to Participant.

(t)

*Performance-Based Compensation* means compensation that is intended to qualify as performance-based compensation within the meaning of Section 162(m).

(u)

*Performance Goals* means the goal(s) (or combined goal(s)) determined by the Committee (in its discretion) to be applicable to a Participant with respect to an Award. As determined by the Committee, the Performance Goals applicable to an Award may provide for a targeted level or levels of achievement using one or more of the following measures: (a) Annual Revenue, (b) Cash Position, (c) Earnings Per Share, (d) Net Income, (e) Operating Cash Flow, (f) Operating Margins, (g) Operating Income, (h) Return on Assets, (i) Return on Equity, (j) Return on Sales and (k) Total Stockholder Return, or such similar objectively determinable financial or other measures as may be adopted by the Committee. The Performance Goals may be based on absolute target numbers or growth in one or more such categories compared to a prior period or to one or more peer companies or an index of peer companies. The measures which constitute the Performance Goals may, at the discretion of the Committee, be based on Pro Forma numbers and may, as the Committee specifies, either include or exclude the effect of payment of the bonuses under this Plan and any other bonus plans of the Company. The Performance Goals may differ from Participant to Participant and from Award to Award. In establishing a Performance Goal on the Target Determination Date, the Committee may provide that the attainment of the Performance Goal shall be measured by appropriately adjusting the evaluation of Performance Goal performance to exclude (i) any extraordinary non-recurring items as described in Accounting

Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial conditions and results of operations appearing in the Company's annual report to stockholders for the applicable year, or (ii) the effect of any changes in accounting principles affecting the Company's or a business unit's reported results.

(v)

*Performance Period* means any Fiscal Year or such other period as determined by the Committee in its sole discretion.

(w)

*Plan* means this Omega Flex, Inc. Executive Incentive Plan.

(x)

*Plan Year* means the Fiscal Year.

(y)

*Pro Forma* means calculation of a Performance Goal in a manner that excludes extraordinary or one-time expenses or credits, such as restructuring expenses, extraordinary tax events, expenses or credits related to stock options and/or other equity compensation or the like, instead of conforming to generally accepted accounting principles.

(z)

*Return on Assets* means the percentage equal to the Company's or a business unit's Operating Income before incentive compensation, divided by average net Company (or business unit, as applicable) operational pre-tax assets, determined in accordance with generally accepted accounting principles.

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(aa)

*Return on Equity* means the percentage equal to the Company's or a business unit's Net Income divided by average stockholder's equity, determined in accordance with generally accepted accounting principles.

(bb)

*Return on Sales* means the percentage equal to the Company's or a business unit's Operating Income before incentive compensation, divided by the Company's or the business unit's, as applicable, revenue, determined in accordance with generally accepted accounting principles.

(cc)

*Section 162(m)* means Section 162(m) of the Code, or any successor to Section 162(m), as that Section may be interpreted from time to time by the Internal Revenue Service, whether by regulation, notice or otherwise.

(dd)

*Target Award* means the target award payable under the Plan to a Participant for the Performance Period, expressed as a percentage of his or her Base Salary or a specific dollar amount, as determined by the Committee in accordance with Section 6.

(ee)

*Target Determination Cutoff Date* means the latest possible date that will not jeopardize a Target Award's qualification as Performance-Based Compensation.

(ff)

*Target Determination Date* means the date upon which the Committee sets the Target Award and Payout Formula with respect to any Performance Period, in accordance with Section 7.

(gg)

*Total Stockholder Return* means the total return (change in share price plus reinvestment of any dividends) of a share of the common stock of Omega Flex, Inc.

3.

**Plan Administration.**

(a)

The Committee shall be responsible for the general administration and interpretation of the Plan and for carrying out its provisions. Subject to the requirements for qualifying compensation as Performance-Based Compensation, the Committee may delegate specific administrative tasks to Company employees or others as appropriate for proper administration of the Plan. Subject to the limitations on Committee discretion imposed under Section 162(m), the Committee shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following powers and duties, but subject to the terms of the Plan:

(i)

discretionary authority to adopt Target Awards and Payout Formulae under this Plan for a given Performance Period on or prior to the Target Determination Cutoff Date;

(ii)

discretionary authority to construe and interpret the terms of the Plan, and to determine eligibility, Awards and the amount, manner and time of payment of any Awards hereunder;

(iii)

to prescribe forms and procedures for purposes of Plan participation and distribution of Awards; and

(iv)

to adopt rules, regulations and bylaws and to take such actions as it deems necessary or desirable for the proper administration of the Plan.

(b)

Any rule or decision by the Committee that is not inconsistent with the provisions of the Plan shall be conclusive and binding on all persons and shall be given the maximum deference permitted by law.

4.

**Eligibility.** The employees eligible to participate in the Plan for a given Performance Period shall be determined by the Committee and are generally expected to include executive officers of the Company who are subject to Section 16 of the Securities Exchange Act of 1934, as amended, and any other key employees who are specifically designated by the Committee for participation in the Plan in its sole discretion. Unless specifically excepted, a Participant must be actively employed on the last day of the Performance Period to be eligible to receive a payment hereunder. No person shall be automatically entitled to participate in the Plan.

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5.

**Performance Goal Determination.** On the Target Determination Date, the Committee, in its sole discretion, shall establish the Performance Goals for each Participant for the Performance Period. Such Performance Goals shall be set forth in writing on or prior to the Target Determination Cutoff Date.

6.

**Target Award Determination.** On the Target Determination Date, the Committee, in its sole discretion, shall establish a Target Award for each Participant. Each Participant's Target Award shall be determined by the Committee in its sole discretion, and each Target Award shall be set forth in writing on or prior to the Target Determination Cutoff Date.

7.

**Determination of Payout Formula.** On the Target Determination Date, the Committee, in its sole discretion, shall establish a Payout Formula for purposes of determining the Award (if any) payable to each Participant. Each Payout Formula (a) shall be set forth in writing on or prior to the Target Determination Cutoff Date, (b) shall provide for the payment of a Participant's Award if the Performance Goals for the Performance Period are achieved, and (c) may provide for an Award payment greater than or less than the Participant's Target Award, depending upon the extent to which the Performance Goals are achieved. Notwithstanding the preceding, in no event shall a Participant's Award for any Performance Period exceed the Maximum Award.

8.

**Payout Determination; Award Payment.**

(a)

*Payout Determination and Certification.* On the Payout Determination Date, the Committee shall certify in writing (which may be by approval of the minutes in which the certification was made) the extent to which the Performance Goals applicable to each Participant for the Performance Period were achieved or exceeded. The Award for each Participant shall be determined by applying the Payout Formula to the level of actual performance that has been certified by the Committee. Notwithstanding any contrary provision of the Plan, the Committee, in its sole discretion, may eliminate or reduce the Award payable to any Participant below that which otherwise would be payable under the Payout Formula.

(b)

*Right to Receive Payment.* Each Award under the Plan shall be paid solely from the general assets of the Company. Nothing in this Plan shall be construed to create a trust or to establish or evidence any Participant's claim of any right to payment of an Award other than as an unsecured general creditor with respect to any payment to which he or she may be entitled.

(c)

*Form of Distributions.* The Company shall distribute all Awards to the Participant in cash.

(d)

*Timing of Distributions.* Subject to Section 8(e) below, the Company shall distribute amounts payable to Participants as soon as is practicable following the determination and written certification of the Award for a Performance Period, but no later than March 15 of the year following the Performance Period, so that the Plan does not constitute a nonqualified deferred compensation plan within the meaning of Code Section 409A and applicable Treasury regulations promulgated thereunder.

(e)

*Deferral.* The Committee may defer payment of Awards, or any portion thereof, to Participants as the Committee, in its discretion, determines to be necessary or desirable to preserve the deductibility of such amounts under Section 162(m). In addition, the Committee, in its sole discretion, may permit a Participant to defer receipt of the payment of cash that would otherwise be delivered to a Participant under the Plan. Any such deferral elections shall be subject to such rules and procedures as shall be determined by the Committee in its sole discretion.

9.

**Term of Plan.** The Plan shall be effective as of the Effective Date and shall first apply to the 2007 Plan Year. The Plan shall not be effective and shall terminate with respect to the 2007 Plan Year and all subsequent Plan Years unless it is approved at the 2007 annual meeting of the stockholders of Omega Flex, Inc. Once approved by the stockholders of Omega Flex, Inc., the Plan shall continue until terminated under Section 10 of the Plan.

10.

**Amendment and Termination of the Plan.** The Committee may amend, modify, suspend or terminate the Plan, in whole or in part, at any time, including adopting amendments deemed necessary or desirable to correct any defect or to supply omitted data or to reconcile any inconsistency in the Plan or in any Award granted hereunder; provided, however, no amendment, modification, suspension or termination shall be made which would (i) impair any payments to Participants made prior to such amendment, modification, suspension or termination,

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unless the Committee has made a determination that such amendment or modification is in the best interests of all persons to whom Awards have theretofore been granted; provided further, however, in no event may such an amendment or modification result in an increase in the amount of compensation payable pursuant to such Award or (ii) cause compensation that is, or may become, payable hereunder to fail to qualify as Performance-Based Compensation. To the extent necessary or advisable under applicable law, including Section 162(m), Plan amendments shall be subject to stockholder approval. At no time before the actual distribution of funds to Participants under the Plan shall any Participant accrue any vested interest or right whatsoever under the Plan except as otherwise stated in this Plan.

11.

**Withholding.** Distributions pursuant to this Plan shall be subject to all applicable federal and state tax and withholding requirements.

12.

**No Employment Rights.** No statement in this Plan should be construed to grant any employee an employment contract of fixed duration or any other contractual rights, nor should this Plan be interpreted as creating an implied or an express contract of employment or any other contractual rights between the Company and its employees. Except as otherwise expressly agreed to in writing by the Company and an employee of the Company, the employment relationship between the Company and its employees is terminable at-will. This means that an employee of the Company may terminate the employment relationship at any time and for any reason or no reason.

13.

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

14.

**Indemnification.** Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from (a) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any Award, and (b) from any and all amounts paid by him or her in settlement thereof, with the approval of Omega Flex, Inc., or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

15.

**Nonassignment.** The rights of a Participant under this Plan shall not be assignable or transferable by the Participant except by will or the laws of intestacy.

16.

**Governing Law.** The Plan shall be governed by the laws of the Commonwealth of Pennsylvania.

17.

**Code Section 409A.** The Plan and the bonus amounts granted hereunder are intended to qualify for an exemption from Section 409A of the Internal Revenue Code of 1986, as amended (the Code ), provided, however, that if the Plan and the bonus amounts granted under the Plan are not so exempt, they are intended to comply with Code Section 409A to the extent applicable thereto. Notwithstanding any provision of the Plan to the contrary, the Plan shall be interpreted and construed consistent with this intent. Notwithstanding the foregoing, the company shall not be required to assume any increased economic burden in connection therewith. Although the company and the compensation committee intend to administer the Plan so that the Plan and the bonus amounts granted thereunder qualify for an exemption from Code Section 409A, if the Plan and the bonus amounts granted under the Plan are not so exempt, neither the company nor the compensation committee represents or warrants that the Plan or the bonus amounts granted thereunder will comply with Code Section 409A or any other provision of federal, state, local, or non-United States law. Neither the company, its subsidiaries, nor its respective directors, officers, employees or advisers shall be liable to any current or former participant (or any other individual claiming a benefit through a participant) for any tax, interest, or penalties the participant may owe as a result of participation in the Plan, and the company and its subsidiaries shall have no obligation to indemnify or otherwise protect any participant from the obligation to pay any taxes pursuant to Code Section 409A.

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