

Transocean Ltd.
Form DEFA14A
April 25, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ o

Check the appropriate box:

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

TRANSOCEAN LTD.

(Name of Registrant as Specified In Its Charter)

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

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- ☒ x No fee required.
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 - (1) Amount Previously Paid:
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April 25, 2014

Dear Shareholder:

We have previously sent to you proxy material for the important Annual General Meeting of Shareholders of Transocean Ltd. to be held on May 16, 2014. Your Board of Directors recommends that shareholders vote FOR all of the items on the agenda.

This year, certain items require approval by two-thirds of the shares entitled to vote at the meeting: Items 6 (Reduction of the Maximum Number of Members of the Board of Directors to 11), 8 (Implementation of Majority Vote Standard for Uncontested Elections), and 9 (Amendment to Articles of Association Related to Shareholder Agenda Items). Failure to vote will have the same effect as a vote Against such items.

Your vote is extremely important--no matter how many or how few shares you may own. If you have not already done so, please vote TODAY by signing, dating and returning the enclosed proxy card in the envelope provided.

Thank you for your continued support.

Sincerely,

Ian C. Strachan
Chairman

Steven L. Newman
President and Chief Executive Officer

INVITATION TO THE ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.

Friday, May 16, 2014, 5:00 p.m., Swiss time,
at the Lorzensaal Cham, Dorfplatz 3, CH-6330 Cham, Switzerland

Agenda Items

(1) Approval of the 2013 Annual Report, including the Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2013 and the Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2013.

Proposal of the Board of Directors

The Board of Directors proposes that the 2013 Annual Report, including the consolidated financial statements for the calendar year ending December 31 ("fiscal year"), 2013 and the statutory financial statements for fiscal year 2013, be approved.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 1.

(2) Discharge to the Members of the Board of Directors and Executive Management from Liability for Activities During Fiscal Year 2013.

Proposal of the Board of Directors

The Board of Directors proposes that shareholders grant discharge to the members of the Board of Directors and Messrs. Steven Newman, Esa Ikäheimonen, Allen Katz, John Stobart, David Tonnel and Ihab Toma, who served as members of executive management in 2013, from liability for activities during fiscal year 2013.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 2.

(3) Appropriation of the Available Earnings for Fiscal Year 2013.

Proposal of the Board of Directors

The Board of Directors proposes that all available earnings of the Company be carried forward.

in CHF
thousands

Balance brought forward from previous years 90,284

Net loss of the year (29,675)

Total retained earnings 60,609

Appropriation of available earnings

Balance to be carried forward on this account 60,609

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 3.

(4) Distribution of a Dividend in the Amount of US\$ 3.00 per Outstanding Share of the Company out of General Legal Reserves From Capital Contribution (by way of a release and allocation of general legal reserves from capital contribution to dividend reserve from capital contribution).

Proposal of the Board of Directors

The Board of Directors proposes that (A) CHF 2,046,920,128 of general legal reserves from capital contribution be released and allocated to "dividend reserve from capital contribution" (the "Dividend Reserve"), (B) a dividend in the amount of US\$ 3.00 per outstanding share of the Company be distributed out of, and limited at a maximum to the amount of, such Dividend Reserve and paid in installments at such times and at such record dates as shall be determined by the Board of Directors in its discretion, and (C) any amount of the Dividend Reserve remaining after payment of the final installment be automatically reallocated to "general legal reserves from capital contribution." Dividend payments shall be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries.

Proposed Release and Allocation of General Legal Reserves From Capital Contribution to Dividend Reserve From Capital Contribution

	in CHF thousands
General legal reserves from capital contribution, as of December 31, 2013	9,552,457
less release to Dividend Reserve	(2,046,920)
Remaining general legal reserves from capital contribution	7,505,537

The Board of Directors' proposed shareholder resolution is included in Annex A.
Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 4.

(5) Adoption of Authorized Share Capital.

Proposal of the Board of Directors

The Board of Directors proposes that its authority to issue shares out of the Company's authorized share capital be adopted for a two-year period, expiring on May 16, 2016. Pursuant to the proposal, the Board of Directors' authority to issue new shares in one or several steps will be limited to a maximum of 22,429,838 shares, or approximately 6% of the share capital of the Company currently recorded in the Commercial Register. The Board of Directors does not currently have plans to issue shares under this authorization. The proposed amendments to the Articles of Association are included in Annex B.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 5.

(6) Amendment of the Articles of Association to Reduce the Maximum Number of the Members of the Board of Directors to 11 from 14.

Proposal of the Board of Directors

The Board of Directors proposes that the maximum number of the members of the Board of Directors under the Articles of Association be reduced to 11 from 14 members. The proposed amendments to the Articles of Association are attached as Annex C.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 6.

(7) Amendments to the Articles of Association to Implement the Minder Ordinance.

As a result of recent changes in Swiss law, in particular the amendment to the Swiss Federal Constitution related to board and executive compensation and the Ordinance Against Excessive Compensation at Public Companies, dated November 20, 2013 and effective January 1, 2014 (the "Minder Ordinance"), implementing such amendment, the authority for certain compensation and governance matters is now vested in the shareholders. The amendments proposed by this proposal numbers 7A - 7G are primarily intended to implement the requirements of the Minder Ordinance.

7A Amendments Regarding Election of the Board of Directors, the Chairman of the Board of Directors, the Compensation Committee Members and the Independent Proxy and Other Matters.

Proposal of the Board of Directors

The Board of Directors proposes that our Articles of Association be amended to reflect the requirements of the Minder Ordinance that:

each member of the Board of Directors;
the Chairman of the Board of Directors;
each member of the Compensation Committee; and
the independent proxy

be elected at the Annual General Meeting, each for a term extending until completion of the next Annual General Meeting. Further, the Board of Directors proposes that our Articles of Association be amended to reflect the powers and duties of each of these elected offices in accordance with the Minder Ordinance. Also, the Board of Directors proposes that our Articles of Association be further amended to reflect the requirement pursuant to the Minder

Ordinance that an annual report on the compensation of the Board of Directors and the Executive Management Team be prepared. The proposed amendments to the Articles of Association are attached as Annex D.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 7A.

7B Binding Shareholder Ratification of the Compensation of the Board of Directors and the Executive Management Team.

Proposal of the Board of Directors

The Board of Directors proposes that our Articles of Association be amended to reflect the requirements of the Minder Ordinance for shareholder ratification of the compensation of the Board of Directors and the Executive Management Team. The proposed amendments to the Articles of Association are attached as Annex E.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 7B.

7C Supplementary Amount of Compensation for Members of the Executive Management Team Assuming an Executive Management Team Position During a Compensation Period for Which Shareholder Ratification Has Already Been Granted.

Proposal of the Board of Directors

The Board of Directors proposes that our Articles of Association be amended to reflect the authority of the Board of Directors to grant compensation to members of the Executive Management Team who assume an Executive Management Team position during a compensation period for which shareholder ratification has already been granted. The proposed amendments to the Articles of Association are attached as Annex F.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 7C.

7D General Principles and Terms Applicable to Compensation of the Members of the Board of Directors and the Executive Management Team.

Proposal of the Board of Directors

The Board of Directors proposes that our Articles of Association be amended to reflect the general principles and terms applicable to compensation of the Board of Directors and the Executive Management Team and to enumerate the compensation elements and the principles regarding performance targets and objectives that may be used to compensate, attract, retain and motivate non-executive directors and members of the Executive Management Team. The proposed amendments to the Articles of Association are attached as Annex G.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 7D.

7E Maximum Term and Termination Notice Periods for Members of the Board of Directors and the Executive Management Team and Non-Competition Agreements with Members of the Executive Management Team.

Proposal of the Board of Directors

The Board of Directors proposes that our Articles of Association be amended to reflect the maximum term and maximum termination notice periods of our agreements with members of the Board of Directors and the Executive Management Team relating to their compensation, and the principles applicable to non-competition agreements effective after termination of employment into which the Board of Directors may enter with members of the Executive Management Team, and the consideration paid thereunder. The proposed amendments to the Articles of Association are attached as Annex H.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 7E.

7F Permissible Mandates of Members of the Board of Directors and the Executive Management Team.

Proposal of the Board of Directors

The Board of Directors proposes that our Articles of Association be amended to reflect the maximum number of permissible mandates, as defined by the Minder Ordinance, which members of the Board of Directors and the Executive Management Team may hold outside the Transocean group. The proposed amendments to the Articles of Association are attached as Annex I.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 7F.

7G Loans and Post-Retirement Benefits Beyond Occupational Pensions.

Proposal of the Board of Directors

The Board of Directors proposes that our Articles of Association be amended to reflect our policy restricting the granting of loans to the Board of Directors and the Executive Management Team and the amount of potential post-retirement benefits beyond occupational pensions granted to members of the Executive Management Team. The proposed amendments to the Articles of Association are attached as Annex J.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 7G.

(8) Amendment of Article 18 para. 2 of the Articles of Association Regarding the Applicable Vote Standard for Elections of Directors, the Chairman and the Members of the Compensation Committee.

Proposal of the Board of Directors

The Board of Directors proposes that the Articles of Association be amended such that the members of the Board of Directors, the Chairman of the Board of Directors, and the members of the Compensation Committee in “uncontested elections” are elected upon a relative majority of the

votes cast at the general meeting, instead of upon a plurality of the votes cast at the general meeting. "Contested elections" continue to be subject to a plurality vote standard, meaning that the candidate who receives the greatest number of "FOR" votes is elected. A "relative majority" means a majority of the votes cast "FOR" or "AGAINST" on the matter being voted upon or the nominee to be elected, disregarding abstentions, "broker non votes", blank or invalid votes. If approved, the relative majority vote standard would become effective at the first general meeting of shareholders after the 2014 Annual General Meeting. The proposed amendments to the Articles of Association are attached as Annex K.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 8.

(9) Amendment of Article 14 para. 1 of the Articles of Association Regarding Shareholder Agenda Item Requests Pursuant to Swiss Law.

Proposal of the Board of Directors

The Board of Directors proposes that the English translation of Article 14 para. 1 of our Articles of Association be amended to align the English text translation with the authoritative German text. Specifically, the proposed amendment clarifies that its proviso refers to the anniversary date of the previous year's Annual General Meeting, rather than to the Company's proxy statement in connection with the previous year's Annual General Meeting. The proposed amendments to the Articles of Association are attached as Annex L.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 9.

(10) Reelection of Ten Directors and Election of One New Director, Each for a Term Extending Until Completion of the Next Annual General Meeting.

Proposal of the Board of Directors

The Board of Directors proposes that the following ten candidates be reelected and the following one candidate be elected to the Board of Directors, each for a term extending until completion of the next Annual General Meeting. Previously, some of the directors up for reelection held three-year terms. However, as a result of the Minder Ordinance, all directors hold one-year terms of office and must be reelected at this Annual General Meeting.

10A Reelection of Ian C. Strachan as a director.

10B Reelection of Glyn A. Barker as a director.

10C Reelection of Vanessa C.L. Chang as a director.

10D Reelection of Frederico F. Curado as a director.

10E Reelection of Chad Deaton as a director.

10F Reelection of Martin B. McNamara as a director.

10G Reelection of Samuel Merksamer as a director.

10H Reelection of Edward R. Muller as a director.

10I Reelection of Steven L. Newman as a director.

10J Reelection of Tan Ek Kia as a director.

10K Election of Vincent J. Intrieri as a director.

Recommendation

The Board of Directors recommends you vote "FOR" the (re)election of these candidates as directors.

(11) Election of the Chairman of the Board of Directors for a Term Extending Until Completion of the Next Annual General Meeting.

Proposal of the Board of Directors

The Board of Directors proposes that Ian C. Strachan be elected as the Chairman of the Board of Directors for a term extending until completion of the next Annual General Meeting.

Recommendation

The Board of Directors recommends you vote "FOR" the election of Ian C. Strachan as Chairman of the Board of Directors.

(12) Election of the Members of the Compensation Committee, Each for a Term Extending Until Completion of the Next Annual General Meeting.

Proposal of the Board of Directors

The Board of Directors proposes that the following candidates for election to the Board of Directors also be elected as members of the Compensation Committee:

12A Election of Frederico F. Curado as a member of the Compensation Committee.

12B Election of Martin B. McNamara as a member of the Compensation Committee.

12C Election of Tan Ek Kia as a member of the Compensation Committee.

12D Election of Vincent J. Intrieri as a member of the Compensation Committee.

Recommendation

The Board of Directors recommends you vote "FOR" the election of Frederico F. Curado, Martin B. McNamara, Tan Ek Kia, and Vincent J. Intrieri as members of the Compensation Committee.

(13) Election of the Independent Proxy for a Term Extending Until Completion of the Next Annual General Meeting.

Proposal of the Board of Directors

The Board of Directors proposes that Schweiger Advokatur / Notariat be elected to serve as independent proxy at (and until completion of) the 2015 Annual General Meeting and at any extraordinary general meeting of the Company prior to the 2015 Annual General Meeting.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 13.

(14) Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2014 and Reelection of Ernst & Young Ltd, Zurich, as the Company's Auditor for a Further One-Year Term.

Proposal of the Board of Directors

The Board of Directors proposes that Ernst & Young LLP be appointed as the Company's independent registered public accounting firm for the fiscal year 2014 and that Ernst & Young Ltd, Zurich, be reelected as the Company's auditor pursuant to the Swiss Code of Obligations for a further one-year term, commencing on the date of the 2014 Annual General Meeting and terminating on the date of the 2015 Annual General Meeting.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 14.

(15) Advisory Vote to Approve Named Executive Officer Compensation.

Proposal of the Board of Directors

The Board of Directors proposes that shareholders be provided with an advisory vote pursuant to Section 14A of the U.S. Securities Exchange Act of 1934 to approve the compensation of the Company's Named Executive Officers, as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative disclosure in the definitive 2014 Proxy Statement filed with the United States Securities and Exchange Commission on April 11, 2014 and in our 2013 Annual Report. Our Named Executive Officers for fiscal year 2013 were Steven Newman, Esa Ikäheimonen, Allen Katz, John Stobart, David Tonnel and Ihab Toma.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 15.

(16) Reapproval of the Material Terms of the Performance Goals Under the Long-Term Incentive Plan of Transocean Ltd.

Proposal of the Board of Directors

The Board of Directors proposes that shareholders approve the material terms of the performance goals under the Long-Term Incentive Plan of Transocean Ltd. (in the form as amended and restated as of February 12, 2009) related to performance-based awards under the plan that are intended to qualify as deductible performance-based compensation for purposes of Section 162(m) of the U.S. Internal Revenue Code.

Recommendation

The Board of Directors recommends you vote "FOR" this proposal number 16.

Organizational Matters

A copy of the proxy materials, including a proxy and admission card, has been sent to each shareholder registered in Transocean Ltd.'s share register as of March 28, 2014. Any additional shareholders who are registered in Transocean Ltd.'s share register on April 29, 2014, will receive a copy of the proxy materials after April 29, 2014. Shareholders not registered in Transocean Ltd.'s share register as of April 29, 2014 will not be entitled to attend, vote or grant

proxies to vote at, the 2014 Annual General Meeting.

While no shareholder will be entered in Transocean Ltd.'s share register as a shareholder with voting rights between the close of business on April 29, 2014 and the opening of business on the day following the Annual General Meeting, share blocking and re-registration are not requirements for any Transocean Ltd. shares to be voted at the meeting, and all shares may be traded after the record date. Computershare, which maintains Transocean Ltd.'s share register, will continue to register transfers of Transocean Ltd. shares in the share register in its capacity as transfer agent during this period.

Shareholders registered in Transocean Ltd.'s share register as of April 29, 2014 have the right to attend the Annual General Meeting and vote their shares (in person or by proxy), or may grant a proxy to vote on each of the proposals in this invitation and any modification to any agenda item or proposal identified in this invitation or other matter on which voting is permissible under Swiss law and which is properly presented at the Annual General Meeting for consideration. Shareholders may deliver proxies to the independent proxy, Schweiger Advokatur / Notariat, by marking the proxy card appropriately, executing it in the space provided, dating it and returning it to:

Vote Processing

Transocean 2014 AGM Vote Processing

c/o Broadridge

51 Mercedes Way

Edgewood, NY 11717

USA

or

Schweiger, Advokatur/Notariat

Dammstrasse 19

CH-6300 Zug

Switzerland

We urge you to return your proxy card as soon as possible to ensure that your proxy card is timely submitted. All proxy cards must be received no later than 8:00 a.m. Eastern Daylight Time (EDT), 2:00 p.m. Swiss time, on May 16, 2014.

Shares of holders who have timely submitted a properly executed proxy card and specifically indicated their votes will be voted as indicated. Holders of shares who have timely submitted a properly executed proxy card but have not specifically indicated their votes instruct the independent proxy to vote in accordance with the recommendations of the Board of Directors with regard to the items listed in the notice of meeting.

If any modifications to agenda items or proposals identified in this invitation or other matters on which voting is permissible under Swiss law are properly presented at the Annual General Meeting for consideration, you instruct the independent proxy, in the absence of other specific instructions, to vote in accordance with the recommendations of the Board of Directors.

As of the date of this proxy statement, the Board of Directors is not aware of any such modifications or other matters to come before the Annual General Meeting.

Shareholders who hold their shares in the name of a bank, broker or other nominee should follow the instructions provided by their bank, broker or nominee when voting their shares. Shareholders who hold their shares in the name of a bank, broker or other nominee and wish to vote in person at the meeting must obtain a valid "legal proxy" from the organization that holds their shares. In case of questions, shareholders who hold their shares in the name of a bank, broker or other nominee may also contact the Company at our registered office, Turmstrasse 30, CH-6300 Zug, Switzerland, telephone number +41 (41) 749 0500.

Shareholders may grant proxies to any third party. Such third parties need not be shareholders.

Directions to the 2014 Annual General Meeting can be obtained by contacting our Corporate Secretary at our registered office, Turmstrasse 30, CH-6300 Zug, Switzerland, telephone number +41 (41) 749 0500, or Investor Relations at our offices in the United States, at 4 Greenway Plaza, Houston, TX, USA 77046, telephone number +1 (713) 232-7500. If you intend to attend and vote at the 2014 Annual General Meeting in person, you are required to present either an original attendance card, together with proof of identification, or a "legal proxy" issued by your bank, broker or other nominee in your name, together with proof of identification. If you plan to attend the 2014 Annual General Meeting in person, we urge you to arrive at the Annual General Meeting location no later than 4:00 p.m.

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Swiss time on Friday, May 16, 2014. In order to determine attendance correctly, any shareholder leaving the 2014 Annual General Meeting early or temporarily, will be requested to present such shareholder's admission card upon exit.

Annual Report, Consolidated Financial Statements, Statutory Financial Statements

A copy of the 2013 Annual Report (including the consolidated financial statements for fiscal year 2013, the statutory financial statements of Transocean Ltd. for fiscal year 2013 and the audit reports on such consolidated and statutory financial statements) is available for physical inspection at Transocean Ltd.'s registered office, Turmstrasse 30, CH-6300 Zug, Switzerland. Copies of these materials may be obtained without charge by contacting our Corporate Secretary at our registered office, Turmstrasse 30, CH-6300 Zug, Switzerland, telephone number +41 (41) 749 0500, or Investor Relations at our offices in the United States, at 4 Greenway Plaza, Houston, TX, USA 77046, telephone number +1 (713) 232 7500.

Steinhausen, April 25, 2014

On behalf of the Board of
Directors,

Ian C. Strachan
Chairman

Annex A

Distribution of a Dividend out of General Legal Reserves From Capital Contribution

(following a release and allocation of General Legal Reserves From Capital Contribution to Dividend Reserve From Capital Contribution)

The Board of Directors submits and unanimously recommends that you vote "FOR" the shareholder resolution set forth below.

Shareholder Resolution

It is hereby resolved as follows:

(1) A dividend in the amount of USD 3 per share of the Company (the "Per Share USD Dividend Amount," and the aggregate Per Share USD Dividend Amount, calculated on the basis of the total number of shares outstanding as of the 2014 Annual General Meeting, excluding any shares held by the Company or any of its direct or indirect subsidiaries, the "Aggregate USD Dividend Amount") shall be distributed out of the dividend reserve from capital contribution (expressed in CHF and amounting to CHF 2,046,920,128 pursuant to the proposal of the Board of Directors under Agenda Item 4 (the "Dividend Reserve"); the dividend shall be payable in four equal installments of USD 0.75 per share of the Company outstanding (excluding any shares held by the Company or any of its direct or indirect subsidiaries) on the record date for the applicable installment (each such installment hereinafter a "Per Share Quarterly USD Dividend Amount;" each date on which a Per Share Quarterly USD Dividend Amount is paid hereinafter an "Installment Date;" and the aggregate Per Share Quarterly USD Dividend Amount payable on an Installment Date, calculated on the basis of the total number of shares outstanding as of the record date for the relevant Per Share Quarterly USD Dividend Amount, the "Aggregate Quarterly USD Dividend Amount");

provided, however, that:

(a) if, on the date of the 2014 Annual General Meeting, the Aggregate USD Dividend Amount exceeds, when converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2014 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, the Dividend Reserve (expressed in CHF), the proposed Per Share USD Dividend Amount shall be reduced such that the Aggregate USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2014 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, is at a maximum equal to the Dividend Reserve (expressed in CHF); and

provided, further, that:

(b) if any Aggregate Quarterly USD Dividend Amount, when converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for that Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, exceeds the Dividend Reserve amount (expressed in CHF) as of the record date for that Aggregate Quarterly USD Dividend Amount, taking into account the payment of any preceding Aggregate Quarterly USD Dividend Amount (if any) (the Dividend Reserve so calculated hereinafter the "Remaining Dividend Reserve"), the Per Share Quarterly USD Dividend Amount shall be reduced such that the Aggregate Quarterly USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for such Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, Executive Management Team in its reasonable discretion, is at a maximum equal to the Remaining Dividend Reserve; and

provided, further, that:

(c) the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, shall at any time have the authority to, in its discretion, accelerate or

otherwise change the timing of the payment of the Per Share Quarterly USD Dividend Amount or to pay on an Installment Date more than one Per Share Quarterly USD Dividend Amount.

(2) Shareholders may, upon the terms and conditions provided by the Board of Directors in its reasonable discretion, elect, during the election period as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, to receive any Per Share Quarterly USD Dividend Amount in CHF (subject to the downward adjustments in accordance with the principles set forth above under (1)), at the USD/CHF exchange rate as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its discretion.

(3) It shall be the task of the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team to execute this resolution of the 2014 Annual General Meeting, including, but not limited to, reducing as appropriate the Per Share USD Dividend Amount and/or the Per Share Quarterly USD Dividend Amount, setting the record dates, the ex-dividend dates, the Installment Dates, and determining the duration of the election period to request payment of the Per Share Quarterly USD Dividend Amount in CHF and, for purposes of such election, the applicable USD/CHF exchange rate. As specified in the Articles of Association, the Board of Directors will determine the date from which shares newly issued out of the authorized share capital of the Company are entitled to dividend payments. Shares newly issued out of the conditional share capital are entitled to dividend payments if such shares are issued and outstanding on or before the record date for the relevant Per Share Quarterly USD Dividend Amount. For the avoidance of doubt, shareholders who sell their shares prior to the relevant record date lose their dividend entitlement and transfer such entitlement to the purchaser(s) of their shares.

(4) Any Dividend Reserve amount remaining after the payment of the final Aggregate Quarterly USD Dividend Amount shall, by operation of this shareholder resolution, be immediately reallocated to the account "General legal reserves - Reserve from capital contribution," included in the Company's statutory standalone balance sheet, without any requirement that such reallocation be approved by the Board of Directors or the general meeting of shareholders.

Annex B

Adoption of Authorized Share Capital

Artikel 5

Genehmigtes Aktienkapital

1 (leer gelassen) Der Verwaltungsrat ist ermächtigt, das Aktienkapital jederzeit bis zum 16. Mai 2016 im Maximalbetrag von CHF 336'447'570 durch Ausgabe von höchstens 22'429'838 vollständig zu liberierenden Aktien mit einem Nennwert von je CHF 15 zu erhöhen. Eine Erhöhung (i) auf dem Weg einer Festübernahme durch eine Bank, ein Bankenkonsortium oder Dritte und eines anschliessenden Angebots an die bisherigen Aktionäre sowie (ii) in Teilbeträgen ist zulässig.

2 Der Verwaltungsrat legt den Zeitpunkt der Ausgabe, den Ausgabebetrag, die Art, wie die neuen Aktien zu liberieren sind, den Beginn der Dividendenberechtigung, die Bedingungen für die Ausübung der Bezugsrechte sowie die Zuteilung der Bezugsrechte, welche nicht ausgeübt wurden,

Article 5

Authorized Share Capital

1 (left blank) The Board of Directors is authorized to increase the share capital, at any time until May 16, 2016, by a maximum amount of CHF 336,447,570 by issuing a maximum of 22,429,838 fully paid up Shares with a par value of CHF 15 each. An increase of the share capital (i) by means of an offering underwritten by a financial institution, a syndicate of financial institutions or another third party or third parties, followed by an offer to the then-existing shareholders of the Company, and (ii) in partial amounts shall be permissible.

2 The Board of Directors shall determine the time of the issuance, the issue price, the manner in which the new Shares have to be paid up, the date from which the Shares carry the right to dividends, the conditions for the exercise of the preemptive rights and the allotment

<p>fest. Nicht-ausgeübte Bezugsrechte kann der Verwaltungsrat verfallen lassen, oder er kann diese bzw. Aktien, für welche Bezugsrechte eingeräumt, aber nicht ausgeübt werden, zu Marktkonditionen platzieren oder anderweitig im Interesse der Gesellschaft verwenden.</p>	<p>of preemptive rights that have not been exercised. The Board of Directors may allow the preemptive rights that have not been exercised to expire, or it may place such rights or Shares, the preemptive rights of which have not been exercised, at market conditions or use them otherwise in the interest of the Company.</p>
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<p>3 Der Verwaltungsrat ist ermächtigt, die Bezugsrechte der Aktionäre zu entziehen oder zu beschränken und einzelnen Aktionären oder Dritten zuzuweisen:</p>	<p>3 The Board of Directors is authorized to withdraw or limit the preemptive rights of the shareholders and to allot them to individual shareholders or third parties:</p>
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<p>(a) wenn der Ausgabebetrag der neuen Aktien unter Berücksichtigung des Marktpreises festgesetzt wird; oder</p>	<p>(a) if the issue price of the new Shares is determined by reference to the market price; or</p>
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<p>(b) für die Übernahme von Unternehmen, Unternehmensteilen oder Beteiligungen oder für die Finanzierung oder Refinanzierung solcher Transaktionen oder die Finanzierung von neuen Investitionsvorhaben der Gesellschaft; oder</p>	<p>(b) for the acquisition of an enterprise, part(s) of an enterprise or participations, or for the financing or refinancing of any of such transactions, or for the financing of new investment plans of the Company; or</p>
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<p>(c) zum Zwecke der Erweiterung des Aktionärskreises in bestimmten Finanz- oder Investoren-Märkten, zur Beteiligung von strategischen Partnern, oder im Zusammenhang mit der Kotierung von neuen Aktien an inländischen oder ausländischen Börsen; oder</p>	<p>(c) for purposes of broadening the shareholder constituency of the Company in certain financial or investor markets, for purposes of the participation of strategic partners, or in connection with the listing of new Shares on domestic or foreign stock exchanges; or</p>
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<p>(d) für die Einräumung einer Mehrzuteilungsoption (Greenshoe) von bis zu 20% der zu platzierenden oder zu verkaufenden Aktien an die betreffenden Erstkäufer oder Festübernehmer im Rahmen einer Aktienplatzierung oder eines Aktienverkaufs; oder</p>	<p>(d) for purposes of granting an over-allotment option (Greenshoe) of up to 20% of the total number of Shares in a placement or sale of Shares to the respective initial purchaser(s) or underwriter(s); or</p>
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<p>(e) für die Beteiligung von Mitgliedern des Verwaltungsrates, Mitglieder der Geschäftsleitung, Mitarbeitern, Beauftragten, Beratern oder anderen Personen, die für die Gesellschaft oder eine ihrer Tochtergesellschaften Leistungen erbringen.</p>	<p>(e) for the participation of members of the Board of Directors, members of the Executive Management Team, employees, contractors, consultants or other persons performing services for the benefit of the Company or any of its subsidiaries.</p>
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<p>4 Die neuen Aktien unterliegen den Eintragungsbeschränkungen in das Aktienbuch von Artikel 7 und 9 dieser Statuten.</p>	<p>4 The new Shares shall be subject to the limitations for registration in the share register pursuant to Articles 7 and 9 of these Articles of Association.</p>
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Annex C

Amendment of the Articles of Association to Reduce the Maximum Number of the Members of the Board of Directors to 11 from 14

B. Verwaltungsrat

Artikel 22

Anzahl der Verwaltungsräte

B. Board of Directors

Article 22

Number of Directors

Der Verwaltungsrat besteht aus mindestens zwei (2) und höchstens 14 elf (11) Mitgliedern.

The Board of Directors shall consist of no less than two (2) and no more than 14 eleven (11) members.

Annex D

Amendments Regarding Election of the Board of Directors, the Chairman of the Board of Directors, the Compensation Committee Members and the Independent Proxy and Other Matters

Abschnitt 3:
Gesellschaftsorgane

Section 3:
Corporate Bodies

A. Generalversammlung
Artikel 11
Ordentliche Generalversammlung

A. General Meeting
of Shareholders
Article 11
Annual General
Meeting

Die ordentliche Generalversammlung findet alljährlich innerhalb von sechs Monaten nach Schluss des Geschäftsjahres statt. Spätestens zwanzig Kalendertage vor der Versammlung sind der Geschäftsbericht und der Revisionsbericht *Personal Benefits and Perquisites*. In addition to their other compensation, the Named Executive Officers of the Company also are eligible to receive other benefits, which the Committee believes are commensurate with the types of benefits and perquisites provided to other similarly situated executives. The Committee believes these benefits are set at a reasonable level, are highly valued by recipients, have limited cost, are part of a competitive compensation program and are useful in attracting and retaining qualified executives. They are not tied to the Company's performance. These benefits include medical, dental, disability and life insurance benefits and 401(k) and profit-sharing plan contributions, pursuant to plans that are generally available to employees of the Company. Perquisites include a car allowance, reimbursement for personal tax preparation and financial services fees, and payment of country club dues.

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Retirement and Post-Employment Benefits. The Company provides its executives with certain post-employment and severance benefits as summarized below and further described elsewhere in this Proxy Statement. The Committee believes these benefits are vital to the attraction and retention of qualified executives. These benefits provide the executives with the opportunity to address long-term financial planning with a greater degree of certainty, and also address the Company's interest in continuing to motivate executives in the event of corporate instability, such as a change of control or unforeseen industry changes.

The Company provides Messrs. Siegal, Wolfort and Marabito, as the most valuable executives at the Company, with the opportunity to participate in the Company's Supplemental Executive Retirement Plan (SERP), which is a non-qualified defined contribution savings plan. Under the SERP, the Company provides an annual contribution for each participating executive, a portion of which is based only on the participant's continued service with the Company, and an additional amount is dependent on the Company's return on invested capital for the applicable year. Each of these contribution components is referenced as a specified percentage of the executive's base salary and cash incentive award amount for the year. In addition, each of the members of the Company's senior management group, including the Named Executive Officers, also may participate in the Company's Executive Deferred Compensation Plan, a non-qualified contributory savings plan under which a participant may defer all or any portion of his annual incentive award and up to 90% of his base salary into one or more investment options that are available under the Company's 401(k) plan. The SERP and the Executive Deferred Compensation Plan are further described below under the Non-Qualified Deferred Compensation For Fiscal Year 2006 Table.

To ensure the continuity of corporate management and the continued dedication of key executives during any period of uncertainty caused by a possible Change in Control, the Company entered into management retention agreements with each of the Named Executive Officers, which provide for the payment and provision of certain benefits if there is a change of control of the Company and a termination of the executive's employment with the surviving entity within a certain period after the change in control. The Company also has entered into employment agreements with Messrs. Siegal, Wolfort and Marabito that provide for the payment of certain severance benefits upon terminations of employment other than after a change in control of the Company. These agreements help ensure that the executive's interests remain aligned with those of the shareholders during any time when the executive's continued employment may be in jeopardy. They also provide some level of income continuity should an executive's employment be terminated without cause. These agreements are further described under Potential Payments upon Termination or Change in Control below.

Compensation Policies

Effect of Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code denies a publicly held corporation, such as the Company, a federal income tax deduction for compensation in excess of \$1 million in a taxable year paid to each of its Chief Executive Officer and the four other most highly compensated executive officers. Certain performance-based compensation, such as stock options awarded at fair market value, is not subject to the limitation on deductibility provided that certain shareholder approval and independent Director requirements are met. To the extent consistent with the Company's compensation policies and the Committee's assessment of the interests of shareholders, the Company seeks to design its executive compensation programs to preserve its ability to deduct compensation paid to executives under these programs. However, the Committee also weighs the burdens of such compliance against the benefits to be obtained by the Company and may pay compensation that is not deductible or fully deductible if it determines that such payments are in the Company's best interests. For example, bonuses paid under the Company's Senior Management Compensation Program historically were not intended to satisfy the requirements for the performance-based compensation exemption from Section 162(m). The Committee has determined, however, that, to the extent practicable in view of its compensation philosophy, it will seek to structure the Company's cash bonuses to satisfy the requirements for the performance-based exemption from Section 162(m). Therefore, the Company has submitted the 2007 Omnibus Incentive Plan to its shareholders for approval and, if approved, intends to award future cash bonuses under the plan and believes that such bonuses paid to executives in accordance with the plan will qualify for the exemption for performance-based compensation.

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

REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

The Compensation Committee has reviewed the Compensation Discussion and Analysis (CD&A), discussed the CD&A with management and has recommended to the Board of Directors that the CD&A be included in this Proxy Statement.

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

James B. Meathe, Chairman
Martin H. Elrad
Howard L. Goldstein
Thomas M. Forman

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2006, the Compensation Committee consisted of Messrs. Meathe, Elrad, Goldstein, and Forman. None of the members of the Compensation Committee is (or ever was) an officer or employee of the Company or any of its subsidiaries. There are no Compensation Committee interlocks as defined by applicable SEC rules.

Table of Contents**SUMMARY COMPENSATION TABLE**

The following table sets forth certain information with respect to the compensation paid by the Company during the year ended December 31, 2006 to the Chief Executive Officer, Chief Financial Officer and each of the three other most highly compensated executive officers of the Company in 2006 (the Named Executive Officers):

Name	Year	Salary	Bonus	Awards	Awards	Change in Pension Value			Total
						Non-Equity Incentive Plan	and Nonqualified Deferred	All Other Compensation	
						(1)	(2)	(3)	
Michael D. Siegal	2006	\$ 575,000	\$	\$	\$	\$ 599,394	\$	\$ 334,154	\$ 1,508,548
Chairman & Chief Executive Officer (PEO)									
Richard T. Marabito	2006	\$ 300,000	\$	\$	\$	\$ 599,394	\$	\$ 187,936	\$ 1,087,330
Chief Financial Officer (PFO)									
David A. Wolfort	2006	\$ 550,000(4)	\$	\$	\$	\$ 599,394	\$	\$ 307,273	\$ 1,456,667
President & Chief Operating Officer									
Heber MacWilliams	2006	\$ 166,860	\$	\$	\$	\$ 199,798	\$	\$ 33,423	\$ 400,081
Chief Information Officer									
Richard A. Manson	2006	\$ 150,000	\$	\$	\$	\$ 199,798	\$	\$ 26,317	\$ 376,115
Treasurer									

- (1) Represents amount earned by the Named Executive Officers in 2006 under the Company's Senior Management Compensation Program. Of the incentive amounts earned in 2006, the Named Executive Officers will receive a payment of 50% of the amount in 2007, 12.5% of the amount in 2008, and the remaining 37.5% of the amount in 2009. See the Grants of Plan-Based Awards Table For Fiscal Year 2006 below for a description of the Senior Management Compensation Program and the incentives provided to the Named Executive Officer under the plan in 2006.
- (2) No above market or preferential earnings on nonqualified deferred compensation were earned by any Named Executive Officer in 2006.
- (3) Compensation reported in this column includes (i) the amount of Company contributions made in 2006 on behalf of the Named Executive Officer to the Company's SERP (\$281,175 for Mr. Siegal, \$268,950 for Mr. Wolfort and \$146,700 for Mr. Marabito) and 401(k) and profit-sharing plan; (ii) the premiums paid by the Company for medical, dental, life and disability insurance for each Named Executive Officer; and the incremental cost to the Company of the following perquisites: country club dues, an allowance for personal tax return preparation fees and an automobile allowance.

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- (4) Mr. Wolfort voluntarily deferred \$50,000 of this amount into the Company's Executive Deferred Compensation Program. See the Nonqualified Deferred Compensation for Fiscal Year 2006 Table below for a description of the Executive Deferred Compensation Plan.

Table of Contents**GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR 2006**

The following table sets forth plan-based awards granted to the Company's Named Executive Officers during 2006.

Name	Grant Date	Estimated Future Payouts Under			Estimated Future Payouts Under			All Other		
		Non-Equity Incentive			Equity Incentive			Awards:		
		Plan Awards			Plan Awards			Stock Awards:		
								Number of		
								Exercise or		
Threshold	Target	Maximum	Threshold	Target	Maximum	Stock or Units	Options	Awards	Base Price	of Option
Siegal	(1)	(1)	(1)	(1)	(1)					
Marabito	(1)	(1)	(1)	(1)	(1)					
Wolfort	(1)	(1)	(1)	(1)	(1)					
MacWilliams	(1)	(1)	(1)	(1)	(1)					
Manson	(1)	(1)	(1)	(1)	(1)					

- (1) Under the Company's Senior Management Compensation Program, each of the Named Executive Officers was among the participants that were eligible to earn a cash incentive payout based on the Company's accomplishment of strategic and financial objectives. The plan provided that cash incentive payouts would be available for distribution under the program in individual amounts determined by the Compensation Committee based primarily on the Company's annual consolidated pre-tax income and on the Company's performance in other key metrics. For 2006, the Compensation Committee set the annual cash incentive payout amounts for Messrs. Siegal, Wolfort and Marabito at approximately three times those established for Messrs. MacWilliams and Manson. Accordingly, for 2006, Messrs. Siegal, Wolfort and Marabito each earned an annual cash incentive payout of \$599,394 and Messrs. MacWilliams and Manson each earned an annual cash incentive payout of \$199,798. Annual cash incentive payout amounts will be paid to each executive over a two year period in accordance with the terms of the Senior Management Compensation Program, which is further described below.

Senior Management Compensation Program

The Company has established the Senior Management Compensation Program, which was amended effective January 1, 2005. The objectives of the Senior Management Compensation Program include the following:

- (1) promote profitability, management of assets, and growth of the Company; (2) hold participants accountable to their budgets; (3) provide participants an opportunity to earn an incentive; and (4) provide a plan that aligns the interest of the participant, the Company, and shareholders. The Named Executive Officers, Commercial Vice Presidents, General Managers, certain Corporate Vice Presidents and Managers and others, as determined by the Named Executive Officers, are eligible to participate in the Senior Management Compensation Program.

The Senior Management Compensation Program provides for an annual cash incentive payout to participants, based on a percentage of the consolidated pre-tax income of the Company, subject to some adjustments based on the Company's performance in other key metrics, for the applicable year. The relevant performance measures, including pre-tax income and other operating measures, and individual's incentive percentages are determined by the Compensation Committee at the beginning of each year. The cash incentive may be increased or decreased based upon performance in certain areas as determined by the Compensation Committee.

The annual cash incentive payout is paid to participants as follows: 50% of the annual cash incentive payout amount is paid to the participant following the Company's year end earnings release for the year in which the amount is earned; 12.5% of the annual cash incentive payout amount is paid to the participant following the Company's year end earnings release for the first year after the year in which the amount is earned; and 37.5% of the annual cash incentive

payout amount is paid to the participant following the Company's year end earnings

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release for the second year after the year in which the amount is earned. However, if the remaining 50% of the cash incentive payout amount is less than 25% of the participant's base salary in the year in which the incentive was earned, then the entire cash incentive payout amount is paid to the participant at the time of the initial payment.

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

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2006

The following table sets forth outstanding equity awards held by the Company's Named Executive Officers at December 31, 2006.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options - Exercisable	Number of Securities Underlying Unexercised Options - Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Siegal	23,333			\$ 8.75	4/23/09				
	20,000			\$ 4.84	4/26/10				
	15,000			\$ 2.63	4/30/11				
	10,000			\$ 5.28	4/26/12				
	10,000			\$ 3.50	5/8/13				
	25,000			\$ 12.32	4/26/14				
Marabito	10,000			\$ 5.28	4/26/12				
	10,000			\$ 3.50	5/8/13				
	25,000			\$ 12.32	4/26/14				
Wolfort	20,000			\$ 8.75	4/23/09				
	16,000			\$ 4.84	4/26/10				
	120,000			\$ 1.97	12/31/10				
	13,000			\$ 2.63	4/30/11				
	10,000			\$ 5.28	4/26/12				
	10,000			\$ 3.50	5/8/13				
	25,000			\$ 12.32	4/29/14				
MacWilliams	6,500(2)			\$ 8.75	4/23/09				
	5,000			\$ 4.84	4/26/10				
	5,000			\$ 5.28	4/26/12				
	5,000			\$ 3.50	5/8/13				
Manson	2,500			\$ 3.50	5/8/13				
	8,500			\$ 12.32	4/29/14				

(1) All stock options referenced in this table were granted under the Company's Stock Option Plan, which is further described below.

(2) This stock option was subsequently exercised in full by Mr. MacWilliams in February 2007.

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The Olympic Steel, Inc. Stock Option Plan (Stock Option Plan), was adopted by the Company effective January 6, 1994 and will expire in January 2009, though options outstanding under the Stock Option Plan upon its expiration will remain in effect until their respective termination dates. An aggregate of 1,300,000 shares of Common Stock were authorized for issuance under the Stock Option Plan, 24,170 of which currently remain available for issuance of awards. Employees, non-employee directors, and independent consultants are eligible to receive stock options under the Stock Option Plan. As of March 1, 2007, 16 employees and outside Directors had outstanding options exercisable under the Stock Option Plan. No stock option grants were made in 2006.

The Stock Option Plan is administered by the Compensation Committee, which generally has the authority to determine the participants eligible to receive grants of options under the Stock Option Plan, how the Stock Option Plan will operate, interpret the terms of the Stock Option Plan, and make all determinations under the Stock Option Plan. Employees are eligible to receive incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, under the Stock Option Plan. Non-employee directors and consultants may be granted nonqualified stock options.

The exercise price for stock options is established as the fair market value of a share of Common Stock on the date of grant, which, in accordance with the terms of the Stock Option Plan, has been determined as the mean of the highest and lowest selling prices of shares on the Nasdaq Stock Market on the date of grant. Stock options become exercisable in accordance with the terms established by the Compensation Committee and expire 10 years from the date of grant. Previously granted stock options have been issued with vesting schedules ranging from six months to three years. To the extent possible, the Company issues shares of its treasury stock to option holders in satisfaction of shares issuable upon the exercise of stock options. Stock options granted under the Stock Option Plan generally terminate in the event of termination of employment or services. However, under certain circumstances, options may be exercised within 3 months after the date of termination of employment or services, or within 1 year of a participant's death, but in any event not beyond the original term of the stock option. Upon a Change in Control (as defined in the Stock Option Plan) of the Company, all stock options may become immediately exercisable or may be terminated at the discretion of the Compensation Committee.

The following table provides information as of December 31, 2006 regarding shares outstanding and available for issuance under the Stock Option Plan:

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	477,140	\$ 6.13	24,170
Equity compensation plans not approved by security holders			
Totals	477,140	\$ 6.13	24,170

Table of Contents**OPTION EXERCISES AND STOCK VESTED**

The following table sets forth information regarding each exercise of a stock option by the Company's Named Executive Officers during 2006.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Siegal	0	\$		
Marabito	31,500	\$ 713,255		
Wolfort	100,000	\$ 2,568,667		
MacWilliams	11,500	\$ 214,970		
Manson	9,000	\$ 223,640		

PENSION BENEFITS

None of the Named Executive Officers participates in a defined benefit pension plan sponsored by the Company. All Named Executive Officers participate in the same defined contribution pension plan as all other non-union employees of the Company.

NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL YEAR 2006

The following table sets forth information relating to participation by the Named Executive Officers in the Company's SERP and Executive Deferred Compensation Plan during 2006.

Name	Executive Contributions in Last Fiscal Year	Registrant		Aggregate	
		Contributions in Last Fiscal Year (1)	Earnings in Last Fiscal Year (2)	Aggregate Withdrawals or Distributions	Aggregate Balance at Last Fiscal Year-end
Siegal (a)	\$	\$ 281,175	\$ 35,579	\$	\$ 316,754
Marabito (a)	\$	\$ 146,700	\$ 19,002	\$	\$ 165,702
Wolfort (a)	\$	\$ 207,825	\$ 25,821	\$	\$ 233,646
Wolfort (b)	\$ 50,000(3)	\$	\$ 906	\$	\$ 50,906
MacWilliams	\$	\$	\$	\$	\$
Manson	\$	\$	\$	\$	\$

(a) SERP

(b) Executive Deferred Compensation Plan

(1) The amounts reported in this column have been included with respect to each officer in the "All Other Compensation" column of the Summary Compensation Table, as described in footnote (3) to the table.

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

are calculated under each plan.

- (3) This amount represents the portion of Mr. Wolford's 2006 salary, as reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table, that was deferred into the Executive Deferred Compensation Plan.

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Supplemental Executive Retirement Plan

On January 1, 2005, the Company established the SERP in order to provide unfunded deferred compensation to a select group of officers, management and highly compensated employees of the Company. Currently, Messrs. Siegal, Wolfort and Marabito are the only participants in the SERP.

The SERP provides for a single lump sum payment to a participant of his vested account balance, as adjusted for earnings and losses prior to distribution, following his qualified retirement from the Company. A participant who retires from the Company after attaining age 62 will be entitled to receive a lump sum payment of his vested account balance six months after the date of retirement. A participant who retires from the Company after attaining age 55, but prior to attaining age 62, will be entitled to receive a lump sum payment of his vested account balance after the later of his attainment of age 62 or six months following the date of retirement.

Generally, benefits under the SERP vest ratably on an annual basis over five years (i.e., 20% per year), so that a participant's benefit is fully vested five years after becoming a participant in the SERP. However, the benefits of Messrs. Siegal, Wolfort and Marabito, who became participants in the SERP as of January 1, 2005 vest as follows: 50% on December 31, 2005; 75% on December 31, 2006 and 100% on December 31, 2007.

A participant's benefits under the SERP will become fully vested upon (1) the participant's death while he is an employee, (2) the participant's termination of employment due to disability; (3) the effective date of any termination of the SERP; or (4) the date of a change of control.

The Company annually allocates a deemed base contribution under the SERP for each participant in an amount equal to thirteen percent (13%) of a participant's Applied Compensation. A participant's Applied Compensation is the sum of: (1) the participant's annual base salary; plus (2) the lesser of (a) the actual bonus earned by the participant under the Senior Management Compensation Program in the applicable year, or (b) 50% of the participant's annual base salary earned in the applicable year. Additionally, the Company annually allocates a deemed incentive contribution under the SERP for each participant, based on the Company's return on invested capital (ROIC) for the applicable year, in an amount of 0 to 19.6% of the participant's Applied Compensation. The percentage is determined in accordance with the following table:

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

A participant's account will be credited with earnings and losses based on the performance of investment funds selected by the participant. Account balances are credited with earnings, gains or losses based on the performance of investment options that are available under the Company's 401(k) and profit-sharing plan and selected by the employee. Earnings under the SERP are based on the following underlying funds, which had the following annual returns in 2006: MetLife Stable Value Fund, 4.41%; American Funds Capital World Growth & Income, 22.23%; American Funds EuroPacific Growth, 21.83%; American Funds Growth Fund of America,

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10.91%; Franklin Flex Capital Growth, 5.76%; Franklin US Government Securities, 3.69%; Oppenheimer Main Street Small Cap, 14.64%; MFS International New Discovery, 26.85%; MFS Research Bond, 4.14%; MFS Total Return Fund, 11.77%; MFS Value Fund, 20.67%; Munder Index 500, 15.12%; Davis Opportunity, 17.58%; Oppenheimer Strategic Income, 7.68%; Pioneer Oak Ridge Small Cap Growth, 6.70%; Victory Diversified Stock, 13.89%; Principal Inv SAM Balanced Portfolio, 10.36%; Principal Inv SAM Conservative Balanced, 8.66%; Principal Inv SAM Conservative Growth, 11.89%; Principal Inv SAM Flex Inc, 6.70%; Principal Inv SAM Strategic Growth, 12.75%; and PIMCO Funds Money Market, 4.56%.

Executive Deferred Compensation Plan

The Olympic Steel, Inc. Executive Deferred Compensation Plan (Executive Deferred Compensation Plan) is a non-qualified contributory savings plan established by the Company, effective December 1, 2004, for the purpose of providing a tax effective deferred compensation opportunity for a select group of management and/or highly compensated employees of the Company. Currently, Mr. Wolfort is the only participant who has elected to participate in the plan.

Participants may defer all or any portion of their annual incentive award and up to 90% of their base salary to the Executive Deferred Compensation Plan. Each Participant is eligible to designate one or more investment options that are available under the Company's 401(k) and profit-sharing plan as the deemed investment(s) for the participant's deferred compensation account or such other investment options determined appropriate in the sole discretion of the Board of Directors. Employee deferrals are credited with earnings, gains or losses based on the performance of investment options that are available under the Company's 401(k) and profit-sharing plan and selected by the employee. Earnings under the Executive Deferred Compensation Plan are based on the same funds, with same annual returns for 2006, as described above with respect to the SERP. A participant's contributions are always 100% vested, and distributions from the plan will be paid in cash in a single lump sum upon termination of employment.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Retention Agreements

The Company has executed Management Retention Agreements (the Retention Agreements) with Messrs. Siegal, Wolfort, Marabito, MacWilliams and Manson. Under the agreements, which do not become operative unless there is a Change in Control of the Company (as defined in the Retention Agreements), the Company agrees to continue the employment of the officer for a certain period (the Contract Period) following the Change in Control in the same position with the same duties and responsibilities and at the same compensation level as existed prior to the Change in Control. If the officer's employment is terminated without cause or by the officer for good reason during the Contract Period, or if, in the cases of Messrs Siegal and Wolfort, the officer terminates his employment for any reason or no reason during the 12 month period following a Change in Control, the officer shall receive a lump-sum severance payment (the Severance Amount) with continuation of medical, dental, disability and life insurance benefits for one year (two years in the cases of Messrs. Siegal and Wolfort). The Contract Period for Messrs. Siegal and Wolfort is two years and their Severance Amount equals 2.99 times the average of their respective last three years' compensation, which includes salary, cash bonus, Company contributions to the SERP and 401(k) and profit-sharing plan on behalf of the officer, personal tax preparation fees, automobile allowance and country club dues. The Contract Period for Messrs. Marabito, MacWilliams and Manson is one year and their Severance Amount equals one times the average of their respective last three years' compensation, which includes salary, cash bonus, Company contributions to the SERP and 401(k) and profit-sharing plan on behalf of the officer, personal tax preparation fees, and automobile allowance. The Retention Agreements also provide that, in the event that any of the payments or benefits described above would constitute a parachute payment under Code Section 280G, the payments or benefits provided will be reduced so that no portion is subject to the excise tax imposed by Code Section 4999, but only

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to the extent such reduction will result in a net after tax benefit to the officer. Each of the Retention Agreements contains a non-competition prohibition for one year post-employment (two years in the cases of Messrs. Siegal and Wolfort).

The table below reflects the approximate amounts that would be payable to each Named Executive Officer under the Retention Agreements assuming that a Change in Control occurred at December 31, 2006, that the officer's employment was terminated in a manner triggering payment of the above benefits, and that no reduction of benefits would be made in order to avoid excise taxes imposed by Code Section 4999.

Name	Salary	Cash Incentive Payout	Retirement Plan Contribution Amount (1)	Personal Benefit Amount (2)	Continuation of Insurance Coverage		Total (4)
					(3)		
Siegal	\$ 547,500	\$ 932,281	\$ 197,830	\$ 42,579	\$ 15,998		\$ 5,191,200
Marabito	\$ 284,231	\$ 933,112	\$ 108,180	\$ 19,100	\$ 13,775		\$ 1,358,398
Wolfort	\$ 462,314	\$ 932,280	\$ 169,305	\$ 43,290	\$ 17,340		\$ 4,857,342
MacWilliams	\$ 168,129	\$ 348,797	\$ 10,380	\$ 9,900	\$ 13,775		\$ 550,981
Manson	\$ 137,885	\$ 348,797	\$ 10,380	\$ 900	\$ 13,775		\$ 511,737

- (1) The amounts in this column represent the lump sum payment amount that would be paid to the officer in respect of Company contributions on behalf of the officer to the Company's 401(k) and profit-sharing plan and, in the cases of Messrs. Siegal, Wolfort and Marabito, the SERP (\$187,450 for Mr. Siegal, \$158,925 for Mr. Wolfort and \$97,800 for Mr. Marabito).
- (2) The amounts in this column represent the lump sum payment amount that would be paid to the officer in respect of following personal benefits and perquisites provided to the officer: automobile allowance (in the cases of Messrs. Siegal, Wolfort, Marabito and MacWilliams), fees for personal tax and financial planning (in the cases of Messrs. Siegal, Wolfort and Marabito) and country club dues (in the cases of Messrs. Siegal and Wolfort).
- (3) The amounts in this column represent the amounts that would be paid by the Company for the continuation of medical, dental, disability and life insurance coverage for each officer for one year following termination of employment (two years in the cases of Messrs. Siegal and Wolfort).
- (4) The amounts in this column represent 2.99 times the total compensation amount in the cases of Messrs. Siegal and Wolfort, and one times the total compensation amount in the cases of Messrs. Marabito, MacWilliams and Manson.

Employment Agreements

Siegal Employment Agreement. On August 8, 2006, the Company and Michael D. Siegal entered into an employment agreement pursuant to which Mr. Siegal will serve as Chairman and Chief Executive Officer of the Company for a term ending January 1, 2010, with an automatic three year extension unless the Company or Mr. Siegal provides notice otherwise on or before July 1, 2009. Under the agreement, Mr. Siegal receives a base salary of \$575,000 for 2006, increasing to \$605,000 in 2007, and subject to possible future increases as determined by the Board. During the period of employment, Mr. Siegal will be eligible for a performance bonus under the Company's Senior Management Compensation Program in place as of 2006, as amended, or such other bonus plan that replaces that plan, and Mr. Siegal will be eligible to participate in any long-term incentive plan which may be created or amended by the Board from time to time. If the Company terminates Mr. Siegal's employment without cause (as defined in the agreement) during his employment period, he will continue to receive his base salary, Company contributions to the SERP and 401(k) and profit-sharing plan, coverage under the Company's medical, dental, disability and life insurance programs, and reimbursement for personal tax and financial planning, as in effect on the date of termination, during

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the period ending on the earliest of (i) January 1, 2010, (ii) a breach of the non-competition, non-solicitation or confidentiality clause, or (iii) the second anniversary of the termination of his employment. If Mr. Siegal's employment is terminated due to death or disability, he or his estate will continue to receive his base salary, and he and/or his spouse and any minor

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children will be eligible to continue to participate in the Company's health insurance programs for one year thereafter. If Mr. Siegal's employment had been terminated due to death or disability as of December 31, 2006, he or his estate would be entitled to receive \$575,000 in respect of his base salary and \$12,617 in premiums under the Company's medical and dental insurance programs. The employment agreement contains a two-year non-competition and non-solicitation prohibition and customary confidentiality provisions. Assuming that Mr. Siegal's employment was terminated by the Company without cause as of December 31, 2006, he would be entitled to receive the following benefits: \$1,150,000 in respect of his base salary, \$587,430 in Company contributions to the SERP and 401(k) and profit-sharing plan, \$32,000 in premiums for coverage under the Company's medical, dental, disability and life insurance programs and \$10,000 for reimbursement of personal tax and financial planning fees, for a total of \$1,779,430.

Wolfort Employment Agreement. Mr. Wolfort serves as President and Chief Operating Officer of the Company pursuant to an employment agreement, effective January 1, 2006, expiring on January 1, 2011, with an automatic three year extension unless the Company or Mr. Wolfort provides notice otherwise on or before July 1, 2010. Under the agreement, Mr. Wolfort receives a base salary of \$550,000, subject to possible future increases as determined by the Compensation Committee. During the period of employment, Mr. Wolfort will be eligible for a performance bonus under the Company's Senior Management Compensation Program in place as of 2006, as amended, or such other bonus plan that replaces that plan, and Mr. Wolfort will be eligible to participate in any long-term incentive plan which may be created or amended by the Board from time to time. If the Company terminates Mr. Wolfort's employment without cause (as defined in the agreement) during the employment term, he will continue to receive his base salary, Company contributions to the SERP and 401(k) and profit-sharing plan, coverage under the Company's medical, dental, disability and life insurance programs, and reimbursement for personal tax and financial planning, as in effect on the date of termination, for a period ending on the earlier of (i) December 31, 2010 (subject to extension), (ii) a breach of the non-competition, non-solicitation or confidentiality clause, or (iii) twenty four months from the date of termination of employment. If Mr. Wolfort's employment is terminated due to death or disability, he or his estate will continue to receive his base salary, and he and/or his spouse and any minor children will be eligible to continue to participate in the Company's health insurance programs for one year thereafter. If Mr. Wolfort's employment had been terminated due to death or disability as of December 31, 2006, he or his estate would be entitled to receive \$550,000 in respect of his base salary and \$12,617 in premiums under the Company's medical and dental insurance programs. The employment agreement contains a two-year non-competition and non-solicitation prohibition and customary confidentiality provisions. Assuming that Mr. Wolfort's employment was terminated by the Company without cause as of December 31, 2006, he would be entitled to receive the following benefits: \$1,100,000 in respect of his base salary, \$562,980 in Company contributions to the SERP and 401(k) and profit-sharing plan, \$34,684 in premiums for coverage under the Company's medical, dental, disability and life insurance programs and \$10,000 for reimbursement of personal tax and financial planning fees, for a total of \$1,707,664.

Marabito Employment Agreement. On August 8, 2006, the Company and Richard T. Marabito entered into an employment agreement pursuant to which Mr. Marabito will serve as Chief Financial Officer of the Company for a term ending January 1, 2012, with an automatic three year extension unless the Company or Mr. Marabito provides notice otherwise on or before July 1, 2011. Under the agreement, Mr. Marabito receives a base salary of \$300,000 for 2006, increasing to \$325,000 in 2007, and subject to possible future increases as determined by the Board. During the period of employment, Mr. Marabito will be eligible for a performance bonus under the Company's Senior Manager Compensation Program in place as of 2006, as amended, or such other bonus plan that replaces that plan, and Mr. Marabito will be eligible to participate in any long-term incentive plan which may be created or amended by the Board from time to time. If the Company terminates Mr. Marabito's employment without cause (as defined in the agreement) during his employment period, he will continue to receive his base salary, Company contributions to the SERP and 401(k) and profit-sharing plan, coverage under the Company's medical, dental, disability and life insurance programs, and reimbursement for personal tax and financial planning, as in effect on the date of termination, during the period ending on the earlier of (i) January 1, 2012, (ii) a breach of the non-competition, non-solicitation or confidentiality clause, or (iii) the second anniversary of the termination of his employment. If Mr. Marabito's employment is terminated due to death or

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disability, he or his estate will continue to receive his base salary, and he and/or his spouse and any minor children will be eligible to continue to participate in the Company's health insurance programs for one year thereafter. If Mr. Marabito's employment had been terminated due to death or disability as of December 31, 2006, he or his estate would be entitled to receive \$300,000 in respect of his base salary and \$12,617 in premiums under the Company's medical and dental insurance programs. The employment agreement contains a two-year non-competition and non-solicitation prohibition and customary confidentiality provisions. Assuming that Mr. Marabito's employment was terminated by the Company without cause as of December 31, 2006, he would be entitled to receive the following benefits: \$600,000 in respect of his base salary, \$318,480 in Company contributions to the SERP and 401(k) and profit-sharing plan, \$27,554 in premiums for coverage under the Company's medical, dental, disability and life insurance programs and \$10,000 for reimbursement of personal tax and financial planning fees, for a total of \$956,034.

Retirement Plans

Messrs. Siegal, Wolfort and Marabito are eligible to participate in the Company's SERP and each of the Named Executive Officers is eligible to participate in the Company's Executive Deferred Compensation Plan. The aggregate account balance of each Named Executive Officer under these plans and a description of the amounts payable to each such executive upon retirement from employment by the Company are provided under the Nonqualified Deferred Compensation For Fiscal Year 2006 Table above.

COMPENSATION OF DIRECTORS

During 2006, each Director who was not an employee of the Company received a \$45,000 annual retainer, payable in quarterly installments and reimbursement for out-of-pocket expenses incurred in connection with attending board meetings. The Audit Committee Chairman received an additional \$10,000 and the Chairmen of the Compensation and Nominating Committees each received an additional \$5,000. Upon appointment to the Board, each outside Director is entitled to a stock option grant of 10,000 shares. Directors who are also employees of the Company receive no additional remuneration for serving as Directors.

The following table summarizes compensation paid to the Company's non-employee directors in 2006:

Name	Fees Earned or Paid in		Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation	Total
James B. Meathe	\$ 47,500	\$	\$	\$	\$	\$	\$ 47,500
Martin H. Elrad	\$ 50,000	\$	\$	\$	\$	\$	\$ 50,000
Howard L. Goldstein	\$ 55,000	\$	\$	\$	\$	\$	\$ 55,000
Thomas M. Forman	\$ 48,750	\$	\$	\$	\$	\$	\$ 48,750
Ralph M. Della Ratta	\$ 45,000	\$	\$	\$	\$	\$	\$ 45,000

RELATED PARTY TRANSACTIONS

The Company has adopted a written policy for the review of transactions with related persons. The policy generally requires review, approval or ratification of transactions involving amounts exceeding \$120,000 in which the Company is a participant and in which a director, director-nominee, executive officer, or a significant shareholder of the Company, or an immediate family member of any of the foregoing persons, has a direct or indirect material interest. These transactions must be reported for review by the Audit Committee. Following review, the Audit Committee determines to approve or ratify these transactions, taking into account, among other factors it deems appropriate, whether they are on terms no less favorable to the Company than those available

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with other unaffiliated parties and the extent of related person's interest in the transaction. The Chairman of the Audit Committee has the authority to approve or ratify any related party transaction in which the aggregate amount involved is expected to be less than \$500,000. The policy provides for standing pre-approval of certain related party transactions, even if the amounts involved exceed \$120,000, including certain transactions involving: compensation paid to executive officers and directors of the Company; other companies or charitable organizations where the amounts involved do not exceed \$500,000 or 2% of the organization's total annual revenues or receipts; proportional benefits to all shareholders; rates or charges determined by competitive bids; services as a common or contract carrier or public utility; and banking-related services.

Since 1956, a partnership partially owned by family members of Mr. Siegal has owned a Cleveland warehouse and currently leases it to the Company at an annual rental of \$195,300. The lease expires in 2010, subject to one 10-year renewal.

The Company purchased several business insurance contracts through an insurance broker that formerly employed Mr. Meathe. Commissions and fees paid by the Company to the insurance broker were approximately \$100,000 during 2006.

Mr. Forman serves on the Board of Advisors for a firm that provides psychological testing profiles for new hires of the Company. Fees paid to the firm by the Company were approximately \$11,000 during 2006.

The relationships described above have been reviewed and ratified in accordance with the Company's policy for review of transactions with related persons.

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AUDIT COMMITTEE REPORT

The purpose of the Audit Committee is to assist the Board in its general oversight of the Company's financial reporting, internal controls and audit functions. The Audit Committee Charter describes in greater detail the full responsibilities of the Committee and is available through the Investor Relations section of the Company's website at www.olysteel.com. The Audit Committee is comprised solely of independent Directors as defined by the listing standards of the Nasdaq Stock Market and by Rule 10A-3 under the Securities Exchange Act of 1934, as amended.

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

Management completed the documentation, testing and evaluation of the Company's system of internal controls over financial reporting in 2004 and 2005. During 2006, the third year of certification, management continued to review and enhance the internal control evaluation process and the Audit Committee was kept apprised of the progress of the evaluation and provided oversight and advice to management. In connection with this oversight, the Committee receives periodic updates provided by management and PwC at each regularly scheduled Committee meeting. These updates occur at least quarterly. The Committee also holds regular private sessions with PwC to discuss their audit plan for the year, the financial statements and risks of fraud. At the conclusion of the process, management provides the Committee with and the Committee reviews a report on the effectiveness of the Company's internal control over financial reporting. The Committee also reviews the report of management contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 filed with the SEC, as well as PwC's Report of Independent Registered Public Accounting Firm included in the Company's Annual Report on Form 10-K related to its integrated audit of the Company's fiscal 2005 (i) consolidated financial statements, (ii) management's assessment of the effectiveness of internal control over financial reporting and (iii) the effectiveness of internal control over financial reporting.

As part of fulfilling its responsibilities, the Audit Committee reviewed and discussed the audited consolidated financial statements for 2006 with management and discussed with the Company's independent auditors those matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees) and PCAOB Auditing Standard No. 2 (An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements). The Audit Committee received the written disclosures and the letter required by Independent Standards Board Standard No. 1 (Independence Discussions with Audit Committee) from PwC and discussed that firm's independence with representatives of the firm. The Audit Committee also monitored the services provided by the independent auditors, pre-approved all audit-related services, discussed with PwC the effect of the non-audit services performed on auditor independence, and concluded that the provision of such services by PwC was compatible with the maintenance of that firm's independence in conducting its auditing functions.

Based upon the Audit Committee's review of the audited consolidated financial statements and its discussions with management and the Company's independent auditors, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements for the fiscal year ended December 31, 2006 in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

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

James B. Meathe, Chairman
Martin H. Elrad
Howard L. Goldstein
Thomas M. Forman

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Company has selected PricewaterhouseCoopers LLP (PwC), an independent registered public accounting firm, as its independent auditors for 2007. The decision to retain PwC was made by the Audit Committee. Representatives of PwC are expected to be present at the Annual Meeting, and will have the opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

Audit Fees. Aggregate fees for professional services rendered by PwC for the audit of the Company's annual financial statements and for its review of the financial statements included in the Company's Forms 10-Q were \$530,900 for 2006 and \$511,700 for 2005. Services performed in 2006 and 2005 include the audit of the Company's annual financial statements, the internal control attestations required under the Sarbanes-Oxley Act, and the quarterly reviews of the financial statements included in the Company's Forms 10-Q.

Audit-Related Fees. Aggregate fees for assurance and related services by PwC that were reasonably related to the performance of the audit or review of the Company's financial statements and which were not reported under "Audit Fees" above were \$0 in both 2006 and 2005.

Tax Services. There were no fees for tax services paid to PwC in 2006 and 2005.

All Other Fees. There were no other fees paid to PwC in 2006 or 2005.

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

INCORPORATION BY REFERENCE

To the extent that this proxy statement is incorporated by reference into any other filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, the sections of this Proxy Statement entitled "Compensation Committee Report on Executive Compensation" and "Audit Committee Report" will not be deemed incorporated, unless specifically provided otherwise in such filing.

OTHER MATTERS

The Board of Directors of the Company is not aware that any matter other than listed in the Notice of Meeting that is to be presented for action at the meeting. If any of the Board's nominees is unavailable for election as a Director or for good cause will not serve, or if any other matter should properly come before the meeting or any adjournments thereof, it is intended that votes will be cast pursuant to the Proxy in respect thereto in accordance with the best judgment of the person or persons acting as proxies.

SHAREHOLDERS' PROPOSALS

The deadline for shareholders to submit proposals to be considered for inclusion in the Proxy Statement for the 2008 Annual Meeting of Shareholders is expected to be November 30, 2007.

Shareholder nominations of a person for possible election as a Director for the Company's 2008 Annual Meeting of Shareholders must be received by the Company not later than December 30, 2007, and must be in compliance with applicable laws and regulations and the requirements set forth in the Company's Amended and Restated Code of Regulations.

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Proxies appointed by management will use their discretionary authority to vote the shares they represent as the Board of Directors may recommend at the Company's 2008 Annual Meeting of Shareholders if a shareholder raises a proposal which is not to be included in the Company's proxy materials for such meeting and the Company does not receive proper notice of such proposal at its principal executive offices by February 13, 2008. If notice of any such proposal is timely received, the proxy holders may exercise discretionary authority with respect to such proposal only to the extent permitted by applicable SEC rules. Such proposal must in any circumstance be, under law, an appropriate subject for shareholder action in order to be brought before the meeting.

Any such proposals should be sent in care of the Corporate Secretary at the Company's principal executive offices.

ANNUAL REPORT

The Company's Annual Report for the year ended December 31, 2006, including consolidated financial statements of the Company and the report thereon of PricewaterhouseCoopers LLP is being mailed to shareholders with this Notice of the Annual Meeting and Proxy Statement.

Marc Morgenstern
Secretary

By Order of the Board of Directors
March 30, 2007

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Appendix A

**OLYMPIC STEEL, INC.
2007 OMNIBUS INCENTIVE PLAN**

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OLYMPIC STEEL, INC.

2007 OMNIBUS INCENTIVE PLAN

ARTICLE 1

GENERAL PURPOSE OF PLAN; DEFINITIONS

1.1 *Name and Purposes.* The name of this Plan is the Olympic Steel, Inc. 2007 Omnibus Incentive Plan. The purpose of this Plan is to enable Olympic Steel, Inc. and its Affiliates to (i) attract and retain skilled and qualified officers, other employees, directors and consultants who are expected to contribute to the Company's success by providing long-term incentive compensation opportunities competitive with those made available by other companies, (ii) motivate Plan participants to achieve the long-term success and growth of the Company, (iii) facilitate ownership of shares of the Company and (iv) align the interests of the Plan participants with those of the Company's public Shareholders.

1.2 *Certain Definitions.* Unless the context otherwise indicates, the following words used herein shall have the following meanings whenever used in this instrument:

(a) The word "Affiliate" means any corporation, partnership, joint venture or other entity, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Company as determined by the Board of Directors in its discretion.

(b) The word "Award" means any grant under this Plan of a Stock Option, Stock Appreciation Right, Restricted Shares, Restricted Share Units, Performance Shares, Cash-Based Awards or Other Stock-Based Awards to any Plan participant.

(c) The words "Board of Directors" mean the Board of Directors of the Company, as constituted from time to time.

(d) The words "Cash-Based Award" mean an Award, denominated in cash, granted to a Participant as described in Article 10.

(e) The word "Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations or pronouncements promulgated thereunder. Whenever reference is made to a specific Code section, such reference shall be deemed to be a reference to any successor Code section or sections with the same or similar purpose.

(f) The word "Committee" means the entity administering this Plan as provided in Section 2.1 hereof or, if none has been appointed, then the Board of Directors as a whole.

(g) The words "Common Shares" mean the Common Stock, without par value, of the Company.

(h) The word "Company" means Olympic Steel, Inc., a corporation organized under the laws of the State of Ohio and any successor corporation or business organization which shall assume the duties and obligations of Olympic Steel, Inc. under this Plan.

(i) The words "Date of Grant" mean the date on which the Committee grants an Award or a future date that the Committee designates at the time of the Award.

(j) The word "Director" means a member of the Board of Directors.

(k) The word "Disability" means a medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

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and which results in the Participant: (i) being unable to engage in any substantial gainful activity; or (ii) receiving income replacement benefits for a period of not less than three (3) months under an accident or health plan covering employees of the Company.

(l) The words "Early Retirement" mean a participant's retirement from active employment with the Company or an Affiliate on and after the attainment of age 55.

(m) The words "Eligible Director" mean a Director of the Company who is entitled to participate in the Plan pursuant to Section 4.1.

(n) The acronym "ERISA" means the Employee Retirement Income Security Act of 1974, as amended and any lawful regulations or pronouncements promulgated thereunder. Whenever reference is made to a specific ERISA Section, such reference shall be deemed to be a reference to any successor, ERISA Section or Sections with the same or similar purpose.

(o) The words "Exchange Act" mean the Securities Exchange Act of 1934, as amended, and any lawful regulations or pronouncements promulgated thereunder.

(p) The words "Exercise Price" mean the purchase price of a Share covered by a Stock Option.

(q) The words "Fair Market Value" mean the last closing price of a Share as reported on The Nasdaq Stock Market, or, if applicable, on another national securities exchange on which the Common Shares are principally traded, on the date for which the determination of fair market value is made, or, if there are no sales of Common Shares on such date, then on the most recent immediately preceding date on which there were any sales of Common Shares on such principal trading exchange. If the Common Shares are not or cease to be traded on The Nasdaq Stock Market or another national securities exchange, the "Fair Market Value" of Common Shares shall be determined in the manner prescribed by the Committee. Notwithstanding the foregoing, as of any date, the "Fair Market Value" of Common Shares shall be determined in a manner consistent with Code Section 409A and the guidance then existing thereunder.

(r) The words "Incentive Stock Option" and the acronym "ISO" mean a Stock Option that is clearly identified as such and which meets the requirements of Section 422 of the Code, or any successor provision, and therefore qualifies for favorable tax treatment.

(s) The words "Non-Qualified Stock Option" and the acronym "NQSO" mean a Stock Option that: (i) is governed by Section 83 of the Code; and (ii) does not meet the requirements of Section 422 of the Code.

(t) The words "Normal Retirement" mean retirement from active employment with the Company or an Affiliate on or after the age of 65.

(u) The words "Other Stock-Based Award" mean an equity-based or equity-related Award not otherwise described in this Plan, granted pursuant to Article 10.

(v) The words "Outside Director" mean a Director who meets the definitions of the terms "outside director" set forth in Section 162(m) of the Code, "independent director" set forth in The Nasdaq Stock Market, Inc. rules, and "non-employee director" set forth in Rule 16b-3 under the Exchange Act, or any successor definitions adopted by the Internal Revenue Service, The Nasdaq Stock Market, Inc. and Securities and Exchange Commission, respectively, and similar requirements under any other applicable laws and regulations.

(w) The word "Parent" means any corporation which qualifies as a "parent corporation" of the Company under Section 424(e) of the Code.

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- (x) The words **Performance Shares** are defined in Article 9.
- (y) The word **Plan** means this Olympic Steel, Inc. 2007 Omnibus Incentive Plan, as amended from time to time.
- (z) The acronym **QDRO** means a qualified domestic relations order as defined by the Code.
- (aa) The word **Retirement** means Normal Retirement or Early Retirement.
- (bb) The words **Restricted Shares** are defined in Article 8.
- (cc) The words **Restricted Share Units** are defined in Article 8.
- (dd) The word **Share** or **Shares** means one or more of the Common Shares.
- (ee) The word **Shareholder** means an individual or entity that owns one or more Shares.
- (ff) The words **Stock Appreciation Rights** and the acronym **SAR** mean any right pursuant to an Award granted under Article 7.
- (gg) The words **Stock Option** mean any right to purchase a specified number of Shares at a specified price which is granted pursuant to Article 5 herein and may be an Incentive Stock Option, a Non-Qualified Stock Option.
- (hh) The words **Stock Power** mean a power of attorney executed by a participant and delivered to the Company which authorizes the Company to transfer ownership of Restricted Shares, Performance Shares or Shares from the participant to the Company or a third party.
- (ii) The word **Subsidiary** means any corporation which qualifies as a **subsidiary corporation** of the Company under Section 424(f) of the Code.
- (jj) The word **Vested** means that the time has been reached, with respect to Stock Options, when the option to purchase Shares first becomes exercisable; with respect to Stock Appreciation Rights, when the Stock Appreciation Right first becomes exercisable for payment; with respect to Restricted Shares, when the Shares are no longer subject to forfeiture and restrictions on transferability, with respect to Restricted Share Units, Performance Shares, and Other Stock-Based Awards, when the units are no longer subject to forfeiture and are convertible to Shares; and with respect to Cash-Based Awards when the payment of a cash amount is non-forfeitable. The words **Vest** and **Vesting** have meanings correlative to the foregoing.

ARTICLE 2

ADMINISTRATION

2.1 Authority and Duties of the Committee.

- (a) The Plan shall be administered by a Committee of not less than three Directors who are appointed by the Board of Directors and serve at its pleasure. Unless otherwise determined by the Board of Directors, the Compensation Committee shall serve as the Committee, and all of the members of the Committee shall be Outside Directors. Notwithstanding the requirement that the Committee consist exclusively of Outside Directors, no action or determination by the Committee or an individual considered to be an Outside Director shall be deemed void because a member of the Committee or such individual fails to satisfy the requirements for being an Outside Director, except to the extent required by applicable law.

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- (b) The Committee has the power and authority to grant Awards pursuant to the terms of this Plan to officers, other employees, Eligible Directors and consultants.
- (c) In particular, the Committee has the authority, subject to any limitations specifically set forth in this Plan, to:
 - (i) select the officers, employees, Eligible Directors and consultants to whom Awards are granted;
 - (ii) determine the types of Awards granted and the timing of such Awards;
 - (iii) determine the number of Shares to be covered by each Award granted hereunder;
 - (iv) determine whether an Award is, or is intended to be, performance-based compensation within the meaning of Section 162(m) of the Code;
 - (v) determine the other terms and conditions, not inconsistent with the terms of this Plan and any operative employment or other agreement, of any Award granted hereunder; such terms and conditions include, but are not limited to, the exercise price, the time or times when Options or Stock Appreciation Rights may be exercised (which may be based on performance objectives), any vesting, acceleration or waiver of forfeiture restrictions, any performance criteria (including any performance criteria as described in Section 162(m)(4)(C) of the Code) applicable to an Award, and any restriction or limitation regarding any Option or Stock Appreciation Right or the Common Shares relating thereto, based in each case on such factors as the Committee, in its sole discretion, shall determine;
 - (vi) determine whether any conditions or objectives related to Awards have been met, including any such determination required for compliance with Section 162(m) of the Code;
 - (vii) subsequently modify or waive any terms and conditions of Awards, not inconsistent with the terms of this Plan and any operative employment or other agreement;
 - (viii) determine whether, to what extent and under what circumstances, Shares and other amounts payable with respect to any Award are deferred either automatically or at the election of the participant;
 - (ix) adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan as it deems advisable from time to time;
 - (x) promulgate such administrative forms as they from time to time deem necessary or appropriate for administration of the Plan;
 - (xi) construe, interpret and implement the terms and provisions of this Plan, any Award and any related agreements;
 - (xii) correct any defect, supply any omission and reconcile any inconsistency in or between the Plan, any Award and any related agreements; and
 - (xiii) otherwise supervise the administration of this Plan.
- (d) All decisions made by the Committee pursuant to the provisions of this Plan are final and binding on all persons, including the Company, its Shareholders and Plan participants, but may be made by their terms subject to ratification or approval by the Board of Directors, another committee of the Board of Directors or Shareholders.

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2.2 Delegation of Authority. The Committee may delegate its powers and duties under this Plan to the Chief Executive Officer of the Company, subject to applicable law and such terms, conditions and limitations as the Committee may establish in its sole discretion; *provided, however*, that the Committee may not delegate its powers and duties under this Plan with regard to Awards to the Company's executive officers or any participant who is a covered employee as defined in Section 162(m) of the Code or a Director. The Company shall furnish the Committee with such clerical and other assistance as is necessary for the performance of the Committee's duties under the Plan. In addition, the Committee may delegate ministerial duties to any other person or persons, and it may employ attorneys, consultants, accountants or other professional advisers.

ARTICLE 3

STOCK SUBJECT TO PLAN

3.1 Total Shares Limitation. Subject to the provisions of this Article 3, the maximum number of Shares that may be issued pursuant to Awards granted under this Plan is 500,000 Shares, which may be newly-issued Shares or Shares that have been reacquired in the open market or in private transactions.

3.2 Other Limitations.

(a) **ISO Limitations.** The maximum number of Shares available with respect to all Stock Options granted under this Plan that may be Incentive Stock Options is 500,000 Shares.

(b) **Participant Limitation.** The aggregate number of Shares underlying Awards granted under this Plan to any one participant in any fiscal year, regardless of whether such Awards are thereafter canceled, forfeited or terminated, shall not exceed 50,000 Shares. The maximum aggregate amount awarded or credited with respect to Cash-Based Awards to any one Participant in any fiscal year may not exceed \$3,000,000.00. The foregoing annual limitations are intended to include the grant of all Awards, including but not limited to, Awards representing performance-based compensation as described in Section 162(m)(4)(C) of the Code.

3.3 Awards Not Exercised. In the event any outstanding Award, or portion thereof, expires, or is terminated, canceled or forfeited, the Shares that would otherwise be issuable with respect to the unexercised portion of such expired, terminated, canceled or forfeited Award shall be available for subsequent Awards under this Plan.

3.4 Dilution and Other Adjustments. In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, then the Committee may, in such manner as it deems equitable, adjust any or all of (i) the number and type of Shares (or other securities or other property) which thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards, (iii) the limitations set forth above and (iv) the purchase or exercise price or any performance objective with respect to any Award; *provided, however*, that the number of Shares or other securities covered by any Award or to which such Award relates is always a whole number. Notwithstanding the foregoing, the foregoing adjustments shall be made in compliance with: (i) Sections 422 and 424 of the Code with respect to ISOs; (ii) Section 162(m) of the Code with respect to Performance Share Awards unless specifically determined otherwise by the Committee; (iii) Section 409A of the Code, to the extent the Committee determines it is necessary to avoid its application or avoid adverse tax consequences thereunder.

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ARTICLE 4

PARTICIPANTS

4.1 *Eligibility.* Officers, all other regular active employees of the Company or any of its Affiliates, Eligible Directors and consultants to the Company or any of its Affiliates are eligible to participate in this Plan. The Plan participants shall be selected from time to time by the Committee in its sole discretion, or, with respect to employees other than executive officers or participants who are covered employees as defined in Section 162(m) of the Code, by the Chief Executive Officer in his sole discretion with proper delegation from the Committee.

ARTICLE 5

STOCK OPTION AWARDS

5.1 *Option Grant.* Each Stock Option granted under this Plan (or delegation of authority to the Chief Executive Officer to grant Stock Options) will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by a written agreement dated as of the Date of Grant and executed by the Company and by the Plan participant.

5.2 *Terms and Conditions of Grants.* Stock Options granted under this Plan are subject to the following terms and conditions and may contain such additional terms, conditions, restrictions and contingencies with respect to exercisability and/or with respect to the Shares acquired upon exercise, not inconsistent with the terms of this Plan and any operative employment or other agreement, as the Committee deems desirable:

(a) *Exercise Price.* The Exercise Price fixed at the time of grant will not be less than 100% of the Fair Market Value of the Shares as of the Date of Grant. If a variable Exercise Price is specified at the time of grant, the Exercise Price may vary pursuant to a formula or other method established by the Committee which provides a floor not less than Fair Market Value as of the Date of Grant. Except as otherwise provided in Section 3.4 hereof, no subsequent amendment of an outstanding Stock Option may reduce the Exercise Price to less than 100% of the Fair Market Value of the Shares as of the Date of Grant.

(b) *Option Term.* Any unexercised portion of a Stock Option granted hereunder shall expire at the end of the stated term of the Stock Option. The Committee shall determine the term of each Stock Option at the time of grant, which term shall not exceed ten years from the Date of Grant. The Committee may extend the term of a Stock Option, in its discretion, but not beyond the date immediately prior to the tenth anniversary of the original Date of Grant. If a definite term is not specified by the Committee at the time of grant, then the term is deemed to be ten years.

(c) *Vesting.* Stock Options, or portions thereof, are exercisable at such time or times as determined by the Committee in its discretion at or after grant. If the Committee provides that any Stock Option becomes Vested over a period of time, in full or in installments, the Committee may waive or accelerate such Vesting provisions at any time.

(d) *Method of Exercise.* Vested portions of any Stock Option may be exercised in whole or in part at any time during the option term by giving written notice of exercise to the Company specifying the number of Shares to be purchased. The notice must be given by or on behalf of a person entitled to exercise the Stock Option, accompanied by payment in full of the Exercise Price, along with any required tax withholding pursuant to Section 16.3 hereof. The Exercise Price may be paid:

(i) in cash;

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(ii) by tendering (by either actual delivery of Shares or by attestation) previously-owned Shares having an aggregate Fair Market Value on the date of exercise equal to the Exercise Price applicable to such Stock Option exercise, and, with respect to the exercise of NQSOs, including Restricted Shares;

(iii) by a combination of cash and Shares;

(iv) by authorizing a broker to sell, on behalf of the participant, the appropriate number of Shares otherwise issuable to the participant upon the exercise of a Stock Option with the proceeds of sale applied to pay the Exercise Price and tax withholding; or

(v) by another method permitted by law which assures full and immediate payment of the Exercise Price.

The Committee may prohibit any method of payment for any reason, in its sole discretion, including but not limited to concerns that the proposed method of payment will result in adverse financial accounting treatment or adverse tax treatment for the Company.

If the Exercise Price of a NQSO is paid by tendering Restricted Shares, then the Shares received upon the exercise will contain identical restrictions as the Restricted Shares so tendered. Except as otherwise provided by law and in the Committee's sole discretion, required tax withholding may be paid only by cash, through a same day sale transaction or by withholding Shares.

(e) *Issuance of Shares.* The Company will issue or cause to be issued such Shares promptly upon exercise of the Option. No Shares will be issued until full payment has been made. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a Shareholder will exist with respect to the Shares, notwithstanding the exercise of the Option.

(f) *Form.* Unless the grant of a Stock Option is designated at the time of grant as an ISO, it is deemed to be an NQSO. ISOs are also subject to the terms and conditions stated in Article 6 hereof.

(g) *Special Limitations on Stock Option Awards.* Unless an Award agreement approved by the Committee provides otherwise, Stock Options awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and all Stock Option Awards shall be construed and administered accordingly.

5.3 Termination of Grants Prior to Expiration. Unless otherwise provided in an employment or other agreement entered into between the optionee and the Company and approved by the Committee, either before or after the Date of Grant, or otherwise specified at or after the time of grant, and subject to Article 6 hereof with respect to ISOs, the following early termination provisions apply to all Stock Options:

(a) *Termination by Death.* If an optionee's employment or directorship with the Company or its Affiliates terminates by reason of his or her death, all Stock Options held by such optionee will immediately become Vested, but thereafter may only be exercised (by the legal representative of the optionee's estate, or by the legatee or heir of the optionee pursuant to a will or the laws of descent and distribution) for a period of one year (or such other period as the Committee may specify at or after the time of grant) from the date of such death, or until the expiration of the original term of the Stock Option, whichever period is the shorter.

(b) *Termination by Reason of Disability.* If an optionee's employment or directorship with the Company or its Affiliates terminates by reason of his or her Disability, all Stock Options held by such optionee will immediately become Vested, but thereafter may only be exercised for a period of one year (or

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such other period as the Committee may specify at or after the time of grant) from the date of such termination of employment (or of directorship, if applicable), or until the expiration of the original term of the Stock Option, whichever period is the shorter. If the optionee dies within such one-year period (or such other period as applicable), any unexercised Stock Option held by such optionee will thereafter be exercisable by the legal representative of the optionee's estate, or by the legatee or heir of the optionee pursuant to a will or the laws of descent and distribution, for the greater of the remainder of the one-year period (or other period as applicable) or for a period of twelve months from the date of such death, but in no event shall any portion of the Stock Option be exercisable after its original stated expiration date.

(c) *Termination by Reason of Retirement.* If an optionee's employment or directorship with the Company or its Affiliates terminates by reason of his or her Retirement, all Stock Options held by such optionee immediately become Vested but thereafter may only be exercised for a period of two years (or such other period as the Committee may specify at or after the time of grant) from the date of such Retirement, or until the expiration of the original term of the Stock Option, whichever period is the shorter. If the optionee dies within such two-year period (or such other period as applicable), any unexercised Stock Option held by such optionee will thereafter be exercisable by the legal representative of the optionee's estate, or by the legatee or heir of the optionee pursuant to a will or the laws of descent and distribution, for the greater of the remainder of the two-year period (or such other period as applicable) or for a period of twelve months from the date of such death, but in no event shall any portion of the Stock Option be exercisable after its original stated expiration date.

(d) *Other Termination.* If an optionee's employment or directorship with the Company or its Affiliates terminates, voluntarily or involuntarily, for any reason other than death, Disability, Retirement or for Cause, any Vested portions of Stock Options held by such optionee at the time of termination may be exercised by the optionee for a period of three months (or such other period as the Committee may specify at or after the time of grant) from the date of such termination or until the expiration of the original term of the Stock Option, whichever period is the shorter. No portion of any Stock Option which is not Vested at the time of such termination will thereafter become Vested.

ARTICLE 6

SPECIAL RULES APPLICABLE TO INCENTIVE STOCK OPTIONS

6.1 *Eligibility.* Notwithstanding any other provision of this Plan to the contrary, an ISO may only be granted to full or part-time employees (including officers and Directors who are also employees) of the Company or of an Affiliate, provided that the Affiliate is a Parent or Subsidiary.

6.2 *Special ISO Rules.*

(a) *Exercise Price.* The Exercise Price fixed at the time of grant will not be less than 100% of the Fair Market Value of the Shares as of the Date of Grant. If a variable Exercise Price is specified at the time of grant, the Exercise Price may vary pursuant to a formula or other method established by the Committee which provides a floor not less than Fair Market Value as of the Date of Grant. Except as otherwise provided in Section 3.4 hereof, no subsequent amendment of an outstanding Stock Option may reduce the Exercise Price to less than 100% of the Fair Market Value of the Shares as of the Date of Grant.

(b) *Term.* No ISO may be exercisable on or after the tenth anniversary of the Date of Grant, and no ISO may be granted under this Plan on or after the tenth anniversary of the effective date of this Plan. (See Section 17.1 hereof.)

(c) *Ten Percent Shareholder.* No grantee may receive an ISO under this Plan if such grantee, at the time the Award is granted, owns (after application of the rules contained in Section 424(d) of the Code)

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equity securities possessing more than 10% of the total combined voting power of all classes of equity securities of the Company, its Parent or any Subsidiary, unless (i) the option price for such ISO is at least 110% of the Fair Market Value of the Shares as of the Date of Grant and (ii) such ISO is not exercisable on or after the fifth anniversary of the Date of Grant.

(d) *Limitation on Grants.* The aggregate Fair Market Value (determined with respect to each ISO at the time such ISO is granted) of the Shares with respect to which ISOs are exercisable for the first time by a grantee during any calendar year (under this Plan or any other plan adopted by the Company or its Parent or its Subsidiary) shall not exceed \$100,000. If such aggregate fair market value shall exceed \$100,000, such number of ISOs as shall have an aggregate fair market value equal to the amount in excess of \$100,000 shall be treated as NQSOs.

(e) *Non-Transferability.* Notwithstanding any other provision herein to the contrary, no ISO granted hereunder (and, if applicable, related Stock Appreciation Right) may be transferred except by will or by the laws of descent and distribution, nor may such ISO (or related Stock Appreciation Right) be exercisable during a grantee's lifetime other than by him (or his guardian or legal representative to the extent permitted by applicable law).

(f) *Termination of Employment.* No ISO may be exercised more than three months following termination of employment for any reason (including retirement) other than death or disability, nor more than one year following termination of employment for the reason of death or disability (as defined in Section 422 of the Code), or such option will no longer qualify as an ISO and shall thereafter be, and receive the tax treatment applicable to, an NQSO. For this purpose, a termination of employment is cessation of employment with the Company, a Parent or a Subsidiary.

(g) *Fair Market Value.* For purposes of any ISO granted hereunder (or, if applicable, related Stock Appreciation Right), the Fair Market Value of Shares shall be determined in the manner required by Section 422 of the Code.

6.3 *Subject to Code Amendments.* The foregoing limitations are designed to comply with the requirements of Section 422 of the Code and shall be automatically amended or modified to comply with amendments or modifications to Section 422 or any successor provisions. Any ISO which fails to comply with Section 422 of the Code is automatically treated as a NQSO appropriately granted under this Plan provided it otherwise meets the Plan's requirements for NQSOs.

ARTICLE 7

STOCK APPRECIATION RIGHTS

7.1 *SAR Grant and Agreement.* Stock Appreciation Rights may be granted under this Plan, either independently or in conjunction with the grant of a Stock Option. Each SAR granted under this Plan (or delegation of authority to the Chief Executive Officer to grant SARs) will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by a written agreement dated as of the Date of Grant and executed by the Company and by the Plan participant.

7.2 *SARs Granted in Conjunction with Option.* Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under this Plan, either at the same time or after the grant of the Stock Option, and will be subject to the following terms and conditions:

(a) *Term.* Each Stock Appreciation Right, or applicable portion thereof, granted with respect to a given Stock Option or portion thereof terminates and is no longer exercisable upon the termination or exercise of the related Stock Option, or applicable portion thereof.

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(b) *Exercisability.* A Stock Appreciation Right is exercisable only at such time or times and to the extent that the Stock Option to which it relates is Vested and exercisable in accordance with the provisions of Article 5 hereof or otherwise as the Committee may determine at or after the time of grant.

(c) *Method of Exercise.* A Stock Appreciation Right may be exercised by the surrender of the applicable portion of the related Stock Option. Stock Options which have been so surrendered, in whole or in part, are no longer exercisable to the extent the related Stock Appreciation Rights have been exercised and are deemed to have been exercised for the purpose of the limitation set forth in Article 3 hereof on the number of Shares to be issued under this Plan, but only to the extent of the number of Shares actually issued under the Stock Appreciation Right at the time of exercise. Upon the exercise of a Stock Appreciation Right, subject to satisfaction of tax withholding requirements pursuant to Section 16.3, the holder of the Stock Appreciation Right is entitled to receive up to, but not more than, an amount in cash or Shares equal in value to the excess of the Fair Market Value of one Share over the Exercise Price per Share specified in the related Stock Option, multiplied by the number of Shares in respect of which the Stock Appreciation Right is exercised, with the Committee having the right in its discretion to determine the form of payment. At any time the Exercise Price per Share of the related Stock Option does not exceed the Fair Market Value of one Share, the holder of the Stock Appreciation Right shall not be permitted to exercise such right.

7.3 Independent SARs. Stock Appreciation Rights may be granted without related Stock Options, and independent Stock Appreciation Rights will be subject to the following terms and conditions:

(a) *Term.* Any unexercised portion of an independent Stock Appreciation Right granted hereunder shall expire at the end of the stated term of the Stock Appreciation Right. The Committee shall determine the term of each Stock Appreciation Right at the time of grant, which term shall not exceed ten years from the Date of Grant. The Committee may extend the term of a Stock Appreciation Right, in its discretion, but not beyond the date immediately prior to the tenth anniversary of the original Date of Grant. If a definite term is not specified by the Committee at the time of grant, then the term is deemed to be ten years.

(b) *Exercisability.* A Stock Appreciation Right is exercisable, in whole or in part, at such time or times as determined by the Committee at or after the time of grant.

(c) *Method of Exercise.* A Stock Appreciation Right may be exercised in whole or in part during the term by giving written notice of exercise to the Company specifying the number of Shares in respect of which the Stock Appreciation Right is being exercised. The notice must be given by or on behalf of a person entitled to exercise the Stock Appreciation Right. Upon the exercise of a Stock Appreciation Right, subject to satisfaction of tax withholding requirements pursuant to Section 16.3, the holder of the Stock Appreciation Right is entitled to receive an amount in cash or Shares equal in value to the excess of the Fair Market Value of a Share on the exercise date over the Fair Market Value of a Share on the Date of Grant multiplied by the number of Stock Appreciation Rights being exercised, with the Committee having the right in its discretion to determine the form of payment. At any time the Fair Market Value of a Share on a proposed exercise date does not exceed the Fair Market Value of a Share on the Date of Grant, the holder of the Stock Appreciation Right shall not be permitted to exercise such right.

(d) *Early Termination Prior to Expiration.* Unless otherwise provided in an employment or other agreement entered into between the holder of the Stock Appreciation Right and the Company and approved by the Committee, either before or after the Date of Grant, or otherwise specified at or after the Date of Grant, the early termination provisions set forth in Section 5.3 as applied to Non-Qualified Stock Options will apply to independent Stock Appreciation Rights.

7.4 Other Terms and Conditions of SAR Grants. Stock Appreciation Rights are subject to such other terms and conditions, not inconsistent with the provisions of this Plan and any operative employment or other agreement, as are determined from time to time by the Committee.

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7.5 *Special Limitations on SAR Awards.* Unless an Award agreement approved by the Committee provides otherwise, Stock Appreciation Rights awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and all Stock Appreciation Rights Awards shall be construed and administered accordingly.

ARTICLE 8

RESTRICTED SHARE AND RESTRICTED SHARE UNIT AWARDS

8.1 *Restricted Share Grants and Agreements.* Restricted Share Awards consist of Shares which are issued by the Company to a participant at no cost or at a purchase price determined by the Committee which may be below their Fair Market Value but which are subject to forfeiture and restrictions on their sale or other transfer by the participant. Each Restricted Share Award granted under this Plan (or delegation of authority to the Chief Executive Officer to make Restricted Share Awards) will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by a written agreement dated as of the Date of Grant and executed by the Company and by the Plan participant. The timing of Restricted Share Awards and the number of Shares to be issued (subject to Section 3.2 hereof) are to be determined by the Committee in its discretion. By accepting a grant of Restricted Shares, the participant agrees to remit to the Company when due any required tax withholding as provided in Section 16.3 hereof.

8.2 *Terms and Conditions of Restricted Share Grants.* Restricted Shares granted under this Plan are subject to the following terms and conditions, which, except as otherwise provided herein, need not be the same for each participant, and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement, as the Committee deems desirable:

(a) *Purchase Price.* The Committee shall determine the prices, if any, at which Restricted Shares are to be issued to a participant, which may vary from time to time and among participants and which may be below the Fair Market Value of such Shares at the Date of Grant.

(b) *Restrictions.* All Restricted Shares issued under this Plan will be subject to such restrictions as the Committee may determine, which may include, without limitation, the following:

(i) a prohibition against the sale, transfer, pledge or other encumbrance of the Restricted Shares, such prohibition to lapse at such time or times as the Committee determines (whether in installments, at the time of the death, Disability or Retirement of the holder of such shares, or otherwise, but subject to the Change in Control provisions in Article 12);

(ii) a requirement that the participant forfeit such Restricted Shares in the event of termination of the participant's employment or directorship with the Company or its Affiliates prior to Vesting;

(iii) a prohibition against employment or retention of the participant by any competitor of the Company or its Affiliates, or against dissemination by the participant of any secret or confidential information belonging to the Company or an Affiliate; and

(iv) any applicable requirements arising under the Securities Act of 1933, as amended, other securities laws, the rules and regulations of The Nasdaq Stock Market or any other stock exchange or transaction reporting system upon which such Restricted Shares are then listed or quoted and any state laws, rules and regulations, including blue sky laws.

(v) such additional restrictions as are required to avoid adverse tax consequences under Code Section 409A.

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The Committee may at any time waive such restrictions or accelerate the date or dates on which the restrictions will lapse. However, if the Committee determines that restrictions lapse upon the attainment of specified performance objectives, then the provisions of Sections 9.2 and 9.3 will apply (including, but not limited to, the enumerated performance objectives). If the written agreement governing an award provides that such Award is intended to be performance-based compensation, the provisions of Section 9.4(d) will also apply.

(c) *Delivery of Shares.* Restricted Shares will be registered in the name of the participant and deposited, together with a Stock Power, with the Company. Each such certificate will bear a legend in substantially the following form:

The transferability of this certificate and the Common Shares represented by it are subject to the terms and conditions (including conditions of forfeiture) contained in the Olympic Steel, Inc. 2007 Omnibus Incentive Plan of the Company, and an agreement entered into between the registered owner and the Company. A copy of this Plan and agreement are on file in the office of the Secretary of the Company.

At the end of any time period during which the Restricted Shares are subject to forfeiture and restrictions on transfer, such Shares will be delivered free of all restrictions (except for any pursuant to Section 15.2 hereof) to the participant and with the foregoing legend removed.

(d) *Forfeiture of Shares.* If a participant who holds Restricted Shares fails to satisfy the restrictions, Vesting requirements and other conditions relating to the Restricted Shares prior to the lapse, satisfaction or waiver of such restrictions and conditions, except as may otherwise be determined by the Committee, the participant shall forfeit the Shares and transfer them back to the Company in exchange for a refund of any consideration paid by the participant or such other amount which may be specifically set forth in the Award agreement. A participant shall execute and deliver to the Company one or more Stock Powers with respect to Restricted Shares granted to such participant.

(e) *Voting and Other Rights.* Except to the extent prohibited by Section 162(m) of the Code and the terms of the applicable Restricted Share Agreement, during any period in which Restricted Shares are subject to forfeiture and restrictions on transfer, the participant holding such Restricted Shares shall have all the rights of a Shareholder with respect to such Shares, including, without limitation, the right to vote such Shares and the right to receive any dividends paid with respect to such Shares.

8.3 *Restricted Share Unit Awards and Agreements.* Restricted Share Unit Awards consist of Shares that will be issued to a participant at a future time or times at no cost or at a purchase price determined by the Committee which may be below their Fair Market Value if continued employment, continued directorship and/or other terms and conditions specified by the Committee are satisfied. Each Restricted Share Unit Award granted under this Plan (or delegation of authority to the Chief Executive Officer to make Restricted Share Unit Awards) will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by a written agreement dated as of the Date of Grant and executed by the Company and the Plan participant. The timing of Restricted Share Unit Awards and the number of Restricted Share Units to be awarded (subject to Section 3.2 hereof) are to be determined by the Committee in its sole discretion. By accepting a Restricted Share Unit Award, the participant agrees to remit to the Company when due any required tax withholding as provided in Section 16.3 hereof.

8.4 *Terms and Conditions of Restricted Share Unit Awards.* Restricted Share Unit Awards are subject to the following terms and conditions, which, except as otherwise provided herein, need not be the same for each participant, and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement, as the Committee deems desirable:

(a) *Purchase Price.* The Committee shall determine the prices, if any, at which Shares are to be issued to a participant after Vesting of Restricted Stock Units, which may vary from time to time and among participants and which may be below the Fair Market Value of Shares at the Date of Grant.

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(b) *Restrictions.* All Restricted Share Units awarded under this Plan will be subject to such restrictions as the Committee may determine, which may include, without limitation, the following:

- (i) a prohibition against the sale, transfer, pledge or other encumbrance of the Restricted Share Unit;
- (ii) a requirement that the participant forfeit such Restricted Share Unit in the event of termination of the participant's employment or directorship with the Company or its Affiliates prior to Vesting;
- (iii) a prohibition against employment of the participant by, or provision of services by the participant to, any competitor of the Company or its Affiliates, or against dissemination by the participant of any secret or confidential information belonging to the Company or an Affiliate; and
- (iv) any applicable requirements arising under the Securities Act of 1933, as amended, other securities laws, the rules and regulations of The Nasdaq Stock Market or any other stock exchange or transaction reporting system upon which the Common Shares are then listed or quoted and any state laws, rules and interpretations, including blue sky laws.
- (v) such additional restrictions as are required in order to avoid adverse tax consequences under Code Section 409A.

The Committee may at any time waive such restrictions or accelerate the date or dates on which the restrictions will lapse.

(c) *Performance-Based Restrictions.* The Committee may, in its sole discretion, provide restrictions that lapse upon the attainment of specified performance objectives. In such case, the provisions of Sections 9.2 and 9.3 will apply (including, but not limited to, the enumerated performance objectives). If the written agreement governing an Award provides that such Award is intended to be performance-based compensation, the provisions of Section 9.4(d) will also apply.

(d) *Voting and Other Rights.* A participant holding Restricted Share Units shall not be deemed to be a Shareholder solely because of such units. Such participant shall have no rights of a Shareholder with respect to such units; provided that Restricted Share Units may provide for the payment of dividends or dividend equivalents if so provided in the written agreement governing such units.

(e) *Lapse of Restrictions.* If a participant who holds Restricted Share Units satisfies the restrictions and other conditions relating to the Restricted Share Units prior to the lapse or waiver of such restrictions and conditions, the Restricted Share Units shall be converted to, or replaced with, Shares which are free of all restrictions except for any restrictions required pursuant to Section 15.2 hereof. Notwithstanding the foregoing, the Committee may, in lieu of the conversion and distribution of the Restricted Share Units, establish procedures to permit deferral of Restricted Stock Units of one or more participants who are highly compensated employees or members of a select group of management in accordance with the terms of a deferred compensation plan sponsored by the Company.

(f) *Forfeiture of Restricted Share Units.* If a participant who holds Restricted Share Units fails to satisfy the restrictions, Vesting requirements and other conditions relating to the Restricted Share Units prior to the lapse, satisfaction or waiver of such restrictions and conditions, except as may otherwise be determined by the Committee, the participant shall forfeit the Restricted Share Units.

(g) *Termination.* A Restricted Stock Unit Award or unearned portion thereof will terminate without the issuance of Shares on the termination date specified on the Date of Grant or upon the termination of

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employment or directorship of the participant during the time period or periods specified by the Committee during which any performance objectives must be met (the Performance Period). If a participant's employment or directorship with the Company or its Affiliates terminates by reason of his or her death, Disability or Retirement, the Committee in its discretion at or after the Date of Grant may determine that the participant (or the heir, legatee or legal representative of the participant's estate) will receive a distribution of Shares in an amount which is not more than the number of Shares which would have been earned by the participant if 100% of the performance objectives for the current Performance Period had been achieved prorated based on the ratio of the number of months of active employment in the Performance Period to the total number of months in the Performance Period. However, with respect to Awards intended to be performance-based compensation (as described in Section 9.4(d)), distribution of the Shares shall not be made prior to attainment of the relevant performance objectives.

8.5 Time Vesting of Restricted Share and Restricted Share Unit Awards. Restricted Shares or Restricted Share Units, or portions thereof, are exercisable at such time or times as determined by the Committee in its discretion at or after grant, subject to the restrictions on time Vesting set forth in this Section. If the Committee provides that any Restricted Shares or Restricted Share Unit Awards become Vested over time (with or without a performance component), the Committee may waive or accelerate such Vesting provisions at any time, subject to the restrictions on time Vesting set forth in this Section.

ARTICLE 9

PERFORMANCE SHARE AWARDS

9.1 Performance Share Awards and Agreements. A Performance Share Award is a right to receive Shares in the future conditioned upon the attainment of specified performance objectives and such other conditions, restrictions and contingencies as the Committee may determine. Each Performance Share Award granted under this Plan (or delegation of authority to the Chief Executive Officer to make Performance Share Awards) will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by a written agreement dated as of the Date of Grant and executed by the Company and by the Plan participant. The timing of Performance Share Awards and the number of Shares covered by each Award (subject to Section 3.2 hereof) are to be determined by the Committee in its discretion. By accepting a grant of Performance Shares, the participant agrees to remit to the Company when due any required tax withholding or payment of cash as provided in Section 16.3 hereof.

9.2 Performance Objectives. At the time of grant of a Performance Share Award, the Committee will specify the performance objectives which, depending on the extent to which they are met, will determine the number of Shares that will be distributed to the participant. The Committee also will specify the time period or periods (the Performance Period) during which the performance objectives must be met. The performance objectives and periods need not be the same for each participant nor for each Award. The Committee may use performance objectives based on one or more of the following targets: stock price, market share, sales, earnings per share, return on equity, return on invested capital, costs, earnings, capital adjusted pre-tax earnings (economic profit), earnings before income taxes, depreciation, and amortization, net income, operating income, performance profit (operating income minus an allocated charge approximating the Company's cost of capital, before or after tax), gross margin, revenue, working capital, total assets, net assets, stockholders' equity and cash flow. The Committee may designate a single goal criterion or multiple goal criteria for performance measurement purposes, with the measurement based on absolute Company or business unit performance and/or on performance as compared with that of other publicly-traded companies. The foregoing criteria may have any reasonable definitions that the Committee may specify, which may include or exclude any or all of the following items, as the Committee may specify: extraordinary, unusual, or non-recurring items; effects of accounting changes; effects of currency fluctuations; effects of financing activities (e.g., effect on earnings per share of issuing convertible debt securities); effects of price escalators; expenses for restructuring or productivity initiatives; non-operating items; acquisition expenses; and effects of divestitures. Any such performance criterion or

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combination of such criteria may apply to a participant's Award opportunity in its entirety or to any designated portion or portions of the Award opportunity, as the Committee may specify.

9.3 Adjustment of Performance Objectives. The Committee may modify, amend or otherwise adjust the performance objectives specified for outstanding Performance Share Awards if it determines that an adjustment would be consistent with the objectives of this Plan and taking into account the interests of the participants. Any such adjustments must comply with the requirements of Section 162(m) of the Code to the extent applicable unless the Committee indicates a contrary intention. The types of events which could cause an adjustment in the performance objectives include, without limitation, accounting changes which substantially affect the determination of performance objectives, changes in applicable laws or regulations which affect the performance objectives, and divisive corporate reorganizations, including spin-offs and other distributions of property or stock.

9.4 Other Terms and Conditions. Performance Share Awards granted under this Plan are subject to the following terms and conditions and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement as the Committee deems desirable:

(a) **Delivery of Award.** As soon as practicable after the applicable Performance Period has ended, the participant will receive a distribution of the number of Shares earned during the Performance Period, depending upon the extent to which the applicable performance objectives were achieved. Such Shares will be registered in the name of the participant and will be free of all restrictions except for any pursuant to Section 15.2 hereof.

(b) **Termination.** A Performance Share Award or portion thereof that has not been earned will terminate and be forfeited without the issuance of Shares on the termination date specified at the time of grant or upon the termination of employment or directorship of the participant during the Performance Period. If a participant's employment or directorship with the Company or its Affiliates terminates by reason of his or her death, Disability or Retirement (except with respect to Awards that are designated pursuant to paragraph (d) below as subject to Section 162(m)(4)(c) of the Code), the Committee in its discretion at or after the time of grant may determine, notwithstanding any Vesting requirements under Section 9.4(a), that the participant (or the heir, legatee or legal representative of the participant's estate) will receive a distribution of a portion of the participant's then-outstanding Performance Share Awards in an amount which is not more than the number of shares which would have been earned by the participant if 100% of the performance objectives for the current Performance Period had been achieved prorated based on the ratio of the number of months of active employment in the Performance Period to the total number of months in the Performance Period. However, with respect to Awards intended to be performance-based compensation (as described in Section 9.4(e)), distribution of the Shares shall not be made prior to attainment of the relevant performance objective.

(c) **Voting and Other Rights.** Awards of Performance Shares do not provide the participant with voting rights or rights to dividends prior to the participant becoming the holder of record of Shares issued pursuant to an Award. Prior to the issuance of Shares, Performance Share Awards may not be sold, transferred, pledged, assigned or otherwise encumbered.

(d) **Performance-Based Compensation.** The Committee may designate Performance Share Awards as being remuneration payable solely on account of the attainment of one or more performance goals as described in Section 162(m)(4)(C) of the Code. Such Awards shall be automatically amended or modified to comply with amendments to Section 162 of the Code to the extent applicable, unless the Committee indicates a contrary intention.

9.5 Time Vesting of Performance Share Awards. Performance Share Awards, or portions thereof, are exercisable at such time or times as determined by the Committee in its discretion at or after grant, subject to the

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restrictions on time Vesting set forth in this Section. If the Committee provides that any Performance Shares become Vested over time (accelerated by a performance component), the Committee may waive or accelerate such Vesting provisions at any time, subject to the restrictions on time Vesting set forth in this Section.

9.6 *Special Limitations on Performance Share Awards.* Unless an Award agreement approved by the Committee provides otherwise, Performance Shares awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and all Performance Share Awards shall be construed and administered accordingly.

ARTICLE 10

CASH-BASED AWARDS AND OTHER STOCK-BASED AWARDS

10.1 *Grant of Cash-Based Awards.* Subject to the terms of the Plan, the Committee may, at any time and from time to time, grant Cash-Based Awards to Participants in such amounts and upon such terms as the Committee may determine. The Committee may designate Cash-Based Awards to a participant as being performance-based compensation subject to Section 9.4(d).

10.2 *Other Stock-Based Awards.* The Committee may grant other types of equity-based or equity-related Awards not otherwise described in this Plan (including the grant or offer for sale of unrestricted Shares) in such amounts and subject to such terms and conditions as the Committee shall determine. Such Awards may involve the transfer of actual Shares to participants, or payment in cash or otherwise of amounts based on the value of Shares. The Committee may designate Other Stock-Based Awards to a participant as being performance-based compensation subject to Section 9.4(d).

10.3 *Value of Cash-Based Awards and Other Stock-Based Awards.* Each Cash-Based Award shall specify a payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of Shares or units based on Shares, as determined by the Committee. The Committee may establish performance objectives in its sole discretion. If the Committee exercises its discretion to establish performance objectives, then Sections 9.2 and 9.3 will apply

10.4 *Payment of Cash-Based Awards and Other Stock-Based Awards.* Any payment with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash or Shares, as the Committee determines.

10.5 *Termination of Employment.* The Committee shall determine the extent to which a participant shall have the right to receive Cash-Based Awards or Other Stock-Based Awards following termination of the participant's employment with, or provision of services to, the Company and Subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, such provisions may be included in an agreement entered into with each participant, but need not be uniform among all Awards of Cash-Based Awards or Other Stock-Based Awards issued pursuant to the Plan and may reflect distinctions based on the reasons for termination.

ARTICLE 11

TRANSFERS AND LEAVES OF ABSENCE

11.1 *Transfer of Participant.* For purposes of this Plan, except as provided in Section 6.2(f) with respect to Incentive Stock Options, the transfer of a participant among the Company and its Affiliates is deemed not to be a termination of employment.

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11.2 *Effect of Leaves of Absence.* For purposes of this Plan, the following leaves of absence are deemed not to be a termination of employment:

- (a) a leave of absence, approved in writing by the Company, for military service, sickness or any other purpose approved by the Company, if the period of such leave does not exceed 90 days;
- (b) a leave of absence in excess of 90 days, approved in writing by the Company, but only if the employee's right to reemployment is guaranteed either by a statute or by contract, and provided that, in the case of any such leave of absence, the employee returns to work within 30 days after the end of such leave; and
- (c) any other absence determined by the Committee in its discretion not to constitute a break in service.

ARTICLE 12

EFFECT OF CHANGE OF CONTROL

12.1 *Change of Control Defined.* *Change of Control.* The words "Change of Control" shall mean, but not be limited to:

- (a) the first purchase of shares pursuant to a tender offer or exchange (other than a tender offer or exchange by the Company and/or any affiliate thereof) for all or part of the Company's Common Shares of any class or any securities convertible into such Common Shares and the Participant has elected not to tender or exchange his Common Shares;
- (b) the receipt by the Company of a Schedule 13D or other advice indicating that a person is the beneficial owner (as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934) of twenty percent (20%) or more of the Company's Common Shares calculated as provided in paragraph (d) of said Rule 13d-3;
- (c) the date of approval by shareholders of the Company of an agreement providing for any consolidation or merger of the Company in which the Company will not be the continuing or surviving corporation or pursuant to which shares of capital stock, of any class or any securities convertible into such capital stock, of the Company would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of common stock of all classes of the Company immediately prior to the merger would have the same proportion of ownership of common stock of the surviving corporation immediately after the merger;
- (d) the date of approval by shareholders of the Company of any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company;
- (e) the adoption of any plan or proposal for the liquidation (but not a partial liquidation) or dissolution of the Company; or
- (f) the date (the "Measurement Date") on which the individuals who at the beginning of a two consecutive year period ending on the Measurement Date, cease, for any reason, to constitute at least a majority of the Board of Directors of the Company, unless the election, or the nomination for election by the Company's shareholders, of each new Director during such two-year period was approved by an affirmative vote of the Directors (including any Participant) then still in office who were Directors at the beginning of said two-year period.

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Notwithstanding the foregoing, (i) if any person's ownership interest in the Company increases to 20% or more, solely as a result of the Company's repurchase of its shares, or (ii) Michael D. Siegal increases his ownership interest to 20% or more, such ownership shall not be considered a Change of Control for purposes of subparagraph (b) above.

12.2 Acceleration of Award. Except as otherwise provided in this Plan or an Award agreement, immediately upon the occurrence of a Change of Control:

- (a) all outstanding Stock Options automatically become fully exercisable;
- (b) all Restricted Share Awards automatically become fully Vested;
- (c) all Restricted Share Unit Awards automatically become fully Vested (or, if such Restricted Share Unit Awards are subject to performance-based restrictions, shall become Vested on a prorated basis as described in Section 12.2(d)) and, to the extent Vested, convertible to Shares at the election of the holder;
- (d) all participants holding Performance Share Awards become entitled to receive a partial payout in an amount which is the number of Shares which would have been earned by the participant if 100% of the performance objectives for the current Performance Period had been achieved prorated based on the ratio of the number of months of active employment in the Performance Period to the total number of months in the Performance Period; and
- (e) Stock Appreciation Rights automatically become fully Vested and fully exercisable.
- (f) all participants holding Cash-Based Awards become entitled to a payout of such amounts.
- (g) Other Stock-Based Awards automatically become fully Vested.

ARTICLE 13

TRANSFERABILITY OF AWARDS

13.1 Awards Are Non-Transferable. Except as provided in Sections 13.2 and 13.3, Awards are non-transferable and any attempts to assign, pledge, hypothecate or otherwise alienate or encumber (whether by operation of law or otherwise) any Award shall be null and void.

13.2 Inter-Vivos Exercise of Awards. During a participant's lifetime, Awards are exercisable only by the participant or, as permitted by applicable law and notwithstanding Section 13.1 to the contrary, the participant's guardian or other legal representative.

13.3 Limited Transferability of Certain Awards. The Committee, in its discretion, may allow at or after the time of grant the transferability of Awards which are Vested, provided that the permitted transfer is made (a) pursuant to a QDRO or other applicable domestic relations order to the extent permitted by law; (b) if the Award is an Incentive Stock Option, the transfer is consistent with Section 422 of the Code; (c) to the Company (for example in the case of forfeiture of Restricted Shares), an Affiliate or a person acting as the agent of the foregoing or which is otherwise determined by the Committee to be in the interests of the Company; or (d) by the participant for no consideration to Immediate Family Members or to a bona fide trust, partnership or other entity controlled by and for the benefit of one or more Immediate Family Members. Immediate Family Members means the participant's spouse, children, stepchildren, parents, stepparents, siblings (including half brothers and sisters), in-laws and other individuals who have a relationship to the participant arising because of a legal adoption. No transfer may be made to the extent that transferability would cause Form S-8 or any successor form thereto not to be available to register Shares related to an Award. The Committee in its discretion may impose additional terms and conditions upon transferability.

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ARTICLE 14

AMENDMENT AND DISCONTINUATION

14.1 *Amendment or Discontinuation of this Plan.* The Board of Directors or the Committee may amend, alter, or discontinue this Plan at any time, provided that no amendment, alteration, or discontinuance may be made which would materially and adversely affect the rights of a participant under any Award granted prior to the date such action is adopted by the Board of Directors or the Committee without the participant's written consent thereto.

14.2 *Amendment of Grants.* The Committee may amend, prospectively or retroactively, the terms of any outstanding Award, provided that no such amendment may be inconsistent with the terms of this Plan (specifically including the prohibition on granting Stock Options with an Exercise Price less than 100% of the Fair Market Value of the Common Shares on the Date of Grant) or would materially and adversely affect the rights of any holder without his or her written consent.

14.3 *Effect of Non-Approval of this Plan.* This Plan shall cease to be operative if it is not approved by a majority of the outstanding Shares present (in person, telephonically, electronically, by proxy or its equivalent or as otherwise permitted by the Company's governing documents) and entitled to vote on the approval of this Plan at a meeting of Shareholders of the Company. In the event of such a cessation, any Awards under the Plan shall be revoked and this Plan shall be deemed null and void *ab initio*. In the event of such a cessation, the Company, the Board of Directors and the Committee shall not be liable for any such Awards under this Plan.

ARTICLE 15

SHARE CERTIFICATES

15.1 *Delivery of Share Certificates.* The Company is not required to issue or deliver any certificates for Shares issuable with respect to Awards under this Plan prior to the fulfillment of all of the following conditions:

- (a) payment in full for the Shares and for any required tax withholding (See Section 16.3 hereof);
- (b) completion of any registration or other qualification of such Shares under any Federal or state laws or under the rulings or regulations of the Securities and Exchange Commission or any other regulating body which the Committee in its discretion deems necessary or advisable;
- (c) admission of such Shares to listing on The Nasdaq Stock Market or any stock exchange on which the Shares are listed;
- (d) in the event the Shares are not registered under the Securities Act of 1933, qualification as a private placement under said Act;
- (e) obtaining of any approval or other clearance from any Federal or state governmental agency which the Committee in its discretion determines to be necessary or advisable; and
- (f) the Committee is fully satisfied that the issuance and delivery of Shares under this Plan is in compliance with applicable Federal, state or local law, rule, regulation or ordinance or any rule or regulation of any other regulating body, for which the Committee may seek approval of counsel for the Company.

15.2 *Applicable Restrictions on Shares.* Shares issued with respect to Awards may be subject to such stock transfer orders and other restrictions as the Committee may determine necessary or advisable under any applicable Federal or state securities law rules, regulations and other requirements, the rules, regulations and other requirements of The Nasdaq Stock Market or any stock exchange upon which the Shares are then-listed,

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and any other applicable Federal or state law and will include any restrictive legends the Committee may deem appropriate to include.

15.3 *Book Entry.* In lieu of the issuance of stock certificates evidencing Shares, the Company may use a book entry system in which a computerized or manual entry is made in the records of the Company to evidence the issuance of such Shares. Such Company records are, absent manifest error, binding on all parties.

ARTICLE 16

GENERAL PROVISIONS

16.1 *No Implied Rights to Awards, Employment or Directorship.* No potential participant has any claim or right to be granted an Award under this Plan, and there is no obligation of uniformity of treatment of participants under this Plan. Neither this Plan nor any Award thereunder shall be construed as giving any individual any right to continued employment or continued directorship with the Company or any Affiliate. The Plan does not constitute a contract of employment, and the Company and each Affiliate expressly reserve the right at any time to terminate employees free from liability, or any claim, under this Plan, except as may be specifically provided in this Plan or in an Award agreement.

16.2 *Other Compensation Plans.* Nothing contained in this Plan prevents the Board of Directors from adopting other or additional compensation arrangements, subject to Shareholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

16.3 *Withholding.* Each participant must, no later than the date as of which the value of an Award first becomes includible in the gross income of the participant for income tax purposes, pay, in cash, to the Company, or make arrangements satisfactory to the Company regarding payment of, any Federal, state or local taxes of any kind required by law or other amounts to be withheld with respect to the Award. Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares or sell Shares on the open market having a Fair Market Value on the date the withholding amount is to be determined in an amount not to exceed the total tax that could be imposed on the transaction. All such elections shall be irrevocable, made in writing, and signed by the participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate. The obligations of the Company under this Plan are conditioned on such payment, and the Company, to the extent permitted by law, has the right to deduct any such taxes or other amounts from any payment of any kind otherwise due to a participant, with or without such participant's consent.

16.4 *Rule 16b-3 Compliance.* The Plan is intended to comply with all applicable conditions of Rule 16b-3 of the Exchange Act, as such rule may be amended from time to time. All transactions involving any participant subject to Section 16(a) shall be subject to the conditions set forth in Rule 16b-3, regardless of whether such conditions are expressly set forth in this Plan. Any provision of this Plan that is contrary to Rule 16b-3 does not apply to such participants.

16.5 *Code Section 162(m) Compliance.* The Plan is intended to comply with all applicable requirements of Section 162(m) of the Code with respect to performance-based compensation. Unless the Committee shall otherwise determine, all transactions involving any participant the deductibility of whose compensation is subject to Section 162(m) of the Code shall be subject to such requirements, regardless of whether such requirements are expressly set forth in this Plan. Unless the Committee shall otherwise determine, any provision of this Plan that is contrary to such requirements does not apply to such participants.

16.6 *Successors.* All obligations of the Company with respect to Awards granted under this Plan are binding on any successor to the Company, whether as a 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.

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16.7 *Severability.* In the event any provision of this Plan, or the application thereof to any person or circumstances, is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, or other applications, and this Plan is to be construed and enforced as if the illegal or invalid provision had not been included.

16.8 *Governing Law.* To the extent not preempted by Federal law, this Plan and all Award agreements pursuant thereto are construed in accordance with and governed by the laws of the State of Ohio. This Plan is not intended to be governed by ERISA and shall be so construed and administered.

ARTICLE 17

EFFECTIVE DATES

17.1 *Effective Date.* Subject to the approval of the Shareholders of the Company at the Annual Meeting of Shareholders held in 2007, the effective date of this Olympic Steel, Inc. 2007 Omnibus Incentive Plan is the date of its adoption by the Board of Directors on February 10, 2007.

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Appendix B

The following is the full text of Article VII of the Amended and Restated Code of Regulations of Olympic Steel, Inc. (Company), reflecting the amendment described in Proposal Three of the Company's Proxy Statement dated March 30, 2007.

ARTICLE VII

CERTIFICATES FOR SHARES

Section 1. *Form of Certificates, Share Records and Signatures.*

(a) Subject to Section 1(b) hereof, each holder of shares shall be entitled to one or more certificates, signed by: (a) the Chairman of the Board, if any, the President, or a Vice President and (b) the Secretary, an Assistant Secretary, the Treasurer, or an Assistant Treasurer of the Company. Each certificate shall set forth the number and class of shares held by the holder of shares in the Company, but no certificate for shares shall be executed or delivered until the shares are fully paid. When a certificate is countersigned by an incorporated transfer agent or registrar, the signature of any officer of the Company may be facsimile, engraved, stamped, or printed. Although an officer of the Company whose manual or facsimile signature is affixed to a certificate ceases to hold that office before the certificate is delivered, the certificate nevertheless shall be effective in all respects when delivered.

(b) The Board of Directors, subject to the immediately succeeding paragraph, may provide by resolution that some or all of any or all classes and series of shares of the Company shall be non-certificated shares, provided that the resolution shall not apply to shares represented by a certificate until the certificate is surrendered to the Company and the resolution shall not apply to certificated shares issued in exchange for non-certificated shares. Within a reasonable time after the issuance or transfer of non-certificated shares, the Company shall send to the registered owner of the shares a written notice containing the information required to be set forth or stated on certificates for shares in accordance with all applicable laws. Except as expressly provided by law, the rights and obligations of the holders of non-certificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical.

Notwithstanding the foregoing provisions of this Section 1(b), a shareholder of record shall at all times have the right, so long as it may be required by applicable law, to receive one or more certificates for some or all of the shares held of record by such shareholder in accordance with Section 1(a) hereof by making a written request therefor to the Company or any transfer agent for the applicable class of shares, accompanied by such assurances as the Company or such transfer agent may require as to the genuineness of such request; provided, however, that shareholders holding shares of the Company under one or more of the Company's benefit plans for officers, directors and/or employees shall have no such right to have certificates issued unless such a right is provided for under the applicable benefit plan, required by applicable law or otherwise ordered by the Board of Directors or a Committee thereof.

Section 2. *Transfer of Shares.* Subject to the restriction on transfers of shares hereinafter contained or contained in the Articles, shares of the Company shall be transferable, upon the books of the Company by the holders thereof, in person, or by a duly authorized attorney, upon written request in form and substance acceptable to the Company or its agents, accompanied by a duly endorsed stock power and/or such other assurances as to the genuineness and effectiveness thereof as the Company or its agents may reasonably require.

Section 3. *Lost, Stolen, or Destroyed Certificates.* Subject to the provisions of Section 1(b) of this Article VII, the Company may issue a new certificate for shares in place of any certificate theretofore issued by it and alleged to have been lost, stolen, or destroyed. The Board of Directors, however, in its discretion, may require the owner, or the owner's legal representatives, to give the Company a bond containing such terms as the Board of Directors may require to protect the Company or any person injured by the execution and delivery of a new certificate.

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Section 4. *Transfer Agent and Registrar.* The Board of Directors may appoint, or revoke the appointment of, transfer agents and registrars and may require all certificates for shares to bear the signatures of the transfer agents and registrars, or any of them.

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THIS PROXY WILL BE VOTED AS DIRECTED, OR IF NO DIRECTION IS INDICATED, WILL BE VOTED FOR THE PROPOSALS.

Mark Here

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS.

for Address

Change or

Comments

PLEASE SEE REVERSE SIDE

The Board of Directors recommends a vote FOR Items 1, 2, and 3.

1. Election of three Directors

2. Approve and adopt the Olympic Steel, Inc. 2007 Omnibus Incentive Plan.

FOR AGAINST ABSTAIN
.. ..

Nominees: FOR WITHHELD FOR ALL
FOR ALL EXCEPT
01 Michael D. Siegal

3. Approve and adopt an amendment to the Olympic Steel, Inc. Amended and Restated Code of Regulations.

FOR AGAINST ABSTAIN
.. ..

02 Thomas M. Forman

03 James B. Meathe

4. Any other matter that may properly come before this Meeting and any adjournment thereof.

Withheld for the nominees you list below:
(Write that nominee's name in the space provided below.)

Signature

Signature

Date

NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Δ FOLD AND DETACH HERE Δ

Regardless of whether you plan to attend the Annual Meeting

of Shareholders, you can be sure your shares are

represented at the meeting by promptly returning

your proxy in the enclosed envelope.

Choose **MLinkSM** for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect[®]** at www.lasalleshareholderservices.com/isd/ where step-by-step instructions will prompt you through enrollment.

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Proxy

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 27, 2007
This Proxy is Solicited by the Board of Directors

Proxy

At the Annual Meeting of Shareholders of OLYMPIC STEEL, INC. to be held on April 27, 2007, and at any adjournment, MICHAEL D. SIEGAL and DAVID A. WOLFORT, and each of them, with full power of substitution and resubstitution, are hereby authorized to represent me and vote all my shares on the following matters described in the Notice of Annual Meeting of Shareholders and Proxy Statement, the receipt of which is acknowledged.

You are encouraged to specify your choices by marking the appropriate boxes, but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations. The Proxies cannot vote your shares unless you sign and return this proxy card. Unless otherwise specified on the reverse side, this proxy will be voted FOR the election as Directors of the nominees noted on the reverse side and FOR each of the other proposals noted on the reverse side. The Proxies, in their discretion, are further authorized to vote for the election of a person to the Board of Directors if any nominee herein becomes unavailable to serve or for good cause will not serve, and in their best judgement on any other matters that may properly come before the Annual Meeting and any adjournments thereof.

PLEASE DATE, SIGN, AND RETURN IN THE ENCLOSED ENVELOPE NO POSTAGE NECESSARY.

(Continued and to be signed on reverse side)

Address Change/Comments (Mark the corresponding box on the reverse side)

Δ FOLD AND DETACH HERE Δ