OLYMPIC STEEL INC
Form DEF 14A
March 21, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

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

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

Olympic Steel, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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

To Our Shareholders:

You are invited to attend the 2016 Annual Meeting of Shareholders of Olympic Steel, Inc. to be held at 5096 Richmond Road, Bedford Heights, Ohio 44146, on April 29, 2016 at 10:00 a.m. EDT. We are pleased to enclose the notice of the 2016 Annual Meeting of Shareholders, together with a Proxy Statement, a Proxy and an envelope for returning the Proxy.

You are asked to: (1) approve the election of Directors nominated by the Board of Directors; (2) ratify the selection of Olympic Steel, Inc.'s independent auditors for the year ending December 31, 2016; (3) approve, on an advisory basis, our named executive officer compensation; and (4) approve the Amended and Restated Olympic Steel, Inc. 2007 Omnibus Incentive Plan. Your Board of Directors unanimously recommends that you vote "FOR" all of the Director nominees nominated by the Board and "FOR" all of the other proposals. Please carefully review the Proxy Statement and then complete and sign your Proxy and return it promptly. If you attend the meeting and decide to vote in person, you may withdraw your Proxy at the meeting.

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

Sincerely,

Michael D. Siegal

Chairman and Chief Executive Officer

March 21, 2016

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 29, 2016

Notice is hereby given that the 2016 Annual Meeting of Shareholders of Olympic Steel, Inc., an Ohio corporation, which is referred to as the Company, will be held on April 29, 2016, at 5096 Richmond Road, Bedford Heights, Ohio 44146, at 10:00 a.m. EDT, for the following purposes:

1. To elect the following Directors to the class whose two-year term will expire in 2018: David A. Wolfort, Ralph M. Della Ratta, Dirk A. Kempthorne and Howard L. Goldstein;

2. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent auditors for the year ending December 31, 2016;

3. To approve, on an advisory basis, our named executive officer compensation;

4. To approve the Amended and Restated Olympic Steel, Inc. 2007 Omnibus Incentive Plan; and

5. To transact any other business properly brought before the 2016 Annual Meeting of Shareholders or any adjournment or postponement of the 2016 Annual Meeting of Shareholders.

Only shareholders of record of the Company's common stock on the books of the Company at the close of business on March 10, 2016 will be entitled to vote at the 2016 Annual Meeting or any adjournment or postponement of the 2016 Annual Meeting.

Your vote is important. All shareholders are invited to attend the 2016 Annual Meeting in person. However, to ensure your representation at the 2016 Annual Meeting, please mark, date and sign the enclosed proxy, and return it promptly in the enclosed envelope. Any shareholder attending the 2016 Annual Meeting may vote in person even if the shareholder returned a proxy.

By Order of the Board of Directors

Christopher M. Kelly

Secretary

Cleveland, Ohio

March 21, 2016

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

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2016 ANNUAL MEETING

April 29, 2016

THE PROXY AND SOLICITATION

This Proxy Statement is being mailed on or about March 21, 2016 to the shareholders of Olympic Steel, Inc., which is referred to as the "Company", "we," "our" or "us," in connection with the solicitation by the Company's Board of Directors, which is referred to as the Board, of the enclosed form of proxy for the 2016 Annual Meeting of Shareholders, which is referred to as the Annual Meeting, to be held on April 29, 2016, at 5096 Richmond Road, Bedford Heights, Ohio 44146, at 10:00 a.m. EDT. Pursuant to the Title XVII, Chapter 1701 of the Ohio Revised Code, any shareholder signing and returning the enclosed proxy has the power to revoke it by giving notice of such revocation to the Company in writing or at the Annual Meeting before any vote with respect to the matters set forth therein is taken. The representation in person or by proxy of at least a majority of the outstanding shares of the common stock of the Company, which we refer to as the Common Stock, entitled to vote is necessary to provide a quorum at the Annual Meeting. Abstentions and broker non-votes will be counted in determining whether a quorum has been achieved.

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

PURPOSES OF ANNUAL MEETING

The Annual Meeting has been called for the purposes of: (1) electing the following Directors to the class whose two-year term will expire in 2018: David A. Wolfort, Ralph M. Della Ratta, Dirk A. Kempthorne and Howard L. Goldstein; (2) ratifying the selection of PricewaterhouseCoopers LLP, which is referred to as PwC, as the Company's independent auditors for the year ending December 31, 2016; (3) approving, on an advisory basis, our named executive officer compensation; (4) approve the Amended and Restated Olympic Steel, Inc. 2007 Omnibus Incentive Plan; and (5) transacting such other business as may properly come before the Annual Meeting and any adjournments thereof.

The persons named in the enclosed proxy have been selected by the Board and will vote Common Stock represented by valid proxies. Unless otherwise indicated in the enclosed proxy, they intend to vote “FOR” the election of the Director-nominees named herein, “FOR” the ratification of the selection of PwC as the Company’s independent auditors for the year ending December 31, 2016, “FOR” the approval, on an advisory basis, of our named executive officer compensation and “FOR” the approval of the Amended and Restated Olympic Steel, Inc. 2007 Omnibus Incentive Plan.

VOTING SECURITIES

The Board has established the close of business on March 10, 2016 as the record date for determining shareholders entitled to notice of the Annual Meeting and to vote. On that date, 10,956,178 shares of Common Stock were outstanding and entitled to one vote per share on all matters properly brought before the Annual Meeting.

PROPOSAL ONE

ELECTION OF DIRECTORS

The Board currently consists of eight members and is divided into two classes, whose members serve for a staggered, two-year term. The term of one class, which currently consists of four Directors, expires in 2017; the term of the other class, which currently consists of four Director nominees, expires at the Annual Meeting.

The Board has nominated David A. Wolfort, Ralph M. Della Ratta, Dirk A. Kempthorne and Howard L. Goldstein to be elected as Directors for a two-year term. The two-year term will end upon the election of Directors at the 2018 Annual Meeting of Shareholders.

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

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

DIRECTOR NOMINEES

David A. Wolfort, age 63, joined the Board in 1987. He became Chief Operating Officer of the Company in 1995 and assumed the role of President in 2001. Mr. Wolfort serves as a member of the United States International Trade Advisory Committee on Steel. He previously served on the board of directors of the Metal Service Center Institute, or MSCI, a metals industry trade association, and was a past Chairman of both the MSCI Political Action Committee and the MSCI Government Affairs Committee. He is a Trustee and Vice-Chair of Ohio University and the Musical Arts Association (Cleveland Orchestra). With his years of experience at the Company, Mr. Wolfort brings to the Board a wealth of knowledge concerning the Company’s business operations and the competitive landscape of the metals industry.

Ralph M. Della Ratta, age 62, joined the Board in 2004. Since 2004, he has served as the Founder and Managing Director of Western Reserve Partners LLC, an investment banking firm. Prior to this time, Mr. Della Ratta was the Senior Managing Director and Manager of the Investment Banking Division of McDonald Investments, Inc., an investment banking firm, and through a 1998 merger with KeyCorp, he served in the same capacity. Mr. Della Ratta serves on the board of directors of Western Reserve Partners LLC and TCP International Holdings Ltd., where he serves as Lead Director. Mr. Della Ratta previously served on the board of McCormack Advisors International, a wealth management firm, and NDI, Inc., a medical investment company. Having served for most of his professional career in the investment banking industry, Mr. Della Ratta provides valuable business and financial knowledge as Lead Director and a member of the Board, the Audit and Compliance Committee and the Compensation Committee.

Dirk A. Kempthorne, age 64, joined the Board in 2010. He served as the Mayor of Boise, Idaho from 1986 to 1993, a United States Senator from Idaho from 1993 to 1999 and Governor of Idaho from 1999 to 2006. He also served as the 49th Secretary of the U.S. Department of the Interior from 2006 to 2009. Mr. Kempthorne has served as the President of The Kempthorne Group, a consulting firm, since 2009 and has served as the President & Chief Executive Officer of the American Council of Life Insurers, an insurance industry trade association, since 2010. Since 2009, Mr. Kempthorne has also served on the board of directors of FMC Corporation, a global chemical company. With his commitment to public service and his recognized national leadership, Mr. Kempthorne provides important contributions and insights as a member of the Board and as Chairman of the Nominating Committee as we execute our strategic growth initiatives.

Howard L. Goldstein, age 63, joined the Board in 2004. He has been a partner with Appelrouth, Farah & Co., a full service accounting and international business advisory firm, since 2012. Prior to 2012, Mr. Goldstein was the Managing Director of Mallah Furman, a certified public accounting firm, and had been a Senior Partner for over 25 years. Mr. Goldstein is a member of the American Institute of Certified Public Accountants, the Florida Institute of Certified Public Accountants, the Florida Board of Accounting, the New Jersey Board of Certified Public Accountants and the New Jersey Institute of Certified Public Accountants. Mr. Goldstein also serves as Vice Chair of the U.S. Board of Directors of Israel Bonds. As a certified public accountant, Mr. Goldstein’s broad knowledge and deep understanding of accounting principles and financial reporting rules and regulations make him a valuable asset as a member of the Board and the Audit and Compliance Committee. Mr. Goldstein’s experience with the Company has also made him a valued member of the Audit and Compliance Committee and the Nominating Committee and the Chairman of the Compensation Committee.

DIRECTORS WITH TERMS THAT EXPIRE IN 2017

Michael D. Siegal, age 63, joined the Board in 1984. He became Chief Executive Officer of the Company in 1984 and assumed the role of Chairman of the Board in 1994. Since 2014, Mr. Siegal has served on the board of directors of Cliffs Natural Resources Inc., a mining and natural resources company. He also serves on the board of directors of the Development Corporation of Israel. Mr. Siegal has previously served on the board of directors of the MSCI, University Hospitals of Cleveland and the Rock and Roll Hall of Fame and Museum. He also previously served as the Board Chair of the Jewish Federation of North American and the Jewish Federation of Cleveland. With over 30 years of executive experience at the Company, Mr. Siegal possesses proven managerial skills and firsthand knowledge of nearly every aspect of the Company's business operations. As a member of the founding family of the Company, Mr. Siegal also brings to the Board knowledge and understanding of the evolution of a family business into a successful public company. Mr. Siegal is also a substantial long-term shareholder of the Company.

Arthur F. Anton, age 58, joined the Board in 2009. Since 2004, Mr. Anton has served as the President and Chief Executive Officer of the Swagelok Company, a fluid systems technologies company. Since 1998, Mr. Anton has served in the following positions at the Swagelok Company: President and Chief Operating Officer, from 2001 to 2004; Executive Vice President, from 2000 to 2001; and Chief Financial Officer, from 1998 to 2000. He is a former Partner of Ernst & Young LLP, a professional services organization. Since 2006, Mr. Anton has served on the board of directors of The Sherwin-Williams Company, a paint coatings manufacturer. He also serves on the board of directors of University Hospitals of Cleveland and Forest City Real Estate Trust, Inc., a national real estate company. As the head of a large private corporation, Mr. Anton provides valuable insight into the successful operation of a business, which serves him well as a member of the Board, Chairman of the Audit and Compliance Committee and as a member of the Compensation Committee. As a former partner at Ernst & Young LLP, the Chair of the audit committee of The Sherwin-Williams Company and a member of the audit committee of Forest City Enterprises, Inc., Mr. Anton possesses a detailed understanding of accounting principles and practice.

Donald R. McNeeley, age 61, joined the Board in 2011. Since 1990, he has served as the President and Chief Operating Officer of Chicago Tube & Iron Company, or CTI, a fabricator of metal tubing, pipe, bar, valves and fittings and pressure parts that is now a subsidiary of the Company. He is also an adjunct professor at Northwestern University. Mr. McNeeley serves on the board of directors of Vail Rubber Industries, a manufacturer of industrial roll coverings, and Saulsbury Industries, an engineering and construction company to heavy-industrial markets. He is also the Chair of the audit committee of Saulsbury Industries. Mr. McNeeley is a former Chairman of the MSCI. Mr. McNeeley's years of experience at CTI, as well as his academic background, provide a wealth of knowledge regarding the steel pipe and tubing industry, making him a valuable member of the Board.

Michael G. Rippey, age 58, joined the Board in 2015. Since 2015, he has served as Senior Advisor to Nippon Steel USA, a steel-making company. Mr. Rippey served as Chairman of ArcelorMittal USA, a steel and mining company, from 2014 to 2015. Mr. Rippey served as President and Chief Executive Officer of ArcelorMittal USA from 2006 to 2014. From 1984 to 2006, he held various positions at Inland Steel and Ispat Inland, predecessor companies to ArcelorMittal USA. Mr. Rippey serves on the Board of Directors of the following organizations: Children's Home +

Aid, the American Iron & Steel Institute, where he was the past Chairman of the Board, the Chicagoland Chamber of Commerce and the National Association of Manufacturers. He is also a member of the Dean's Council and an Alumni Fellow at Indiana University. Mr. Rippey brings to the Board a wealth of knowledge of the metals industry. Mr. Rippey serves on both the Nominating and Compensation Committees.

The Board recommends a vote "FOR" David A. Wolfort, Ralph M. Della Ratta, Dirk A. Kempthorne and Howard L. Goldstein for election to the class of directors whose two-year term will expire in 2018.

CORPORATE GOVERNANCE

BOARD MEETINGS AND COMMITTEES

The Board held four regularly scheduled meetings and two telephonic meetings in 2015. The Board has a standing Audit and Compliance Committee, Compensation Committee and Nominating Committee. The Audit and Compliance Committee, Compensation Committee and Nominating Committee held four, two and one meetings, respectively, in 2015. The committees receive their authority and assignments from, and report to, the Board.

All of the current Directors attended at least seventy-five percent of the applicable Board and committee meetings held during 2015. In addition to holding regular Board and committee meetings, the Board members and committee members also reviewed and considered matters and documents and communicated with each other apart from the meetings. Additionally, all non-management members of the Board meet separately without members of management present at every regularly scheduled Board meeting.

The Board determines the independence of each Director and each Director-nominee in accordance with the independence standards set forth in the listing requirements of the Nasdaq Stock Market, which we refer to as Nasdaq. The Board has determined that Messrs. Della Ratta, Kempthorne, Anton, Goldstein and Rippey are independent Directors, as defined in the Nasdaq listing requirements. With respect to Mr. Rippey, who, as discussed above, was the former Chairman and former President and Chief Executive Officer of ArcelorMittal USA, the Board determined that the business relationship between the Company and ArcelorMittal USA relating to the purchase of certain steel products by the Company from ArcelorMittal USA does not impair his independence. The Board has also determined that James B. Meathe, who served as Director until the 2015 Annual Meeting of Shareholders, was independent, as defined in the Nasdaq listing requirements.

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

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

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

CORPORATE GOVERNANCE

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

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

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

The Nominating Committee will consider Director candidates recommended by shareholders if properly submitted. Shareholders wishing to suggest persons for consideration as nominees for election to the Board at the 2017 Annual Meeting may do so by providing written notice to us in care of our Secretary no later than December 21, 2016. Such recommendation must include the information required of Director-nominees by our Amended and Restated Code of Regulations. Assuming that a properly submitted shareholder recommendation for a potential nominee is received and appropriate biographical and background information is provided, the Nominating Committee and the Board will follow the same process and apply the same criteria as they do for candidates submitted by other sources.

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

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

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

- presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;
- serving as a liaison between the Chairman and the independent Directors;
- approving information sent to the Board;

approving meeting agendas for the Board;

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

authority to call meetings of the independent Directors; and

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

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

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

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

CODE OF ETHICS

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

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of March 10, 2016 (unless otherwise indicated) by each person or entity known to us to beneficially own 5% or more of our outstanding Common Stock based upon information furnished to us or derived by us from publicly available records.

Names of Beneficial Owners	Number of Shares Beneficially Owned(1)	Percentage of Ownership
Michael D. Siegal(2) 22901 Millcreek Blvd, Suite 650 Highland Hills, OH 44122	1,245,885	11.37%
BlackRock, Inc.(3) 55 East 52nd Street New York, NY 10055	910,732	8.30%
Dimensional Fund Advisors LP(4) Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	856,733	7.79%

(1) Unless otherwise indicated below, the persons named in the table above have sole voting and investment power with respect to the number of shares set forth opposite their names. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options held by that person that are currently exercisable or will become exercisable within 60 days after March 10, 2016 are considered outstanding, while these shares are not considered outstanding for purposes of computing the percentage ownership of any other person.

(2) Includes 4,000 shares issuable upon the exercise of options exercisable within 60 days after March 10, 2016.

(3) Based on Schedule 13G/A filed with the SEC on January 27, 2016 describing ownership as of December 31, 2015, which Schedule specifies that BlackRock, Inc. has sole voting power with respect to 897,399 of these shares and sole investment power with respect to all of these shares.

(4)

Based on Schedule 13G/A filed with the SEC on February 9, 2016 describing ownership as of December 31, 2015, which Schedule specifies that Dimensional Fund Advisors LP has sole voting power with respect to 829,737 of these shares and sole investment power with respect to all of these shares.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of March 10, 2016 by each of our Directors, each of the Executive Officers named in the summary compensation table included herein, whom we refer to as the named executive officers, and all the Directors and Executive Officers as a group.

Names of Beneficial Owners	**Number of Shares Beneficially Owned(1)**	**Number of Additional Shares Subject to Certain Vested Restricted Stock Units(2)**	**Percentage of Ownership(2)**
Michael D. Siegal(3)(4)	1,245,885	40,188	11.37 %
David A. Wolfort(3)(4)	432,478	37,128	3.95 %
Donald R. McNeeley(5)	143,507	23,713	1.31 %
Richard T. Marabito(6)	37,934	26,518	*
Richard A. Manson(7)	12,772	12,539	*
Howard L. Goldstein(8)(9)	22,782	–	*
Ralph M. Della Ratta(8)(10)	30,352	–	*
Arthur F. Anton(11)	36,160	–	*
Dirk A. Kempthorne(12)	13,582	–	*
Michael G. Rippey	8,300	–	*
All Directors, Director Nominees and Executive Officers as a group (10 persons)(13)	1,983,752	140,086	17.97 %

*Less than 1%

(1) Unless otherwise indicated below, the persons named in the table above have sole voting and investment power with respect to the number of shares set forth opposite their names. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options or restricted stock units held by that person that are currently exercisable or will become exercisable within 60 days after March 10, 2016 are considered outstanding, while these shares are not considered outstanding for purposes of computing the percentage ownership of any other person.

(2) Represents shares not yet beneficially owned that are issuable pursuant to vested restricted stock units (a) that will not be converted until a qualified retirement, which cannot occur within 60 days, or (b) under our Supplemental Executive Retirement Plan that will not be converted until six months after a qualified retirement. These shares have not been included for purposes of calculating each person's percentage of

beneficial ownership.

(3) Includes 4,000 shares issuable upon the exercise of options within 60 days of March 10, 2016.

(4) Includes 2,158 shares issuable pursuant to restricted stock units that will be converted into shares when the individual retires from the Company.

(5) Includes 4,000 shares held in trust for the benefit of Dr. McNeeley.

(6) Includes 8,700 shares held in various trusts for the benefit of Mr. Marabito's children. Also includes 4,170 shares issuable upon the exercise of options within 60 days of March 10, 2016.

(7) Includes 1,000 shares issuable upon the exercise of options within 60 days of March 10, 2016. Also includes 2,075 shares held in individual retirement accounts for Mr. Manson and his spouse.

(8) Includes 19,782 shares issuable pursuant to restricted stock units that will be converted into shares when the individual is no longer a Board member.

(9) Includes 3,000 shares held in a trust.

(10) Includes 600 shares held in a trust for the benefit of Mr. Della Ratta's children.

(11) Includes 14,382 shares issuable pursuant to restricted stock units that will be converted into shares when the individual is no longer a Board member.

(12) Includes 12,582 shares issuable pursuant to restricted stock units that will be converted into shares when the individual is no longer a Board member.

(13) Includes 13,170 shares issuable upon the exercise of options within 60 days of March 10, 2016, 66,528 shares issuable pursuant to restricted stock units that will be converted into shares when the individual is no longer a Board member and 4,316 shares issuable pursuant to restricted stock units that will be converted into shares when the individual retires from Olympic Steel.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, requires the Company's officers and Directors, and persons who own greater than 10% of the Company's Common Stock, to file reports of ownership and changes in ownership to the SEC. Officers, directors and more than 10% shareholders are required by the SEC to furnish to the Company copies of all Section 16(a) reports they file. To the Company's knowledge, based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company during 2015 and Forms 5 and amendments thereto furnished to the Company with respect to 2015, or a written representation from the reporting person that no Form 5 is required, all filings required to be made by the Company's officers and Directors were timely made.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

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

Our compensation philosophy remains pay-for-performance based. Our cash incentive plan emphasizes Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Return on Assets (ROA) in the calculation of incentives for our most senior executive officers.

At our 2015 Annual Meeting, we received approximately 92% approval for our advisory “Say-on-Pay” proposal to approve the compensation of our named executive officers. The Compensation Committee considered the 2015 voting results at its meetings and remains dedicated to continuous improvement to the existing executive pay programs. As a result of its considerations, the Compensation Committee implemented the executive pay practices described below.

The following discussion and analysis of our 2015 executive compensation program, which may include forward-looking statements, should be read together with the compensation tables and related disclosures that follow this section.

Compensation Philosophy and Objectives

The goals of our compensation program for our Chairman and Chief Executive Officer and the other executive officers named in the 2015 Summary Compensation Table, whom we refer to as our named executive officers, are to support our long-term business strategy and link our executives’ interests with those of our shareholders. We designed the compensation program to, among other things, provide incentives for executives to help us achieve business objectives and give the Compensation Committee the flexibility necessary to reward executives for achieving those objectives. The Compensation Committee's strategy for achieving these goals is to:

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

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

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

Role of Compensation Committee and Management

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

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

Role of Compensation Consultant

Towers Watson's role in the executive compensation program is to compare the base salaries, annual cash incentive awards and long-term compensation of our named executive officers to the compensation paid to executives in similar positions both within and outside the metal service center industry in order to provide market "benchmarks" for the Compensation Committee to assess in evaluating and determining the compensation of our named executive officers. In 2013, Towers Watson compiled this compensation data for a group of metal and metal-related companies, which we again utilized for 2015:

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

Compensation Allocation

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

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

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

Elements of Compensation

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

The base salaries paid to our named executive officers in 2015 were reviewed and approved by the Compensation Committee, and the amounts paid are reflected in the 2015 Summary Compensation Table. Excepting the adjustment of Mr. Manson's base salary in 2014, the base salaries of our named executive officers remain unchanged from 2011. On December 31, 2015, Mr. Wolfort entered into a new employment contract whereby, effective January 1, 2016, his base salary was increased from $700,000 to $735,000 based upon his performance and contributions to the Company. Mr. Wolfort's last change in base pay occurred in 2011. The Compensation Committee believes that the salaries of each of our named executive officers are reasonable when measured against the range of base salaries offered by other companies in the peer group reviewed by the Compensation Committee and in light of our performance in 2015 and, as a result, did not increase salaries for our named executive officers for 2015.

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

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

For 2015, the Compensation Committee granted an annual cash incentive award opportunity for each of Messrs. Siegal, Marabito and Wolfort of 27.3% of the incentive pool, and Mr. Manson of 9.1% of the incentive pool. The Compensation Committee set the annual cash incentive payout amounts for Messrs. Siegal, Wolfort and Marabito, in light of their significant functional responsibilities and duties and their positions as the most senior-level executives, at three times those established for Mr. Manson. For 2015, no incentives were earned, however, as the Company did not meet minimum ROA requirements.

Mr. McNeeley receives a cash incentive that is directly tied to the ratio of CTI's actual operating profit to its budgeted operating profit. He has the opportunity to earn an annual cash incentive of up to 120% of his annual base salary. The incentive is tied to the actual operating profit of CTI as compared to budgeted operating profit. For 2015, Mr. McNeeley did not earn an annual cash incentive as minimum performance objectives were not met.

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

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

For more information about our Incentive Plan and awards under that plan for 2015, see the 2015 Grants of Plan-Based Awards Table, the Outstanding Equity Awards at 2015 Fiscal Year-End Table and the accompanying narratives below.

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

During 2015, each of our named executive officers met the requirements of the Senior Management Compensation Program and received 250 shares of Common Stock. Messrs. Siegal, Wolfort, Marabito and Manson each earned their first $25,000 of restricted stock unit awards on January 1, 2016.

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

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

We provide the named executive officers with the opportunity to participate in our Supplemental Executive Retirement Plan, which is a non-qualified defined contribution savings plan. Under the Supplemental Executive

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

In addition, each of the members of our senior management group, including our named executive officers, also may participate in our Executive Deferred Compensation Plan, a non-qualified voluntary contributory savings plan under which a participant may defer all or any portion of his or her annual incentive award and up to 90% of his or her base salary into one or more investment options that are the same as those available to all of our employees who participate under our 401(k) plan. The Supplemental Executive Retirement Plan and the Executive Deferred Compensation Plan are further described below under the 2015 Non-Qualified Deferred Compensation Table.

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

Other Compensation Policies

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

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

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

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the year ended December 31, 2015 and this Proxy Statement.

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

Howard L. Goldstein, Chairman

Ralph M. Della Ratta

Arthur F. Anton

Michael G. Rippey

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

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2015, the following individuals served as members of the Compensation Committee: Messrs. Goldstein, Della Ratta, Anton, and Rippey. None of the members of the Compensation Committee during 2015 is (or ever was) an officer or employee of the Company or any of its subsidiaries. There are no Compensation Committee interlocks as defined by applicable SEC rules.

2015 SUMMARY COMPENSATION TABLE

The following table sets forth certain information with respect to the compensation earned during the years ended December 31, 2013, 2014 and 2015 by our Chief Executive Officer, Chief Financial Officer and each of our three other named executive officers:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	All Other Compensation ($)(4)	Total ($)
Michael D. Siegal,	2015	$750,000	$ —	$4,720	$ —	$ —	$ —	$ 159,019	$913,739
Chairman & Chief	2014	$750,000	$ —	$6,835	$ —	$ 223,037	$ —	$ 189,068	$1,168,940
Executive Officer	2013	$750,000	$ —	$5,823	$ —	$ 236,929	$ —	$ 188,340	$1,181,092
Richard T. Marabito,	2015	$450,000	$ —	$3,500	$ —	$ —	$ —	$ 117,256	$570,756
Chief Financial	2014	$450,000	$ —	$6,835	$ —	$ 223,037	$ —	$ 145,011	$824,883
Officer	2013	$450,000	$ —	$5,823	$ —	$ 236,929	$ —	$ 142,646	$835,398
David A. Wolfort,	2015	$700,000	$ —	$3,500	$ —	$ —	$ —	$ 131,585	$835,085
President & Chief	2014	$700,000	$ —	$6,835	$ —	$ 223,037	$ —	$ 161,262	$1,091,134
Operating Officer	2013	$700,000	$ —	$5,823	$ —	$ 236,929	$ —	$ 159,370	$1,102,122
Donald R. McNeeley,	2015	$575,000	$ —	$3,500	$ —	$ —	$ —	$ 114,604	$693,104
President, CTI	2014	$575,000	$ —	$6,835	$ —	$ —	$ —	$ 143,902	$725,737
	2013	$575,000	$ —	$5,823	$ —	$ —	$ —	$ 130,561	$711,384
Richard A. Manson,	2015	$240,000	$ —	$3,500	$ —	$ —	$ —	$ 68,936	$312,436
Vice President &	2014	$212,307	$ —	$6,835	$ —	$ 74,346	$ —	$ 75,517	$369,005
Treasurer	2013	$200,000	$ —	$5,823	$ —	$ 78,976	$ —	$ 72,801	$357,600

(1) The amounts shown do not reflect compensation actually received by the named executive officer. The amounts shown in this column are the grant date fair values of the stock awards calculated in accordance with Financial

Accounting Standards Board Accounting Standard Codification (ASC) Topic 718. See Note 10 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2015 for details as to the assumptions used to determine the fair value of the stock awards.

(2) Represents amount earned by the named executive officers under our Senior Management Compensation Program. Incentives earned in 2014 were paid in their entirety in 2015. With the exception of Mr. Marabito, incentives earned in 2013 were paid in their entirety in 2014. Mr. Marabito's 2013 incentive was paid 50% in 2014, 25% in 2015 and 25% in 2016.

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

(4) Compensation reported in this column for 2015 includes: (1) the amount of contributions we made on behalf of our named executive officers to our Supplemental Executive Retirement Plan ($97,500 for Mr. Siegal, $58,500 for Mr. Marabito, $91,000 for Mr. Wolfort, $74,750 for Mr. McNeeley and $31,200 for Mr. Manson) and our 401(k) and profit-sharing plan; (2) the premiums we paid for medical, dental, life and disability insurance for each named executive officer; and (3) the incremental cost to us of the following perquisites: country club dues, an allowance for personal tax return preparation fees and a cell phone and an automobile allowance.

2015 GRANTS OF PLAN-BASED AWARDS

The following table sets forth plan-based awards granted to our named executive officers during 2015.

		Estimated Potential Payouts Under Non-Equity Incentive Plan Awards(1)			**Estimated Future Payouts Under Equity Incentive Plan Awards**						
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)(2)**	**All Other Option Awards: Number of Securities Underlying Options ($)**	**Exercise or Base Price of Option Awards ($)**	**Gra Dat Fai Val of Stoc and Opt Aw ($)**
Siegal	—	0	223,037	3,000,000	—	—	—	—	—	—	—
	6/12/15	—	—	—	—	—	—	250	—	—	4,72
Marabito	—	0	223,037	3,000,000	—	—	—	—	—	—	—
	3/13/15	—	—	—	—	—	—	250	—	—	3,50
Wolfort	—	0	223,037	3,000,000	—	—	—	—	—	—	—
	3/13/15	—	—	—	—	—	—	250	—	—	3,50
McNeeley	—	488,750	575,000	690,000	—	—	—	—	—	—	—
	3/13/15	—	—	—	—	—	—	250	—	—	3,50
Manson	—	0	74,346	3,000,000	—	—	—	—	—	—	—
	3/13/15	—	—	—	—	—	—	250	—	—	3,50

(1) Excepting Mr. McNeeley, these columns reflect estimated potential payout amounts under our Senior Management Compensation Program for each of our named executive officers and the amounts set forth in the "target" column are representative target amounts that consist of the amounts earned by our named executive officers for 2014 under our Senior Management Compensation Program. Payouts under this program are capped at the maximum amount indicated in the table. For 2015, Messrs. Siegal, Wolfort, Marabito and Manson each earned no incentive as minimum ROA requirements were not met. Mr. McNeeley's incentive is calculated under a separate program and is determined by comparing CTI's actual operating profit to its budgeted operating profit. No incentive is paid if the ratio of actual operating profit to budgeted operating profit falls below 85%. The maximum incentive that can be earned is 120% of salary. In 2015, Mr. McNeeley earned no cash incentive. Cash incentives are further described in "Compensation Discussion and Analysis" above.

(2) The amounts in this column reflect the 250 shares of Common Stock awarded to each of our named executive officers who purchased at least 500 shares of Common Stock on the open market to meet stock holding guidelines.

Retention Agreements and Employment Agreements

We have entered into retention agreements and employment agreements with certain of our named executive officers. For more information about these agreements, see "Potential Payments upon Termination or Change in Control" below.

Senior Management Compensation Program

Our named executive officers, Vice Presidents, General Managers, certain Managers and other employees, as determined by our named executive officers, are eligible to participate in our Senior Management Compensation Program, which was amended effective January 1, 2013. As discussed above in Compensation Discussion and Analysis, our Senior Management Compensation Program provides for an annual cash incentive payout to participants based on our EBITDA and ROA.

Except in the case of Mr. McNeeley, annual cash incentive payouts, if any, will be paid to participants as follows: 50% of the annual cash incentive payout amount is paid to the participant following our year-end earnings release for the year in which the amount is earned; and 25% of the annual cash incentive payout amount is paid to the participant following our year-end earnings release for each of the first year and the second year after the year in which the amount is earned. If the remaining 50% of the cash incentive payout amount is less than 25% of the participant's base salary in the year in which the incentive is earned, then the entire cash incentive payout amount is paid to the participant at the time of the initial payment.

Eligible participants may defer amounts paid pursuant to our Senior Management Compensation Program under our Executive Deferred Compensation Plan described in "Retirement and Post-Employment Benefits." A participant who is not employed by us at the end of our fiscal year will forfeit the participant's annual cash incentive award. Notwithstanding the foregoing, a participant who terminates employment with us due to death, disability or retirement is eligible for a full or pro-rata annual cash incentive award at the discretion of our Compensation Committee. Additionally, a pro-rata annual cash incentive award will be paid in the event of a change of control.

OUTSTANDING EQUITY AWARDS AT 2015 FISCAL YEAR-END

The following table sets forth outstanding equity awards held by our named executive officers at December 31, 2015.

	Option Awards(1)					**Stock Awards**			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)(2)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(3)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights Have Not Vested ($)**
Siegal	4,000	—	—	$32.63	5/1/17	32,161	$372,424	—	—
Marabito	4,170	—	—	$32.63	5/1/17	19,296	$223,448	—	—
Wolfort	4,000	—	—	$32.63	5/1/17	30,017	$347,597	—	—
McNeeley	—	—	—	—	—	—	—	—	—
Manson	1,000	—	—	$32.63	5/1/17	—	—	—	—

(1) Stock options referenced in this table were granted under our Stock Option Plan, which is further described below.

(2)

The stock awards reflected in this column consist of RSUs granted to Messrs. Siegal, Marabito and Wolfort on December 30, 2011, which in each case will vest on January 1, 2017.

(3) Value is based on the closing price of our Common Stock of $11.58 on December 31, 2015, as reported on The Nasdaq Global Select Market.

Stock Option Plan

We adopted the Olympic Steel, Inc. Stock Option Plan, which we refer to as the Stock Option Plan, effective January 6, 1994. It expired in January 2009, though options outstanding under our Stock Option Plan upon its expiration will remain in effect until their respective termination dates. Employees, non-employee Directors and independent consultants were eligible to receive stock options under the Stock Option Plan. As of March 1, 2016, nine employees had outstanding options exercisable under the Stock Option Plan.

The exercise price for stock options issued under the Stock Option Plan was established as the fair market value of a share of Common Stock on the date of grant. Stock options became exercisable in accordance with the terms established by our Compensation Committee and expire ten years from the date of grant. Previously granted stock options were issued with vesting schedules ranging from six months to three years. To the extent possible, we issued shares of our treasury stock to option holders in satisfaction of shares issuable upon the exercise of stock options. Stock options granted under the Stock Option Plan generally terminate in the event of termination of employment or services. However, under certain circumstances, options may be exercised within three months after the date of termination of employment or services, or within one year of a participant’s death, but in any event not beyond the original term of the stock option. Upon a change in control (as defined in the Stock Option Plan) of the Company, all stock options may become immediately exercisable or may be terminated at the discretion of the Compensation Committee.

Incentive Plan

The Incentive Plan provides us with the authorization to grant stock options, stock appreciation rights, restricted shares, restricted share units, performance shares and other stock- and cash-based awards to our employees, Directors and consultants. Under the Incentive Plan, 500,000 shares of our Common Stock are available for equity grants.

Stock Options. If an award under the Incentive Plan is made in the form of stock options, the price of the option cannot be less than the fair market value of the underlying shares on the date of grant. Unless the Compensation Committee determines otherwise, fair market value for all purposes under the Incentive Plan is the last closing price of a share of our Common Stock as reported on The Nasdaq Global Select Market, or, if applicable, on another national securities exchange on which the Common Stock is principally traded, on the date for which the determination of fair market value is made, or, if there are no sales of Common Stock on such date, then on the most recent immediately preceding date on which there were any sales of Common Stock on such principal trading exchange. The term of stock options cannot exceed ten years. The Compensation Committee is entitled to set all conditions in connection with a participant's right to exercise an award and may impose such conditions as it sees fit. No participant may be awarded incentive stock options that are first exercisable during any calendar year that involve shares having a fair market value, determined at the time of grant, in excess of $100,000. Options are settled in shares.

Stock Appreciation Rights. Awards under the Incentive Plan may take the form of stock appreciation rights, which allow the holder to realize the value of the difference between the market price of our Common Stock at the time that the rights are granted and the market value of that stock when the rights are exercised. The term of stock appreciation rights cannot exceed ten years. If the value of the stock has not increased during that time, the rights will have no value. Stock appreciation rights may be settled in cash, shares or a combination of cash and shares, as determined by the Compensation Committee and provided in the applicable award agreement.

Restricted Share and Restricted Share Units. Awards under the Incentive Plan may take the form of restricted shares and restricted share units, which involve the granting of shares to participants subject to restrictions on transferability and any other restrictions the Compensation Committee may impose. The restrictions lapse if either the holder remains employed by us for a period of time established by the Compensation Committee under the applicable award agreement or satisfies other restrictions, including performance-based restrictions, during the period of time established by the Compensation Committee. Restricted share units are similar to restricted shares except that no shares are actually awarded to the participant on the date of grant and the holder typically does not enjoy any shareholder rights (including voting) with respect to the units. Restricted share awards and restricted share unit awards are settled in shares.

Performance Shares. Awards under the Incentive Plan may take the form of performance shares. The period of time over which performance goals are measured must be set in advance of establishing the performance goal or goals for the period of time and will be of such duration as the Compensation Committee shall determine. Performance shares may be settled in shares.

Other Stock-Based Awards and Cash-Based Awards. Other stock-based awards are awards of stock-based compensation that do not fit within the scope of the other specifically enumerated types of awards. The Compensation Committee may make cash-based awards with a range of payments levels. Cash-based awards may be based upon the achievement of performance goals. Other stock-based awards and cash-based awards may be settled in cash, shares or a combination of cash and shares, as determined by the Compensation Committee and provided in the applicable award agreement. Under the Incentive Plan, cash-based awards may not be settled with restricted stock.

2015 OPTION EXERCISES AND STOCK VESTED

There were no stock option exercises by our named executive officers during 2015, nor did any restricted shares held by our named executive officers vest in 2015.

2015 PENSION BENEFITS

None of the named executive officers participates in a defined benefit pension plan sponsored by us. All named executive officers participate in the same defined contribution plan as all of our other non-union employees.

2015 NONQUALIFIED DEFERRED COMPENSATION

The following table sets forth information relating to participation by the named executive officers in our Supplemental Executive Retirement Plan and voluntary participation in the Executive Deferred Compensation Plan during 2015.

Name	Executive Contributions in Last Fiscal Year	Registrant Contributions in Last Fiscal Year(1)	Aggregate Earnings (Losses) in Last Fiscal Year(2)	Aggregate Withdrawals or Distributions	Aggregate Balance at Last Fiscal Year-End(3)
Siegal(a)	$ —	$ 126,495	$(140,311)	$ —	$ 2,374,428
Marabito(a)	$ —	$ 87,495	$(102,861)	$ —	$ 1,211,575
Wolfort(a)	$ —	$ 119,995	$(71,096)	$ —	$ 2,343,820
Wolfort(b)	$ —	$ —	$(214,151)	$ —	$ 413,886
McNeeley(a)	$ —	$ 74,750	$(83,666)	$ —	$ 190,775
McNeeley(b)	$ —	$ 95,881	$(27,251)	$ —	$ 2,350,996
Manson(a)	$ —	$ 37,265	$(36,422)	$ —	$ 85,249

(a) Supplemental Executive Retirement Plan

(b) Executive Deferred Compensation Plan

(1) The amounts reported in this column represent the amounts accrued to each executive officer in the "All Other Compensation" column of the 2014 Summary Compensation Table and funded in 2015, as described in footnote (4) to the "All Other Compensation" table. Amounts accrued in 2015, but not funded until 2016, are included in the 2015 Summary Compensation Table.

(2) No portion of the amounts reported in this column represent above-market or preferential interest or earnings accrued on the applicable plan and, accordingly, have not been included in the "Change in Pension Value and Nonqualified Deferred Compensation on Earnings" column of the 2015 Summary Compensation Table. Please see the discussions of the Supplemental Executive Retirement Plan and the Executive Deferred Compensation Plan below for a description of how earnings are calculated under each plan.

(3) This column reflects the balance of all contributions and the aggregate earnings on such contributions.

Supplemental Executive Retirement Plan

On January 1, 2005, we established the Supplemental Executive Retirement Plan, which we sometimes refer to as the SERP, in order to provide unfunded deferred compensation to a select group of our executive officers, management and highly compensated employees. Currently, all of our named executive officers participate in the Supplemental Executive Retirement Plan.

The Supplemental Executive Retirement Plan provides for a single lump sum payment to participants of their vested account balance, as adjusted for earnings and losses prior to distribution, following a "qualified" retirement from the Company. Participants who retire from the Company after attaining the age of 62 will be entitled to receive a lump sum payment of their vested account balance six months after the date of retirement. Participants who retire from the Company after attaining the age of 55, but prior to attaining the age of 62, will be entitled to receive a lump sum payment of their vested account balance after the later of the attainment of the age of 62 or six months following the date of retirement.

Generally, benefits under the Supplemental Executive Retirement Plan vest at the end of the five-year period after the executive becomes a participant in the Supplemental Executive Retirement Plan. The benefits of Mr. McNeeley, who became a participant on July 1, 2011, vest according to this schedule. The benefits of Messrs. Siegal, Wolfort, Marabito and Manson are fully vested in the plan.

Participants' benefits under the Supplemental Executive Retirement Plan will become fully vested upon (1) death while an employee of the Company, (2) termination of employment due to disability, (3) the effective date of any termination of the Supplemental Executive Retirement Plan or (4) the date of a change of control.

We annually allocate a deemed "base contribution" under the Supplemental Executive Retirement Plan for each participant in an amount equal to thirteen percent (13%) of a participant's "Applied Compensation." A participant's "Applied Compensation" is the sum of: (1) the participant's annual base salary; plus (2) the lesser of (a) the actual bonus earned by the participant under the Senior Management Compensation Program in the applicable year, or (b) 50% of the participant's annual base salary earned in the applicable year. Additionally, in the case of Messrs. Siegal, Wolfort, Marabito and McNeeley, we annually allocate an "incentive contribution" under the Supplemental Executive Retirement Plan for each participant, based on our annual return on invested capital for the applicable year, in an amount of 0 to 19.6% of the participant's Applied Compensation. The percentage is determined in accordance with the following table:

Actual Return on Invested Capital	**Percentage of Participant's Applied Compensation**	
5% or Less	0.0	%
6%	0.8	%
7%	1.6	%
8%	2.4	%
9%	3.2	%
10%	4.0	%
11%	6.6	%
12%	9.2	%
13%	11.8	%
14%	14.4	%
15%	17.0	%
16% or Greater	19.6	%

A participant's account will be credited with earnings and losses based on the performance of investment funds selected by the participant. Account balances are credited with earnings, gains or losses based on the performance of investment options that are the same as those available to all of our employees who participate under our 401(k) plan.

Earnings under the Supplemental Executive Retirement Plan and the Executive Deferred Compensation Plan are based on the following underlying funds, which had the following annual returns in 2015:

Fund(1)	**Annual Return (%)**
MetLife Stable Value Fund	1.9
American Funds Income Fund of America	-1.6
American Funds EuroPacific Growth	-0.8
Columbia Select Large Cap Growth Fund	7.6
Columbia Large Cap Index Fund	1.0
Columbia Contrarian Fund	2.8
Deleware Small Cap Core Fund	-3.6
Franklin US Government Securities	0.9
Janus Advisor Perkins Global Value	-2.2
JP Morgan High Yield	-4.8
MFS International New Discovery	2.5
MFS Research Blended	0.7
MFS Research Bond	-0.7
MFS Total Return Fund	-0.4
MFS Value Fund	-0.8
Nuveen Symphony	5.4
Oak Ridge Small Cap Growth	-4.7
Principal Mid Cap Blend	1.1
Principal Inv SAM Conservative Balanced	-1.2
PIMCO Funds Money Market	0.0
Prudential Mid Cap Value Fund	-6.6

(1) These investment options are generally the same as those available to all of our employees who participate under our 401(k) plan.

Starting in 2012, amounts credited for executives under the Supplemental Executive Retirement Plan are deemed to be invested in Common Stock. The mechanism for this deemed investment in Common Stock is the issuance to Supplemental Executive Retirement Plan participants of restricted stock units under the Incentive Plan with a dollar value equal to the amount credited to the participant under the Supplemental Executive Retirement Plan and deemed invested in Common Stock. The entire amount credited for Messrs. Siegal, Wolfort, Marabito and McNeeley is deemed invested in shares of Common Stock in this manner. For other SERP participants, 50% of the amount credited will be deemed invested in shares of Common Stock, and the remaining 50% is deemed invested in other investment funds as had occurred previously, unless the participant elects to have all or a portion of the remaining 50% deemed invested in shares of Common Stock. Mr. Manson has elected to have 100% of his SERP contribution deemed invested in shares of Common Stock. Since 2014, the entire SERP contribution for all participants has been deemed invested in shares of Common Stock.

Executive Deferred Compensation Plan

The Olympic Steel, Inc. Executive Deferred Compensation Plan, which we refer to as the Executive Deferred Compensation Plan, is a voluntary non-qualified contributory savings plan we established, effective December 1, 2004, for the purpose of providing a tax effective deferred compensation opportunity for a select group of our management and/or highly compensated employees. Currently, Mr. Wolfort is the only participant who has elected to participate in the Executive Deferred Compensation Plan. Mr. McNeeley also participates in a deferred compensation program at CTI that was established prior to the Company's acquisition of CTI.

Participants may defer all or any portion of their annual incentive award and up to 90% of their base salary to the Executive Deferred Compensation Plan. Each Participant is eligible to designate one or more investment options that are available under our 401(k) and profit-sharing plan as the deemed investment(s) for the participant's deferred compensation account or such other investment options determined appropriate in the sole discretion of the Board. Employee deferrals are credited with earnings, gains or losses based on the performance of investment options that are available under our 401(k) and profit-sharing plan and selected by the employee. Earnings under the Executive Deferred Compensation Plan are based on the same funds, with same annual returns for 2015, as described above with respect to the Supplemental Executive Retirement Plan. Participants in the Executive Deferred Compensation Plan may also choose to invest in Company stock. A participant's contributions are always 100% vested, and distributions from the plan will be paid in cash in a single lump sum upon termination of employment.

POTENTIAL PAYMENTS UPON TERMINATION

OR CHANGE IN CONTROL

Retention Agreements

We have executed retention agreements with Messrs. Siegal, Wolfort, Marabito and Manson. Under these agreements, which do not become operative unless we incur a change in control (as defined in the agreements), we agreed to continue the employment of the officer for a certain period following the change in control in the same position with the same duties and responsibilities and at the same compensation level as existed prior to the change in control. If the officer's employment is terminated without cause or by the officer for "good reason" during such period, the officer is entitled to receive a lump-sum severance payment with continuation of medical, dental, disability and life insurance benefits for two years (one year in the cases of Mr. Manson). The applicable period for Messrs. Siegal, Wolfort and Marabito is two years and their severance payment is equal to 2.99 times the average of their respective last three years' compensation. The applicable period for Mr. Manson is one year and the severance payment is equal to the average of his last three years' compensation. Under our long-term equity-based incentive program, upon a change in control, each of our named executive officers would also be entitled to receive a payout for his or her restricted stock units award made under our Incentive Plan.

Compensation for purposes of this calculation includes salary, cash bonus, Company contributions to the Supplemental Executive Retirement Plan and 401(k) and profit-sharing plan on behalf of the officer, personal tax preparation fees, automobile allowance and country club dues (except in the case of Mr. Manson). These retention agreements also provide that, in the event that any of the payments or benefits described above would constitute a "parachute payment" under Internal Revenue Code Section 280G, the payments or benefits provided will be reduced so that no portion is subject to the excise tax imposed by Internal Revenue Code Section 4999, but only to the extent such reduction will result in a net after tax benefit to the officer. Each of the retention agreements contains a non-competition prohibition for two year post-employment (one year in the case of Mr. Manson).

The table below reflects the approximate amounts that would be payable to each named executive officer under his retention agreement assuming that we incurred a change in control at December 31, 2015, that the officer's employment was terminated in a manner triggering payment of the above benefits, and that no reduction of benefits would be made in order to avoid excise taxes imposed by Internal Revenue Code Section 4999.

	Siegal	**Marabito**	**Wolfort**	**Manson**
Salary	$2,242,500	$1,345,500	$2,093,000	$217,436
Cash Incentive Payout	$458,433	$458,433	$458,433	$51,107
Retirement Plan Contribution Amounts(1)	$374,443	$256,288	$355,008	$42,710
Personal Benefit Amount(2)	$162,988	$112,116	$231,875	$14,100

Continuation of Insurance Coverage(3)	$63,435	$59,339	$67,465	$19,010
Long-Term Equity Based Incentive Payout	$—	$—	$—	$—
Total(4)	$3,301,799	$2,231,676	$3,205,781	$344,363

(1) The amounts in this row represent the lump sum payment amount that would be paid to the officer in respect of Company contributions on behalf of the officer to our 401(k) and profit-sharing plan and the Supplemental Executive Retirement Plan (2.99 times $117,432 for Mr. Siegal, $77,915 for Mr. Marabito, $110,932 for Mr. Wolfort and one times $34,901 for Mr. Manson).

(2) The amounts in this row represent the lump sum payment amount that would be paid to the officer in respect of following personal benefits and perquisites provided to the officer: cell phone allowance and automobile allowance (all), fees for personal tax and financial planning (in the cases of Messrs. Siegal, Marabito and Wolfort) and country club dues (in the cases of Messrs. Siegal, Marabito and Wolfort).

(3) The amounts in this row represent 2.99 times the amounts that we would be paid for the continuation of medical, dental, disability and life insurance coverage for Messrs. Siegal, Wolfort and Marabito and one times the amounts for Mr. Manson.

(4) The amounts for each item represent 2.99 times the compensation amounts in the cases of Messrs. Siegal, Wolfort and Marabito and one time the total compensation for Mr. Manson.

Employment Agreements

Siegal Employment Agreement. On November 21, 2012, we entered into an amended and restated employment agreement with Michael D. Siegal, with an effective date of December 1, 2012, pursuant to which Mr. Siegal will serve as our Chairman and Chief Executive Officer for a term ending January 1, 2018, with an automatic three-year extension unless we or Mr. Siegal provide notice otherwise on or before July 1, 2017. Under the agreement, Mr. Siegal is to receive a base salary of $750,000 per year, subject to possible future increases as determined by the Board of the Company or any duly authorized committee.

During the period of employment, Mr. Siegal will be eligible for a performance bonus under our Senior Management Compensation Program in place as of 2012, as amended, or such other bonus plan that replaces that plan, and Mr. Siegal will be eligible to participate in any long-term incentive plan that may be created or amended by the Board from time to time. If we terminate Mr. Siegal’s employment without cause or Mr. Siegal terminates his employment for good reason during his employment period, he will continue to receive his base salary, annual bonus and any other benefits applicable to him under the welfare and benefit plans we maintain, including Company contributions to the Supplemental Executive Retirement Plan and 401(k) and profit-sharing plan, coverage under our medical, dental, disability and life insurance programs, reimbursement for personal tax and financial planning, and an allowance for country club dues and automobile and cell phone allowances, as in effect on the date of termination, during the period ending on the earliest of (1) January 1, 2018, (2) a breach of the non-competition, non-solicitation or confidentiality clause or (3) twenty-four months from the date of termination of employment. If Mr. Siegal’s employment is terminated due to death, he or his estate will continue to receive his base salary for one year thereafter. If Mr. Siegal’s employment is terminated due to death or disability, he and/or his spouse and any minor children will be eligible to continue to participate in our health insurance programs for one year thereafter. If Mr. Siegal’s employment had been terminated due to death or disability as of December 31, 2015, he or his estate would be entitled to receive $750,000 in respect of his base salary and $17,839 in premiums under our medical and dental insurance programs. The employment agreement contains a two-year non-competition and non-solicitation prohibition and customary confidentiality provisions. Assuming that we terminated Mr. Siegal’s employment without cause as of December 31, 2015, he would be entitled to receive the following benefits: $1,500,000 in respect of his base salary, $0 in respect of his bonus, $210,900 in Company contributions to the Supplemental Executive Retirement Plan and 401(k) and profit-sharing plan, $42,574 in premiums for coverage under our medical, dental, disability and life insurance programs, $20,000 for reimbursement of personal tax and financial planning fees, and $100,382 allowances for country club dues, an automobile and a cell phone, for a total of $1,873,856.

Wolfort Employment Agreement. Effective May 5, 2011, we entered into an agreement with David A. Wolfort pursuant to which Mr. Wolfort will serve as our President and Chief Operating Officer for a term beginning on January 1, 2011 and ending January 1, 2016. Under the agreement, Mr. Wolfort received a base salary of $700,000. On December 31, 2015, Mr. Wolfort entered into a new agreement covering the period of January 1, 2016 through December 31, 2020. Under the new agreement, he will receive a base salary of $735,000, subject to possible future increases as determined by the Board of the Company or any duly authorized committee.

During the period of employment, Mr. Wolfort will be eligible for a performance bonus under our Senior Management Compensation Program in place as of 2011, as amended, or such other bonus plan that replaces that plan, and Mr. Wolfort will be eligible to participate in any long-term incentive plan that may be created or amended by the Board from time to time. If we terminate Mr. Wolfort's employment without cause during the employment term, he will continue to receive his base salary, annual bonus and any other benefits applicable to him under the welfare and benefit plans we maintain, including Company contributions to the Supplemental Executive Retirement Plan and 401(k) and profit-sharing plan, coverage under our medical, dental, disability and life insurance programs, reimbursement for personal tax and financial planning and an allowance for country club dues, an automobile and a cell phone, as in effect on the date of termination, for a period ending on the earlier of (1) December 31, 2020, (2) a breach of the non-competition, non-solicitation or confidentiality clause or (3) twenty-four months from the date of termination of employment. If Mr. Wolfort's employment is terminated due to death, he or his estate will continue to receive his base salary for one year thereafter. If Mr. Wolfort's employment is terminated due to death or disability, he and/or his spouse and any minor children will be eligible to continue to participate in our health insurance programs for one year thereafter. If Mr. Wolfort's employment had been terminated due to death or disability as of December 31, 2015, he or his estate would be entitled to receive $700,000 in respect of his base salary and $17,910 in premiums under our medical and dental insurance programs. The employment agreement contains a two-year non-competition and non-solicitation prohibition and customary confidentiality provisions. Assuming that we terminated Mr. Wolfort's employment without cause as of December 31, 2015, he would be entitled to receive the following benefits: $1,400,000 in respect of his base salary, $0 in respect of his bonus, $197,900 in Company contributions to the Supplemental Executive Retirement Plan and 401(k) and profit-sharing plan, $45,270 in premiums for coverage under our medical, dental, disability and life insurance programs, $20,000 for reimbursement of personal tax and financial planning fees, and $140,210 allowances for country club dues, an automobile and a cell phone, for a total of $1,803,380.

Marabito Employment Agreement. Effective November 23, 2011, we entered into an employment agreement with Richard T. Marabito pursuant to which Mr. Marabito will serve as our Chief Financial Officer for a term beginning on December 1, 2011 and ending January 1, 2017, with an automatic three-year extension unless we or Mr. Marabito provide notice otherwise on or before July 1, 2016. Under the agreement, Mr. Marabito is to receive a base salary of $450,000, subject to possible future increases as determined by the Board of the Company or any duly authorized committee.

During the period of employment, Mr. Marabito will be eligible for a performance bonus under our Senior Manager Compensation Program in place as of 2011, as amended, or such other bonus plan that replaces that plan, and Mr. Marabito will be eligible to participate in any long-term incentive plan that may be created or amended by the Board from time to time. If we terminate Mr. Marabito's employment without cause during his employment period, he will continue to receive his base salary, annual bonus and any other benefits applicable to him under the welfare and benefit plans we maintain, including Company contributions to the Supplemental Executive Retirement Plan and 401(k) and profit-sharing plan, coverage under our medical, dental, disability and life insurance programs, reimbursement for personal tax and financial planning and an automobile and cell phone allowance, as in effect on the date of termination, during the period ending on the earlier of (1) January 1, 2017, (2) a breach of the non-competition, non-solicitation or confidentiality clause or (3) twenty-four months from the date of termination of employment. If Mr. Marabito's employment is terminated due to death, he or his estate will continue to receive his base salary for one year thereafter. If Mr. Marabito's employment is terminated due to death or disability, he and/or his spouse and any minor children will be eligible to continue to participate in our health insurance programs for one year thereafter. If Mr. Marabito's employment had been terminated due to death or disability as of December 31, 2015, he or his estate would be entitled to receive $450,000 in respect of his base salary and $17,910 in premiums under our medical and dental insurance programs. The employment agreement contains a two-year non-competition and non-solicitation prohibition and customary confidentiality provisions. Assuming that we terminated Mr. Marabito's employment without cause as of December 31, 2015, he would be entitled to receive the following benefits: $900,000 in respect of his base salary, $0 in respect of his bonus, $132,900 in Company contributions to the Supplemental Executive Retirement Plan and 401(k) and profit-sharing plan, $39,156 in premiums for coverage under our medical, dental, disability and life insurance programs, $16,000 for reimbursement of personal tax and financial planning fees, and $57,600 allowances for an automobile and a cell phone, for a total of $1,145,636.

McNeeley Employment Agreement. Effective July 1, 2011, we entered into an employment agreement with Donald R. McNeeley pursuant to which Mr. McNeeley will serve as President of CTI for a term ending July 1, 2016, with an automatic three-year extension unless Mr. McNeeley provides notice otherwise on or before April 1, 2016. Under the agreement, Mr. McNeeley is to receive a base salary of $575,000, subject to possible future increases as determined by the Board of the Company or any duly authorized committee.

During the period of employment, Mr. McNeeley will be eligible for an annual performance bonus and will also be eligible to participate in any long-term incentive plan that may be created or amended by the Board from time to time. Mr. McNeeley would be eligible for varying levels of severance payments and benefits depending on the circumstances of his termination of employment and when the termination takes place. If we terminate Mr. McNeeley's employment for any reason other than an illegal act prior to July 1, 2016 or if he terminates his employment for good reason prior to July 1, 2014, he will (1) continue to receive his base salary until the earlier of

July 1, 2016 or the date he breaches his obligations under the employment agreement and (2) continue to receive reimbursement for his country club membership fees and dues until he reaches age 65, he becomes employed full time by another employer or he breaches his obligations under the employment agreement, whichever occurs first. If Mr. McNeeley terminates his employment for any reason on or after July 1, 2014 but prior to July 1, 2016, Mr. McNeeley will continue to receive half his base salary and full reimbursement of his country club member fees and dues until the dates those payments would have ceased had we instead terminated him for a reason other than an illegal act on that date, as explained in the preceding sentence. In addition, if, at any time prior to July 1, 2019, we terminate Mr. McNeeley's employment without good cause or if, prior to July 1, 2016, he terminates his employment for good reason, he will be entitled to continued medical coverage at active employee contribution rates until he becomes eligible for Medicare or, if earlier, another employer's medical plan. The employment agreement contains a two-year non-competition and non-solicitation prohibition and customary confidentiality provisions. Assuming we terminated Mr. McNeeley's employment for a reason other than an illegal act as of December 31, 2015, he would be entitled to receive the following benefits: $287,500 in respect of his base salary, approximately $12,938 in respect of his country club membership fee and dues reimbursement, and $8,755 in Company-paid premiums for coverage under our medical plan, for a total of $309,193.

Retirement Plans

Our executive officers are eligible to participate in our Supplemental Executive Retirement Plan and each of our named executive officers is eligible to participate in our Executive Deferred Compensation Plan. The aggregate account balance of each named executive officer under these plans and a description of the amounts payable to each such executive upon retirement from their employment with us are provided under the 2014 Nonqualified Deferred Compensation Table.

2015 DIRECTOR COMPENSATION

The following table summarizes compensation paid to our non-employee Directors in 2015:

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards(2)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation	Total
Meathe	$25,000	$ 34,994	$ —	$ —	$ —	$ —	$59,994
Rippey	$37,500	$ —	$ —	$ —	$ —	$ —	$37,500
Goldstein	$57,500	$ 69,987	$ —	$ —	$ —	$ —	$127,487
Kempthorne	$55,000	$ 69,987	$ —	$ —	$ —	$ —	$124,987
Della Ratta	$62,500	$ 69,987	$ —	$ —	$ —	$ —	$132,487
Anton	$62,500	$ 69,987	$ —	$ —	$ —	$ —	$132,487

(1) The amounts shown do not reflect compensation actually received by the non-employee Director. The amounts shown in this column are the grant date fair values for these stock awards calculated in accordance with ASC Topic 718. See Note 10 to our condensed consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2015 for details as to the assumptions used to determine the fair value of the stock awards.

(2) The non-employee directors had no option awards outstanding as of December 31, 2015.

During 2015, each Director who was not one of our employees received a $12,500 quarterly cash retainer and reimbursement for out-of-pocket expenses incurred in connection with attending board meetings. The Audit and Compliance Committee Chairman received an additional $3,125 per quarter, the Chairman of the Compensation received an additional $1,875 per quarter, the Chairman of the Nominating Committee received an additional $1,250 per quarter and the Lead Director received an additional $3,125 per quarter. Directors who are also our employees receive no additional remuneration for serving as Directors.

Since 2013, each non-employee Director, within five years of joining the Board, is required to own Common Stock with a value equal to three times the annual cash retainer. Actual shares owned and restricted stock units that vest upon the Director's retirement from the Board are counted toward the ownership requirement.

Excepting Mr. Meathe, the Compensation Committee approved the grant of 4,638 time-based restricted stock units to each non-employee Director then serving, effective March 1, 2015. Mr. Meathe was granted a 2,319 time-based restricted stock unit award in connection with his service as a Director through the 2015 Annual Meeting of Shareholders. Subject to the terms of the Incentive Plan and the restricted stock units award agreement executed by each non-employee Director, the restricted stock units vested on January 1, 2016. The restricted stock units are not converted into shares of Common Stock until the Director either resigns or is terminated from the Board.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2015 regarding shares outstanding and available for issuance under the Stock Option Plan and the Incentive Plan:

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	333,960	$ 23.00	110,549
Equity compensation plans not approved by security holders	—	—	—
Totals	333,960	$ 23.00	110,549

RELATED PARTY TRANSACTIONS

We have adopted a written policy for the review of transactions with related persons. The policy generally requires review, approval or ratification of transactions involving amounts exceeding $120,000 in which we are a participant and in which a Director, Director-nominee, executive officer or a significant shareholder of the Company, or an immediate family member of any of the foregoing persons, has a direct or indirect material interest. These transactions must be reported for review by our Audit and Compliance Committee. Following review, our Audit and Compliance Committee determines to approve or ratify these transactions, taking into account, among other factors it deems appropriate, whether they are on terms no less favorable to us than those available with other unaffiliated parties and the extent of the related person's interest in the transaction. The Chairman of our Audit and Compliance Committee has the authority to approve or ratify any related party transaction in which the aggregate amount involved is expected to be less than $500,000. The policy provides for standing pre-approval of certain related party transactions, even if the amounts involved exceed $120,000, including certain transactions involving: compensation paid to our executive officers and Directors; other companies or charitable organizations where the amounts involved do not exceed $500,000 or 2% of the organization's total annual revenues or receipts; proportional benefits to all shareholders; rates or charges determined by competitive bids; services as a common or contract carrier or public utility; and banking-related services.

Mr. Siegal holds a 50% ownership in the partnership that owns a Cleveland warehouse that the Company has leased since 1956. The warehouse is currently leased through December 31, 2018, with four five-year renewal options, at a monthly rental of $17,000.

The relationship described above has been reviewed and ratified in accordance with our policy for review of transactions with related persons.

AUDIT COMMITTEE REPORT

The purpose of the Audit and Compliance Committee is to assist the Board in its general oversight of our financial reporting, internal controls and audit functions. The Audit and Compliance Committee charter describes in greater detail the full responsibilities of the committee and is available through the “Investor Relations” section of our website at www.olysteel.com. The Audit and Compliance Committee is comprised solely of independent Directors as defined by the listing standards of the Nasdaq and by Rule 10A-3 under the Exchange Act.

The Audit and Compliance Committee has reviewed and discussed our consolidated financial statements with management and PwC, our independent auditors. Management is responsible for our financial statements and the financial reporting process, including the systems of internal controls. The independent auditors are responsible for performing an independent audit of our consolidated financial statements and internal control over financial reporting in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), or PCAOB, and to issue a report thereon. The Audit and Compliance Committee monitors and oversees these processes on behalf of the Board.

Management continued to review and enhance the internal control evaluation process and the Audit and Compliance Committee was kept apprised of the progress of the evaluation and provided oversight and advice to management. In connection with this oversight, the Audit and Compliance Committee receives periodic updates provided by management and PwC at each regularly scheduled Audit and Compliance Committee meeting. These updates occur at least quarterly. The Audit and Compliance Committee also holds regular private sessions with PwC to discuss their audit plan for the year, the financial statements and risks of fraud. At the conclusion of the process, management provides the Audit and Compliance Committee with a report on the effectiveness of our internal control over financial reporting, which is reviewed by the Committee. The Audit and Compliance Committee also reviews the report of management contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC, as well as PwC’s Report of Independent Registered Public Accounting Firm included in our Annual Report on Form 10-K related to its integrated audit of our fiscal 2015 consolidated financial statements and the effectiveness of internal control over financial reporting.

As part of fulfilling its responsibilities, the Audit and Compliance Committee reviewed and discussed the audited consolidated financial statements for 2015 with management and discussed with our independent auditors those matters required to be discussed by Statement on Auditing Standards No. 16, “Communications with Audit Committee,” as adopted by the PCAOB. The Audit and Compliance Committee received the written disclosures and the letter from PwC required by the applicable requirements of the PCAOB regarding PwC’s communications with the Audit and Compliance Committee and discussed that firm’s independence with representatives of the firm. The Audit and Compliance Committee also monitored the services provided by the independent auditors, pre-approved all audit-related services, discussed with PwC the effect of the non-audit services performed on auditor independence, and concluded that the provision of such services by PwC was compatible with the maintenance of that firm’s independence in conducting its auditing functions.

Based upon the Audit and Compliance Committee's review of the audited consolidated financial statements and its discussions with management and our independent auditors, the Audit and Compliance Committee recommended that the Board include the audited consolidated financial statements for the fiscal year ended December 31, 2015 in our Annual Report on Form 10-K filed with the SEC.

This report is submitted on behalf of the members of the Audit and Compliance Committee:

Arthur F. Anton, Chairman

Howard L. Goldstein

Ralph M. Della Ratta

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Company has selected PwC, an independent registered public accounting firm, as its independent auditors for 2016. The decision to retain PwC was made by the Audit and Compliance Committee.

Audit Fees. Aggregate fees for professional services rendered by PwC for the audit of our annual financial statements and for its review of the financial statements included in our Forms 10-Q, were $932,000 for 2015 and $848,000 for 2014. Services performed in 2015 and 2014 include the audit of our annual financial statements, the internal control attestations required under the Sarbanes-Oxley Act, and the quarterly reviews of the financial statements included in our Forms 10-Q.

Audit-Related Fees. Aggregate fees for assurance and related services by PwC that were reasonably related to the performance of the audit or review of our financial statements and which were not reported under “Audit Fees” above were $0 in 2015 and $0 in 2014.

Tax Fees. Aggregate fees for federal and state tax services. There were $0 and $18,477 in tax fees paid to PwC in 2015 and 2014, respectively.

All Other Fees. Other fees paid to PwC in 2015 and 2014 totaled $0 and $5,000, respectively. Fees paid in 2014 related to the review of an employee trust.

Pre-Approval Policy. All services listed above were pre-approved by the Audit and Compliance Committee, which concluded that the provision of such services by PwC was compatible with the maintenance of that firm’s independence in the conduct of its auditing functions. The Audit and Compliance Committee Charter provides for pre-approval by the Audit and Compliance Committee of non-audit services provided by PwC.

PROPOSAL TWO

RATIFICATION OF THE SELECTION OF

THE COMPANY'S INDEPENDENT AUDITORS

PwC served as independent auditors of the Company for the year ended December 31, 2015 and has been retained by the Audit and Compliance Committee to do so for the year ending December 31, 2016.

Shareholder ratification of the selection of PwC as the Company's independent auditors is not required by the Company's Amended and Restated Code of Regulations or otherwise. However, the Board is submitting the selection of PwC to the shareholders for ratification. If the shareholders do not ratify the selection, the Audit and Compliance Committee will reconsider whether or not to retain the firm. In such event, the Audit and Compliance Committee may retain PwC, notwithstanding the fact that the shareholders did not ratify the selection, or select another nationally recognized accounting firm without resubmitting the matter to the shareholders. Even if the selection is ratified, the Audit and Compliance Committee reserves the right in its discretion to select a different nationally recognized accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders. Representatives of PwC are expected to be present at the Annual Meeting and will have the opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

The proposal regarding the ratification of PwC as our independent registered public accounting firm requires the affirmative vote of a majority of the shares of Common Stock having voting power present in person or by proxy at the Annual Meeting. As a result, abstentions will have the same effect as a vote cast against the proposal. Proposal Two is a routine matter and a broker or other financial institution that holds your shares in its name may vote your shares with respect to this proposal if you do not provide it with voting instructions. Accordingly, there should be no broker non-votes with respect to this proposal. As an advisory vote, the ratification of PwC as our independent registered public accounting firm is not binding on the Company.

The Board recommends a vote "FOR" the ratification of the selection of PwC as the Company's independent auditors for the year ending December 31, 2016.

PROPOSAL THREE

ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

As required by Section 14A(a)(1) under the Exchange Act, shareholders are entitled to an advisory vote at the Annual Meeting on the compensation of the Company's named executive officers as disclosed in this Proxy Statement. We are currently conducting say-on-pay votes every year, and expect to hold the next say-on-pay vote in connection with our 2017 Annual Meeting.

As described more fully in the Compensation Discussion and Analysis section of this Proxy Statement, the Company's executive compensation program is designed to support our long-term business strategy and link our executives' interests with those of our shareholders. We designed the compensation program to, among other things, provide incentives for executives to help us achieve business objectives and give the Compensation Committee the flexibility necessary to reward executives for achieving such objectives.

Accordingly, shareholders are being asked to approve the following resolution at the Annual Meeting:

"RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED."

As an advisory vote, the shareholder vote on named executive officer compensation is not binding on the Company or the Board. Although the shareholder vote on executive compensation is not binding on the Company, the Board and the Compensation Committee will consider the outcome of the vote in establishing compensation philosophy and making future compensation decisions.

The proposal regarding the resolution approving named executive officer compensation requires the affirmative vote of a majority of the holders of the shares of Common Stock having voting power present or by proxy at the Annual Meeting. As a result, abstentions will have the same effect as a vote cast against the proposal, but broker non-votes will have no impact on the outcome of this proposal.

The Board recommends a vote "FOR" the approval, on an advisory basis, of the compensation of the named executive officers as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion in this proxy statement.

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PROPOSAL FOUR

Approval of the AMENDED AND RESTATED OLYMPIC STEEL, INC. 2007 Omnibus Incentive Plan

In March 2016, both the Compensation Committee and the Board approved, subject to shareholder approval, an amendment and restatement of the Olympic Steel, Inc. 2007 Omnibus Incentive Plan, which we refer to as the Current Incentive Plan. The amendment and restatement is in the form of the Amended and Restated Olympic Steel, Inc. 2007 Omnibus Incentive Plan, which we refer to as the Amended and Restated Incentive Plan.

If the Amended and Restated Incentive Plan is approved by our shareholders, it will be effective as of the date of the date of the 2016 Annual Meeting of Shareholders. If the Amended and Restated Incentive Plan is not approved by our shareholders, no awards will be made under the Amended and Restated Incentive Plan, and our ability to make certain performance awards to certain recipients may be limited.

The principal purpose of amending and restating the Current Incentive Plan is to increase the maximum number of shares of Common Stock available for awards thereunder from 500,000 shares to 1,000,000 shares, an increase of 500,000 shares (or 4.6% of our outstanding Common Stock as of March 10, 2016). Shareholder approval of the Amended and Restated Incentive Plan is also intended to constitute approval of the material terms for “qualified performance-based compensation” under the Amended and Restated Incentive Plan for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), as discussed further below. In addition to these purposes, the Company is also proposing to amend the Current Incentive Plan to: (i) provide for one-year minimum vesting for awards; (ii) revise the definition of Change of Control (as discussed below); (iii) expressly provide for limited share recycling; and (iv) expressly prohibit the repricing of stock options and stock appreciation rights without shareholder approval.

Why We Believe You Should Vote for Proposal Four

The Amended and Restated Incentive Plan is designed to: (a) attract and retain skilled and qualified officers, other employees, directors and consultants who are expected to contribute to the Company’s success; (b) motivate Amended and Restated Incentive Plan participants to achieve the long-term success and growth of the Company; (c) facilitate ownership of shares of Common Stock; and (d) align the interests of the Amended and Restated Incentive Plan participants with those of the Company’s public shareholders. The Board and the Compensation Committee believe that the awards that would be available for issuance under the Amended and Restated Incentive Plan will help to incentivize eligible officers, employees, directors and consultants to promote the interests of the Company and its shareholders, while also providing an important mechanism to attract and retain key management talent by providing long-term compensation opportunities competitive with those made available by other companies. In general, the Amended and Restated Incentive Plan empowers the Company to grant stock options, stock appreciation rights, restricted shares, restricted share units, performance shares, and other stock-based and cash-based awards to officers, employees, directors of, and consultants to, the Company and any of its subsidiaries or affiliates.

As of March 10, 2016, 18,472 shares of Common Stock remained available for issuance under the Current Incentive Plan. If the Amended and Restated Incentive Plan is not approved, we may be compelled to increase significantly the cash component of our employee and director compensation, which may not necessarily align compensation interests with the investment interests of our shareholders as well as alignment provided by equity-based awards. Replacing equity awards with cash also would increase cash compensation expense and use cash that could be better utilized if reinvested in our businesses or returned to our shareholders.

The following includes aggregated information regarding the overhang and dilution associated with the Current Incentive Plan and the potential shareholder dilution that would result if the proposed share increase under the Amended and Restated Incentive Plan is approved. This information is as of March 10, 2016. As of that date, there were approximately 10,956,178 shares of Common Stock outstanding.

Under the Current Incentive Plan:

Outstanding full-value awards (restricted share units, including performance-based awards assuming maximum performance): 406,445 shares (3.7% of our outstanding Common Stock);

Outstanding stock options: 0 shares (0% of our outstanding Common Stock);

Total shares of Common Stock subject to outstanding awards, as described above (full-value awards and stock options): 406,445 shares (3.7% of our outstanding Common Stock);

Total shares of Common Stock available for future awards under the Current Incentive Plan: 18,472 shares (0.2% of our outstanding Common Stock); and

The total number of shares of Common Stock subject to outstanding awards (406,445 shares), plus the total number of shares available for future awards under the Current Incentive Plan (18,472 shares), represents a current overhang percentage of 3.9% (in other words, the potential dilution of our shareholder represented by the Current Incentive Plan).

Under the Amended and Restated Incentive Plan:

Proposed additional shares of Common Stock available for future issuance under the Amended and Restated Incentive Plan: 500,000 shares (4.6% of our outstanding Common Stock - this percentage reflects the simple dilution of our shareholders that would occur if the Amended and Restated Incentive Plan is approved).

Total Potential overhang or dilution under the Amended and Restated Incentive Plan:

The total shares of Common Stock subject to outstanding awards as of March 10, 2016 (406,445 shares), plus the total shares of Common Stock available for future awards under the Current Incentive Plan as of that date (18,472 shares), plus the proposed additional shares of Common Stock available for future issuance under the Amended and Restated Incentive Plan (500,000 shares), represent a total fully-diluted overhang of 924,917 shares (8.4%) under the Amended and Restated Incentive Plan.

Based on the closing price on The Nasdaq Global Select Market for our Common Stock on March 3, 2016 of $13.25 per share, the aggregate market value as of March 3, 2016 of the 500,000 additional shares of Common Stock requested for issuance under the Amended and Restated Incentive Plan was $6,625,000.

In 2013, 2014 and 2015, we granted awards under the Current Incentive Plan covering 46,714 shares, 45,814 shares, and 79,704 shares, respectively. Based on our basic weighted average shares of Common Stock outstanding for those three years of 10,953,286, 10,978151, and 10,991117, respectively, for the three-year period 2013-2015, our average burn rate, not taking into account forfeitures, was 0.52% (our individual years' burn rates were 0.43% for 2013, 0.42% for 2014, and 0.73% for 2015).

In determining the number of shares to request for approval under the Amended and Restated Plan, our management team worked with Willis Towers Watson, the Compensation Committee's independent compensation consultant, and the Compensation Committee to evaluate a number of factors, including our recent share usage and criteria expected to be utilized by institutional proxy advisory firms in evaluating our proposal for the Amended and Restated Plan.

If the Amended and Restated Incentive Plan is approved, we intend to utilize the shares authorized under the Amended and Restated Incentive Plan to continue our practice of incentivizing key individuals through annual equity grants. We currently anticipate that the shares requested in connection with the approval of the Amended and Restated Incentive Plan combined with the shares available for future awards will last for about five years, based on our historic grant rates and the approximate current share price, but could last for a shorter period of time if actual practice does not match historic rates or our share price changes materially. As noted in “Summary of the Other Material Terms of the Amended and Restated Incentive Plan,” our Compensation Committee would retain full discretion under the Amended and Restated Incentive Plan to determine the number and amount of awards to be granted under the Amended and Restated Incentive Plan, subject to the terms of the Amended and Restated Incentive Plan, and future benefits that may be received by participants under the Amended and Restated Incentive Plan are not determinable at this time.

We believe that we have demonstrated a commitment to sound equity compensation practices in recent years. We recognize that equity compensation awards dilute shareholder equity, so we have carefully managed our equity incentive compensation. Our equity compensation practices are intended to be competitive and consistent with market practices, and we believe our historical share usage has been responsible and mindful of shareholder interests, as described above.

Section 162(m)

As discussed above, one reason for submitting this Proposal Four to shareholders is to obtain shareholder approval of the material terms for “qualified performance-based compensation” under the Amended and Restated Incentive Plan for purposes of Section 162(m) of the Code. Such shareholder approval is expected to enable us to structure certain awards so that they may constitute “qualified performance-based compensation” under Section 162(m) of the Code.

Section 162(m) of the Code generally disallows a deduction for certain compensation paid to our Chief Executive Officer and to each of our other three most highly compensated executive officers, other than our Chief Financial Officer, in a taxable year to the extent that compensation to such covered employee exceeds $1 million for such year. However, some types of compensation, including “qualified performance-based compensation” under Section 162(m) of the Code, are not subject to the deduction limit if the compensation satisfies the requirements of Section 162(m) of the Code. The deduction limit does not apply to compensation paid under a shareholder-approved plan that meets certain requirements for “qualified performance-based compensation” under Section 162(m) of the Code. While we believe it is in the best interests of the Company and its shareholders to have the ability to potentially grant “qualified performance-based compensation” under the Amended and Restated Incentive Plan, we may decide to grant compensation to covered employees that will not qualify as “qualified performance-based compensation” for purposes of Section 162(m) of the Code. Moreover, even if we intend to grant compensation that qualifies as “qualified performance-based compensation” for purposes of Section 162(m) of the Code under the Amended and Restated Incentive Plan, we cannot guarantee that such compensation will so qualify or will ultimately be deductible by us.

Generally, compensation attributable to stock options, stock appreciation rights and other performance-based awards may be deemed to qualify as “qualified performance-based compensation” under Section 162(m) of the Code if: (1) the grant is made by a committee of outside directors for purposes of Section 162(m) of the Code; (2) the plan under which the award is granted states the maximum number of shares with respect to which share-based awards and the maximum amount of cash-based awards that may be granted to any individual during a specified period of time; and (3) the amount of compensation an individual may receive under the awards is based solely on the achievement of one or more pre-established performance goals which incorporate business criteria approved by shareholders (or, in the case of stock options or stock appreciation rights, the increase in the value of the shares after the date of grant). Shareholder approval of this Proposal Four is intended to satisfy the shareholder approval requirements under Section 162(m) of the Code.

The Amended and Restated Incentive Plan includes a list of performance measures upon which the Compensation Committee must condition a ont style="font-family:inherit;font-size:10pt;">

2,557

2,858

2,600

Acquisition-related and integration

59

374

1,945

(616
)
443

1,015

1,103

Restructuring

—

—

951

201

39

711

—

Acquisition related amortization

3,058

2,530

9,666

2,734

2,234

2,029

2,669

Earnings from operations - Non-GAAP

$

8,430

$
3,642

$
32,361

$
3,315

$
9,475

$
10,725

$
8,846

Amortization (excluding acquisition related amortization)

3,648

3,038

10,550

3,030

2,635

2,423

2,462

Adjusted EBITDA

$
12,078

$
6,680

$
42,911

$
6,345

$
12,110

$
13,148

$
11,308

Net earnings (loss) - GAAP

$
718

$
718

$
(2,674
)
$
(383
)
$
3,286

$
4,076

$
(9,653
)

Stock-based compensation and related social taxes, restructuring, impairment, acquisition-related, integration, and acquisition related amortization, net of tax

5,013

4,893

22,063

4,016

5,232

6,443

6,372

Foreign exchange loss (gain)

1,097

(2,292
)

11,596

1,393

(51
)
(1,581
)
11,835

Income tax adjustments

(452
)
(698
)

(5,211
)
(2,490
)
(1,048
)
(301
)
(1,372
)

Net earnings - Non-GAAP

$
6,376

$
2,621

$
25,774

$
2,536

$
7,419

$
8,637

$
7,182

Diluted net earnings (loss) per share

GAAP - (in dollars)

$
0.02

$
0.02

$
(0.08
)
$
(0.01
)
$
0.10

$
0.12

$
(0.30
)

Non-GAAP - (in dollars)

$
0.20

$
0.08

$
0.80

$
0.08

$
0.23

$
0.26

$
0.22

The following table provides a reconciliation of free cash flow:

	Three months ended June 30		Six months ended June 30	
(in thousands of U.S. dollars)	2016	2015	2016	2015
Cash flows from operating activities	$16,522	$12,938	$24,122	$(9,012)
Capital expenditures and increase in intangible assets	(5,668)	(4,260)	(8,806)	(6,404)
Free Cash Flow	$10,854	$8,678	$15,316	$(15,416)

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OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements during the three and six months ended June 30, 2016 and 2015.

TRANSACTIONS BETWEEN RELATED PARTIES

We did not undertake any transactions with related parties during the three and six months ended June 30, 2016 and 2015.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with U.S. GAAP and we make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosure of contingent liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to business combinations, revenue recognition, adequacy of allowance for doubtful accounts, adequacy of inventory reserve, valuation of goodwill and intangible assets, income taxes, useful lives of assets, adequacy of warranty reserve, royalty obligations, contingencies, stock-based compensation, and fair value measurement. We base our estimates on historical experience, anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ from our estimates.

The discussion on the accounting policies and estimates that require management's most difficult, subjective and complex judgments, and which are subject to a degree of measurement uncertainty, can be found in our 2015 annual MD&A, a copy of which is available on SEDAR at www.sedar.com and the SEC's website at www.sec.gov. There were no significant changes in our critical accounting policies in the second quarter of 2016.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 32,038,021 common shares issued and outstanding, 1,406,861 stock options exercisable into common shares and 378,942 restricted treasury share units outstanding.

IMPACT OF ACCOUNTING PRONOUNCEMENTS AFFECTING CURRENT PERIOD

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. The update simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax assets and liabilities into current and non-current amounts in the consolidated balance sheets. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. We have early adopted this standard in the first quarter of 2016 on a retrospective basis. As a result of the adoption, we reclassified $4.7 million current deferred income tax assets to non-current deferred income tax assets on the balance sheet at December 31, 2015. Our adoption of the standard had no impact on our statements of operations and comprehensive earnings (loss) or statements of cash flows.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. The update provides that an entity should measure inventory within the scope of the standard at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The standard is effective for interim and annual periods ending

after December 15, 2016 and applied prospectively. Early application is permitted. We early adopted this standard in the first quarter of 2016 and there was no material impact to our financial statements and business.
In April 2015, the FASB issued ASU 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. The update provides accounting guidance for customers with cloud computing arrangements. The standard is effective for interim and annual periods ending after December 15, 2015. We adopted this standard as of January 1, 2016 on a prospective basis and there was no material impact to our financial statements and business.
In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The update provides guidance about management's responsibility in evaluating whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. We early adopted this standard in the first quarter of 2016 and there was no impact to our disclosures.

IMPACT OF ACCOUNTING PRONOUNCEMENTS AFFECTING FUTURE PERIODS
In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASC 606). The update is intended to clarify the principles of recognizing revenue, and to develop a common revenue standard for U.S. GAAP and IFRS that would remove inconsistencies in revenue requirements, leading to improved comparability of revenue recognition practices across entities and industries. ASC 606 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual and interim financial statements for fiscal years beginning after December 15, 2017. Early application is permitted in fiscal years beginning after December 15, 2016. We are in the process of evaluating the impact of this update and cannot reasonably estimate the effect on our financial statements at this time.
In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This update is to improve transparency and comparability among organizations by requiring lessees to recognize right-of-use assets and lease liabilities on the balance sheet and requiring additional disclosure about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2018. Early application is permitted. We are in the process of evaluating the impact of this update and cannot reasonably estimate the effect on our financial statements and business at this time.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. This update affects several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted. We are in the process of evaluating the impact of this update.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. This update will replace the incurred loss impairment methodology for credit losses on financial instruments with a methodology that requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are in the process of evaluating the impact of this update and cannot reasonably estimate the effect on our financial statements and business at this time.

INTERNAL CONTROL OVER FINANCIAL REPORTING

We did not make any significant changes in our internal control over financial reporting during the three and six months ended June 30, 2016 that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events occurring. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

LEGAL PROCEEDINGS

In January 2012, a patent holding company, M2M Solutions LLC ("M2M"), filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and our competitors. The lawsuit makes certain allegations concerning the AirPrime embedded wireless module products, related AirLink products and related services sold by us for use in M2M communication applications. The claim construction order has determined one of the two patents-in-suit to be indefinite and therefore invalid. The lawsuit was dismissed with prejudice in April 2016. In August 2014, M2M filed a second patent infringement lawsuit against us in the same court with respect to a recently issued patent held by M2M, which patent is a continuation of one of the patents-in-suit in the original lawsuit filed against us by M2M. The lawsuit has been administratively closed pending the result of several Inter Partes Review proceedings filed by us and the other defendants with the United States Patent and Trial Appeal Board (PTAB) in August and October of 2015, as well as April 2016. The PTAB has instituted proceedings in respect of two of these filings, including ours, and has yet to make a determination on the filing made by us in April 2016.

Although there can be no assurance that an unfavorable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims made in the foregoing legal proceedings are without merit and intend to defend ourselves and our products vigorously in all cases.

IP Indemnification Claims

We have been notified by one or more of our customers in each of the following matters that we may have an obligation to indemnify them in respect of the products we supply to them:

In June 2015, Adaptix filed amended complaints in the Eastern District of Texas against two carriers asserting patent infringement against them in relation to certain cellular communication devices sold by the carriers for use on their 4G LTE wireless networks, which include certain products which may utilize modules sold to the original equipment manufacturer by us and certain AirCard products sold to the carriers by us prior to the transfer of the AirCard business to Netgear. The two cases have been dismissed with prejudice in July 2016.

In February 2012, a patent holding company, Intellectual Ventures (comprised of Intellectual Ventures I LLC and Intellectual Ventures II LLC), filed a patent infringement lawsuit in the United States District Court for the District of Delaware against two of our customers asserting patent infringement in relation to several of our customer's products and services, including the mobile hotspots sold to them by us prior to the transfer of the AirCard business to Netgear. The lawsuit was split into several separate lawsuits and amended complaints were filed in October 2013. In Q2 2016, the plaintiff stipulated that it was no longer accusing our products in the two cases in which we were intervening in defense of our products, and our intervention was subsequently terminated.

Although there can be no assurance that an unfavorable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims made in the foregoing legal proceedings are without merit and intend to defend ourselves and our products vigorously in all cases.

We are engaged in certain other claims, legal actions and arbitration matters, all in the ordinary course of business, and believe that the ultimate outcome of these claims, legal actions and arbitration matters will not have a material adverse effect on our operating results, liquidity or financial position.

RISKS AND UNCERTAINTIES

Our business is subject to significant risks and uncertainties and past performance is no guarantee of future performance. The risks and uncertainties described below are those which we currently believe to be material, and do not represent all of the risks that we face. Additional risks and uncertainties, not presently known to us, may become material in the future or those risks that we currently believe to be immaterial may become material in the future. If any of the following risks actually occur, alone or in combination, our business, financial condition and results of operations, as well as the market price of our common shares, could be materially adversely affected.

Competition from new or established IoT, cloud services and wireless services companies or from those with greater resources may prevent us from increasing or maintaining our market share and could result in price reductions and/or loss of business with resulting reduced revenues and gross margins.

The market for IoT products and services is highly competitive and rapidly evolving. We have experienced and expect to continue to experience intense competition. More established and larger companies with strong brands and greater financial, technical and marketing resources or companies with different business models sell products and services that compete with ours and we expect this competition to intensify. Business combinations or strategic alliances by our competitors could weaken our competitive position. We may also introduce new products or services that will put us in direct competition with major new competitors. Existing or future competitors may be able to respond more quickly to technological developments and changes and introduce new products before we do or may independently develop and patent technologies and products that are superior to ours or achieve greater acceptance due to factors such as more favorable pricing, more desired or better quality features or more efficient sales channels. If we are unable to compete effectively with our competitors' pricing strategies, technological advances and other initiatives, we may lose customer orders and market share and we may need to reduce the price of our products, resulting in reduced revenue and reduced gross margins. In addition, new market entrants or alliances between customers and suppliers could emerge to disrupt the markets in which we operate through disintermediation of our modules business or other means. There can be no assurance that we will be able to compete successfully and withstand competitive pressures.

Acquisitions and divestitures of businesses or technologies may result in disruptions to our business or may not achieve the anticipated benefits.

The growth of our Company through the successful acquisition and integration of complementary businesses is an important component of our business strategy. For example, on January 16, 2015 we completed the acquisition of Maingate, on June 18, 2015 we completed the acquisition of substantially all of the assets of Accel and on September 2, 2015 we completed the acquisition of all of the outstanding shares of MobiquiThings. We continue to seek opportunities to acquire or invest in businesses, products and technologies that expand, complement or otherwise relate to our business. Any acquisitions, investments or business combinations by us may be accompanied by risks commonly encountered including, but not limited to, the following:

- exposure to unknown liabilities or risks of acquired companies, including unknown litigation related to acts or omissions of an acquired company and/or its directors and officers prior to the acquisition, deficiencies in disclosure controls and procedures of the acquired company and deficiencies in internal controls over financial reporting of the acquired company;
- higher than anticipated acquisition and integration costs and expenses;
- the difficulty and expense of integrating the operations and personnel of the acquired companies;
- use of cash to support the operations of an acquired business;

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- increased foreign exchange translation risk depending on the currency denomination of the revenue and expenses of the acquired business;
- disruption of, and demands on, our ongoing business as a result of integration activities including diversion of management's time and attention from the ongoing business;
- failure to maximize our financial and strategic position by the successful incorporation of acquired technology;
- the inability to implement uniform standards, disclosure controls and procedures, internal controls over financial reporting and other procedures and policies in a timely manner;
- the potential loss of key employees and customers;
- decrease in our share price if the market perceives that an acquisition does not fit our strategy, the price paid is excessive in light of other similar transactions or that the terms of the acquisition are not favorable to our earnings growth;
- litigation and settlement costs if shareholders bring lawsuits triggered by acquisition or divestiture activities;
- decrease in our share price, if, as a result of our acquisition strategy or growth, we decide to raise additional capital through an offering of securities; and
- dilution to our shareholders if the purchase price is paid in common shares or securities convertible into common shares.

In addition, geographic distances and cultural differences may make integration of businesses more difficult. We may not be successful in overcoming these risks or any other problems encountered in connection with any acquisitions. If realized, these risks could reduce shareholder value.

As business circumstances dictate, we may also decide to divest assets, technologies or businesses. For example, on April 2, 2013 we completed the sale of our AirCard business to NetGear, Inc. In a divestiture, we may not be successful in identifying or managing the risks commonly encountered, including: higher than anticipated costs; disruption of, and demands on, our ongoing business; diversion of management's time and attention; adverse effects on existing business relationships with suppliers and customers and employee issues. We may not be successful in overcoming these risks or any other problems encountered in connection with a divestiture of assets, technologies or businesses which, if realized, could reduce shareholder value.

In addition, we may be unsuccessful at bringing to conclusion proposed transactions. Negotiations and closing activities of transactions are complex functions subject to numerous unforeseen events that may impede the speed at which a transaction is closed or even prevent a transaction from closing. Failure to conclude transactions in an efficient manner may prevent us from advancing other opportunities or introduce unanticipated transition costs.

The loss of any of our significant customers could adversely affect our revenue and profitability, and therefore shareholder value.

We sell our products and services to OEM's, enterprises, distributors, resellers and network operators, and we are occasionally party to sales agreements with customers comprising a significant portion of our revenue. Accordingly, our business and future success depends on our ability to maintain and build on existing relationships and develop new relationships with OEMs, enterprises, distributors, resellers and network operators. If certain of our significant customers, for any reason, discontinues their relationship with us or reduces or postpones current or expected purchase orders for products, or suffers from business loss, our revenues and profitability could decline materially.

In addition, our current customers purchase our products under purchase orders. Our customers have no contractual obligation to continue to purchase our products following our fulfillment of current purchase orders and if they do not continue to make purchases, our revenue and our profitability could decline materially.

Cyber attacks or other breaches of information technology security could have an adverse impact on our business.

We rely on certain internal processes, infrastructure and information technology systems to efficiently operate our business in a secure manner, including infrastructure and systems operated by third parties. The inability to continue to enhance or prevent a failure of these internal processes, infrastructure or information technology systems could negatively impact our ability to operate our business. In particular, our cloud and connectivity services depend on very high levels of network reliability and availability in order to provide our customers with the ability to continuously monitor and receive data from their devices.

Cyber attacks or other breaches of network or IT systems security may cause disruptions to our operations including the ability to provide device management and other cloud-based services to our customers. A major security breach could result in the loss of critical data, theft of intellectual property, disclosure of confidential information, customer claims and litigation, reduced revenues due to business interruption, costs associated with remediation of infrastructure and systems, class action and derivative action lawsuits and damage to our reputation. Furthermore, the prevalence and sophistication of these types of threats are increasing and our security measures may not be sufficient to prevent the damage that such threats can inflict on our assets and information. Our insurance may not be adequate to fully reimburse us for these costs and losses.

Continued difficult or uncertain global economic conditions could adversely affect our operating results and financial condition.

A significant portion of our business is in the United States, Europe and the Asia-Pacific region and we are particularly exposed to the downturns and current uncertainties that impact the wireless communications industry in those economies. Economic uncertainty may cause an increased level of commercial and consumer delinquencies, lack of consumer confidence resulting in delayed purchases or reduced volumes by our customers, credit tightening by lenders, increased market volatility, fluctuations in foreign exchange rates and widespread reduction of business activity generally. To the extent that we experience further economic uncertainty, or deterioration in one of our large markets in the United States, Europe or the Asia-Pacific region, the resulting economic pressure on our customers may cause them to end their relationship with us, reduce or postpone current or expected orders for our products or services, or suffer from business failure, resulting in a material adverse impact to our revenues, profitability, cash flow and bad debt expense.

It is difficult to estimate or project the level of economic activity, including economic growth, in the markets we serve. As our budgeting and forecasting is based on the demand for our products and services, these economic uncertainties result in it being difficult for us to estimate future revenue and expenses.

Our financial results are subject to fluctuations that could have a material adverse effect on our business and that could affect the market price of our common shares.

Our revenue, gross margin, operating earnings and net earnings may vary from quarter-to-quarter and could be significantly impacted by a number of factors, including but not limited to the following:

- price and product competition which may result in lower selling prices for some of our products or lost market share;
- price and demand pressure on our products from our customers as they experience pressure in their businesses;
- demand fluctuation based on the success of our customers in selling their products and solutions which incorporate our wireless products and software;
- development and timing of the introduction of our new products including the timing of sales orders, OEM and distributor customer sell through and design win cycles in our embedded wireless module business;
- transition periods associated with the migration to new technologies;
- potential commoditization and saturation in certain markets;

- our ability to accurately forecast demand in order to properly align the purchase of components and the appropriate level of manufacturing capability;
- product mix of our sales (our products have different gross margins — for example the embedded wireless module product line has lower gross margins than the higher margin rugged mobile product line);
- possible delays or shortages in component supplies;
- possible delays in the manufacture or shipment of current or new products;
- possible product quality or factory yield issues that may increase our cost of goods sold;
- concentration in our customer base;
- seasonality in demand;
- amount of inventory held by our channel partners;
- possible fluctuations in certain foreign currencies relative to the U.S. dollar that may affect foreign denominated revenue, cost of goods sold and operating expenses;
- impairment of our goodwill or intangible assets which may result in a significant charge to earnings in the period in which an impairment is determined;
- achievement of milestones related to our professional services contracts; and
- operating expenses that are generally fixed in the short-term and therefore difficult to rapidly adjust to different levels of business.

Any of the factors listed above could cause significant variations in our revenues, gross margin and earnings in any given quarter. Therefore, our quarterly results are not necessarily indicative of our overall business, results of operations, and financial condition.

Quarterly variations in operating results or any of the other factors listed above, changes in financial estimates by securities analysts, or other events or factors may result in wide fluctuations in the market price of our common shares. Broad market fluctuations or any failure of our operating results in a particular quarter to meet market expectations may adversely affect the market price of our common shares.

We may be unable to attract or retain key personnel which may harm our ability to compete effectively.

Our success depends in large part on the abilities and experience of our executive officers and other key employees. The loss of key employees or deterioration in overall employee morale and engagement as a result of organizational change could have an adverse impact on our growth, operations and profitability.

Competition for highly skilled management, technical, research and development and other key employees is intense in the wireless communications industry. We may not be able to retain our current executive officers or key employees and may not be able to hire and transition in a timely manner experienced and highly qualified additional executive officers and key employees as needed to achieve our business objectives. We do not have fixed-term employment agreements with our key personnel. The loss of executive officers and key employees could disrupt our operations and our ability to compete effectively could be adversely affected.

We may be found to infringe on the intellectual property rights of others.

The industry has many participants that own, or claim to own, proprietary intellectual property. We license technology, intellectual property and software from third parties for use in our products and may be required to license additional technology, intellectual property and software in the future. In some cases, these licenses provide us with certain pass-through rights for the use of other third party intellectual property. There is no assurance that we will be able to maintain our third party licenses or obtain new licenses when required and this inability could materially adversely affect our business and operating results and the quality and functionality of our products.

In the past we have received, and in the future we are likely to continue to receive, assertions or claims from third parties alleging that our products violate or infringe their intellectual property rights. We may be subject to these claims directly or through indemnities against these claims which we have provided to certain customers and other third parties. Our component suppliers and technology licensors do not typically indemnify us against these claims and therefore we do not have recourse against them in the event a claim is asserted against us or a customer we have indemnified. This potential liability, if realized, could materially adversely affect our operating results and financial condition.

Activity in this area by third parties, particularly those with tenuous claims, is increasing, resulting in us taking a more aggressive defensive approach, which may result in increased litigation. In the last few years, patent claims have been brought against us by third parties whose primary (or sole) business purpose is to acquire patents and other intellectual property rights, and not to manufacture and sell products and services. These entities aggressively pursue patent litigation, resulting in increased litigation costs for us. We expect that this recent development will continue for the foreseeable future. Infringement of intellectual property can be difficult to verify and litigation may be necessary to establish whether or not we have infringed the intellectual property rights of others. In many cases, these third parties are companies with substantially greater resources than us, and they may choose to pursue complex litigation to a greater degree than we could. Regardless of whether these infringement claims have merit or not, we may be subject to the following:

- we may be found to be liable for potentially substantial damages, liabilities and litigation costs, including attorneys' fees;
- we may be prohibited from further use of intellectual property as a result of an injunction and may be required to cease selling our products that are subject to the claim;
- we may have to license third party intellectual property, incurring royalty fees that may or may not be on commercially reasonable terms; in addition, there is no assurance that we will be able to successfully negotiate and obtain such a license from the third party;
- we may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales; in addition, there is no assurance that we will be able to develop such a non-infringing alternative;
- management attention and resources may be diverted;
- our relationships with customers may be adversely affected; and
- we may be required to indemnify our customers for certain costs and damages they incur in such a claim.

In addition to potentially being found to be liable for substantial damages in the event of an unfavorable outcome in such a claim and our inability to either obtain a license from the third party on commercial terms or develop a non-infringing alternative, our business, operating results and financial condition may be materially adversely affected and we may have to cease the sale of certain products and restructure our business.
Misappropriation of our intellectual property could place us at a competitive disadvantage.

Our intellectual property is important to our success. We rely on a combination of patent protection, copyrights, trademarks, trade secrets, licenses, non-disclosure agreements and other contractual agreements to protect our intellectual property. Third parties may attempt to copy aspects of our products and technology or obtain information we regard as proprietary without our authorization. If we are unable to protect our intellectual property against unauthorized use by others it could have an adverse effect on our competitive position. Our strategies to deter misappropriation could be inadequate due to the following risks:

- non-recognition of the proprietary nature or inadequate protection of our methodologies in the United States, Canada, France or other foreign countries;
- undetected misappropriation of our intellectual property;
- the substantial legal and other costs of protecting and enforcing our rights in our intellectual property; and
- development of similar technologies by our competitors.

In addition, we could be required to spend significant funds and management resources could be diverted in order to defend our rights, which could disrupt our operations.

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We may have difficulty responding to changing technology, industry standards and customer requirements, and therefore be unable to develop new products or services in a timely manner which meet the needs of our customers.
The wireless communications industry is subject to rapid technological change, including evolving industry standards, frequent new product inventions, constant improvements in performance characteristics and short product life cycles. Our business and future success will depend, in part, on our ability to accurately predict and anticipate evolving wireless technology standards and develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end-user preferences and requirements. Our products embody complex technology that may not meet those standards, preferences and requirements. Our ability to design, develop and commercially launch new products depends on a number of factors including, but not limited to, the following:

- our ability to design and manufacture products or implement solutions and services at an acceptable cost and quality;
- our ability to attract and retain skilled technical employees;
- the availability of critical components from third parties;
- our ability to successfully complete the development of products in a timely manner; and
- the ability of third parties to complete and deliver on outsourced product development engagements.

A failure by us, or our suppliers, in any of these areas or a failure of new products or services to obtain commercial acceptance, could mean we receive less revenue than we anticipate and we may be unable to recover our research and development expenses.
We develop products to meet our customers' requirements. OEM customers award design wins for the integration of wide area embedded wireless modules on a platform by platform basis. Current design wins do not guarantee future design wins. If we are unable or choose not to meet our customers' needs, we may not win their future business and our revenue and profitability may decrease.
In addition, wireless communications service providers require that wireless data systems deployed on their networks comply with their own standards, which may differ from the standards of other providers. We may be unable to successfully address these developments on a timely basis or at all. Our failure to respond quickly and cost-effectively to new developments through the development of new products or enhancements to existing products could cause us to be unable to recover significant research and development expenses and reduce our revenues.
We depend on single source suppliers for some components used in our products and if these suppliers are unable to meet our demand, the delivery of our products to our customers may be interrupted.

From time to time, certain components used in our products have been, and may continue to be, in short supply. Such shortages in allocation of components may result in a delay in filling orders from our customers, which may adversely affect our business. In addition, our products are comprised of components some of which are procured from single source suppliers, including where we have licensed certain software embedded in a component. Our single source suppliers may experience damage or interruption in their operations due to unforeseen events, become insolvent or bankrupt, or experience claims of infringement, all of which could delay or stop their shipment of components to us, which may adversely affect our business, operating results and financial condition. If there is a shortage of any such components and we cannot obtain an appropriate substitute from an alternate supplier of components, we may not be able to deliver sufficient quantities of our products to our customers. If such shortages occur, we may lose business or customers and our operating results and financial condition may be materially adversely affected.

Failures of our products or services due to design flaws and errors, component quality issues, manufacturing defects or other quality issues that may result in product liability claims and product recalls could lead to unanticipated costs or otherwise harm our business.

Our products are comprised of hardware and software that is technologically complex and we are reliant on third parties to provide important components for our products. It is possible that our products may contain undetected errors or defects, especially when introduced or when new versions are released. As a result, our products may be rejected by our customers leading to loss of business, loss of revenue, additional development and customer service costs, unanticipated warranty claims, payment of monetary damages under contractual provisions and damage to our reputation.

We depend on a limited number of third parties to manufacture our products. If they do not manufacture our products properly or cannot meet our needs in a timely manner, we may be unable to fulfill our product delivery obligations and our costs may increase, and our revenue and margins could decrease.

We outsource the manufacturing of our products to several contract manufacturers and depend on these manufacturers to meet our needs in a timely and satisfactory manner at a reasonable cost. Third party manufacturers, or other third parties to which such third party manufacturers in turn outsource our manufacturing requirements, may not be able to satisfy our manufacturing requirements on a timely basis, including by failing to meet scheduled production and delivery deadlines or to meet our product quality requirements or the product quality requirements of our customers. Insufficient supply or an interruption or stoppage of supply from such third party manufacturers or our inability to obtain additional or substitute manufacturers when and if needed, and on a cost-effective basis, could have a material adverse effect on our business, results of operations and financial condition. Our reliance on third party manufacturers subjects us to a number of risks, including but not limited to the following:

- potential business interruption due to unexpected events such as natural disasters, labor unrest or geopolitical events;
- the absence of guaranteed or adequate manufacturing capacity;
- potential violations of laws and regulations by our manufacturers that may subject us to additional costs for duties, monetary penalties, seizure and loss of our products or loss of our import privileges, and damage to our reputation;
- reduced control over delivery schedules, production levels, manufacturing yields, costs and product quality;
- the inability of our contract manufacturers to secure adequate volumes of components in a timely manner at a reasonable cost; and
- unexpected increases in manufacturing costs.

If we are unable to successfully manage any of these risks or to locate alternative or additional manufacturers or suppliers in a timely and cost-effective manner, we may not be able to deliver products in a timely manner. In addition, our results of operations could be harmed by increased costs, reduced revenues and reduced margins.

Under our manufacturing agreements, in many cases we are required to place binding purchase orders with our manufacturers well in advance of our receipt of binding purchase orders from our customers. In this situation, we consider our customers' good faith, non-binding forecasts of demand for our products. As a result, if the number of actual products ordered by our customers is materially different from the number of products we have instructed our manufacturer to build (and to purchase components in respect of), then, if too many components have been purchased by our manufacturer, we may be required to purchase such excess component inventory, or, if an insufficient number of components have been purchased by our manufacturer, we may not be in a position to meet all of our customers' requirements. If we are unable to successfully manage our inventory levels and respond to our customers' purchase orders based on their forecasted quantities, our business, operating results and financial condition could be adversely affected.

We have been subject to certain class action lawsuits, and may in the future be subject to class action or derivative action lawsuits, which if decided against us, could require us to pay substantial judgments, settlements or other penalties.

In addition to being subject to litigation in the ordinary course of business, in the future, we may be subject to class actions, derivative actions and other securities litigation and investigations. We expect that this type of litigation will be time consuming, expensive and will distract us from the conduct of our daily business. It is possible that we will be required to pay substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on our operating results, liquidity or financial position. Expenses incurred in connection with these lawsuits, which include substantial fees of lawyers and other professional advisors and our obligations to indemnify officers and directors who may be parties to such actions, could materially adversely affect our reputation, operating results, liquidity or financial position. Furthermore, we do not know with certainty if any of this type of litigation and resulting expenses will be fully or even partially covered by our insurance. In addition, these lawsuits may cause our insurance premiums to increase in future periods.

We depend on wireless network carriers to promote and offer acceptable wireless data services.

Our products and our wireless connectivity services can only be used over wireless data networks operated by third parties. Our business and future growth depends, in part, on the successful deployment by network carriers of next generation wireless data and networks and appropriate pricing of wireless data services. We also depend on successful strategic relationships with our network carrier partners and our operating results and financial condition could be harmed if they increase the price of their services or experience operational issues with their networks.

Contractual disputes could have a material adverse effect on our business.

Our business is exposed to the risk of contractual disputes with counterparties and as a result we may be involved in complaints, claims and litigation. We cannot predict the outcome of any complaint, claim or litigation. If a dispute cannot be resolved favorably, it may delay or interrupt our operations and may have a material adverse effect on our operating results, liquidity or financial position.

Government regulations could result in increased costs and inability to sell our products.

Our products are subject to certain mandatory regulatory approvals in the United States, Canada, the European Union, the Asia-Pacific region and other regions in which we operate. For example, in the United States the Federal Communications Commission regulates many aspects of communications devices. In Canada, similar regulations are administered by the Ministry of Industry, through Industry Canada. European Union directives provide comparable regulatory guidance in Europe. Although we have obtained all the necessary Federal Communications Commission, Industry Canada and other required approvals for the products we currently sell, we may not receive approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or we may not be able to receive regulatory approvals from countries in which we may desire to sell products in the future. If we fail to comply with the applicable regulatory requirements, we may be subject to regulatory and civil liability, additional costs (including fines), reputational harm, and in severe cases, prevented from selling our products in certain jurisdictions.

We may also incur additional expenses or experience difficulties selling our products associated with complying with the SEC rules and reporting requirements related to conflict minerals. In August 2012, the SEC adopted new disclosure requirements implementing Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 for manufacturers of products containing certain minerals that may originate from the Democratic Republic of Congo and adjoining countries. As a result, since 2013 we have been required to conduct certain country of origin and due diligence procedures in order to meet the SEC reporting requirements. The impact of the regulations may limit the sourcing and availability, or may increase the costs, of some of the metals used in the manufacture of our products. Also, since our supply chain is complex, we may be unable to sufficiently verify the origins for all metals used in our products through our supplier due diligence procedures.

The transmission, use and disclosure of user data and personal information could give rise to liabilities or additional costs as a result of laws, governmental regulations and carrier and other customer requirements or differing views of personal privacy rights.

Our products are used to transmit a large volume of data, including personal information. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world that is intended to protect the privacy and security of personal information as well as the collection, storage, transmission, use and disclosure of such information.

The interpretation of privacy and data protection laws in a number of jurisdictions is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from country to country. Complying with these varying international requirements could cause us to incur additional costs and change our business practices. In addition, because our products are sold and used worldwide, certain foreign jurisdictions may claim that we are required to comply with their laws, even where we have no local entity, employees, or infrastructure.

We could be adversely affected if legislation or regulations are expanded to require changes in our products or business practices, if governmental authorities in the jurisdictions in which we do business interpret or implement their legislation or regulations in ways that negatively affect our business or if end users allege that their personal information was misappropriated as a result of a defect or vulnerability in our products. If we are required to allocate significant resources to modify our products or our existing security procedures for the personal information that our products transmit, our business, results of operations and financial condition may be adversely affected.

We are subject to risks inherent in foreign operations.

Sales outside North America represented approximately 69% and 73% of our revenues in 2015 and 2014, respectively, and approximately 71% of our revenue in the first six months of 2016, compared to 73% of our revenue in the first three months of 2015. We maintain offices in a number of foreign jurisdictions. We have limited experience conducting business in some of the jurisdictions outside North America and we may not be aware of all the factors that may affect our business in foreign jurisdictions. We are subject to a number of risks associated with our international business operations that may increase liabilities, costs, lengthen sales cycles and require significant management attention. These risks include:

- compliance with the laws of the United States, Canada and other countries that apply to our international operations, including import and export legislation, lawful access and privacy laws;
- compliance with existing and emerging anti-corruption laws, including the Foreign Corrupt Practices Act of the United States, the Corruption of Foreign Public Officials Act of Canada and the UK Bribery Act;
- increased reliance on third parties to establish and maintain foreign operations;
- the complexities and expense of administering a business abroad;
- complications in compliance with, and unexpected changes in, foreign regulatory requirements, including requirements relating to content filtering and requests from law enforcement authorities;
- trading and investment policies;
- consumer protection laws that impose additional obligations on us or restrict our ability to provide limited warranty protection;
- instability in economic or political conditions, including inflation, recession and actual or anticipated military conflicts, social upheaval or political uncertainty;
- foreign currency fluctuations;
- foreign exchange controls and cash repatriation restrictions;
- tariffs and other trade barriers;

- difficulties in collecting accounts receivable;
- potential adverse tax consequences;
- uncertainties of laws and enforcement relating to the protection of intellectual property or secured technology;
- litigation in foreign court systems;
- cultural and language differences;
- difficulty in managing a geographically dispersed workforce in compliance with local laws and customs that vary from country to country; and
- other factors, depending upon the country involved.

There can be no assurance the policies and procedures implemented by us to address or mitigate these risks will be successful, that our personnel will comply with them or that we will not experience these factors in the future or that they will not have a material adverse effect on our business, results of operations and financial condition.

SIERRA WIRELESS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS)
(In thousands of U.S. dollars, except where otherwise stated)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenue	$156,229	$157,965	$299,026	$308,371
Cost of goods sold	103,465	107,018	199,447	208,588
Gross margin	52,764	50,947	99,579	99,783
Expenses				
Sales and marketing	16,046	12,828	31,675	25,973
Research and development	18,237	18,402	37,015	37,494
Administration	10,286	11,092	19,813	21,512
Restructuring	—	711	—	711
Acquisition-related and integration	59	1,015	433	2,118
Amortization	4,725	2,787	8,487	5,389
	49,353	46,835	97,423	93,197
Earnings from operations	3,411	4,112	2,156	6,586
Foreign exchange gain (loss)	(1,071)	1,550	1,221	(10,343)
Other income	32	13	58	118
Earnings (loss) before income taxes	2,372	5,675	3,435	(3,639)
Income tax expense	1,654	1,599	1,999	1,938
Net earnings (loss)	$718	$4,076	$1,436	$(5,577)
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of taxes of $nil	(4,251)	4,568	881	1,050
Comprehensive earnings (loss)	$(3,533)	$8,644	$2,317	$(4,527)
Net earnings (loss) per share (in dollars) (note 6)				
Basic	$0.02	$0.13	$0.04	$(0.17)
Diluted	0.02	0.12	0.04	(0.17)
Weighted average number of shares outstanding (in thousands) (note 6)				
Basic	31,966	32,166	32,061	32,075
Diluted	32,430	32,915	32,465	32,075

The accompanying notes are an integral part of the consolidated financial statements.

SIERRA WIRELESS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except where otherwise stated)
(unaudited)

	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$98,433	$93,936
Accounts receivable, net of allowance for doubtful accounts of $2,339 (December 31, 2015 - $2,088)	128,542	116,246
Inventories (note 7)	20,033	32,829
Prepaids and other (note 8)	13,217	14,179
	260,225	257,190
Property and equipment	32,541	28,947
Intangible assets	78,886	84,250
Goodwill	157,600	156,488
Deferred income taxes	14,916	14,865
Other assets	5,662	4,592
	$549,830	$546,332
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	$133,606	$128,537
Deferred revenue and credits	2,863	3,479
	136,469	132,016
Long-term obligations (note 10)	46,703	44,353
Deferred income taxes	11,684	11,667
	194,856	188,036
Equity		
Shareholders’ equity		
Common stock: no par value; unlimited shares authorized; issued and outstanding: 32,035,149 shares (December 31, 2015 - 32,337,201 shares)	344,230	346,453
Preferred stock: no par value; unlimited shares authorized; issued and outstanding: nil shares	—	—
Treasury stock: at cost: 355,471 shares (December 31, 2015 – 240,613 shares)	(5,134)	(4,017)
Additional paid-in capital	21,960	23,998
Retained earnings (deficit)	1,015	(160)
Accumulated other comprehensive loss (note 11)	(7,097)	(7,978)
	354,974	358,296
	$549,830	$546,332

Commitments and contingencies (note 14)
Subsequent event (note 16)
The accompanying notes are an integral part of the consolidated financial statements.

SIERRA WIRELESS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands of U.S. dollars)
(unaudited)

	Common Stock		Treasury Stock					
	# of shares	$	# of shares	$	Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2014	31,868,541	$339,640	342,645	$(6,236)	$26,909	$2,514	$ (5,965)	$356,862
Stock option exercises	357,136	5,434	—	—	(1,597)	—	—	3,837
Stock-based compensation	—	—	—	—	8,942	—	—	8,942
Purchase of treasury shares for RSU distribution	—	—	306,476	(6,584)	—	—	—	(6,584)
Distribution of vested RSUs	111,524	1,379	(408,508)	8,803	(12,526)	—	—	(2,344)
Excess tax benefits from equity awards	—	—	—	—	2,270	—	—	2,270
Net loss	—	—	—	—	—	(2,674)	—	(2,674)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	(2,013)	(2,013)
Balance as at December 31, 2015	32,337,201	$346,453	240,613	$(4,017)	$23,998	$(160)	$ (7,978)	$358,296
Common share cancellation (note 12)	(553,932)	(5,945)	—	—	—	(261)	—	(6,206)
Stock option exercises (note 5)	163,815	2,091	—	—	(620)	—	—	1,471
Stock-based compensation (note 5)	—	—	—	—	3,937	—	—	3,937
Purchase of treasury shares for RSU distribution	—	—	305,629	(4,214)	—	—	—	(4,214)
Distribution of vested RSUs	88,065	1,631	(190,771)	3,097	(5,505)	—	—	(777)
Excess tax benefits from equity awards	—	—	—	—	150	—	—	150
Net earnings	—	—	—	—	—	1,436	—	1,436
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	881	881
Balance as at June 30, 2016	32,035,149	$344,230	355,471	$(5,134)	$21,960	$1,015	$ (7,097)	$354,974

The accompanying notes are an integral part of the consolidated financial statements.

SIERRA WIRELESS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Cash flows provided by (used in):				
Operating activities				
Net earnings (loss)	$718	$4,076	$1,436	$(5,577)
Items not requiring (providing) cash				
Amortization	6,706	4,452	12,274	9,583
Stock-based compensation (note 5)	1,902	2,437	3,937	4,734
Other	(115)	61	(111)	6,251
Changes in non-cash working capital				
Accounts receivable	(10,900)	1,432	(11,334)	(20,845)
Inventories	6,097	(6,642)	13,177	(9,236)
Prepaids and other	(830)	(8,829)	(59)	(7,188)
Accounts payable and accrued liabilities	13,417	15,526	5,549	12,383
Deferred revenue and credits	(473)	425	(747)	883
Cash flows provided by (used in) operating activities	16,522	12,938	24,122	(9,012)
Investing activities				
Additions to property and equipment	(5,427)	(3,906)	(8,270)	(5,817)
Proceeds from sale of property and equipment	—	—	3	—
Additions to intangible assets	(241)	(354)	(536)	(587)
Acquisition of Wireless Maingate AB, net of cash acquired	—	—	—	(88,449)
Acquisition of Accel Networks LLC	—	(9,250)	—	(9,250)
Cash flows used in investing activities	(5,668)	(13,510)	(8,803)	(104,103)
Financing activities				
Issuance of common shares	943	580	1,471	2,725
Repurchase of common shares for cancellation (note 12)	(62)	—	(6,206)	—
Purchase of treasury shares for RSU distribution	—	(1,656)	(4,214)	(2,453)
Taxes paid related to net settlement of equity awards	(425)	(452)	(777)	(2,194)
Excess tax benefits from equity awards	150	510	150	2,180
Payment for contingent consideration	(16)	—	(16)	—
Decrease in other long-term obligations	(75)	(70)	(138)	(144)
Cash flows provided by (used in) financing activities	515	(1,088)	(9,730)	114
Effect of foreign exchange rate changes on cash and cash equivalents	944	(1,421)	(1,092)	2,413
Cash and cash equivalents, increase (decrease) in the period	12,313	(3,081)	4,497	(110,588)
Cash and cash equivalents, beginning of period	86,120	99,555	93,936	207,062
Cash and cash equivalents, end of period	$98,433	$96,474	$98,433	$96,474

The accompanying notes are an integral part of the consolidated financial statements.

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SIERRA WIRELESS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except where otherwise stated)
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1. BASIS OF PRESENTATION
The accompanying unaudited interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), on a basis consistent with those followed in the December 31, 2015 audited annual consolidated financial statements except as indicated in note 2. These unaudited interim consolidated financial statements do not include all information and note disclosures required by U.S. GAAP for annual financial statements, and therefore should be read in conjunction with the December 31, 2015 audited consolidated financial statements and the notes thereto. The accompanying interim financial information reflects all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim period.

The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly-owned, from their respective dates of acquisition of control. All intercompany transactions and balances have been eliminated on consolidation.

In these interim consolidated financial statements, unless otherwise indicated, all dollar amounts are expressed in United States dollars (U.S. dollars). The term dollars and the symbol "$" refer to U.S. dollars.

2. SIGNIFICANT ACCOUNTING POLICIES

Recently implemented accounting standards

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. The update simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax assets and liabilities into current and non-current amounts in the consolidated balance sheets. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. We have early adopted this standard in the first quarter of 2016 on a retrospective basis. As a result of the adoption, we reclassified $4.7 million current deferred income tax assets to non-current deferred income tax assets on the balance sheet at December 31, 2015. Our adoption of the standard had no impact on our statements of operations and comprehensive earnings (loss) or statements of cash flows.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. The update provides that an entity should measure inventory within the scope of the standard at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The standard is effective for interim and annual periods ending after December 15, 2016 and applied prospectively. Early application is permitted. We early adopted this standard in the first quarter of 2016 and there was no material impact to our financial statements and business.

In April 2015, the FASB issued ASU 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. The update provides accounting guidance for customers with cloud computing arrangements. The standard is effective for interim and annual periods ending after December 15, 2015. We adopted this standard as of January 1, 2016 on a prospective basis and there was no material impact to our financial statements and business.

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SIERRA WIRELESS, INC.
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In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The update provides guidance about management's responsibility in evaluating whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. We early adopted this standard in the first quarter of 2016 and there was no impact to our disclosures.

Changes in future accounting standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASC 606). The update is intended to clarify the principles of recognizing revenue, and to develop a common revenue standard for U.S. GAAP and IFRS that would remove inconsistencies in revenue requirements, leading to improved comparability of revenue recognition practices across entities and industries. ASC 606 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual and interim financial statements for fiscal years beginning after December 15, 2017. Early application is permitted in fiscal years beginning after December 15, 2016. We are in the process of evaluating the impact of this update and cannot reasonably estimate the effect on our financial statements and business at this time.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This update is to improve transparency and comparability among organizations by requiring lessees to recognize right-of-use assets and lease liabilities on the balance sheet and requiring additional disclosure about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2018. Early application is permitted. We are in the process of evaluating the impact of this update and cannot reasonably estimate the effect on our financial statements and business at this time.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. This update affects several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted. We are in the process of evaluating the impact of this update.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. This update will replace the incurred loss impairment methodology for credit losses on financial instruments with a methodology that requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are in the process of evaluating the impact of this update and cannot reasonably estimate the effect on our financial statements and business at this time.

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SIERRA WIRELESS, INC.
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3. ACQUISITIONS

MobiquiThings SAS

On September 2, 2015, we completed the acquisition of MobiquiThings SAS ("MobiquiThings") for cash consideration of €13.5 million ($15.2 million), plus a maximum contingent consideration of €12 million under a performance-based earnout formula. In accordance with ASC 805, Business Combinations, $0.5 million was recognized as purchase price consideration and the remaining balance is expensed to acquisition-related costs over the earnout period. We accounted for the transaction using the acquisition method and accordingly, we have recorded the tangible and intangible assets acquired and liabilities assumed on the basis of our estimates of their respective fair values as at September 2, 2015. The excess of the purchase price over the value assigned to the net assets acquired is recorded as goodwill. The purchase price allocation was finalized during the second quarter of 2016 and resulted in no change to the purchase price allocation in the three and six months ended June 30, 2016.

4. SEGMENTED INFORMATION

	OEM Solutions	Enterprise Solutions	Cloud and Connectivity Services	Total
Three months ended June 30, 2016				
Revenue	$132,667	$ 16,577	$ 6,985	$156,229
Cost of goods sold	91,662	7,655	4,148	103,465
Gross margin	$41,005	$ 8,922	$ 2,837	$52,764
Gross margin %	30.9%	53.8%	40.6%	33.8%
Expenses				49,353
Earnings from operations				$3,411
Three months ended June 30, 2015				
Revenue	$138,133	$ 15,074	$ 4,758	$157,965
Cost of goods sold	97,143	7,157	2,718	107,018
Gross margin	$40,990	$ 7,917	$ 2,040	$50,947
Gross margin %	29.7%	52.5%	42.9%	32.3%
Expenses				46,835
Earnings from operations				$4,112

SIERRA WIRELESS, INC.
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	OEM Solutions	Enterprise Solutions	Cloud and Connectivity Services	Total
Six months ended June 30, 2016				
Revenue	$253,541	$ 31,572	$ 13,913	$299,026
Cost of goods sold	178,246	12,898	8,303	199,447
Gross margin	$75,295	$ 18,674	$ 5,610	$99,579
Gross margin %	29.7%	59.1%	40.3%	33.3%
Expenses				97,423
Earnings from operations				$2,156
Six months ended June 30, 2015				
Revenue	$271,173	$ 28,832	$ 8,366	$308,371
Cost of goods sold	190,222	13,453	4,913	208,588
Gross margin	$80,951	$ 15,379	$ 3,453	$99,783
Gross margin %	29.9%	53.3%	41.3%	32.4%
Expenses				93,197
Earnings from operations				$6,586

We sell certain products through resellers, original equipment manufacturers, and wireless service providers who sell these products to end-users. We did not have any customers during the three and six months ended June 30, 2016 or 2015 that accounted for more than 10% of our revenue.

5. STOCK-BASED PAYMENTS

Stock-based compensation expense:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Cost of goods sold	$107	$147	$213	$378
Sales and marketing	427	631	830	1,121
Research and development	327	381	685	739
Administration	1,041	1,278	2,209	2,496
	$1,902	$2,437	$3,937	$4,734
Stock option plan	$561	$537	$1,087	$1,064
Restricted stock plan	1,341	1,900	2,850	3,670
	$1,902	$2,437	$3,937	$4,734

As at June 30, 2016, the unrecognized compensation expense related to non-vested stock options and RSUs was $4,764 and $7,478 (2015 – $4,377 and $10,108), respectively, which is expected to be recognized over weighted average periods of 2.8 and 2.0 years (2015 – 2.7 and 1.5 years), respectively.

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SIERRA WIRELESS, INC.
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Stock option plan

The following table presents stock option activity for the period:

	Three months ended June 30,		Six months ended June 30,	
Number of Options	2016	2015	2016	2015
Outstanding, beginning of period	1,491,170	1,144,908	965,911	1,144,057
Granted	39,575	4,172	638,470	205,147
Exercised	(99,603)	(50,956)	(163,815)	(237,241)
Forfeited / expired	(20,835)	(5,236)	(30,259)	(19,075)
Outstanding, end of period	1,410,307	1,092,888	1,410,307	1,092,888
Exercisable, beginning of period	471,459	315,140	418,522	337,469
Exercisable, end of period	438,272	356,766	438,272	356,766

Under the terms of our Stock Option Plan (the “Plan”), our Board of Directors may grant options to employees, officers and directors. The maximum number of shares available for issue under the Plan is the lesser of 10% of the number of issued and outstanding common shares from time to time or 7,000,000 common shares. Based on the number of shares outstanding as at June 30, 2016, stock options exercisable into 1,793,208 common shares are available for future allocation under the Plan.

The Plan provides that the exercise price of an option will be determined on the date of grant and will not be less than the closing market price of our stock at that date. Options generally vest over four years, with the first 25% vesting at the first anniversary date of the grant and the balance vesting in equal amounts at the end of each month thereafter. We determine the expiry date of each option at the time it is granted, which cannot be more than five years after the date of the grant.

The intrinsic value of outstanding and exercisable stock options is calculated as the quoted market price of the stock at the balance sheet date, or date of exercise, less the exercise price of the option. The aggregate intrinsic value of stock options exercised in the three and six months ended June 30, 2016 was $891 and $1,155, respectively (three and six months ended June 30, 2015 - $1,098 and $5,766, respectively).

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The fair value of share options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Risk-free interest rate	0.90%	1.03%	0.73%	0.95%
Annual dividends per share	Nil	Nil	Nil	Nil
Expected stock price volatility	53%	45%	51%	44%
Expected option life (in years)	4.0	4.0	4.0	4.0
Average fair value of options granted (in dollars)	$7.36	$11.80	$4.44	$11.44

There is no dividend yield because we do not pay, and do not plan to pay, cash dividends on our common shares. The expected stock price volatility is based on the historical volatility of our average monthly stock closing prices over a period equal to the expected life of each option grant. The risk-free interest rate is based on yields from risk-free instruments with a term equal to the expected term of the options being valued. The expected life of options represents the period of time that the options are expected to be outstanding based on historical data of option holder exercise and termination behavior. We estimate forfeitures at the time of grant and, if necessary, revise that estimate if actual forfeitures differ and adjust stock-based compensation expense accordingly.

Restricted share plans

The following table summarizes the restricted share units ("RSUs") activity for the period:

	Three months ended June 30,		Six months ended June 30,	
Number of RSUs	2016	2015	2016	2015
Outstanding, beginning of period	834,101	886,491	778,233	1,161,765
Granted	19,357	5,690	317,346	219,471
Vested / settled	(94,411)	(80,505)	(335,740)	(564,293)
Forfeited	(9,810)	(3,882)	(10,602)	(9,149)
Outstanding, end of period	749,237	807,794	749,237	807,794
Outstanding – vested and not settled	173,617	112,240	173,617	112,240
Outstanding – unvested	575,620	695,554	575,620	695,554
Outstanding, end of period	749,237	807,794	749,237	807,794

We have two market based restricted share unit plans: one for U.S. employees and one for all non-U.S. employees, and a treasury based restricted share unit plan (collectively, the “RSPs”). The RSPs support our growth and profitability objectives by providing long-term incentives to certain executives and other key employees and also encourage our objective of employee share ownership through the granting of RSUs. There is no exercise price or monetary payment required from the employees upon the grant of an RSU or upon the subsequent delivery of our common shares (or, in certain jurisdictions, cash in lieu at the option of the Company) to settle vested RSUs. The form and timing of settlement is subject to local laws. With

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SIERRA WIRELESS, INC.
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respect to the treasury based RSP, the maximum number of share units outstanding under the Plan shall not exceed 3.5% of the number of issued and outstanding shares. Based on the number of shares outstanding as at June 30, 2016, 741,109 share units are available for future allocation under the Plan. With respect to the two market based RSPs, independent trustees purchase Sierra Wireless common shares over the facilities of the TSX and NASDAQ, which are used to settle vested RSUs. The existing trust funds are variable interest entities and are included in these consolidated financial statements as treasury shares held for RSU distribution.

Generally, RSUs vest over three years, in equal one-third amounts on each anniversary date of the grant. RSU grants to employees who are resident in France for French tax purposes will not vest before the second anniversary from the date of grant, and any shares issued are subject to an additional two year tax hold period.

The aggregate intrinsic value of RSUs that vested and settled in the three and six months ended June 30, 2016 was $1,701 and $4,186, respectively (three and six months ended June 30, 2015 – $2,841 and $19,639, respectively).

6. EARNINGS (LOSS) PER SHARE

The following table provides the reconciliation between basic and diluted earnings (loss) per share:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net earnings (loss)	$718	$4,076	$1,436	$(5,577)
Weighted average shares used in computation of:				
Basic	31,966	32,166	32,061	32,075
Assumed conversion	464	749	404	—
Diluted	32,430	32,915	32,465	32,075
Net earnings (loss) per share (in dollars):				
Basic	$0.02	$0.13	$0.04	$(0.17)
Diluted	0.02	0.12	0.04	(0.17)

In loss periods, potential common shares are not included in the computation of diluted earnings per share, because to do so would be anti-dilutive. In the three and six months ended June 30, 2016, 503,121 and 716,606 weighted average share-based awards, respectively, were excluded from the denominator for diluted earnings per share as the effect of including these weighted average share-based awards in the computation would be anti-dilutive.

SIERRA WIRELESS, INC.
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7. INVENTORIES
The components of inventories were as follows:

	June 30, 2016	December 31, 2015
Electronic components	$9,182	$ 19,203
Finished goods	10,851	13,626
	$20,033	$ 32,829

8. PREPAIDS AND OTHER
The components of prepaids and other were as follows:

	June 30, 2016	December 31, 2015
Inventory advances	$1,972	$ 1,159
Insurance and licenses	4,657	7,601
Other	6,588	5,419
	$13,217	$ 14,179

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
The components of accounts payable and accrued liabilities were as follows:

	June 30, 2016	December 31, 2015
Trade payables	$83,813	$81,879
Inventory commitment reserve	3,576	1,866
Accrued royalties	9,119	9,750
Accrued payroll and related liabilities	13,370	10,879
Taxes payable (including sales taxes)	2,577	2,501
Product warranties (note 14 (a)(ii))	8,481	7,362
Other	12,670	14,300
	$133,606	$128,537

SIERRA WIRELESS, INC.
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10. LONG-TERM OBLIGATIONS

The components of long-term obligations were as follows:

	June 30, 2016	December 31, 2015
Accrued royalties	$37,577	$ 35,451
Other	9,126	8,902
	$46,703	$ 44,353

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes by component in accumulated other comprehensive loss, net of taxes, were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Balance, beginning of period	$(2,846)	(9,483)	$(7,978)	$(5,965)
Foreign currency translation adjustments	(2,978)	2,633	(86)	(885)
Gain (loss) on long term intercompany balances	(1,273)	1,935	967	1,935
Balance, end of period	$(7,097)	(4,915)	$(7,097)	$(4,915)

12. SHARE CAPITAL

On February 4, 2016, we received approval from the TSX of our Notice of Intention to make a Normal Course Issuer Bid (the "NCIB"). Pursuant to the NCIB, we may purchase for cancellation up to 3,149,199 of our common shares, representing 10% of the public float as of the date of the announcement. The NCIB commenced on February 9, 2016 and will terminate on the earlier of: (i) February 8, 2017, (ii) the date the Company completes its purchases pursuant to the notice of intention filed with the TSX, or (iii) the date of notice by the Company of termination of the NCIB.

On February 29, 2016, we established an Automatic share Purchase Plan ("APP") in connection with the previously announced NCIB with a designated broker to allow for the purchase of Common Shares under the NCIB at times when the Company would ordinarily not be permitted to purchase shares due to regulatory restrictions. The APP incorporates certain price limits and volumes.

For the three and six months ended June 30, 2016, we purchased and canceled 4,349 and 553,932 common shares at an average price of $13.94 per share and $11.20 per share, respectively. The excess purchase price over and above the average carrying value in the amount of $16 and $261 were charged to retained earnings.

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13. FINANCIAL INSTRUMENTS

(a) Fair value presentation

An established fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

Level 1 -	Quoted prices in active markets for identical assets or liabilities.
Level 2 -	Observable inputs other than quoted prices in active markets for identical assets and liabilities, such as quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 -	Inputs that are generally unobservable and are supported by little or no market activity and that are significant to the fair value determination of the assets or liabilities.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturity of these financial instruments. Based on borrowing rates currently available to us for loans with similar terms, the carrying values of our obligations under capital leases, long-term obligations and other long-term liabilities approximate their fair values.

We have contingent consideration related to the acquisition of MobiquiThings in 2015 that was measured using unobservable inputs which represents a Level 3 measurement within the fair value hierarchy. The contingent consideration is measured at each reporting period and any changes in the fair value are recorded in earnings. In the three and six months ended June 30, 2016, $115 and $108, respectively, was recognized in "Acquisition-related and integration" expense related to the change in the fair value of the contingent consideration.

In the three and six months ended June 30, 2016, the contingent consideration related to the acquisition of Accel Networks LLC was nil.

(b) Credit Facility

We have a $10 million revolving term credit facility ("Revolving Facility") with Toronto Dominion Bank and the Canadian Imperial Bank of Commerce expiring on January 31, 2017. The Revolving Facility is for working capital requirements, is secured by a pledge against all of our assets and is subject to borrowing base limitations. As at June 30, 2016, there were no borrowings under the Revolving Facility.

(c) Letters of credit

We have access to a revolving standby letter of credit facility of $10 million from Toronto Dominion Bank. The credit facility is used for the issuance of letters of credit for project related performance guarantees and is guaranteed by Export Development Canada. As at June 30, 2016, there were no letters of credit issued against the revolving standby letter of credit facility.

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14. COMMITMENTS AND CONTINGENCIES

(a) Contingent liability on sale of products

(i) Under license agreements, we are committed to make royalty payments based on the sales of products using certain technologies. We recognize royalty obligations as determinable in accordance with agreement terms. Where agreements are not finalized, we have recognized our current best estimate of the obligation. When the agreements are finalized or the obligation becomes statute barred, the estimate will be revised accordingly.

(ii) We accrue product warranty costs, when we sell the related products, to provide for the repair or replacement of defective products. Our accrual is based on an assessment of historical experience and on management's estimates. Changes in the liability for product warranties were as follows:

	Three months ended June 30, 2016	Six months ended June 30, 2016
Balance, beginning of period	$7,909	$7,362
Provisions	1,374	2,573
Expenditures	(802)	(1,454)
Balance, end of period	$8,481	$8,481

(b) Other commitments

We have entered into purchase commitments totaling approximately $125,598, net of related electronic components inventory of $8,606 (December 31, 2015 – $87,631, net of electronic components inventory of $18,390), with certain contract manufacturers and suppliers under which we have committed to buy a minimum amount of designated products between July 2016 and September 2016. In certain of these agreements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

(c) Legal proceedings

We are from time to time involved in litigation, certain other claims and arbitration matters arising in the ordinary course of business. We accrue for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. These accruals are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and technical experts and other information and events pertaining to a particular matter. To the extent there is a reasonable possibility (within the meaning of ASC 450, Contingencies) that the losses could exceed the amounts already accrued for those cases for which an estimate can be made, management believes that the amount of any such additional loss would not be material to our results of operations or financial condition.

In some instances, we are unable to reasonably estimate any potential loss or range of loss. The nature and progression of litigation can make it difficult to predict the impact a particular lawsuit will have on the company.

There are many reasons why we cannot make these assessments, including, among others, one or more of the following: in the early stage of a proceeding, the claimant is not required to specifically

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identify the patent that has allegedly been infringed; damages sought that are unspecified, unsupportable, unexplained or uncertain; discovery not having been started or being incomplete; the complexity of the facts that are in dispute (e.g., once a patent is identified, the analysis of the patent and a comparison to the activities of the company is a labor-intensive and highly technical process); the difficulty of assessing novel claims; the parties not having engaged in any meaningful settlement discussions; the possibility that other parties may share in any ultimate liability; and the often slow pace of patent litigation.

We are required to apply judgment with respect to any potential loss or range of loss in connection with litigation. While we believe we have meritorious defenses to the claims asserted against us in our currently outstanding litigations, and intend to defend ourselves vigorously in all cases, in light of the inherent uncertainties in litigation there can be no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us for those cases for which an estimate can be made. Losses in connection with any litigation for which we are not presently able to reasonably estimate any potential loss or range of loss could be material to our results of operations and financial condition.

In January 2012, a patent holding company, M2M Solutions LLC ("M2M"), filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and our competitors. The lawsuit makes certain allegations concerning the AirPrime embedded wireless module products, related AirLink products and related services sold by us for use in M2M communication applications. The claim construction order has determined one of the two patents-in-suit to be indefinite and therefore invalid. The lawsuit was dismissed with prejudice in April 2016. In August 2014, M2M filed a second patent infringement lawsuit against us in the same court with respect to a recently issued patent held by M2M, which patent is a continuation of one of the patents-in-suit in the original lawsuit filed against us by M2M. The lawsuit has been administratively closed pending the result of several Inter Partes Review proceedings filed by us and the other defendants with the United States Patent and Trial Appeal Board (PTAB) in August and October of 2015, as well as April 2016. The PTAB has instituted proceedings in respect of two of these filings, including ours, and has yet to make a determination on the filing made by us in April 2016.

Although there can be no assurance that an unfavorable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims made in the foregoing legal proceedings are without merit and intend to defend ourselves and our products vigorously in all cases.

IP Indemnification Claims

We have been notified by one or more of our customers in each of the following matters that we may have an obligation to indemnify them in respect of the products we supply to them:

In June 2015, Adaptix filed amended complaints in the Eastern District of Texas against two carriers asserting patent infringement against them in relation to certain cellular communication devices sold by the carriers for use on their 4G LTE wireless networks, which include certain products which may utilize modules sold to the original equipment manufacturer by us and certain AirCard products sold to the carriers by us prior to the transfer of the AirCard business to Netgear. The two cases have been dismissed with prejudice in July 2016.

In February 2012, a patent holding company, Intellectual Ventures (comprised of Intellectual Ventures I LLC and Intellectual Ventures II LLC), filed a patent infringement lawsuit in the United States District Court for

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the District of Delaware against two of our customers asserting patent infringement in relation to several of our customer's products and services, including the mobile hotspots sold to them by us prior to the transfer of the AirCard business to Netgear. The lawsuit was split into several separate lawsuits and amended complaints were filed in October 2013. In Q2 2016, the plaintiff stipulated that it was no longer accusing our products in the two cases in which we were intervening in defense of our products, and our intervention was subsequently terminated.

Although there can be no assurance that an unfavorable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims made in the foregoing legal proceedings are without merit and intend to defend ourselves and our products vigorously in all cases.

We are engaged in certain other claims, legal actions and arbitration matters, all in the ordinary course of business, and believe that the ultimate outcome of these claims, legal actions and arbitration matters will not have a material adverse effect on our operating results, liquidity or financial position.

15. COMPARATIVE FIGURES

Certain comparative figures presented in the interim consolidated financial statements have been reclassified to conform to the current period presentation.

16. SUBSEQUENT EVENT

On August 3, 2016, we completed the acquisition of all of the outstanding shares of GenX Mobile Incorporated, a provider of in-vehicle cellular devices for fleet management, asset tracking and transportation markets for total cash consideration of $7.8 million ($6.0 million, net of cash acquired), subject to working capital adjustments.