

OLYMPIC STEEL INC
Form PRE 14A
March 02, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14a-101)

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 Section 240.14a-12

Olympic Steel, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

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.

Title of each class of securities to which transaction applies:

(1)

Aggregate number of securities to which transaction applies:

(2)

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):

(3)

Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

Fee paid previously with preliminary materials.

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

Amount Previously Paid:

(1)

Form, Schedule or Registration Statement No.:

(2)

Filing Party:

(3)

Date Filed:

(4)

In accordance with Rule 14a-6(d) under Regulation 14A of the Securities Exchange Act of 1934, please be advised that Olympic Steel, Inc. intends to release definitive copies of the proxy statement to security holders on or about March 24, 2015.

Olympic Steel, Inc., 22901 Millcreek Boulevard, Suite 650, Highland Hills, Ohio 44122 (216) 292-3800

To Our Shareholders:

You are invited to attend the 2015 Annual Meeting of Shareholders of Olympic Steel, Inc. to be held at 5096 Richmond Road, Bedford Heights, Ohio 44146, on May 1, 2015 at 10:00 a.m. EDT. We are pleased to enclose the notice of the 2015 Annual Meeting of Shareholders, together with a Proxy Statement, a Proxy and an envelope for returning the Proxy.

You are asked to: (1) approve the election of Directors nominated by the Board of Directors; (2) ratify the selection of Olympic Steel, Inc.'s independent auditors for the year ending December 31, 2015; (3) approve, on an advisory basis, our named executive officer compensation; and (4) approve an amendment to the Company's Amended and Restated Code of Regulations to allow the Board to amend the Regulations to the extent permitted by Ohio law. Your Board of Directors unanimously recommends that you vote "FOR" all of the Director nominees nominated by the Board and "FOR" all of the other proposals. Please carefully review the Proxy Statement and then complete and sign your Proxy and return it promptly. If you attend the meeting and decide to vote in person, you may withdraw your Proxy at the meeting.

Your time and attention to this letter and the accompanying Proxy Statement and Proxy is appreciated.

Sincerely,

Michael D. Siegal

Chairman and Chief Executive Officer

March , 2015

Olympic Steel, Inc., 22901 Millcreek Boulevard, Suite 650, Highland Hills, Ohio 44122 (216) 292-3800

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 1, 2015

Notice is hereby given that the 2015 Annual Meeting of Shareholders of Olympic Steel, Inc., an Ohio corporation, which is referred to as the Company, will be held on May 1, 2015, at 5096 Richmond Road, Bedford Heights, Ohio 44146, at 10:00 a.m. EDT, for the following purposes:

1. To elect the following Directors to the class whose two-year term will expire in 2017: Michael D. Siegal, Arthur F. Anton, Donald R. McNeeley and Michael G. Rippey;
2. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent auditors for the year ending December 31, 2015;
3. To approve, on an advisory basis, our named executive officer compensation;
4. To approve an amendment to the Company's Amended and Restated Code of Regulations to allow the Board to amend the Regulations to the extent permitted by Ohio law; and
5. To transact any other business properly brought before the 2015 Annual Meeting of Shareholders or any adjournment or postponement of the 2015 Annual Meeting of Shareholders.

Only shareholders of record of the Company's common stock on the books of the Company at the close of business on March 10, 2015 will be entitled to vote at the 2015 Annual Meeting or any adjournment or postponement of the 2015 Annual Meeting.

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Your vote is important. All shareholders are invited to attend the 2015 Annual Meeting in person. However, to ensure your representation at the 2015 Annual Meeting, please mark, date and sign the enclosed proxy, and return it promptly in the enclosed envelope. Any shareholder attending the 2015 Annual Meeting may vote in person even if the shareholder returned a proxy.

By Order of the Board of Directors

Christopher M. Kelly

Secretary

Cleveland, Ohio

March , 2015

The enclosed proxy is being solicited on behalf of the Board of Directors of the Company and can be returned in the enclosed envelope, which requires no postage if mailed in the United States.

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2015 ANNUAL MEETING

May 1, 2015

THE PROXY AND SOLICITATION

This Proxy Statement is being mailed on or about March , 2015 to the shareholders of Olympic Steel, Inc., which is referred to as the Company, in connection with the solicitation by the Company's Board of Directors, which is referred to as the Board, of the enclosed form of proxy for the 2015 Annual Meeting of Shareholders, which is referred to as the Annual Meeting, to be held on May 1, 2015, at 5096 Richmond Road, Bedford Heights, Ohio 44146, at 10:00 a.m. EDT. Pursuant to the Title XVII, Chapter 1701 of the Ohio Revised Code, any shareholder signing and returning the enclosed proxy has the power to revoke it by giving notice of such revocation to the Company in writing or at the Annual Meeting before any vote with respect to the matters set forth therein is taken. The representation in person or by proxy of at least a majority of the outstanding shares of the common stock of the Company, which we refer to as the Common Stock, entitled to vote is necessary to provide a quorum at the Annual Meeting. Abstentions and broker non-votes will be counted in determining whether a quorum has been achieved.

The Company will bear the expense of preparing, printing and mailing this Proxy Statement. Although the Company has not retained a proxy solicitor to aid in the solicitation of proxies, it may do so in the future if the need arises, and does not believe that the cost of any such proxy solicitor will be material. In addition to solicitation of proxies by mail, certain Directors, officers and other employees of the Company, none of whom will receive additional compensation therefor, may solicit proxies by telephone, facsimile, electronic mail or by personal contacts. The Company will request brokers, banks and other custodians, nominees and fiduciaries to send proxy materials to beneficial owners and will, upon request, reimburse them for their out-of-pocket expenses.

PURPOSES OF ANNUAL MEETING

The Annual Meeting has been called for the purposes of: (1) electing the following Directors to the class whose two-year term will expire in 2017: Michael D. Siegal, Arthur F. Anton, Donald R. McNeeley and Michael G. Rippey; (2) ratifying the selection of PricewaterhouseCoopers LLP, which is referred to as PwC, as the Company's independent auditors for the year ending December 31, 2015; (3) approving, on an advisory basis, our named executive officer compensation; (4) approving an amendment to the Company's Amended and Restated Code of Regulations to allow the Board to amend the Regulations to the extent permitted by Ohio law; and (5) transacting such other business as

may properly come before the Annual Meeting and any adjournments thereof.

The persons named in the enclosed proxy have been selected by the Board and will vote Common Stock represented by valid proxies. Unless otherwise indicated in the enclosed proxy, they intend to vote "FOR" the election of the Director-nominees named herein, "FOR" the ratification of the selection of PwC as the Company's independent auditors for the year ending December 31, 2015, "FOR" the approval, on an advisory basis, of our named executive officer compensation and "FOR" the approval of an amendment to the Company's Amended and Restated Code of Regulations to allow the Board to amend the Regulations to the extent permitted by Ohio law.

VOTING SECURITIES

The Board has established the close of business on March 10, 2015 as the record date for determining shareholders entitled to notice of the Annual Meeting and to vote. On that date, [] shares of Common Stock were outstanding and entitled to one vote per share on all matters properly brought before the Annual Meeting.

PROPOSAL ONE

ELECTION OF DIRECTORS

The Board currently consists of eight members and is divided into two classes, whose members serve for a staggered, two-year term. The term of one class, which currently consists of four Directors, expires in 2016; the term of the other class, which consists of four Director nominees, expires at the Annual Meeting.

The Board has nominated Michael D. Siegal, Arthur F. Anton, Donald R. McNeeley and Michael G. Rippey to be elected as Directors for a two-year term. The two-year term will end upon the election of Directors at the 2017 Annual Meeting of Shareholders. James B. Meathe, a current Director, whose term expires at the Annual Meeting, is not being nominated for re-election. Mr. Rippey was referred to the Nominating Committee by Mr. Siegal. Mr. Rippey was subsequently recommended by the Nominating Committee to the full Board of Directors to become a member of the Board.

At the Annual Meeting, the shares of Common Stock represented by valid proxies, unless otherwise specified, will be voted to elect the Director-nominees. Each individual nominated for election as a Director of the Company has agreed to serve if elected. However, if any nominee becomes unable or unwilling to serve if elected, the proxies will be voted for the election of such other person as may be recommended by the Board. The Board has no reason to believe that the persons listed as nominees will be unable or unwilling to serve.

Directors will be elected by a plurality of the votes cast at the Annual Meeting. Accordingly, abstentions and broker non-votes will have no effect in determining the outcome of the vote on the election of Directors. Certain information regarding each of the Company's current Directors, including his principal occupation and directorships during the past five years, is set forth below.

DIRECTOR NOMINEES

Michael D. Siegal, age 62, joined the Board in 1984. He became Chief Executive Officer of the Company in 1984 and assumed the role of Chairman of the Board in 1994. Since 2014, Mr. Siegal has served on the board of directors of Cliffs Natural Resources Inc., a mining and natural resources company. Mr. Siegal also serves as the Board Chair of the Jewish Federations of North America. He also serves on the board of directors of the Development Corporation of Israel and the Rock and Roll Hall of Fame and Museum. Mr. Siegal has previously served on the board of directors of the Metal Service Center Institute, or MSCI, a metals industry trade association, and University Hospitals of Cleveland. He also previously served as the Board Chair of the Jewish Federation of Cleveland. With over 30 years of executive experience at the Company, Mr. Siegal possesses proven managerial skills and firsthand knowledge of

nearly every aspect of the Company's business operations. As a member of the founding family of the Company, Mr. Siegal also brings to the Board knowledge and understanding of the evolution of a family business into a successful public company. Mr. Siegal is also a substantial long-term shareholder of the Company.

Arthur F. Anton, age 57, joined the Board in 2009. Since 2004, Mr. Anton has served as the President and Chief Executive Officer of the Swagelok Company, a fluid systems technologies company. Since 1998, Mr. Anton has served in the following positions at the Swagelok Company: President and Chief Operating Officer, from 2001 to 2004; Executive Vice President, from 2000 to 2001; and Chief Financial Officer, from 1998 to 2000. He is a former Partner of Ernst & Young LLP, a professional services organization. Since 2006, Mr. Anton has served on the board of directors of The Sherwin-Williams Company, a paint coatings manufacturer. He also serves on the board of directors of University Hospitals of Cleveland and Forest City Enterprises, Inc., a conglomerate corporation engaged in real estate development, sales, investment and construction. As the head of a large private corporation, Mr. Anton provides valuable insight into the successful operation of a business, which serves him well as a member of the Board, Chairman of the Audit and Compliance Committee and as a member of the Compensation Committee. As a former partner at Ernst & Young LLP, the Chair of the audit committee of The Sherwin-Williams Company and a member of the audit committee of Forest City Enterprises, Inc., Mr. Anton possesses a detailed understanding of accounting principles and practice.

Donald R. McNeeley, age 60, joined the Board in 2011. Since 1990, he has served as the President and Chief Operating Officer of Chicago Tube & Iron Company, or CTI, a fabricator of metal tubing, pipe, bar, valves and fittings and pressure parts that is now a subsidiary of the Company. He is also an adjunct professor at Northwestern University. Mr. McNeeley serves on the board of directors of Vail Rubber Industries, a manufacturer of industrial roll coverings, and Saulsbury Industries, an engineering and construction company to heavy-industrial markets. He is also the Chair of the audit committee of Saulsbury Industries. Mr. McNeeley is a former Chairman of the MSCI. Mr. McNeeley's years of experience at CTI, as well as his academic background, provide a wealth of knowledge regarding the steel pipe and tubing industry, making him a valuable member of the Board.

Michael G. Rippey, age 57, director candidate in 2015. He has been the Chairman of ArcelorMittal USA, a steel and mining company, since 2014. Mr. Rippey served as President and Chief Executive Officer of ArcelorMittal USA from 2006 to 2014. From 1984 to 2006, he held various positions at Inland Steel and Ispat Inland, predecessor companies to ArcelorMittal USA. Mr. Rippey serves on the Board of Directors of the following organizations: Children's Home + Aid, the American Iron & Steel Institute, where he is the Chairman of the Board, the Chicagoland Chamber of Commerce and the National Association of Manufacturers. He is also a member of the Dean's Council and Alumni Fellow at Indiana University. Mr. Rippey will bring to the Board a wealth of knowledge of the metals industry. If elected, Mr. Rippey will serve on both the Nominating and Compensation Committees.

DIRECTORS WITH TERMS THAT EXPIRE IN 2016

David A. Wolfort, age 62, joined the Board in 1987. He became Chief Operating Officer of the Company in 1995 and assumed the role of President in 2001. Mr. Wolfort serves as a member of the United States International Trade Advisory Committee on Steel. He previously served on the board of directors of MSCI and was a past Chairman of both the MSCI Political Action Committee and the MSCI Government Affairs Committee. He is a Trustee and Vice-Chair of Ohio University and the Musical Arts Association (Cleveland Orchestra). With his years of experience at the Company, Mr. Wolfort brings to the Board a wealth of knowledge concerning the Company's business operations and the competitive landscape of the metals industry.

Ralph M. Della Ratta, age 61, joined the Board in 2004. Since 2004, he has served as the Founder and Managing Director of Western Reserve Partners LLC, an investment banking firm. Prior to this time, Mr. Della Ratta was the Senior Managing Director and Manager of the Investment Banking Division of McDonald Investments, Inc., an investment banking firm, and through a 1998 merger with KeyCorp, he served in the same capacity. Mr. Della Ratta serves on the board of directors of Western Reserve Partners LLC, McCormack Advisors International, a wealth management firm, and NDI, Inc., a medical investment company. Having served for most of his professional career in the investment banking industry, Mr. Della Ratta provides valuable business and financial knowledge as Lead Director and a member of the Board and the Audit and Compliance Committee and the Compensation Committee.

Dirk A. Kempthorne, age 63, joined the Board in 2010. He served as the Mayor of Boise, Idaho from 1986 to 1993, a United States Senator from Idaho from 1993 to 1999 and Governor of Idaho from 1999 to 2006. He also served as the 49th Secretary of the U.S. Department of the Interior from 2006 to 2009. Mr. Kempthorne has served as the President of The Kempthorne Group, a consulting firm, since 2009 and has served as the President & Chief Executive Officer of the American Council of Life Insurers, an insurance industry trade association, since 2010. Since 2009, Mr. Kempthorne has also served on the board of directors of FMC Corporation, a global chemical company. With his commitment to public service and his recognized national leadership, Mr. Kempthorne provides important contributions and insights as a member of the Board and as Chairman of the Nominating Committee as we execute our strategic growth initiatives.

Howard L. Goldstein, age 62, joined the Board in 2004. He has been a partner with Appelrouth, Farah & Co., a full service accounting and international business advisory firm, since 2012. Prior to 2012, Mr. Goldstein was the Managing Director of Mallah Furman, a certified public accounting firm, and had been a Senior Partner for over 25 years. Mr. Goldstein is a member of the American Institute of Certified Public Accountants, the Florida Institute of Certified Public Accountants, the Florida Board of Accounting, the New Jersey Board of Certified Public Accountants and the New Jersey Institute of Certified Public Accountants. As a certified public accountant, Mr. Goldstein's broad knowledge and deep understanding of accounting principles and financial reporting rules and regulations make him a valuable asset as a member of the Board and the Audit and Compliance Committee. Mr. Goldstein's experience with the Company has also made him a valued member of the Audit and Compliance Committee and the Nominating Committee and the Chairman of the Compensation Committee.

The Board recommends a vote "FOR" Michael D. Siegal, Arthur F. Anton, Donald R. McNeeley and Michael G. Rippey for election to the class of directors whose two-year term will expire in 2017.

CORPORATE GOVERNANCE

BOARD MEETINGS AND COMMITTEES

The Board held four regularly scheduled meetings and two telephonic meetings in 2014. The Board has a standing Audit and Compliance Committee, Compensation Committee and Nominating Committee. The Audit and Compliance Committee, Compensation Committee and Nominating Committee held four, two and two meetings, respectively, in 2014. The committees receive their authority and assignments from, and report to, the Board.

All of the current Directors attended at least seventy-five percent of the applicable Board and committee meetings held during 2014. In addition to holding regular Board and committee meetings, the Board members and committee members also reviewed and considered matters and documents and communicated with each other apart from the meetings. Additionally, all non-management members of the Board meet separately without members of management present at every regularly scheduled Board meeting.

The Board determines the independence of each Director and each Director-nominee in accordance with the independence standards set forth in the listing requirements of the Nasdaq Stock Market, which we refer to as Nasdaq. The Board has determined that Messrs. Della Ratta, Kempthorne, Anton, Goldstein and Rippey are independent Directors, as defined in the Nasdaq listing requirements. With respect to Mr. Rippey, who, as discussed above, is the current Chairman and former President and Chief Executive Officer of ArcelorMittal USA, the Board determined that the business relationship between the Company and ArcelorMittal USA relating to the purchase of certain steel products by the Company from ArcelorMittal USA does not impair his independence. The Board has also determined that James B. Meathe, who will serve as a director until the Annual Meeting, met these independence requirements.

Audit and Compliance Committee. The Audit and Compliance Committee is chaired by Mr. Anton and also consists of Messrs. Della Ratta and Goldstein. The Audit and Compliance Committee is responsible for monitoring and overseeing our internal controls and financial reporting processes, as well as the independent audit of our consolidated financial statements by our independent auditors. Each committee member is an “independent director” as defined in the Nasdaq listing requirements and applicable rules of the Securities and Exchange Commission, which we refer to as the SEC. Mr. Anton has been designated by the Board as the “audit committee financial expert” under SEC rules and satisfies the Nasdaq’s professional experience requirements. The Audit and Compliance Committee operates pursuant to a written charter, which can be found on our website at www.olysteel.com. Additional information on the committee and its activities is set forth in the “Audit Committee Report” below.

Compensation Committee. The Compensation Committee is chaired by Mr. Goldstein and also consists of Messrs. Meathe, Della Ratta and Anton. If elected to the Board, Mr. Rippey will replace Mr. Meathe on the Compensation

Committee. Each committee member is an “independent director” as defined in the Nasdaq listing requirements. The primary purposes of the Compensation Committee are to assist the Board in meeting its responsibilities with regard to oversight and determination of executive compensation and to administer our equity-based or equity-linked compensation plans, bonus plans, supplemental executive retirement plan and deferred compensation plans after consultation with management. The Compensation Committee reviews and recommends to the Board for approval the base salary, annual bonus, long-term incentive compensation and other compensation, perquisites and special or supplemental benefits for our Chief Executive Officer and other executive officers. The Compensation Committee also makes recommendations concerning our employee benefit policies and has authority to administer our equity compensation plans. The Compensation Committee has the authority to hire compensation consultants and legal, accounting, financial and other advisors, as it deems necessary to carry out its duties. Management assists the Compensation Committee in its administration of the executive compensation program by recommending individual and Company goals and by providing data regarding performance. From time to time, our Compensation Committee engages Towers Watson, a global professional services firm that provides human resources consulting services, as an outside independent compensation consultant to advise the Compensation Committee on our compensation program. In 2013, our Compensation Committee engaged Towers Watson to compare the base salaries, annual cash incentive awards and long-term compensation of our named executive officers to the compensation paid to executives in similar positions both within and outside the metal service center industry. For additional information, see below under “Executive Compensation—Compensation Discussion and Analysis—Role of Compensation Consultant.” The Compensation Committee operates pursuant to a written charter, which can be found on our website at www.olysteel.com. Additional information on the committee and its activities is set forth in the “Compensation Discussion and Analysis” and “Compensation Committee Report” below.

Nominating Committee. The Nominating Committee is chaired by Mr. Kempthorne and also consists of Messrs. Goldstein and Meathe. If elected to the Board, Mr. Rippey will replace Mr. Meathe on the Nominating Committee. This committee functions to advise and make recommendations to the Board concerning the selection of candidates as nominees for Directors, including those individuals recommended by shareholders. The Nominating Committee operates pursuant to a written charter, which can be found on our website at www.olysteel.com. Each committee member is an “independent director” as defined in the Nasdaq listing requirements.

CORPORATE GOVERNANCE

Shareholder Communications. Shareholders may send written communications to the Board or any one or more of the individual Directors by mail to Olympic Steel, Inc., 22901 Millcreek Boulevard, Suite 650, Highland Hills, Ohio 44122. Any shareholder who wishes to send a written communication to any member of the Board may do so in care of our Secretary, who will forward any communications directly to the Board or the individual Director(s) specified in the communication.

Director Nominations Process. The Board’s process for identifying and evaluating nominees for Director consists principally of evaluating candidates who are recommended by the Nominating Committee. The Nominating Committee also may, on a periodic basis, solicit ideas for possible candidates from a number of sources, including current members of the Board, senior level executives, individuals personally known to members of the Board and employment of one or more search firms.

Except as may be required by rules promulgated by Nasdaq or the SEC, there are currently no specific, minimum qualifications that must be met by each candidate for the Board, nor are there specific qualities or skills that are necessary for one or more of the members of the Board to possess. In evaluating the suitability of the candidates, the Nominating Committee takes into consideration such factors as it deems appropriate. These factors may include, among other things, issues of character, judgment, independence, expertise, diversity of experience, length of service and other commitments. The committee evaluates such factors, among others, and considers each individual candidate in the context of the current perceived needs of the Board as a whole and of committees of the Board.

The Nominating Committee will consider Director candidates recommended by shareholders if properly submitted. Shareholders wishing to suggest persons for consideration as nominees for election to the Board at the 2016 Annual Meeting may do so by providing written notice to us in care of our Secretary no later than December 31, 2015. Such recommendation must include the information required of Director-nominations by our Amended and Restated Code of Regulations. Assuming that a properly submitted shareholder recommendation for a potential nominee is received and appropriate biographical and background information is provided, the Nominating Committee and the Board will follow the same process and apply the same criteria as they do for candidates submitted by other sources.

Board Leadership and Risk Oversight. Michael D. Siegal serves as both the Company's Chairman of the Board and the Company's Chief Executive Officer. The Board has no policy with respect to the separation of these offices. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to consider it each time that it elects the Chief Executive Officer. The Board recognizes that there may be circumstances in the future that would lead it to separate these offices, but it believes that there is no reason to do so at this time.

As both a Director and officer, Mr. Siegal fulfills a valuable leadership role that the Board believes is essential to the continued success of the Company's business operations. Mr. Siegal has served the Company in an executive role for over 30 years, and the experience and deep knowledge base he brings to both positions are invaluable. In the Board's opinion, Mr. Siegal's dual role enhances the Company's ability to coordinate long-term strategic direction with important business opportunities at the operational level and enhances his ability to provide insight and direction on important strategic initiatives impacting the Company and its shareholders to both management and the independent Directors.

In 2014, the Company created a Lead Director position, which was filled by Mr. Della Ratta. The duties of the Lead Director include, but are not limited to, the following:

presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;

serving as a liaison between the Chairman and the independent Directors;

approving information sent to the Board;

approving meeting agendas for the Board;

approving meeting schedules to assure that there is sufficient time for discussion of all agenda items;

authority to call meetings of the independent Directors; and

if requested by major shareholders, ensuring that he is available for consultation and direct communication.

The Board generally oversees the Company's risk management directly and through the Audit and Compliance Committee. The Board regularly reviews issues that present particular risks to the Company, including those involving competition, customer demands, economic conditions, planning, strategy, finance, facilities and operations. Additionally, the Audit and Compliance Committee also reviews risks relating to the Company's financial statements and financing arrangements. The Board believes that this approach provides appropriate checks and balances against undue risk taking and that the Board's leadership structure supports its risk oversight function.

Annual Meeting Attendance. The Board does not have a formal policy with regard to Directors' attendance at the Annual Meeting. However, because a Board meeting usually precedes the Annual Meeting, all Directors are urged to attend. Last year, all Directors, excepting Mr. Kempthorne, were present in person at the Annual Meeting.

Shareholder Approval. Our Amended and Restated Articles of Incorporation and our Amended and Restated Code of Regulations may be amended by the affirmative vote of the holders of a majority of our outstanding shares of Common Stock. Any merger involving us or the sale of all or substantially all of our assets would require the affirmative vote of the holders of a majority of our outstanding shares of Common Stock.

CODE OF ETHICS

We have adopted a Business Ethics Policy. The full text of the Business Ethics Policy is available through the "Investor Relations" section of our website under the "Corporate Governance" option at www.olysteel.com. The Business Ethics Policy applies not only to our executive and financial officers, but also to all of our employees. We intend to disclose any amendments to the Business Ethics Policy, and all waivers of the Business Ethics Policy relating to our Chairman and Chief Executive Officer, Chief Financial Officer, President and Chief Operating Officer, Vice President and Treasurer and President of CTI by posting such information on our website.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of March 10, 2015 (unless otherwise indicated) by each person or entity known to us to beneficially own 5% or more of our outstanding Common Stock based upon information furnished to us or derived by us from publicly available records.

Names of Beneficial Owners	Number of Shares	Percentage of
	Beneficially Owned(1)	Ownership
Michael D. Siegal(2)		
22901 Millcreek Blvd, Suite 650	1,242,977	11.30%
Highland Hills, OH 44122		
Dimensional Fund Advisors LP(3)		
Palisades West, Building One		
6300 Bee Cave Road	888,209	8.09%
Austin, TX 78746		
BlackRock, Inc.(4)		
55 East 52nd Street	877,564	8.00%
New York, NY 10022		
The Killen Group, Inc.(5)		
1189 Lancaster Ave.	670,801	6.10%
Berwyn, PA 19312		
Royce & Associates, LLC(6)		
745 Fifth Avenue	587,480	5.35%
New York, NY 10151		

(1)

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Unless otherwise indicated below, the persons named in the table above have sole voting and investment power with respect to the number of shares set forth opposite their names. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options held by that person that are currently exercisable or will become exercisable within 60 days after March 10, 2015 are considered outstanding, while these shares are not considered outstanding for purposes of computing the percentage ownership of any other person.

(2) Includes 4,000 shares issuable upon the exercise of options exercisable within 60 days after March 10, 2015.

Based on Schedule 13G/A filed with the SEC on February 5, 2015 describing ownership as of December 31, 2014, (3) which Schedule specifies that Dimensional Fund Advisors LP has sole voting power with respect to 858,123 of these shares and sole investment power with respect to all of these shares.

Based on Schedule 13G/A filed with the SEC on January 23, 2015 describing ownership as of December 31, 2014, (4) which Schedule specifies that BlackRock, Inc. has sole voting power with respect to 862,144 of these shares and sole investment power with respect to all of these shares.

Based on Schedule 13G filed with the SEC on February 12, 2015 describing ownership as of December 31, 2014, (5) which Schedule specifies that The Killen Group, Inc. has sole voting power with respect to 620,536 of these shares and sole investment power with respect to all of these shares.

Based on Schedule 13G/A filed with the SEC on January 15, 2015 describing ownership as of December 31, 2014, (6) which Schedule specifies that Royce & Associates, LLC has sole voting power with respect to all of those shares.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of March 10, 2015 by each of our Directors, each of the Executive Officers named in the summary compensation table included herein, whom we refer to as the named executive officers, and all the Directors and Executive Officers as a group.

Names of Beneficial Owners	Number of Shares	Percentage of	
	Beneficially Owned(1)	Ownership	
Michael D. Siegal(2)	1,242,977	11.30	%
David A. Wolfort(2)(3)	430,070	3.91	%
Donald R. McNeeley	134,678	1.22	%
Richard T. Marabito(4)	35,884	*	
Richard A. Manson(5)	12,522	*	
James B. Meathe(6)	27,344	*	
Howard L. Goldstein(6)	18,144	*	
Ralph M. Della Ratta(6)(7)	24,964	*	
Arthur F. Anton(8)	25,207	*	
Dirk A. Kempthorne(9)	7,944	*	
Michael G. Rippey	—	*	
All Directors, Director Nominees and Executive Officers as a group (11 persons)(10)	1,959,734	17.71	%

*Less than 1%

(1) Unless otherwise indicated below, the persons named in the table above have sole voting and investment power with respect to the number of shares set forth opposite their names. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options held by that person that are currently exercisable or will become exercisable within 60 days after March 10, 2015 are considered outstanding, while these shares are not considered outstanding for purposes of computing the percentage ownership of any other person.

(2) Includes 4,000 shares issuable upon the exercise of options within 60 days of March 10, 2015.

(3) Includes 23,000 shares pledged as security by Mr. Wolfort.

(4) Includes 6,900 shares held in various trusts for the benefit of Mr. Marabito's children. Also includes 4,170 shares issuable upon the exercise of options within 60 days of March 10, 2015.

(5)

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Includes 1,000 shares issuable upon the exercise of options within 60 days of March 10, 2015. Also includes 2,075 shares held in individual retirement accounts for Mr. Manson and his spouse.

- (6) Includes 15,144 shares issuable pursuant to restricted stock units awarded under the Olympic Steel, Inc. 2007 Omnibus Incentive Plan that will be converted into shares when the individual is no longer a Board member.
- (7) Includes 600 shares held in a trust for the benefit of Mr. Della Ratta's children.
- (8) Includes 9,744 shares issuable pursuant to restricted stock units awarded under the Olympic Steel, Inc. 2007 Omnibus Incentive Plan that will be converted into shares when the individual is no longer a Board member.
- (9) Includes 7,944 shares issuable pursuant to restricted stock units awarded under the Olympic Steel, Inc. 2007 Omnibus Incentive Plan that will be converted into shares when the individual is no longer a Board member.

Includes 13,170 shares issuable upon the exercise of options within 60 days of March 10, 2015 and 63,120 shares (10) issuable pursuant to restricted stock units awarded under the Olympic Steel, Inc. 2007 Omnibus Incentive Plan that will be converted into shares when the individual is no longer a Board member.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, requires the Company's officers and Directors, and persons who own greater than 10% of the Company's Common Stock, to file reports of ownership and changes in ownership to the SEC. Officers, directors and more than 10% shareholders are required by the SEC to furnish to the Company copies of all Section 16(a) reports they file. To the Company's knowledge, based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company during 2014 and Forms 5 and amendments thereto furnished to the Company with respect to 2014, or a written representation from the reporting person that no Form 5 is required, all filings required to be made by the Company's officers and Directors were timely made.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

We are a leading U.S. metals service center with over 60 years of experience. Our primary focus is on the direct sale and distribution of large volumes of processed carbon, coated, aluminum and stainless flat-rolled sheet, coil and plate products. Commencing with the July 1, 2011 acquisition of CTI, we also distribute metal tubing, pipe, bar, valves and fittings and we fabricate pressure parts supplied to various industrial markets. We operate as an intermediary between metal producers and manufacturers that require processed metal for their operations. As further discussed in this section, our compensation and benefit programs are designed to reward our employees when they help us achieve business objectives.

The following are the highlights of our executive compensation program for 2014:

Our cash incentive plan continues to emphasize the relationship of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Return on Assets (ROA) in the calculation of incentives of our most senior executive officers. Incentives remain pay-for-performance based;

All of our executive officers continue to purchase and retain shares of our Common Stock pursuant to the terms of our long-term incentive plan; and

Messrs. Siegal and Wolfort voluntarily removed the “walk-at-will” provisions from their Management Retention Agreements.

At our 2014 Annual Meeting, we received approval for our advisory “Say-on-Pay” proposal to approve the compensation of our named executive officers. The Compensation Committee considered the 2014 voting results at its meetings and remains dedicated to continuous improvement to the existing executive pay programs. As a result of its considerations, the Compensation Committee implemented the executive pay practices described below.

The following discussion and analysis of our 2014 executive compensation program, which may include forward-looking statements, should be read together with the compensation tables and related disclosures that follow this section.

Compensation Philosophy and Objectives

The goals of our compensation program for our Chairman and Chief Executive Officer and the other executive officers named in the 2014 Summary Compensation Table, whom we refer to as our named executive officers, are to support our long-term business strategy and link our executives' interests with those of our shareholders. We designed the compensation program to, among other things, provide incentives for executives to help us achieve business objectives and give the Compensation Committee the flexibility necessary to reward executives for achieving those objectives. The Compensation Committee's strategy for achieving these goals is to:

provide each named executive officer with total compensation that is competitive compared to compensation for similarly situated executives in public and privately-held metal and metal-related companies, and similar-sized non-metal companies, in order to attract, motivate and retain highly qualified executives;

reward performance under a cash incentive plan that provides the potential for a substantial reward through the payment of a significant incentive that increases as our EBITDA and ROA increase, but provides reduced incentive payments during periods when EBITDA and ROA decrease; and

provide short- and long-term incentives that appropriately align the compensation interests of our executives with the investment interests of our shareholders in increasing shareholder value.

Role of Compensation Committee and Management

Our Compensation Committee is responsible for setting and administering the policies and plans that govern the base salaries, incentives and other compensation elements for our named executive officers.

Management has a minor role in helping the Compensation Committee administer the executive compensation program by recommending individual and Company performance goals, including offering suggestions for key metrics for use in our incentive program, and by providing data regarding actual performance. Otherwise, management is not involved in establishing executive compensation.

Role of Compensation Consultant

Towers Watson's role in the executive compensation program is to compare the base salaries, annual cash incentive awards and long-term compensation of our named executive officers to the compensation paid to executives in similar positions both within and outside the metal service center industry in order to provide market "benchmarks" for the Compensation Committee to assess in evaluating and determining the compensation of our named executive officers. In 2013, Towers Watson compiled this compensation data for a group of metal and metal-related companies, which we again utilized for 2014:

AM Castle & Company	BWAY Parent Company	Carpenter Technology Corp.
Gibraltar Industries, Inc.	Haynes International, Inc.	Kaman Corporation
LB Foster Co.	Mueller Water Products, Inc.	NCI Building Systems, Inc.
Northwest Pipe Co.	Quanex Building Products Corp.	RTI International Metals, Inc.
Schnitzer Steel Industries, Inc.	Valmont Industries, Inc.	Worthington Industries, Inc.

Compensation Allocation

Our executive compensation program consists of three primary components: base salary, annual cash incentive payouts and long-term compensation in the form of equity-based awards. We also provide our executives with the opportunity to participate in a 401(k) retirement and profit-sharing plan and a non-qualified defined contribution plan. Certain health, disability and life insurance and other customary fringe benefits also are available to our named executive officers, who participate in these fringe benefits on substantially the same basis as our other employees. Except for Mr. McNeeley, each named executive officer also has entered into an agreement with us that provides for certain benefits upon a change in control, as described below under "Potential Payments upon Termination or Change in Control."

In determining the relative allocation of these elements of compensation, the Compensation Committee seeks to provide an amount of long-term compensation, both in the form of equity and cash incentives, that is sufficient to align the interests of our executives with those of our shareholders, while also providing adequate short-term compensation, primarily in the form of cash, to attract and retain talented executives. The Compensation Committee takes into account various qualitative and quantitative indicators of Company and individual performance in determining the level and composition of compensation for our Chairman and Chief Executive Officer and the other named executive officers. While the Compensation Committee considers our financial and operating performance, the Compensation Committee generally does not apply any specific quantitative formula in making base salary decisions, except with respect to the cash incentive award opportunities, as described below. The Compensation Committee also appreciates the importance of achievements that may be difficult to quantify — such as individual performance — and, accordingly, recognizes qualitative factors that include successful supervision of major corporate projects and demonstrated leadership ability.

The Compensation Committee believes that the elements of the executive compensation program discussed below advance our business objectives and the interests of our shareholders by attracting and retaining the executive leadership necessary for growth and motivating our executives to increase shareholder value.

Elements of Compensation

Base Salaries. The annual base salaries of our named executive officers are based upon an evaluation of their significant contributions against established objectives as individuals and as a team, as determined by the Compensation Committee. The base salaries for Messrs. Siegal, Wolfort, Marabito and McNeeley are subject to minimum amounts established in accordance with their respective employment agreements, which are described below in “Potential Payments upon Termination or Change in Control.” As noted above, when establishing base salaries for our named executive officers, the Compensation Committee considers the cash compensation offered by companies in other metal and metal-related companies, including the peer group found in “Role of Compensation Consultant” above, and obtains the recommendations of Towers Watson and management in order to determine the range of the base salaries. As mentioned above, the Compensation Committee also considered recommendations from Mr. Siegal in determining salary levels for our other named executive officers. As discussed further in the next paragraph, the Compensation Committee reviews the base salaries of our named executive officers on an individual basis periodically, rather than annually, and determines the base salary of our named executive officers after considering the above factors and the individual’s particular talents, skills, experience, industry knowledge and functional responsibilities and duties. The Compensation Committee does not consider whether an individual named executive officer has earned any incentive compensation in prior years in determining base salaries.

The base salaries paid to our named executive officers in 2014 were reviewed and approved by the Compensation Committee, and the amounts paid are reflected in the 2014 Summary Compensation Table. With the exception of Mr. Manson, the base salaries of our named executive officers remain unchanged from 2011. In September 2014, Mr. Manson’s base salary was increased from \$200,000 to \$240,000 based upon his performance and contributions to the Company. Mr. Manson’s last change in base pay occurred in March 2010. The Compensation Committee believes that

the salaries of each of our named executive officers are reasonable when measured against the range of base salaries offered by other companies in the peer group reviewed by the Compensation Committee and in light of our performance in 2014 and, as a result, with the exception of Mr. Manson, did not increase salaries for our named executive officers for 2014.

Annual Cash Incentive Compensation. We believe that a significant portion of the compensation paid to our named executive officers should be based on our annual performance so that the executives are appropriately motivated to maximize our operating performance each year. We have established our Senior Management Compensation Program to provide our executives, including our named executive officers, with the opportunity to earn an annual cash incentive payout. Prior to 2013, the objectives of our Senior Management Compensation Program included:

promoting profitability;

controlling expenses;

providing a safe work environment for our employees;

strategically managing assets;

growing the Company;

holding participants accountable to their budgets;

aligning participants' interests with those actions that create value for shareholders; and

putting compensation at risk based on annual performance and deferred payouts.

Prior to 2013, under our Senior Management Compensation Program, our named executive officers, excluding Mr. McNeeley, received a cash incentive award based on our pre-tax income results for the most recently completed fiscal year. Cash incentive award amounts earned based on pre-tax income results were then either increased or reduced based on our annual performance in certain key metrics established in advance by the Compensation Committee, which key metrics changed from year to year and include safety, inventory turnover, expense control, reduction of aged inventory, days sales outstanding, achieving operating budgets and tonnage growth. Amounts earned under the Senior Management Compensation Program, subject to the terms and conditions of the Senior Management Compensation Program, were generally paid out in three installments over a two-year period following the year in which the cash incentive was earned in order to increase the Senior Management Compensation Program's retention value and encourage the executives not to compete with us in the event their employment is terminated prior to completion of the payment period. The timetable for these payments is further described in the footnotes to the 2014 Summary Compensation Table. Mr. McNeeley receives a cash incentive that is directly tied to the ratio of CTI's actual operating profit to its budgeted operating profit.

In 2012, the Compensation Committee engaged Towers Watson to review our Senior Manager Compensation Plan. Since 2013, a new cash incentive plan has been implemented to emphasize the production of EBITDA and ROA. ROA is calculated by dividing annual EBITDA by our annual average net accounts receivable, average net inventory and average net property, plant and equipment. Messrs. Siegal, Marabito, Wolfort and Manson each participate in an incentive pool that can range from 0% to 4.267% of our EBITDA, excluding the impacts of last-in, first out (LIFO) inventory adjustments. One-half of the pool is then either increased or reduced depending on our ROA performance, as compared to a targeted ROA goal of 12%.

For 2014, the Compensation Committee granted an annual cash incentive award opportunity for each of Messrs. Siegal, Marabito and Wolfort of 27.3% of the incentive pool, and Mr. Manson of 9.1% of the incentive pool. The Compensation Committee set the annual cash incentive payout amounts for Messrs. Siegal, Wolfort and Marabito, in light of their significant functional responsibilities and duties and their positions as the most senior-level executives, at three times those established for Mr. Manson. For 2014, we generated \$36.1 million of EBITDA, excluding the impact of any LIFO inventory adjustments. The incentive pool was funded at 2.667%, creating a total pool of \$962,120, of which \$262,396 each was initially credited to Messrs. Siegal, Marabito and Wolfort and \$87,465 was initially credited to Mr. Manson. However, because our actual ROA fell short of the targeted goal, the incentives for Messrs. Siegal, Marabito and Wolfort were each reduced by \$39,359, bringing their 2014 annual cash incentive to \$223,037 each, and the incentive for Mr. Manson was reduced by \$13,119, bringing his 2014 annual cash incentive to \$74,346.

In connection with his employment agreement, Mr. McNeeley has the opportunity to earn an annual cash incentive of up to 120% of his annual base salary. The incentive is tied to the actual operating profit of CTI as compared to budgeted operating profit. For 2014, Mr. McNeeley did not earn an annual cash incentive as minimum performance objectives were not met.

Long-Term Equity-Based Compensation. The Compensation Committee believes that equity-based compensation awards are an appropriate means of aligning the interests of our executives with those of our shareholders by rewarding our executives based on increases in the price of our Common Stock. Like base salary and the annual cash incentive payments, award levels are set with regard to competitive considerations, and each individual's actual award is based upon the individual's job responsibilities, performance, potential for increased responsibility and contributions, leadership ability and commitment to our strategic efforts. The timing and amount of previous awards to, and held by, the executive is reviewed, but is only one factor considered by the Compensation Committee in determining the size of any equity-based award grants.

Equity-based compensation awards are granted under the Olympic Steel, Inc. 2007 Omnibus Incentive Plan, which is referred to as the Incentive Plan. The Incentive Plan authorizes us to grant stock options, stock appreciation rights, restricted shares, restricted share units, performance shares and other stock- and cash-based awards to our employees, Directors and consultants.

For more information about our Incentive Plan and awards under that plan for 2014, see the 2014 Grants of Plan-Based Awards Table, the Outstanding Equity Awards at 2014 Fiscal Year-End Table and the accompanying narratives below.

In 2011, the Board, based upon the recommendation of the Compensation Committee, approved changes to the Senior Management Compensation Program to include an equity component in order to encourage more ownership of Common Stock by members of the senior management group, including the executive officers, to better align the interests of our executives and shareholders. Starting in 2011, the Senior Management Compensation Program imposed stock ownership requirements upon the executives. Each executive is required to own at least 750 shares of Common Stock for each year that the executive participates in the Senior Management Compensation Program. Any executive that fails to meet the stock ownership requirements will be ineligible to receive any equity awards under the Company's equity compensation plans, including the Incentive Plan, until the executive satisfies the ownership requirements. To assist executives in meeting the stock ownership requirements, on an annual basis, if a participant purchases 500 shares of Common Stock on the open market, the Company will award that participant 250 shares of Common Stock. Additionally, any executive who continues to comply with the stock ownership requirements as of the five-year, 10-year, 15-year, 20-year and 25-year anniversaries of the participant's participation in the Senior Management Compensation Program will receive a restricted stock unit award with a dollar value of \$25,000, \$50,000, \$75,000, \$100,000 and \$100,000, respectively. Restricted stock unit awards will convert into the right to receive shares of Common Stock upon an executive's retirement, or earlier upon the executive's death or disability or upon a change in control of the Company.

During 2014, each of our named executive officers met the requirements of the Senior Management Compensation Program and received 250 shares of Common Stock.

Personal Benefits and Perquisites. Our named executive officers also are eligible to receive other benefits, which the Compensation Committee believes are commensurate with the types of benefits and perquisites provided to other similarly situated executives, as determined based on the Compensation Committee's review of information supplied by Towers Watson. The Compensation Committee believes these benefits are set at a reasonable level, are highly valued by recipients, have limited cost, are part of a competitive compensation program and are useful in attracting and retaining qualified executives. They are not tied to our performance. These benefits consist of medical, dental, disability and life insurance benefits and 401(k) and profit-sharing plan contributions, pursuant to plans that are generally available to our employees. Perquisites consist of a car allowance, cell phone allowance, reimbursement for personal tax preparation and financial services fees and payment of country club dues.

Retirement and Post-Employment Benefits. We provide our executives with certain post-employment and severance benefits as summarized below and further described in "Potential Payments upon Termination or Change in Control." The Compensation Committee believes these benefits are vital to attract and retain qualified executives. These benefits provide the executives with the opportunity to address long-term financial planning with a greater degree of certainty, and also address our interest in continuing to motivate executives in the event of corporate instability, such as a change of control or unforeseen industry changes.

We provide the named executive officers with the opportunity to participate in our Supplemental Executive Retirement Plan, which is a non-qualified defined contribution savings plan. Under the Supplemental Executive Retirement Plan, we provide an annual contribution for each participating executive, a portion of which is based only

on the participant's continued service with us, and an additional amount that is dependent on our return on invested capital for the applicable year. Each of these contribution components is referenced as a specified percentage of the executive's base salary and cash incentive award amount for the year. We provide an annual contribution for Mr. Manson based on his continued service with us. He does not receive an additional contribution based on our return on invested capital.

In addition, each of the members of our senior management group, including our named executive officers, also may participate in our Executive Deferred Compensation Plan, a non-qualified voluntary contributory savings plan under which a participant may defer all or any portion of his or her annual incentive award and up to 90% of his or her base salary into one or more investment options that are the same as those available to all of our employees who participate under our 401(k) plan. The Supplemental Executive Retirement Plan and the Executive Deferred Compensation Plan are further described below under the 2014 Non-Qualified Deferred Compensation Table.

To ensure the continuity of corporate management and the continued dedication of key executives during any period of uncertainty caused by a possible change in control, we entered into management retention agreements with each of our named executive officers, except Mr. McNeeley, that provide for the payment and provision of certain benefits if there is a change of control of the Company and a termination of the executive's employment with the surviving entity within a certain period after the change in control. We also have entered into employment agreements with Messrs. Siegal, Wolfort, Marabito and McNeeley that provide for the payment of certain severance benefits upon termination of employment other than after a change in control of the Company. These agreements help ensure that our executive's interests remain aligned with those of our shareholders during any time when an executive's continued employment may be in jeopardy. They also provide some level of income continuity should an executive's employment be terminated without cause. In December 2014, we amended the management retention agreements of Messrs. Siegal and Wolfort to eliminate the so-called "walk at will" provision, which provision generally provided the officer with the right, following a change in control of the Company, to terminate the officer's employment with the Company for any reason, or no reason, within the 12-month period commencing with the date of the change in control and still receive certain severance payments and benefits as provided for under the terms of the management retention agreements. These agreements are further described under "Potential Payments upon Termination or Change in Control" below.

Other Compensation Policies

Effect of Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code denies a publicly held corporation a federal income tax deduction for compensation in excess of \$1,000,000 in a taxable year paid to each of its chief executive officer and certain other highly compensated executive officers, other than its chief financial officer. Certain “performance-based” compensation, such as stock options awarded at fair market value, is not subject to the limitation on deductibility provided that certain shareholder approval and independent director requirements are met. To the extent consistent with our compensation policies and the Compensation Committee’s assessment of the interests of shareholders, we seek to design our executive compensation programs to preserve our ability to deduct compensation paid to executives under these programs. However, the Compensation Committee also weighs the burdens of such compliance against the benefits to be obtained by us and may pay compensation that is not deductible or fully deductible if it determines that such payments are in our best interests. For example, bonuses paid under our Senior Management Compensation Program historically were not intended to satisfy the requirements for the performance-based compensation exemption from Section 162(m). The Compensation Committee has determined, however, that, to the extent practicable in view of its compensation philosophy, it will seek to structure our cash bonuses to satisfy the requirements for the performance-based exemption from Section 162(m). Therefore, we have adopted the Incentive Plan pursuant to shareholder approval and intend to award future cash bonuses under the plan as we believe that such bonuses paid to executives in accordance with the plan will qualify for the exemption for performance-based compensation.

Section 409A of the Internal Revenue Code. Section 409A of the Internal Revenue Code generally provides that arrangements involving the deferral of compensation that do not comply in form and operation with Section 409A or are not exempt from Section 409A are subject to increased tax, penalties and interest. If a deferred compensation arrangement does not comply with, or is not exempt from, Section 409A, employees may be subject to accelerated or additional tax, or interest or penalties, with respect to the compensation. The Compensation Committee believes that deferred compensation arrangements that do not comply with Section 409A would be of significantly diminished value to our executives. Accordingly, we intend to design our future deferred compensation arrangements, and have amended our previously adopted deferred compensation arrangements, to comply with Section 409A.

Clawback Policy. Although clawbacks are not yet required under the Dodd-Frank Wall Street Reform and Consumer Protection Act, each of our current employment agreements with Messrs. Siegal, Wolfort, Marabito and McNeeley includes a provision that requires the named executive officer, in the event we are required to restate our financial statements, to reimburse the Company for the difference between any bonus actually paid and the bonus payable under the restated financial statements. When final regulations are promulgated by the SEC with respect to clawbacks, we expect to implement a formal clawback policy for our named executive officers. The Compensation Committee believes that a clawback policy represents an important protection for shareholders and is viewed favorably from a corporate governance standpoint.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the year ended December 31, 2014 and this Proxy Statement.

This report is submitted on behalf of the members of the Compensation Committee:

Howard L. Goldstein, Chairman

Ralph M. Della Ratta

Arthur F. Anton

James B. Meathe

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Risk Profile of Compensation Programs. The Compensation Committee believes that the Company's executive compensation program has been designed to provide the appropriate level of incentives that do not encourage our executive officers to take unnecessary risks in managing our business. As discussed above, a majority of our executive officers' compensation is performance-based, consistent with our executive compensation policy. Our Senior Management Compensation Program is designed to reward annual financial and/or strategic performance in areas considered critical to the short- and long-term success of the Company. In addition, our Incentive Plan awards are directly aligned with long-term shareholder interests through their link to our stock price and longer-term performance periods. In combination, the Compensation Committee believes that the various elements of the Senior Management Compensation Program and the Incentive Plan sufficiently tie our executives' compensation opportunities to the Company's sustained long-term performance.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2014, the following individuals served as members of the Compensation Committee: Messrs. Goldstein, Della Ratta, Anton, and Meathe. None of the members of the Compensation Committee during 2014 is (or ever was) an officer or employee of the Company or any of its subsidiaries. There are no Compensation Committee interlocks as defined by applicable SEC rules.

2014 SUMMARY COMPENSATION TABLE

The following table sets forth certain information with respect to the compensation earned during the years ended December 31, 2012, 2013 and 2014 by our Chief Executive Officer, Chief Financial Officer and each of our three other named executive officers:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
Michael D. Siegal, Chairman & Chief Executive Officer	2014	\$750,000	\$ —	\$ 6,835	\$ —	\$ 223,037	\$ —	\$ 189,068	\$ 1,168,940
	2013	\$750,000	\$ —	\$ 5,823	\$ —	\$ 236,929	\$ —	\$ 188,340	\$ 1,181,092
	2012	\$750,000	\$ —	\$ 6,203	\$ —	\$ 152,090	(5) \$ —	\$ 173,137	\$ 1,081,430
Richard T. Marabito, Chief Financial Officer	2014	\$450,000	\$ —	\$ 6,835	\$ —	\$ 223,037	\$ —	\$ 145,011	\$ 824,883
	2013	\$450,000	\$ —	\$ 5,823	\$ —	\$ 236,929	\$ —	\$ 142,646	\$ 835,398
	2012	\$450,000	\$ —	\$ 6,203	\$ —	\$ 152,090	(5) \$ —	\$ 133,943	\$ 742,236
David A. Wolfort, President & Chief Operating Officer	2014	\$700,000	\$ —	\$ 6,835	\$ —	\$ 223,037	\$ —	\$ 161,262	\$ 1,091,134
	2013	\$700,000	\$ —	\$ 5,823	\$ —	\$ 236,929	\$ —	\$ 159,370	\$ 1,102,122
	2012	\$700,000	\$ —	\$ 6,203	\$ —	\$ 152,090	(5) \$ —	\$ 147,221	\$ 1,005,514
Donald R. McNeeley, President, CTI	2014	\$575,000	\$ —	\$ 6,835	\$ —	\$ —	\$ —	\$ 143,902	\$ 725,737
	2013	\$575,000	\$ —	\$ 5,823	\$ —	\$ —	\$ —	\$ 130,561	\$ 711,384
	2012	\$575,000	\$ —	\$ 6,203	\$ —	\$ 515,905	\$ —	\$ 151,859	\$ 1,248,967
Richard A. Manson, Vice President & Treasurer	2014	\$212,307	\$ —	\$ 6,835	\$ —	\$ 74,346	\$ —	\$ 75,517	\$ 369,005
	2013	\$200,000	\$ —	\$ 5,823	\$ —	\$ 78,976	\$ —	\$ 72,801	\$ 357,600
	2012	\$200,000	\$ —	\$ 6,203	\$ —	\$ 83,612	\$ —	\$ 60,566	\$ 350,381

(1)

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The amounts shown do not reflect compensation actually received by the named executive officer. The amounts shown in this column are the grant date fair values of the stock awards calculated in accordance with Financial Accounting Standards Board Accounting Standard Codification (ASC) Topic 718. See Note 11 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2014 for details as to the assumptions used to determine the fair value of the stock awards.

Represents amount earned by the named executive officers under our Senior Management Compensation Program.

(2) Incentives earned in 2012 and 2014 were paid in their entirety in 2013 and 2015, respectively. With the exception of Mr. Marabito, incentives earned in 2013 were paid in their entirety in 2014. Mr. Marabito's 2013 incentive was paid 50% in 2014, and the balance will be paid 25% in 2015 and 25% in 2016.

(3) No above-market or preferential earnings on nonqualified deferred compensation were earned by any named executive officer.

(4)