

SEVCON, INC.
Form DEFC14A
January 11, 2017

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

SCHEDULE 14A

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

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

SEVCON, 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.

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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

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www.sevcon.com

January 11, 2017

Dear Stockholder:

Our proxy materials for the 2017 Annual Meeting of Stockholders are enclosed. We appreciate your reviewing them carefully and encourage you to participate in the Annual Meeting by voting, whether or not you are able to attend in person.

The 2017 Annual Meeting will be unusual. Meson Capital LP, which is managed by one of our own directors, has notified us that it intends to nominate up to six individuals for election to the Board of Directors in opposition to the nominees recommended by our Board. You may receive solicitation materials from Meson, including proxy statements and gold proxy cards.

Your Board of Directors does NOT endorse any Meson nominee and recommends that you vote on the WHITE proxy card or voting instruction form "FOR ALL" of the director nominees proposed by your Board. The Board strongly urges you not to sign or return any proxy card sent to you by Meson. If you have previously submitted a proxy card sent to you by Meson, you may revoke that proxy and vote for our Board of Directors' nominees and on the other matters to be voted on at the annual meeting by using the enclosed WHITE proxy card. Only the latest validly executed proxy that you submit will be counted.

Your Board and management are enthusiastic about Sevcon's prospects. We are at the forefront of the "electrification" wave sweeping the automotive world, and we are investing in top-flight engineering resources to capitalize. We have attracted significant development contracts with some of the world's largest vehicle manufacturers, which we expect will lead to substantial revenue from the products being developed, in addition to the increasing product sales we are already seeing. We believe that the current Board should stay the course and that the stockholders should reject Meson's proposal, which we believe would disrupt the Company.

You may vote your shares in one of four ways:

- Visit the website shown on your proxy card to submit a proxy to vote your shares via the Internet;
- Use the toll-free telephone number on your proxy card to submit a proxy to vote your shares by telephone;
- Sign, date, and mail your proxy card to us in the enclosed envelope; or
- Attend the Annual Meeting and vote in person. (If you plan to do this, please also vote using one of the other methods to make sure your votes are recorded.)

Please use the WHITE proxy card when you vote.

Thank you for your support.

Sincerely,

Matthew Boyle
President and Chief Executive Officer

Matthew Goldfarb
Chairman of the Board

SEVCON, INC.

155 NORTHBORO ROAD, SOUTHBOROUGH, MASSACHUSETTS 01772

TELEPHONE (508) 281-5510

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the 2017 annual meeting of the stockholders of Sevcon, Inc., a Delaware corporation, will be held at the offices of Locke Lord LLP, 20th Floor, 111 Huntington Avenue at Prudential Center, Boston, Massachusetts, at 12:00 noon on Tuesday, February 7, 2017, for the following purposes:

1. To adopt an amendment to Sevcon's Amended and Restated Certificate of Incorporation to immediately declassify our Board of Directors so that all directors would be elected annually for one-year terms.
2. If Proposal 1 is approved, to elect eight directors, each to hold office for a term of one year, with the Sevcon Board of Directors' recommended candidates named in the attached proxy statement.
3. If Proposal 1 is not approved, to elect five directors, each to hold office for a term of one year, with the Sevcon Board of Directors' recommended candidates named in the attached proxy statement.
4. To ratify, by an advisory vote, the selection of RSM US LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2017.
5. To approve, by an advisory vote, the fiscal 2016 compensation of the Company's executive officers.
6. To indicate, by an advisory vote, the frequency with which the stockholders should vote to approve the compensation of the Company's executive officers.
7. To transact such other business as may properly come before the meeting.

These matters are described more fully in the Proxy Statement accompanying this Notice.

Only stockholders of record at the close of business on December 9, 2016 are entitled to notice of the meeting or to vote thereat.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING. THEREFORE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE THE WHITE PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES, OR USE THE INTERNET OR TELEPHONE METHOD OF SUBMITTING A PROXY DESCRIBED IN YOUR WHITE PROXY CARD SO THAT YOUR SHARES CAN BE VOTED AT THE MEETING IN ACCORDANCE WITH YOUR INSTRUCTIONS. IF YOU ATTEND THE MEETING AND WISH TO VOTE IN PERSON, YOUR PROXY WILL NOT BE USED.

If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor at the following telephone number:

The Proxy Advisory Group, LLC

Call Toll-Free: (888) 216-2620

* * * * *

By order of the Board of Directors,

MATTHEW C. DALLETT

Dated January 11, 2017 *Secretary*

PROXY STATEMENT
INFORMATION CONCERNING THE PROXY SOLICITATION

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on February 7, 2017:

This Proxy Statement and the Annual Report are available to the Company's stockholders electronically via the Internet at www.proxyvote.com

APPROXIMATE DATE OF MAILING: January 12, 2017

Why have we sent you these materials?

The enclosed WHITE proxy card is solicited by and on behalf of the Board of Directors of Sevcon, Inc. ("Sevcon" or the "Company") for use at the annual meeting of stockholders of the Company to be held on Tuesday, February 7, 2017 at 12:00 noon at the offices of Locke Lord LLP, 20th Floor, 111 Huntington Avenue at Prudential Center, Boston, Massachusetts (see www.lockelord.com/the-firm/offices/boston for directions), and any adjournments or postponements thereof. It is subject to revocation at any time prior to the exercise thereof by giving written notice to the Company, by submission of a later dated proxy or by voting in person at the meeting.

Who can vote at the Annual Meeting?

Stockholders of record at the close of business on December 9, 2016 will be entitled to vote at the meeting. With respect to all matters which will come before the meeting, each stockholder may cast one vote for each share registered in his or her name on the record date. On December 9, 2016, the Company had outstanding 5,341,993 shares of common stock, \$0.10 par value, which is its only class of stock outstanding and entitled to vote at the meeting.

How do you vote?

You have received a WHITE proxy card or voting instruction form with this proxy statement. Whether or not you plan to attend the meeting, we urge you to complete, date, sign and return the enclosed WHITE proxy card or form or submit a proxy to vote your shares via telephone or the Internet as instructed on the enclosed WHITE proxy card or form to ensure your vote is counted. To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

If your shares are held in an account at a broker, bank or other nominee, you are the "beneficial owner" of the shares and these proxy materials were sent to you by that organization, which is the "stockholder of record" for purposes of voting. As beneficial owner, you have the right to direct that organization how to vote the shares in your account. Due to the contested nature of the director election, your broker, bank or other nominee will only be able to vote your shares on any proposal at the annual meeting if you have instructed it how to vote. Please do so as described on the enclosed voting instruction form provided by your broker, bank or other nominee. Also, if you wish to vote your shares in person at the meeting, you will need to provide us with a valid proxy (sometimes referred to as a "legal proxy") from your broker, bank or other nominee.

The shares represented by every executed proxy card received (and not subsequently revoked) will be voted, and where a choice has been specified, the shares will be voted in accordance with the specification so made. If no choice has been specified on a WHITE proxy card, the shares will be voted:

- (1) FOR the proposal to adopt the amendment of our certificate of incorporation to immediately declassify the Board and provide for the annual election of directors,

(2)if Proposal 1 is approved, FOR the election of the Board's eight recommended nominees as directors,

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- (3) if Proposal 1 is not approved, FOR the election of the Board's five recommended nominees as directors,
- (4) FOR the proposal to ratify the selection of the Company's independent registered public accounting firm,
- (5) FOR the proposal to approve the Company's fiscal 2016 executive compensation, and
- (6) in favor of the Company's including a "Say on Pay" proposal in the proxy statement for its annual meeting each year.

How many shares must be present to constitute a quorum?

The presence in person or by proxy of the holders of a majority of the outstanding shares of common stock as of the record date for the meeting will constitute a quorum at the annual meeting, which is required to hold the annual meeting and conduct business. If you are a record holder of shares of common stock as of the close of business on December 9, 2016 and you submit a proxy, regardless of whether you abstain from voting on one or more matters, your shares will be counted as present at the annual meeting for the purpose of determining the presence of a quorum. If your shares are held in an account by a broker, bank or other nominee and you do not provide voting instructions with respect to your shares, your shares will not be considered present and entitled to vote for the purpose of determining a quorum however, if you provide voting instructions and your bank, broker, or other nominee submits a proxy for your shares, your shares will count towards a quorum.

What should you do if you receive a proxy card from Meson?

Meson Capital L.P. has notified us that it may nominate up to six persons for election as directors to the Company's Board of Directors at the annual meeting in opposition to the nominees recommended by our Board. If Meson proceeds with its alternative nominations, you may receive proxy solicitation materials from Meson, including an opposition proxy statement and gold proxy card. We are not responsible for the accuracy of any information contained in any proxy solicitation materials used by Meson or any other statements that it may make. Our Board does not endorse any Meson nominee and recommends that you disregard any proxy card or solicitation materials that may be sent to you by Meson.

If you have already voted using the gold proxy card, you may change your vote and vote for the Board's recommended nominees and on the other matters to be voted on at the annual meeting. You may do this by submitting a proxy via the Internet or by telephone following the instructions on the WHITE proxy card, by completing and mailing the enclosed WHITE proxy card in the enclosed pre-paid envelope, or by attending and voting at the annual meeting in person. You may also revoke any previously submitted proxy by sending a written notice of revocation to the Company.

Note that voting to "WITHHOLD" with respect to any of Meson's nominees on a gold proxy card is not the same as voting for the Board's nominees because submitting a gold proxy card will revoke any WHITE proxy you previously submitted. Only the latest validly executed proxy that you submit will be counted.

Who are the participants in, and who is paying for, this proxy solicitation?

The costs of solicitation, including the preparation, assembly and mailing of proxy statements, notices and proxies, will be paid by the Company. In addition to mailing these proxy materials, our directors may also solicit proxies in person, by telephone or by other means of communication. Appendix B to this proxy statement provides information about our directors and executives who are considered "participants" in this proxy solicitation under the rules of the SEC by reason of their position or because they may be soliciting proxies on our behalf. Directors will not be paid any additional compensation for soliciting proxies. We may reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

In addition, we have engaged The Proxy Advisory Group, LLC, to assist in the solicitation of proxies and provide related advice and informational support, using approximately 15 of its personnel, for a services fee and the reimbursement of customary disbursements in an amount not expected to exceed \$20,000. The Company's aggregate expenses, including those of The Proxy Advisory Group, LLC, related to the solicitation in excess of those normally spent for an annual meeting as a result of the potential proxy contest, and excluding salaries and wages of our officers and regular employees, are expected to be approximately \$250,000, of which approximately \$75,000 has been spent to date.

* * * * *

If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor, The Proxy Advisory Group, LLC, toll free at (888) 216-2620.

BACKGROUND OF THE STOCKHOLDER NOMINATIONS

Sevcon is a world-wide leader in supporting electrification – the migration of internal combustion to hybrid and pure electric systems. Your Board recognized the advent of the market shift early on. By 2010 – well before Ryan Morris’s December 2013 election as a director – we were supporting principal manufacturers such as Polaris, Renault and Peugeot as they began switching their product lines to hybrid and pure electric power. We were also – using sophisticated external resources – collaboratively crafting a well-defined strategic plan to best position us to participate in the electrification trend and take market share, creating sustainable, long-term shareholder value. This was completed in early 2013 and has been the direction followed by management since.

Building on our 50+ year history of supplying controllers for off-road applications, Sevcon’s core electrification strategy, highlighted in the strategic plan, is to partner with principal automotive manufacturers and Tier 1 suppliers to create custom-engineered advanced control solutions that will be put into mass production for on-road vehicles. Adding Bassi’s state-of-the-art battery charging technology and power management capabilities strengthened our ability to deliver the more integrated solutions that our markets and customers are demanding, as well as to provide infrastructure charging capability to a wide range of customers and sectors. This makes Sevcon what we believe is a unique one-stop-shop for hybrid and pure electric technology.

We believe that our strategy – which now involves growing the Company rapidly, both organically and through acquisitions – is now being successfully implemented. 2016 was a banner year for development of Sevcon’s business. It started well with the acquisition in January of the Bassi charger business, which allows us to address both onboard and infrastructure charging opportunities. The Bassi segment has performed above our expectations, with fiscal 2016 revenue growth of 26% post-acquisition. Our core on-road business expanded organically during fiscal 2016 as well. Sevcon now has more high-value projects in the pipeline than ever before – with a number expected to go into large-scale production in 2017, 2019, and 2020 – and we expect that customer enthusiasm for Sevcon’s capabilities will continue. In fact, one manufacturer of luxury high-performance sports cars recently nearly doubled the Sevcon content on its program scheduled for production in 2020. As we announced in connection with our year-end earnings release, we now expect total potential production revenue from electrification projects to be approximately \$206 million over the five-to-seven-year production lives, up from the \$166 million that we projected at the end of the third quarter of 2016. All of this activity is a direct result of your Board’s decisions over several years to invest in engineering and sales in order to generate meaningful development and production revenues.

Positioning the Company for rapid growth, however, comes at the cost of short-term profitability as the Company invests in its future. In addition to the Bassi acquisition, we are following your Board’s carefully-considered strategy of investing at historically high levels in engineering resources because we believe that this will continue to place us at the forefront of electrification and maintain our favorable market position. Due to the global scarcity of specialized engineering skills, we decided proactively to seek, attract and integrate engineering talent to enable contract wins and to prepare ourselves for future projects and substantial production revenues. We have successfully achieved these talent acquisitions in the past year, nearly doubling the size of our engineering department. This has helped us win more electrification projects. We have also established several “engineering outposts” around the globe, creating a pipeline of engineering recruits that ensures local support and positions the Company to meet the growing demands of our customers. Your Board is fully supportive of this entrepreneurial, strategic approach, and it raised substantial capital during 2016 in pursuit of these exciting opportunities.

We also want to assure you that your Board has not been static. The Nominating and Governance Committee (“NCG Committee”) regularly reviews the Board’s make-up and considers the mix of qualifications that we wish directors to have, as well as potential candidates. Since 2013, five directors have left the Board and four new directors have joined, bringing new experiences, perspectives and ideas. We expect that this process of renewal will continue in the ordinary course, to the Company’s benefit.

All of our directors have contributed to the development and implementation of the Board's strategy. Mr. Morris wished to take a more hands-on role in the Company's operations and, during the fall of 2015, your Board engaged in extensive discussions over his proposal that he be named Executive Chairman. That proposal initially had the support of the other directors, but they considered Mr. Morris's insistent demands – for authority, for compensation, and to make a significant investment at a time the Board believed was inappropriate for an insider due to pending negotiations over a strategic acquisition – to be overreaching, and the Board ultimately decided against the proposal. During this process, Mr. Morris apparently developed an implacable opinion that one director, who had disagreed with Mr. Morris's proposed compensation terms, should be forced off the Board. He has relentlessly continued to push the NCG Committee for that result ever since.

With the guidance of the NCG Committee, there were a number of boardroom changes during 2016, while Sevcon continued to make significant progress in its business. With the Bassi acquisition behind us, in the summer of 2016, Mr. Morris was permitted to make an investment in the Company along with other investors and the Board agreed to reconsider his executive role. With the support of Matt Boyle, the CEO, your Board believed that Mr. Morris would work constructively within the Company to help manage our exciting opportunities and lend bandwidth to a management team positioning itself for significant growth. Mr. Morris was appointed Executive Chairman in August 2016 and was tasked with gathering strategic input for the CEO and Board, advancing external strategic initiatives and supporting Sevcon's senior management by optimizing internal oversight and overall management accountability. However, your Board perceived that Mr. Morris was inserting himself into internal affairs, causing confusion and inefficiency among management, and spending a great deal of effort trying to push certain directors off the Board. Within two weeks after his appointment, Mr. Morris began threatening a proxy contest to replace three current directors. Significantly, the CEO concluded that Mr. Morris was being divisive and counterproductive. Contrary to Mr. Morris's statement that he had "no advance warning or performance review," Mr. Goldfarb, as lead independent director and Chair of the NCG Committee, on several occasions provided Mr. Morris with constructive feedback that his perceived attempts to aggressively control the Company's governance function and related proxy contest threats were tarnishing his reputation and perceived integrity with his fellow directors and Sevcon's management. Because Mr. Morris did not rectify these concerns, the Board acted by the unanimous vote of the other directors in December 2016 to remove Mr. Morris from the Executive Chairman position. Since Mr. Morris was removed as Executive Chairman, the CEO, with the support of the NCG Committee and in recognition of Mr. Morris's being a substantial stockholder, has nonetheless attempted to work constructively with Mr. Morris by soliciting his input on certain operational matters.

During October and November 2016 (prior to Mr. Morris' removal as Executive Chairman), Mr. Morris suggested several potential director candidates to the NCG Committee, including Bryan Boches and Shvetank Jain. Committee members spoke with Mr. Boches in October, and your CEO spoke with Messrs. Boches and Jain. Messrs. Jain and Gross and the others suggested by Mr. Morris were not interviewed by the NCG Committee. This was because the Committee did not believe they fit the director profile desired at this time and, importantly, because the Committee understood that Mr. Morris wanted to have his candidates appointed intra-term (without the vote of all of the shareholders) via an expanded board size. It was the view of the NCG Committee that Mr. Morris' primary objective with his recommendations was to consolidate control of your Board while forcing the exit of several current directors with whom he had previously feuded. The NCG Committee members expressed interest in considering Mr. Boches for possible nomination to the Board, but wished that any such nomination be made in accordance with best governance practices – including putting Mr. Boches on the slate of directors to be voted on at the annual meeting of stockholders. This was not acceptable to Mr. Morris, who again reiterated his willingness to engage in a proxy contest to ensure his desired turnover on your Board. Since then, your CEO has discussed with Mr. Boches his availability to provide consulting services to the Company on a project basis, but they jointly concluded that, given Mr. Boches' other commitments, the complexity of the tasks and the geographic distances involved, this would be impractical at this time.

Mr. Morris' reaction to his removal as Executive Chairman was to nominate six persons as directors, the election of even three of whom (along with him) would, in our opinion, allow him to take effective control of the Board because of the veto power it would provide on an eight-member board. Sevcon believes that that is his true agenda, since the only prescription for the Company's growth that he has made seems to be to continue the strategy your Board is already pursuing effectively. In fact, the Company's current three-year business plan was formulated with Mr. Morris' input and was presented by him, as Executive Chairman at the time, for approval at the regularly scheduled Board meeting in September 2016. We do not believe that Mr. Morris has made any proposals that would lead to faster progress in the electrification boom nor return us to profitability any sooner than your Board is doing. He essentially says, "put my people in and trust us," but he has not offered any new business plan beyond buzz words. Some of his nominees appear to have good, general credentials on paper, but the group appears to have little public company board experience and only one appears to have business experience in Sevcon's core focus area – experience that your Board values.

Nonetheless, consistent with best corporate governance practices, the NCG Committee recommended to your Board that all seats on the Board be opened for election by the stockholders at this annual meeting. The Board agreed that it was appropriate to allow all directors to be considered on an equal footing and adopted – subject to stockholder approval in Proposal 1 -- the proposed amendment to our certificate of incorporation to immediately declassify the Board and provide for the annual election of directors. Since adoption of Proposal 1 would add three seats to the number for which candidates could be elected, and since the deadline for stockholder nominations for director had already passed, the proxy committee of Sevcon's Board deemed it fair to extend the deadline for an additional 10 days to permit further nominations.

Sevcon firmly believes that handing effective control of your Board to Mr. Morris would disrupt the work of the Company's top-quality employees and potentially slow the momentum that has been generated in 2016 with the participation of all the directors. Mr. Morris' perceived attempts to exert control over the NCG Committee to reconstruct your Board during his brief tenure as Executive Chairman led to a substantial drain on the Board's time and resources. The Board believes that Mr. Morris' removal as Executive Chairman by the unanimous vote of the other directors after just four months is a clear reflection of what the Board perceives is his inability to work with others and to process feedback relative to the impact of his actions.

Under the supervision of the NCG Committee, the composition of your Board will undoubtedly continue to change as the Company grows however, your Board believes that the changes proposed to be forced on it by Mr. Morris would impede the significant growth we foresee as the Company moves aggressively to embrace the opportunities in electrification. Accordingly, your Board has nominated the candidates listed below under Proposals 2 and 3 in the

strong belief that they are highly qualified and experienced in the Company's business, as well as being firmly committed to the best strategy of increasing stockholder value. The Board believes that its nominees will provide an important degree of continuity and will encourage constructive discourse about Company strategy and operations reflective of best corporate governance practices.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table provides information as to the ownership of the Company's common stock as of December 9, 2016 by (i) persons known to the Company to be the beneficial owners of more than 5% of the Company's outstanding common stock, (ii) the executive officers named in the Summary Compensation Table below, and (iii) all current executive officers and directors of the Company as a group. Beneficial ownership by individual directors and nominees for director is shown in the table on pages 9 to 13 below. In calculating the number and percentage of shares beneficially owned by any person, we have included shares that could be acquired by such person upon conversion of Series A Convertible Preferred Stock ("Series A Preferred") to common stock and shares issuable upon exercise of options or warrants.

Name and Address Of Beneficial Owner	Amount Beneficially Owned (1)	Percent of Class
Mario J. Gabelli/GGCP, Inc. /Teton Advisors, Inc. One Corporate Center Rye, NY 10580-1435	2,558,463(2)	41.09%
Ryan J. Morris/Meson Capital Partners LLC/Bryan Boches One Sansome Street, San Francisco, CA 94960	1,152,819(3)	20.18%
Bassi Holding S.r.l. Via Mensa 3/2 48022 – Lugo (RA), Italy	665,000(4)	12.32%
Dr. Marvin G. Schorr 330 Beacon Street Boston, MA 02116	427,936(5)	7.91%
Matthew Boyle Sevcon, Inc. 155 Northboro Road Southborough, MA 01772	109,265(6)	2.03%
Paul N. Farquhar Sevcon, Inc. 155 Northboro Road Southborough, MA 01772	56,548(7)	1.06%
All current executive officers and directors as a group (9 persons)	1,483,393(8)	25.69%

(1) Unless otherwise indicated, each owner has sole voting and investment power with respect to the shares listed or shares that power with his spouse.

(2) As reported on Schedule 13D/A filed with the Securities and Exchange Commission ("SEC") on July 14, 2016, Mr. Gabelli, GGCP, Inc. and Teton Advisors, Inc. are the ultimate beneficial owners of the shares shown, which are held in investment advisory accounts. GAMCO Asset Management, Inc., Gabelli Funds LLC, and Gabelli Securities, Inc., investment advisers, are indirect subsidiaries of GGCP, Inc. with beneficial ownership as follows: (i) GAMCO Asset Management, Inc., has sole investment power with respect to 1,041,274 of such shares (18.29% of the class) and sole voting power with respect to 998,274 of such shares; its beneficial ownership includes a total of 351,648 shares of common stock issuable upon conversion of shares of Series A Preferred and exercise of

warrants; (ii) Gabelli Funds LLC, has sole investment power with respect to 713,038 of such shares (12.74% of the class) and sole voting power with respect to 6,444 of such shares, while the proxy voting committee of funds advised by Gabelli Funds LLC has sole voting power over the remainder of such shares; the beneficial ownership of Gabelli Funds LLC includes a total of 253,294 shares of common stock issuable upon conversion of shares of Series A Preferred and exercise of warrants; and (iii) Gabelli Securities, Inc. has sole investment and voting power with respect to 6,540 of such shares. Teton Advisors, Inc., which is controlled by Mr. Gabelli, has sole voting and investment power with respect to 797,611 of such shares (14.19% of the class), including a total of 279,311 shares of common stock issuable upon conversion of shares of Series A Preferred and exercise of warrants.

- These parties filed Schedules 13D/A with the SEC on December 22, 2016 and January 5, 2017, reporting membership in a group. The number of shares shown in the table above includes (i) 12,165 shares issuable upon exercise of vested options and 1,014 shares issuable upon conversion of Series A Preferred that are owned directly by Mr. Morris, (ii) a total of 50,597 shares issuable upon conversion of Series A Preferred and exercise of warrants owned by Meson Capital LP, and (iii) 307,000 shares issuable upon the exercise of warrants owned by
- (3) Meson Constructive Capital LP (which has beneficial ownership of 16.3% of the class). Meson Capital Partners LLC serves as investment adviser to Meson Capital LP and Meson Constructive Capital LP, with which Meson Capital Partners LLC and Mr. Morris share voting and investment power over all such shares. There is a discrepancy between the number of shares reported as owned by Mr. Boches between the Morris / Meson preliminary proxy statement and their nominating letter to the Company on one hand, and the number reported in the two Schedules 13D/A, on the other. The number shown in the table includes the higher number.
- (4) Includes 55,000 shares issuable upon exercise of warrants.
- Includes 67,344 shares issuable upon conversion of Series A Preferred. Also includes 1,800 outstanding shares and
- (5) 702 shares issuable upon conversion of Series A Preferred that are owned by Dr. Schorr's wife, as to which he disclaims beneficial ownership.
- (6) Includes 27,369 shares issuable upon conversion of Series A Preferred. Also includes 4,000 shares that are owned by Mr. Boyle's wife, as to which he disclaims beneficial ownership
- (7) Includes 6,978 shares issuable upon conversion of Series A Preferred.
- (8) Includes a total of 432,687 shares issuable upon conversion of Series A Preferred and exercise of vested options and warrants.

PROPOSAL TO ADOPT AN AMENDMENT TO SEVCON'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO IMMEDIATELY DECLASSIFY OUR BOARD OF DIRECTORS SO THAT ALL DIRECTORS ARE ELECTED ANNUALLY FOR ONE-YEAR TERMS.

Proposed Amendment

We are submitting for stockholder approval an amendment to our Amended and Restated Certificate of Incorporation (the "Current Charter") providing for the immediate elimination of the current, partially-classified Board structure (the "Charter Amendment"). If the Charter Amendment is adopted, all directors will be elected on an annual basis beginning immediately at the 2017 annual meeting. In accordance with Delaware law, the Charter Amendment would also permit the removal of directors by the stockholders with or without cause.

Background and Reasons for the Proposed Amendment

The number of directors has been fixed at eight by the Board. Until the 2015 annual meeting, members of the Board of Directors were divided into three classes and served three-year, staggered terms. At the 2015 annual meeting, the stockholders adopted the Current Charter, providing for phased elimination of the classified Board structure over three years. The three directors elected at the 2015 annual meeting (Glenn J. Angiolillo, Ryan J. Morris, and David R. A. Steadman) are currently serving three-year terms that end at the 2018 annual meeting, and their successors will be elected to one-year terms thereafter. The terms of the other directors expire at the 2017 annual meeting when their successors will be elected to one-year terms. Each director holds office until his or her successor has been elected or qualified or until the director's earlier resignation or removal.

In light of the Meson nominations and accusations made by Mr. Morris against other directors, your Board determined that it would be in the stockholders' best interest to accelerate the full declassification to the 2017 annual meeting. This

would mean that the terms of all directors, including those elected in 2015, would end simultaneously, and would allow an immediate vote on all directors on an equal footing. The Board believed that this would avoid any perception of entrenchment by any of the current directors and that it would further ensure that our corporate governance policies maximize Board accountability to stockholders by allowing stockholders the immediate opportunity to register their views on the composition of our complete board of directors.

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Accordingly, the Board has approved and declared advisable the Charter Amendment, which would immediately declassify the Board, terminating the current term of all directors, and institute annual voting for each director to serve a one-year term beginning with this annual meeting. The Charter Amendment also follows Delaware law for non-classified boards of directors by permitting directors to be removed with or without cause. The Charter Amendment, which is subject to stockholder approval, is set forth in Appendix A to this Proxy Statement.

Required Vote

For the Charter Amendment to become effective, this proposal must receive the affirmative vote of a majority of the outstanding shares entitled to vote at the meeting. Accordingly, abstentions and broker non-votes will have the same effect as votes cast against the proposal.

The Board of Directors recommends a vote FOR the proposal to adopt the proposed amendment to the Amended and Restated Certificate of Incorporation on the WHITE proxy card.

PROPOSAL 2: IF PROPOSAL 1 IS APPROVED, TO ELECT EIGHT DIRECTORS

If Proposal 1 is approved, the Board will be immediately declassified, the current terms of Glenn J. Angiolillo, Ryan J. Morris, and David R. A. Steadman will thereby be shortened and, accordingly, the terms of all eight of our current directors will end at the 2017 annual meeting. Based on the recommendation of its Nominating and Governance Committee, the Board has nominated Glenn J. Angiolillo, Matthew Boyle, Matthew Goldfarb, William J. Ketelhut, Walter M. Schenker, Marvin G. Schorr, David R. A. Steadman and Paul O. Stump for election to one-year terms. All are currently directors except Dr. Schorr, the Company's Founder, who has vast experience with the Company, having been Chairman of the Board from 1988 to 2005 and playing an active role in its strategy development. Dr. Schorr served as a director until the 2016 annual meeting when – in recognition of his continuing insightful, important contributions to Board and Company strategy – he was asked to continue contributing as Director Emeritus. Each nominee has consented to being named in this proxy statement and to serve if elected, and the Company is not presently aware of any reason that would prevent any nominee from serving as a director. If a nominee is unable to serve or for good cause will not serve, the proxies will be voted for another nominee selected by the Board.

Meson Capital L.P. has notified us that it intends to nominate up to six persons for election as directors at the annual meeting. One of our current directors, Mr. Morris, is the managing member of Meson's general partner. Your Board does not endorse Mr. Morris or any Meson nominee and urges you not to sign or return any gold proxy card that may be sent to you by Meson. Our Nominating and Governance Committee and Board have evaluated each of the Board's nominees and each of Meson's proposed nominees against the factors and principles the Board uses to select nominees for director. Based on this evaluation, our Nominating and Governance Committee and Board have concluded that it is in the best interests of the Company and its stockholders for each of the Board-recommended nominees to serve as a director of the Company.

Information about our current directors and Dr. Schorr appears below under the heading "Information Regarding the Board of Directors and Nominees for Election."

Vote Required

Pursuant to the Company's by-laws, directors will be elected by a plurality of the votes properly cast at the annual meeting. Unless Meson withdraws its nominees, there will be more nominees than there are open seats on the Board. Accordingly, if Proposal 1 is approved, the eight nominees receiving the highest number of FOR votes will be elected. Broker non-votes and votes withheld will not be treated as votes cast and will not affect the outcome of the election.

The Board of Directors recommends that you use the WHITE proxy card to vote FOR the election of Messrs. Angiolillo, Boyle, Goldfarb, Ketelhut, Schenker, Schorr, Steadman and Stump for election as directors.

PROPOSAL 3: IF PROPOSAL 1 IS NOT APPROVED, TO ELECT FIVE DIRECTORS

If Proposal 1 is not approved, three of the Company's eight current directors, Glenn J. Angiolillo, Ryan J. Morris, and David R. A. Steadman will not be subject to election at the 2017 annual meeting, and will continue to serve as directors until the 2018 annual meeting. The terms of five of the Company's eight current directors, Matthew Boyle, Matthew Goldfarb, William J. Ketelhut, Walter M. Schenker and Paul O. Stump will expire at the 2017 annual meeting. Based on the recommendation of its Nominating and Governance Committee, the Board has nominated Messrs. Boyle, Goldfarb, Ketelhut, Schenker, and Stump for re-election to new one-year terms. Each nominee has consented to being named in this proxy statement and to serve if elected, and the Company is not presently aware of any reason that would prevent any nominee from serving as a director. If a nominee is unable to serve or for good cause will not serve, the proxies will be voted for another nominee selected by the Board.

Meson Capital L.P. has notified us that it intends to nominate up to six persons for election as directors at the annual meeting. One of our current directors, Mr. Morris, is the managing member of Meson's general partner. Your Board does not endorse Mr. Morris or any Meson nominee and urges you not to sign or return any gold proxy card that may be sent to you by Meson. Our Nominating and Governance Committee and Board have evaluated each of the Board's nominees and each of Meson's proposed nominees against the factors and principles the Board uses to select nominees for director. Based on this evaluation, our Nominating and Governance Committee and Board have concluded that it is in the best interests of the Company and its stockholders for each of the Board-recommended nominees to serve as a director of the Company.

Information about our current directors and Dr. Schorr appears below under the heading "Information Regarding the Board of Directors and Nominees for Election."

Vote Required

Pursuant to the Company's by-laws, directors will be elected by a plurality of the votes properly cast at the annual meeting. Unless Meson withdraws its nominees, there will be more nominees than there are open seats on the Board. Accordingly, if Proposal 1 is not approved, the five nominees receiving the highest number of FOR votes will be elected. Broker non-votes and votes withheld will not be treated as votes cast and will not affect the outcome of the election.

The Board of Directors recommends that you use the WHITE proxy card to vote FOR the election of Messrs. Boyle, Goldfarb, Ketelhut, Schenker, and Stump for re-election as directors.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND NOMINEES FOR ELECTION

The table below provides certain information about our current directors and Dr. Schorr. If Proposal 1 is approved, the terms of all of current directors will expire at the 2017 annual meeting. If Proposal 1 is not approved, the terms of all current directors will end as specified in the column titled "Current Term Expires."

Current Directors / Board-Recommended Nominees Under Either of Proposals 2 and 3

<u>Name</u>	<u>Current Term Expires</u>	<u>Business Experience During Past Five Years and Other Directorships</u>	<u>Has Been a Director of the Company Since</u>	<u>No. of Common Shares of the Company Beneficially Owned and Percent of Class (†)</u>
Glenn J. Angiolillo Age – 63	2018	Mr. Angiolillo has served as the President of GJA Management Corporation, a wealth management consulting and advisory firm, since 1998. Mr. Angiolillo has served as a director of LICT Corporation, Ryman Hospitality Properties, Inc., and Trans-Lux Corporation within the past five years. Mr. Angiolillo's qualifications to serve on the Board of Directors include his experience with commercial and corporate law, his record of service on the boards of several public companies as well as on the Company's Audit Committee, and his extensive corporate governance and investment experience.	2013	10,314 (#)(1)
Matthew Boyle Age – 54	2017	President and Chief Executive Officer of the Company since November 1997. Vice President and Chief Operating Officer of the Company from November 1996 to November 1997. As our Chief Executive Officer, Mr. Boyle's strong executive leadership and knowledge of our products, suppliers, customers and industry are valued highly by the Board.	1997	109,265 2.03%
Matthew Goldfarb (A)(B)(C) Age – 45	2017	Chairman of the Board. Mr. Goldfarb has served as Chief Restructuring Officer, Acting Chief Executive Officer and a director of Cline Mining Corporation, a Canadian mining company, since December 2013. Before that, Mr. Goldfarb served as Chief Executive Officer of Xinergy Ltd., a Central Appalachian coal producer, having previously served as its Vice Chairman and lead independent director since its IPO in December 2009 through November 2013. Mr. Goldfarb is a founding partner of Southport Midstream Partners LLC, a private-equity backed development company focused on energy infrastructure projects. He previously was a senior investment professional with GSO Capital Partners, Pirate Capital and Icahn Associates Corp.	2016	3,300 (#)

<u>Name</u>	<u>Current Term Expires</u>	<u>Business Experience During Past Five Years and Other Directorships</u>	<u>Has Been a Director of the Company Since</u>	<u>No. of Common Shares of the Company Beneficially Owned and Percent of Class (†)</u>
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Mr. Goldfarb is a director of Midway Gold Corporation and he has served on the boards of directors of The Pep Boys – Manny, Moe & Jack, Huntingdon Capital Corp., and Fisher Communications, Inc., within the past five years.

In December 2013 and in contemplation of a financial restructuring, Mr. Goldfarb was retained by the Cline Mining Corporation board of directors, at the instruction of its senior lenders, to lead the financial restructuring and optimization of the mining assets of the TSX-listed issuer. CCAA insolvency proceedings and related Chapter 15 "recognition" proceedings relating to the "work-out" of Cline Mining Corporation were initiated in December 2014, and the company emerged therefrom in July 2015.

Mr. Goldfarb resigned as the Chief Executive Officer of Xinergy, Ltd. In November, 2013. Xinergy filed for bankruptcy protection under Chapter 11 in July 2015 due to challenging market conditions, given its exposure to metallurgical coal pricing.

Mr. Goldfarb's qualifications to serve on the Board of Directors include his vast investing experience, his experience with commercial and corporate law and his extensive record of service on the boards of several public companies. The Company values the extensive executive and investment experience that Mr. Goldfarb brings to the Board. The Board also benefits from Mr. Goldfarb's contributions as Chairman of the Nominating and Governance Committee and a member of the Audit and Compensation Committees.

Mr. Ketelhut was an advisor to, and Divisional Managing Director of, CSE-Global Ltd, Singapore from 2004 to 2014. He has been a director of Energy Conversion Devices, Inc. and Industrial Defender.

William J. Ketelhut Age – 64	2017	Mr. Ketelhut's services as executive and director of a variety of companies, including a term as Chairman of the Company's Board and on several Board committees, give him the skills and experience to be an effective leader and to provide guidance to management and the other Board members on financial and operational matters.	2011	40,302 (#)(2)
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<u>Name</u>	Current Term Expires	Business Experience During Past Five Years and Other Directorships	Has Been a Director of the Company Since	No. of Common Shares of the Company Beneficially Owned and Percent of Class (†)
Walter M. Schenker (A) Age – 69	2017	<p>Mr. Schenker has been a Principal at MAZ Capital Advisors, an investment advisory firm, since 2010 and was a Principal at Titan Capital Management, LLC, a registered investment adviser and hedge fund from 1999 until 2010. He is also a director of TransPrecision Corporation.</p> <p>In 2007, TCMP3 Partners, L.P., its general partner TCMP3 Capital, LLC, its investment manager Titan Capital Management, LLC, and portfolio managers Steven E. Slawson and Mr. Schenker consented to the entry of a final judgment in an action brought by the Securities and Exchange Commission regarding their activities in connection with certain unregistered securities offerings. Without admitting or denying the allegations of the complaint, Mr. Schenker consented to the entry of a final judgment permanently enjoining him from future violations of Section 5 of the Securities Act of 1933 and requiring him to pay a civil penalty.</p> <p>Mr. Schenker’s qualifications to serve on the Board of Directors include his experience with many aspects of public company investing including accounting, financial reporting, capital allocation, strategic transactions and investor relations, as well as his prior service as Chairman of the Board. The Company also benefits from his service on the Audit Committee.</p>	2013	39,193 (#)(3)
Dr. Marvin G. Schorr				