

FRIEDMAN INDUSTRIES INC
Form DEF 14A
July 20, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

FRIEDMAN INDUSTRIES, INCORPORATED

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

Title of each class of securities to which transaction applies:

(1)

Aggregate number of securities to which transaction applies:

(2)

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

(3)

Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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

Amount Previously Paid:

(1)

Form, Schedule or Registration Statement No.:

(2)

Filing Party:

(3)

Date Filed:

(4)

FRIEDMAN INDUSTRIES, INCORPORATED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of Friedman Industries, Incorporated:

The Annual Meeting of Shareholders of Friedman Industries, Incorporated will be held in the offices of Norton Rose Fulbright US LLP, 1301 McKinney, Suite 5100, Houston, Texas, on Thursday, September 1, 2016, at 11:00 a.m. (Central Time), for the following purposes:

- (1) To elect a board of seven directors for the following year.
- (2) To vote on a non-binding advisory resolution regarding the compensation of Named Executive Officers.
- (3) To ratify the selection of Hein & Associates LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2017.
- (4) To approve the Friedman Industries, Incorporated 2016 Restricted Stock Plan.
- (5) To transact such other business as may properly come before the meeting and any adjournment thereof.

The Board of Directors has fixed the close of business on July 15, 2016, as the record date for the determination of shareholders entitled to receive this notice and to vote at the meeting.

All shareholders are cordially invited to attend the meeting.

This notice and the accompanying proxy materials have been sent to you by order of the Board of Directors.

By Order
of the
Board of
Directors,

/s/ ALEX
LARUE

Secretary

July 20, 2016

Houston, Texas

IMPORTANT

Whether or not you expect to attend the meeting, please sign and date the enclosed white proxy card and mail it in the enclosed envelope to assure representation of your shares. If you attend the meeting, you may vote either in person or by your proxy.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
SHAREHOLDER MEETING TO BE HELD ON SEPTEMBER 1, 2016**

The accompanying proxy statement, a form of proxy card and a copy of our 2016 Annual Report to Shareholders are available at <http://www.friedmanindustries.com/proxy.htm>.

FRIEDMAN INDUSTRIES, INCORPORATED

PROXY STATEMENT

For Annual Meeting of Shareholders

To Be Held on September 1, 2016

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Friedman Industries, Incorporated (the “Company”), 19747 Hwy 59 N, Suite 200, Humble, Texas 77338 (telephone number 713-672-9433) to be used at the Annual Meeting of Shareholders to be held at 11:00 a.m. (Central Time) on Thursday, September 1, 2016 (the “Annual Meeting”), in the offices of Norton Rose Fulbright US LLP, 1301 McKinney, Suite 5100, Houston, Texas, for the purposes set forth in the foregoing notice of the meeting. Properly executed proxies received in time for the meeting will be voted as directed therein, unless revoked in the manner provided hereinafter. As to any matter for which no choice has been specified in a proxy, other than as specifically set forth herein, the shares represented thereby will be voted by the persons named in the proxy (i) for the election as director of all of the nominees listed herein, (ii) for the non-binding, advisory resolution regarding the compensation of Named Executive Officers, (iii) for the ratification of the selection of Hein & Associates LLP as the Company’s independent registered public accounting firm for the fiscal year ending March 31, 2017, (iv) for the approval of the Friedman Industries, Incorporated 2016 Restricted Stock Plan and (v) in the discretion of such persons in connection with any other business that may properly come before the meeting. If the enclosed form of proxy is executed and returned, it may nevertheless be revoked by the shareholder at any time before it is exercised pursuant to either the shareholder’s execution and return of a subsequent proxy or the shareholder’s voting in person at the Annual Meeting.

At the close of business on July 15, 2016, there were 6,799,444 shares of our common stock, \$1.00 par value (“Common Stock”), outstanding. Holders of record of Common Stock on such date will be entitled to one vote per share on all matters to come before the shareholders at the Annual Meeting.

The holders of a majority of the total shares of Common Stock issued and outstanding on the record date, whether present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. The shares held by each shareholder who signs and returns the enclosed form of proxy will be counted for purposes of determining the presence of a quorum at the Annual Meeting.

Our Annual Report to Shareholders for the fiscal year ended March 31, 2016, including financial statements, is enclosed with this proxy statement. The Annual Report to Shareholders does not constitute a part of the proxy

soliciting materials. This proxy statement is being mailed on or about August 1, 2016, to shareholders of record as of July 15, 2016.

PROPOSAL 1:

ELECTION OF DIRECTORS

The persons who are elected directors will hold office until the next Annual Meeting of Shareholders and until their successors are elected and shall qualify. The Board of Directors consists of seven members.

It is intended that the persons appointed as proxies to act on behalf of shareholders in the enclosed proxy will vote for the election of the seven nominees named below. Proxies cannot be voted for a greater number of persons than the number of nominees named. The management of the Company does not contemplate that any of such nominees will become unavailable to serve as a director. However, should any nominee be unable to serve as a director or become unavailable for any reason, proxies which do not withhold authority to vote for that nominee may be voted for another nominee to be selected by the Nominating Committee of the Board of Directors.

The enclosed form of proxy provides a means for shareholders to vote for all of the nominees for director listed therein, to withhold authority to vote for one or more of such nominees or to withhold authority to vote for all of such nominees. If you hold shares of our Common Stock through a broker-dealer, bank nominee, custodian or other securities intermediary, **the intermediary will not vote those shares for the election of any nominee for director unless you give the intermediary specific voting instructions on a timely basis directing the intermediary to vote for such nominee.**

The withholding of authority by a shareholder and broker non-votes will be considered as not voted for the election of any directors. Each director nominee receiving a plurality of votes cast will be elected as a director.

The following table sets forth the names of the nominees for election to the Board of Directors, the principal occupation or employment of each of the nominees, the period during which each nominee has served as a director of the Company and the age of each nominee:

Nominee	Principal Occupation and Business Experience for more	Director Age Since
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than the Last Five Years

William E. Crow	Chief Executive Officer of the Company since February 2006; President of the Company from 1995 through fiscal year 2016; formerly Chief Operating Officer of the Company from 1995 through January 2006	1998	69
Durga D. Agrawal	President, Piping Technology & Products, Inc. (pipe fabrication), Houston, Texas	2006	71
Charles W. Hall	Attorney, Norton Rose Fulbright US LLP (law firm), Houston, Texas	1974	86
Alan M. Rauch	President, Ener-Tex International Inc. (oilfield equipment sales), Houston, Texas	1980	81
Max Reichenthal	President, Texas Iron and Metal (steel product sales), Houston, Texas	2008	58
Joel Spira	Private investor, Houston, Texas; formerly Partner, Weinstein Spira & Company (accounting firm), Houston, Texas	2007	78
Joe L. Williams	Partner, PozmantierWilliams Insurance Consultants, LLC (insurance and risk management consultants), Houston, Texas	2000	70

The Board of Directors recommends voting “FOR” the election of each of the nominees named above.

BOARD OF DIRECTORS

Our business and affairs are managed under the direction of the Board of Directors.

Director Qualifications

As set forth in the Charter of the Nominating Committee of the Board of Directors, a majority of the members of the Board of Directors must qualify as independent directors in accordance with the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the rules promulgated thereunder and the applicable rules of the NYSE MKT. In addition, the Nominating Committee shall consider the following qualifications in assessing director candidates: (a) an understanding of business and financial affairs and the complexities of a business organization; (b) a record of competence and accomplishments through leadership in industry, education, the professions or government; (c) a genuine interest in representing all of the shareholders and the interest of the Company overall; (d) a willingness to maintain a committed relationship with the Company as a director; (e) a willingness and ability to spend the necessary time required to function effectively as a director; (f) a reputation for honesty and integrity; and (g) such other additional qualifications as the Nominating Committee may establish from time to time, taking into account the composition and expertise of the entire Board of Directors.

In addition, the following experience, qualifications, attributes and skills were considered in determining the current nominees for director:

Mr. Crow has been associated with our Company in various capacities since 1972, including as an executive officer since 1981. His combination of experience and thorough knowledge of our business qualify him to serve as a member of our Board of Directors.

Mr. Agrawal has past and current experience as an executive officer in charge of running a business in Houston, Texas. His independence, his executive experience and broad operational and business experience qualify him to serve as a member of our Board of Directors.

Mr. Hall has been a director of our Company since 1974. He is a retired partner from Norton Rose Fulbright US LLP, our Company's counsel. He continues to be associated with the firm and continues to practice law. His long tenure as an independent director and knowledge of our business qualify him to serve as a member of our Board of Directors.

Mr. Rauch has past and current experience as an executive officer in running several businesses, including his current operation in Houston, Texas. His independence, his insight into our operations and his executive experience qualify him to serve as a member of our Board of Directors.

Mr. Reichenthal has past and current experience as an executive officer in charge of running a business in Houston, Texas. He is thoroughly familiar with the steel and pipe business. His independence, his business experience and his experience as an executive officer qualify him to serve as a member of our Board of Directors.

Mr. Spira has a background in accounting and finance. He was formerly a partner at Weinstein Spira & Company, an accounting firm in Houston, Texas. Mr. Spira qualifies as a “financial expert” as defined by the U.S. Securities and Exchange Commission (the “SEC”). His independence, his executive experience and his background in accounting and financial matters qualify him to serve as a member of our Board of Directors.

Mr. Williams has a broad range of experience in insurance and risk management. He has served as an executive officer in several large insurance businesses and is currently a partner of an insurance operation in Houston, Texas. His independence, insight into business operations and executive experience qualify him to serve as a member of our Board of Directors.

Identifying and Evaluating Nominees for Directors

The Nominating Committee of the Board of Directors utilizes a variety of methods for identifying and evaluating nominees for director. The Nominating Committee assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating Committee will consider various potential candidates for director. Candidates may come to the attention of the Nominating Committee through current Board members, professional search firms, shareholders or other persons. Shareholders may recommend nominees by contacting the Nominating Committee at P.O. Box 62388, Houston, Texas 77205. With respect to appropriately qualified nominees recommended by shareholders, our Nominating Committee will consider such nominees in the same manner as it evaluates other potential director nominees. In evaluating director nominations, the Nominating Committee seeks to achieve a diverse range of perspectives based on each Board member’s knowledge, life experiences, capabilities and background. While the Nominating Committee does not have a formal policy with respect to diversity, it does attempt to identify director nominees who can provide a diverse perspective to the Board of Directors.

Board of Directors Independence

The Board of Directors has affirmatively determined that all members of the Board, with the exception of Mr. Crow, are independent and have no material relationship with the Company that would interfere with their exercise of independent judgment.

Board Executive Session

In addition to regular Board meetings, the Board of Directors has established a program for the independent directors to meet at regularly scheduled executive sessions without management present as often as necessary, but not less than once in each fiscal year. Mr. Williams serves as the presiding director for each executive session.

Board Leadership Structure and Role in Risk Oversight

The Company currently does not have a Chairman of the Board. Mr. Crow, Chief Executive Officer of the Company, serves as the chairman of the meetings of the Board and in consultation with Mr. Alex LaRue, Vice President — Secretary & Treasurer of the Company, prepares the agenda for Board meetings. This arrangement allows Mr. Crow to focus on the day-to-day management of the Company as well as to lead the meetings of the Board of Directors. Mr. Williams serves as the presiding director of the executive sessions of the Board, in which all independent directors meet outside of the presence of management to discuss various matters pertaining to the Company.

With respect to the oversight of the Company's risk, the Company's executive officers supervise the day-to-day risk management responsibilities and in turn report, when necessary, to the Audit Committee with respect to financial and operational risk and to the full Board with respect to risks associated with the Company's overall strategy.

Attendance at the Annual Meeting of Shareholders

The Board of Directors holds a regular meeting in conjunction with the Annual Meeting of Shareholders. Directors are encouraged to and generally attend the Annual Meeting of Shareholders. Six of the seven directors attended the 2015 Annual Meeting of Shareholders.

Communications with the Board

Shareholders may contact our directors individually, a committee of the Board of Directors, the independent directors of the Board of Directors as a group or the Board of Directors generally by mailing the communication to Friedman Industries, Incorporated, Shareholder Communications, P.O. Box 62388, Houston, Texas 77205, to the attention of the Corporate Secretary. Communications that are intended specifically for the independent directors should be sent to the same address, to the attention of the Presiding Director of the Executive Sessions.

Proposals submitted by shareholders for inclusion in our annual proxy statement will not be considered shareholder communications under this policy and shall be handled in accordance with the rules and regulations promulgated from time to time by the SEC and the procedures described below in this proxy statement.

Investor Information

To obtain a printed copy of our Code of Conduct and Ethics or the charter for the Audit Committee or the Nominating Committee of the Board of Directors or to obtain directions to our Annual Meeting, send a request to us in care of Investor Relations, P.O. Box 62388, Houston, Texas 77205.

Director Compensation

For the fiscal year ended March 31, 2016, with the exception of Mr. Crow, directors were paid \$6,000 per quarter. In addition, the Chairman and members of the Audit Committee received \$3,000 and \$2,250, respectively, for each Audit Committee meeting attended. Mr. Crow receives no compensation for serving as director.

Except for Mr. Crow, who is a Named Executive Officer (as defined in “Executive Compensation” below), the following table summarizes compensation paid to each director during the fiscal year ended March 31, 2016:

Name	Fees Earned or Paid in Cash (\$)	All Other Compensation (\$)	Total (\$)
Durga Agrawal, Ph.D.	33,000	—	33,000
Charles W. Hall	24,000	—	24,000
Alan M. Rauch	33,000	—	33,000
Max Reichenthal	24,000	—	24,000
Joel Spira	39,000	—	39,000

Joe L. Williams	24,000	—	24,000
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Board of Directors Affiliations

Mr. Hall is associated with Norton Rose Fulbright US LLP, our outside legal counsel. Mr. Williams is a Partner with PozmantierWilliams Insurance Consultants, LLC which, at times, provides insurance consulting services to us. Mr. Agrawal is the President of Piping Technology & Products, Inc., a customer of ours. We recorded sales of approximately \$114,000 to Piping Technology & Products, Inc. in fiscal 2016. These sales were arm's length transactions.

Related Party Transactions

During fiscal years 2016 and 2015, there were no transactions with related persons which required disclosure pursuant to Item 404(a) of Regulation S-K (17 CFR Part 229).

Policies and Procedures with Respect to Approval of Related Party Transactions

The Audit Committee of the Board of Directors has adopted a written policy with respect to related party transactions to document procedures pursuant to which such transactions are reviewed, approved or ratified. The policy applies to any transaction between us and any related party other than transactions (i) available to all employees generally or (ii) involving less than \$5,000 when aggregated with all similar transactions. The Audit Committee is responsible for reviewing, approving and ratifying any related party transaction. In general, the policy prohibits all related party transactions although the Audit Committee may approve related party transactions (A) in exceptional circumstances where the situation is urgent and no reasonable alternatives exist, (B) when the benefit is unique and significant or (C) the economic value to us is highly compelling over an extended period.

Committees of the Board of Directors and Meeting Attendance

During fiscal year 2016, the Board of Directors met six times.

The Board of Directors has an Audit Committee which currently consists of Messrs. Agrawal, Rauch and Spira (Chairman). The Audit Committee discusses with the independent accountants and management our financial statements and the scope of the audit examinations, reviews with the independent accountants the audit budget, receives and reviews the audit report submitted by the independent accountants, reviews with the independent

accountants internal accounting and control procedures and engages our independent auditor. The Audit Committee's responsibilities to the Board of Directors are further detailed in the Second Amended and Restated Charter of the Audit Committee, as amended, which is not available on our website but is attached as Appendix A to this proxy statement. The Audit Committee met four times in fiscal year 2016.

The Board of Directors has a Compensation Committee currently composed of Messrs. Agrawal, Rauch (Chairman) and Reichenthal. The Compensation Committee considers and recommends for approval by the Board of Directors adjustments to the compensation of our executive officers and the implementation of any compensation program. In addition, the Compensation Committee administers any stock option or stock plan of the Company pursuant to the terms of such plan. As permitted by the rules of the NYSE MKT, the Compensation Committee does not currently operate under a charter. The Compensation Committee met two times in fiscal year 2016.

The Board of Directors has a Nominating Committee currently composed of Messrs. Agrawal, Rauch, Reichenthal (Chairman) and Spira, each of whom is independent in accordance with the applicable rules of the NYSE MKT. Nominees to the Board of Directors are proposed by the Nominating Committee. The Nominating Committee's responsibilities are further detailed in the Charter of the Nominating Committee, which is not available on our website but is attached as Appendix B to this proxy statement. The Nominating Committee will consider appropriately qualified nominees timely recommended by shareholders in the same manner as it evaluates other potential director nominees. The Nominating Committee met two times in fiscal year 2016.

During the fiscal year ended March 31, 2016, no director attended fewer than 75% of the combined meetings of the Board of Directors and of any committee of which such director was a member.

Audit Committee Qualifications

The Board of Directors has affirmatively determined that all members of the Audit Committee are independent in accordance with the applicable rules of the NYSE MKT and Rule 10A-3(b)(1) of the Exchange Act. The Board also has determined that each of the members of the Audit Committee is able to read and understand fundamental financial statements. In addition, the Board has determined that Mr. Spira meets the financial sophistication requirements set forth in the applicable rules of the NYSE MKT and qualifies as an "audit committee financial expert," as that term is defined in the rules promulgated by the SEC pursuant to the Sarbanes-Oxley Act of 2002, as amended.

Audit Committee Report

The Audit Committee of the Board of Directors has reviewed and discussed with our management and Hein & Associates LLP ("Hein"), our independent auditor, the audited financial statements of the Company contained in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016. The Audit Committee has also discussed with

our independent auditor the matters required to be discussed pursuant to SAS 61 (Codification of Statements on Auditing Standards, Communication with Audit Committees).

The Audit Committee received and has discussed the written disclosures and letters from Hein required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with Hein its independence in connection with its audit of our most recent financial statements. The Audit Committee has also considered whether the provision of non-audit services to the Company by Hein is compatible with maintaining that firm's independence.

Based on the review and discussions referred to above, the Audit Committee recommended the inclusion of the audited financial statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016.

The information in the foregoing three paragraphs shall not be deemed to be soliciting material, or to be filed with the SEC or subject to Regulation 14A or 14C under the Exchange Act or to liabilities under Section 18 of the Exchange Act nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate these paragraphs by reference.

Durga D. Agrawal
Alan M. Rauch
Joel Spira

Procedures and Processes for Determining Executive and Director Compensation

The Compensation Committee of the Board of Directors is responsible for reviewing and recommending to the full Board of Directors the compensation of our Chief Executive Officer and our other Named Executive Officers. The Committee also reviews and discusses with the Chief Executive Officer, and recommends to the full Board of Directors, the compensation for all other officers of the Company. The Committee may retain compensation consultants or other advisers it deems appropriate; however, the Committee's general practice is not to use a compensation consultant. Based on the Committee's analysis of relevant data, the Committee determines its recommendation regarding the compensation of our Chief Executive Officer during an executive session of the Committee at which the Chief Executive Officer is not present. Our Chief Executive Officer makes recommendations regarding the compensation of our other executive officers and other officers to the Committee. The Committee considers the recommendations, discusses the recommendations with our Chief Executive Officer, may discuss the matter in executive session and then makes recommendations to the full Board of Directors. The final determination as to the compensation of the Chief Executive Officer and all other officers of the Company is made by the full Board of Directors based on the recommendations of the Committee.

The Board of Directors, or an authorized committee thereof, may from time to time review and determine the form and amount of director compensation, including cash, equity-based awards and other director compensation to maintain a transparent and readily understandable compensation program which ensures that the directors continue to receive fair and appropriate compensation for the time commitment required to discharge their duties as directors for a company of our size.

PROPOSAL 2:

ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION

At the meeting, the shareholders will vote on a non-binding, advisory resolution regarding the compensation of the Company's Named Executive Officers.

We believe that our compensation policies and procedures are competitive, focused on pay-for-performance and strongly aligned with the long-term interests of our shareholders. This advisory shareholder vote, commonly known as "Say-on-Pay", gives you as a shareholder the opportunity to endorse or not endorse the compensation we pay our Named Executive Officers through voting for or against the following resolution:

"Resolved, that the shareholders approve the compensation of the Company's Named Executive Officers as disclosed in the Company's 2016 proxy statement pursuant to the disclosure rules of the U.S. Securities and Exchange Commission (which disclosure includes the Summary Compensation Table and related discussion)."

Because your vote is advisory, it will not be binding upon the Company or the Board of Directors. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements. Additionally, your advisory vote will not be construed (i) as overruling a decision by the Company or the Board of Directors, (ii) to create or imply any change to the fiduciary duties of the Company or the Board of Directors, (iii) to create or imply any additional fiduciary duties for the Company or the Board of Directors or (iv) to restrict or limit the ability of shareholders to make proposals for inclusion in proxy materials related to executive compensation.

Vote Required for Approval

In order to be approved, Proposal No. 2 must receive the affirmative vote of a majority of the votes cast on this proposal. Abstentions and broker non-votes will not be counted for the purpose of determining the number of votes necessary for approval of this proposal, and will have no effect on the outcome of the vote on this proposal.

The Board of Directors recommends voting “FOR” this proposal.

EXECUTIVE COMPENSATION**Summary Compensation Table**

The following table sets forth certain information regarding compensation paid for services rendered during the fiscal years ended March 31, 2016 and March 31, 2015, to each of our executive officers, including our principal executive officer and our principal financial officer (collectively, the “Named Executive Officers”):

Name and Principal Position	Year	Salary \$(1)	Bonus \$(2)	All Other Compensation \$(3)	Total (\$)
William E. Crow	2016	110,000	63,436	3,997	177,433
Chief Executive Officer (4)	2015	110,000	52,645	3,918	166,563
Robert Sparkman	2016	90,000	37,197	7,202	134,399
President and Chief Operating Officer (4)	2015				