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| fstr-def14a_052418img001 | **L.B. FOSTER COMPANY 415 Holiday Drive Pittsburgh, Pennsylvania 15220** |

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 24, 2018**

To Our Shareholders:

L. B. Foster Company will hold its Annual Meeting of Shareholders at the Duquesne Club at 325 Sixth Avenue, Pittsburgh, Pennsylvania 15222 on Thursday, May 24, 2018, at 8:30 AM, Eastern Daylight Time (the “Annual Meeting” or the “Meeting”), for the purposes of:

1. Electing a board of eight directors for the ensuing year;

2. Ratifying the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2018;

3. Advisory approval of the compensation paid to the Company’s named executive officers in 2017; and

4. Approval of the 2006 Omnibus Incentive Plan (as Amended and Restated).

Shareholders will also be asked to consider and act upon such other business that properly come before the Annual Meeting.

Shareholders are cordially invited to attend the Annual Meeting. Only holders of record of Company common stock at the close of business on March 22, 2018 will be entitled to vote at the meeting or at any adjournment or postponement thereof.

U.S. Securities and Exchange Commission rules allow companies to furnish proxy materials to their shareholders over the Internet. This process expedites shareholder receipt of proxy materials and lowers the cost of our Annual Meeting. On or about April 12, 2018, we mailed to our shareholders a Notice of Internet Availability containing instructions on how to access our 2018 Proxy Statement and 2017 Annual Report and how to cast your vote. That Notice also includes instructions on how to receive a paper copy of the Annual Meeting materials.

Your vote is important. Whether you plan to attend the Annual Meeting or not, we hope you will vote your shares as soon as possible. Please sign, date, and return your proxy card or voting instruction form or vote by telephone or via the Internet; instructions are included on the proxy card and voter instruction form. If you plan to attend the Annual Meeting in person, please detach the Admission Ticket from your proxy card and bring it to the Meeting. If you are a beneficial owner of shares held in “street name” through a broker, bank, or other intermediary, please contact your broker, bank, or other intermediary to obtain evidence of ownership and a legal proxy, which you must bring with you to the Meeting.

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|  |  |
|  | Patrick J. Guinee |
|  | Senior Vice President, General Counsel & |
|  | Corporate Secretary |

Pittsburgh, Pennsylvania  
April 12, 2018

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This Proxy Statement contains statements related to future events and expectations and as such constitute forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is subject to the safe harbors created therein. The forward-looking statements contained herein are generally identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on the beliefs and assumptions of our management and on currently available information. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. We undertake no responsibility to publicly update or revise any forward-looking statement except as required by applicable law.

**L. B. FOSTER COMPANY**

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|  | **PROXY STATEMENT** |  |

**G****ENERAL INFORMATION**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board”) of L. B. Foster Company (the “Company”) to be voted at the May 24, 2018 Annual Meeting of Shareholders and at any adjournment or postponement thereof (the “Annual Meeting” or the “Meeting”). This Proxy Statement, the Notice of Internet Availability, the proxy card, and our 2017 Annual Report to Shareholders were each made available to shareholders on the Internet, free of charge, at **www.proxyvote.com** or mailed on or about April 12, 2018.

At the close of business on March 22, 2018, the record date for entitlement to vote at the Meeting (the “Record Date”), there were 10,564,110 shares of common stock outstanding. Only holders of record of our common stock at the close of business on the Record Date are entitled to notice of, and to vote at, the Meeting or at any adjournment or postponement thereof. Such shareholders will have one vote for each share held on that date.

The presence, in person or by proxy, of the shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a matter to be acted on at the Annual Meeting will constitute a quorum. Where a shareholder’s proxy or ballot is properly executed and returned but does not provide voting instructions, the shares of such shareholder will nevertheless be counted as being present at the Meeting for the purpose of determining a quorum. Abstentions and “broker non-votes” (as described below) will be counted for purposes of determining a quorum.

If your shares are held in “street name” (i.e. held for your account by a broker or other nominee), you should receive instructions from the holder of record on voting your shares. If a shareholder holds shares beneficially in street name and does not provide the shareholder’s broker with voting instructions, such shares may be treated as “broker non-votes.” Generally, broker non-votes occur when a broker is not permitted to vote on a particular matter without instructions from the beneficial owner and instructions have not been given. Brokers that have not received voting instructions from their clients cannot vote on their clients’ behalf on “non-routine” proposals, such as the election of directors and executive compensation matters (for purposes of this Proxy Statement, Proposals 1, 3, and 4), although they may vote their clients’ shares on “routine” proposals, such as the ratification of the independent registered public accounting firm (for purposes of this Proxy Statement, Proposal 2). In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal.

Directors will be elected by a plurality of the votes cast by the holders of the shares voting in person or represented by proxy at the Meeting. Only votes FOR or AGAINST this proposal count as votes cast. Abstentions and broker non-votes are not considered to be votes cast on this proposal. Our common stock does not have cumulative voting rights in the election of directors.

The Audit Committee of the Board has appointed Ernst & Young LLP (“Ernst & Young”) as the Company’s independent registered public accounting firm for 2018. The affirmative vote of a majority of the votes cast by the Company’s shareholders entitled to vote shall ratify this appointment. Only votes FOR or AGAINST this proposal count as votes cast. Abstentions and broker non-votes are not considered to be votes cast on this proposal.

The advisory vote to approve the compensation paid to the Company’s named executive officers in 2017 as reported in this Proxy Statement will be determined by the affirmative vote of a majority of the votes cast by the Company’s shareholders entitled to vote. Only votes FOR or AGAINST this proposal count as votes cast. Abstentions and broker non-votes are not considered to be votes cast on this proposal.

The affirmative vote of a majority of the votes cast by the Company’s shareholders entitled to vote shall approve the amendment of the Company’s 2006 Omnibus Incentive Plan (as Amended and Restated) to authorize additional shares for issuance. Only votes FOR or AGAINST this proposal count as votes cast. Abstentions and broker non-votes are not considered to be votes cast on this proposal.

If the form of proxy is properly executed and returned, it will be voted as directed. If no directions are given, the proxy will be voted FOR the election of the eight nominees named herein as directors; FOR the ratification of the appointment of Ernst & Young as the Company’s independent registered public accounting firm for 2018; FOR the approval of the compensation paid to the Company’s named executive officers in 2017 as reported in this Proxy Statement; and FOR the Company’s 2006 Omnibus Incentive Plan (as Amended and Restated) to authorize additional shares for issuance. The proxy grants discretionary authority to vote on other matters that properly come before the Annual Meeting to Lee B. Foster II, Chairman of the Board, and Robert P. Bauer, President and Chief Executive Officer.

The voting instruction form also serves as the voting instructions for the trustees who hold shares of record for participants in the Company’s 401(k) plans. If voting instructions representing shares in the Company’s 401(k) plans are received, but no indication is provided as to how those shares are to be voted, the shares will be counted as being present at the Meeting and will count toward achievement of a quorum. If voting instructions as to the shares in the Company’s 401(k) plans are not received, those shares will be voted in the same proportion as shares in the 401(k) plans for which voting instructions were received.

The cost of soliciting proxies will be borne by the Company. Officers or employees of the Company may solicit proxies by mail, telephone, email, or facsimile. The Company has retained Laurel Hill Advisory Group, LLC for the solicitation of proxies and will pay its fee of $5,500 plus reasonable out-of-pocket expenses.

If you are a shareholder of record, you may vote your shares of Company common stock by telephone or through the Internet. You may also vote your shares by mail or in person. Please see the Notice of Internet Availability for instructions on how to access the proxy materials and how to cast your vote.

*Votes submitted via the Internet or by telephone must be received by 11:59 PM EDT, on May 23, 2018. Submitting your vote via the Internet or by telephone will not affect your right to vote in person should you decide to attend the Annual Meeting. You may change your vote or revoke your proxy at any time by submitting a valid, subsequent vote by telephone or through the Internet, by submitting another properly signed proxy which bears a later date, or attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not by itself revoke a previously granted proxy; you must also vote your shares.*

If you plan on attending the Annual Meeting in person, please detach the Admission Ticket from your proxy card and bring it to the Meeting. If you are a beneficial owner of shares held in “street name” through a broker, bank, or other intermediary, please contact your broker, bank, or other intermediary to obtain evidence of ownership and a legal proxy, which you must bring with you to the Meeting.

**PR****OPOSAL NO. 1 - ELECTION OF DIRECTORS**

The first proposal item to be voted on is the election of eight directors. The Board of Directors has nominated the following eight people to serve as directors, all of whom are currently serving as directors of the Company. Each director who is elected will hold office until the next annual meeting and generally until the director’s successor is elected and qualified. Information concerning the nominees is set forth below with brief descriptions of each nominee’s qualifications to serve on the Company’s Board of Directors:

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| **Nominee** |  |  |
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| **Robert P. Bauer** |  | Mr. Bauer, age 59, has been a director of the Company since February 2012, when he was appointed President and Chief Executive Officer. Since August 2015, Mr. Bauer has served as a director of Alamo Group, Inc., which designs, manufactures, distributes, and services equipment for infrastructure maintenance, agriculture, and other applications, including truck and tractor mounted mowing and other vegetation maintenance equipment, street sweepers, snow removal equipment, excavators, vacuum trucks, and other industrial equipment. Mr. Bauer served as President of Emerson Climate Technologies, Refrigeration Division, a business segment of Emerson Electric Co., a diversified global manufacturing and technology company, (“Emerson”) from June 2011 to February 2012. He also served as President of Emerson Network Power, Liebert Division, from January 2002 through May 2011. Mr. Bauer spent a total of 17 years with Emerson in various senior management positions and became a Group Vice President, Emerson in 2004. Prior to Emerson, he held management positions with Rockwell Automation and Westinghouse Electric. We believe that Mr. Bauer is qualified to serve as a director because of his vast experience in global manufacturing, worldwide marketing, and new product development. He also has extensive experience with mergers and acquisitions and strategic planning including investments in new technologies. |
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| **Lee B. Foster II** |  | Mr. Foster, age 71, has been a director of the Company since 1990 and Chairman since 1998. He was the Chief Executive Officer of the Company from May 1990 until he resigned from such office in January 2002 and remained a Company employee until May 2008. Mr. Foster has been a director of Wabtec Corporation since 1999, which manufactures components for locomotives, freight cars, and passenger transit vehicles, and provides aftermarket services. We believe that Mr. Foster is qualified to serve as a director because of his history with the Company and his knowledge of the Company’s current businesses, and his corporate governance experience as a member of another public company’s board of directors. In addition, Mr. Foster’s experience brings additional insight to a variety of our business issues. |
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| **Nominee** |  |  |
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| **Dirk Jungé** |  | Mr. Jungé, age 69, has been a director since 2015. He is the Chairman of Pitcairn Company, a private Pitcairn family holding company, and Pitcairn Trust Company, a Pennsylvania state-chartered trust company, since 1991. Until 2012, he served as Chief Executive Officer of Pitcairn, a recognized global leader in the specialized family office marketplace and has overseen investments in oil and gas and drilling partnerships. Since 2000, he has served as a director of Paramount Resources, Ltd., a public Canadian energy company, with assignments on the corporate governance committee since 2003 and the environmental, health & safety committee since 2011. In 2013, he joined the Board of Directors of Freeman Company, a privately-held company and a leader in face-to-face marketing and currently serves as the Chairman of its compensation committee. Mr. Jungé is also a credentialed Chartered Financial Analyst. We believe that Mr. Jungé is qualified to serve as a director because of his years of business experience, including in the energy sector and in public and private enterprises, as well as his familiarity with strategic planning, risk management, compensation, finance, and governance matters, which enable him to make a valuable contribution to the Board’s business and compliance oversight functions. |
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| **Diane B. Owen** |  | Ms. Owen, age 62, was elected as a director in May 2002. Since June 2014, she has served as an independent Board Member and Internal Control Committee Chair of Elliott Group Holdings, a subsidiary of Ebara Corporation, an international company that manufactures and services industrial equipment. She was Senior Vice President – Corporate Audit of H.J. Heinz Company, an international food company, from May 2010 to June 2013 and was Vice President - Corporate Audit of H.J. Heinz Company from April 2000 to May 2010. We believe that Ms. Owen is qualified to serve as a director of the Company due to her over 30 years of business experience, particularly in accounting and finance. Ms. Owen plays a critical role as Chairman of the Audit Committee and as the Board’s audit committee financial expert. In addition, Ms. Owen’s extensive international business experience enables her to provide valuable insights to the Company in its international business interests. |
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| **Robert S. Purgason** |  | Mr. Purgason, age 62, has been a director of the Company since December 2014. Since March 2017, he has served as Senior Managing Director of Kayne Anderson Capital Advisors, LLC, a registered investment advisory company. He was Senior Vice President of The Williams Companies (“Williams”) from January 2015 through February 2017, leading the Williams operating area that encompasses the assets and operations of Access Midstream, including natural gas gathering and processing. During that period, Mr. Purgason was a director of Williams Partners, and also served as Chief Operating Officer of the general partner of Access Midstream from 2012 to 2015. Prior to joining Access Midstream, Mr. Purgason spent five years at Crosstex Energy Services, L.P. and was promoted to Senior Vice President-Chief Operating Officer in November 2006. Prior to Crosstex, Mr. Purgason spent 19 years with The Williams Companies in various senior business development and operational roles of increasing responsibility. Mr. Purgason began his career at Perry Gas Companies in Odessa, Texas working in all facets of the natural gas treating business. Mr. Purgason’s extensive experience in, and keen understanding of, the energy industry brings valuable insight to the Board, particularly with regard to the Company’s operations which include pipe threading and coating as well as blending, injection, and custody transfer metering skids for the oil and gas industry. He also brings board experience which contributes to the corporate governance experience of the Board. |

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| **Nominee** |  |  |
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| **William H. Rackoff** |  | Mr. Rackoff, age 69, has been a director of the Company since 1996. Since 1994, Mr. Rackoff has been President and Chief Executive Officer of ASKO, Inc., a private international company which manufactures custom engineered tooling for the metalworking industry. We believe that Mr. Rackoff is qualified to serve as a director because his years of experience in the steel industry and his engineering background enable him to understand and develop the factors that drive the Company’s performance, including strategy, operations, and finance. Mr. Rackoff, as Chairman of the Compensation Committee, has led the creation of the Company’s executive incentive programs. |
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| **Suzanne B. Rowland** |  | Ms. Rowland, age 56, was elected as a director in May 2008. Since June 2016, Ms. Rowland has served as Group Vice President, Industrial Specialties at Ashland LLC, a specialty chemical company. Ms. Rowland was Vice President and General Manager in the Industrial Fire Products Division of Tyco International from 2011 to 2015 and was Vice President Business Excellence for the Tyco Flow Control Division from 2009 to 2010. Prior to Tyco, Ms. Rowland spent over 20 years with Rohm and Haas Company in senior executive positions including Vice President Global Adhesives, Vice President Coatings North America, and Vice President of Procurement & Logistics. We believe that Ms. Rowland is qualified to serve as a director because of her broad leadership experience in Fortune 500 global companies. Having served as an operating executive for the last 19 years in chemical, materials, and mechanical and electrical products. Ms. Rowland brings valuable insight into strategic and operational issues important to the Company’s success. |
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| **Bradley S. Vizi** |  | Mr. Vizi, age 34, has been a director since February 2016. He is the Chief Investment Officer of Convoy Capital Management, LLC, a Los Angeles-based investment advisor specializing in small-cap activism. Prior to October 2017, Mr. Vizi was Managing Director of Legion Partners Asset Management, where he served in that capacity since 2012. Prior to founding Legion Partners, Mr. Vizi was an investment professional for Shamrock Capital Advisors, the alternative investment vehicle of the Disney Family from 2007 to 2010. Prior to Shamrock, Mr. Vizi was a member of the private equity group at Kayne Anderson Capital Advisors. Since 2015, Mr. Vizi has served as Chairman of the Board of Directors for RCM Technologies, Inc., a public staffing and solutions company, and has been a member of its Board of Directors since 2013, serving on the compensation and governance committees. Mr. Vizi brings to the Board a valuable understanding of capital allocation and public markets, experience in compensation and corporate governance matters, and a shareholder perspective regarding enhancing stakeholder value. Mr. Vizi was initially elected to the Board pursuant to an agreement dated February 12, 2016 (the “Investors Agreement”) by the Company with Legion Partners, L.P. I, Legion Partners, L.P. II, Legion Partners Special Opportunities, L.P. II, Legion Partners Holdings, LLC, Legion Partners Asset Management, LLC, Legion Partners Holdings, LLC, Bradley S. Vizi, Christopher S. Kiper, and Raymond White (collectively, the “Investor Group”), which Investors Agreement expired on February 13, 2018, and as more fully described below. |

Pursuant to the Investors Agreement, effective February 12, 2016, the Board agreed to appoint Mr. Vizi to the Board for a term expiring at the 2016 Annual Meeting. Additionally, under the terms of the Investors Agreement, the Board agreed, among other matters, to (i) appoint Mr. Vizi to the Compensation and Nomination and Governance Committees of the Board, (ii) nominate Mr. Vizi for election to the Board at the 2016 Annual Meeting and (iii) not increase the size of the Board beyond nine members without the consent of Mr. Vizi for the period commencing on the date of the Investors Agreement and ending ten (10) days prior to the expiration of the advance notice period for the submission by shareholders of director nominations for consideration at the Company’s 2017 Annual Meeting of Shareholders, unless extended by the parties (the “Standstill Period”). Under the terms of the Investors Agreement, the Standstill Period could be extended if the Company timely notified Mr. Vizi of its intention to nominate him for election at the 2017 Annual Meeting, Mr. Vizi consented to the nomination, and the Company did nominate him. In February 2017, the Board determined to nominate Mr. Vizi for reelection to the Board, Mr. Vizi consented to such nomination, and Mr. Vizi was elected by the shareholders. As a result, the Standstill Period was extended and terminated ten (10) calendar days prior to the expiration of the advance notice period for the submission by shareholders of director nominations for consideration at the Company’s 2018 Annual Meeting of Shareholders, or February 13, 2018.

The Board nominated the foregoing nominees based upon the recommendation of the Nomination and Governance Committee. The nominees have expressed their willingness to serve as directors, if elected. However, should any of the nominees be unavailable for election, the proxies (except for proxies that withhold authority to vote for directors) will be voted for such substitute nominee or nominees as may be chosen by the Board, or the number of directors may be reduced by appropriate action of the Board.

**The Board of Directors recommends that you vote “FOR” each of the foregoing nominees.**

**PROPO****SAL NO. 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP has served as the Company’s independent registered public accounting firm since 1990 and has been appointed by the Audit Committee of the Board as the Company’s independent registered public accountants for the fiscal year ending December 31, 2018. Although action by the shareholders in this matter is not required, the Board is seeking shareholder ratification of this appointment in light of the important role played by the independent registered public accounting firm. If the shareholders fail to ratify the selection, the Audit Committee will consider whether to retain Ernst & Young LLP going forward. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different firm at any time during the year if the committee determines that such a change would be in the best interests of the Company and its shareholders.

**The Board of Directors recommends that you vote “FOR” ratification of Ernst & Young LLP’s appointment as the Company’s independent registered public accounting firm for fiscal year 2018.**

**PRO****POSAL NO. 3 - ADVISORY VOTE ON NAMED EXECUTIVE OFFICERS’ 2017 COMPENSATION**

At the 2011 and 2017 Annual Meetings, upon recommendation by the Board of Directors, shareholders voted to hold an advisory vote on executive compensation every year.

The following proposal gives our shareholders the opportunity to vote to approve or not approve, on an advisory basis, the compensation paid to our named executive officers in 2017, as described in this Proxy Statement, and is non-binding upon the Company, our Board, or the Compensation Committee of the Board. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our executive officers and our compensation philosophy, policies, and practices, as disclosed under the “Executive Compensation” section of this Proxy Statement. We are providing this vote as required by Section 14A of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Accordingly, we are asking our shareholders to vote “FOR” the adoption of the following resolution:

“**RESOLVED**, that the compensation paid to the named executive officers of L.B. Foster Company (the “Company”), as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion in the Company’s Proxy Statement for the 2018 Annual Meeting of Shareholders under the heading entitled ‘Executive Compensation,’ is hereby approved.”

The Company’s compensation programs are centered on a pay-for-performance culture and are strongly aligned with the long-term interests of shareholders. The Company’s goal for its executive compensation program is to reward executives who provide leadership for, and contribute to, the Company’s financial success.

While we intend to carefully consider the voting results of this proposal, the final vote is advisory in nature and therefore not binding on the Company, our Board, or the Compensation Committee of the Board.

**The Board of Directors recommends that you vote “FOR” approval of the named executive officers’ compensation in 2017, as reported in this Proxy Statement.**

**PR****OPOSAL NO. 4 —APPROVAL OF THE 2006 OMNIBUS INCENTIVE COMPENSATION PLAN (AS AMENDED AND RESTATED)**

**Background of the 2006 Omnibus Incentive Plan**

In March 2018, the Board and the Compensation Committee (for purposes of this proposal, the “Committee”) unanimously approved and adopted, subject to the approval of shareholders at this Annual Meeting, the 2006 Omnibus Incentive Plan (as Amended and Restated, the “Amended Plan”). The purpose of the Amended Plan is to advance the interests of the Company and its shareholders, and promote the Company’s long-term growth and financial success, by providing equity and other financial incentives that align key employees and non-employee directors of the Company with the interests of shareholders.

If approved by shareholders at this Annual Meeting, the Amended Plan will replace the 2006 Omnibus Incentive Plan (the “Current Plan”) and will be effective upon such approval. If the shareholder vote on the Amended Plan at this Annual Meeting is postponed, the Amended Plan will be effective on such date on which a shareholders’ meeting to vote and approve the Amended Plan occurs and, until such time, the Current Plan will continue in effect, in accordance with its terms.

**The Board recommends that you vote for approval of the Amended Plan.** The Board believes that it is in the best interests of the Company and our shareholders to approve the Amended Plan in order to continue to motivate performance by our key employees and non-employee directors.

The primary amendments to the Current Plan relate to the following:

• ***Increased Authorized Share Pool.*** The Amended Plan increases the maximum aggregate number of shares of Company common stock that will be available for awards granted thereunder, from 1,270,000 shares of common stock to 2,058,000 shares of common stock.

• ***Minimum Vesting Requirements.*** The Amended Plan requires that, at the time of grant, all awards granted thereunder must have a minimum vesting or performance period of one year. This requirement will not apply to (i) up to 5% of the shares authorized for issuance under the Amended Plan, (ii) the events of death, disability, or retirement, or (iii) awards granted in exchange for the surrender of, or substitution of, another company’s awards that is acquired by the Company (“Substitute Awards”).

• ***For All Awards, No Dividend Payments Unless Awards Are Vested or Earned.*** No dividends or dividend equivalent rights associated with awards granted under the Amended Plan will be paid unless and until such award vests and/or is earned.

• ***Best Practice Vesting Provisions Relating to Change in Control.*** The Amended Plan provides that, in the event of a Change in Control (as defined in the Amended Plan), outstanding awards will terminate; provided, however, that the Committee may authorize (i) in the case of awards that vest solely based on the passage of time, immediately exercisable or vested unless assumed by the successor or if the successor does not provide substantially equivalent rights, (ii) in the case of performance awards, making such awards either vested (A) pro-rata at a target performance level based on the portion of the applicable performance period that has lapsed immediately prior to the consummation of the Change in Control and/or (B) actual performance as of the date of the Change in Control, or (iii) arranging to have the successor entity grant replacement awards.

• ***Extension of Plan Term.*** If the Amended Plan is approved by our shareholders at this Annual Meeting, the term of the Amended Plan would expire on May 24, 2028 (as opposed to May 25, 2026 under the Current Plan).

• ***Internal Revenue Code-Related Changes.*** As described in the “Compensation Discussion and Analysis” section of this proxy statement, Section 162(m) of the Code (“Section 162(m)”) was changed substantially in connection with the adoption of the Tax Cuts and Jobs Act that was signed into law on December 22, 2017 (the “Act”). Prior to this law, Section 162(m) generally limited our ability to deduct certain compensation paid to each of our “covered employees” (our CEO and our next three most highly-compensated executive officers, other than our CFO) to $1 million in a taxable year, unless the compensation met the requirements of “qualified performance-based compensation” under Section 162(m) (the “162(m) Exception”). As a result, the Current Plan includes numerous restrictions and conditions designed to comply with the 162(m) Exception that are no longer relevant and that encumber the Committee’s flexibility to design and tailor awards to incentivize the achievement of critical business goals. Since the 162(m) Exception is no longer available to us, the Board and Committee recommend that the shareholders approve the Amended Plan, which provides the Board and Committee with greater flexibility to design and implement performance-based awards that appropriately account for and are tailored to our business objectives.

**Description of the Amended and Restated 2006 Omnibus Incentive Plan**

The following summary is a description of the other principal features of the Amended Plan. This summary is qualified in its entirety by reference to the complete text of the Amended Plan, which is attached as Appendix A to this proxy statement.

The Amended Plan will be administered by the Committee, which has the full and exclusive authority to interpret, construe, and administer the Amended Plan, including, among other matters, to: (i) adopt or establish and amend such rules, regulations, agreements, guidelines, procedures, forms, and instruments as may be necessary or advisable for the administration and operation of the Amended Plan; (ii) correct any defect, supply any omission or reconcile any inconsistency in the Amended Plan or in any award in the manner and to the extent it deems desirable; (iii) select the persons to be granted awards under the Amended Plan; (iv) grant and determine the terms, conditions, form, and size of awards to be made to each person selected, including clawback or other recoupment provisions applicable to awards granted thereunder; (v) determine the time when awards are to be made and any conditions which must be satisfied before an award is made; (vi) establish objectives, conditions and performance goals for earning awards; (vii) determine the terms of each award agreement and any amendments or modifications thereof; (viii) determine whether the conditions for earning an award have been met and whether an award will be paid at the end of the performance period; (ix) determine if and when an award may be deferred; (x) determine whether the amount or payment of an award should be reduced or eliminated; (xi) determine the guidelines and/or procedures for the payment or exercise of awards; and (xii) determine whether to accelerate vesting provisions applicable to awards. The Committee’s decisions will be final, conclusive, and binding with respect to the Amended Plan and any award made under the Amended Plan.

Addition of 788,000 Shares to the Plan

The Committee’s independent compensation consultant, Pay Governance LLC, assisted in preparing the Amended Plan. Based on an analysis of leading proxy advisory firms’ policies on equity-based compensation plans, our historical share usage under the Current Plan, our anticipated share usage under the Amended Plan taking account of our current stock price, and the importance of long-term incentives in supporting the key objectives of the Company’s equity compensation program, management recommended, and the Board approved (among other changes to the Current Plan) the proposed increase of 788,000 shares (from the prior authorized amount of 1,270,000) to be available for issuance under the Amended Plan. This increase in the number of shares available for issuance under the Amended Plan represented approximately 7.5% of our outstanding common stock as of March 22, 2018 and would have had a value of approximately $20,015,200 million based on the closing market price per share of the Company’s common stock on that date ($25.40 per share).

Other Principal Features of the Amended Plan

• **No liberal share counting**. The Amended Plan prohibits the reuse of shares issuable under the Amended Plan that are (i) delivered or otherwise used in payment of the exercise price of an option or base price of a SAR, (ii) delivered to or withheld by the Company to pay tax withholding obligations, (iii) purchased by the Company using proceeds from option exercises, or (iv) not issued or delivered as a result of a net settlement of an outstanding option or SAR.

• **No repricing of stock options or SARs**. The Amended Plan explicitly prohibits repricing of options and SARs without first obtaining shareholder approval.

• **No discounted stock options or SARs**. All stock options and SARs must have an exercise or base price equal to or greater than the fair market value of the underlying common stock on the grant date.

• **Awards are administered by an independent Committee**. The Amended Plan will be administered by the Committee, or another committee designated by the Board, which is or will be comprised entirely of independent directors. See page 26 of this proxy statement for more information about the Committee.

• **Awards are subject to “clawback.**” All incentive awards under the Amended Plan are subject to any law, regulation, or Company policy that requires recoupment.

Eligibility

Any officer, employee, consultant, independent contractor or director of the Company, or any of its subsidiaries is eligible to receive an award under the Amended Plan. As of December 31, 2017, there were approximately 1,475 employees of the Company and its subsidiaries eligible to participate in the plan, of which 34 were participating, seven non-employee directors of the Company who are eligible to participate in the plan and no independent contractors or consultants eligible to participate in the plan**.** The selection of participants and the nature and size of the awards is subject to the Committee’s discretion.

Plan Reserve

The number of shares reserved under the Amended Plan will be depleted by one share for each share subject to a stock-settled award. Fractional shares will not be issued under the Amended Plan.

Except as otherwise provided in the Amended Plan, shares may be re-credited to the plan reserve if (i) an award lapses, expires, terminates, or is cancelled without the underlying shares being issued (or a portion thereof), (ii) it is determined during or at the conclusion of the term of an award that all or some shares underlying the award may not be issued because the conditions for such issuance failed to be met, (iii) any award (or a portion thereof) is settled in cash, (iv) shares subject to an award are forfeited, or (v) shares are issued pursuant to an award but are subsequently reacquired by the Company (except with respect to incentive stock options).

If, under the Amended Plan, a participant has elected to give up the right to receive compensation in exchange for shares of stock based on fair market value, such shares of stock are not counted against the aggregate plan limit. Shares of stock issued under Substitute Awards shall not reduce the shares of stock available under the Amended Plan, and available shares under a shareholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for awards under the Amended Plan and shall not reduce the Amended Plan’s share reserve (unless otherwise required by any applicable stock exchange listing requirements).

Individual Award Limits

To the extent necessary to qualify for the exception under Section 162(m) for “performance-based compensation,” under the Amended Plan, for any fiscal year and subject to adjustment in accordance with the terms of the Amended Plan, no participant may be granted (i) an award of stock options or SARs for more than 300,000 shares, (ii) a performance award (payable in stock) intended to be performance-based compensation under Section 162(m) of more than 150,000 shares (measured on a target award level on the grant date), or (iii) a performance award (payable in cash) intended to be performance-based compensation under Section 162(m) of more than $5,000,000 (measured on a target award level on the grant date). Additionally, and subject to adjustment in accordance with the terms of the Amended Plan, no non-employee director may be granted, in any one fiscal year, awards specifically granted under the Amended Plan with an aggregate maximum value, calculated as of their respective grant dates, of more than $300,000.

Awards

The following types of awards may be granted under the Amended Plan:

*Stock Options.* Stock options may be nonqualified stock options or incentive stock options that comply with Section 422 of the Code. Only an employee of the Company may receive incentive stock options. The Committee determines all terms and conditions of stock options, including the number of shares subject to the option and the applicable vesting period. Except as otherwise provided in an award agreement or the Amended Plan, options granted to employees will generally be exercisable in cumulative installments and vest ratably in one-fourth increments on each of the first, second, third, and fourth anniversaries of the date of grant. The exercise price per share may not be less than the fair market value of a share subject to the option on the grant date.

Except as otherwise provided in the Amended Plan or in the applicable award agreement, if the employment or other service of a participant, other than a non-employee director, terminates for any reason other than death, disability, or retirement, all stock options held by the participant will expire and may not thereafter be exercised.

Unless the award agreement provides otherwise, if the employment or other service of a participant, other than as a non-employee director, terminates, other than due to a “Termination for Cause” (as defined in the Amended Plan), the participant may exercise all unexercised and vested stock options within 30 days of such termination; except as so exercised, the stock option will expire at the end of such period. Any options in which such participant is not vested at the time of termination will be forfeited. In no event, however, may any stock option be exercised after the expiration of ten years from the grant date of such stock option (or five years in the case of an incentive stock option granted to a 10% shareholder).

Except as otherwise provided in the award agreement, a non-employee director whose service is terminated will be entitled to exercise such non-employee director’s stock options, to the extent vested as of the date of such termination, until the expiration of the full term of the stock option, unless the non-employee director has been terminated for cause. In the event that a non-employee director is terminated for cause, all stock options held by the director will terminate immediately and may not thereafter be exercised.

Except as otherwise provided in the Amended Plan or an award agreement, during the twelve-month period following a participant’s death, any or all of the unexercised and vested stock options that a participant was entitled to exercise immediately prior to death may be exercised by the participant’s personal representative. Any stock options in which a participant is not vested at the time of death will be forfeited. In no event, however, may any such options be exercised after the expiration of ten years from the date of grant of such options.

Except as otherwise provided in the Amended Plan or an award agreement, if a participant retires or suffers a disability at a time when the participant is entitled to exercise a stock option, then at any time or times within three years after such termination of service because of retirement or disability, the participant may exercise the option as to all or any of the shares that the participant was entitled to purchase under the option immediately prior to such termination; except as so exercised, the stock option will expire at the end of such period. In no event, however, may any option be exercised after the expiration of ten years from the date of grant of such option (or five years in the case of an incentive stock option granted to a 10% shareholder).

*Restricted Stock and Restricted Stock Units (“RSUs”).* An award of restricted stock is an award of shares of common stock that may not be sold or otherwise disposed of during a restricted period as determined by the Committee. An award of RSUs is an award of the right to receive a share of common stock or cash equal to a share of common stock on the payment date and after the expiration of a restricted period as determined by the Committee. The restrictions imposed on RSUs will vest in accordance with the vesting schedule specified by the Committee in the award agreement, subject to the terms of the Amended Plan. The Committee may also impose additional restrictions on an award of restricted stock or RSUs, including, but not limited to, attainment of certain performance goals during the restricted period. Restricted stock may have voting and dividend rights, and RSUs may have associated dividend equivalent rights that will not be paid unless and until the award vests and/or is earned.

*Performance Grants.* Performance grants will consist of a right that is (i) denominated in cash, stock, or any other form of award issuable under the Amended Plan (or any combination thereof), (ii) valued, as determined by the Committee, in accordance with the achievement of such performance goals during such performance periods as the Committee will establish, and (iii) payable at such time and in such form as the Committee determines. Unless otherwise determined by the Committee, any such performance grant will be evidenced by an award agreement containing the terms of the award, including, but not limited to, the performance criteria and such terms and conditions as may be determined, from time to time, by the Committee, in each case not inconsistent with the Amended Plan.

Performance grants may be conditioned upon the achievement of pre-established goals relating to one or more of the following performance measures, as determined in writing by the Committee and subject to such modifications as specified by the Committee: cash flow; cash flow from operations; earnings (including, but not limited to, earnings before interest, taxes, depreciation, and amortization or some variation thereof); earnings per share, diluted or basic; earnings per share from continuing operations; net asset turnover; inventory turnover; days sales outstanding on receivables; capital expenditures; debt; debt reduction; working capital (including as a percentage of sales); return on investment; return on sales; return on invested capital; net or gross sales; gross profit on sales; material gross profit (gross profit on material portion of sales); performance profit (operating income minus an allocated charge approximating the Company’s cost of capital, before or after tax); purchase variance; delivery variance; quality; customer satisfaction; comparable site sales; market share; economic value added; cost of capital; change in assets; expense reduction levels; productivity; delivery performance; safety record and/or performance; environmental record and/or performance; stock price; return on equity or capital employed; total or relative increases to shareholder return; return on capital; return on assets or net assets; revenue; income or net income; operating income or net operating income; operating income adjusted for management fees and depreciation and amortization; pre-tax income (including on an as-adjusted basis); operating profit or net operating profit; non-performing assets; asset sale targets; value of assets; employee retention/attrition rates; investments; regulatory compliance; satisfactory internal or external audits; improvement of financial ratings; value creation; gross margin, operating margin or profit margin; completion of acquisitions, business expansion, product diversification, new or expanded market penetration and other non-financial operating and management performance objectives, any combination of the foregoing, and such other business performance criteria as may, from time to time, be established by the Committee in the applicable award agreement.

The Committee, in its sole discretion, may also establish such additional restrictions or conditions that must be satisfied as a condition precedent to the payment of all or a portion of any performance grants. Such additional restrictions or conditions need not be performance-based and may include, among other things, the receipt by a participant of a specified annual performance rating, the continued employment by the participant and/or the achievement of specified performance goals by the Company, business unit, or participant. Furthermore, and notwithstanding any provision of the Amended Plan to the contrary, the Committee, in its sole discretion, may retain the discretion to increase or reduce the amount of any performance grant payable to a participant if it concludes that such increase or reduction is necessary or appropriate based upon: (i) an evaluation of such participant’s performance; (ii) comparisons with compensation received by other similarly-situated individuals working within the Company’s industry; (iii) the Company’s financial results and conditions; or (iv) such other factors or conditions that the Committee deems relevant; provided, however, that the Committee will not use its discretionary authority to increase any award that is intended to be performance-based compensation under Section 162(m).

*Stock appreciation rights (SARs).* The Committee may grant SARs either separately or in tandem with a stock option granted under the Amended Plan. The grant or base price of a SAR may not be less than the fair market value of a share of our common stock on the grant date, except in the case of Substitute Awards. SARs will vest in accordance with the vesting schedule specified by the Committee in the award agreement (and subject to the terms and conditions included therein), subject to the terms of the Amended Plan. Upon exercise, each SAR entitles a participant to receive an amount equal to the appreciation in fair market value of a share of common stock on the date the SAR is exercised over the fair market value of a share of common stock on the date the SAR is granted. The payment may be settled in cash, shares of common stock, or a combination of both.

*Other Awards.* The Committee may grant other types of awards that may be based in whole or in part by reference to common stock, or denominated in cash, and that may be subject to the achievement of performance goals during a performance period determined by the Committee, or such other terms and conditions as the Committee may prescribe, subject to limitations under applicable law.

Repricing

Notwithstanding anything in the Amended Plan to the contrary, and except for adjustments made in accordance with the Amended Plan or in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, distribution (whether in the form of cash, shares of stock, other Company securities or other property), stock split, extraordinary cash dividend, recapitalization, change in control, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of stock or other Company securities, or similar transaction(s)), neither the Committee nor any other person may, without obtaining shareholder approval, (i) amend the terms of outstanding options or SARs to reduce the exercise price of such outstanding options or SARs; (ii) cancel outstanding options or SARs in exchange for options or SARs with an exercise price that is less than the exercise price of the original options or SARs; or (iii) cancel outstanding options or SARs with an exercise price above the current stock price in exchange for cash or other securities. In addition, the Committee may not make a grant of an option or SAR with a grant date that is effective prior to the date the Committee takes action to approve such award.

Clawback

The Amended Plan provides that any awards made under the Amended Plan are subject to recovery under any law, government regulation, stock exchange listing requirement or Company policy applicable to them, including any recoupment and/or “clawback” that may be required to be made pursuant to such law, government regulation, stock exchange listing requirement, or Company policy as may be in effect from time to time.

Effective Date and Termination

If the Amended Plan is approved at the Annual Meeting, it will become effective as of the date of such approval and will terminate on May 24, 2028. The Board may terminate the Amended Plan at any time, provided that no termination will materially affect the rights of any participant under any award previously granted in which the participant has a vested interest, without the written consent of such participant.

Federal Tax Consequences

The following is a brief summary of the principal United States federal income tax consequences applicable to the Amended Plan participants and the Company and is based upon an interpretation of present federal tax laws and regulations, which may be inapplicable if such laws and regulations are changed. This summary is not intended to be exhaustive or constitute tax advice, nor does it describe state, local, or foreign tax consequences. To the extent any awards under the Amended Plan are subject to Section 409A of the Code, the following description assumes that such awards will be designed to conform to the requirements of Section 409A of the Code and the regulations promulgated thereunder (or an exception thereto). The Amended Plan is not subject to the protective provisions of the Employee Retirement Income Security Act of 1974 and is not qualified under Section 401(a) of the Code.

*Nonqualified stock options.* No income is generally recognized by a participant upon the grant of a nonqualified stock option. Upon exercise, the participant will recognize ordinary income in an amount equal to the excess of the fair market value of a share of common stock on the date of exercise over the exercise price, multiplied by the number of shares received pursuant to the exercise of the option. The Company generally is entitled to a tax deduction in an amount equal to the compensation income recognized by the participant. Upon a subsequent sale of the common stock acquired under a nonqualified stock option, the participant will recognize short-term or long-term capital gain or loss depending on the holding period. The gain or loss will be short-term if the shares were disposed of within one year after the nonqualified stock option is exercised, and long-term if such shares were held for more than one year after such exercise date.

*Incentive stock options.* Options issued under the Amended Plan and designated as incentive stock options are intended to qualify as such under Section 422 of the Code. No taxable income is recognized by the participant upon the grant or exercise of an incentive stock option and the Company will not be entitled to a deduction at the time of the grant or exercise of the option; provided, however, that the difference between the fair market value of the common stock received on the exercise date and the exercise price paid is an item of tax preference for purposes of determining the participant’s alternative minimum tax. The taxation of gain or loss upon the sale of the common stock acquired upon exercise of an incentive stock option depends, in part, on whether the holding period of the common stock is at least (i) two years from the date the option was granted and (ii) one year from the date the option was exercised. If these holding period requirements are satisfied, any gain or loss realized on a subsequent disposition of the common stock will be treated as a long-term capital gain or loss. If these holding period requirements are not met, then upon such “disqualifying disposition” of the common stock, the participant will realize compensation, taxable as ordinary income, in an amount equal to the excess of the fair market value of the common stock at the time of exercise over the option price, limited to the gain on such sale. Any further gain (or loss) realized by the participant generally will be taxed as short-term or long-term capital gain (or loss), depending on the holding period. If the participant recognizes ordinary income upon a disqualifying disposition, the Company generally will be entitled to a tax deduction in the same amount. If, however, the participant meets the applicable holding period, the Company generally will not be entitled to a tax deduction with respect to capital gains recognized by the participant. If an incentive stock option is exercised at a time when it no longer qualifies as an incentive stock option, the option will be treated as a nonqualified stock option.

*Restricted stock awards.* A recipient of restricted stock normally will not be required to recognize income for federal income tax purposes at the time of grant, nor is the Company entitled to any deduction, to the extent that the common stock awarded has not vested (i.e., is no longer subject to a substantial risk of forfeiture). When any portion of the restricted stock award vests, the participant will recognize ordinary income in an amount equal to the fair market value of the vested common stock on the vesting date (less the amount, if any, paid for the stock). The participant may, however, make an election under Section 83(b) of the Code within 30 days of the date of the grant of the restricted stock award, to be taxed at the time of the grant of the award based on the fair market value of the common stock on grant date. A participant who makes a Section 83(b) election will recognize ordinary taxable income on the grant date equal to the fair market value of the shares as if the shares were unrestricted. If the shares subject to such election are subsequently forfeited, the recipient will not be entitled to any deduction, refund or loss for tax purposes with respect to the forfeited shares. If a Section 83(b) election has not been made, any dividends received with respect to the restricted stock award prior to the lapse of the restrictions will be treated as additional compensation that is taxable as ordinary income to the participant. The Company generally is entitled to a deduction for compensation paid to a participant at the same time and in the same amount as the participant recognizes ordinary income. Upon sale of the vested common stock, the participant will realize short-term or long-term capital gain or loss, depending on the holding period. The holding period generally begins when the restriction period expires. If the recipient timely made a Section 83(b) election, the holding period commences on the date of the grant.

*Restricted stock units.* A recipient of restricted stock units will not be required to recognize any income for federal income tax purposes, and the Company is not entitled to a deduction, at the time of grant. Rather, upon the settlement of units, the recipient of such units generally will be subject to tax at ordinary income rates on the fair market value of any common stock issued or cash paid in settlement of the award of such units, and the Company generally will be entitled to a deduction equal to the amount of the ordinary income realized by the recipient. If the recipient receives shares of common stock upon settlement then, upon disposition of such shares, appreciation, or depreciation after the settlement date is treated as either short-term or long-term capital gain or loss, depending on how long the shares have been held.

*Performance-based grants*. A participant generally will not recognize income upon the grant of a performance award. Upon payment of the performance award, the participant will recognize ordinary income in an amount equal to the cash received or, if the performance award is payable in common stock, the fair market value of the common stock received. When the participant recognizes ordinary income upon payment of a performance award, the Company will generally be entitled to a tax deduction in the same amount.

*Stock appreciation rights.* SARs are treated very similarly to nonqualified stock options for tax purposes. A participant receiving a SAR will not normally recognize any taxable income upon the grant of the SAR. Upon the exercise of a SAR, the participant will recognize ordinary income in an amount equal to either: (i) the fair market value of the shares of common stock; or (ii) the amount of cash received. The Company is generally entitled to a tax deduction in an amount equal to the compensation income recognized by the participant. Shares of common stock received upon the exercise of a SAR will, upon subsequent sale, be eligible for capital gain treatment, with the capital gain holding period commencing on the date of exercise of the SAR.

*Unrestricted stock awards.* The tax consequences of receiving common stock pursuant to any other share-based incentive award under the Amended Plan are similar to receiving cash compensation from the Company, unless the common stock awarded is restricted stock (i.e., subject to a substantial risk of forfeiture). If the shares of common stock are unrestricted (i.e., not subject to a substantial risk of forfeiture), the participant must recognize ordinary income equal to the fair market value of the common stock received, less any amount paid for common stock. The Company generally is entitled to a tax deduction for compensation paid to a participant at the same time and in the same amount as the participant recognizes ordinary income.

*Cash awards and other incentive awards.* A participant will recognize ordinary income upon receipt of cash pursuant to a cash award. The Company generally will be entitled to a deduction equal to the amount of the ordinary income realized by the participant. The federal income tax consequences of other incentive awards will depend on how the awards are structured. Generally, the Company will be entitled to a deduction with respect to other incentive awards only to the extent that the recipient realizes compensation income in connection with such awards.

*Section 409A of the Code.* Awards of stock options, SARs, restricted stock units, other share-based awards, and performance grants under the Plan may, in certain instances, result in the deferral of compensation that is subject to the requirements of Section 409A of the Code. Generally, to the extent that these awards fail to meet certain requirements under Section 409A, the regulations issued thereunder or an exception thereto, the award recipient will be subject to immediate taxation, interest and tax penalties in the year the award vests. Section 409A generally does not impose any penalties on the Company and does limit the Company’s deduction with respect to compensation paid to a participant. It is our intent that awards under the Amended Plan will be structured and administered in a manner that complies with the requirements of Section 409A of the Code, or an exception thereto.

**Benefits to Named Executive Officers and Others**

Plan Benefits

The benefits that will be awarded or paid under the Amended Plan currently are not determinable. Awards granted under the Current Plan and the Amended Plan are within the Committee’s discretion, and the Committee has not yet determined the value or amount of future awards or which individuals may receive them.

Because our executive officers and non-employee directors are eligible to receive awards under the Amended Plan, they may be deemed to have a personal interest in the approval of this Proposal 4.

Information regarding the shares of common stock and related securities previously authorized for issuance under the Current Plan is set forth under “Securities Authorized for Issuance under the Equity Compensation Plans” below.

**The Board of Directors recommends that you vote “FOR” approval of the 2006 Omnibus Incentive Plan (As Amended and Restated).**

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER THE EQUITY COMPENSATION PLAN AS OF DECEMBER 31, 2017**

|  |  |  |  |
| --- | --- | --- | --- |
| 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 shareholders | 476,933(1) | $-(2) | 55,352(3) |
| Equity compensation plans not approved by shareholders | - | $- | - |
| Total | 476,933(1) | $-(2) | 55,352(3) |

|  |  |
| --- | --- |
|  |  |

(1) This number is comprised of (i) 450,073 performance share units (“PSUs”) and (ii) 26,860 deferred stock units (“DSUs”) all granted under the 2006 Omnibus Incentive Plan, which PSUs and DSUs were unvested and unearned as of December 31, 2017. The 450,073 PSUs included in this table reflect an assumed payout at maximum performance achievement for the 2016-2018 and 2017-2019 PSU awards, but excludes the 2015-2017 PSU awards for which performance metrics were not met as of December 31, 2017 and resulted in no payout. Based on the anticipated achievement of performance goals as of December 31, 2017, 0 shares are expected to be issued from the 2016-2018 award and only 180,944 shares are expected to be issued from the 2017-2019 award. The Company has not achieved target performance with respect to performance share units for the past 10 years, and the number in column (a) reflecting maximum performance overstates the expected payout of performance share unit awards.

(2) As of December 31, 2017, there were no outstanding awards with an exercise price. Weighted-average exercise price does not take into account PSUs or DSUs because they have no exercise price.

(3) Does not include the (i) 450,073 PSUs included in column (a), (ii) 26,860 deferred stock units included in column (a), and (iii)186,806 shares of restricted stock that were unvested as of December 31, 2017. As stated in footnote (1) above, the expected PSU payout in column (a) is less than maximum, and as of December 31, 2017, based on the anticipated achievement of performance goals, 0 shares and 180,944 shares are expected to be issued at the end of the 2016-2018 and 2017-2019 performance periods, respectively. The Company has not achieved target performance with respect to performance share units for the past 10 years. When adjusted for the anticipated return of 211,465 and 57,664 unearned PSUs from the 2016-2018 and 2017-2019 awards, respectively, to the shares available for grant, the number of shares remaining available for issuance is 324,481.

The 55,352 securities remaining available for future issuance disclosed in column (c) of the table above reflects the deduction from the authorized Current Plan total of (i) the 450,073 performance share units assumed at maximum performance achievement that were outstanding as of December 31, 2017 as identified in column (a) of the table, (ii) 26,860 shares of deferred stock units that were outstanding and unvested as of December 31, 2017 as identified in column (a) of the table, and (iii)186,806 shares of restricted stock that were outstanding and unvested as of December 31, 2017.

As noted in footnote (3) to column (c) of the above table, the 55,352 shares remaining available for future issuance reflects deduction from the authorized Current Plan total of performance share units assuming maximum performance. When adjusted to reflect anticipated performance of the outstanding performance share unit awards as of December 31, 2017 (which would result in the return to the Plan of 211,465 and 57,664 shares from the 2016-2018 and 2017-2019 awards, respectively), and with the number of shares of restricted stock and deferred stock units outstanding remaining unchanged at December 31, 2017 (186,806 shares and 26,860 shares, respectively), the number of securities remaining available for issuance is 324,481.

**The Board of Directors recommends you vote for “FOR” approval of the amendment of the 2006 Omnibus Incentive Plan (as Amended and Restated) to authorize additional shares for issuance on Proposal 4.**

**ST****OCK OWNERSHIP**

The following table shows the number of shares of common stock beneficially owned on the Record Date by:

• each person who has reported beneficial ownership of more than 5% of the Company’s common stock;

• each current director and nominee for director;

• each Named Executive Officer (“NEO”) included in the Summary Compensation Table on page 54; and

• all directors and executive officers as a group.

Information concerning the owners of more than 5% of the Company’s outstanding common stock is based upon reports filed with the Securities and Exchange Commission (“SEC”).

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |
| **Stock Ownership** |  |  | **Number of Shares Owned(a)** | |  |  | **Percent of Shares(b)** | | |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **More Than 5% Shareholders:** |  |  |  |  |  |  |  |  |  |  |
| Legion Group(c)(d) |  |  |  | 1,595,621 |  |  |  | 15.1 | % |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Nominees for Director:** |  |  |  |  |  |  |  |  |  |  |
| Robert P. Bauer (CEO) |  |  |  | 96,778 |  |  |  | \* |  |  |
| Lee B. Foster II |  |  |  | 202,614 |  |  |  | 1.9 | % |  |
| Dirk Jungé |  |  |  | 10,516 |  |  |  | \* |  |  |
| Diane B. Owen |  |  |  | 40,598 |  |  |  | \* |  |  |
| Robert S. Purgason |  |  |  | 35,169 |  |  |  | \* |  |  |
| William H. Rackoff |  |  |  | 64,263 |  |  |  | \* |  |  |
| Suzanne B. Rowland |  |  |  | 22,517 |  |  |  | \* |  |  |
| Bradley S. Vizi(d)(e) |  |  |  | 0 |  |  |  | \* |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Named Executive Officers (other than CEO):** |  |  |  |  |  |  |  |  |  |  |
| James P. Maloney |  |  |  | 5,189 |  |  |  | \* |  |  |
| David J. Russo |  |  |  | 32,513 |  |  |  | \* |  |  |
| Christopher T. Scanlon |  |  |  | 13,941 |  |  |  | \* |  |  |
| John F. Kasel |  |  |  | 50,668 |  |  |  | \* |  |  |
| Patrick J. Guinee |  |  |  | 26,217 |  |  |  | \* |  |  |
| Brian H. Kelly |  |  |  | 35,674 |  |  |  | \* |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **All Directors and Executive Officers as a Group (18 persons)** |  |  |  | 688,962 |  |  |  | 6.5 | % |  |

|  |  |
| --- | --- |
|  |  |

\* Less than 1% of the Company’s outstanding common stock

(a) This column shows the number of shares with respect to which the named person or group had direct or indirect sole or shared voting or investment power. Unless otherwise noted in the footnotes, each director and NEO has sole voting and investment power with respect to their shares. The column also includes the shares allocated to accounts in the 401(k) plan maintained by the Company (5,595 for Mr. Bauer, 290 for Mr. Scanlon, 0 for Mr. Russo, 5,911 for Mr. Kasel, 0 for Mr. Guinee, 531 for Mr. Kelly, and 1,535 for the other executive officers as a group). Mr. Bauer’s holdings include 7,000 shares which are held in trust; Mr. Foster’s holdings include 5,000 shares in a 401(k) plan maintained by a separate company, 17,000 shares which are held in an individual retirement account, and 160,726 shares which are held in trust; Ms. Rowland’s holdings include 1,000 shares held in an IRA; and Mr. Jungé’s holdings include 10,516 shares held in trust. As of May, 2017, all Directors were permitted to elect to receive their quarterly cash fees and annual stock award in deferred stock units that would vest six months after the date of separation from the Board. The shareholdings reflected in this column does not include any deferred stock units, which are not shares and which confer no voting or other shareholder rights upon the director. The deferred stock unit holdings are as follows: Mr. Foster 7,538 deferred units; Mr. Jungé 5,626 deferred units; Mr. Rackoff 4,035 deferred units; Ms. Rowland 4,035 deferred units; and Mr. Vizi 5,626 deferred units.

(b) For Directors and Executive Officers, the percentages in this column are based on the assumption that any shares which the named person has the right to acquire within 60 days after the Record Date have been acquired and are outstanding.

(c) Based on the information in the Schedule 13D/A filed on March 14, 2018 by Legion Partners, L.P. I (“Legion Partners I”), Legion Partners, L.P. II (“Legion Partners II”), Legion Partners Special Opportunities, L. P. II (“Legion Special II”), Legion Partners, LLC (“Legion Partners”), Legion Partners Asset Management, LLC (“Legion Asset Management”), Legion Partners Holdings, LLC (“Legion Holdings”), Christopher S. Kiper and Raymond White. Legion Partners I has sole voting and dispositive power with respect to 0 shares and shared voting and dispositive power with respect to 1,141,750 shares. Legion Partners II has sole voting and dispositive power with respect to 0 shares and shared voting and dispositive power with respect to 108,856 shares. Legion Special II has sole voting and dispositive power with respect to 0 shares and shared voting and dispositive power with respect to 333,617 shares. Legion Partners has sole voting and dispositive power with respect to 0 shares and shared voting and dispositive power with respect to 1,584,223 shares. Legion Asset Management, Legion Holdings, and Messrs. Kiper and White have sole voting and dispositive power with respect to 0 shares and shared voting and dispositive power with respect to 1,595,621 shares. As the general partner of Legion Partners I, Legion Partners II and Legion Special II, Legion Partners may be deemed to be the beneficial owner of the shares owned by each. Legion Asset Management, as the investment advisor of each of Legion Partners I, Legion Partners II and Legion Special II, may be deemed the beneficial owner of the shares owned by Legion Partners I, Legion Partners II and Legion Special II. Legion Holdings, as the sole member of Legion Asset Management and managing member of Legion Partners, may be deemed the beneficial owner of the shares owned by Legion Partners I, Legion Partners II and Legion Special II. Each of Messrs. Kiper and White, as managing directors of Legion Asset Management and a managing member of Legion Holdings, respectively, may be deemed the beneficial owners of the shares owned by Legion Partners I, Legion Partners II and Legion Partners Special II. The address for each reporting person is 9401 Wilshire Blvd, Suite 705, Beverly Hills, CA 90212.

(d) Until February 13, 2018, Legion Partners I, Legion Partners II, Legion Special II, Legion Partners, Legion Asset Management, Legion Holdings and Messrs. Vizi, Kiper and White (each, an “Investor” and collectively, the “Investor Group”) were parties, with the Company, to the Investors Agreement with regard to the shares of common stock held by each Investor. Among other matters, the Investors Agreement required the Investor Group, during the pendency of the Standstill Period, to vote, or cause to be voted, all shares of common stock beneficially owned by each Investor and their respective affiliates and associates on the Company’s proxy card or voting instruction form in favor of (a) each of the directors nominated by the Board and recommended by the Board in the election of directors (and not in favor of any other nominees to serve on the Board), and (b) except in connection with certain matters, each of the shareholder proposals listed on the Company’s proxy card or voting instruction form as identified in the Company’s proxy statement in accordance with the Board’s recommendations, including in favor of all other matters recommended for shareholder approval by the Board. The Investors Agreement expired on February 13, 2018. For additional information on the Investors Agreement, see “Nominating and Corporate Governance Committee.”

(e) Per Form 13D/A and Form 4 filed on January 3, 2018, Mr. Bradley Vizi is no longer a member of Section 13(d) group with Legion Partners, Legion Partners, L.P. I, Legion Partners, L.P. II, Legion Partners Special Opportunities, L.P., II, Legion Partners, LLC, Legion Partners Asset Management, LLC, Legion Partners Holdings, LLC, Christopher S. Kiper, and Raymond T. White (each, a “Legion Entity”) and is no longer deemed to have shared voting or dispositive power over shares of common stock owned directly by any Legion Entity.

**DI****RECTOR COMPENSATION – 2017**

The following table sets forth our non-employee director compensation for 2017. Directors who are also employees of the Company do not receive any consideration for their service on the Board.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name** |  | **Fees Earned or Paid in Cash ($)1,2** | | | |  | **Stock  Awards ($)3** | | | |  | **Total ($)** | | | |  |
| Lee B. Foster II |  |  | $ | 111,250 |  |  |  | $ | 70,000 |  |  |  | $ | 181,250 |  |  |
| Dirk Jungé |  |  | $ | 51,250 |  |  |  | $ | 70,000 |  |  |  | $ | 121,250 |  |  |
| Diane B. Owen |  |  | $ | 61,250 |  |  |  | $ | 70,000 |  |  |  | $ | 131,250 |  |  |
| Robert S. Purgason |  |  | $ | 51,250 |  |  |  | $ | 70,000 |  |  |  | $ | 121,250 |  |  |
| William H. Rackoff |  |  | $ | 63,750 |  |  |  | $ | 70,000 |  |  |  | $ | 133,750 |  |  |
| Suzanne B. Rowland |  |  | $ | 57,250 |  |  |  | $ | 70,000 |  |  |  | $ | 127,250 |  |  |
| Bradley S. Vizi5 |  |  | $ | 51,250 |  |  |  | $ | 70,000 |  |  |  | $ | 121,250 |  |  |

|  |  |
| --- | --- |
|  |  |

1 On May 29, 2015, the Board of Directors approved the following annual director retainer fees: $115,000 for the Chairman of the Board; $67,500 for the Chair of the Compensation Committee; $65,000 for the Chair of the Audit Committee; and $61,000 for the Chair of the Nomination and Governance Committee; each of the remaining non-employee directors received an annual fee of $55,000. On February 23, 2017, the Board of Directors approved a decrease in the non-employee directors annual fee from $55,000 to $50,000. This caused the annual directors retainer fees to be reduced to the following amounts: $110,000 for the Chairman of the Board; $62,500 for the Chair of the Compensation Committee; $60,000 for the Chair of the Audit Committee; and $56,000 for the Chair of the Nomination and Governance Committee.

2 On May 1, 2017, the Board of Directors approved the Non-Employee Director Deferred Compensation Plan (the “Director Deferred Compensation Plan”), which permits participants to elect to defer receipt of their cash and/or equity compensation to a date that is six months after separation from the Board. Since February 25, 2016, non-employee directors have been permitted to make discretionary elections to receive annual cash retainer fees in fully-vested shares of Common Stock on a quarterly basis or in quarterly installments of cash. Under the Director Deferred Compensation Plan, in lieu of receiving cash fees on a quarterly basis, non-employee directors may make an irrevocable election for each Board year (commencing on the date of each Annual Meeting of Shareholders through the following Annual Meeting of Shareholders) to receive, at his or her sole discretion, all of such director’s annual cash retainer fees in the form of either (i) fully-vested Common Stock, (ii) deferred stock units, or (iii) deferred cash. The cash retainer is divided by four and either (i) with respect to fully-vested Common Stock, issued on each quarterly payment date, with the number of shares determined by dividing the applicable quarterly cash retainer fee by the closing market price of the Company’s Common Stock; (ii) with respect to deferred stock units, determined by dividing the applicable quarterly cash retainer fee by the closing market price of the Company’s Common Stock and crediting that number of units to the director’s deferred stock account; or (iii) credited to a deferred cash account with interest calculated at the U.S. Prime Rate. In 2016, Messrs. Foster, Purgason, and Vizi elected to receive their cash retainers in the form of fully-vested Common Stock until the May 2017 Annual Meeting of Shareholders. Commencing on the date of the May 2017 Annual Meeting of Shareholders, Messrs. Foster, Jungé, and Vizi elected to receive their cash retainers in deferred stock units. The amounts of retainer fees paid in cash, fully-vested stock, and deferred stock units are as follows: Mr. Foster received $0 in cash, $28,750 in fully-vested stock, and $82,500 in deferred stock units; Mr. Jungé received $13,750 in cash, $0 in fully-vested stock, and $37,500 in deferred stock units; Ms. Owen received $61,250 in cash, $0 in fully-vested stock, and $0 in deferred stock units; Mr. Purgason received $37,500 in cash, $13,750 in fully-vested stock, and $0 in deferred stock units; Mr. Rackoff received $63,750 in cash, $0 in fully-vested stock, and $0 in deferred stock units; Ms. Rowland received $57,250 in cash, $0 in fully-vested stock, and $0 in deferred stock units; and Mr. Vizi received $0 in cash, $13,750 in fully-vested stock, and $37,500 in deferred stock units. No director elected to defer cash fees into a deferred cash account.

3 On May 24, 2017, each non-employee director serving at that time was awarded an amount of shares of the Company’s Common Stock equal to $70,000 divided by the closing share price on NASDAQ on that date. As with the annual cash retainer fees, under the Director Deferred Compensation Plan, non-employee directors may make an irrevocable election for each Board year (commencing on the date of each Annual Meeting of Shareholders through the following Annual Meeting of Shareholders) to receive, at his or her sole discretion, all of such director’s annual stock award in the form of deferred stock units which would not vest until six months after the respective director’s separation from the Board. Messrs. Foster, Junge, Rackoff, and Vizi and Ms. Rowland elected to receive their annual stock award, which amounted to 4,035 shares, in deferred stock units. Ms. Owen and Mr. Purgason received awards of 4,035 shares which were fully vested on the grant date. The stock awards are reflected in the “Stock Awards” column of the table and computed in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures). For a discussion of valuation assumptions, see Note 15 of the Company’s 2017 Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

**IN****DEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES**

The aggregate fees (including out-of-pocket expenses) for professional services rendered by Ernst & Young for 2017 and 2016 for each of the following categories of services are set forth below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **2016** |  |  | **2017** |  |
| Audit fees (includes audits, reviews of the Company’s fiscal-year audit, audit reports, related expenses, and statutory audits of foreign subsidiaries) |  |  | $1,341,504 |  |  | $1,323,000 |  |
|  |  |  |  |  |  |  |  |
| Audit-related fees (primarily audits of the Company’s various employee benefit plans in 2015) |  |  | $0 |  |  | $0 |  |
|  |  |  |  |  |  |  |  |
| Tax fees (includes tax compliance, tax planning, and state income tax project work, as well as routine on-call tax advisory services in 2017) |  |  | $215,545 |  |  | $219,145 |  |
|  |  |  |  |  |  |  |  |
| All other fees |  |  | — |  |  | — |  |
|  |  |  |  |  |  |  |  |
| Total fees |  |  | $1,557,049 |  |  | $1,542,145 |  |

The Audit Committee reviews summaries of Ernst & Young’s services and related fees and concluded that Ernst & Young’s provision of audit-related services during 2016 and 2017 was compatible with maintaining Ernst & Young’s independence. All Ernst & Young services are pre-approved by the Audit Committee.

***Policy*** ***for Approval of Audit and Permitted Non-Audit Services***

The Audit Committee’s policy is to review in advance, and grant any appropriate pre-approvals of (i) all audit services to be performed by the independent auditor and (ii) all non-audit services to be provided by the independent registered public accounting firm as permitted by Section 10A of the Exchange Act, and, in connection therewith, to approve all fees and other terms of such engagement, provided that pre-approval of de minimis services shall not be required to the extent provided by, and subject to the requirements of, the Exchange Act. The Audit Committee will consider annually for pre-approval a list of specific services and categories of services, including audit and audit-related services, for the upcoming or current fiscal year. All non-audit services are approved by the Audit Committee in advance in accordance with the policy on a case-by-case basis. Any service that is not included in the approved list of services or that does not fit within the definition of a pre-approved service is required to be presented separately to the Audit Committee for consideration at its next regular meeting or, if earlier consideration is required, by other more expeditious means of communication. If the estimated fees for non-audit services are $50,000 or less, management may obtain approval from the Chairman of the Audit Committee in lieu of full Committee action. In 2017, all Ernst & Young professional fees were pre-approved in accordance with the Company’s pre-approval policies then in place.

**C****ORPORATE GOVERNANCE**

***The Bo******ard, Board Meetings, Independence, and Tenure***

Since the 2016 Annual Meeting, the Board size has been eight members. During 2017, the Board held five meetings. The Board has determined that all of the directors, except Mr. Robert P. Bauer, qualify as “independent” as defined by applicable NASDAQ Stock Market (“NASDAQ”) rules, considered the independence criteria set forth in the NASDAQ rules as to compensation committee members before determining the independence of all of the members of the Compensation Committee, and also determined that all members of the Audit Committee qualify as “independent” for purposes of the rules promulgated under the Exchange Act specifically related to audit committee member independence. In making these determinations, the Board concluded that none of its directors (other than Mr. Bauer) has a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out a director’s responsibilities. The Company’s Corporate Governance Guidelines do not establish term limits that could deprive the Company of the insight developed by Board members over time, but rather provides for periodic reviews of each incumbent’s performance. Additionally, except for special circumstances as may be determined by the Board, since December 2017, no director may be nominated for reelection to the Board if he or she would be age 75 or older at the time of election.

***Bo******ard Leadership Structure***

Under the NASDAQ rules, Mr. Foster, Chairman of the Board, qualifies as an “independent” director since his employment with the Company ended on May 27, 2008. The Board has evaluated Mr. Foster’s independence in the same manner as all other directors and strongly believes that he is “independent” and that his economic interests are more closely aligned with those of the Company’s shareholders than with those of management. Although the Board does not necessarily object to combining the roles of Chairman of the Board and Chief Executive Officer (“CEO”), the Board has chosen not to combine those positions because it believes that Mr. Foster’s depth of experience and his detachment from management make Mr. Foster the best qualified individual to serve as Chairman of the Board. Since the Chairman of the Board and CEO roles are not combined, the Board has determined there is no need for a “lead independent director” position.

***B******oard Attendance***

The Company’s Corporate Governance Guidelines include an expectation that the directors regularly attend shareholders’ meetings. In 2017, each currently serving director attended the 2017 Annual Meeting of Shareholders.

All of the directors attended 100% of the meetings of the Board and the committees on which they served in 2017 (to the extent such directors were serving on the Board or such committees at the times of those meetings).

***Boa******rd’s Role in Risk Oversight***

The Board is actively involved in overseeing risk management. Operational and strategic presentations by management to the Board include consideration of the challenges and risks to the Company’s business, which are discussed by the Board and management. The Board also reviews and discusses management reports which specifically address risk topics. The CEO, assisted by senior management, is the “risk officer” responsible for managing and mitigating the Company’s risks.

In addition, each of our Board committees considers risks that are relevant to the areas within its jurisdiction. For example, the Audit Committee periodically requests that management address critical accounting issues and then considers the impact these issues may have on the Company’s financial position and risk profile. The Audit Committee also assesses the adequacy of internal controls. The Compensation Committee develops executive compensation programs with a view toward providing incentives that are aligned with key performance results, without encouraging excessive risks. On an annual basis, the Nomination and Governance Committee oversees risk by reviewing the structure and function of the Board committees.

***Di******versity***

Although not part of any formal policy, our goal is to maintain a diverse Board, with directors possessing complementary skills and experiences who together can address the issues which affect our Company.

***Co******mmunications with Directors***

Shareholders and other parties interested in communicating directly with the Chairman of the Board or with the non-management directors as a group may do so by writing to L.B. Foster Company, 415 Holiday Drive, Pittsburgh, PA 15220, Attn: Chairman of the Board or Attn: Independent Directors; such parties may also email the Corporate Secretary at corporatesecretary@lbfoster.com. The Corporate Secretary of the Company will review all such correspondence and shall regularly forward to the Board a summary of all such correspondence and copies of all correspondence that, in the opinion of the Corporate Secretary, deal with the functions of the Board or committees thereof or that otherwise require the Board’s attention. Directors may at any time review a log of all correspondence received by the Company that is addressed to members of the Board and request copies of any such correspondence. Concerns relating to accounting, internal controls, or auditing are referred to the Audit Committee Chair who may direct such matters to the Company’s internal audit department or handle them in accordance with procedures established by the Audit Committee for such matters.

***B******oard Committees***

Historically, the Board has had three standing committees: the Audit Committee, the Compensation Committee, and the Nomination and Governance Committee, each of which is comprised of independent directors, as defined by applicable SEC, NASDAQ, and Internal Revenue Code rules. Each of the committees has a written charter approved by the Board. In October 2016, the Board created a Strategy Committee and approved a written charter for its operation.

*Audit Committee*

The current members of the Audit Committee are Ms. Owen (Chair), Mr. Rackoff, and Ms. Rowland. The Board has determined that Ms. Owen is an “audit committee financial expert” as defined under applicable rules of the SEC.

The Audit Committee, which held five meetings during 2017, one of which was telephonic, is responsible for overseeing, with management, the work and findings of the independent registered public accounting firm, as well as the effectiveness of the Company’s internal auditing department and the adequacy of our internal controls and the accounting principles employed in financial reporting. The Audit Committee also is responsible for the appointment and compensation of our independent registered public accounting firm and for reviewing and, if appropriate, approving transactions with related persons. The Audit Committee’s Charter is posted on the Company’s website, **www.lbfoster.com**.

*Compensation Committee*

The current members of the Compensation Committee are Messrs. Rackoff (Chair), Jungé, and Vizi and Ms. Owen.

The Compensation Committee, which met on six occasions in 2017, two of which were telephonic, is responsible for approving executive compensation programs, officer compensation (and submits the CEO’s compensation for ratification by the Board), and equity awards to employees. The Compensation Committee has the authority under its charter to delegate its duties and responsibilities (or functions) to one or more members of the Committee or the Board, or to the Company’s officers, when appropriate, but no such delegation shall be permitted if the authority is required by law, regulation, or listing standard to be exercised by the Compensation Committee as a whole or is otherwise prohibited by law, regulation or listing standard. The Compensation Committee has delegated authority to the Company’s CEO to grant restricted stock awards under the 2006 Omnibus Incentive Plan to non-executive employees in an amount not to exceed 15,250 shares. The Compensation Committee’s Charter is available at the Company’s website **www.lbfoster.com**.

The Compensation Committee currently uses a “Comparator Group” of twenty similarly-sized companies based on the recommendation of the Committee’s executive compensation consultant, identified in the “Compensation Discussion and Analysis” section of this Proxy Statement.

The Compensation Committee has authority to engage consultants, legal counsel, and other advisors, and retained Pay Governance, LLC (“Consultant”) to provide consulting services on the Company’s executive compensation practices and appropriate levels of and structures for executive compensation. The use of a consultant provides additional assurance that our executive compensation programs are reasonable, competitive, and consistent with our objectives. The Consultant is engaged directly by the Compensation Committee, regularly participates, as appropriate, in its meetings, including executive sessions of the Committee that exclude management, and advises the Compensation Committee with respect to compensation trends and best practices, plan design, and the reasonableness of compensation awards. In addition, with respect to the CEO, the Consultant prepares specific compensation analyses for the Compensation Committee’s consideration. The CEO does not participate in the development of these analyses*.* The Consultant has served as the Committee’s independent compensation consultant since 2007, and the Committee believes that its consultant should be able to advise the Compensation Committee independent of management’s influence.

For the year ended December 31, 2017, the Consultant provided no services to the Company other than executive compensation consulting services to the Compensation Committee. The Compensation Committee assessed the independence of the Consultant pursuant to SEC rules and concluded that the Consultant’s work for it does not raise a conflict of interest. At least annually, the Committee reviews the types of advice and services provided by the Consultant and the fees charged for those services. The Consultant reports directly to the Compensation Committee on all executive compensation matters; regularly meets separately with the Compensation Committee outside the presence of management; and speaks separately with the Compensation Committee chair and other Compensation Committee members between meetings, as needed.

The Compensation Committee gives significant weight to the CEO’s recommendations regarding other executive officers’ compensation; such other executive officers are not present when their compensation is being determined. The CEO is not present when his compensation is being finally determined.

*Consideration of Risk Within Compensation Arrangements*

In designing incentive plans, the Company attempts to mitigate risk by avoiding unintended compensation windfalls. Attention is devoted to avoiding incentives to engage in excessively risky business behavior.

The Compensation Committee has considered whether other elements of the executive compensation program promote risk taking at levels that are unacceptable to the Company. The Committee considered the following factors related to risk:

• Compensation philosophy that targets salaries and incentives at the market median;

• The use of a capital-based performance metric, Return on Invested Capital (“ROIC”), which holds executives accountable for the efficient use of Company capital;

• Short-term and long-term performance-based incentive awards that are capped;

• Long-term equity incentives allocated to two separate vehicles (restricted stock and performance share units) with a performance or time vesting period of at least three years in length;

• The use of a mix of performance metrics in our annual and long-term incentive programs, including ROIC, Working Capital as a Percentage of Sales, Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”) and Compound Annual Growth Rate of Earnings from continuing operations (“Earnings CAGR”);

• Anti-hedging and anti-pledging policies;

• Stock Ownership Policy; and

• Incentive compensation recoupment (“clawback”) provisions.

The Company believes that the above factors, as well as the overall governance and administration of the executive compensation program, serve to manage risk in a manner that is acceptable to the Company and its shareholders and that such compensation policies and practices do not encourage our executives or other employees to take excessive risks that are reasonably likely to have a material adverse effect on the Company.

For more information regarding the Compensation Committee’s processes and procedures for setting executive compensation, see the “Compensation Discussion and Analysis” section of this Proxy Statement.

*Nomination and Governance Committee*

The current members of the Nomination and Governance Committee are Ms. Rowland (Chair) and Messrs. Jungé, Purgason, and Vizi.

The Nomination and Governance Committee, which met on four occasions in 2017, is responsible for overseeing corporate governance, proposing director nominees to the full Board, recommending which directors should serve on various Board committees, and recommending who should serve as Chairman of the Board and chairman of each of the Board’s committees. The Nomination and Governance Committee also recommends to the full Board appropriate compensation for non-employee directors.

The Nomination and Governance Committee endeavors to maintain a diverse Board consisting of individuals who are financially literate and whose experiences and backgrounds will enable the Board to provide meaningful counsel to, and oversight of, management. The Nomination and Governance Committee recommends to the full Board nominees who will create and maintain a Board that satisfies applicable legal and regulatory requirements. In support of these goals, the Nomination and Governance Committee oversees the directors’ continuing education, which includes seminars focused on strategic and governance issues and discussions with outside advisors. The Nomination and Governance Committee, with the Chairman of the Board, oversees an annual evaluation of the Board’s performance. The Nomination and Governance Committee’s Charter is available on the Company’s website, **www.lbfoster.com**.

In selecting nominees for election to the Board, the Nomination and Governance Committee will consider submissions from shareholders and will consider shareholder-recommended nominees with the same weight as other nominees. A shareholder wishing to recommend a nominee may notify the Corporate Secretary or any member of the Nomination and Governance Committee in writing and provide the information required by Section 2.05 of the Company’s By-laws, including the following:

• Timely written notice to the Corporate Secretary of the Company. The deadlines for providing notice to the Company of a proposed director nomination at our next Annual Meeting are set forth in the Company’s By-laws and summarized in “Additional Information.”

• The notice provided to the Corporate Secretary must include all information relating to a director nominee that would be required to be disclosed in a proxy statement or other filings, including such person’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected.

• The notice provided to the Corporate Secretary must include a description of all direct and indirect compensation and other material monetary agreements, arrangements, and understandings during the past three years, and any other material relationships, between or among the shareholder proponent and the beneficial owner, if any, on whose behalf the nomination is made, and each proposed nominee.

• The notice provided to the Corporate Secretary must include a completed and signed questionnaire, representation and agreement as provided in Section 2.05(c) of the Company’s By-laws.

• Such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder’s understanding of the independence, or lack thereof, of such nominee.

Submissions should be sent to the Company’s principal executive offices, 415 Holiday Drive, Pittsburgh, PA 15220, Attn: Corporate Secretary. Please see “Additional Information” on pages 68-69 for the applicable deadlines for submitting proposals relating to director nominations. The foregoing summary of our shareholder director nomination procedures is not complete and is qualified in its entirety by reference to the full text of the Company’s By-laws that has been publicly filed with the SEC and is available at *www.sec.gov*.

*Agreement with Shareholders*

Pursuant to the Investors Agreement described above, the Board agreed to appoint Mr. Vizi to the Board for a term expiring at the 2016 Annual Meeting, as well as to (i) appoint Mr. Vizi to the Compensation and Nomination and Governance Committees of the Board, (ii) nominate Mr. Vizi for election to the Board at the 2016 Annual Meeting and (iii) not increase the size of the Board beyond nine members without the consent of Mr. Vizi for the duration of the Standstill Period. The Investors Agreement also requires the Investor Group, during the pendency of the Standstill Period, to take certain actions, including to vote, or cause to be voted, all shares of common stock beneficially owned by each member of the Investor Group in favor of (a) each of the directors nominated by the Board and recommended by the Board in the election of directors (and not in favor of any other nominees to serve on the Board), and (b) except in connection with any “Opposition Matter” (as described below) or any Institutional Shareholder Services Inc. (“ISS”) or Glass, Lewis & Co., LLC (“Glass Lewis”) voting recommendation, each of the shareholder proposals listed on the Company’s proxy card or voting instruction form as identified in the Company’s proxy statement in accordance with the Board’s recommendations, including in favor of all other matters recommended for shareholder approval by the Board, and not execute any proxy card or voting instruction form in respect of such shareholders’ meeting other than the proxy card and related voting instruction form being solicited by or on behalf of the Board. Under the terms of the Investors Agreement, in the event that ISS or Glass Lewis has recommendations other than those presented by the Board with respect to any proposal (other than the election of directors), each member of the Investor Group is permitted to vote in accordance with the ISS or Glass Lewis voting recommendation but, notwithstanding such recommendation, only on the proxy card and related voting instruction form being solicited by or on behalf of the Board even if ISS or Glass Lewis recommended that the Investors vote on another proxy card or voting instruction form. For purposes of the Investors Agreement, “Opposition Matter” means any of the following transactions or events, to the extent submitted by the Board to the Company’s shareholders for approval: the sale or transfer of all or substantially all of the Company’s assets in one or a series of transactions; the sale or transfer of a majority of the outstanding shares of common stock (through a merger, stock purchase, or otherwise); any merger, consolidation, acquisition of control or other business combination; any tender or exchange offer; any dissolution, liquidation, or reorganization; any changes in the Company’s capital structure (including the issuance of more than 20% of the Company’s then outstanding shares of common stock); change in control transactions; or financings requiring approval by NASDAQ’s shareholder approval rules; in each case, that has been approved by the Board but voted against by Mr. Vizi. The Standstill Period was extended under the Investors Agreement in February 2017 when the Board nominated Mr. Vizi to stand for reelection at the 2017 Annual Meeting, Mr. Vizi consented to such nomination and was actually elected by the shareholders. The Standstill Period expired on February 13, 2018, ten (10) calendar days prior to the expiration of the advance notice period for the submission by shareholders of director nominations for consideration at the Company’s 2018 Annual Meeting of Shareholders.

*Non-Employee Director Compensation*

The Nomination and Governance Committee determines appropriate levels of compensation for our non-employee directors by reviewing surveys and data from other publicly-traded companies and conferring with other directors, and outside advisors as necessary, to obtain information on competitive compensation practices and uses this information as a tool to determine appropriate levels of non-employee director compensation. The Nomination and Governance Committee then makes recommendations regarding non-employee director compensation to the Board for approval. The Committee commissioned a director compensation assessment that was conducted by Pay Governance, the Compensation Committee’s independent consultant, in February 2018. Pay Governance compared the Company’s directors’ compensation levels and program practices to those of the Company’s comparator group and a broader set of over 150 general industry companies of similar size to L.B. Foster. Pay Governance also informed the Committee of current trends and practices in directors’ compensation, which includes shareholder approval of equity award limits to directors. Pay Governance noted the Company maintains a directors’ equity award limit of $300,000 in Company stock, which is contained in the Amended and Restated 2006 Omnibus Incentive Plan approved by the Company’s shareholders. This limit prevents any individual director from receiving more than $300,000 in Company stock in any individual year.

*Strategy Committee*

On October 26, 2016, the Board created the Strategy Committee, which is currently composed of the following Board members: Messrs. Foster (Chair), Rackoff, Bauer, and Vizi.

The Strategy Committee, which held three meetings in 2017, is responsible for assessing strategy to meet the Company’s ongoing goals and objectives. In executing its duties, the Strategy Committee shall have all necessary and appropriate resources to discharge its responsibilities, and while the members may receive compensation for service on the Committee, the members do not currently receive any compensation for such service.

***Add******itional Corporate Governance Matters***

*Director Education*

The Company is committed to providing directors with opportunities and resources for continuing education for corporate governance and business related issues as may be appropriate, and routinely has third parties provide presentations on current legal, governance, compensation and accounting matters during Board meetings. The Nomination and Governance Committee disseminates continuing education materials collected by directors and provides time for directors to discuss issues and best practices addressed in seminars or programs with the other directors on a regular basis.

*Board Assessment*

The Board assesses the effectiveness of the Board and its committees on an annual basis.

*Code of Conduct and Ethics*

The Company adopted a policy on the code of conduct and ethics that applies to all the Company’s directors, officers and employees, including its CEO, chief financial officer and chief accounting officer. We have posted a current copy of the policy, entitled “Legal and Ethical Conduct Policy,” on our website, **www.lbfoster.com**.

*Ownership Guidelines for Non-Employee Directors*

Within five years of first being elected to the Board, the Company’s non-employee directors are expected to own Company common stock valued at least three times their respective annual cash compensation for services as a director. All non-employee directors serving in 2017 were compliant with these Guidelines. In 2018, the Ownership Guidelines were increased to a requirement of at least four times the annual base compensation.

*Rights Agreement*

The Company has not had a rights agreement in place since October 2016.

***Tra******nsactions With Related Parties***

The Company is not aware of any transaction since the beginning of 2017, or any currently proposed transaction, in which the Company was, or is to be, a participant and the amount involved exceeds $120,000 and in which any of the Company’s directors, executive officers, five percent shareholders or certain family members of any of the foregoing persons or business entities with which such persons are affiliated had or will have a material interest, directly or indirectly. The Company’s Legal and Ethical Conduct Policy generally addresses the topic of conflicts of interest, which includes transactions qualifying as “related party transactions.” In addition, on an annual basis, the Company requires each director, executive officer, and salaried employee to disclose in writing any situations which may give rise to a conflict of interest. The Company’s Internal Audit Department reviews and summarizes any such disclosures. The Audit Committee Charter provides that the Audit Committee is responsible for reviewing and, if appropriate, approving related party transactions as defined under Item 404 of SEC Regulation S-K.

***C******ompensation Committee Interlocks and Insider Participation***

All members of the Compensation Committee are independent directors, and none are present or past employees or officers of the Company or any of its subsidiaries. No member of the Compensation Committee has had any relationship with the Company requiring disclosure under Item 404 of SEC Regulation S-K. The Company’s executive officers have not served on the Board or Compensation Committee (or other committee serving an equivalent function) of any other entity, whose executive officers have served on the Company’s Board or Compensation Committee.

***Se******ction 16(a) Beneficial Ownership Reporting Compliance***

Section 16(a) of the Exchange Act requires the Company’s officers and directors, and persons who own more than 10% of a registered class of the Company’s equity securities, to file reports of ownership and changes in ownership of such securities with the SEC and NASDAQ. Officers, directors, and beneficial owners of more than 10% of the Company’s shares are required by applicable regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon a review of the copies of the forms furnished to the Company, or written representations from certain reporting persons that no Forms 5 were required, we believe that all filing requirements applicable to our officers and directors and 10% beneficial owners were met through December 31, 2017. However, Mr. Vizi and Legion Partners inadvertently filed a Form 4 one day late on October 4, 2017, regarding an acquisition of deferred stock units resulting from an election to receive stock in lieu of quarterly director cash payments.

**EXE****CUTIVE COMPENSATION**

***Co******mpensation Discussion and Analysis***

***Int******roduction***

In this Compensation Discussion and Analysis (“CD&A”), we summarize the compensation awarded to our executive officers listed in the Summary Compensation Table on page 54. We refer to these executive officers as our “named executive officers” or “NEOs.”

For 2017, the NEOs were:

|  |  |
| --- | --- |
| **NAME** | **TITLE** |
| Robert P. Bauer | President and CEO |
| James P. Maloney | Senior Vice President, Chief Financial Officer and Treasurer |
| David J. Russo\* | Former Senior Vice President, Chief Financial Officer and Treasurer |
| Christopher T. Scanlon\*\* | Former Controller and Chief Accounting Officer |
| John F. Kasel | Senior Vice President, Rail Business |
| Patrick J. Guinee | Senior Vice President, General Counsel and Corporate Secretary |
| Brian H. Kelly | Senior Vice President, Human Resources and Administration |

|  |  |
| --- | --- |
|  |  |

\*Mr. Russo resigned effective April 21, 2017.

\*\*Mr. Scanlon resigned effective March 30, 2018. He performed the duties of Chief Financial Officer on an interim basis from the date of Mr. Russo’s resignation until the hiring of Mr. Maloney as Chief Financial Officer.

***Ex******ecutive Summary***

*Our Compensation Principles and Objectives*

The Company’s Compensation Committee (“Committee”) maintains a compensation philosophy that:

• Facilitates the attraction and retention of talented and qualified executives; and

• Seeks to align executive compensation with Company performance by rewarding initiative and positive financial and operating results, while being mindful of the current business climate.

To this end, the Company’s executive compensation program is designed to be balanced and reasonable and allow the Company to attract and retain the best talent available. Compensation opportunities are determined with reference to the 50th percentile or median of the market for positions of similar responsibility. In designing our plans, we do not use highly-leveraged incentives that we believe drive risky short-term behavior.

*Our Compensation Practices*

The Committee has implemented the following practices with respect to the Company’s executive compensation program:

**OUR PRACTICES INCLUDE:**

☑ *Committee Independence.* The Committee consists of independent directors and reserves time at each meeting to meet in executive session without management present.

☑ *Independent Compensation Consultant.* The Committee has engaged its own independent compensation consultant and annually assesses the consultant’s performance, fees and independence, including whether any type of conflict of interest exists.

☑ *Goal Setting and Performance Evaluation for CEO and Other NEOs.* The Committee, with the input of the full Board, engages in formal goal setting and performance evaluation processes for both the CEO and other NEOs. The CEO participates in this process with respect to other NEOs.

☑ *Peer Group.* The Committee has established formal selection criteria for its comparator peer group companies listed on page 38 (the “Comparator Group”) and annually evaluates the composition of the Comparator Group to ensure the appropriateness of its component companies.

☑ *Pay for Performance.* Our metrics are reviewed and selected by the Committee from a list of possible metrics authorized by the shareholder-approved 2006 Omnibus Incentive Plan and the shareholder-approved Executive Annual Incentive Compensation Plan (the “Annual Plan”), which was last approved in 2013.

☑ *Tally Sheets.* In order to make well informed compensation decisions, the Committee reviews tally sheets that include an executive’s current and historical compensation amounts, stock ownership and retirement amounts, as well as amounts owed by the Company upon various termination scenarios.

☑ *Double Trigger Change-In-Control.* We provide double trigger change-in-control protection to our executive officers, which means they may be entitled to severance of up to one or two times base salary and bonus only in the event of both a change-in-control of the Company and a qualifying employment termination (“double trigger”). Restricted stock awards also provide for double trigger change-in-control vesting.

☑ *Share Ownership Guidelines.* We maintain rigorous share ownership guidelines, which are applicable to all executives and non-employee directors.

☑ *Clawback Policy.* We have a recoupment provision that applies to our incentive arrangements in the event that our financial statements are restated due to material non-compliance with financial reporting requirements and the Committee determines that an incentive award recipient is culpable for such restatement.

☑ *Risk Mitigation.* We mitigate undue risks associated with compensation through the use of caps on potential incentive payments; maintaining clawback provisions, anti-hedging, anti-pledging and stock ownership policies and guidelines; retentionprovisions in equity grants; and multiple performance metrics that focus on profitability and capital efficiency.

☑ *Annual Say on Pay Vote.* Our NEO compensation program is presented to shareholders for an advisory vote on an annual basis.

**OUR PRACTICES EXCLUDE:**

☒ *Executive Employment Agreements.* We do not, as a standard practice, provide executives with employment agreements and currently do not have any in place.

☒ *Dividend Equivalents on Unearned Performance Share Unit Awards.* We do not provide dividends or dividend equivalents on unearned performance share unit (“PSU”) awards.

☒ *Tax Gross-Ups on Perquisites or Severance.* We do not provide any tax gross-up payments to cover personal income taxes on perquisites or severance benefits related to a change-in-control.

☒ *Hedging and Pledging.* We do not permit hedging or pledging transactions in the Company’s stock, pursuant to our Insider Trading Policy.

*Elements of Compensation*

Executive officers’ compensation includes base salary, annual cash incentive awards, and equity-based long-term incentive awards. The Committee aligns executive officer compensation with the Company’s performance relative to pre-established performance goals based on stated Company financial objectives, which are designed to drive the creation of long-term value for our shareholders. The Committee administers both short-term and long-term incentive compensation plans within its executive compensation structure, and the main features of the executive compensation program are as follows:

• Base salaries, which represent competitive fixed compensation and reflect the executive’s experience, responsibilities, and expertise.

• Short-term cash incentive awards, issued pursuant to the Annual Plan in which payment is contingent on meeting annual financial performance goals that align with an executive’s responsibilities. The Committee authorized the 2017 Annual Plan (the “2017 Annual Plan”). The performance criteria used for the 2017 Annual Plan were:

○ 2017 Corporate Return on Invested Capital (“ROIC”);**1**

○ 2017 Corporate and Operating Unit Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”);**2** and

○ 2017 Corporate and Operating Unit Working Capital as a Percentage of Sales,**3**

(Please note that the text of all footnotes is located at the end of the CD&A.)

• Long-term incentive awards are heavily weighted toward performance, with 75% of the target long-term incentive opportunity granted in the form of PSUs that are paid, if earned, based on the achievement of pre-determined corporate level performance goals over a three-year period, and 25% of the target long-term incentive opportunity granted in the form of time-vested restricted stock, which vests ratably in one-third installments over a three-year period from grant. All equity awards are made under the Company’s shareholder-approved 2006 Omnibus Incentive Plan.

• The performance goals used for the 2017 PSU awards were two equally-weighted metrics of 2017-2019 Average ROIC**4** and Compound Annual Growth Rate of Earnings Before Interest, Tax, and Amortization (“EBITDA CAGR”),**5** each measured over a three-year period.

• The 2017 Annual Plan and the 2017 PSUs provide the Committee with the discretion to recoup previously paid awards from individuals whose actions were deemed to have resulted in a restatement or adjustment to the Company’s financial results.

• The Company maintains a Key Employee Separation Plan (the “Separation Plan”) that provides officers with severance in the event of both a change-in-control and qualifying employment termination. The Separation Plan does not contain any single trigger payments or tax gross-ups, and severance is capped at one or two times base salary and bonus, depending on the executive.

Annual and long-term performance goals are approved by the Committee at the beginning of each year after consideration of the Company’s prior year performance, budgeted performance for the performance period, and anticipated market and economic conditions for the performance period.

*Results of 2017 Shareholder Vote on Named Executive Officer Compensation*

In May 2017, we held a shareholder advisory vote on the compensation paid to our NEOs, which resulted in the approval by a significant margin of the 2016 compensation paid to our NEOs, with approximately 90% of votes cast in favor of our say-on-pay proposal. Based on this feedback, and as the Company evaluated its compensation policies and practices throughout the remainder of 2017, our Board of Directors chose to make no significant changes to our existing executive incentive programs.

In connection with the Committee’s determination of 2018 executive compensation, the Company was mindful of the strong support our shareholders expressed for our pay-for-performance philosophy, which is designed to link the compensation paid to our executive officers, including NEOs, to the Company’s financial and share performance in order to ensure that we are delivering value to our shareholders and not merely performing well against our peers.

The remainder of this CD&A is divided into three parts:

1. Summary of 2017 Compensation Arrangements, which provides a brief summary of how the Company determines executive compensation for the NEOs; and

2. Overview of Compensation Framework, which reviews in greater detail overall considerations in determining executive pay, as well as the key elements of 2017 executive compensation at the Company; and

3. Other Compensation Practices, which apply to our NEOs’ other compensatory arrangements.

***Sum******mary of 2017 Compensation Arrangements***

*Determining the Chief Executive Officer’s Compensation*

The compensation of our CEO, Robert Bauer, consists of three major components: base salary, annual cash incentives, and long-term incentives in the form of equity awards. For 2017, Mr. Bauer’s base salary remained unchanged for a third consecutive year at $613,000.

Mr. Bauer’s 2017 annual cash incentive awards were calculated relative to performance goals established at the beginning of the performance period and as described under the *2017 Annual Plan* on pages 40-43. As a result of the Company’s performance in 2017, Mr. Bauer earned an aggregate annual cash incentive payout of $532,722, which is included in the Summary Compensation Table on page 54. Despite the Company’s strong 2017 performance, which exceeded both 2017 financial goals and 2016 actual financial results, the annual cash payout reflects the Compensation Committee’s application of a 10% negative discretion factor, recognizing that while performance goals established for 2017 were set above 2016 actual financial results, 2017 goals were below the established 2016 performance goals as a result of the challenging business environment in both the energy and rail segments of our business.

Mr. Bauer’s long-term incentive equity award for 2017 was reduced from $915,000 in 2015 to $288,272 in 2016, and then, based on improving Company performance, increased to $700,000 for 2017 which is below the median long-term incentive value of the peer group. Shares were awarded in accordance with the long-term incentive program as further described on pages 43-45. Given that Mr. Bauer had been awarded no increase in his base compensation for the past three years and his long-term target was considerably reduced in 2016, the increase in Mr. Bauer’s 2017 long-term equity award was indicative of the Committee’s focus on pay-for-performance and desire to provide incentive for improved business performance.

*Determining Compensation for Other Named Executive Officers*

Each of our other NEOs is or was a leader of an individual business or function of the Company who reports directly to the CEO, with the exception of Christopher T. Scanlon, who is the Controller and Chief Accounting Officer and temporarily performed the duties of the Chief Financial Officer while the position was vacant after the resignation of Mr. Russo. The CEO develops the objectives that each individual member of the executive management team is expected to achieve, against which the executive officer’s performance is assessed. These objectives are reviewed with the Committee at the beginning of each year and are derived largely from the Company’s annual financial and strategic planning sessions in which the other NEOs participate and the Board reviews. The CEO leads the assessment of each other NEO’s individual performance against these objectives, as well as the Company’s overall performance and the performance of each NEO’s business or function. The CEO then makes a compensation recommendation to the Committee for each NEO, in consultation with the Company’s VP, Human Resources and Administration. The NEOs, including the CEO, do not participate in the final determination of their own compensation.

As discussed above, the Company’s general process involves using proxy data from the Comparator Group, a compensation survey and, at times, the input of the consultant, to determine competitive compensation levels for the NEOs and the other executive officers of the Company. As with the CEO, the NEOs’ compensation consists of three major components: base salary, annual cash incentives, and long-term incentives in the form of equity awards.

Determination of base salaries for the non-CEO NEOs is described further on page 40. As with the CEO, the 2017 annual cash incentive awards for these NEOs were determined in accordance with the 2017 Annual Plan, as described on pages 40-43**,** and their long-term incentive equity awards were granted in accordance with the long-term incentive program (the “LTIP”), as described on pages 43-45.

***Ov******erview of Compensation Framework***

The Company seeks to attract and retain talented and qualified executives through the use of compensation programs that are balanced and competitive. The Committee pursues this goal through its approval of executive officer compensation and, in the case of the CEO, recommending that the Board ratify his compensatory arrangements. The Committee’s executive compensation philosophy is to align compensation with Company performance by rewarding initiative and positive financial and operating results, while being mindful of the current business climate.

The Committee generally aligns executive officer compensation with the Company’s performance in order to drive short-term achievement and create long-term shareholder value. Our compensation program reflects the goals of consistent behavior and balancing short and long-term interests. Due to the Company’s product mix and distinct manufacturing and distribution businesses, our Company does not have “true” peers among publicly-traded companies and, for this reason, the Committee believes that Company-specific performance measures, as opposed to performance goals measured relative to peer company performance, is most appropriate to incentivize management to achieve the business goals of the Company. Further, annual and long-term performance measures include a mix of factors to avoid over-emphasis on any single measure. A significant portion of the executive officers’ potential compensation is variable and earned under incentive plans that are based on the Company’s performance and the value delivered to the Company’s shareholders.

*The Use of Market Compensation Data*

The Committee’s objective is to pay executives fairly and competitively. Executive pay is measured against a Comparator Group and other market data (described below), to confirm that compensation is within the range of competitive practices.

Each year, to assist in its compensation decisions to determine market rates for overall compensation and each pay component, the Committee reviews market data drawn from the following sources: (i) survey from Willis Towers Watson and (ii) the compensation practices of the Comparator Group.

As stated above, the Committee does not believe the Company has true “peers” among publicly-traded organizations. Accordingly, the Committee reviews the compensation of certain publicly-traded companies that it believes are most comparable to the Company. The Comparator Group was selected based on the following criteria:

• Revenues and assets ranging from approximately one-half to double those of the Company;

• Market capitalization of less than $1.5 billion at the time of review by the Committee;

• Generally less than 4,000 employees;

• Lower gross margins and higher asset turnovers, likely indicating a distribution business element; and

• Industry sector generally composed of materials and industrial companies.

The Committee used the following 19 Comparator Group companies for 2017 executive compensation purposes: Alamo Group, Inc., Ampco-Pittsburgh Corporation, CIRCOR International, Inc., Columbus McKinnon Corporation, Gibraltar Industries, Inc., Gorman-Rupp Company, Haynes International, Inc., Hawkins, Inc., Lydall, Inc., Manitex, International, Inc., NN, Inc., American Railcar Industries, Inc., Lindsay Corporation, Orion Group Holdings, Quanex Building Products Corporation, Insteel Industries, Houston Wire & Cable Co., Raven Industries, Inc., and Sterling Construction Co., Inc. This Comparator Group is essentially the same as the peer group used for the 2014, 2015 and 2016 executive compensation determinations.

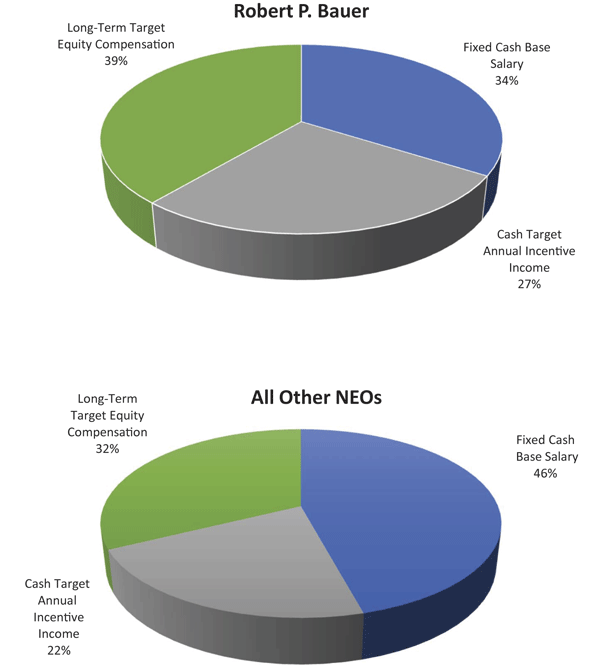
*Role of the Compensation Committee in Establishing Objectives*

The Company’s overall executive compensation program is intended to create long-term value by retaining and rewarding outstanding leaders and motivating them to perform at the highest level. Incentives are designed to reward financial and operating performance. After considering the compensation practices of the Comparator Group and the Willis Towers Watson compensation survey, the Committee exercises its judgment in making decisions on individual executive compensation components, including the amount and allocation of compensation. The Committee annually reviews and, if appropriate, adjusts these compensation components based on market and business conditions.

The Committee believes that a significant portion of an executive’s compensation should be delivered through performance-based incentive compensation. Each year, the Committee identifies a variety of financial metrics and establishes rigorous annual and three-year performance goals as the basis for motivating and rewarding executives and aligning compensation with the performance of the Company.

If the Company’s performance exceeds our goals and expectations, the incentive plans pay above the targeted level. If the Company’s performance falls below our goals and expectations, the incentive plans pay either below the targeted level, or nothing if threshold performance is not met. The 2017 Annual Plan and the PSU component of the LTIP include payout limits to prevent excessive payments and discourage executives from engaging in inappropriately risky behavior that may be contrary to the best interests of the Company and its shareholders.

In 2017, potential compensation for current NEOs was allocated among each compensation elements as follows:



**Notes:**

Fixed cash base salary includes base salary earned in 2017 as disclosed in the Summary Compensation Table on page 54.

Annual and long-term incentive percentages calculated based on salary disclosed in the Summary Compensation Table on page 54, with the annual and long-term incentives being reflected at target.

*Compensation* *Elements*

Compensation of our NEOs includes base salary, annual cash incentive awards, and long-term equity awards paid under the LTIP.

*Base Salary*

As with our CEO, in 2017, base salary amounts for each NEO were established after considering each NEO’s performance and reviewing compensation data from the Comparator Group and other similarly-sized organizations included in the Willis Towers Watson compensation survey. With respect to the Comparator Group and the survey, we targeted the 50th percentile. Additionally, base salaries are reviewed annually for merit-based increases. None of our NEOs, including the CEO, who were serving at the beginning of the fiscal year received merit increases for 2017. In connection with Mr. Maloney joining the Company, his annual base salary was established at $315,000.

*2017 Annual Plan*

The 2017 Annual Plan was designed to provide performance-based cash compensation for the performance period of January 1, 2017 through December 31, 2017 and align NEO compensation with the achievement of performance goals that support the Company’s business strategy. The Committee determined that the 2017 Annual Plan would be funded by 7% of 2017 Adjusted EBITDA**6**, with fixed percentages allocated to each executive participant, with payouts not to exceed that allocation. The Committee then approved the following 2017 performance measures and goals for the awards under the 2017 Annual Plan:

• 2017 Corporate ROIC

• 2017 Corporate and Operating Unit Adjusted EBITDA

• 2017 Corporate and Operating Unit Working Capital as a Percentage of Sales

To determine a NEO’s annual incentive opportunity, a participant’s base salary is multiplied by a target percentageto obtain a target award. Target percentages for each participant’s position approximate the market median. For this 2017 Annual Plan, each NEO was assigned the following target opportunity expressed as a percentage of base salary:

|  |  |
| --- | --- |
|  |  |
| **Name** | **Target Percentage** |
| Robert P. Bauer | 80% |
| James P. Maloney | 50% |
| David J. Russo\* | 60% |
| Christopher T. Scanlon | 35% |
| John F. Kasel | 50% |
| Patrick J. Guinee | 45% |
| Brian H. Kelly | 40% |

|  |  |
| --- | --- |
|  |  |

\*Mr. Russo forfeited his right to the 2017 Annual Plan bonus upon his termination of employment with the Company.

The table below illustrates the 2017 performance measures and weighting applicable to the 2017 Annual Plan, as assigned to each NEO:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |
| **Performance Metric** | **Robert P.  Bauer** | **James P.  Maloney** | **David J.  Russo** | **Christopher T.  Scanlon** | **John F.  Kasel** | **Patrick J.  Guinee** | **Brian H.  Kelly** |
| Corporate ROIC | 15% | 15% | 15% | 15% | --- | 15% | 15% |
| Corporate Adjusted EBITDA | 70% | 70% | 70% | 70% | 30% | 70% | 70% |
| Operating Unit Adjusted EBITDA | --- | --- | --- | --- | 50% | --- | --- |
| Corporate Working Capital as a Percentage of Sales | 15% | 15% | 15% | 15% | --- | 15% | 15% |
| Operating Unit Working Capital as a Percentage of Sales | --- | --- | --- | --- | 20% | --- | --- |

The 2017 Annual Plan provided for funding an incentive pool at 7% of EBITDA or $2.5 million. The actual individual payments to NEOs are calculated based on individual NEO target award opportunity multiplied by the actual level of attainment of each performance metric relative to performance goals established at the beginning of the performance period. Despite the Company’s strong 2017 performance, which exceeded both 2017 financial goals and 2016 actual financial results, the Compensation Committee chose to apply a 10% negative discretion factor to all NEOs with the exception of Mr. Kasel. This action was taken because performance goals established for 2017, while set above 2016 actual financial results, were below the performance goals established for 2016 as a result of the challenging business environment in both the energy and rail segments of our business. Because of the strong performance of the businesses under Mr. Kasel’s management, the Committee did not apply negative discretion to his payout.

The 2017 performance goals and payout percentage for each metric are summarized below:

**Corporate ROIC Performance and Payout Ranges***(Messrs. Bauer, Maloney, Russo, Scanlon, Guinee, and Kelly)*

|  |  |
| --- | --- |
|  |  |
| **2017 ROIC** | **2017 Payout Range** |
| 127.5% and Over | 200% |
| 100% | 100% |
| 80% | 20% |
| Less than 80% | 0% |
|  |  |
| **2017 Actual Attainment** | **2017 Payout as % of Target7** |
| 108.57% | 122% |

**Corporate & Operating Unit Adjusted EBITDA Performance and Payout Ranges***(Messrs. Bauer, Maloney, Russo, Scanlon, Kasel, Guinee, and Kelly)*

|  |  |
| --- | --- |
|  |  |
| **2017 Adjusted EBITDA** | **2017 Payout Range** |
| 170% and over | 200% |
| 100% | 100% |
| 50% | 20% |
| Less than 50% | 0% |
|  |  |
| **2017 Actual Attainment** | **2017 Payout as % of Target** |
| **Corporate** |  |
| 110.10% | 115%7 |
| **Rail Products** |  |
| 85.67% | 77% |

**Corporate and Operating Unit Working Capital as a % of Sales Performance and Payout Ranges***(Messrs. Bauer, Maloney, Russo, Scanlon, Kasel, Guinee, and Kelly)*

|  |  |
| --- | --- |
|  |  |
| **2017 Working Capital as a % of  Sales Goals** | **2017 Payout Range** |
| 86% and under | 200% |
| 100% | 100% |
| 121.5% | 10% |
| Greater than 121.5% | 0% |
| **2017 Actual Attainment** | **2017 Payout as % of Target** |
| **Corporate** |  |
| 91.87% | 146%7 |
| **Rail Products** |  |
| 98.53% | 108% |

**Corporate ROIC and Actual Performance and 2017 Payout**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **2017 Target  Performance Goal** | **2017 Actual  Performance** | **2017 Payout as a %  of Target7** |
| Mr. Bauer | 5.69% | 6.18% | 122% |
| Mr. Maloney | 5.69% | 6.18% | 122% |
| Mr. Scanlon | 5.69% | 6.18% | 122% |
| Mr. Guinee | 5.69% | 6.18% | 122% |
| Mr. Kelly | 5.69% | 6.18% | 122% |

**Corporate Adjusted EBITDA Target and Actual Performance and 2017 Payout**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **2017 Target  Performance Goal** | **2017 Actual  Performance** | **2017 Payout as a %  of Target7** |
| Mr. Bauer | $33,065M | $36,405M | 115% |
| Mr. Maloney | $33,065M | $36,405M | 115% |
| Mr. Scanlon | $33,065M | $36,405M | 115% |
| Mr. Kasel | $33,065M | $36,405M | 115% |
| Mr. Guinee | $33,065M | $36,405M | 115% |
| Mr. Kelly | $33,065M | $36,405M | 115% |

**Rail Adjusted EBITDA Income Target and Actual Performance and 2017 Payout**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **2017 Target  Performance Goal** | **2017 Actual  Performance** | **2017 Payout as a %  of Target** |
| Mr. Kasel | $37,724M | $32,319M | 77% |

**Corporate Working Capital as a % of Sales Target and Actual Performance and 2017 Payout**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **2017 Target  Performance Goal** | **2017 Actual  Performance** | **2017 Payout as a %  of Target7** |
| Mr. Bauer | 21.9% | 20.12% | 146% |
| Mr. Maloney | 21.9% | 20.12% | 146% |
| Mr. Scanlon | 21.9% | 20.12% | 146% |
| Mr. Guinee | 21.9% | 20.12% | 146% |
| Mr. Kelly | 21.9% | 20.12% | 146% |

**Rail Working Capital as a % of Sales Target and Actual Performance and 2017 Payout**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **2017 Target  Performance Goal** | **2017 Actual  Performance** | **2017 Payout as a %  of Target** |
| Mr. Kasel | 19.3% | 19.02% | 108% |

Actual cash incentive awards earned and paid to the NEOs under the 2017 Annual Plan in 2017 are included in the Summary Compensation Table on page 54 under the column heading *Non-Equity Incentive Plan Compensation.*

*Long-Term Incentive Plan*

*2017 Long-Term Incentive Awards*

The LTIP under the 2006 Omnibus Incentive Plan provides (i) NEOs with an incentive to remain with the Company, (ii) a means for NEOs to build ownership in the Company, and (iii) alignment with the value of NEOs’ awards and the Company’s long-term financial performance. In 2017, the Committee approved annual grants of equity to each NEO, consisting of two components: time-vested restricted stock and PSUs.

For each NEO, 25% of the target long-term incentive value was granted in the form of time-vested restricted stock, which vests ratably in one-third installments over a three-year period from grant. The average closing price per share of the Company’s common stock during the first 15 calendar days of February 2017 was used to determine the number of shares granted to each executive, other than Mr. Maloney. Mr. Maloney was granted shares in consideration of the market analysis provided by the company’s executive compensation consultant, with such shares issued at the closing price of the Company’s common stock on his date of hire**.** The Committee believes that restricted stock awards recognize the cyclicality of the Company’s markets, promote executive retention and build ownership in the Company. Restricted stock also aligns our NEOs’ compensation and Company performance by conditioning a portion of the incentive opportunity upon appreciation of share value.

The remaining 75% of a NEO’s target long-term incentive award for 2017 was distributed in the form of PSUs, with the number of units determined in the same manner as the portion granted in restricted stock for each NEO, including the CEO. The PSUs have a performance period of January 1, 2017 through December 31, 2019, and will be converted into Company common stock based upon the Company’s achievement of two equally-weighted performance goals of Average ROIC and EBITDA CAGR, each measured over a cumulative three-year performance period. The PSUs are designed to align compensation and Company performance by making our NEOs’ long-term incentive compensation over a three-year performance period contingent upon the Company’s 2017-2019 Average ROIC and EBITDA CAGR.

In 2017, the Committee approved the following target long-term incentive values for each NEO, to be allocated between restricted stock awards and PSUs:

|  |  |
| --- | --- |
|  |  |
| **Name** | **Target ($)** |
| Robert P. Bauer | $700,000 |
| James P. Maloney | $225,000 |
| David J. Russo\* | $300,000 |
| Christopher T. Scanlon | $90,000 |
| John F. Kasel | $230,000 |
| Patrick J. Guinee | $160,000 |
| Brian H. Kelly | $150,000 |

|  |  |
| --- | --- |
|  |  |

\*Mr. Russo forfeited his 2017 LTIP awards at the time of his termination of employment with the Company.

Based on these target values, the NEOs were awarded the following restricted shares and PSUs**:**

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **Name** | **Restricted  Shares** | **2017-2019 PSUs  (at Target)** |
| Robert P. Bauer | 12,350 | 37,050 |
| James P. Maloney | 2,792 | 8,375 |
| David J. Russo | 5,293 | 15,878 |
| Christopher T. Scanlon | 1,588 | 4,764 |
| John F. Kasel | 4,058 | 12,174 |
| Patrick J. Guinee | 2,823 | 8,468 |
| Brian H. Kelly | 2,646 | 7,940 |

The number of PSUs to be earned at the end of the performance period and awarded to a participant in common stock will be determined by multiplying each NEO’s PSU grants by the “Percent of PSUs Earned (with respect to the Average ROIC component) and the “EBITDA CAGR Award Multiplier” (with respect to the EBITDA CAGR component) shown below, which corresponds to the Company’s achievement of the Average ROIC and EBITDA CAGR performance goals over the 2017 to 2019 performance period, as compared to target.For 2017, the target performance levels for the Average ROIC measure were adjusted based on an externally provided input regarding the Weighted Average Cost of Capital (WACC) that impacted the ROIC calculation and more accurately reflected appropriate targets.

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **2017-2019 Average ROIC** | | |
| **Level of Performance** | **Average ROIC** | **Percent of PSUs Earned** |
| Below Threshold | Below 7.00% | 0% |
| Threshold | Equal to 7.00% | 25% |
| Target | Equal to 10.0% | 100% |
| Outstanding | Equal to or Greater than 12.0% | 200% |

**EBITDA CAGR**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| **EBITDA  Growth Rate** | **EBITDA  Award Multiplier** |  | **EBITDA  Growth Rate** | **EBITDA CAGR  Award Multiplier** |
| >2% | 0 |  | 9% | 1.80 |
| 2% | .20 |  | 10% | 2.00 |
| 3% | .60 |  | 11% | 2.20 |
| 4% | .80 |  | 12% | 2.40 |
| 5% | 1.00 |  | 13% | 2.60 |
| 6% | 1.20 |  | 14% | 2.80 |
| 7% | 1.40 |  | 15% | 3.00 |
| 8% | 1.60 |  | 15%+ | 3.00 |

For more information regarding the 2017 PSU and restricted stock awards granted to our NEOs, please see the Summary Compensation Table and Grants of Plan Based Awards in 2017.

*Retention Awards of Restricted Stock*

At the commencement of Fiscal 2017, the Company was facing historically difficult market conditions including a sales decrease of 23.4% from the fourth quarter of 2015. The Compensation Committee recognized that, unless retention incentives were implemented to retain the Company’s executive leadership team, the Company was at significant risk of losing members of the team that were necessary to the execution of the Company’s business strategy for Fiscal 2017 and beyond (which, in fact, occurred but only in the case of Mr. Russo). Mr. Bauer requested that a retention award not be made to him, but agreed with the awards to other officers were necessary. With this goal in mind, the Committee approved the grant of retention restricted stock awards to its executive officers to retain key talent critical to the Company’s performance improvement and overall shareholder value. The retention restricted stock awards include a four-year vesting schedule, with 50% vesting on the second anniversary of grant, and 25% on each of the third and fourth anniversaries of grant. These awards were intended primarily as a retention tool but were also intended to align our executive’s focus with shareholders’ interests to execute on business strategies designed, in part, to improve the Company’s stock price (the Company’s closing stock price per share on the first trading day of 2017 was $14.30 and its closing stock price per share on the final trading day of 2017 was $27.15; an almost 90% increase). The Compensation Committee believes that these retention incentive awards mitigated a significant risk to the Company in 2017 of losing more members of its executive team, and assisted in focusing our executive leadership team on pursuing business strategies that, in fact, increased shareholder value.

The awards are set forth in the Grants of Plan-Based Awards Table and include: Mr. Russo, 5,293 shares; Mr. Scanlon, 1,588 shares; Mr. Kasel, 4,058 shares; Mr. Guinee, 2,823 shares; and Mr. Kelly, 2,646 shares. Messrs. Russo and Scanlon forfeited the full amounts of their awards upon their resignations on April 21, 2017 and March 30, 2018, respectively.

*2015-2017 Performance Share Unit Awards*

The performance goals applicable to the PSU awards granted to our NEOs in 2015 were equally weighted as Corporate ROIC and Earnings CAGR, and were measured over a performance period of January 1, 2015 through December 31, 2017. The formulas applicable to each of the Corporate ROIC and Earnings CAGR metrics are described on pages 40-41 of our proxy statement filed on April 13, 2016.

Actual Corporate ROIC achievement for the 2015-2017 performance period was derived by averaging the actual ROIC in fiscal years 2015, 2016 and 2017 (6.80%, .90%, and 6.20%, respectively). The average ROIC over the 2015-2017 performance period was below threshold at 4.63%, which resulted in no PSUs earned as to this metric. As the Earnings CAGR achievement for the 2015-2017 performance period was negative**,** no PSUs were earned pursuant to this metric. As a result, there was no payout under the 2015 PSU awards and the awards were cancelled in their entirety, which was the third consecutive year with no PSU pay-out.

***Other Co******mpensation Practices***

*Retirement Plans*

The NEOs participate in the Company’s 401(k) and Profit Sharing Plan (“401(k) Plan”), a defined contribution retirement plan, qualifying under Section 401(k) of the Code, which is available to a broad segment of the Company’s employees. The Company’s contributions for 2017 to the 401(k) Plan with respect to our NEOs are included in the Summary Compensation Table (see page 54); the Company made a discretionary profit-sharing contribution to the 401(k) Plan for 2017 equal to 1.8% of base salary for all NEOs.

The Company also maintains a Supplemental Executive Retirement Plan (the “SERP”) under which executive officers may accrue benefits unavailable under the 401(k) Plan because of Code limitations. These benefits are also included in the Summary Compensation Table and 2017 Non-Qualified Deferred Compensation table (see pages 54 and 59, respectively).

The Company maintains these retirement plans for retention purposes and to provide a competitive opportunity for the Company’s employees to obtain a secure retirement.

*No Employment Agreements*

The Company does not currently provide its NEOs with formal employment agreements.

*Separation Plan and Change-In-Control Arrangements*

The Separation Plan provides severance in the event of both a change-in-control of the Company and a qualifying termination of a NEO’s employment, and includes Mr. Bauer as a participant.  The Committee believes that providing severance in these situations is beneficial to shareholders so that executives may remain unbiased when evaluating a transaction that may be beneficial to shareholders, yet could negatively impact their continued employment with the Company. In the event a participant experiences a qualifying employment termination in connection with a change-in-control of the Company, such participant is entitled to receive the participant’s base salary plus the average of the participant’s annual cash bonuses paid or due and payable over the prior three calendar years multiplied by a “Benefit Factor” (subject to execution (and non-revocation) of a release of claims and compliance with confidentiality and one-year non-compete and customer and employee non-solicit obligations).

The participants’ Benefit Factors are as follows:

|  |  |
| --- | --- |
|  | **Benefit Factor** |
| CEO and Senior Vice Presidents | 2 |
| Vice Presidents and Controller and CAO | 1 |

Subject to compliance with the obligations in the release, a participant also will be paid $15,000 for outplacement services, and provided medical, dental and vision insurance for up to 18 months post-employment. A participant will not be entitled to these payments and benefits under the Separation Plan, unless both: (i) a change-in-control has occurred; and (ii) the participant’s employment has been terminated (involuntarily without “cause” or for “good reason”).

Our PSUs and restricted stock award agreements also include change-in-control provisions. In the event of a change-in-control, the Committee may, in its discretion, determine that PSU awards are deemed earned at a target award level on a pro-rated basis (generally based on the number of months elapsed during the applicable performance period prior to the change-in-control). For restricted stock awards granted in 2014 and thereafter, such awards will only vest if an executive experiences a qualifying termination of employment in connection with a change-in-control (double trigger).

Any payment to a participant that would constitute an “excess parachute payment” within the meaning of Section 280G of the Code will cause the payment to be reduced to an amount, which maximizes the aggregate present value of the payment, without causing any payment to be subject to the limitation of deduction under Section 280G.  See pages 64-66 for estimates on the benefits the NEOs would have received if a participant was terminated on December 31, 2017, in connection with a change-in-control.

*Stock Ownership Policy*

The Company’s Stock Ownership Policy requires our CEO to own stock valued at least 5 times his salary.  Senior Vice Presidents are required to own stock valued at least 2.5 times their respective salaries, and Vice Presidents and the Controller and Chief Accounting Officer are required to own stock valued at least 1.5 times their respective salaries.  The Stock Ownership Policy requires executives to retain 100% of the shares that are earned or that vest (net of tax) at any time while the value of current holdings is below the target requirement.  Shares that count toward the requirement include unvested restricted shares, shares acquired through employee benefit plans and shares held outright by the executive.  In cases of hardship, the CEO may recommend to the Committee, and the Committee may grant the executive, permission to sell shares even if the Policy requirement has not been met. The Committee believes that such ownership requirements will discourage executives from taking any excessive long-term risks.

*Tax Considerations*

The Committee has considered the impact of the applicable tax laws with respect to compensation paid under the Company’s plans, arrangements and agreements.  In certain instances, applicable tax laws impose potential penalties on such compensation and/or result in a loss of deduction to the Company for such compensation.

Section 409A.  Participation in, and compensation paid under, the Company’s plans, arrangements and agreements may, in certain instances, result in the deferral of compensation that is subject to the requirements of Section 409A of the Code.  Generally, to the extent that the Company’s plans, arrangements and agreements fail to meet certain requirements under Section 409A of the Code, compensation earned thereunder may be subject to immediate taxation and tax penalties.  It is the intent of the Company that its plans, arrangements and agreements will be structured and administered in a manner that complies with the requirements of Section 409A of the Code (or an exception thereto).

Section 162(m).  The Tax Cuts and Jobs Act, enacted in December 2017, resulted in significant change to section 162(m) of the Internal Revenue Code. For arrangements that are not otherwise grandfathered, performance-based compensation is no longer exempt from the $1,000,000 annual deduction limit that previously applied to performance-based compensation. While the changes allow the Committee more discretion, the Committee considers the tax impact of any compensation arrangement and evaluates such impact in light of our overall compensation objectives.

*Right of Recovery (Clawback)*

The Company has adopted policies regarding the Committee’s authority to adjust or recover annual incentive or PSU payments or awards if the Committee finds certain recipients of such awards culpable in connection with an accounting restatement due to material non-compliance with financial reporting requirements.

*Other Corporate Plans*

At various times in the past, the Company has adopted certain employee benefit plans in which NEOs have been permitted to participate.  The Company also provides certain executive officers with life, and long-term disability programs.  The incremental cost to the Company of our NEOs’ benefits provided under these programs is included in the Summary Compensation Table (see page 54).  Benefits under these plans are not directly or indirectly tied to Company performance.

The Company also provides limited perquisites to the NEOs, which may include car allowances or use of a leased car, financial planning services, and membership in athletic or social clubs.  The Company’s incremental costs for these perquisites are included in the Summary Compensation Table.

***Foot******note Definitions for Section: Executive Compensation***

1 ”2017 Corporate ROIC” means, with respect to the Company for the 2017 fiscal year: (a) after tax earnings from continuing operations before interest income and interest expense and amortization charges (all tax affected using the effective corporate tax rate or adjusted effective tax rate if adjustments are made to actual results), divided by (b) an average of month end total assets less the sum of cash, marketable securities and non-interest bearing current liabilities, determined in accordance with generally accepted accounting principles. ROIC will be expressed as a percentage and shall be determined without regard to: (i) the effect of changes in accounting principles, (ii) any on-going and/or one-time costs and/or expenses attributable to an acquisition, including but not limited to, those related to the negotiation, completion and/or integration of an acquisition, incurred during the 2017 fiscal year, (iii) any costs related to purchase accounting step up in the basis of tangible or intangible assets not classified as amortization, (iv) the impact of all assets and liabilities purchased or incurred as a result of an acquisition, (v) any on-going and/or one-time costs and/or expenses (exclusive of employee travel) related to the unsuccessfully attempted acquisition of a business during the 2017 fiscal year, (vi) any on-going and/or one-time costs and/or expenses associated with the successful or unsuccessful sale of a business (exclusive of employee travel), (vii) any significant or non-recurring items which are disclosed in management’s discussion and analysis of financial condition and results of operations in the Company’s Annual Report on Form 10-K for such period and which would have an adverse effect on the pay-out amount of a participant’s award, (viii) the reported results (as well as the results of operations and financial position) of an acquisition completed in the 2017 fiscal year, (ix) a reclassification of an operating unit to “Discontinued Operations” or “Held for Sale”, if not sold during the annual performance period and (x) the gain or loss on sale of a business or the sale of assets outside of the ordinary course of business. Notwithstanding the foregoing, in the event that a business is sold during the 2017 fiscal year, such business’ target and adjusted actual results shall be eliminated from all calculations. The ROIC calculation will be rounded to the nearest tenth of a percent.

2 ”2017 Corporate and Operating Unit Adjusted EBITDA” (Earnings before interest, taxes, depreciation, and amortization) means with respect to the Company or an Operating Unit, for the 2017 fiscal year, determined in accordance with generally accepted accounting principles, including the applicable LIFO charge or credit (a) income from continuing operations; (b) plus income tax expense; (c) plus interest expense; (d) minus interest income; (e) plus depreciation expense; and (f) plus amortization expense. Adjusted EBITDA will be calculated without regard to: (i) the effect of changes in accounting principles, (ii) any on-going and/or one-time costs and/or expenses attributable to an acquisition, including but not limited to, those related to the negotiation, completion and/or integration of an acquisition, incurred during the 2017 fiscal year, (iii) any costs related to the purchase accounting step up in the basis of tangible or intangible assets not classified as depreciation or amortization, (iv) any on-going and/or one-time costs and/or expenses related to the unsuccessfully attempted acquisition of a business during the 2017 fiscal year (exclusive of employee travel), (v) any on-going and/or one-time costs and/or expenses (exclusive of employee travel) associated with the sale or attempted sale of a business in the 2017 fiscal year, (vi) any significant or non-recurring items which are disclosed in management’s discussion and analysis of financial condition and results of operations in the Company’s Annual Report on Form 10-K for such period and which would have an adverse effect on the pay-out amount of a participant’s award, (vii) the costs of the 2017 Annual Plan for domestic Operating Units, (viii) the impact on any Operating Unit attributable to any administrative intercompany charges related to transfer pricing compliance where the consolidated impact is zero, (ix) the reported results of an acquisition (as well as results of operations and financial position) completed in the Fiscal Year, (x) a reclassification of an operating unit to “Discontinued Operations” or “Held for Sale”, if not sold during the annual performance period, and (xi) the gain or loss on sale of a business or assets outside of the normal course of business. Notwithstanding the foregoing, in the event that a business is sold during the annual performance period, such business’ target and adjusted actual results will be eliminated from all calculations.

3 ”2017 Corporate and Operating Unit Working Capital as a Percentage of Sales” means with respect to the Company, or as applicable, for an Operating Unit, for the 2017 fiscal year, the average monthly balances of Inventory and Accounts Receivable less the average monthly balances of Accounts Payable and Deferred Revenue divided by annual net sales, provided however that all the above items, will be determined without regard to: (i) any on-going and/or one-time costs and/or expenses relating to acquisitions transacted during the 2017 fiscal year, (ii) a reclassification of an operating unit to “Discontinued Operations” or “Held for Sale”, if not sold during the annual performance period, (iii) the impact on any Operating Unit attributable to any administrative intercompany charges related to transfer pricing compliance where the consolidated impact is zero, and (iv) the reported results (as well as results of operations and financial position) of an acquisition completed in the 2017 fiscal year. Notwithstanding the foregoing, in the event that a business is sold during the 2017 fiscal year, such business’ target and adjusted actual results will be eliminated from all calculations.

4 ”2017-2019 ROIC” means, with respect to any calendar year: (A) after tax earnings from continuing operations before interest income and interest expense and amortization charges (all tax affected using the effective corporate tax rate or adjusted effective tax rate if adjustments are made to actual results), divided by (B) an average of month end total assets less the sum of cash, marketable securities and non-interest bearing current liabilities, determined in accordance with generally accepted accounting principles.

ROIC will be expressed as a percentage (%) and calculated annually for the Company for each calendar year in the three-year performance period; *provided, however*, that ROIC shall be determined without regard to: (i) the effect of changes in accounting principles; (ii) any on-going and/or one-time costs and/or expenses attributable to an acquisition, including but not limited to, those related to the negotiation, completion and/or integration of an acquisition, incurred during the year of acquisition in the performance period; (iii) any costs related to purchase accounting step up in the basis of tangible or intangible assets not classified as depreciation and amortization; (iv) the impact of all assets and liabilities purchased or incurred as a result of an acquisition; (v) any on-going and/or one-time costs and/or expenses related to the unsuccessfully attempted acquisition of a business during the performance period (exclusive of employee travel); (vi) any on-going and/or one-time costs and/or expenses associated with the successful or unsuccessful sale of a business (exclusive of employee travel); (vii) any significant or non-recurring items which are disclosed in management’s discussion and analysis of financial condition and results of operations in the Company’s Annual Report on Form 10-K for such period and which would have an adverse effect on the number of PSUs earned; (viii) any charges, losses or expenses and the resulting impact to assets and liabilities relating to warranty claims (the “Warranty Matters”); (ix) a reclassification of an operating unit to “Discontinued Operations” or “Held for Sale”, if not sold during the performance period and (x) the reported results (as well as results of operations and financial position) of an acquisition in the calendar year of such acquisition in the performance period.  Notwithstanding the foregoing, (i) in the event that a business is sold during a calendar year in the performance period, the impact of such business’ results will be excluded from the ROIC calculation for such year and (ii) the Committee expressly reserved the right not to exclude the effect of any of the above adjustments if such adjustments would result in an increase in award pay-out.  The “Average ROIC” for the performance period will be calculated by aggregating the ROIC annual percentages and dividing by three (3).  The ROIC result will be rounded to the nearest tenth of a percent.

5 2017-2019 Compound Annual Growth Rate of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA CAGR) means, the growth rate of EBITDA as measured on a cumulative annual rate of growth over the specified three-year period.  The growth rate is calculated as follows:  (1/3) -1, where “Year 3 EBITDA” is the EBITDA in the final year of the program and “Base Year Income” represents the EBITDA for the year immediately preceding the commencement of the three-year Performance Period; *provided, however*, that the EBITDA CAGR will be determined in accordance with generally accepted accounting principles, including the applicable LIFO charge or credit (a) income from continuing operations; (b) plus income tax expense; (c) plus interest expense; (d) minus interest income; (e) plus depreciation expense; and (f) plus amortization expense.  Adjusted EBITDA will be calculated without regard to: (i) the effect of changes in accounting principles, (ii) any on-going and/or one-time costs and/or expenses attributable to an acquisition, including but not limited to, those related to the negotiation, completion and/or integration of an acquisition, incurred during the fiscal year, (iii) any costs related to the purchase accounting step up in the basis of tangible or intangible assets not classified as depreciation or amortization, (iv) any on-going and/or one-time costs and/or expenses related to the unsuccessfully attempted acquisition of a business during the Fiscal Year (exclusive of employee travel), (v) any on-going and/or one-time costs and/or expenses (exclusive of employee travel) associated with the sale or attempted sale of a business in the fiscal year, (vi) any significant or non-recurring items which are disclosed in management’s discussion and analysis of financial condition and results of operations in the Company’s Annual Report on Form 10-K for such period and which would have an adverse effect on the pay-out amount of a Participant’s Financial Performance award, (vii) the costs of the plan for domestic Operating Units, (viii) the impact on any Operating Unit attributable to any administrative intercompany charges related to transfer pricing compliance where the consolidated impact is zero, (ix) the reported results of an acquisition (as well as results of operations and financial position) completed in the fiscal year, (x) a reclassification of an operating unit to “Discontinued Operations” or “Held for Sale”, if not sold during the performance period and (xi) the gain or loss on sale of a business or assets outside of the normal course of business, notwithstanding the foregoing, in the event that a business is sold during the performance period, such business’ target and adjusted actual results will be eliminated from all calculations. In the program, the Base Year EBITDA (January 1, 2016 through December 31, 2016) was $18,530,000.  Should any business listed in the program be sold during the performance period, then the amount of EBITDA attributed to that business will be used to reduce the Base Year EBITDA and any EBITDA earned in the Performance Period will be eliminated as well. Notwithstanding the foregoing, the Committee expressly reserves the right not to exclude the effect of any of the above adjustments if such adjustments would result in an increase in award pay-out.

6 ”2017 Adjusted EBITDA” (Earnings before interest, taxes, depreciation, and amortization) means with respect to the Company, for the 2017 performance period, determined in accordance with generally accepted accounting principles, including the applicable LIFO charge or credit (a) income from continuing operations; (b) plus income tax expense; (c) plus interest expense; (d) minus interest income; (e) plus depreciation expense; and (f) plus amortization expense.  Adjusted EBITDA will be calculated without regard to: (i) the effect of changes in accounting principles, (ii) any on-going and/or one-time costs and/or expenses attributable to an acquisition, including but not limited to, those related to the negotiation, completion and/or integration of an acquisition, incurred during the 2017 performance period, (iii) any costs related to the purchase accounting step up in the basis of tangible or intangible assets not classified as depreciation or amortization, (iv) any on-going and/or one-time costs and/or expenses related to the unsuccessfully attempted acquisition of a business during the 2017 performance period (exclusive of employee travel), (v) any on-going and/or one-time costs and/or expenses (exclusive of employee travel) associated with the sale or attempted sale of a business in the 2017 performance period, (vi) any significant or non-recurring items which are disclosed in management’s discussion and analysis of financial condition and results of operations in the Company’s Annual Report on Form 10-K for such period and which would have an adverse effect on the pay-out amount of a participant’s performance award, (vii) the costs of the 2017 Annual Plan for domestic operating units, (viii) the impact on any operating unit attributable to any administrative intercompany charges related to transfer pricing compliance where the consolidated impact is zero, (ix) the reported results of an acquisition (as well as results of operations and financial position) completed in the 2017 performance period, (x) a reclassification of an operating unit to “Discontinued Operations” or “Held for Sale”, if not sold during the performance period and (xi) the gain or loss on the sale of a business or assets not sold in the ordinary course of business.  Notwithstanding the foregoing, in the event that a business is sold during the 2017 performance period, such business’ target and adjusted actual results will be eliminated from all calculations.

**7** Percents shown represent the 2017 Payouts as a Percent of Target before a negative discretion factor or 10%.

*Included in this Compensation Discussion and Analysis are certain non-GAAP financial measures that management and the Board of Directors use to measure the Company’s performance for incentive compensation purposes. Management and the Board of Directors believe that these measures, considered along with the corresponding GAAP measures, provide management and investors with useful information in understanding our operating results and related incentive compensation programs, as well as in measuring our operating results against the operating results of other companies.*

**CO****MPENSATION COMMITTEE REPORT**

Notwithstanding anything to the contrary set forth in any of the Company’s filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporate other Company filings, including this Proxy Statement, the following Report of the Compensation Committee does not constitute soliciting material and shall not be incorporated by reference into any such filings.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on this review and discussion, it has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

|  |  |
| --- | --- |
|  |  |
|  | **COMPENSATION COMMITTEE** |
|  |  |
|  | William H. Rackoff, Chairman |
|  | Diane B. Owen |
|  | Dirk Jungé |
|  | Bradley S. Vizi |

**SUMMA****RY COMPENSATION TABLE - 2015, 2016, AND 2017**

The following table sets forth information regarding compensation of the Company’s NEOs for the years 2015, 2016, and 2017:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Name and Principal Position** | **Year** | **Salary ($)** | **Bonus ($)** | **Stock Awards ($)(1)** | **Non-Equity Incentive Plan Compensation ($)(2)** | **All Other Compensation ($)** | **Total ($)** |
| Robert P. Bauer President and CEO | 2017 | $613,000 | --- | $666,900 | $532,722 | $86,554**(3)** | $1,899,176 |
| 2016 | $613,000 | --- | $610,148 | $16,183 | $84,657 | $1,323,988 |
| 2015 | $613,000 | --- | $941,912 | $334,453 | $107,028 | $1,996,393 |
| James P. Maloney (4) Sr VP, CFO and Treasurer | 2017 | $91,875 | --- | $225,000 | $49,902 | $7,762(6) | $374,539 |
| David J. Russo (5) Sr VP, CFO and Treasurer | 2017 | $105,083 | --- | $567,809 | 0 | $12,880(7) | $685,772 |
| 2016 | $332,108 | --- | $634,933 | $6,658 | $47,374 | $1,021,072 |
| 2015 | $308,357 | --- | $308,800 | $126,180 | $52,556 | $795,893 |
| Christopher T. Scanlon (8) Corporate Controller and CAO | 2017 | $191,895 | --- | $198,552 | $72,959 | $22,493(9) | $485,899 |
| John F. Kasel Sr VP, Rail Business | 2017 | $307,133 | --- | $430,632 | $145,274 | $51,974(10) | $935,013 |
| 2016 | $305,164 | --- | $486,799 | $34,553 | $48,645 | $875,161 |
| 2015 | $293,171 | --- | $267,607 | $112,870 | $54,605 | $728,253 |
| Patrick J. Guinee Sr VP, General Counsel and Secretary | 2017 | $279,450 | --- | $363,929 | $136,606 | $43,166(11) | $823,151 |
| 2016 | $276,000 | --- | $338,621 | $4,150 | $45,136 | $663,907 |
| 2015 | $256,563 | --- | $154,431 | $78,739 | $44,229 | $533,962 |
| Brian H. Kelly Sr VP, Human Resources and Administration | 2017 | $246,039 | --- | $354,411 | $106,909 | $45,148(12) | $752,507 |

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(1) For 2017, the amounts represent the aggregate grant date fair value of the 2017-2019 LTIP awards; this grant consists of a combination of restricted stock and PSUs computed in accordance with FASB ASC Topic 718 (ASC 718) (excluding the effect of estimated forfeitures). For a discussion of valuation assumptions, see Note 15 of the Company’s 2017 Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. The 2017 amounts listed in this table used the closing price per share of Company stock on February 22, 2017, $13.50, except for Mr. Maloney’s grants which were made upon hire on September 18, 2017 and which amounts listed use $20.15, the closing price per share of Company stock on that date. Maximum opportunity for PSUs is $1,250,438 for Mr. Bauer; $421,901 for Mr. Maloney; $535,883 for Mr. Russo; $160,785 for Mr. Scanlon; $410,873 for Mr. Kasel; $285,795 for Mr. Guinee; and $267,975 for Mr. Kelly.

This column also includes a special retention grant of restricted stock for Messrs. Russo, Scanlon, Kasel, Guinee, and Kelly. This grant was made on February 14, 2017 and had a grant date fair value of $14.10 per share, the closing price of Company stock on that date.

Messrs. Russo and Scanlon forfeited their 2017-2019 LTIP awards and 2017 special retention grants on the dates of their termination of employment: April 21, 2017 and March 30, 2018, respectively.

(2) Amounts represent cash awards paid under the Executive Annual Incentive Compensation Plan (the “Annual Plan”). For further information, please see pages 40-43.

(3) For Mr. Bauer, the 2017 amount includes: a 401(k) discretionary profit share contribution; SERP contribution of $20,832; a 401(k) Company match of $10,600; an auto allowance of $12,000; Company-paid life insurance premium; Company-paid long-term disability premium; club memberships of $22,102; and $13,370for financial planning services.

(4) Mr. Maloney joined the Company on September 18, 2017.

(5) Mr. Russo resigned effective April 21, 2017.

(6) For Mr. Maloney, the 2017 amount includes: a 401(k) Company match of $3,675; an auto allowance of $3,500; Company-paid life insurance premium; and Company-paid long-term disability premium.

(7) For Mr. Russo, the 2017 amount includes: a 401(k) Company match of $4,470; an auto allowance of $3,750; Company paid-life insurance premium; Company-paid long-term disability premium; medical reimbursement; and $3,598 for financial planning services. Mr. Russo resigned effective April 21, 2017 and the amounts in the table above reflect the amounts paid to him through his termination date.

(8) Mr. Scanlon resigned effective March 30, 2018.

(9) For Mr. Scanlon, the 2017 amount includes: a discretionary profit share contribution of $3,494; a 401(k) Company match of $7,764; an auto allowance of $10,200; Company-paid life insurance premium; and Company-paid long-term disability premium.

(10) For Mr. Kasel, the 2017 amount includes: a 401(k) discretionary profit share contribution; a SERP contribution; a 401(k) Company match of $10,600; an auto allowance of $12,000; Company-paid long-term disability premium; a club membership; and $13,370 for financial planning services.

(11) For Mr. Guinee, the 2017 amount includes: a 401(k) discretionary profit share contribution of $4,860; a SERP contribution; a 401(k) Company match of $10,600; an auto allowance of $12,000; Company-paid life insurance premium; Company-paid long-term disability premium; medical reimbursement; and $13,370 for financial planning services.

(12) For Mr. Kelly, the 2017 amount includes: a 401(k) discretionary profit share contribution; a 401(k) Company match of $10,600; an auto allowance of $12,000; Company-paid life insurance premium; Company-paid long-term disability premium; club membership; and $13,370 for financial planning services.

**GR****ANTS OF PLAN-BASED AWARDS IN 2017**

The following table provides information on 2017 Non-Equity and Equity Incentive Plan Awards:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Estimated Future Payouts** **Under Non-Equity Incentive** **Plan Awards(1)** | | | | | | |  |  |  |  |  |  |  |  |  |  |  | **All Other Stock** **Awards:** **Number** **of Shares** **of Stock or** **Units (#)(3)(4)** |  |  | **Grant** **Date Fair** **Value of** **Stock** **Awards ($)(5)** |
|  |  |  |  |  |  |  |  | **Estimated Future Payouts** **Under Equity Incentive** **Plan Awards(2)** | | | | | | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **NEO** |  |  | **Grant Date** |  | **Threshold ($)** | | | **Target ($)** | | |  | **Maximum ($)** |  |  | **Threshold (#)** |  |  | **Target  (#)** |  |  | **Maximum (#)** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Robert P. Bauer |  |  | --- |  |  | 90,724 |  |  | 490,400 |  |  | 980,800 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | 12,968 |  |  | 37,050 |  |  | 92,625 |  |  | --- |  |  | 500,175 |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | 12,350 |  |  | 166,725 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| James P. Maloney |  |  | --- |  |  | 8,498 |  |  | 45,938 |  |  | 91,876 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |
|  |  | 9/18/2017 |  |  | --- |  |  | --- |  |  | --- |  |  | 2,931 |  |  | 8,375 |  |  | 20,938 |  |  | --- |  |  | 168,756 |
|  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | 2,792 |  |  | 56,259 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| David J. Russo(6) (7) |  |  | --- |  |  | 11,664 |  |  | 63,050 |  |  | 126,100 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |
|  |  | 2/14/17 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | 20,000 |  |  | 282,000 |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | 5,557 |  |  | 15,878 |  |  | 39,695 |  |  | ​ |  |  | 214,353 |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | 5,293 |  |  | 71,456 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Christopher T. Scanlon(7) |  |  | --- |  |  | 12,425 |  |  | 67,163 |  |  | 134,326 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |
|  |  | 2/14/17 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | 8,000 |  |  | 112,800 |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | 1,667 |  |  | 4,764 |  |  | 11,910 |  |  | --- |  |  | 64,314 |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | 1,588 |  |  | 21,438 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| John F. Kasel |  |  | --- |  |  | 27,642 |  |  | 153,567 |  |  | 307,134 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |
|  |  | 2/14/17 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | 15,000 |  |  | 211,500 |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | 4,261 |  |  | 12,174 |  |  | 30,435 |  |  | --- |  |  | 164,349 |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | 4,058 |  |  | 54,783 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Patrick J. Guinee |  |  | --- |  |  | 23,264 |  |  | 125,753 |  |  | 251,506 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |
|  |  | 2/14/17 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | 15,000 |  |  | 211,500 |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | 2,964 |  |  | 8,468 |  |  | 21,170 |  |  | --- |  |  | 114,318 |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | ​ |  |  | ​ |  |  | ​ |  |  | 2,823 |  |  | 38,111 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Brian H. Kelly |  |  | --- |  |  | 18,207 |  |  | 98,416 |  |  | 196,832 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |
|  |  | 2/14/17 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | 15,000 |  |  | 211,500 |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | 2,779 |  |  | 7,940 |  |  | 19,850 |  |  | --- |  |  | 107,190 |
|  |  | 2/22/17 |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | --- |  |  | 2,646 |  |  | 35,721 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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(1) These grants reflect awards issued under the Annual Plan as discussed on pages 40-43. Amounts actually paid under this plan to NEOs for 2017 are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2) These grants reflect awards of PSUs granted under the LTIP and the Company’s 2006 Omnibus Incentive Plan, as amended and restated, as discussed on pages 43-45.

(3) This column includes restricted stock awards under the LTIP and the Company’s 2006 Omnibus Incentive Plan, as amended and restated, for 2017 as discussed on pages 43-46.

(4) This column also includes special retention restricted stock awards granted to Messrs. Russo, Scanlon, Kasel, Guinee, and Kelly on February 14, 2017.

(5) This column reflects grant date fair value of PSU and restricted stock awards determined in accordance with ASC 718. For a discussion of the valuation assumptions, see Note 15 of the Company’s Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

(6) Due to Mr. Russo’s termination date, he did not receive a payout under the Annual Plan.

(7) Due to termination of employment, Messrs. Russo and Scanlon forfeited their PSU and restricted stock awards.

Please see the “Compensation Discussion and Analysis” section of this Proxy Statement for a description of our plans and other compensatory arrangements with our NEOs that are reported in the Summary Compensation Table and Grants of Plan-Based Awards Table.

**O****UTSTANDING EQUITY AWARDS AT 2017 FISCAL YEAR-END**

Our NEOs held no outstanding stock options at fiscal year end. The following table sets forth information regarding unvested stock awards awarded to the NEOs as of December 31, 2017:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | |  |  |  |  |  | |  |  |  |  |  | |  |  |  |  |  |
|  |  |  |  | **Stock Awards** | | | | | | | | | | | | | | | | | | | | |  |
| **Name** |  |  | **Number of Shares or Units of Stock That Have Not Vested (#)(1)** | | | |  |  | **Market Value of Shares or Units of Stock That Have Not Vested ($)(2)** | | | |  |  | **Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(3)** | | | |  |  | **Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(2)** | | | |  |
| Robert P. Bauer |  |  |  |  | 21,627 |  |  |  |  |  | $587,173 |  |  |  |  |  | 55,688 |  |  |  |  |  | $1,511,929 |  |  |
| James P. Maloney |  |  |  |  | 2,792 |  |  |  |  |  | $75,803 |  |  |  |  |  | 8,375 |  |  |  |  |  | $227,381 |  |  |
| David J. Russo |  |  |  |  | --- |  |  |  |  |  | --- |  |  |  |  |  | --- |  |  |  |  |  | --- |  |  |
| Christopher T. Scanlon |  |  |  |  | 13,473 |  |  |  |  |  | $365,792 |  |  |  |  |  | 9,290 |  |  |  |  |  | $252,224 |  |  |
| John F. Kasel |  |  |  |  | 23,759 |  |  |  |  |  | $645,057 |  |  |  |  |  | 27,044 |  |  |  |  |  | $734,245 |  |  |
| Patrick J. Guinee |  |  |  |  | 25,974 |  |  |  |  |  | $705,194 |  |  |  |  |  | 18,812 |  |  |  |  |  | $510,746 |  |  |
| Brian H. Kelly |  |  |  |  | 20,671 |  |  |  |  |  | $561,218 |  |  |  |  |  | 17,638 |  |  |  |  |  | $478,872 |  |  |

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(1) This column includes unvested restricted stock awards granted under the LTIP in 2014, 2015, 2016, and 2017. Mr. Russo’s employment with the Company terminated on April 21, 2017, and Mr. Scanlon’s employment with the Company terminated on March 30, 2018. All unvested restricted stock awards were forfeited on their termination dates. The vesting schedule of these awards is described below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Grant  Date** | **Vesting Date** | **Unvested Restricted  Stock** |
| **2014 Restricted Stock Awards:** | | | |
| Robert P. Bauer | 02/27/14 | 4-year cliff vesting; grant vested 02/26/18 | 3,601 |
| Christopher T. Scanlon | 02/25/14 | 4-year cliff vesting; grant vested 02/25/18 | 2,500 |
| Christopher T. Scanlon | 02/26/14 | 4-year cliff vesting; grant vested 02/26/18 | 270 |
| John F. Kasel | 02/26/14 | 4-year cliff vesting; grant vested 02/26/18 | 960 |
| Patrick J. Guinee | 02/25/14 | 4-year cliff vesting; grant vested 02/25/18 | 5,000 |
| Patrick J. Guinee | 02/26/14 | 4-year cliff vesting; grant vested 02/26/18 | 600 |
| Brian H. Kelly | 02/26/14 | 4-year cliff vesting; grant vested 02/26/18 | 600 |

|  |  |  |  |
| --- | --- | --- | --- |
| **2015 Restricted Stock Awards:** | | | |
| Robert P. Bauer | 03/13/15 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 1,534 |
| Christopher T. Scanlon | 03/13/15 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 109 |
| John F. Kasel | 03/13/15 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 436 |
| Patrick J. Guinee | 03/13/15 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 252 |
| Brian H. Kelly | 03/13/15 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 269 |

|  |  |  |  |
| --- | --- | --- | --- |
| **2016 Restricted Stock Awards:** | | | |
| Robert P. Bauer | 01/25/16 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 4,142 |
| Christopher T. Scanlon | 02/17/16 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 1,006 |
| John F. Kasel | 02/17/16 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 3,305 |
| Patrick J. Guinee | 02/17/16 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 2,299 |
| Brian H. Kelly | 02/17/16 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 2,156 |

|  |  |  |  |
| --- | --- | --- | --- |
| **2017 Restricted Stock Awards:** | | | |
| Robert P. Bauer | 02/22/17 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 12,350 |
| James P. Maloney | 09/18/17 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 2,792 |
| Christopher T. Scanlon | 02/14/17 | 4-year graded vesting; vests 50% on the second year and 25% on the third and fourth year | 8,000 |
| Christopher T. Scanlon | 02/22/17 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 1,588 |
| John F. Kasel | 02/14/17 | 4-year graded vesting; vests 50% on the second year and 25% on the third and fourth year | 15,000 |
| John F. Kasel | 02/22/17 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 4,058 |
| Patrick J. Guinee | 02/14/17 | 4-year graded vesting; vests 50% on the second year and 25% on the third and fourth year | 15,000 |
| Patrick J. Guinee | 02/22/17 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 2,823 |
| Brian H. Kelly | 02/14/17 | 4-year graded vesting; vests 50% on the second year and 25% on the third and fourth year | 15,000 |
| Brian H. Kelly | 02/22/17 | 3-year graded vesting; vests 33 1/3% per year over 3-year period | 2,646 |

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|  |

(2) Based on the Company’s December 29, 2017 closing share price of $27.15 per share.

(3) This column reflects the number of unvested PSU awards granted under the LTIP (for which the performance conditions have not been satisfied) as of December 31, 2017. Mr. Russo’s employment with the Company terminated on 04/21/17 and Mr. Scanlon’s employment with the Company terminated on March 30, 2018. All outstanding PSU awards were forfeited at the time of their termination. The unvested PSU awards include the 2016 and 2017 awards as described below:

(3a) the 2016-2018 PSU awards were granted on January 25, 2016 for Mr. Bauer and February 17, 2016 for Messrs. Scanlon, Kasel, Guinee and Kelly. Assuming the achievement of the underlying performance conditions, PSU awards will be settled and paid in shares of the Company’s common stock in the calendar year immediately following the end of the performance period on a date determined in the Compensation Committee’s discretion, but in no event later than March 15, 2018. The number of shares included for these awards assumes threshold performance and includes as follows: Mr. Bauer 6,523 shares; Mr. Scanlon 1,584 shares; Mr. Kasel 5,205 shares; Mr. Guinee 3,620 shares and Mr. Kelly 3,394 shares. The expected performance attainment for the ROIC portion of this grant as of December 31, 2017 is 0%, the expected attainment of the Earnings CAGR portion of this grant is 0%.

(3b) the 2017-2019 PSU awards were granted on February 22, 2017. Assuming the achievement of the underlying performance conditions, PSU awards will be settled and paid in shares of the Company’s common stock in the calendar year immediately following the end of the performance period on a date determined in the Compensation Committee’s discretion, but in no event later than March 15, 2019. The number of shares included for these awards assumes maximum performance and includes as follows: Mr. Bauer 92,625 shares; Mr. Maloney 20,938 shares; Mr. Scanlon 11,910 shares; Mr. Kasel 30,435 shares; Mr. Guinee 21,170 shares and Mr. Kelly 19,850 shares. The expected performance attainment for the ROIC portion of this grant as of December 31, 2017 is 79%, the expected attainment of the Earnings CAGR portion of this grant is 300%.

**20****17 OPTION EXERCISES AND STOCK VESTED**

There were no stock options exercised or vested by our NEOs during 2017. The following table discloses the number of stock awards held by our NEOs that vested during 2017

:

|  |  |  |
| --- | --- | --- |
|  | **Stock Awards** | |
| **Name** | **Number of Shares Acquired on Vesting (#)** | **Value Realized on Vesting ($)(1)** |
| Robert P. Bauer | 6,474 | 93,912 |
| James P. Maloney | --- | --- |
| David J. Russo | 3,576 | 49,291 |
| Christopher T. Scanlon | 870 | 12,037 |
| John F. Kasel | 3,006 | 41,624 |
| Patrick J. Guinee | 1,400 | 18,830 |
| Brian H. Kelly | 1,919 | 26,557 |

|  |
| --- |
|  |

(1) With respect to restricted stock, Mr. Bauer received distributions of 2,071 shares on January 25, 2017 at $14.95 (closing price on that day) per share, 2,869 shares on February 27, 2017 at $14.75 (closing price on that day) per share, and 1,534 shares on March 13, 2017 at $13.45 (closing price on that day) per share; Mr. Russo received distributions of 2,155 shares on February 17, 2017 at $13.45 (closing price on that day) per share, 918 shares on February 27, 2017 at $14.75 (closing price on that day) per share, and 503 shares on March 13, 2017 at $13.45 (closing price on that day) per share; Mr. Scanlon received distributions of 503 shares on February 17, 2017 at $13.45 (closing price on that day) per share, 258 shares on February 27, 2017 at $14.75 (closing price on that day) per share, and 109 shares on March 13, 2017 at $13.45 (closing price on that day) per share; Mr. Kasel received distributions of 1,652 shares on February 17, 2017 at $13.45 (closing price on that day) per share, 918 shares on February 27, 2017 at $14.75 (closing price on that day) per share, and 436 shares on March 13, 2017 at $13.45 (closing price on that day) per share; Mr. Guinee received a distribution of 1,149 shares on February 17, 2017 at $13.45 (closing price on that day) per share and 251 shares on March 13, 2017 at $13.45 (closing price on that day) per share; Mr. Kelly received distributions of 1,077 on February 17, 2017 at $13.45 (closing price on that day) per share, 574 shares on February 27, 2017 at $14.75 (closing price on that day) per share, and 268 shares on March 13, 2017 at $13.45 (closing price on that day) per share. No PSUs were earned or distributed in 2017.

**2017 NO****N-QUALIFIED DEFERRED COMPENSATION**

The following table discloses the contribution, earnings, and balances under the Company’s defined contribution plan that provides for the deferred compensation on a non-qualified tax basis:

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Registrant Contributions  in 2017(1)** | **Aggregate Earnings  in 2017(2)** | **Aggregate Balance at  December 31, 2017(3)** |
| Robert P. Bauer | $20,832 | $3,815 | $220,597 |
| James P. Maloney | $0 | $0 | $0 |
| David J. Russo | $0 | $0 | $0 |
| Christopher T. Scanlon | $0 | $0 | $0 |
| John F. Kasel | $4,157 | $1,594 | $92,162 |
| Patrick J. Guinee | $789 | $155 | $8,938 |
| Brian H. Kelly | $0 | $437 | $25,279 |

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|  |

(1) Amounts represent 2017 Company contributions to the SERP, which are included in the “All Other Compensation” column of the Summary Compensation table as described on page 54.

(2) Amounts represent interest earned in 2017. In accordance with the SERP, the Company applies interest to the benefit amount using the calendar year’s rate of return of Fidelity’s Managed Income Portfolio as of December 31, 2017 or a one-year annualized Treasury Bill interest rate as of the last Friday of the year, whichever is higher. For 2017, these rates were 1.29% and 1.76%, respectively. The interest rate applied to the benefit in 2017 was 1.76%. The amounts are not included in the Summary Compensation Table as they are not considered to be “above market” or preferential.

(3) Amounts represent total SERP balance as of December 31, 2017. Mr. Russo’s SERP benefit was forfeited upon termination of employment. Amounts also include Company contributions to the SERP which were reported in the Summary Compensation Table for the fiscal years in which the executive was a NEO: $27,298 (2016), $45,911 (2015) for Mr. Bauer; $7,732 (2016), $11,663 (2015) for Mr. Russo; $3,590 (2016), $4,255 (2015) for Mr. Guinee; and $6,121 (2016), $9,268 (2015) for Mr. Kasel.

***D******escription of Supplemental Executive Retirement Plan (“SERP”)***

The SERP is designed primarily for the purpose of providing benefits for a select group of management or highly compensated employees of the Company and its affiliates and is intended to qualify as a “top hat” plan under the Employee Retirement Income Security Act of 1974, as amended. The SERP is an unfunded, unsecured obligation of the Company, the benefits of which will be paid from its general assets.

We established the SERP in order to attract and retain persons that we consider to be important to our success by providing benefits that are not restricted by the statutory limitations imposed on tax-qualified retirement plans by the federal income tax laws. Executives and other eligible individuals are participants in the SERP.

The Compensation Committee has reserved the right to terminate a participant’s participation in the SERP at any time. Additionally, if a participant’s employment with the Company or its affiliates is terminated, or if the Compensation Committee, in its sole discretion, determines that a participant will no longer be a participant, the participant’s participation in the SERP (and such person’s right to accrue any benefits thereunder) will terminate.

The benefit provided under the SERP equals the supplemental retirement contributions credited to the participant’s account under the SERP, if any, as adjusted for interest credits. For each year or portion of a year in which a participant participates in the SERP, the participant may be credited with a matching contribution and/or a profit sharing contribution. The matching contribution is the difference, if any, between (a) the matching contribution that would have been made under the 401(k) Plan if the participant had made elective contributions to such plan sufficient to generate the maximum rate of matching contribution available under such plan, without imposition of any statutory limits imposed on tax-qualified retirement plans by the federal income tax laws and (b) the same amount with the imposition of such limits. The profit sharing contribution is the difference, if any, between (a) the profit sharing contribution that would have resulted if the applicable percentage rate had been applied on the participant’s compensation without regard to any statutory limits imposed on tax-qualified retirement plans by the federal income tax laws and (b) the actual profit sharing contribution allocated to the participant under the 401(k) Plan. The interest credit is applied by the Company each December 31 to the amounts credited to each participant’s bookkeeping account at the greater of (a) a one-year annualized treasury bill interest rate as reported for the last Friday of each year, or (b) calendar year’s rate of return of Fidelity’s Managed Income Portfolio as of December 31 of such year.

The balance in a participant’s bookkeeping account generally becomes distributable, in the form of a lump sum, following the six-month anniversary of a participant’s separation from service due to involuntary termination by the Company (other than for cause) or retirement upon attainment of age 65 (or 55 with the Compensation Committee’s approval). Distributions may commence sooner for participants who are not considered “key employees” under the federal income tax laws and/or in the event of a participant’s death or separation from service due to disability, as defined in the SERP. No benefits are payable under the SERP if a participant terminates employment for any reason other than those specified above.

If a participant is discharged by the Company for cause (i.e., conduct that is injurious to the Company, conduct which intentionally violates either the Company’s written policies or the reasonable directives of the Company’s CEO, or the commission of a felony), such participant’s rights to any benefits under the SERP will be forfeited. If the Compensation Committee determines that a participant is engaged in conduct detrimental to the interests of the Company or has used or is using trade secrets or other confidential information gained while employed with the Company, the Compensation Committee may, upon written notice to the participant, suspend or forfeit the participant’s right to any benefit under the SERP.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL**

***Change-In-Control***

As discussed on page 35 and page 47, the Company has established the Separation Plan in order to retain and motivate its executives to focus on the Company’s successful operation, regardless of any real or perceived threat from a change-in-control. In certain circumstances, the Separation Plan provides for severance payments to our NEOs only upon a qualifying termination of employment in connection with a change-in-control. Certain of our stock and incentive plans and programs, and certain of our retirement plans also include change-in-control provisions or additional benefits upon termination. The following discussion explains the effects of termination, both within and outside of the context of a change-in-control, under the Separation Plan, our stock and incentive plans and programs, and our applicable retirement plans.

The payments and benefits detailed below are in addition to (i) any payments and benefits under our plans or arrangements which are offered or provided generally to all salaried employees on a non-discriminatory basis, and (ii) any accumulated vested benefits for each NEO, including those set forth in the 2017 Non-Qualified Deferred Compensation Table.

***Term******ination of Employment - Outside of a Change-in-Control***

*Te**rmination Provisions Under Our Equity and Annual Compensation Plans and Programs*

We provide equity-based and cash-based long-term incentive awards for executives. Please see the Compensation Discussion and Analysis for further details of these programs.

Under the terms of the PSU Awards, in the event an awardee’s employment is terminated during a performance period by reason of death, disability, or retirement (as defined in the 2006 Omnibus Incentive Plan) on or after the one-year anniversary of the commencement of the applicable performance period, the awardee will be entitled to receive a pro-rated payment for any PSU, if earned, based on the number of complete months served by the awardee during such performance period (or the number of remaining months in the performance period, if the awardee commenced employment after the start of the applicable performance period).

The Executive Annual Incentive Compensation Plan provides that, in the event an awardee terminates employment prior to the actual payment of an award, such awardee generally will not be entitled to any payment except in the event of termination by reason of death, disability, or retirement (as such terms are defined in the Executive Annual Incentive Compensation Plan), in which case the awardee will be entitled to receive a pro-rated award reflecting the awardee’s service during the applicable performance period, subject to the Committee’s certification of the achievement of applicable performance goals, among other matters.

*Ter**mination Provisions Under Our Supplemental Executive Retirement Plan (“SERP”)*

We maintain various retirement programs, including the SERP. There are no additional benefits provided to our NEOs in the event of a termination of employment prior to a change-in-control. Additionally, an executive is not entitled to benefits under SERP if that executive is terminated for “cause” or if the executive terminates employment with the Company, other than pursuant to a retirement (including an early retirement approved by the Company), death, or disability.

***C******hange-In-Control and/or Related Termination of Employment***

*Ch**ange-In-Control Provisions Under the Executive Annual Incentive Compensation Plan*

In the event of a Change-in-Control (as defined in the Annual Plan), an awardee will generally be entitled to receive a lump sum cash payment equal to the pro-rated target bonus for the year in which the Change-in-Control occurs, which will be based on the portion of the year that the awardee was employed by the Company prior to the Change-in-Control. The Compensation Committee may, in its sole discretion, determine that an awardee is not entitled to such payment.

*Cha**nge-In-Control Provisions Under the Key Employee Separation Plan*

*Cash severance pay.* If a NEO’s employment is terminated during the 90-day period prior to, on, or within two years of a change-in-control, either by the executive for good reason or by the Company other than for cause, death, or disability, the executive will receive, in cash as severance pay (in addition to amounts earned by such NEO through the termination date), an amount equal to the product of: the NEO’s benefit factor (as noted on page 47 of this Proxy Statement) times the sum of (x) and (y) below:

(x) the NEO’s base salary at the annual rate in effect on the termination date, plus

(y) his target annual bonus opportunity under the Executive Annual Incentive Compensation Plan for the year in which the termination date occurs, multiplied by the average percentage of target achievement of the past three incentives paid under the Executive Annual Incentive Compensation Plan or, if greater, the three full calendar years ended before the change-in-control.

*Continuation of medical and welfare benefits.* The NEO will receive the same or equivalent medical, dental and vision benefits (through the payment of the NEO’s COBRA premiums) received at the date of termination until the earlier to occur of: (i) the NEO reaching the age of 65, (ii) the date the NEO is provided similar benefits by another employer, or (iii) the period to which the NEO is entitled to coverage under COBRA (generally, 18 months).

*Outplacement Services.* The Company will provide a payment of $15,000 to the NEO to cover outplacement assistant services.

*Limitations*: To the extent that payments would constitute “excess parachute payments” within the meaning of Section 280G of the Code, such payments will be limited to the maximum amount permitted to be paid without causing any payments to be subject to the limitation of deductions under Section 280G of the Code.

Under the Separation Plan, “Change-In-Control” and “Good Reason” are defined as follows (which definition of “Change-in-Control” is substantially similar as such definition in the 2006 Omnibus Incentive Plan and the Executive Annual Incentive Compensation Plan):

*Change-In-Control* - shall mean the first to occur, after the effective date of the Separation Plan, of any of the following:

(i) any merger, consolidation, or business combination in which the stockholders of the Company immediately prior to the merger, consolidation or business combination do not own at least a majority of the outstanding equity interests of the surviving parent entity;

(ii) the sale of all or substantially all of the Company’s assets in a single transaction or a series of related transactions;

(iii) the acquisition of beneficial ownership or control (including, without limitation, power to vote) of a majority of the outstanding common stock of the Company by any person or entity (including a “group” as defined by or under Section 13(d)(3) of the Exchange Act, but excluding the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of shares); or

(iv) a contested election of directors, as a result of which or in connection with which the persons who were directors of the Company before such election or their nominees cease to constitute a majority of the Board.

Upon the occurrence of a Change-in-Control as provided above, no subsequent event or condition shall constitute a Change-in-Control for purposes of the Separation Plan, with the result that there can be no more than one Change-in-Control under the Separation Plan.

*Good Reason* - shall mean the Participant’s separation from service by the Participant as a result of the occurrence, without the Participant’s written consent, of one of the following events:

(i) A material reduction in the Participant’s annual Base Pay (as defined in the Separation Plan) (unless such reduction relates to an across-the-board reduction similarly affecting Participant and all or substantially all other executives of the Company and its affiliates);

(ii) The Company makes or causes to be made a material adverse change in the participant’s position, authority, duties or responsibilities which results in a significant diminution in the participant’s position, authority, duties or responsibilities, excluding any change made in connection with (A) a reassignment to a new job position, or (B) a termination of participant’s employment with the Company for disability, cause, death, or temporarily as a result of participant’s incapacity or other absence for an extended period;

(iii) A relocation of the Company’s principal place of business, or of participant’s own office as assigned to participant by the Company to a location that increases participant’s normal work commute by more than 50 miles; or

(iv) Any other action by the Company that constitutes a material breach of the employment agreement, if any, under which participant’s services are to be performed.

In order for participant to terminate for Good Reason, (A) the Company must be notified by participant in writing within 90 days of the event constituting Good Reason, (B) the event must remain uncorrected by the Company for 30 days following such notice (the “Notice Period”), and (C) such termination must occur within 60 days after the expiration of the Notice Period.

*C**hange-In-Control and Termination Provisions Under Our Equity Compensation Programs*

*Restricted Stock Grants* - Restricted Stock awards granted prior to 2014 generally will become vested immediately prior to a Change of Control (as defined in the 2006 Omnibus Incentive Plan), regardless of whether a participant has been terminated. For restricted stock awards granted in 2014 and thereafter, such awards generally will accelerate and vest only if both a Change of Control occurs prior to the end of the full vesting period and (i) participant experiences an involuntary separation from service by the Company other than due to (A) cause, (B) death, or (C) disability, or the participant terminates for Good Reason within the 90-day period immediately preceding a Change-in-Control, or (ii) the acquiring entity in a Change of Control does not assume awards into a substantially comparable award.

*PSU Awards* – In the event of a Change-in-Control (as defined in the 2006 Omnibus Incentive Plan), the Compensation Committee may, in its sole discretion, deem that awardees have earned their respective PSU awards at a target award level; provided that the awardee will only be entitled to a pro-rated portion of shares relating to such award based on the ratio of the number of complete months an awardee is employed or serves during the applicable performance period through the date of Change-in-Control (or the number of originally scheduled remaining months in the performance period if the awardee becomes an employee after the start of the performance period).

The following tables detail the incremental payments and benefits (above those already disclosed in this Proxy Statement) to which the NEOs would have been entitled under each termination of employment and Change-in-Control scenario, assuming the triggering event occurred on December 31, 2017:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |
| **Robert P. Bauer** |  | Non-Change-in-Control | | | | | | | | | |  | Change-in-Control | | | |
| NEO - Payments and Benefits |  | By Company without  Cause or by Executive for Good Reason |  |  | Death |  |  | Disability |  |  | Retirement |  | By Company without Cause or by Executive for Good Reason |  |  | Without Termination of Employment or Termination for any other Reason |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Lump Sum Severance**(1)(2)** |  |  |  |  | $532,722 |  |  | $532,722 |  |  | $532,722 |  | $1,901,935 |  |  |  |
| Benefits Continuation**(3)** |  |  |  |  |  |  |  |  |  |  |  |  | $20,061 |  |  |  |
| Equity Awards (Unvested) |  |  |  |  | $530,896(5) |  |  | $530,896(5) |  |  | $530,896(5) |  | $1,259,820(6) |  |  | $530,896(6) |
| Outplacement Services |  |  |  |  |  |  |  |  |  |  |  |  | $15,000 |  |  |  |
| SERP**(4)** |  | $220,597 |  |  | $220,597 |  |  | $220,597 |  |  | $220,597 |  | $220,597 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Totals** |  | **$220,597** |  |  | **$1,284,215** |  |  | **$1,284,215** |  |  | **$1,284,215** |  | **$3,417,413** |  |  | **$530,896** |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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| **James P. Maloney** |  | Non-Change-in-Control | | | | | | | | | |  | Change-in-Control | | | |
| NEO - Payments and Benefits |  | By Company  without  Cause or by  Executive for  Good Reason |  |  | Death |  |  | Disability |  |  | Retirement |  | By Company  without  Cause or by  Executive for  Good Reason |  |  | Without  Termination of  Employment  or Termination  for any other  Reason |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Lump Sum Severance**(1)(2)** |  |  |  |  | $49,902 |  |  | $49,902 |  |  | $49,902 |  | $693,368 |  |  |  |
| Benefits Continuation**(3)** |  |  |  |  |  |  |  |  |  |  |  |  | $28,727 |  |  |  |
| Equity Awards (Unvested) |  |  |  |  | $120,007(5) |  |  | $120,007(5) |  |  | $120,007(5) |  | $ 151,596(6) |  |  | $120,007(6) |
| Outplacement Services |  |  |  |  |  |  |  |  |  |  |  |  | $15,000 |  |  |  |
| SERP**(4)** |  | $0 |  |  | $0 |  |  | $0 |  |  | $0 |  | $0 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Totals** |  | **$0** |  |  | **$169,909** |  |  | **$169,909** |  |  | **$169,909** |  | **$888,691** |  |  | **$120,007** |

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|  |  |  |  |  |  |  | |  |  | |  |  |  |  | |  |
| **Christopher T. Scanlon**(7) |  | Non-Change-in-Control | | | | | | | | | |  | Change-in-Control | | | |
| NEO - Payments and Benefits |  | By Company  without  Cause or by  Executive for  Good Reason |  |  | Death |  |  | Disability |  |  | Retirement |  | By Company  without  Cause or by  Executive for  Good Reason |  |  | Without  Termination of  Employment  or Termination  for any other  Reason |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Lump Sum Severance**(1)(2)** |  |  |  |  | $72,959 |  |  | $72,959 |  |  | $72,959 |  | $238,182 |  |  |  |
| Benefits Continuation **(3)** |  |  |  |  |  |  |  |  |  |  |  |  | $28,727 |  |  |  |
| Equity Awards (Unvested) |  |  |  |  | $68,264(5) |  |  | $68,264(5) |  |  | $68,264(5) |  | $ 490,826(6) |  |  | $ 68,264(6) |
| Outplacement Services |  |  |  |  |  |  |  |  |  |  |  |  | $15,000 |  |  |  |
| SERP**(4)** |  | $0 |  |  | $0 |  |  | $0 |  |  | $0 |  | $0 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Totals** |  | **$0** |  |  | **$141,223** |  |  | **$141,223** |  |  | **$141,223** |  | **$772,735** |  |  | **$68,264** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  | |  |  | |  |  |  |  | |  |
| **John F. Kasel** |  | Non-Change-in-Control | | | | | | | | | |  | Change-in-Control | | | |
| NEO - Payments and Benefits |  | By Company  without  Cause or by  Executive for  Good Reason |  |  | Death |  |  | Disability |  |  | Retirement |  | By Company  without  Cause or by  Executive for  Good Reason |  |  | Without  Termination of  Employment  or Termination  for any other  Reason |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Lump Sum Severance**(1)(2)** |  |  |  |  | $145,274 |  |  | $145,274 |  |  | $145,274 |  | $811,600 |  |  |  |
| Benefits Continuation **(3)** |  |  |  |  |  |  |  |  |  |  |  |  | $27,743 |  |  |  |
| Equity Awards (Unvested) |  |  |  |  | $174,443(5) |  |  | $174,443(5) |  |  | $174,443(5) |  | $1,024,377(6) |  |  | $174,443(6) |
| Outplacement Services |  |  |  |  |  |  |  |  |  |  |  |  | $15,000 |  |  |  |
| SERP**(4)** |  | $92,162 |  |  | $92,162 |  |  | $92,162 |  |  | $92,162 |  | $92,162 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Totals** |  | **$92,162** |  |  | **$411,879** |  |  | **$411,879** |  |  | **$411,879** |  | **$1,970,882** |  |  | **$174,443** |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | |  |  | |  |  |  |  | |  |
| **Patrick J. Guinee** |  | Non-Change-in-Control | | | | | | | | | |  | Change-in-Control | | | |
| NEO - Payments and Benefits |  | By Company  without  Cause or by  Executive for  Good Reason |  |  | Death |  |  | Disability |  |  | Retirement |  | By Company  without  Cause or by  Executive for  Good Reason |  |  | Without  Termination of  Employment  or Termination  for any other  Reason |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Lump Sum Severance**(1)(2)** |  |  |  |  | $136,606 |  |  | $136,606 |  |  | $136,606 |  | $366,115 |  |  |  |
| Benefits Continuation **(3)** |  |  |  |  |  |  |  |  |  |  |  |  | $28,727 |  |  |  |
| Equity Awards (Unvested) |  |  |  |  | $121,399(5) |  |  | $121,399(5) |  |  | $121,399(5) |  | $969,055(6) |  |  | $121,399(6) |
| Outplacement Services |  |  |  |  |  |  |  |  |  |  |  |  | $15,000 |  |  |  |
| SERP**(4)** |  | $8,938 |  |  | $8,938 |  |  | $8,938 |  |  | $8,938 |  | $8,938 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Totals** |  | **$8,938** |  |  | **$266,943** |  |  | **$266,943** |  |  | **$266,943** |  | **$1,387,835** |  |  | **$121,399** |
|  |  |  |  |  |  |  | |  |  | |  |  |  |  | |  |
| **Brian H. Kelly** |  | Non-Change-in-Control | | | | | | | | | |  | Change-in-Control | | | |
| NEO - Payments and Benefits |  | By Company  without  Cause or by  Executive for  Good Reason |  |  | Death |  |  | Disability |  |  | Retirement |  | By Company  without  Cause or by  Executive for  Good Reason |  |  | Without  Termination of  Employment  or Termination  for any other  Reason |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Lump Sum Severance**(1)(2)** |  |  |  |  | $106,909 |  |  | $106,909 |  |  | $106,909 |  | $313,864 |  |  |  |
| Benefits Continuation **(3)** |  |  |  |  |  |  |  |  |  |  |  |  | $28,473 |  |  |  |
| Equity Awards (Unvested) |  |  |  |  | $113,774(5) |  |  | $113,774(5) |  |  | $113,774(5) |  | $808,608(6) |  |  | $113,774(6) |
| Outplacement Services |  |  |  |  |  |  |  |  |  |  |  |  | $15,000 |  |  |  |
| SERP**(4)** |  | $25,279 |  |  | $25,279 |  |  | $25,279 |  |  | $25,279 |  | $25,279 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Totals** |  | **$25,279** |  |  | **$245,962** |  |  | **$245,962** |  |  | **$245,962** |  | **$1,191,224** |  |  | **$113,774** |

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(1) Under the Separation Plan, the Lump Sum Cash Payment is the awardee’s benefit factor multiplied by the sum of (i) base salary plus (ii) the awardee’s target bonus under the Executive Annual Incentive Compensation Plan for the year of termination multiplied by the average percentage of target achievement of the past three incentives paid under such Separation Plan. The Separation Plan provides that certain severance payments will be cut back to amounts that do not exceed each named executive officer’s respective safe harbor limit, as defined under the golden parachute rules of Internal Revenue Code Section 280G, however, the amounts reflected in the table show full payout value and assume no cut back.

(2) The “Lump Sum Severance” amounts under the categories of death, disability and retirement are the payouts related to the Executive Annual Incentive Compensation Plan.

(3) Under the Separation Plan, these benefits consist of continued medical, dental and vision benefits as described above. Benefits continuation is the cost of COBRA for the Company based on NEO’s benefit elections as of December 31, 2017.

(4) Payout of the SERP other than for retirement assumes the following: the NEO was terminated due to involuntary termination by the Company (other than for cause), death or disability. A SERP payout would not be made to a NEO that terminated voluntarily for any reason other than a qualified retirement per definition in the Separation Plan.

(5) This includes PSU award values that would be calculated in the “Non-Change-in-Control” situations of death, disability and retirement. These values represent the pro rata portion of the anticipated award earned at the end of the performance period compared to target based on the number of complete months served by the awardee during the entire performance period.

(6) Assumes PSUs vesting at target and pro-rated for months elapsed as of December 29, 2017 for the thirty-six month performance period, using the closing price on December 29, 2017 of $27.15.

(7) Mr. Scanlon’semployment with the Company terminated on 3/30/2018. All unvested equity awards as of that day are forfeited.

Mr. Russo’s employment with the Company and its subsidiaries terminated on April 21, 2017. He did not receive any severance or other benefit from the Company in connection with his separation.

**R****ATIO OF ANNUAL COMPENSATION FOR THE CEO TO OUR MEDIAN EMPLOYEE**

Pursuant to Item 402(u) of SEC Regulation S-K, we are required to disclose the ratio of compensation of our principal executive officer (PEO), Mr. Bauer, to our median employee’s annual total compensation.

We determined our median employee by analyzing 2016 year-end earnings using tax forms W2 (U.S.), T4 (Canada), and P60 (U.K.), excluding our Chairman and CEO. We selected this process to determine our median employee as we believe such accumulated pay reasonably reflects the median employee annual total compensation taking into account all of our employees.

Once we identified our median employee, that employee’s total compensation was calculated using the same methodology required for disclosure of compensation to the CEO in 2017, under the requirements established by the SEC, in the Summary Compensation Table.

There were 1,001 full-time regular, part-time, casual, and international employees who had taxable earnings in 2016 and who remained employed as of November 27, 2017.

|  |  |  |
| --- | --- | --- |
|  |  |  |
|  | Mr. Bauer’s total annual compensation: | $1,899,176 |
|  | Median Employee total annual compensation: | $57,298 |
|  | Ratio of Median Employee’s Compensation to Mr. Bauer: | 33:1 |

The pay ratio reported above is calculated in a manner consistent with SEC rules based on our internal records and the methodology described above. In determining our median employee, we did not use any of the exemptions permitted under SEC rules. Similarly, except as described above, we did not rely on any material assumptions, adjustments (e.g., cost-of-living adjustments) or estimates (e.g., statistical sampling) to identify our median employee or to determine annual total compensation or any elements of annual total compensation for our median employee or the CEO.

**AUD****IT COMMITTEE REPORT**

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

The Audit Committee of the Board of Directors is composed of independent directors and oversees the Company’s financial reporting process on behalf of the Board. The Audit Committee is responsible for the appointment, compensation, and retention of the Corporation’s independent registered public accountants. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements of the Company for the year ended December 31, 2017. The Audit Committee’s Charter is available on the Company’s website (www.lbfoster.com). The Audit Committee held five (one of which was telephonic) meetings during the 2017 fiscal year.

Management is responsible for the Company’s internal controls and for the financial reporting process. With respect to 2017, management advised the Audit Committee that all annual and quarterly financial statements reviewed by the Audit Committee had been prepared in accordance with generally accepted accounting principles.

The Audit Committee met and held discussions with Ernst & Young, who are responsible for performing an independent audit of the Company’s financial statements in accordance with generally accepted auditing standards and for issuing a report thereon, regarding the audited financial statements, including a discussion of the quality, not just the acceptability, of the Company’s accounting principles and Ernst & Young’s judgment regarding these matters. The Audit Committee has discussed with the independent registered public accountants the matters required to be discussed relating to the conduct of the audit under the Auditing Standard No. 1301, Communications with Audit Committees, issued by the Public Company Accounting Oversight Board (“PCAOB”). The Audit Committee has received the written disclosures and the letter from Ernst & Young required by applicable requirements of the PCAOB regarding the independent registered public accountant’s communications with the Audit Committee concerning independence and has discussed with Ernst & Young its independence. The Audit Committee concluded that Ernst & Young’s independence had not been impaired.

The Audit Committee discussed with the Company’s internal auditor and independent registered public accountants the overall scope and plans for their respective audits. The Audit Committee meets with the independent registered public accountants, with and without management present, to discuss the results of their examinations, their evaluations of the Company’s internal controls, and the overall quality of the Company’s financial reporting. The Audit Committee discussed the results of Ernst & Young’s quarterly review procedures with the Company’s CEO, CFO and Controller and with Ernst & Young prior to the Company’s release of quarterly financial information.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2017, for filing with the SEC.

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|  | **AUDIT COMMITTEE** |
|  | Diane B. Owen, Chair |
|  | William H. Rackoff |
|  | Suzanne B. Rowland |

**AD****DITIONAL INFORMATION**

Management is not aware, at this time, of any other matters to be presented at the meeting. If, however, any other matters should come before the meeting or any adjournment thereof, the proxies will be voted at the discretion of the proxy holders.

Representatives of Ernst & Young are expected to be in attendance at the meeting to respond to appropriate questions from shareholders and will have an opportunity to make a statement if they so desire.

If you wish to present a proposal for possible inclusion in our Proxy Statement for the 2017 Annual Meeting of Shareholders pursuant to the SEC’s rules, you must send the proposal to: Patrick J. Guinee, Senior Vice President, General Counsel & Corporate Secretary, L.B. Foster Company, 415 Holiday Drive, Pittsburgh, PA 15220. Shareholder proposals for inclusion in our Proxy Statement for the Annual Meeting of Shareholders to be held in 2019 must conform to the requirements of Rule 14a-8 of the Exchange Act and be received by the Corporate Secretary of the Company on or before December 13, 2018.

Shareholders who wish to bring business before or nominate a person for election as a director at the Company’s 2019 Annual Meeting of Shareholders (other than through a shareholder proposal pursuant to the SEC’s rules) must notify the Corporate Secretary of the Company in writing and provide the information required by the provision of our By-laws dealing with shareholder proposals. The notice must be delivered to the Corporate Secretary no later than the close of business on the 90th day prior to (February 23, 2019) nor earlier than the close of business on the 120th day prior to (January 24, 2019) the first anniversary of the preceding year’s annual meeting; provided, however, that in the event that the date of the 2019 Annual Meeting is more than 30 days before or more than 60 days after the 2018 Annual Meeting date, notice, to be timely, must be delivered not earlier than the close of business on the 120th day and not later than the close of business on the later of (i) the 90th day prior to the 2019 Annual Meeting or (ii) the 7th day following the day on which public announcement of the date of such meeting is first made.

**A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 is available to shareholders. A shareholder may obtain a copy of such Annual Report, including the financial statements and the financial statement schedules, free of charge on our website at www.lbfoster.com or by writing to the Investor Relations Department, L.B. Foster Company, 415 Holiday Drive, Pittsburgh, PA 15220 (a copy of any exhibits thereto will be provided upon payment of a reasonable charge limited to our cost of providing such exhibits).**

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address with the same last name by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as “householding,” is intended to provide extra convenience for shareholders and cost savings for companies. Some brokers household proxy materials, delivering a single proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once shareholders have received notice from their broker that materials will be sent in the householding manner to the shareholder’s address, householding will continue until otherwise notified or until the shareholder revokes such consent.

If, at any time, shareholders wish to begin, or no longer wish to participate in householding, they should notify their broker if shares are held in a brokerage account. Shareholders of record may request to begin or discontinue householding in the future by contacting our transfer agent, Broadridge, at 1-866-540-7095, by mail to Broadridge; ATTN: Householding Department; 51 Mercedes Way, Edgewood, NY 11717. Upon written or oral request, a separate copy of the Annual Report or Proxy Statement, as applicable, will be sent to a shareholder at a shared address to which a single copy of the documents was delivered. Any such request should be addressed to: Investor Relations Dept., L.B. Foster Company, 415 Holiday Drive, Pittsburgh, PA 15220, or may be made by calling the Company at (412) 928-3417.

Pittsburgh, Pennsylvania  
April 12, 2018

**L. B. F****OSTER COMPANY  
2006 OMNIBUS INCENTIVE PLAN  
As Amended and Restated on May 24, 2018**

**ARTICLE I**

**PURPOSE, EFFECTIVE DATE AND AVAILABLE SHARES**

1.1 Purpose.   The purpose of this Plan is intended to advance the interests of L. B. Foster Company and its shareholders by providing equity and financial incentives for Key Personnel and Directors of the Company and any Subsidiary, thereby promoting the Company’s long-term growth and financial success by (i) attracting and retaining personnel and Directors of outstanding ability, (ii) strengthening the Company’s capability to develop, maintain and direct a competent management team, (iii) motivating Officers to achieve long-range performance goals and objectives, (iv) providing incentive compensation opportunities competitive with those of other companies, and (v) providing incentives that align with the interests of the shareholders of the Company.

1.2 Effective Date and Expiration of Plan. The Board originally adopted this Plan effective as of March 31, 2006, and this Plan was amended and restated upon approval by the shareholders of the Company on May 18, 2011 and May 25, 2016. This Plan, as amended and restated as of May 24, 2018, shall be effective upon its approval by the Company’s shareholders at its Annual Meeting of Shareholders to be held on May 24, 2018 (or, if the vote on this Plan is postponed, such other date on which a shareholders’ meeting to vote to approve this Plan occurs). If this Plan, as amended and restated, is not so approved, then this Plan, as in effect immediately prior to such Annual Meeting, shall remain in effect. Unless terminated earlier by the Board pursuant to Section 10.3, no Award shall be made pursuant to this Plan more than 10 years after the date on which this amended and restated Plan is last approved by the shareholders of the Company, but Awards made prior to such date will continue in effect thereafter subject to the terms thereof and of this Plan.

1.3 Shares Available Under the Plan.

(a) Stock to be issued under the Plan may be authorized but unissued shares of Stock or previously-issued shares of Stock which have been reacquired by the Company and are held in its treasury.

(b) Subject to adjustment under Section 10.6, no more than 2,058,000 shares of Stock shall be issuable under the Plan. The aggregate number of shares of Stock that may be issued under the Plan through Incentive Stock Options shall be 2,058,000 shares of Stock (subject to adjustment pursuant to Section 10.6).

(c) To the extent necessary to qualify for the exception under Section 162(m) of the Code for “performance-based compensation” prior to the repeal of such exception for tax years after 2017, and subject to adjustment under Section 10.6, no Participant may be granted under this Plan (i) Options or Stock Appreciation Rights for more than 300,000 shares of Stock in any one fiscal year of the Company, (ii) Performance Grants (payable in Stock) and intended to be performance-based compensation under Section 162(m) of the Code for more than 150,000 shares of Stock (measured on a target award level on the grant date) in any one fiscal year of the Company and (iii) Performance Grants (payable in cash) and intended to be performance-based compensation under Section 162(m) of the Code for more than $5,000,000 (measured on a target award level on the grant date) in any one fiscal year of the Company. The foregoing limitations shall be subject to adjustment as provided in Section 10.6, but only to the extent that any such adjustment will not affect the status of (i) any Award intended to qualify as performance-based compensation under Section 162(m) or (ii) any Award intended to comply with Section 409A or an exception thereto.

(d) Stock covered by an Award granted under this Plan shall not be counted as used unless and until it is actually issued and delivered to a Participant. If (i) an Award lapses, expires, terminates, or is cancelled without the shares of Stock underlying the Award being issued (or any portion thereof), (ii) it is determined during or at the conclusion of the term of an Award that all or some portion of the shares of Stock underlying the Award may not be issued on the basis that the conditions for such issuance were or will not be satisfied, (iii) any Award (or portion thereof) is settled for cash, (iv) shares of Stock to be issued pursuant to an Award are Forfeited, or (v) shares of Stock are issued pursuant to any Award and the Company subsequently reacquires such shares pursuant to rights reserved upon the issuance of such shares, then, in all such cases, such shares of Stock shall be re-credited to the Plan’s reserve (in the same amount as such shares depleted the reserve); provided, however, that shares of Stock re-credited pursuant to the Plan pursuant to clause (v) may not increase the number of shares which may be issued pursuant to Incentive Stock Options.

(e) Notwithstanding the foregoing, shares of Stock relating to each of the following shall be considered issued or transferred and shall not become available again for issuance under this Plan: shares of Stock (i) delivered or otherwise used in payment of the exercise price of an Option or base price of a SAR, as applicable; (ii) delivered to or withheld by the Company to satisfy Federal, state or local tax withholding obligations; (iii) purchased by the Company using proceeds from Option exercises; and (iv) not issued or delivered as a result of a net settlement of an outstanding Option or SAR.

(f) If, under this Plan, a Participant has elected to give up the right to receive compensation in exchange for shares of Stock based on Fair Market Value, such shares of Stock shall not count against the aggregate plan limit described in Section 1.3(b). Shares of Stock issued under Awards granted in assumption, substitution or exchange for previously granted awards of a company acquired by the Company or its Subsidiaries (“Substitute Awards”) shall not reduce the shares of Stock available under this Plan, and available shares under a shareholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards under this Plan and shall not reduce this Plan’s share reserve (unless otherwise required by any applicable stock exchange listing requirements).

(g) Awards granted under this Plan to Participants shall be subject to a minimum vesting or performance period of one year. Notwithstanding the foregoing, (i) the Committee may, at its discretion, authorize acceleration of vesting of such Awards in the event of the Participant’s death, Disability or Retirement; (ii) the Committee may grant Awards without the above-described minimum vesting or performance period requirements with respect to Awards covering up to 5% of the aggregate number of shares of Stock authorized for issuance under this Plan and (iii) this limitation shall not apply to Substitute Awards or any other Awards granted in exchange for the surrender of, or substitution of, another company’s awards to its employees and directors.

**ARTICLE II**

**DEFINITIONS**

As used in this Plan and except as otherwise specifically provided in an Award Agreement, the following terms shall have the meanings set forth below:

2.1 “10% Shareholder” means an Employee who, as of the date on which an Incentive Stock Option is granted to such Employee, owns more than ten percent (10%) of the total combined voting power of all classes of Stock then issued by the Company or a Subsidiary.

2.2 “Award” means, individually or collectively, a grant of an Option, Stock Appreciation Right, Performance Grant, Dividend or Dividend Equivalent Rights, Stock Award, Restricted Stock or Restricted Stock Unit Award, Cash Award, or Other Award that is valued in whole or in part by reference to, or otherwise based on, the Stock, performance goals or other factors, on a standalone, combination or tandem basis, as described in or granted under this Plan.

2.3 “Award Agreement” means the agreement or other writing (which may be framed as a plan, program or notification, and which may be in electronic format) that sets forth the terms and conditions of each Award under the Plan, including any amendment or modification thereof.

2.4 “Beneficial Owner” shall have the meaning ascribed to such term in Rule 13d-3 of the Exchange Act.

2.5 “Board” means the Board of Directors of the Company.

2.6 “Cash Award” has the meaning specified in Section 8.1.

2.7 “Change in Control” shall mean:

(a) the consummation of any merger, consolidation or business combination in which the shareholders of the Company immediately prior to the merger, consolidation or business combination do not own at least a majority of the outstanding equity interests of the surviving parent entity;

(b) the sale of all or substantially all of the Company’s and its Subsidiaries’ assets in a single transaction or a series of related transactions;

(c) the acquisition of beneficial ownership or control, directly or indirectly, through one transaction or a series of transactions (including, without limitation, power to vote) of a majority of the outstanding Stock of the Company by any “person” as such term is defined under sections 13(d) and 14(d) of the Exchange Act (but excluding the Company, any Subsidiary, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and any corporation or other entity owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of shares of Stock); or

(d) a contested election of Directors, including with respect to Directors elected under any proxy access procedures included in the Company’s organizational documents, as a result of which or in connection with which the persons who were Directors of the Company before such election or nominees approved by the Board for election to the Board cease to constitute a majority of the Board.

Provided, however, solely with respect to an Award that the Committee determines to be subject to Section 409A (and not excepted therefrom), and a Change in Control is a distribution event for purposes of an Award, the foregoing definition of Change in Control shall be interpreted, administered, limited and construed in a manner necessary to ensure that the occurrence of any such event shall result in a Change in Control only if such event qualifies as a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation, as applicable, within the meaning of Treasury Regulation Section 1.409A-3(i)(5).

2.8 “Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

2.9 “Committee” means the Compensation Committee of the Board, or such other committee designated by the Board to administer this Plan. The Committee shall be appointed by the Board and, to the extent deemed appropriate by the Board, shall consist of two or more members of the Board, each of whom shall be (i) a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act and (ii) for remuneration that is payable under this Plan pursuant to a written binding contract in effect on November 2, 2017, an “outside director” as defined under §1.162-27(e)(3)(i) of the Code or any successor regulation. If the Board has not appointed a Committee, “Committee” shall mean the Board and all authority and responsibility assigned to the Committee under this Plan shall be exercised, if at all, by the Board. Notwithstanding, the Board may also exercise the authority of the Committee under this Plan (even if the Committee is so appointed by the Board).

2.10 “Company” means L. B. Foster Company, a Pennsylvania company and its successors and assigns.

2.11 “Director” means a director on the Board of the Company.

2.12 “Disability” means permanently and totally disabled as defined in Section 22(e)(3) of the Code (or any successor section); provided, however, if an Award is subject to Section 409A of the Code (and not excepted therefrom) and a Disability is a distribution event under Section 409A for purposes of the Award, the foregoing definition of Disability shall be interpreted, administered and construed in a manner necessary to ensure that the occurrence of any such event qualifies as a Disability within the meaning of Treas. Reg. § 1.409A-3(i)(4)(i).

2.13 “Dividend” or “Dividend Equivalent Rights” means the right to receive a payment, in cash or property, equal to the cash dividends or other distributions paid with respect to the Stock. No Dividends or Dividend Equivalents will vest and/or be paid unless and until the underlying Award vests and/or is earned in accordance with the terms of such Award.

2.14 “Employee” means an employee of the Company or any Subsidiary, including an employee who is an Officer or a Director, but excluding any person who is classified by the Company or a Subsidiary as a “contractor” or “consultant.” Directors who are not otherwise employed by the Company or any Subsidiary shall not be considered Employees under this Plan.

2.15 “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as amended.

2.16 “Fair Market Value” means (i) with respect to the Stock, as of any date (a) if the Stock is listed on any established stock exchange, system or market that reports the closing sale price of the Stock, the closing sale price per share of the Stock as quoted on such exchange, system or market on such date or, if the Stock is not traded on such date, on the closest preceding date on which the Stock was traded or (b) if the closing sale price per share is not quoted on such exchange, system or market, the average of the closing bid and ask prices of the Stock on such date, or (c) in the absence of an established market for the Stock, as determined in good faith by the Committee or (ii) with respect to property other than the Stock, the value of such property as determined by the Committee in its sole discretion.

2.17 “Forfeit,” “Forfeiture,” or “Forfeited” means the loss by a Participant of any and all rights to an Award granted under this Plan (or any portion thereof), including the loss of any payment of compensation by the Company under this Plan or any Award granted thereunder.

2.18 “Key Personnel” means Officers, Employees, consultants and independent contractors of the Company or any Subsidiary who occupy responsible executive, professional, sales or administrative positions or who otherwise have the capacity to contribute to the success of the Company, but does not include Non-Employee Directors. Key Personnel also may include individuals who have accepted an offer of employment, but who have not yet commenced employment, with the Company or any Subsidiary.

2.19 “Incentive Stock Option” or “ISO” means an option to purchase Stock, which is intended to meet the requirements of an incentive stock option under Section 422 of the Code (or any successor Section).

2.20 “Non-Employee Director” means a Director on the Board who is not an Employee.

2.21 “Nonqualified Stock Option” or “NQSO” means an Option to purchase Stock which is not intended to meet the requirements of an Incentive Stock Option under Section 422 of the Code (or any successor Section).

2.22 “Officer” means an officer of the Company or of a Subsidiary.

2.23 ”Option” means an Incentive Stock Option or a Nonqualified Stock Option.

2.24 “Option Price” means the price at which the Stock may be purchased under an Option as provided in Section 4.4.

2.25 “Participant” means a person to whom an Award is made under this Plan.

2.26 “Performance Grant” means an Award subject, in part, to the terms, conditions and restrictions described in Article VI, pursuant to which the recipient may become entitled to receive cash, Stock or other securities, or any combination thereof.

2.27 “Performance Grant Agreement” means a written agreement entered into between the Company and a Participant setting forth the terms and conditions of a Performance Grant awarded pursuant to Article VI.

2.28 “Permitted Transferee” means (i) any person defined as an employee in the Instructions to the Registration Statement on Form S-8 promulgated by the Securities and Exchange Commission, as such Form may be amended from time to time, or any successor form, which persons include, as of the date of adoption of this Plan by the Board, executors, administrators or beneficiaries of the estates of deceased Participants, guardians or members of a committee for incompetent former Participants, or similar persons duly authorized by law to administer the estate or assets of former Participants, and (ii) Participants’ family members who acquire Awards from the Participant other than for value, including through a gift or a domestic relations order. For purposes of this definition, “family member” includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant’s household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests. For purposes of this definition, unless otherwise determined by the rules and regulations of the Securities and Exchange Commission, neither (i) a transfer under a domestic relations order in settlement of marital property rights nor (ii) a transfer to an entity in which more than fifty percent of the voting or beneficial interests are owned by family members (or the Participant) in exchange for an interest in that entity is considered a transfer for “value.”

2.29 “Personal Representative” means the person or persons who, upon the death, Disability or incompetency of a Participant, shall have acquired, by will or by the laws of descent and distribution or by other legal proceedings, the right to exercise an Option or to take other action on behalf of the Participant with respect to any Award theretofore granted to such Participant.

2.30 “Plan” means this 2006 Omnibus Incentive Plan, as amended and restated. Notwithstanding the foregoing, or anything contained herein to the contrary, for any Qualified Performance-Based Awards, with respect to any remuneration to be paid under a written binding contract that was in effect on November 2, 2017, such remuneration shall be governed by the terms and conditions of the Plan and any underlying documents that combined constitute the applicable written binding contract relating to such compensation that were in effect on November 2, 2017.

2.31 “Qualified Performance-Based Award” means any Award of a Performance Grant, or portion of such Award, to a Participant who is determined by the Committee likely to be a “covered employee” (as defined in Section 162(m)) and that is intended to satisfy the requirements for “qualified performance-based compensation” under Section 162(m). Effective for tax years after 2017, the qualified performance-based compensation exception from Section 162(m)’s tax deduction limitation was repealed; provided, however, that notwithstanding such repeal, the performance-based compensation exception under Section 162(m) of the Code is subject to a transition rule for remuneration that is payable pursuant to a written binding contract that was in effect on November 2, 2017 and is not materially modified thereafter. For the avoidance of doubt, it is the intent of the Company to preserve the performance-based compensation exception that is or may be available for Awards payable under this Plan to the maximum extent permitted by law.

2.32 “Restriction Period” means the length of time established relative to an Award during which time the Participant cannot sell, assign, transfer, pledge, or otherwise encumber the Stock or Stock Units subject to such Award, and at the end of which the Participant obtains an unrestricted right to such Stock or Stock Units.

2.33 “Restricted Stock Agreement” means a written agreement entered into between the Company and a Participant setting forth the terms and conditions of a Restricted Stock Award or Restricted Stock Unit Award made pursuant to Article V.

2.34 “Restricted Stock Award” means a grant of Stock to a Participant pursuant to Article V.

2.35 “Restricted Stock Unit Award” means an Award of the right to receive either (as the Committee determines) Stock or cash or other property, including an Award, equal to the Fair Market Value of a share of Stock on the date of settlement of the Award subject, in part, to the terms, conditions and restrictions described in Article V hereof and as set forth in any Restricted Stock Agreement.

2.36 “Retirement” or “Retire” means retirement of an Employee or other service provider as determined and authorized by the Committee.

2.37 “Section 162(m)” shall mean Section 162(m) of the Code, the regulations and other binding guidance promulgated thereunder.

2.38 “Section 409A” shall mean Section 409A of the Code, the regulations and other binding guidance promulgated thereunder.

2.39 “Separation from Service” and “Separate from Service” shall mean the Participant’s death, retirement or other termination of employment or service with the Company (including all persons treated as a single employer under Section 414(b) and 414(c) of the Code) that constitutes a “separation from service” within the meaning of Section 409A. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2; provided, further, where legitimate business reasons exist (within the meaning of Treas. Reg. § 1.409A-1(h)(3)), the language “at least 20 percent” shall be used instead of “at least 80 percent” in each place it appears. Whether a Participant has Separated from Service will be determined based on all of the facts and circumstances and, to the extent applicable to any Award or benefit, in accordance with the guidance issued under Section 409A. A Participant will be presumed to have experienced a Separation from Service when the level of bona fide services performed permanently decreases to a level less than twenty percent (20%) of the average level of bona fide services performed during the immediately preceding thirty-six (36) month period or such other applicable period as provided by Section 409A.

2.40 “Specified Employee” means a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) of the Company as determined in accordance with Section 409A and the procedures established by the Company.

2.41 “Stock” means the common stock, par value $.01, of the Company, or any other security into which the Stock shall have been converted in accordance with Section 10.6 of this Plan.

2.42 “Stock Appreciation Right” or “SAR” means an Award pursuant to which the Participant will receive a payment in cash or Stock, or any combination thereof, equal to the appreciation of the Fair Market Value of a share of Stock from the date of grant to the date of exercise.

2.43 “Stock Award” has the meaning specified in Section 8.1.

2.44 “Stock Option Agreement” means a written agreement entered into between the Company and a Participant setting forth the terms and conditions of an Option awarded pursuant to Article IV.

2.45 “Stock Unit” means a right to receive a payment (in cash, shares of Stock, or a combination of both, as contemplated in the Award Agreement) valued in relation to a designated dollar value or the Fair Market Value of one or more shares of Stock.

2.46 “Subsidiary” means a corporation or other business entity, domestic or foreign, the majority of the voting stock or other voting interests in which is owned directly or indirectly by the Company, including a Subsidiary which becomes such after adoption of this Plan.

2.47 “Termination for Cause” or “Cause” means: (i) willful neglect of or failure to properly perform the duties and responsibilities assigned to the Participant or the failure of the Participant to comply with proper directives of such Participant’s supervisor(s) or the Board, as applicable; (ii) an act of dishonesty or disloyalty relating to the business and affairs of the Company and/or its Subsidiaries or their relationship with their respective Employees, suppliers, customers or others having a business relationship with the Company and/or its Subsidiaries; (iii) conviction of a crime involving fraud, theft, intentional dishonesty, moral turpitude or similar conduct; (iv) misappropriation of any funds or property of the Company and/or its Subsidiaries or actions which are inconsistent with the Participant’s fiduciary obligations to the Company and/or its Subsidiaries; (v) failure to abide by any of the Company’s and/or its Subsidiaries’ policies; or (vi) any other action or course of conduct by the Participant which has or reasonably can be expected to have an adverse effect on the Company and its Subsidiaries, and their respective businesses or affairs. The Committee shall make all determinations of whether a Participant was Terminated for Cause and any such determination shall be final and conclusive.

**ARTICLE III**

**ADMINISTRATION**

3.1 Committee to Administer.

(a) The Plan shall be administered by the Committee. The Committee shall have full and exclusive authority and discretion to interpret, construe and administer the Plan, including, but not limited to, the authority to:

(i) Adopt or establish and amend such rules, regulations, agreements, guidelines, procedures, forms and instruments as may be necessary or advisable for the administration and operation of the Plan;

(ii) Correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent it shall deem desirable;

(iii) Select the persons to be granted Awards under the Plan;

(iv) Grant and determine the terms, conditions, form and size of Awards to be made to each person selected, including clawback or other recoupment provisions applicable Awards granted hereunder;

(v) Determine the time when Awards are to be made and any conditions which must be satisfied before an Award is made;

(vi) Establish objectives, conditions and performance goals for earning Awards;

(vii) Determine the terms of each Award Agreement and any amendments or modifications thereof;

(viii) Determine whether the conditions for earning an Award have been met and whether an Award will be paid at the end of the performance period;

(ix) Determine if and when an Award may be deferred;

(x) Determine whether the amount or payment of an Award should be reduced or eliminated;

(xi) Determine the guidelines and/or procedures for the payment or exercise of Awards; and

(xii) Determine whether to accelerate vesting provisions applicable to Awards.

The Committee’s decisions shall be final, conclusive and binding with respect to the Plan and any Award made under the Plan.

(b) Except as otherwise may be provided in the charter or similar governing document applicable to the Committee and this Plan, (i) a majority of the members of the Committee shall constitute a quorum for the conduct of business at any meeting, (ii) the Committee shall act by majority vote of the members present at a duly convened meeting, including a telephonic meeting in accordance with the Pennsylvania Business Corporation Law (“BCL”), and (iii) action may be taken without a meeting if written consent thereto is given in accordance with the BCL.

(c) Notwithstanding any provision herein to the contrary, to the extent the Board is performing any Plan-related functions, including the determination of whether a Participant has been Terminated for Cause, the Board shall have the same discretionary power and authority to administer the Plan as the Committee does under this Article III.

(d) No member of the Board or Committee and no Officer shall be liable for anything done or omitted to be done by such member or Officer, by any other member of the Board or Committee or by any other Officer in connection with the performance of duties under this Plan, except for such member’s or Officer’s own willful misconduct or as expressly provided by statute. For avoidance of doubt, nothing in this section is intended to limit the indemnification provisions applicable to Directors and Officers of the Company as they are entitled under Pennsylvania law.

(e) The Board and/or Committee may delegate authority to an Officer, Employee and/or Director to administer certain of their respective authority under this Plan, including granting and administering certain Awards under this Plan, subject to the right of the Board and/or the Committee to revoke its delegation at any time and to make such delegation on such terms and conditions as the Board and/or Committee determine in their respective discretion to be appropriate in accordance with, and as permitted by, applicable law or regulation. In each case where the Board and/or Committee has delegated authority under this Plan, such Officer, Employee and/or Director delegatee shall be deemed the “Committee” or “Board,” where applicable, in connection with fulfilling the functions delegated to such person under the Plan. Notwithstanding the foregoing, or anything contained in this Plan to the contrary, Qualified Performance-Based Awards must be granted and administered, to the extent necessary, by a committee that consists solely of two or more “outside directors” within the meaning of Section 162(m).

(f) Notwithstanding any other provision of this Plan, the Board or the Committee may impose such conditions on any Award (including, without limitation, the right of the Board or the Committee to limit the time of exercise to specified periods) as may be required to satisfy the requirements of Rule 16b-3 (or any successor rule) under the Exchange Act (“Rule 16b-3”) and/or Section 422 (or any successor provision) of the Code.

3.2 Powers of Committee.

(a) Subject to the provisions of the Plan, the Committee shall have authority, in its discretion, to determine those Key Personnel and Directors who shall receive Awards, the time or times when each such Award shall be made, the type of Award to be made, the number of shares to be subject to each Award and/or any other terms and conditions of the Award.

(b) The Committee shall determine the terms, restrictions and provisions of the agreement relating to each Award. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan, or in any Award Agreement, in such manner and to the extent the Committee shall determine in order to carry out the purposes and intent of the Plan.

(c) Notwithstanding any provision herein to the contrary, to the extent the Board is performing any Plan-related functions, the Board shall have the same discretionary power and authority to administer the Plan as the Committee does under this Article III.

3.3 Awards.

(a) Subject to the terms of this Plan, the Committee may grant any type of Award to any Participant it selects, but only an Employee may receive grants of Incentive Stock Options. Awards may be granted alone or in addition to, in tandem with, or (subject to the prohibition on repricing set forth below) in substitution for any other Award (or any other award granted under another plan of the Company or any Subsidiary). All Awards shall be subject to the terms and conditions of the Plan and to such other terms and conditions consistent with the Plan as the Committee deems appropriate.

(b) Notwithstanding anything in this Plan to the contrary, and except for the adjustments provided in Section 10.6 or in connection with a corporate transaction involving the Company (including, without limitation, any stock Dividend, distribution (whether in the form of cash, shares of Stock, other Company securities or other property), stock split, extraordinary cash Dividend, recapitalization, Change in Control, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Stock or other Company securities, or similar transaction(s)), neither the Committee nor any other person may, without obtaining shareholder approval, (i) amend the terms of outstanding Options or SARs to reduce the exercise price of such outstanding Options or SARs; (ii) cancel outstanding Options or SARs in exchange for Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs; or (iii) cancel outstanding Options or SARs with an exercise price above the current Stock price in exchange for cash or other securities. In addition, the Committee may not make a grant of an Option or SAR with a grant date that is effective prior to the date the Committee takes action to approve such Award.

3.4 Eligibility for Awards. In selecting Participants and in determining the form and amount of the Award, the Committee may give consideration to such Participant’s functions and responsibilities, his or her present and potential contributions to the success of the Company, the value of his or her services to the Company, and other factors deemed relevant by the Committee, subject to the provisions of the Plan.

**ARTICLE IV**

**STOCK OPTIONS**

4.1 Award of Options. Subject to the provisions of the Plan, the Committee may grant Options to Key Personnel and Directors; provided, however, that only an Employee who meets the definition of an “employee” under Section 3401(c) of the Code may receive grants of Incentive Stock Options. Each Option shall be designated in the Award Agreement as either an ISO or a NQSO.

4.2 Period of Option.

(a) Except as otherwise provided in a Stock Option Agreement or the Plan, an Option granted to Key Personnel shall be exercisable in cumulative installments in the following manner:

(i) The Participant may purchase up to one-fourth (1/4) of the total optioned shares at any time after one year from the date of grant and prior to the termination of the Option.

(ii) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after two years from the date of grant and prior to the termination of the Option.

(iii) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after three years from the date of grant and prior to the termination of the Option.

(iv) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after four years from the date of grant and prior to the termination of the Option.

(b) The Committee may also establish, in the applicable Stock Option Agreement, any other period during which Options may be exercised, provided that the duration of an Option shall not be more than ten (10) years from the date of grant and, provided further, that the duration of an Option granted to a 10% Shareholder shall not be more than five (5) years from the date of grant in the case of ISOs.

4.3 Stock Option Agreement. Each Option shall be evidenced by a Stock Option Agreement in such form and containing such terms and conditions as the Committee from time to time shall approve, except that the terms and conditions in the Stock Option Agreement shall be consistent with those set forth herein. The terms and conditions of Stock Option Agreements need not be identical.

4.4 Option Price and Exercise.

(a) The Option Price of Stock under each Option shall be determined by the Committee, provided that the Option Price may not be less than the Fair Market Value of the Stock on the date on which the Option is granted, and provided further that the Option Price of an Incentive Stock Option granted to a 10% Shareholder may not be less than 110% of the Fair Market Value of the Stock on the date on which the Option is granted, except in the case of Substitute Awards.

(b) Options may be exercised from time to time by giving written notice of exercise to the Company specifying the number of shares to be purchased. The notice of exercise shall be accompanied by (i) payment in full of the Option Price in cash, certified check, or other medium accepted by the Company, in its sole discretion, or (ii) a copy of irrevocable instructions to a broker to promptly deliver to the Company the amount of sale proceeds sufficient to cover the Option Price. An Option shall be deemed exercised on the date the Company receives the notice of exercise and all the requirements of this Section 4.4(b) have been fulfilled. An Option may provide that it shall be deemed to have been exercised at the close of business on the business day preceding the expiration date of the Option, or such other date as specified by the Committee, if at such time such Option has a positive value. Such deemed exercise shall be settled or paid in the same manner as a regular exercise thereof.

(c) If the aggregate Fair Market Value of the Stock subject to all Incentive Stock Options granted to a Participant (as determined on the date of grant of each such Option) that become exercisable during a calendar year exceeds the dollar limitation set forth in Section 422(d) of the Code, then such Incentive Stock Options shall be treated as Nonqualified Stock Options to the extent such limitation is exceeded.

4.5 Treatment of Incentive Stock Options. In all other respects, the terms of any Incentive Stock Option should comply with the provisions of Section 422 of the Code, except to the extent the Committee determines otherwise. If an Option that is intended to be an Incentive Stock Option fails to meet the requirements thereof, the Option shall automatically be treated as a Nonqualified Stock Option to the extent of such failure. The aggregate Fair Market Value (determined as of the time the Option is granted) of the shares of Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all option plans of the Company and of any “parent corporation” or subsidiary corporation (as such terms are defined in Sections 424(e) and (f) of the Code)) shall not exceed one hundred thousand dollars ($100,000); provided, however, that if such one hundred thousand dollars ($100,000) limit is exceeded, the excess ISOs shall be treated as NQSOs. For purposes of the preceding sentence, Incentive Stock Options will be taken into account in the order in which they are granted.

4.6 Termination of Service.

(a) Except as otherwise provided in this Plan or in the applicable Stock Option Agreement or any severance or employment agreement, if the employment or other service of a Participant, other than as a Non-Employee Director, terminates for any reason other than death, Disability, Retirement, or due to a Termination for Cause, the Participant may exercise all unexercised and vested Options within 30 days of such termination, and such portion of the Option will expire at the end of such period. Any Options in which such Participant is not vested at the time of such Participant’s termination shall be immediately Forfeited. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option (or five (5) years in the case of an ISO granted to a 10% Shareholder). In the event that such Participant is Terminated for Cause, all Options held by such Participant shall terminate immediately and may not thereafter be exercised. For purposes of this section, the employment or other service in respect to Options held by such a Participant shall be treated as continuing intact while the Participant is on authorized military leave, on leave pursuant to the Family Medical Leave Act, approved sick leave or other approved, bona fide leave of absence (such as temporary employment with the government) if the period of such leave does not exceed 90 days or, if longer, so long as the Participant’s right to reestablish such Participant’s service with the Company is guaranteed either by statute or by contract. Where the period of leave exceeds 90 days and where such Participant’s right to reestablish such Participant’s service is not guaranteed by statute or by contract, such Participant’s service, in the Committee’s sole discretion, shall be deemed to have terminated on the ninety-first day of such leave.

(b) Except as otherwise provided in the Stock Option Agreement, a Non-Employee Director whose service is terminated shall be entitled to exercise such Non-Employee Director’s Options, to the extent vested as of the date of such termination, until the expiration of the full term of the Option, unless the Non-Employee Director has been Terminated for Cause. In the event that a Non-Employee Director is Terminated for Cause, all Options held by such Director shall terminate immediately and may not thereafter be exercised.

4.7 Death. Except as otherwise provided in the Plan or a Stock Option Agreement, during the twelve (12) month period following the Participant’s death, any or all of the unexercised and vested Options that the Participant was entitled to exercise immediately prior to such Participant’s death may be exercised by such Participant’s Personal Representative. Any Options in which such Participant is not vested at the time of such Participant’s death shall be immediately Forfeited. In no event, however, may any such Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

4.8 Retirement or Disability. Except as otherwise provided in the Plan or a Stock Option Agreement or in any severance or employment agreement, if a Participant Retires, or suffers a Disability, at a time when such Participant is entitled to exercise an Option, then the Participant may exercise the Option, to the extent vested, at any time or times within three (3) years after such Participant’s termination of service because of such Retirement or Disability, and such vested portion of the Option will expire at the end of such period. Any Options in which such Participant is not vested at the time of the Participant’s Retirement or Disability, as the case may be, shall be immediately Forfeited. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option (or five (5) years in the case of an ISO granted to a 10% Shareholder).

4.9 Committee Discretion. For avoidance of doubt and not in limitation of the discretionary authority of the Committee under this Plan, the Committee shall have authority to determine whether or not a Participant (including a Non-Employee Director) has Retired, resigned or suffered a Disability, or has been Terminated for Cause, or is on an authorized leave of absence, and its determination shall be binding on all concerned. In the sole discretion of the Committee, a transfer of service to an affiliate of the Company other than a Subsidiary (the latter type of transfer not constituting a termination of service for purposes of the Plan) may be deemed to be a Retirement so as to entitle the Participant to exercise the Option within 90 days after such transfer.

4.10 Shareholder Rights and Privileges. A Participant shall have no rights as a shareholder with respect to any Stock covered by an Option until the issuance of a stock certificate, or other evidence of ownership is issued, representing such Stock.

**ARTICLE V**

**RESTRICTED STOCK AWARDS   
AND  
RESTRICTED STOCK UNIT AWARDS**

5.1 Grant of Restricted Stock Awards or Restricted Stock Unit Awards. Subject to the provisions of the Plan, the Committee may elect to grant Restricted Stock Awards or Restricted Stock Unit Awards to any Key Personnel and/or Director, including, but not limited to, grants derived from participation in another plan, program or arrangement established or maintained by the Company or any Subsidiary. Notwithstanding anything in this Plan to the contrary, the Committee, in its discretion, may determine that a Restricted Stock Award or Restricted Stock Unit Award may be subject to such terms, conditions and restrictions (including but not limited to restrictions on the sale of Stock), as set forth in the applicable Restricted Stock Agreement, and shall determine whether a Restricted Stock Unit Award is to be settled at vesting by the issuance of Stock or the payment of cash or other consideration.

5.2 Vesting Requirements. The restrictions imposed on a Restricted Stock Award shall lapse, and a Restricted Stock Unit Award shall vest, in accordance with the vesting schedule specified by the Committee in the Restricted Stock Agreement, subject to Section 1.3(g) of this Plan. Such vesting requirements may be based on the continued service of the Participant with the Company or its affiliates (including any Subsidiary) for a specified time period (or periods), on the attainment of specified performance goals established by the Committee in its discretion, or such other terms and conditions established by the Committee. Except as otherwise provided in this Plan or the Restricted Stock Agreement, if the vesting requirements of a Restricted Stock Award or Restricted Stock Unit Award are not satisfied, the Award shall be Forfeited and the Stock subject to the Award shall be returned to the Company and eligible for reissuance under the Plan.

5.3 Restrictions. A Restricted Stock Award and a Restricted Stock Unit Award may not be transferred, assigned or subject to any encumbrance, pledge or charge until all applicable restrictions are removed or have expired, unless otherwise permitted by the Committee. Failure to satisfy any applicable restrictions shall result in the Award being Forfeited and the Stock subject to the Award shall be returned to the Company and eligible for reissuance under the Plan. The Committee may require in a Restricted Stock Agreement that certificates representing the Restricted Stock Award bear a legend making appropriate reference to the restrictions imposed, and that certificates representing the Stock subject to such Restricted Stock Award will remain in the physical custody of the Company or an escrow holder (including the transfer agent for the Stock) until all restrictions are removed or have expired.

5.4 Rights as a Shareholder.

(a) Subject to the foregoing provisions of this Article V and the applicable Restricted Stock Agreement, the holder of a Restricted Stock Award shall have all rights of a shareholder with respect to the Stock granted to the Participant under a Restricted Stock Award, including the right to vote the Stock and receive all Dividends (to the extent issued by the Company, subject to the limitations provided herein) and other distributions paid or made with respect to Restricted Stock Awards, except that (i) the Participant shall not be entitled to possession of the stock certificate (in the event paper certificates are issued) until the Restriction Period shall have expired, (ii) the Company shall retain custody of the Stock during the Restriction Period, (iii) the Participant may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the Stock during the Restriction Period, and (iv) a breach of the terms and conditions established by the Committee pursuant to the Restricted Stock Agreement shall cause a Forfeiture of the applicable Award. Notwithstanding the foregoing, Dividends with respect to an unvested Restricted Stock Award will be withheld by the Company and credited to a Participant account; provided that any such Dividends shall vest only if and to the extent that the underlying Restricted Stock Award vests, as determined by the Committee. Any Dividends so withheld by the Committee and attributable to any particular share of Stock of a Restricted Stock Award shall be subject to the same restrictions on transferability as the share of the Restricted Stock Award with respect to which they were paid, and, if such shares are forfeited, the Participant shall have no right to such Dividends. For the avoidance of doubt, in no event shall Dividends with respect to a Restricted Stock Award be paid to a Participant unless and until the underlying Award vests.

(b) The Committee may provide in a Restricted Stock Agreement for a Restricted Stock Unit Award for the payment of Dividends or Dividend Equivalent Rights and distributions to the Participant at such times as paid to shareholders generally or at the times of vesting or other payment of the Award to the extent not inconsistent with Section 409A and Section 10.7; provided, however, that Dividend Equivalent Rights on Restricted Stock Unit Awards shall be deferred until and paid contingent upon the vesting of the Award. Any such Dividend Equivalent Rights on Restricted Stock Unit Awards shall be subject to the same restrictions on transferability as the shares of Stock underlying the Restricted Stock Unit Awards, and, if such shares are forfeited, the Participant shall have no right to such Dividend Equivalent Rights. For the avoidance of doubt, in no event shall Dividend Equivalent Rights with respect to a Restricted Stock Unit Award be paid to a Participant unless and until the underlying Restricted Stock Unit Award vests.

5.5 Section 83(b) Election. If a Participant makes an election pursuant to Code Section 83(b) with respect to a Restricted Stock Award, the Participant shall file, within 30 days following the date of grant, a copy of such election with the Company and with the Internal Revenue Service in accordance with the regulations under Code Section 83. The Committee may provide in a Restricted Stock Agreement that the Restricted Stock Award is conditioned upon the Participant’s making or refraining from making an election with respect to the Award under Code Section 83(b).

**ARTICLE VI**

**PERFORMANCE GRANTS**

6.1 Participation. Subject to the provisions of the Plan, the Committee may make Performance Grants to Key Personnel and Directors in accordance with the provisions of this Article VI.

6.2 Grant. The Committee shall have sole and complete authority to determine the Key Personnel and Directors who shall receive a Performance Grant, which shall consist of a right that is (i) denominated in cash, Stock or any other form of Award issuable under the Plan (or any combination thereof), (ii) valued, as determined by the Committee, in accordance with the achievement of such performance goals during such performance periods as the Committee shall establish and (iii) payable at such time and in such form as the Committee shall determine. Unless otherwise determined by the Committee, any such Performance Grant shall be evidenced by a Performance Grant Agreement containing the terms of the Award, including, but not limited to, the performance criteria and such terms and conditions as may be determined, from time to time, by the Committee, in each case not inconsistent with this Plan.

6.3 Terms and Conditions.

(a) For Awards intended to be performance-based compensation under Section 162(m) of the Code, Performance Grants shall be conditioned upon the achievement of pre-established goals relating to one or more of the following performance measures, as determined in writing by the Committee and subject to such modifications as specified by the Committee: cash flow; cash flow from operations; earnings (including, but not limited to, earnings before interest, taxes, depreciation and amortization or some variation thereof); earnings per share, diluted or basic; earnings per share from continuing operations; net asset turnover; inventory turnover; days sales outstanding on receivables; capital expenditures; debt; debt reduction; working capital (including as a percentage of sales); return on investment; return on sales; return on invested capital; net or gross sales; gross profit on sales; material gross profit (gross profit on material portion of sales); performance profit (operating income minus an allocated charge approximating the Company’s cost of capital, before or after tax); purchase variance; delivery variance; quality; customer satisfaction; comparable site sales; market share; economic value added; cost of capital; change in assets; expense reduction levels; productivity; delivery performance; safety record and/or performance; environmental record and/or performance; stock price; return on equity or capital employed; total or relative increases to shareholder return; return on capital; return on assets or net assets; revenue; income or net income; operating income or net operating income; operating income adjusted for management fees and depreciation and amortization; pre-tax income (including on an as-adjusted basis); operating profit or net operating profit; non-performing assets; asset sale targets; value of assets; employee retention/attrition rates; investments; regulatory compliance; satisfactory internal or external audits; improvement of financial ratings; value creation; gross margin, operating margin or profit margin; completion of acquisitions, business expansion, product diversification, new or expanded market penetration and other non-financial operating and management performance objectives, any combination of the foregoing, and such other business performance criteria as may, from time to time, be established by the Committee in the applicable Award Agreement. For the avoidance of doubt, the Committee may approve Qualified Performance-Based Awards under this Plan that are based upon the measures set forth above for Awards other than those that are intended to satisfy the qualified performance-based compensation exception under Section 162(m) of the Code.

(b) To the extent consistent with Section 162(m), the Committee may determine, at the time the performance goals are established to Qualified Performance-Based Awards, that certain adjustments shall apply, in whole or in part, in such manner as determined by the Committee, to exclude or include the effect of any of the following events that occur during a performance period: the impairment of tangible or intangible assets; litigation or claim judgments or settlements; the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; business combinations, reorganizations and/or restructuring programs, including, but not limited to, reductions in force and early retirement incentives; currency fluctuations; and any unusual, infrequent or non-recurring items, including, but not limited to, such items described in management’s discussion and analysis of financial condition and results of operations or the financial statements and/or notes thereto appearing in the Company’s annual report to shareholders for the applicable period.

(c) Performance measures may be determined either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or subsidiary entity thereof, either individually, alternatively or in any combination, and measured cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous fiscal years’ results or to a designated comparison group, in each case as specified by the Committee.

6.4 Preestablished Performance Goals. For Awards intended to be performance-based compensation under Section 162(m), performance goals relating to the performance measures set forth above shall be preestablished in writing by the Committee, and achievement thereof certified in writing prior to payment of the Award, as required by Section 162(m) and treasury regulations promulgated thereunder. All such performance goals shall be established in writing by the Committee no later than the earlier of (i) ninety (90) days after the beginning of the applicable performance period or (ii) the date on which 25% of the performance period has been completed, or within such other timeframe as may be required or permitted by Section 162(m) and treasury regulations promulgated thereunder. In addition to establishing minimum performance goals below which no compensation shall be payable pursuant to a Performance Grant, the Committee, in its sole discretion, may create a performance schedule under which an amount less than or more than the target award may be paid so long as the performance goals have been achieved.

6.5 Additional Restrictions/Negative Discretion. The Committee, in its sole discretion, may also establish such additional restrictions or conditions that must be satisfied as a condition precedent to the payment of all or a portion of any Performance Grants. Such additional restrictions or conditions need not be performance-based and may include, among other things, the receipt by a Participant of a specified annual performance rating, the continued employment by the Participant and/or the achievement of specified performance goals by the Company, business unit or Participant. Furthermore, and notwithstanding any provision of this Plan to the contrary, the Committee, in its sole discretion, may retain the discretion to increase or reduce the amount of any Performance Grant payable to a Participant if it concludes that such increase or reduction is necessary or appropriate based upon: (i) an evaluation of such Participant’s performance; (ii) comparisons with compensation received by other similarly-situated individuals working within the Company’s industry; (iii) the Company’s financial results and conditions; or (iv) such other factors or conditions that the Committee deems relevant; provided, however, that the Committee shall not use its discretionary authority to increase any Award that is intended to be performance-based compensation under Section 162(m).

6.6 Payment of Performance Awards. Payment of a Performance Grant (i) may be in cash, Stock (which may include Restricted Stock or Restricted Stock Units) or a combination thereof, as determined by the Committee in its sole discretion, (ii) may be made in a lump sum or in installments following the close of each performance period as provided by the Committee in the Performance Grant Agreement, and (iii) to the extent applicable, shall be based on the Fair Market Value of the Stock.

6.7 Rights with Respect to Stock and Other Securities. Unless otherwise determined by the Committee in its discretion in a Performance Grant Agreement, a Participant to whom an Award is made under this Article (and any Person succeeding to such Participant’s rights pursuant to this Article) shall have no rights as a shareholder with respect to any Stock or as a holder with respect to other securities, if any, issuable pursuant to any such Award until the date a stock certificate evidencing such Stock or until the Participant’s ownership of such Stock shall have been entered into the books of the registrar in the case of uncertificated shares. Notwithstanding the foregoing, the Committee may provide for the payment of Dividend Equivalent Rights with respect to Performance Grants, payable either in Stock or cash; provided, however, that Dividend Equivalent Rights on Performance Grants shall be deferred until and paid contingent upon the achievement of the applicable performance goals. Any such Dividend Equivalent Rights on Performance Grants shall be subject to the same restrictions on transferability as the shares of Stock underlying the Performance Grants, and, if such shares are forfeited, the Participant shall have no right to such Dividend Equivalent Rights. For the avoidance of doubt, in no event shall Dividend Equivalent Rights with respect to a Performance Grant be paid to a Participant unless and until the underlying Performance Grant vests.

Termination of a Participant. For all purposes under this Article VI, and unless otherwise determined by the Committee in a Performance Grant Agreement or an employment or severance agreement, Participants who have terminated their employment with the Company prior to the actual payment of an Award for any reason (including but not limited to death, Retirement or Disability) shall Forfeit any and all rights to payment under any Awards then outstanding under the terms of this Article and shall not be entitled to any payment for the performance period.

**ARTICLE VII**

**STOCK APPRECIATION RIGHTS**

7.1 Grant of Stock Appreciation Rights. Subject to the terms of the Plan, the Committee may grant SARs to Key Personnel or Directors, either separately or in tandem with an Option. The Committee shall determine all terms and conditions of each SAR, including but not limited to:

(a) Whether the SAR is granted independently of an Option or in tandem with an Option;

(b) The number of Shares to which the SAR relates;

(c) The date of grant, which may not be prior to the date of the Committee’s approval of the grant;

(d) The grant price, provided that the grant price shall not be less than the Fair Market Value of a share of Stock as of the grant date of the SAR, except in the case of Substitute Awards;

(e) SARs shall vest in accordance with the vesting schedule specified by the Committee in the Award Agreement (and subject to the terms and conditions included therein), subject to the terms of this Plan ;

(f) The term, provided that no SAR shall be exercisable later than the tenth (10th) anniversary of the date of its grant; and

(g) Whether the SAR will be settled in cash, Shares, or a combination thereof.

7.2 Exercise of SARs. SARs may be exercised in accordance with such terms and conditions as the Committee, in its sole discretion, may specify. The Committee may (i) grant SARs that are subject to the achievement of one or more vesting conditions and (ii) accelerate the exercisability of outstanding SARs consistent with the provisions of the Plan. Tandem SARs shall be exercisable only while the Option to which the tandem SAR relates is exercisable. A SAR may provide that it shall be deemed to have been exercised at the close of business on the business day preceding the expiration date of the SAR, or such other date as specified by the Committee, if at such time such SAR has a positive value. Such deemed exercise shall be settled or paid in the same manner as a regular exercise thereof.

7.3 Tandem SARs. Unless otherwise determined by the Committee, if a SAR is granted in relation to an Option, the SAR shall be exercisable or shall mature at the same time or times, on the same conditions and to the extent and in the proportion, that the related Option is exercisable and may be exercised or mature for all or part of the shares of Stock subject to the related Option. Upon exercise of any number of SARs, the number of shares of Stock subject to the related Option shall be reduced accordingly and such Option may not be exercised with respect to that number of shares of Stock. The exercise of any number of shares of Stock underlying an Option Award that relate to a SAR shall likewise result in an equivalent reduction in the number of shares of Stock covered by the related SAR.

7.4 Payment of SARs. Upon exercise of the SAR, the holder shall be entitled to receive payment of an amount determined by multiplying: (i) the difference between the Fair Market Value of a share of Stock on the date of exercise over the base amount of the SAR as set by the Committee at the date of grant by (ii) the number of shares of Stock with respect to which the SAR is exercised.

7.5 Shareholder Rights and Privileges. A Participant shall have no rights as a shareholder with respect to any Stock covered by an SAR until the issuance of a stock certificate, or other evidence of ownership is issued, representing such SAR.

**ARTICLE VIII**

**OTHER AWARDS**

8.1 Other Awards. The Committee may, subject to limitations under applicable law, grant to Key Personnel and Directors such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares of Stock (including Dividends and Dividend Equivalent Rights) or factors that may influence the value of such shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into shares of Stock, purchase rights for shares of Stock, awards with value and payment contingent upon performance of the Company or specified Subsidiaries, affiliates or other business units thereof or any other factors designated by the Board, and Awards valued by reference to the book value of shares of Stock or the value of securities of, or the performance of specified Subsidiaries or affiliates or other business units of the Company; provided, however, that Dividends or Dividend Equivalent Rights on any such other Awards shall be deferred until and paid contingent upon the achievement of any applicable vesting condition. Any such Dividends or Dividend Equivalent Rights on such other Awards shall be subject to the same restrictions on transferability as the shares of Stock underlying the Awards, and, if such shares are forfeited, the Participant shall have no right to such Dividends or Dividend Equivalent Rights. For the avoidance of doubt, in no event shall Dividends or Dividend Equivalent Rights with respect to such other Award be paid to a Participant unless and until the underlying Award vests. The Board shall determine the terms and conditions of such Awards, which may include, but are not limited to:

(a) Stock Award. An unrestricted transfer of ownership of Stock.

(b) Awards under Deferred Compensation or Similar Plans. The right to receive Stock or a fixed or variable share denominated unit granted under this Plan or any deferred compensation or similar plan established from time to time by the Company.

(c) Cash Award. An Award denominated in cash, as separate from, an element of or supplement to any other Award granted under this Plan, that may be subject to the achievement of performance goals during a performance period determined by the Committee, or that may be earned under a Company or Subsidiary bonus or incentive plan or program.

**ARTICLE IX**

**NON-EMPLOYEE DIRECTOR AWARDS**

9.1 Limitation on Awards to Non-Employee Directors. Notwithstanding anything in this Plan to the contrary and subject to adjustment pursuant to Section 10.6 hereof, no Non-Employee Director may be granted, in any one fiscal year of the Company, Awards specifically granted under this Plan with an aggregate maximum value, calculated as of their respective grant dates, of more than $300,000.

**ARTICLE X**

**MISCELLANEOUS PROVISIONS**

10.1 Non-transferability. No Award under the Plan shall be transferable by the Participant other than by will or the laws of descent and distribution; provided, however, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any property distributable, with respect to any Award upon the death of the Participant and the Committee may, in its sole discretion, permit the transfer or an Award to a Permitted Transferee subject to all the terms and conditions of the Award. Except as provided in Section 4.7, Options shall be exercisable during the Participant’s lifetime only by such Participant or such Participant’s Personal Representative. Any transfer contrary to this Section 10.1 will nullify the Award.

10.2 Amendments. The Committee may at any time discontinue granting Awards under the Plan. The Committee may at any time amend the Plan or amend any outstanding Award Agreement (including, but not limited to, acceleration of the date of exercise or vesting of any Award and/ or payments under any Award) in accordance with the terms of the Plan and for the purpose of satisfying the requirements of any changes in applicable laws or regulations or for any other purpose which may at the time be permitted by law; provided that no such amendment shall be permissible if it would result in Rule 16b-3 under the Exchange Act becoming inapplicable to any Award or first require shareholder approval. Notwithstanding the foregoing or any provision of an Award to the contrary, the Committee may at any time (without the consent of any Participant) modify, amend or terminate any or all of the provisions of an Award to the extent necessary to conform the provisions of the Award with Section 162(m), Section 409A or any other provision of the Code or other applicable law, the regulations issued thereunder or an exception thereto, regardless of whether such modification, amendment or termination of the Award shall adversely affect the rights of a Participant.

10.3 Termination. The Board may terminate the Plan at any time prior to its scheduled expiration date, but no such termination shall materially adversely affect the rights of any Participant under any Award theretofore granted in which such Participant has a vested interest without such Participant’s written consent.

10.4 Non-uniform Determinations. The Committee’s determinations under the Plan, including without limitation (i) the determination of the Key Personnel and Directors to receive Awards, (ii) the form, amount and timing of such Awards, (iii) the terms and provisions of such Awards and (iv) the Award Agreements evidencing the same, need not be uniform and may be made by it selectively among Key Personnel and Directors who receive, or who are eligible to receive, Awards under the Plan, whether or not such Key Personnel or Directors are similarly situated.

10.5 No Right to Employment/Service. Neither the action of the Board in establishing the Plan nor any action taken by the Committee, a Director or an Officer under the Plan, nor any provision of the Plan, shall be construed as giving to any person the right to be retained in the employ, or as an Officer or Director, of, or as an independent contractor or consultant to, the Company or any Subsidiary.

10.6 Changes in Stock. (a) In the event of any Dividend (other than a regular cash Dividend) or other distribution (whether in the form of cash, Stock, other Company securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Stock or other Company securities, issuance of warrants or other rights to purchase Stock or other Company securities or other similar corporate transaction in which the Company is the surviving corporation or other event that affects the Stock such that an adjustment is necessary in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, the number and kind of shares of Stock or securities of the Company to be subject to the Plan and to Awards then outstanding or to be awarded thereunder, the maximum number of shares of Stock or other securities which may be issued on the exercise of Options or SARs granted under the Plan, performance goals (if applicable), the Option Price, base price of SARs and other relevant provisions shall be appropriately adjusted by the Committee, whose determination shall be binding on all persons; provided, however, with respect to any Award subject to Section 162(m), Section 409A or Section 422 of the Code, any such adjustment shall be authorized only to the extent that such adjustment would not cause the Award to fail to comply with Section 162(m),Section 409A or Section 422 of the Code.

(b) In the event of a Change in Control, all outstanding Awards shall thereupon terminate, provided that the Committee may, prior to the effective date of any such transaction, (i) make all outstanding time-only vesting Awards immediately exercisable or vested unless assumed, or substantially equivalent rights are provided in substitution therefore by the acquiring or succeeding entity; (ii) make all performance-based Awards either vested (A) pro-rata at a target performance level based on the portion of the applicable performance period that has lapsed immediately prior to the consummation of the Change in Control and/or (B) based on actual performance as of the date of the Change in Control; or (iii) arrange to have the surviving entity grant to the Participants replacement awards (including cash) on terms which the Board shall determine to be fair and reasonable. In addition, for each Option or SAR with an Option Price or base price, as the case may be, greater than the consideration offered in connection with any such transaction or event, the Committee may in its sole discretion elect to cancel such Option or SAR without any payment to the person holding such Option or SAR.

10.7 Compliance with Code Section 409A. Notwithstanding any provision of the Plan or an Award Agreement to the contrary, if any Award or benefit provided under this Plan is subject to the provisions of Section 409A, the provisions of the Plan and any applicable Award Agreement shall be administered, interpreted and construed in a manner necessary to comply with Section 409A or an exception thereto (or disregarded to the extent such provision cannot be so administered, interpreted or construed). The following provisions shall apply, as applicable:

(i) If a Participant is a Specified Employee and a payment subject to Section 409A (and not excepted therefrom) to the Participant is due as a result of the Participant’s Separation from Service, such payment shall be delayed for a period of six (6) months after the date the Participant Separates from Service (or, if earlier, the death of the Participant). Any payment that would otherwise have been due or owing during such six-month period will be paid immediately following the end of the six-month period in the month following the month containing the 6-month anniversary of the date of termination unless another compliant date is specified in the applicable Award Agreement.

(ii) For purposes of Section 409A, and to the extent applicable to any Award or benefit under the Plan, it is intended that distribution events qualify as permissible distribution events for purposes of Section 409A and shall be interpreted and construed accordingly. With respect to payments subject to Section 409A, the Company reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A. Whether a Participant has Separated from Service or employment will be determined based on all of the facts and circumstances and, to the extent applicable to any Award or benefit, in accordance with the guidance issued under Section 409A.

(iii) The Committee, in its discretion, may specify the conditions under which the payment of all or any portion of any Award may be deferred until a later date. Deferrals shall be for such periods or until the occurrence of such events, and upon such terms and conditions, as the Board shall determine in its discretion, in accordance with the provisions of Section 409A, the regulations and other binding guidance promulgated thereunder; provided, however, that no deferral shall be permitted with respect to Options and other stock rights subject to Section 409A. An election shall be made by filing an election with the Company (on a form provided by the Company) on or prior to December 31st of the calendar year immediately preceding the beginning of the calendar year (or other applicable service period) to which such election relates (or at such other date as may be specified by the Board to the extent consistent with Section 409A) and shall be irrevocable for such applicable calendar year (or other applicable service period).

(iv) The grant of Options and other Stock rights subject to Section 409A shall be granted under terms and conditions consistent with Treas. Reg. § 1.409A-1(b)(5) such that any such Award does not constitute a deferral of compensation under Section 409A. Accordingly, any such Award may be granted to Employees and other service providers of the Company or any Subsidiary and affiliates in which the Company has a controlling interest. In determining whether the Company has a controlling interest, the rules of Treas. Reg. § 1.414(c)-2(b)(2)(i) shall apply; provided that the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears; provided, further, where legitimate business reasons exist (within the meaning of Treas. Reg. § 1.409A-1(b)(5)(iii)(E)(i)), the language “at least 20 percent” shall be used instead of “at least 80 percent” in each place it appears. The rules of Treas. Reg. §§ 1.414(c)-3 and 1.414(c)-4 shall apply for purposes of determining ownership interests.

(v) In no event shall any member of the Board, the Committee or the Company or any Subsidiary (or their Employees, officers or directors) have any liability to any Participant (or any other Person) due to the failure of an Award to satisfy the requirements of Section 409A.

10.8 Tax Withholding. Whenever Stock is to be delivered to a Participant pursuant to an Award granted hereunder, the Company may (i) require such Participant to remit to the Company an amount in cash sufficient to satisfy all federal, state and local tax withholding requirements related thereto, (ii) withhold such required withholding from compensation otherwise due to such Participant, (iii) do any combination of the foregoing, or (iv) employ any other acceptable method approved by the Company to facilitate the required withholding, provided such approach is permissible under applicable securities and other laws. Notwithstanding anything in this Plan to the contrary, the Committee may, in its discretion, permit a Participant (or any beneficiary or person entitled to act) to elect to pay a portion or all of the amount requested by the Company for such taxes with respect to such Award, at such time and in such manner as the Committee shall deem to be appropriate (including, but not limited to, by authorizing the Company to withhold, or agreeing to surrender to the Company on or about the date such tax liability is determinable, Stock, or property, other securities or property, or other forms of payment, or any combination thereof, owned by such person or a portion of such forms of payment that would otherwise be distributed, or have been distributed, as the case may be, pursuant to such Award to such person, having a market value equal to the amount of such taxes); provided, however, any broker-assisted cashless exercise shall comply with the requirements of Financial Accounting Standards Board, Accounting Standards Codification, Topic 718 (or any successor provision) and any withholding satisfied through a net-settlement shall be limited to the minimum statutory withholding requirements or as otherwise determined in the discretion of the Committee. No such arrangement shall be permitted that is an impermissible loan to executive officers or directors under Section 402 of Sarbanes-Oxley Act of 2002.

10.9 Delivery of Shares. The Company shall not be obligated to deliver any Stock upon the grant, exercise or payment of an Award unless and until, in the opinion of the Company’s counsel, all applicable Federal, state and other laws and regulations have been complied with. In the event the outstanding Stock is at the time listed on any stock exchange, no delivery shall be made unless and until the shares to be delivered have been listed or authorized to be added to the list upon official notice of issuance on such exchange. No delivery shall be made until all other legal matters in connection with the issuance and delivery of Stock have been approved by the Company’s counsel. Without limiting the generality of the foregoing, the Company may require from the Participant or other person purchasing shares of Stock under the Plan such investment representation or such agreement, if any, as counsel for the Company may consider necessary in order to comply with the Securities Act of 1933, as amended, and the regulations thereunder, or any other applicable law. Certificates evidencing the shares may be required to bear a restrictive legend. A stop transfer order may be required to be placed with the transfer agent, and the Company may require that the Participant or such other person agree that any sale of the shares will be made only on one or more specified stock exchanges or in such other manner as permitted by the Committee.

10.10 Status. A Participant’s status as Key Personnel or a Director shall be made exclusively by the Committee, for purposes of, and as evidenced by, participation in the Plan, and determined for each Award as of the date the Award is granted to the Participant, and such determination shall be final and conclusive absent manifest error.

10.11 Unfunded. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under this Plan, and rights to the payment of Awards shall be no greater than the rights of the Company’s general creditors.

10.12 Deferral of Awards. The Committee may establish one or more programs under the Plan to require or permit Participants the opportunity to elect to defer receipt of consideration upon the exercise of an Award, satisfaction of performance goals, or other event that absent the requirement or election would entitle the Participant to payment or receipt of shares of Stock or other consideration under an Award. The Committee may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Committee deems advisable for the administration of any deferral program, provided that: (a) the Participant makes any permitted election by delivering to the Company written notice of such election, at such time and in such form as the Committee may from time to time prescribe in accordance with the deferral requirements of Section 409A; (b) such election is irrevocable; (c) such deferred payment will be made in accordance with the provisions of such deferred compensation plan; and (d) the terms of the deferred compensation plan and the election to defer under this Plan comply with Section 409A.

10.13 Acceptance of Actions/Determinations. By accepting any Award or other benefit under this Plan, each Participant (and each person claiming under or through such Participant) shall be conclusively deemed to have indicated such Participant’s acceptance and ratification of, and consent to, any action taken or determinations made under this Plan by the Company, the Board or the Committee, and their respective delegatees.

10.14 Governing Law. The validity, construction, interpretation, administration and effect of this Plan, and of its rules and regulations, and rights relating to this Plan and to Awards granted under this Plan, shall be governed by the substantive laws of the Commonwealth of Pennsylvania without regard to its choice or conflicts of laws principles. If any provision of this Plan or any Award is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Plan or any Award, but such provision shall be fully severable, and this Plan or Award, as applicable, shall be construed and enforced as if the illegal or invalid provision had never been included in this Plan or Award, as applicable.

10.15 Non U.S. Participants. In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for awards to Participants who are foreign nationals or who are employed by the Company or any Subsidiary outside of the United States of America or who provide services to the Company under an agreement with a foreign nation or agency, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom, to comply with applicable foreign laws or facilitate the offering and administration of this Plan in view of such foreign laws and/or to allow for tax-preferred treatment of awards. Moreover, the Committee may approve such supplements to or amendments, restatements, or alternative versions of this Plan (including, without limitation, sub-plans) and modify exercise procedures, and other terms and procedures, as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments, restatements, sub-plans or modifications, however, will include any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Company.

10.16 Shareholder Rights and Privileges. A Participant or Personal Representative shall have no rights as a shareholder with respect to any Stock covered by an Award unless and until shares of such Stock are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company).

10.17 Fractional Shares. The Company will not be required to issue any fractional shares of Stock pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement of fractions in cash.

10.18 Enforceability. If any provision of this Plan is or becomes invalid, illegal or unenforceable in any jurisdiction, or would disqualify this Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended or limited in scope to confirm to applicable laws or, in the discretion of the Committee, it shall be stricken and the remainder of this Plan shall remain in full force and effect.

10.19 Recoupment. Notwithstanding any other provision in this Plan, any Awards made under this Plan shall be subject to recovery under any law, governmental regulation, stock exchange listing requirement or Company policy applicable to them, including any related deductions, recoupment and/or claw-back as may be required to be made pursuant to such law, government regulation, stock exchange listing requirement, or Company policy, as may be in effect from time to time, and which may operate to create additional rights for the Company with respect to Awards and recovery of amounts relating thereto. By accepting Awards under the Plan, Participants agree and acknowledge that they are obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to such law, government regulation, stock exchange listing requirement or Company policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid under the Plan from a Participant’s accounts, or pending or future compensation or Awards.

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