UNIVERSAL STAINLESS & ALLOY PRODUCTS INC
Form DEF 14A
April 13, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Universal Stainless & Alloy Products, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Universal Stainless & Alloy Products, Inc.

600 Mayer Street

Bridgeville, Pennsylvania 15017

April 14, 2017

Dear Stockholders:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders of Universal Stainless & Alloy Products, Inc., to be held at 10:00 a.m., local time, on May 3, 2017, at the Hyatt Regency Pittsburgh International Airport, 1111 Airport Boulevard, Pittsburgh, PA 15231.

The attached Notice of Annual Meeting of Stockholders and Proxy Statement describe the matters to be acted upon at the Annual Meeting. Please review them carefully.

YOUR VOTE IS IMPORTANT. Whether or not you personally plan to attend the Annual Meeting, please take a few moments now to sign, date and return your proxy in the enclosed postage-paid envelope. Regardless of the number of shares you own, your presence by proxy is important to establish a quorum, and your vote is important for proper corporate governance.

Thank you for your interest in Universal Stainless & Alloy Products, Inc.

Sincerely,

Dennis M. Oates

Chairman of the Board, President and Chief Executive Officer

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Universal Stainless & Alloy Products, Inc.

600 Mayer Street

Bridgeville, Pennsylvania 15017

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON May 3, 2017

The Annual Meeting of Stockholders will be held on May 3, 2017 beginning at 10:00 a.m., local time, at the Hyatt Regency Pittsburgh International Airport, 1111 Airport Boulevard, Pittsburgh, PA 15231.

Only holders of the Company s common stock at the close of business on March 23, 2017 will be entitled to vote at the Annual Meeting. A list of persons who were stockholders as of that date and time will be available for examination by any stockholder at the Annual Meeting and for the ten days prior to the meeting during regular business hours, at the Company s executive offices located at 600 Mayer Street, Bridgeville, PA 15017. Stockholders as of the record date may vote in person or by proxy. At the Annual Meeting we will:

1. Elect a Board of Directors;

2. Vote on an advisory, non-binding resolution to approve the compensation for the Company s named executive officers;

3. Vote on an advisory, non-binding resolution to recommend the frequency of advisory, non-binding stockholder votes to approve the compensation for the Company s named executive officers;

4. Vote to approve the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan;

5. Vote to ratify the appointment of Schneider Downs & Co., Inc. as the Company s independent registered public accountants for 2017; and

6. Attend to any other business properly presented at the meeting.

Your Board of Directors unanimously recommends that you vote in favor of the director nominees described in this Proxy Statement, for the advisory, non-binding resolution to approve the compensation of the Company s named executive officers, in favor of an annual advisory, non-binding stockholder vote to approve the compensation of the Company s named executive officers, in favor of the approval of the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan and in favor of the ratification of Schneider Downs & Co., Inc. as the Company s independent registered public accountants for 2017.

This booklet includes the Universal Stainless & Alloy Products, Inc. proxy statement. Enclosed with this booklet are a proxy card and a return envelope that requires no postage if mailed within the United States. A copy of the Universal Stainless & Alloy Products, Inc. 2016 Annual Report on Form 10-K is also enclosed.

By Order of the Board of Directors,

Paul A. McGrath

Vice President of Administration, General Counsel and Secretary

April 14, 2017

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Proxy Statement

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 3, 2017.

The proxy statement, the 2017 President s Letter and the 2016 Annual Report of Universal Stainless & Alloy Products, Inc. are available to review at: http://www.proxydocs.com/USAP.

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April 14, 2017

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

600 MAYER STREET

BRIDGEVILLE, PENNSYLVANIA 15017

PROXY STATEMENT

For 2017 Annual Meeting of Stockholders

BACKGROUND

This Proxy Statement and the accompanying form of proxy are being furnished in connection with the solicitation by the Board of Directors of Universal Stainless & Alloy Products, Inc., a Delaware corporation (Universal Stainless or the Company), of proxies to be voted at this Annual Meeting of Stockholders. This Proxy Statement and form of proxy are first being sent or given to the stockholders on or about April 14, 2017. The cost of solicitation of proxies will be borne by Universal Stainless, including expenses incurred in connection with the preparation and mailing of the Proxy Statement. The solicitation will be by mail and may also be made personally and by telephone by directors, officers and employees of Universal Stainless, without any compensation, other than their regular compensation as directors, officers or employees. Arrangements will be made with brokerage houses, banks and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of the Company s common stock, and Universal Stainless will reimburse them for reasonable out-of-pocket expenses incurred by them in connection therewith.

VOTING PROCEDURES

Who May Vote

Universal Stainless common stockholders of record at the close of business on March 23, 2017 are entitled to vote at the Annual Meeting. Stockholders have one vote per share on each matter being voted on.

Voting Methods

Stockholders of record may complete, sign, date and return their proxy cards in the postage-paid envelope provided. If you sign, date and return your proxy card but do not mark any voting selections, your shares represented by your proxy card will be voted as recommended by the Board of Directors.

If you hold your shares in a broker, bank or other nominee account, you are a beneficial owner of Universal Stainless common stock. In order to vote your shares, you must give voting instructions to the nominee holder of your shares. Universal Stainless asks the nominee holders to obtain voting instructions from the beneficial owners of shares. Proxies that are transmitted by nominee holders on behalf of beneficial owners will be voted as instructed by the nominee holder.

Finally, you may vote in person if you attend the Annual Meeting. You may obtain directions to attend the Annual Meeting and vote in person by contacting Paul A. McGrath, Secretary, at (412) 257-7600.

We urge you to return the proxy card promptly.

Revoking Your Proxy

You may revoke your proxy at any time before it is voted at the Annual Meeting by:

- notifying the Secretary of Universal Stainless in writing that you have revoked your proxy;
- sending a revised proxy dated later than the earlier proxy; or
- voting in person at the Annual Meeting.

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Quorum and Voting Information

A quorum is required to conduct business at the Annual Meeting. As of the record date, 7,508,154 shares of Universal Stainless common stock were issued and outstanding. A majority of the voting power of the issued and outstanding common stock, present in person or represented by proxy, constitutes a quorum. If you submit a properly executed proxy card, even if you abstain from voting or withhold votes from director nominees, you will be considered part of the quorum. Broker non-votes also count as shares present for purposes of determining whether a quorum is present.

Abstentions are tabulated with respect to each proposal (other than with regard to the election of directors). Abstentions are not considered to be votes cast and thus will not have any effect on the outcome of any proposal to be considered at the Annual Meeting. Brokers who hold shares in street name for customers have the authority to vote only on certain routine matters in the absence of instruction from the beneficial owners. A broker non-vote occurs when the broker does not have the authority to vote on a particular proposal in its discretion in the absence of voting instructions. The ratification of the appointment of Schneider Downs & Co. as the Company s independent registered public accountants is considered a routine matter with respect to which brokers will have the authority to vote in the absence of voting instructions. Brokers will not have the authority in the absence of voting instructions to vote in the election of directors or with respect to the approval of the advisory, non-binding resolution to approve the compensation for the Company s named executive officers or the approval on an advisory, non-binding resolution to recommend the frequency of advisory, non-binding stockholder votes to approve the compensation for the Company s named executive officers or to approve the Universal Stainless & Alloy Products 2017 Equity Incentive Plan. Under applicable Delaware law, broker non-votes will not be counted for purposes of determining whether any proposal has been approved and are not expected to have any effect on the outcome of any proposal to be considered at the Annual Meeting.

The affirmative vote of a plurality of the shares of common stock represented in person or by proxy at the Annual Meeting and entitled to vote thereon is required for the election of directors. With regard to the election of directors, votes may be cast in favor of nominees or withheld.

Each of (i) the approval of the advisory, non-binding resolution to approve the compensation for the Company s named executive officers; (ii) the approval of an advisory, non-binding resolution to recommend the frequency of advisory, non-binding stockholder votes to approve the compensation for the Company s named executive officers; (iii) the approval of the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan and (iv) the ratification of the appointment of Schneider Downs & Co., Inc. as the Company s independent registered public accountants for 2017 require the affirmative vote of a majority of the votes cast at the meeting. Abstentions and broker non-votes will not have any effect with respect to these proposals.

Confidential Voting Policy

Universal Stainless maintains a policy of keeping stockholder votes confidential. Overall voting results for the matters considered at the Annual Meeting will be disclosed publicly in accordance with applicable rules and regulations of the Securities and Exchange Commission (the SEC).

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PROPOSALS YOU MAY VOTE ON

1. Election of Directors

There are five nominees for election this year. Detailed information on each nominee is provided under the heading Nominees for Election as Directors. All directors are elected annually and serve a one-year term, until the next Annual Meeting and until their successors are duly elected and qualified. If any candidate is unable to stand for election at this Annual Meeting, the Board may reduce its size or designate a substitute. If a substitute is designated, shares represented by validly submitted and unrevoked proxies that would have been voted for the original candidate will be voted for the substituted candidate.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE NOMINEE DIRECTORS.

2. Approval of the Compensation for the Named Executive Officers in an Advisory, Non-Binding Vote

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) enables our stockholders to vote to approve, on an advisory, non-binding basis, the compensation of our named executive officers as disclosed in this proxy statement pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, the compensation tables and any related material. Our Board of Directors has adopted a policy to hold an annual advisory (non-binding) stockholder vote to approve the compensation of our named executive officers until the next stockholder vote on the frequency of such advisory votes. We are required to hold such frequency votes at least every six years, and we are holding such a frequency vote at this Annual Meeting.

As described in detail under the heading Compensation Discussion and Analysis, our executive compensation programs are designed to provide compensation levels to attract and retain exceptional managerial talent for the present and future and to offer incentive-based programs (i) in order to challenge managers to support the corporate business goals from within their area of authority and (ii) in the interests of Company stockholders. Please read the Compensation Discussion and Analysis for additional details about our executive compensation programs, including information about the fiscal year 2016 compensation of our named executive officers.

Highlights of our executive compensation programs include the following:

- the Compensation Committee s intention is for a substantial portion of the named executive officers compensation to be at risk;
- the balance between annual and longer term compensation achieves consistency in goal setting that considers both short term results and building a platform for future profitable growth;
- incentive compensation is based on measurable and objective financial and business metrics;
- award opportunities under the incentive programs are contingent on meeting performance targets that, in the view of the Compensation Committee, are significant challenges to management; and
- the Company has stock ownership guidelines for its named executive officers, which call for a minimum level of stock ownership, which is designed to further link their interests to increased stockholder value.

The Compensation Committee continually reviews the compensation programs for our named executive officers to ensure that they achieve the desired goal of offering total compensation consisting of base salary and incentive opportunities that are performance-oriented and linked to the interests of stockholders. We are asking our stockholders to indicate their support for our named executive officer compensation as described in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives our stockholders the opportunity to express their views on our named executive officers compensation. This vote is not intended to address any

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specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we will ask our stockholders to vote FOR the following resolution at the Annual Meeting:

RESOLVED, that the Company s stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company s Proxy Statement for the 2017 Annual Meeting of Stockholders, pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in that proxy statement.

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or our Board of Directors. Our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will consider our stockholders concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL, ON AN ADVISORY, NON-BINDING BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC, INCLUDING THE COMPENSATION DISCUSSION AND ANALYSIS, THE COMPENSATION TABLES AND ANY RELATED MATERIAL DISCLOSED IN THIS PROXY STATEMENT.

3. Approval on an Advisory, Non-Binding Basis of the Frequency of Advisory, Non-Binding Stockholder Votes to Approve the Compensation of the Company s Named Executive Officers.

The Dodd-Frank Act also enables our stockholders to indicate how frequently we should seek an advisory, non-binding vote on the compensation of our named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement. By voting on this Item 3, stockholders may indicate whether they would prefer an advisory vote on named executive officer compensation once every year, every two years, or every three years.

After careful consideration of this proposal, our Board of Directors has determined that an advisory vote on executive compensation that occurs every year is the most appropriate alternative for the Company at this time, and therefore our Board of Directors recommends that you vote for a one-year interval for the advisory votes on executive compensation.

In formulating its recommendation, our Board of Directors considered that while our executive compensation policies are designed to promote a long-term connection between pay and performance, executive compensation disclosures are made annually, and an annual advisory vote on executive compensation will allow our stockholders to provide us with their direct input on our compensation philosophy, policies and practices as disclosed in the proxy statement every year. We understand that our stockholders may have different views as to what is the best approach for the Company, and we look forward to hearing from our stockholders on this proposal.

You may cast your vote on your preferred voting frequency by choosing the option of one year, two years, three years or abstaining from voting when you vote in response to the resolution set forth below. In the event that none of the options of every one year, every two years or every three years for the frequency of the vote to approve the compensation of our named executive officers receives the required vote for approval, the frequency that receives the highest number of votes will be considered by the Board to be the stockholders preference, as expressed on an advisory basis. Stockholders are not voting to approve or disapprove of the Board s recommendation. Because this vote is advisory and not binding on the Board of Directors or the Company, the Board may decide that it is in

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the best interests of our stockholders and the Company to hold an advisory vote on executive compensation more or less frequently than the option approved by our stockholders and may vary its practice based on factors such as discussions with stockholders and the adoption of material changes to our compensation programs.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE OPTION OF ONCE EVERY ONE YEAR AS THE FREQUENCY WITH WHICH STOCKHOLDERS ARE PROVIDED AN ADVISORY, NON-BINDING VOTE ON EXECUTIVE COMPENSATION, AS DISCLOSED PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC, INCLUDING THE COMPENSATION DISCUSSION AND ANALYSIS, THE COMPENSATION TABLES AND ANY RELATED MATERIAL DISCLOSED IN THIS PROXY STATEMENT.

4. Approval of the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan

Background

On January 28, 2017, the Board approved, subject to stockholder approval, the Universal Stainless & Alloy Products, Inc. 2017 Equity Incentive Plan (the 2017 Plan). If the 2017 Plan is approved by our stockholders, it will authorize the issuance of 568,357 shares of Company common stock, which consists of the 168,357 shares that remain available for grant under the Universal Stainless & Alloy Products, Inc. Omnibus Incentive Plan (the Prior Plan) plus an additional 400,000 shares. The 2017 Plan will replace the Prior Plan, and no new awards will be granted under the Prior Plan if the 2017 Plan is approved. Any awards outstanding under the Prior Plan on the date of stockholder approval of the 2017 Plan will remain subject to and be paid under the Prior Plan, and any shares subject to outstanding awards under the Prior Plan that subsequently cease to be subject to such awards (other than by reason of settlement of the awards in shares) will automatically become available for issuance under the 2017 Plan.

The Board recommends that stockholders approve the 2017 Plan. The purpose of the 2017 Plan is to enhance the Company s ability to attract and retain highly qualified officers, non-employee directors, key employees, consultants and advisors, and to motivate such service providers to serve the Company and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. The 2017 Plan also allows the Company to promote greater ownership in the Company by such service providers in order to align their interests more closely with the interests of the Company s stockholders. If the Company s stockholders do not approve the 2017 Plan, the Company s ability to compensate its key service providers with equity compensation will be significantly limited.

Corporate Governance Aspects of 2017 Plan

The 2017 Plan has been designed to include a number of provisions that promote best practices by reinforcing the alignment between incentive compensation arrangements for eligible plan participants and our stockholders interests. These provisions include, but are not limited to, the following:

- *Clawback*. Plan awards are subject to clawback under any applicable Company clawback policy and all applicable laws requiring the clawback of compensation.

- *Forfeiture upon Cause Termination*. All plan awards held by a participant may be forfeited upon the participant s termination for cause (as defined in the 2017 Plan).

- *Forfeiture upon Detrimental Conduct*. All plan awards held by a participant, and certain profits received in connection with plan awards, may be forfeited if the participant engages in detrimental conduct (as defined in the 2017 Plan.

- *No Discounted Stock Options or Stock Appreciation Rights (SARs)*. Stock options and SARs generally may not be granted with exercise prices lower than the fair market value of the underlying shares on the grant date.

- *No Repricing without Stockholder Approval*. The plan specifically prohibits the repricing of options or SARs without stockholder approval.

- *Limitation on Terms of Stock Options and SARs*. The maximum term of each stock option and SAR is 10 years.

- *No Transferability*. Awards generally may not be transferred, except by will or the laws of descent and distribution, unless approved by the Compensation Committee.

- *No Evergreen Provision*. The plan does not contain an evergreen feature pursuant to which the shares authorized for issuance will be automatically replenished.

- *No Automatic Grants*. The plan does not provide for automatic grants to any participant.

- *No Tax Gross-Ups*. The plan does not provide for any tax gross-ups.

- *Dividends*. We do not pay dividends or dividend equivalents on stock options, SARs or unearned performance shares under the plan.

- *Multiple Award Types*. The plan permits the issuance of nonqualified stock options, incentive stock options, SARs, restricted stock units (RSUs), restricted stock awards and other types of equity grants, subject to the share limits of the plan, as well as cash awards. This breadth of award types will enable the Compensation Committee to tailor awards in light of the accounting, tax and other standards applicable at the time of grant. Historically, these standards have changed over time.

- *Tax-Deductible Awards*. The plan contains provisions that are required for future awards to certain covered employees (including cash awards) to be eligible to be deductible under Internal Revenue Code (Code) Section 162(m) as performance-based compensation.

- *Independent Oversight*. The plan is administered by a committee of independent Board members.

- *Director Limits*. The plan contains annual limits on the amount of awards that may be granted to non-employee directors.

Summary of Significant Changes to Prior Plan (as Contained in 2017 Plan)

The following features of the 2017 Plan reflect significant changes to the Prior Plan:

- Increased number of shares available for awards;

- *Code Section 162(m) changes* (1) increased individual annual award limits and (2) expanded list of stockholder-approved performance goals upon which performance awards can be based;

- Addition of annual limits on non-employee director awards and elimination of non-discretionary formula option grants to directors;

- Expanded definition of cause and addition of cause features such as after-acquired cause and suspension of rights during a cause investigation;

- Addition of provision regarding termination of plan awards upon termination for cause;

- Addition of provision regarding forfeiture of plan awards and plan profits if participant engages in detrimental conduct;

- Addition of provision regarding clawback of plan awards if required by law or Company policy;

- Revised definition of change in control (1) increasing the threshold for an accretive CIC from 30% to 50%; (2) limiting the period during which an accretive CIC must occur to 12 months; and (3) adding as a CIC trigger an unapproved change in the majority of the Board over a 24-month period;

- Removal of minimum vesting requirements for awards and removal of default option vesting language;

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- Removal of 500,000-share limit for full value awards; and

- Addition of SARs as an award alternative.

Code Section 162(m)

Under Code Section 162(m), we may be prohibited from deducting compensation paid to covered employees in excess of $1 million per person in any year. Our covered employees are defined as our chief executive officer and our three other most highly compensated named executive officers (excluding our chief financial officer). Compensation that qualifies as performance-based is not subject to the $1 million limit. In general, one of the requirements that must be satisfied to qualify as performance-based compensation is that the material terms of the performance goals under which the compensation may be paid must be disclosed to and approved by a majority vote of our stockholders, generally at least once every five years. For purposes of Code Section 162(m), the material terms of the performance goals generally include (1) the individuals eligible to receive compensation upon achievement of performance goals, (2) a description of the business criteria on which the performance goals may be based and (3) the maximum amount that can be paid to an individual upon attainment of the performance goals. By approving the 2017 Plan, stockholders also will be approving the material terms of the performance goals under the 2017 Plan for Code Section 162(m) purposes.

The Board has determined that the Code Section 162(m) individual award limits from the Prior Plan should be changed and increased to provide better design flexibility and to be consistent with current market practice. The Prior Plan prohibited stock-based awards in excess of 100,000 shares in any one calendar year to any one participant and cash-based awards of more than $900,000 in any one calendar year to any one participant. The 2017 Plan breaks out the stock-based and cash-based award limits into separate limits focused on awards, as follows: (i) for stock options or SARs, no more than 100,000 shares may be granted in any calendar year to any participant; (ii) for all other stock-based performance awards, no more than 80,000 shares may be granted in any calendar year to any participant; (iii) for annual cash incentive awards granted under the 2017 Plan, no more than $900,000 may be granted in any calendar year to any participant; and (iv) for all other cash-based performance awards granted under the 2017 Plan, no more than $500,000 may be granted in any calendar year to any participant.

The Board has also determined that the list of business criteria on which performance goals for performance-based awards may be based should be significantly expanded to provide better design flexibility and to be consistent with current market practice. The new expanded list of business criteria, which stockholders are also being asked to approve in this Proposal 4, are described in this Proposal 4 under Performance Goals and Criteria.

Because it is the policy of the Company, the Board and the Compensation Committee to maximize long-term stockholder value, tax deductibility is not the only consideration in awarding compensation under the 2017 Plan or awarding compensation in general. Further, stockholder approval of the 2017 Plan does not guarantee that all compensation awarded under the 2017 Plan or otherwise will qualify as qualified performance-based compensation or otherwise be deductible. The Board and the Compensation Committee retain the flexibility and discretion to award compensation that may not be tax deductible. Moreover, even if we intend to grant compensation that qualifies as performance-based compensation under the 2017 Plan, we cannot guarantee that such compensation will so qualify or will ultimately be deductible.

Summary of 2017 Plan

The principal features of the 2017 Plan are summarized below. The following summary of the 2017 Plan does not purport to be a complete description of all of the provisions of the 2017 Plan. It is qualified in its entirety by reference to the complete text of the 2017 Plan, which is attached to this Proxy Statement as Appendix A.

Eligibility

Awards may be granted under the 2017 Plan to officers, employees, non-employee directors, consultants and advisors of the Company and its affiliates. Incentive stock options may be granted only to employees of the Company or its subsidiaries.

Administration

The 2017 Plan may be administered by the Board or the Compensation Committee. The Compensation Committee, in its discretion, selects the individuals to whom awards may be granted, the time or times at which awards are granted and the terms and conditions of awards.

Number of Authorized Shares

The number of shares of common stock authorized for issuance under the 2017 Plan is 568,357 shares, representing 7.6% of the fully diluted Company common stock outstanding as of March 23, 2017. In addition, as of the date of stockholder approval of the 2017 Plan, any awards then outstanding under the Prior Plan will remain subject to and be paid under the Prior Plan and any shares then subject to outstanding awards under the Prior Plan that subsequently expire, terminate or are surrendered or forfeited for any reason without issuance of shares will automatically become available for issuance under the 2017 Plan. Up to 568,357 plan shares may be granted as incentive stock options under Code Section 422. The shares of common stock issuable under the 2017 Plan will consist of authorized and unissued shares, treasury shares or shares purchased on the open market or otherwise.

If any award is cancelled, terminates, expires or lapses for any reason prior to the issuance of shares or if shares are issued under the 2017 Plan and thereafter are forfeited to the Company, the shares subject to such awards and the forfeited shares will not count against the aggregate number of shares of common stock available for grant under the 2017 Plan. In addition, the following items will not count against the aggregate number of shares of common stock available for grant under the 2017 Plan: (1) the payment in cash of dividends or dividend equivalents under any outstanding award; (2) any award that is settled in cash rather than by issuance of shares of common stock; (3) shares surrendered or tendered in payment of the option price or purchase price of an award or any taxes required to be withheld in respect of an award; or (4) awards granted in assumption of or in substitution for awards previously granted by an acquired company.

Awards to Non-employee Directors

The maximum value of plan awards granted during any calendar year to any non-employee director, taken together with any cash fees paid to such non-employee director during the calendar year and the value of awards granted to the non-employee director under any other equity compensation plan of the Company or an affiliate during the calendar year, may not exceed the following in total value (calculating the value of any equity compensation plan awards based on the grant date fair market value for financial reporting purposes): (1) $1,000,000 for any non-employee Chair of the Board and (2) $500,000 for each non-employee director other than the Chair of the Board.

Adjustments

Subject to any required action by our stockholders, in the event of any change in our common stock effected without receipt of consideration by us, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares or similar change in our capital structure, or in the event of payment of a dividend or distribution to our stockholders in a form other than our common stock (excepting normal cash dividends) that has a material effect on the fair market value of our common stock, appropriate and proportionate

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adjustments will be made in the number and class of shares subject to the 2017 Plan and to any outstanding awards, and in the option exercise price, SAR exercise price or purchase price per share of any outstanding awards, and to the other terms and conditions of outstanding awards, in each case in order to prevent dilution or enlargement of participant rights under the 2017 Plan.

If a majority of our common shares are exchanged for, converted into or otherwise become shares of another corporation, the Compensation Committee may unilaterally amend outstanding awards under the 2017 Plan to provide that such awards are for new shares. In the event of any such amendment, the number of shares subject to, and the option exercise price, SAR exercise price or purchase price per share of, and the other terms and conditions of, the outstanding awards will be adjusted in a fair and equitable manner as determined by the Compensation Committee. The Compensation Committee may also make such adjustments in the terms of any award to reflect, or related to, such changes in our capital structure or distributions as it deems appropriate.

Types of Awards

The 2017 Plan permits the granting of any or all of the following types of awards:

- *Stock Options*. Stock options entitle the holder to purchase a specified number of shares of common stock at a specified price (the exercise price), subject to the terms and conditions of the stock option grant. The Compensation Committee may grant either incentive stock options, which must comply with Code Section 422, or nonqualified stock options. The Compensation Committee sets exercise prices and terms and conditions, except that stock options must be granted with an exercise price not less than 100% of the fair market value of our common stock on the date of grant (excluding stock options granted in connection with assuming or substituting stock options in acquisition transactions). Unless the Compensation Committee determines otherwise, fair market value means, as of a given date, the closing price of our common stock. At the time of grant, the Compensation Committee determines the terms and conditions of stock options, including the quantity, exercise price, vesting periods, term (which cannot exceed 10 years) and other conditions on exercise.

- *Stock Appreciation Rights*. The Compensation Committee may grant SARs, as a right in tandem with the number of shares underlying stock options granted under the 2017 Plan or as a freestanding award. Upon exercise, SARs entitle the holder to receive payment per share in stock or cash, or in a combination of stock and cash, equal to the excess of the share s fair market value on the date of exercise over the grant price of the SAR. The grant price of a tandem SAR is equal to the exercise price of the related stock option and the grant price of a freestanding SAR is determined by the Compensation Committee in accordance with the procedures described above for stock options. Exercise of a SAR issued in tandem with a stock option will reduce the number of shares underlying the related stock option to the extent of the SAR exercised. The term of a freestanding SAR cannot exceed 10 years, and the term of a tandem SAR cannot exceed the term of the related stock option.

- *Restricted Stock, RSUs and Other Stock-Based Awards*. The Compensation Committee may grant awards of restricted stock, which are shares of common stock subject to specified restrictions, and RSUs, which represent the right to receive shares of our common stock in the future. These awards may be made subject to repurchase, forfeiture or vesting restrictions at the Compensation Committee s discretion. The restrictions may be based on continuous service with the Company or the attainment of specified performance goals, as determined by the Compensation Committee. Stock units may be paid in stock or cash or a combination of stock and cash, as determined by the Compensation Committee. The Compensation Committee may also grant other types of equity or equity-based awards subject to the terms and conditions of the 2017 Plan and any other terms and conditions determined by the Compensation Committee.

- *Performance Awards*. The Compensation Committee may grant performance awards, which entitle participants to receive a payment from the Company, the amount of which is based on the attainment of

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performance goals established by the Compensation Committee over a specified award period. Performance awards may be denominated in shares of common stock or in cash, and may be paid in stock or cash or a combination of stock and cash, as determined by the Compensation Committee. Cash-based performance awards include annual incentive awards.

Clawback

All cash and equity awards granted under the 2017 Plan will be subject to all applicable laws regarding the recovery of erroneously awarded compensation, any implementing rules and regulations under such laws, any policies adopted by the Company to implement such requirements and any other compensation recovery policies as may be adopted from time to time by the Company.

Forfeiture

The Company may annul a participant s awards under the 2017 Plan if the participant is separated from service for cause (as defined in the 2017 Plan).

If a participant engages in detrimental conduct (as defined in the 2017 Plan), the participant may be required to forfeit or pay to the Company the following:

- any and all outstanding awards granted to the participant under the 2017 Plan, including awards that have become vested or exercisable;
- any shares held by the participant in connection with the 2017 Plan that were acquired by the participant after the participant s separation from service and within the 12-month period immediately before the participant s separation from service;
- the profit realized by the participant from the exercise of any stock options or SARs that the participant exercised after the participant s separation from service and within the 12-month period immediately before the participant s separation from service; and
- the profit realized by the participant from the sale, or other disposition for consideration, of any shares received by the participant in connection with the 2017 Plan after the participant s separation from service and within the 12-month period immediately before the participant s separation from service and where such sale or disposition occurs in such similar time period.

Performance-Based Compensation under Section 162(m)

Performance Goals and Criteria. Under Code Section 162(m), we may be prohibited from deducting compensation paid to our principal executive officer and our three other most highly compensated executive officers (other than our principal financial officer) in excess of $1 million per person in any year. However, compensation that qualifies as performance-based under Code Section 162(m) is not subject to the $1 million limit.

If the Compensation Committee intends to qualify an award under the 2017 Plan as performance-based compensation under Code Section 162(m), the performance goals selected by the Compensation Committee may be based on the attainment of specified levels of one, or any combination, of the following performance criteria for the Company on a consolidated basis, and/or specified subsidiaries or business units, as reported or calculated by the Company (except with respect to the total stockholder return and earnings per share criteria), in each case as adjusted for any stock split, stock dividend or other recapitalization:

1. cash flow;
2. earnings per share;

3. earnings measures (including EBIT and EBITDA);

4. return on equity;

5. total stockholder return;

6. share price performance;

7. return on capital;

8. revenue;

9. income;

10. profit margin;

11. return on operating revenue;

12. brand recognition or acceptance;

13. customer metrics (including customer satisfaction, customer retention, customer profitability or customer contract terms);

14. productivity;

15. expense targets;

16. market share;

17. cost control measures;

18. balance sheet metrics;

19. strategic initiatives;

20. implementation, completion or attainment of measurable objectives with respect to recruitment or retention of personnel or employee satisfaction;

21. return on assets;

22. growth in net sales;

23. the ratio of net sales to net working capital;

24. stockholder value added;

25. improvement in management of working capital items (inventory, accounts receivable or accounts payable);

26. sales from newly-introduced products;

27. successful completion of, or achievement of milestones or objectives related to, financing or capital raising transactions, strategic acquisitions or divestitures, joint ventures, partnerships, collaborations or other transactions;

28. product quality, safety, productivity, yield or reliability (on time and complete orders);

29. funds from operations;

30. regulatory body approval for commercialization of a product;

31. debt levels or reduction or debt ratios;

32. economic value;

33. operating efficiency;

34. research and development achievements; or

35. any combination of the forgoing business criteria.

The Compensation Committee can also select any derivations of these business criteria (*e.g.*, income will include pre-tax income, net income, operating income).

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Performance goals may, in the discretion of the Compensation Committee, be established on a Company-wide basis, or with respect to one or more business units or Affiliates, as applicable. Performance goals may be absolute or relative to the performance of one or more comparable companies or indices.

The Compensation Committee may determine at the time that the performance goals are established the extent to which measurement of performance goals may exclude the impact of charges for restructuring, discontinued operations and other extraordinary, unusual or non-recurring items, and the cumulative effects of tax or accounting changes (each as defined by generally accepted accounting principles and as identified in the Company s financial statements or other SEC filings).

Limitations. Subject to certain adjustments for changes in our corporate or capital structure described above, participants who are granted awards intended to qualify as performance-based compensation under Code Section 162(m) may not be granted stock options or SARs for more than 100,000 shares in any calendar year or more than 80,000 shares for all other stock-based awards that are performance awards in any calendar year. The maximum dollar value granted to any participant pursuant to that portion of a cash award granted under the 2017 Plan for any calendar year to any employee that is intended to satisfy the requirements for performance-based compensation under Code Section 162(m) may not exceed $900,000 for an annual incentive award and $500,000 for all other cash-based awards.

Transferability

Awards are not transferable other than by will or the laws of descent and distribution, except that in certain instances transfers may be made to or for the benefit of designated family members of the participant for no value.

Change in Control

The Board may provide in any award agreement, or in the event of a change in control (as defined in the 2017 Plan) may take such actions as it deems appropriate to provide, for the acceleration of the exercisability, vesting or settlement, in connection with such change in control, of any stockholders outstanding awards or shares acquired pursuant thereto.

Under the 2017 Plan, in the event of a change in control, outstanding awards under the 2017 Plan will remain the Company s obligation or be assumed by the surviving or acquiring entity, and there will be automatically substituted for our shares then subject to awards the consideration payable with respect to our outstanding shares in connection with the change in control. However, if such consideration is not solely common stock of the acquiror, the Compensation Committee may, with the consent of the acquiror, provide for the consideration to be received upon the exercise or settlement of awards, for each share subject to the award, to consist solely of common stock of the acquiror equal in fair market value to the per share consideration received by our stockholders pursuant to the change in control. If any portion of the consideration may be received by our stockholders pursuant to the change in control on a contingent or delayed basis, the Compensation Committee may determine such fair market value per share as of the time of the change in control on the basis of the Compensation Committee s good faith estimate of the present value of the probable future payment of such consideration. Any award that is not assumed or continued by the acquiror in connection with the change in control nor exercised or settled as of the change in control will terminate and cease to be outstanding effective as of the time of the change in control.

Additionally, the Compensation Committee may, without participant consent, determine that upon the occurrence of a change in control each or any award outstanding under the 2017 Plan immediately prior to the change in control and not previously exercised or settled will be canceled in exchange for a payment with respect to each vested share (and each unvested share, if so determined by the Compensation Committee) subject to the canceled award in (1) cash, (2) our stock or stock of a corporation or other business entity a party to the change in control or (3) other property that will be in an amount having a fair market value equal to the fair market value of the consideration to be paid per share of our common stock in the change in control, reduced by the exercise or purchase price per share, if any, under such award.

Term, Termination and Amendment of the 2017 Plan

Unless earlier terminated by the Board, the 2017 Plan will terminate, and no further awards may be granted, 10 years after the date on which it is approved by stockholders. The Board may amend, suspend or terminate the 2017 Plan at any time, except that, if required by applicable law, regulation or stock exchange rule, stockholder approval will be required for any amendment. The amendment, suspension or termination of the 2017 Plan or the amendment of an outstanding award generally may not, without a participant s consent, materially impair the participant s rights under an outstanding award.

New Plan Benefits

A new plan benefits table for the 2017 Plan and the benefits or amounts that would have been received by or allocated to participants for the last completed fiscal year under the 2017 Plan if the 2017 Plan was then in effect, as described in the SEC proxy rules, are not provided because all awards made under the 2017 Plan will be made at the Compensation Committee s discretion, subject to the terms and conditions of the 2017 Plan. Therefore, the benefits and amounts that will be received or allocated under the 2017 Plan are not determinable at this time.

Equity Compensation Plan Information Table

The following table presents information on the Company s equity compensation plans as of December 31, 2016:

Plan Category	Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	1,029,600	$ 23.62	272,453
Equity compensation plans not approved by security holders			
Total	**1,029,600**(1)	**$ 23.62**(2)	**272,453**(3)

(1) Includes 95,000 outstanding restricted stock units under the Omnibus Incentive Plan.

(2) Does not take into account the restricted stock units reflected under column (a).

(3) Includes 168,357 shares available for issuance under the Omnibus Incentive Plan and 104,096 available under the 1996 Employee Stock Purchase Plan.

Federal Income Tax Information

The following is a brief summary of the U.S. federal income tax consequences of the 2017 Plan generally applicable to the Company and to participants in the 2017 Plan who are subject to U.S. federal taxes. The summary is based on the Code, applicable Treasury Regulations and administrative and judicial interpretations thereof, each as in effect on the date of this Proxy Statement, and is, therefore, subject to future changes in the law, possibly with retroactive effect. The summary is general in nature and does not purport to be legal or tax advice. Further, the summary does not address issues relating to any U.S. gift or estate tax consequences or the consequences of any state, local or foreign tax laws.

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Nonqualified Stock Options. A participant generally will not recognize taxable income upon the grant or vesting of a nonqualified stock option with an exercise price at least equal to the fair market value of our common stock on the date of grant and no additional deferral feature. Upon the exercise of a nonqualified stock option, a participant generally will recognize compensation taxable as ordinary income in an amount equal to the difference between the fair market value of the shares underlying the stock option on the date of exercise and the exercise price of the stock option. When a participant sells the shares, the participant will have short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant received from the sale and the tax basis of the shares sold. The tax basis of the shares generally will be equal to the greater of the fair market value of the shares on the exercise date or the exercise price of the stock option.

Incentive Stock Options. A participant generally will not recognize taxable income upon the grant of an incentive stock option. If a participant exercises an incentive stock option during employment or within three months after employment ends (12 months in the case of permanent and total disability), the participant will not recognize taxable income at the time of exercise for regular U.S. federal income tax purposes (although the participant generally will have taxable income for alternative minimum tax purposes at that time as if the stock option were a nonqualified stock option). If a participant sells or otherwise disposes of the shares acquired upon exercise of an incentive stock option after the later of (1) one year from the date the participant exercised the option or (2) two years from the grant date of the stock option, the participant generally will recognize long-term capital gain or loss equal to the difference between the amount the participant received in the disposition and the exercise price of the stock option. If a participant sells or otherwise disposes of shares acquired upon exercise of an incentive stock option before these holding period requirements are satisfied, the disposition will constitute a disqualifying disposition, and the participant generally will recognize taxable ordinary income in the year of disposition equal to the excess of the fair market value of the shares on the date of exercise over the exercise price of the stock option (or, if less, the excess of the amount realized on the disposition of the shares over the exercise price of the stock option). The balance of the participant s gain on a disqualifying disposition, if any, will be taxed as short-term or long-term capital gain, as the case may be.

With respect to both nonqualified stock options and incentive stock options, special rules apply if a participant uses shares of common stock already held by the participant to pay the exercise price or if the shares received upon exercise of the stock option are subject to a substantial risk of forfeiture by the participant.

Stock Appreciation Rights. A participant generally will not recognize taxable income upon the grant or vesting of a SAR with a grant price at least equal to the fair market value of our common stock on the date of grant and no additional deferral feature. Upon the exercise of a SAR, a participant generally will recognize compensation taxable as ordinary income in an amount equal to the difference between the fair market value of the shares underlying the SAR on the date of exercise and the grant price of the SAR.

Restricted Stock Awards, RSUs, and Performance Awards. A participant generally will not have taxable income upon the grant of restricted stock, RSUs or performance awards. Instead, the participant will recognize ordinary income at the time of vesting or payout equal to the fair market value (on the vesting or payout date) of the shares or cash received minus any amount paid. For restricted stock only, a participant may instead elect to be taxed at the time of grant.

Other Stock- or Cash-Based Awards. The U.S. federal income tax consequences of other stock- or cash- based awards will depend upon the specific terms and conditions of each award.

Tax Consequences to the Company. In the foregoing cases, we generally will be entitled to a deduction at the same time, and in the same amount, as a participant recognizes ordinary income, subject to certain limitations imposed under the Code.

Code Section 409A. We intend that awards granted under the 2017 Plan will comply with, or otherwise be exempt from, Code Section 409A, but make no representation or warranty to that effect.

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Tax Withholding. We are authorized to deduct or withhold from any award granted or payment due under the 2017 Plan, or require a participant to remit to us, the amount of any withholding taxes due in respect of the award or payment and to take such other action as may be necessary to satisfy all obligations for the payment of applicable withholding taxes. We are not required to issue any shares of common stock or otherwise settle an award under the 2017 Plan until all tax withholding obligations are satisfied.

Vote Required

Approval of the 2017 Plan requires a number of FOR votes that is a majority of the votes cast by the holders of our shares of common stock entitled to vote on the proposal, with abstentions counting as votes against the proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE UNIVERSAL STAINLESS &ALLOY PRODUCTS, INC. 2017 EQUITY INCENTIVE PLAN.

5. Ratification of the Appointment of Schneider Downs & Co., Inc. as the Company s Independent Registered Public Accountants for 2017.

The Audit Committee has appointed Schneider Downs & Co., Inc. (SD) as our independent registered public accountants for 2017. The Board has directed that the appointment of the independent registered public accountants be submitted for ratification by the stockholders at the Annual Meeting. SD has served as our independent registered public accountants since 2003.

Stockholder ratification of the selection of SD as Universal Stainless independent registered public accountants is not required by Universal Stainless By-laws or otherwise. However, the Board of Directors is submitting the appointment of SD to the stockholders for ratification as a matter of what it considers to be best practices in corporate governance. If the stockholders fail to ratify the appointment, the Audit Committee will retain discretion as to whether or not to retain SD. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interest of Universal Stainless and its stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF SCHNEIDER DOWNS & CO., INC. AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2017.

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NOMINEES FOR ELECTION AS DIRECTORS

Dennis M. Oates, 64, has been a Director of Universal Stainless since 2007. Mr. Oates has been President and Chief Executive Officer of the Company since 2008. In 2010, Mr. Oates was elected to the additional role of Chairman of the Board of Directors. Mr. Oates served as Senior Vice President of the Specialty Alloys Operations of Carpenter Technology Corporation, a manufacturer, fabricator and distributor of specialty metals and engineered products, from 2003 to 2007. Prior to joining Carpenter in 2003, Mr. Oates served for five years as President and Chief Executive Officer of TW Metals, a distributor of metal products. Previously, he held the post of President and Chief Operating Officer for Connell Limited Partnership, a metals recycling and metal fabrication company. Mr. Oates began his career at Lukens Steel Company, a subsidiary of Lukens Inc., where he ultimately became President and Chief Operating Officer. Mr. Oates is past Chairman of the North American Specialty Metals Council and currently serves on the Metals Service Center Institute Board of Directors. Mr. Oates served as the Vice Chairman of Specialty Steel Institute of North America from 2011 to 2016. In 2016, Mr. Oates became the Chairman of Specialty Steel Institute of North America. Mr. Oates is a current Board Member of the National Association of Corporate Directors, Three Rivers Chapter.

The Board believes that Mr. Oates s qualifications include among other things: extensive knowledge of the specialty steel industry and aerospace markets, significant leadership experience and a detailed understanding of the Company s operations.

Christopher L. Ayers, 50, has been a Director of Universal Stainless since 2009. Mr. Ayers served as the President and Chief Executive Officer of WireCo WorldGroup, Inc., a leading producer of specialty steel wire ropes and high performance synthetic ropes, from July 2013 to January 2017. Prior to that, Mr. Ayers served as an Executive Vice President of Alcoa Inc. and President of its Global Primary Products Business from 2011 to May 2013. Prior to becoming President of that business, Mr. Ayers served as the Chief Operating Officer from 2010 to 2011. Mr. Ayers also served as the Chief Operating Officer of Alcoa Cast, Forged and Extruded Products from February 2010 to August 2010. From 1999 through 2008, Mr. Ayers served in various management roles at Precision Castparts Corp., a manufacturer of metal components and products, including as Executive Vice President from 2006 to 2008, President PCC Forgings Division from 2006 to 2008, President Wyman Gordon Forgings from 2004 to 2006 and Vice President/General Manager from 2003 to 2004.

The Board believes that Mr. Ayers qualifications include among other things: extensive knowledge of the specialty steel industry and a detailed understanding of the Company s operations.

Douglas M. Dunn, 74, has been a Director of Universal Stainless since 1997. Since 2011 Mr. Dunn is the president of the Dunn Family Foundation which supports programs that utilize education to build a better society. Mr. Dunn has been the managing partner of Dunn Associates, a partnership owning and managing real estate investments, from 1971 until 2013. Since 2011 until 2015, Mr. Dunn has served on the Board of Directors of Umami Sustainable Seafood Inc., an owner and operator of aquaculture operations. Mr. Dunn was Dean of the Graduate School of Industrial Administration (now the Tepper School of Business), Carnegie Mellon University, from 1996 to 2002. Prior to 1996 Mr. Dunn had a long career at AT&T. Mr. Dunn has served on other boards of directors of companies and organizations in such fields as technology and consulting.

The Board believes that Mr. Dunn s qualifications include among other things: his experience and education regarding senior leadership positions and his familiarity with the financial aspects of the Company s business.

M. David Kornblatt, 57, has been a Director of Universal Stainless since 2008. Since February 2014 until his retirement in July 2016, Mr. Kornblatt served as Director of Corporate Development of Triumph Group, Inc., a New York Stock Exchange-listed manufacturer of aircraft components and accessories. Prior to that, since 2009 Mr. Kornblatt was Executive Vice President, Chief Financial Officer and Treasurer of Triumph, and since 2007, Mr. Kornblatt was Senior Vice President and Chief Financial Officer of Triumph. Prior to joining Triumph, Mr. Kornblatt held the post of Senior Vice President and Chief Financial Officer of Carpenter Technology

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Corporation, a manufacturer, fabricator and distributor of specialty metals and engineered products, which he joined in 2006. From 2002 until its acquisition by Johnson Controls, Inc. in 2005, Mr. Kornblatt was with York International Corporation, a supplier of heating, ventilation, air conditioning and refrigeration products, serving as Vice President of Finance for York Americas and then as Vice President and Chief Financial Officer.

The Board believes that Mr. Kornblatt s qualifications include among other things: extensive knowledge of the aerospace markets and a detailed understanding of the financial and accounting aspects of the Company s business.

Udi Toledano, 66, has been a Director of Universal Stainless since its founding in 1994. In 2010, Mr. Toledano was appointed Lead Director of the Company. Since July 2013, Mr. Toledano has been the Chairman of Alleghany Capital Corporation, a subsidiary of Alleghany Corporation that engages in and oversees strategic investments and acquisitions. Alleghany Corporation is an owner and operator of businesses with a core position in property and casualty reinsurance and insurance. Prior to that, Mr. Toledano managed UTA Capital LLC, a special situation investment fund, since 2010 and was the President of AAT Capital, Inc., a private investment company, since 2008. From 2000 until 2009, Mr. Toledano was the President of Millennium 3 Capital, Inc., a private investment company, and he managed Millennium 3 Opportunity Fund, a venture capital fund. Mr. Toledano has served on boards of both public and private companies in various fields, including manufacturing technology, software, real estate, energy and healthcare.

The Board believes that Mr. Toledano s qualifications include among other things: extensive knowledge of the financial areas of the Company s business and a detailed understanding of the accounting aspects of the Company.

Unless the applicable stockholder specifies otherwise, each signed and returned

Proxy that is not revoked will be voted FOR the election to the Board of Directors

of Universal Stainless of each of the five nominees named above.

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THE BOARD OF DIRECTORS

The Board of Directors of Universal Stainless held five meetings during 2016. During 2016, the Audit Committee held five meetings; the Compensation Committee held five meetings and the Nominating and Governance Committee held four meetings. Each director attended at least 75% of the meetings of the Board of Directors and each Committee of which he was a member. The Company expects that its directors will attend annual stockholders meetings, and all directors attended our annual meeting of stockholders last year.

The Board of Directors affirmatively has determined that Messrs. Dunn and Toledano have no relationship with the Company other than as disclosed in this Proxy Statement and are independent under applicable Nasdaq rules. Mr. Kornblatt was Director of Corporate Development of Triumph Group, Inc. Triumph made no purchases from the Company in 2016 or 2015 but has purchased products from the Company in relatively small amounts in the past. The Board of Directors determined that Mr. Kornblatt s relationship is immaterial because of the relatively small amount of purchases involved historically, as well as the fact that Mr. Kornblatt has retired from Triumph and will not receive any direct benefits from Triumph s ordinary course business transactions with the Company, if any, all of which were negotiated at arm s-length with Triumph and involve prevailing market prices. As a result, the Board of Directors concluded that this relationship did not impair Mr. Kornblatt s independence and that he also is independent under applicable Nasdaq rules. Mr. Ayers was President and Chief Executive Officer of WireCo WorldGroup, Inc., which produces wire rope for industrial usage and is sold under various brand names. Some of the product produced by WireCo WorldGroup could be purchased by the Company, however the wire rope products purchased by the Company are purchased from third parties in the normal course of business and the Company would not know the identity of the actual producers of the product. The Board of Directors determined that Mr. Ayers relationship was immaterial because of the relatively small amount of purchases of this product and the inability to determine the identity of the actual producer, as well as the fact that Mr. Ayers is no longer an officer of WireCo WorldGroup and did not and will not receive any direct benefits from WireCo WorldGroup s ordinary course business transactions that may have ultimately involved the Company or that will involve the Company. All of the Company s wire rope transactions are with third parties and are negotiated at arm s-length with the third parties and involve prevailing market prices. As a result, the Board of Directors concluded that this relationship did not impair Mr. Ayers independence and that he also is independent under applicable Nasdaq rules.

As part of regular meetings, the Board of Directors oversees the executive officers management of risks relevant to the Company. While the full Board of Directors has overall responsibility for risk oversight, the Board of Directors has delegated responsibility related to certain risks to the Audit Committee and the Compensation Committee. The Audit Committee is responsible for overseeing management of risks related to the Company s financial statements and financial reporting process, the qualifications, independence and performance of the Company s independent accountants and the performance of the Company s internal audit function. The Compensation Committee is responsible for overseeing management of risks related to compensation of the Company s executive officers and the Company s equity-based and certain other compensation plans. The full Board of Directors regularly reviews reports from management on various aspects of the Company s business, including related risks, tactics and strategies for addressing them.

Board Leadership Structure

The Board of Directors believes that Mr. Oates s combined role of Chairman and Chief Executive Officer is in the best interests of the Company and its stockholders and that Mr. Oates is the individual best situated to serve as Chairman because of his detailed and in-depth knowledge of the issues, opportunities and challenges facing the Company, his familiarity with the Company s business and industry and his ability to identify strategic priorities essential to the future success of the Company. The Board believes that this structure provides for clear leadership responsibility and accountability, while still providing for effective corporate governance and oversight by a Board of Directors with an independent Lead Director.

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Mr. Toledano serves as the Board s Lead Director. Mr. Toledano s responsibilities as Lead Director include the following:

- preside at all meetings of the Board of Directors at which the Chairman is not present, including meetings of independent directors held in executive session;
- have the authority to call meetings of the independent directors when deemed appropriate;
- serve as a liaison between the Chairman and the independent directors;
- consult with the Chairman on agendas and schedules for Board and committee meetings; and
- facilitate communication between the Board of Directors and the Company s senior management.

The Lead Director assures that appropriate independence is brought to bear on important Board and governance matters. In addition, there is strong leadership vested in and exercised by the independent committee chairs, and each director may request inclusion of specific items on the agendas for Board and committee meetings.

Considering all of the above, the Board of Directors believes a combination of the Chairman and Chief Executive Officer functions is the best Board leadership structure and is in the best interests of the Company and its stockholders at this time.

Committees of the Board of Directors

The standing committees of the Board of Directors are the Audit Committee, Compensation Committee and Nominating and Governance Committee. The Board of Directors has determined that each member of each of these committees meets the independence standards under applicable Nasdaq rules. The Board of Directors has adopted a written charter for each of the standing committees. A current copy of the charter for each of these committees is available on the Company s website at www.univstainless.com.

The Audit Committee currently consists of Mr. Kornblatt as Chairman and Messrs. Ayers, Dunn and Toledano. The Audit Committee reviews the scope and timing of services of Universal Stainless independent registered public accountants. The Audit Committee reports on Universal Stainless financial statements following completion of the independent registered public accountants audit, and Universal Stainless policies and procedures with respect to internal accounting and financial controls. In addition, the Audit Committee appoints the independent registered public accountants for the ensuing year, and the Chairman of the Audit Committee conducts reviews of the financial reports with management of the Company and the Company s independent registered public accountants. The Audit Committee has the opportunity to meet in executive session with the Company s independent registered public accountants at each regularly scheduled Audit Committee meeting. The Board of Directors also has delegated to the Audit Committee responsibility for reviewing and approving related party transactions, which the Company defines as those required to be disclosed by applicable regulations of the SEC, as those regulations may be amended or modified from time to time. While the Audit Committee has no written policies for the review and approval of related party transactions, the Audit Committee will analyze any proposed related party transactions against reasonable business practices.

The Compensation Committee currently consists of Mr. Ayers as Chairman, and Messrs. Dunn, Kornblatt and Toledano. The Compensation Committee reviews and authorizes the compensation and benefits of all officers of Universal Stainless, reviews general policy matters relating to compensation and benefits of employees of Universal Stainless, and administers the Company s equity compensation plans.

The Nominating and Governance Committee currently consists of Mr. Dunn as Chairman, and Messrs. Ayers, Kornblatt and Toledano. The Nominating and Governance Committee recommends candidates to be nominated by the Board of Directors for election by the stockholders to serve on the Board of Directors and creates and maintains the overall corporate governance policies for the Company.

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The Nominating and Governance Committee will consider candidates proposed by the stockholders of the Company, taking into consideration the needs of the Board of Directors and the candidate s qualifications. While we do not have a formal diversity policy, in order to find the most valuable talent available to meet these criteria, the Board of Directors generally considers candidates diversity in geographic origin, background and professional experience. Our goal is to include board members with the skills and characteristics that, taken together, will facilitate a strong and effective Board of Directors. The Nominating and Governance Committee considers the particular experience, attributes, reputation and qualifications of directors standing for re-election and potential nominees for election, as well as the needs of our board of directors as a whole and its individual committees. The Nominating and Governance Committee s evaluation process does not vary based on whether the candidate is recommended by a stockholder.

To have a candidate considered by the Nominating and Governance Committee and the Board of Directors, a stockholder must submit the recommendation in writing to the Company s Secretary at the address given on the first page of this Proxy Statement and must fully comply with Section 15 of Article III of the Company s Second Amended and Restated Bylaws, including by providing all of the information described in that section.

Advance written notice of a proposed nomination by a stockholder must be received by the Company s Secretary by certified mail at the principal executive offices of the Company no later than (i) with respect to an election of directors to be held at an annual meeting of stockholders, 90 days prior to the anniversary of the previous year s annual meeting of stockholders, or (ii) with respect to an election of directors to be held at a special meeting of stockholders or at an annual meeting that is held more than 70 days prior to the anniversary of the previous year s annual meeting, the close of business on the tenth day following the date on which notice of such meeting is first given to the stockholders.

Director Compensation

Members of the Board of Directors of Universal Stainless who are employed by Universal Stainless presently receive no additional remuneration for acting as directors. Universal Stainless compensates its non-employee directors at the rate of $25,000 per year, plus $3,750 for each regular quarterly meeting of the Board of Directors attended. In addition, Universal Stainless reimburses directors for reasonable out-of-pocket expenses incurred by them in connection with their attendance at Board of Directors and committee meetings. Each non-employee director is further entitled to compensation of $750 for attending each meeting held in addition to the regularly scheduled quarterly meetings as referenced above, up to a maximum annual payment of $10,000 for compensation relating to non-scheduled meetings. In 2016, the non-employee directors elected to take a portion of their compensation in the Company s common stock at a 10% discount, provided that the director agreed to hold the stock for one year.

The members of the Board of Directors of Universal Stainless who also serve as members of the Audit Committee or Compensation Committee receive $1,000 for each regularly scheduled Audit Committee or Compensation Committee meeting attended. Two regularly scheduled Audit Committee meetings typically are held in the first quarter of the year, and one meeting typically is held in each of the remaining quarters of the year. Four regularly scheduled Compensation Committee meetings ordinarily are held during the year.

Certain members of the Board of Directors of Universal Stainless are also eligible for the grant of options under the Company s Omnibus Incentive Plan. Eligible Directors are directors who are not employees of Universal Stainless and do not own in excess of 5% of the Company s outstanding common stock. Eligible Directors are granted options to purchase 10,000 shares per year of common stock in four equal installments of 2,500 shares. The installments are granted on May 31, August 31, November 30 and February 28 of each year. The per share exercise price is equal to the closing price of a share of the Company s common stock on The Nasdaq Global Select Market for the trading day immediately preceding the date of the grant. Options granted to Eligible Directors vest in three installments beginning on the first anniversary of the grant date, at which time 33% of the options representing whole shares will vest. On the second anniversary of the grant date, an additional 33% of the

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options representing whole shares will vest, and the remainder of the options will vest on the third anniversary of the grant date. Options granted to Eligible Directors will expire on the 10th anniversary of the grant date. All of the current directors who are not employees of Universal Stainless are Eligible Directors.

If an Eligible Director ceases to serve as a director of Universal Stainless, the options that were previously granted to that director and that are vested as of the date of such cessation may be exercised by the director after the date that the director ceases to be a director of Universal Stainless and until the expiration date of such options. If an Eligible Director ceases to serve as a director of the Company or its subsidiaries due to the Company s mandatory retirement policy for directors, the options that were previously granted to that Eligible Director will continue to vest as specified in the grant and may be exercised by the Eligible Director after the date such Eligible Director ceases to be a director of the Company or its subsidiaries and until the expiration date of such options. If an Eligible Director ceases to serve as a director of the Company or its subsidiaries and has had ten years of service with the Company as a Director or as an employee, the options that were granted subsequent to February 2, 2013 to that Eligible Director will continue to vest as specified in the grant and may be exercised by the Eligible Director after the date such Eligible Director ceases to be a director of the Company or its subsidiaries and until the expiration date of such options. If an Eligible Director dies while a director of Universal Stainless, the options that have been previously granted to that director and that are vested as of the date of his or her death may be exercised by the administrator of the director s estate, or by the person to whom those options are transferred by will or the laws of descent and distribution. Except as described above, unvested options will expire on the date an Eligible Director ceases to serve as a director of Universal Stainless. In no event, however, may any option be exercised after the expiration date of such option.

2016 Non-employee Director Compensation

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards (2) ($)	Option Awards ($)(3)	Total ($)
Christopher L. Ayers	49,745	361	56,850	106,956
Douglas M. Dunn	49,745	361	56,850	106,956
M. David Kornblatt	49,745	361	56,850	106,956
Udi Toledano	49,745	361	56,850	106,956

(1) In 2016, each current non-employee director of the Company received 285 shares of the Company s common stock in lieu of his annual fees.

(2) Includes the incremental value of the shares of the Company s common stock received by each non-employee director in lieu of his annual fees for 2016.

(3) Amounts in this column reflect the full grant date fair values of awards granted during the fiscal year, determined in accordance with Financial Accounting Standards Board ASC Topic 718 Compensation Stock Compensation. The assumptions made in calculating the grant date fair value of the option awards are set forth in Note 8 to the Company s audited financial statements for the year ended December 31, 2016, which are located in the Company s Annual Report on Form 10-K for its fiscal year ended December 31, 2016. As of December 31, 2016, each current non-employee director of the Company had the following number of option awards outstanding: Mr. Ayers 72,500, Mr. Dunn 100,000, Mr. Kornblatt 87,500 and Mr. Toledano 100,000.

Stock Ownership Guidelines

Non-employee directors are expected to have direct ownership of at least 5,000 shares of the Company s common stock prior to five years from the date of their initial election to the Board of Directors. Subject to limited exceptions, until a director reaches the applicable ownership amount, the director may not sell shares of the Company s common stock without obtaining prior approval of the Board of Directors. The Board of Directors has determined that each director has achieved the applicable ownership amount to be in compliance with the guidelines.

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Mandatory Retirement Policy

The Board of Directors has adopted a mandatory retirement policy with respect to the Company s directors. Under the policy, directors who attain the age of 75 prior to an annual meeting of the Company s stockholders are not eligible to be nominated for re-election to the Company s Board of Directors at that annual meeting.

Stockholder Communications with Directors

The Board of Directors has approved a process for stockholders to communicate with its members. Stockholders and other interested parties who wish to communicate with our directors may address their correspondence to the Board of Directors as a whole, to a particular director, to the non-employee directors as a group or any other group of directors or committee of the Board, in care of Paul A. McGrath, Secretary, Universal Stainless & Alloy Products, Inc. at the address given on the first page of this Proxy Statement. Unless the communication is primarily commercial in nature or pertains to a topic that is irrelevant or improper for director consideration, the Secretary will forward the communication to the director or directors to whom it is addressed. Any communication involving solely a request for information about the Company, such as an inquiry about stock-related matters, may be handled directly by the Secretary.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL

OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of shares of common stock of Universal Stainless, as of March 23, 2017, except as noted below, by (i) each stockholder known to Universal Stainless to be the beneficial owner of more than 5% of the outstanding shares of common stock, (ii) each director of Universal Stainless, (iii) each of the named executive officers of Universal Stainless and (iv) all directors and executive officers as a group. As of March 23, 2017, there were 7,508,154 shares of the Company s common stock issued and outstanding. In each case, except as otherwise indicated in the footnotes to the table, the number of shares shown in the second column are owned directly by the entities, individuals or members of the group named in the first column, with sole voting and dispositive power. For purposes of this table, beneficial ownership is determined in accordance with the federal securities laws and regulations. Inclusion in the table of shares not owned directly by a director or executive officer does not constitute an admission that such shares are beneficially owned by the director or executive officer for any other purpose.

	BENEFICIAL OWNERSHIP(1)	
Name	**Number of Shares**	**Percent of Total**
RBC Global Asset Management (U.S.) Inc.(2)	966,082	12.9%
Pennant Capital Management, LLC(3)	682,194	9.1%
Dimensional Fund Advisors LP(4)	494,320	6.6%
Ameriprise Financial, Inc.(5)	401,328	5.3%
Minerva Advisors LLC(6)	388,162	5.2%
Christopher L. Ayers(7)(8)	74,544	1.0%
Dennis M. Oates(7)(9)	232,710	3.0%
Douglas M. Dunn(7)(8)	169,544	2.2%
M. David Kornblatt(7)(8)	91,544	1.2%
Udi Toledano(7)(8)(10)	166,344	2.2%
Christopher M. Zimmer(7)(9)	89,725	1.2%
Larry J. Pollock(7)(9)	48,720	*
Ross C. Wilkin(7)(9)	44,474	*
Graham McIntosh(7)(9)	39,260	*
All Executive Officers and Directors as a Group (nine persons)(11)	956,865	11.6%

* Less than 1%.

(1) For purposes of this table, beneficial ownership is calculated in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

(2) Address is: 50 South Sixth Street, Suite 2350, Minneapolis, MN 55402. The information provided is based solely on a Schedule 13G/A filed by RBC Global Management (U.S.) Inc. on February 10, 2017. RBC Global Asset Management (U.S.) Inc. is reported therein as having shared voting power over 857,041 shares and shared dispositive power over 966,082 shares.

(3) Address is: One DeForest Avenue, Suite 200, Summit, NJ 07901. The information provided is based solely on a Schedule 13/A filed by Pennant Capital Management, LLC on February 14, 2017. Each of Alan Fournier, Pennant Capital Management, LLC and Pennant Master Fund, L.P. are reported therein as having shared voting power and shared dispositive power over 682,194 shares.

(4) Address is: Building One, 6300 Bee Cave Road, Austin, TX 78746. The information provided is based solely on a Schedule 13G/A filed by Dimensional Fund Advisors LP on February 9, 2017.

(5) Address is: 145 Ameriprise Financial Center, Minneapolis, MN 55474. The information provided is based solely on a Schedule 13G/A filed by Ameriprise Financial, Inc. on February 6, 2017. Each of Ameriprise Financial, Inc. and Columbia Management Investment Advisers, LLC are reported therein as having shared voting power and shared dispositive power over 401,328 shares.

(6) Address is: 50 Monument Road, Suite 201, Bala Cynwyd, PA 19004. The information provided is based solely on a Schedule 13G/A filed by Minerva Advisors LLC on February 3, 2017. Each of Minerva Advisors LLC, Minerva

Group, LP, Minerva GP, LP, Minerva GP, Inc. and David P. Cohen are reported therein as having sole voting power and sole dispositive power over 239,265 shares, and each of Minerva Advisors LLC and David P. Cohen are reported therein as having shared voting power and shared dispositive power over 148,897 shares.

(7) Address is: c/o Universal Stainless & Alloy Products, Inc., 600 Mayer Street, Bridgeville, PA 15017.

(8) Includes options to purchase 57,400, 82,400, 72,400 and 82,400 shares of common stock for Messrs. Ayers, Dunn, Kornblatt and Toledano, respectively, which have vested or will vest within 60 days of the date of this proxy statement.

(9) Includes options to purchase 119,125, 44,375, 9,375, 5,625 and 4,375 of common stock for Messrs. Oates, Zimmer, Pollock, Wilkin and McIntosh, respectively, which have vested or will vest within 60 days of the date of this proxy statement.

(10) Includes shares of common stock of Universal Stainless owned by Mr. Toledano s wife, adult son and daughter, with respect to all, Mr. Toledano disclaims any beneficial ownership.

(11) Includes options of all the current directors and named executive officers of the Company to purchase an aggregate of 713,350 shares of common stock which have vested or will vest within 60 days of the date of this proxy statement.

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COMPENSATION DISCUSSION AND ANALYSIS

Compensation Program Objective

The Company s Compensation Committee is responsible for establishing and administering the Company s policies governing the compensation of its executive officers, who are appointed by the Company s Board of Directors. The Compensation Committee is composed entirely of non-employee directors. The primary objective of the Company s executive compensation program is to attract, motivate and retain the executive talent needed to achieve the Company s business strategies and long-range plans and to optimize stockholder value in a competitive environment.

The Compensation Committee employs the following principles to provide an overall framework for the compensation of the Company s executive officers:

- reward outstanding performance;
- motivate executive officers to perform to the fullest of their abilities;
- tie a significant portion of executives total compensation to the Company s annual and long-term financial performance and the creation of stockholder value;
- encourage executives to manage from the perspective of stockholders as a result of their equity stakes in the Company;
- offer compensation opportunities that attract and motivate the best talent; and
- retain those with the leadership abilities and skills necessary for building long-term stockholder value.

Compensation Categories

The Compensation Committee considers all elements of compensation when determining total compensation and the individual components of total compensation. The Compensation Committee allocates total compensation between that being paid currently and long-term compensation, cash and non-cash compensation and equity and other forms of non-cash compensation. The Compensation Committee believes that each of these compensation categories provides incentives and rewards to address different elements of the compensation program s objective, and when considered together serve to achieve the company s overall compensation objectives.

The Compensation Committee examines each of the compensation principles to determine the basis for allocating compensation to each different form of award. For example, the Compensation Committee examines the relationship of the award to the achievement of the Company s long-term goals, management s exposure to downside equity performance risk and the analysis of the cost to the Company versus expected benefit to the executive. As part of this analysis, the Compensation Committee believes that a meaningful portion of each executive s compensation should be placed at-risk and linked to the accomplishment of results that are expected to lead to the creation of value for the Company s stockholders from both the short-term and long-term perspectives.

The Compensation Committee recognizes that currently paid cash compensation provides the Company s executives with short-term rewards for success in achieving individual and Company performance goals. Currently paid cash consideration includes base salary and annual cash incentive compensation. The Compensation Committee believes that providing executives with competitive currently paid cash consideration is a central element of attracting, retaining and motivating high quality executives.

The Compensation Committee believes that currently paid non-cash compensation in the form of limited and reasonable perquisites provides the Company s executives with similar benefits as currently paid cash compensation. Items of currently paid non-cash compensation for certain named executive officers include a Company provided vehicle or car allowance, Company-sponsored health insurance and other non-cash benefits.

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The Compensation Committee believes that long-term compensation is best provided by stock awards to management, which ties a significant portion of management s compensation to the Company s long-term performance and success. Equity compensation items such as stock options and the Company s employee stock purchase program align the executives compensation potential with the performance of the Company and the creation of value for our stockholders.

Evaluation of Stockholder Say on Pay Vote Results

When establishing or modifying the Company s compensation programs and arrangements for 2016 and its ongoing compensation philosophies and practices, the Committee took into account the results of the stockholder advisory vote on executive compensation, or say on pay vote, which occurred at our annual meeting in 2016. In that vote, approximately 99.7% of the votes cast approved our compensation programs and policies. The Committee believes that the strong support from our stockholders for the say on pay vote is evidence that the Company s stockholders overall believe that our pay-for-performance policies are working and that those policies are aligned with our stockholders interests.

Compensation Elements

Our executive compensation program consists primarily of the following elements:

Base Salary

Base salary is used to recognize the experience, skills, knowledge and responsibilities required of the executive officers in their roles. When establishing the 2016 base salaries of the executive officers other than the Chief Executive Officer, the Compensation Committee and our Chief Executive Officer considered a number of factors, including the seniority of the individual, the functional role of the position, the level of the individual s responsibility, the historical base salary of the individual, the terms of the individual s employment agreement and the recommendations from the Chief Executive Officer. The Compensation Committee considered these same factors in establishing the base salary of the Chief Executive Officer, as well as additional factors such as the Chief Executive Officer s industry experience and profile. In addition, the Compensation Committee considered competitive market practices with respect to these salaries based on the Compensation Committee members knowledge of the market and publicly-available data on certain competitor companies provided by management, although it did not set base salaries according to specific benchmarking standards.

The salaries of the executive officers are reviewed on an annual basis, as well as at the time of promotion or other changes in responsibilities, and modified for merit, the general performance of the Company, the executive s success in meeting or exceeding individual performance objectives and if significant corporate goals were achieved. If necessary, the Compensation Committee also reviews base salaries with market levels for the same positions in the companies of similar size to the Company represented in the compensation data it reviews. The terms of the employment agreements with the executive officers are also considered in the annual salary review process. In addition, the Compensa