

ASTEC INDUSTRIES INC
Form DEF 14A
March 04, 2011

ASTEC INDUSTRIES, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 28, 2011

TO THE SHAREHOLDERS:

The Annual Meeting of Shareholders of Astec Industries, Inc., a Tennessee corporation, will be held at the Company's offices at 4101 Jerome Avenue, Chattanooga, Tennessee, on April 28, 2011, at 10:00 a.m., Chattanooga time, for the following purposes:

1. To elect three directors in Class I to serve until the annual meeting of shareholders in 2014, or in the case of each director, until his successor is duly elected and qualified.
2. To vote on a non-binding resolution to approve the compensation of the Company's executive officers.
3. To recommend the frequency with which shareholders will vote on a non-binding resolution to approve the compensation of the Company's executive officers in future years.
4. To vote for adoption of the Astec Industries, Inc. 2011 Incentive Plan.
5. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year 2011.

Only shareholders of record at the close of business on February 17, 2011 are entitled to notice of, and to vote at, the Annual Meeting. The transfer books will not be closed. A complete list of shareholders entitled to vote at the Annual Meeting will be available for inspection by shareholders at the Company's offices from March 17, 2011 through the Annual Meeting.

By Order of the Board of Directors

Stephen C. Anderson
Secretary

Dated: March 4, 2011

WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING IN PERSON, YOU MAY VOTE YOUR SHARES VIA A TOLL-FREE TELEPHONE NUMBER OR VIA THE INTERNET OR YOU MAY SIGN, DATE, AND RETURN THE PROXY APPOINTMENT CARD. IF YOU DO ATTEND THE MEETING, YOU MAY, IF YOU WISH, WITHDRAW YOUR PROXY APPOINTMENT AND VOTE IN PERSON.

ASTEC INDUSTRIES, INC.
1725 Shepherd Road
Chattanooga, Tennessee 37421
(423) 899-5898

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
April 28, 2011

The proxy appointment is solicited by and on behalf of the Board of Directors of Astec Industries, Inc. for use at its Annual Meeting of Shareholders to be held on April 28, 2011, at 10:00 a.m. Chattanooga time and at any adjournments thereof. The Annual Meeting will be held at the Company's offices at 4101 Jerome Avenue, Chattanooga, Tennessee.

On or about March 15, 2011, the Company began mailing to its shareholders a notice containing instructions for voting and how to access this Proxy Statement and the Company's 2010 Annual Report online, and the Company began mailing a full set of the proxy materials, including this Proxy Statement, a proxy card or voting instruction form and the Company's 2010 Annual Report, to shareholders who had previously requested delivery of a paper copy of the proxy materials. For information on how to vote your shares or request a paper copy of the proxy materials, see the instructions included on the proxy card or voter instruction form and under "Proxies and Voting" on page 2 of this Proxy Statement. If you request a paper copy of the proxy materials it will be mailed to you within three business days.

Only holders of record of the Company's Common Stock as of the close of business on February 17, 2011 will be entitled to notice of, and to vote at, the Annual Meeting. As of such record date, there were 22,648,522 shares of Common Stock outstanding and entitled to be voted at the Annual Meeting. A shareholder is entitled to one vote for each share of Common Stock held.

QUORUM AND VOTING REQUIREMENTS

A majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting, either present or represented by proxy, constitutes a quorum. A quorum is necessary to conduct business at the Annual Meeting. You will be considered part of the quorum if you attend the Annual Meeting in person, vote via a toll-free telephone number, vote via the internet or vote by proxy. Abstentions, broker non-votes and votes withheld from director nominees count as "shares present" at the Annual Meeting for purposes of determining a quorum.

The affirmative vote of the holders of a plurality of the shares of Common Stock represented and entitled to vote at the Annual Meeting at which a quorum is present is required for the election of each of the director nominees. Withholding authority to vote with respect to any one or more director nominees will not constitute a vote either for or against such nominee(s).

The approval of the non-binding resolution to approve the compensation of our executive officers, the approval of the Astec Industries, Inc. 2011 Incentive Plan and the ratification of the independent registered public accounting firm requires that the votes cast in favor of the matter exceed the votes cast opposing the matter.

The non-binding recommendation as to the frequency with which shareholders will vote on executive compensation (every one year, every two years or every three years) that receives the highest number of votes cast will be the

frequency recommendation that has been selected by the shareholders.

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Abstentions and broker non-votes do not count as votes cast, and therefore will not affect the voting result as to any matter, including the election of directors. A broker non-vote occurs when a broker or other nominee who holds shares for another does not vote on a particular item because the nominee does not have discretionary authority to vote on that item and has not received instructions from the owner of the shares.

PROXIES AND VOTING

Shareholders have a choice of voting by internet, by telephone or by using a traditional proxy card.

- To vote by internet, go to www.proxyvote.com and follow the instructions. You will need the 12 digit number included on your proxy card or voter instruction form.
- To vote by telephone, dial (800) 690-6903 and follow the instructions. You will need the 12 digit number included on your proxy card or voter instruction form.
- If you received a notice and wish to vote by traditional proxy card, you can request to receive a full set of the proxy materials, including this Proxy Statement, a proxy card or voting instruction form and the Company's 2010 Annual Report, at no charge through one of the following methods:

1) by internet: www.proxyvote.com

2) by phone: (800) 579-1639

3) by email: sendmaterial@proxyvote.com (your email should contain the 12 digit number in the subject line).

- If you choose not to vote by telephone or the internet and request a full set of the proxy materials, please mark your choices on the enclosed proxy card and then date, sign and return the proxy card at your earliest opportunity. If you are a registered shareholder and attend the meeting, you may deliver your completed proxy card in person.

The telephone and internet voting procedures are designed to authenticate votes cast by use of a personal identification number. These procedures enable shareholders to appoint a proxy to vote their shares and to confirm that their instructions have been properly recorded. If your shares are held in the name of a bank or broker, the availability of telephone and internet voting will depend on the voting processes of the applicable bank or broker; therefore, it is recommended that you follow the voting instructions on the form you receive.

If you properly sign and return your proxy card or complete your proxy via the telephone or internet (and such proxy is not later revoked), your shares will be voted at the Annual Meeting in accordance with the directions given. In voting by proxy with regard to the election of directors, you may vote in favor of all nominees, withhold your votes as to all nominees or withhold your votes as to specific nominees. In voting by proxy with regard to the non-binding resolution to approve the compensation of our executive officers, the approval of the Astec Industries, Inc. 2011 Incentive Plan and the ratification of the selection of the independent auditor, you may vote for or against the proposal, or you may abstain from voting. In voting by proxy to recommend the frequency of non-binding shareholder vote to approve the compensation of our executive officers in future years, you may recommend that a vote should occur every year, every two years or every three years, or you may abstain from voting. You should specify your choices when voting by proxy. If you return a signed proxy card without indicating your vote with regard to the matters to be voted upon, the shares represented by proxy will be voted "FOR" the election of each of the nominees for director, "FOR" the non-binding resolution to approve the compensation of our executive officers, "FOR" approval of the Astec Industries, Inc. 2011 Incentive Plan, "FOR" the ratification of the independent registered public accounting firm, and in favor of non-binding shareholder votes to approve the compensation of our executive officers "EVERY ONE YEAR".

A shareholder of record who submits a proxy pursuant to this solicitation may revoke it at any time prior to its exercise at the Annual Meeting by (i) submitting written notice to the Secretary of the Company at the Company's address shown above, (ii) properly submitting to the Company (by mail, telephone or internet) a duly executed proxy appointment bearing a later date, or (iii) attending the Annual Meeting and voting in person.

PROPOSAL 1: ELECTION OF DIRECTORS

The Board of Directors of the Company is divided into three classes, with the term of office of each class ending in successive years. The terms of directors of Class I expire with this Annual Meeting. The directors of Class II and Class III will continue in office until the 2012 and 2013 annual meetings of shareholders, respectively. At the present time, there are three directors in each Class. The shareholders are being asked to vote for the election of three directors to serve in Class I.

The persons appointed as proxies will vote the shares represented by the proxy appointment in favor of the election to the Board of Directors of each of the three Class I nominees whose names appear below, unless the authority to vote for any or all of the nominees is withheld or such appointment has previously been revoked. It is anticipated that management shareholders of the Company will grant authority to vote for the election of all the nominees. Each Class I director will be elected to hold office until the 2014 annual meeting of shareholders and thereafter until his successor has been duly elected and qualified. In the event that any nominee is unable to serve (which is not anticipated), the persons appointed as proxies will cast votes for the remaining nominees and for such other persons as they may select.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES.

PROPOSAL 2: ADVISORY VOTE ON EXECUTIVE COMPENSATION

This proposal provides our shareholders with the opportunity to cast an advisory vote on the Company's executive compensation program (commonly known as a "say-on-pay" proposal).

As discussed in the Compensation Discussion and Analysis beginning on page 20, we have designed our executive compensation program to attract and retain key executives who are critical to our future success and the creation of shareholder value. We believe that both short-term and long-term incentive compensation opportunities provided to executive officers are directly aligned with our performance, and that our compensation program is structured to ensure that a significant portion of executives' compensation opportunities is directly related to achievement of financial and operational goals and other factors that impact shareholder value.

The Board invites you to review carefully the Compensation Discussion and Analysis beginning on page 20 and the tabular and other disclosures on compensation under Executive Compensation beginning on page 27, and cast a vote to approve the Company's executive compensation programs through the following resolution:

“Resolved, that the shareholders approve the compensation of the Company's named executive officers, including the Company's compensation philosophy, practices and principles, as discussed and disclosed in the Compensation Discussion and Analysis, the executive compensation tables, and any narrative compensation disclosure contained in this Proxy Statement.”

While the vote does not bind the Board to any particular action, the Board values the input of our shareholders, and will take into account the outcome of this vote in considering future compensation decisions.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THE APPROVAL OF THE COMPENSATION OF THE COMPANY’S NAMED EXECUTIVE OFFICERS.

**PROPOSAL 3: ADVISORY VOTE ON FREQUENCY OF
ADVISORY SHAREHOLDER VOTES ON EXECUTIVE COMPENSATION**

As discussed above, the Board values the input of our shareholders regarding the Company's executive compensation practices. Shareholders are invited to express their views on how frequently advisory votes on executive compensation, such as the advisory vote in Proposal 2, will occur. Shareholders can advise the Board on whether such votes should occur every year, every two years or every three years.

This is an advisory vote, and as such is not binding on the Board. However, the Board will take the results of the vote into account when deciding when to call for the next advisory vote on executive compensation. A scheduling vote similar to this will occur at least once every six years.

The Board recommends that the advisory vote on executive compensation be held every one year. We believe that annual “say-on-pay” votes will provide a high level of accountability and direct communication between the Company and its shareholders by enabling the shareholders to respond promptly to the information presented in the accompanying proxy statement for the applicable shareholders' meeting.

Please mark on the Proxy Card your preference as to the frequency of holding shareholder advisory votes on executive compensation, as every year, every two years, or every three years, or you may abstain from voting.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE TO APPROVE THE COMPENSATION OF THE COMPANY’S NAMED EXECUTIVE OFFICERS EVERY ONE YEAR.

PROPOSAL 4: APPROVAL OF THE 2011 INCENTIVE PLAN

On February 25, 2011, the Board of Directors of the Company adopted, subject to shareholder approval at the 2011 Annual Meeting, the Astec Industries, Inc. 2011 Incentive Plan, which we refer to as the “2011 Plan.” The 2011 Plan will become effective as of the date it is approved by our shareholders.

We currently maintain the Astec Industries, Inc. 2006 Incentive Plan, which we refer to as the “Prior Plan.” As of March 1, 2011, there were approximately 378,018 shares of our common stock subject to outstanding awards under the Prior Plan. As of such date, there were approximately 319,382 shares of our common stock reserved and available for future awards under the Prior Plan. If our shareholders approve the 2011 Plan, all future equity awards will be made from the 2011 Plan, and we will not grant any additional awards under the Prior Plan.

A summary of the 2011 Plan is set forth below. This summary is qualified in its entirety by the full text of the 2011 Plan, which is attached to this proxy statement as Appendix A.

Summary of the 2011 Plan

Purpose. The purpose of the 2011 Plan is to promote the Company’s success by linking the personal interests of the Company’s employees, officers, directors and consultants to those of its shareholders, and by providing participants with an incentive for outstanding performance. The 2011 Plan is also intended to enhance the Company’s ability to motivate, attract, and retain the services of employees, officers, directors and consultants upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent.

Administration. The 2011 Plan will be administered by the Compensation Committee. The Compensation Committee will have the authority to:

- designate participants;
 - grant awards;
- determine the type or types of awards to be granted to each participant and the number, terms and conditions thereof;
- establish, adopt or revise any rules and regulations as it may deem advisable to administer the 2011 Plan; and
 - make all other decisions and determinations that may be required under the 2011 Plan.

The full Board may at any time elect instead to administer the 2011 Plan. If it does so, it will have all the powers of the Compensation Committee under the 2011 Plan.

Eligibility. The 2011 Plan permits the grant of incentive awards to employees, officers, directors, and consultants of the Company and its affiliates as selected by the Compensation Committee. The number of eligible participants is currently approximately 110. The number of eligible participants may increase over time based upon our future growth.

Awards to Non-Employee Directors. Awards granted under the 2011 Plan to our non-employee directors will be made only in accordance with the terms, conditions and parameters of a plan, program or policy for the compensation of non-employee directors as in effect from time to time. The Compensation Committee may not make discretionary grants under the 2011 Plan to non-employee directors.

Permissible Awards. The 2011 Plan authorizes the granting of awards in any of the following forms:

- options to purchase shares of our common stock, which may be nonstatutory stock options or incentive stock options under the Internal Revenue Code of 1986, as amended, which we refer to as the “Code”;
- stock appreciation rights (SARs), which give the holder the right to receive the difference (payable in cash or stock, as specified in the award certificate) between the fair market value per share of common stock on the date of exercise over the base price of the award;
- restricted stock, which is subject to restrictions on transferability and subject to forfeiture on terms set by the Compensation Committee;
- restricted or deferred stock units, which represent the right to receive shares of our common stock (or an equivalent value in cash or other property, as specified in the award certificate) in the future, based upon the attainment of stated vesting or performance criteria in the case of restricted stock units;
- performance awards, which are awards payable in cash or stock upon the attainment of specified performance goals (any award that may be granted under the 2011 Plan may be granted in the form of a performance award);
- dividend equivalents, which entitle the holder of a full-value award to cash payments (or an equivalent value payable in stock or other property) equal to any dividends paid on the shares of stock underlying the full-value award;
- other stock-based awards in the discretion of the Compensation Committee, including unrestricted stock grants; and
 - cash-based awards, including performance-based annual bonus awards.

Shares Available for Awards. Subject to adjustment as provided in the 2011 Plan, the aggregate number of shares of our common stock reserved and available for issuance pursuant to awards granted under the 2011 Plan is 700,000, plus a number of additional shares of common stock (not to exceed 100,000) underlying awards outstanding as of March 1, 2011 under the Prior Plan that thereafter terminate or expire unexercised, or are cancelled, forfeited or lapse for any reason.

Share Counting. The share counting provisions of the 2011 Plan provide that the following shares will be added back to the 2011 Plan share reserve and will again be available for issuance pursuant to awards granted under the 2011 Plan: (i) unissued or forfeited shares originally subject to an award that is canceled, terminates, expires, is forfeited or lapses for any reason; (ii) shares subject to awards settled in cash; (iii) shares withheld or repurchased from an award or delivered by a participant to satisfy minimum tax withholding requirements; (iv) shares delivered to the Company in satisfaction of the exercise price of an option; (v) shares originally subject to an option or SAR that are not issued upon exercise of the option or SAR for any reason, including by reason of net-settlement of the award; and (vi) shares subject to an award other than an option or SAR that are not issued for any reason, including by reason of failure to achieve maximum performance goals.

Limitations on Individual Awards. The maximum aggregate number of shares of common stock subject to stock-based awards that may be granted under the 2011 Plan in any 12-month period to any one participant is as follows:

- options, 150,000;
- stock appreciation rights, 150,000;
- restricted stock or stock units, 150,000; and
- other stock-based awards, 150,000.

The maximum aggregate amount that may be paid with respect to cash-based awards under the 2011 Plan to any one participant in any fiscal year of the Company shall be \$1,000,000.

Performance Goals. All options and SARs granted under the 2011 Plan are designed to be exempt from the \$1,000,000 deduction limit imposed by Code Section 162(m). The Compensation Committee may designate any other award granted under the 2011 Plan as a qualified performance-based award in order to make the award fully deductible without regard to the \$1,000,000 deduction limit imposed by Code Section 162(m). If an award is so designated, the Compensation Committee must establish objectively determinable performance goals for the award based on one or more of the following business criteria, which may be expressed in terms of Company-wide objectives or in terms of objectives that relate to the performance of an affiliate or a division, region, department or function within the Company or an affiliate:

- Revenue (premium revenue, total revenue or other revenue measures);
 - Sales;
- Profit (net profit, gross profit, operating profit, economic profit, profit margins or other corporate profit measures);
 - Earnings (EBIT, EBITDA, earnings per share, or other corporate earnings measures);
 - Net income (before or after taxes, operating income or other income measures);
 - Cash (cash flow, cash generation or other cash measures);
 - Stock price or performance;
- Total shareholder return (stock price appreciation plus reinvested dividends divided by beginning share price);
 - Economic value added;
- Return measures (including, but not limited to, return on assets, capital, equity, investments, or sales, and cash flow return on assets, capital, equity, or sales);
 - Market share;
 - Improvements in capital structure;
- Expenses (expense management, expense ratio, expense efficiency ratios or other expense measures);
 - Business expansion (acquisitions);
 - Internal rate of return or increase in net present value;
- Working capital targets relating to inventory and/or accounts receivable;
 - Safety standards; and
 - Strategic plan development and implementation

The Compensation Committee must establish such goals within 90 days after the beginning of the period for which such performance goal relates (or such later date as may be permitted under applicable tax regulations), and the Compensation Committee may for any reason reduce (but not increase) any award, notwithstanding the achievement of a specified goal. The Compensation Committee may provide, at the time the performance goals are established, that any evaluation of performance shall exclude or otherwise objectively adjust for any specified circumstance or event that occurs during a performance period, including but not limited to: (a) asset write-downs or impairment charges; (b) litigation or claim judgments or settlements; (c) the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results; (d) accruals for reorganization and restructuring programs; (e) extraordinary nonrecurring items as described in then-current accounting principles; (f) extraordinary nonrecurring items as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to shareholders for the applicable year; (g) acquisitions or divestitures; and (h) foreign exchange gains and losses.

Limitations on Transfer; Beneficiaries. A participant may not assign or transfer an award other than by will or the laws of descent and distribution; provided, however, that the Compensation Committee may permit other transfers (other than transfers for value) where it concludes that such transferability does not result in accelerated taxation, does not cause any option intended to be an incentive stock option to fail to qualify as such, and is otherwise appropriate and desirable, taking into account any factors deemed relevant, including without limitation, any state or federal tax or securities laws or regulations applicable to transferable awards. A participant may, in the manner determined by the Compensation Committee, designate a beneficiary to exercise the rights of the participant and to receive any distribution with respect to any award upon the participant's death.

Acceleration Upon Certain Events. Unless otherwise provided in an award certificate or any special plan document governing an award:

- If a participant's service terminates by reason of death, disability or retirement, (a) all of that participant's outstanding service-based awards will become fully vested, and (b) all of that participant's outstanding performance-based awards will become fully vested, with the level of such vested amount to be determined as follows: (i) if the date of termination occurs during the first half of the applicable performance period, all relevant performance goals will be deemed to have been achieved at the "target" level, and (ii) if the date of termination occurs during the second half of the applicable performance period, the actual level of achievement of all relevant performance goals against target will be measured as of the end of the calendar quarter immediately preceding the date of termination, and there will be a pro rata payout of such awards to the participant or his or her estate within 30 days after the amount earned has been determined (or, if later, the first date that such payment may be made without triggering additional taxes under Section 409A of the Code).
- Upon a change in control, and except with respect to any awards assumed by the surviving entity or otherwise equitably converted or substituted in connection with the change in control, (a) all outstanding service-based awards will become fully vested, and (b) all outstanding performance-based awards will become fully vested, with the level of such vested amount to be determined as follows: (i) if the date of termination occurs during the first half of the applicable performance period, all relevant performance goals will be deemed to have been achieved at the "target" level, and (ii) if the date of termination occurs during the second half of the applicable performance period, the actual level of achievement of all relevant performance goals against target will be measured as of the end of the calendar quarter immediately preceding the date of termination, and there will be a pro rata payout of such awards within 30 days after the date of the change in control (or, if later, the first date that such payment may be made without triggering additional taxes under Section 409A of the Code).

- With respect to any awards assumed by the surviving entity or otherwise equitably converted or substituted in connection with a change in control, if within two years after the effective date of the change in control, a participant's employment is terminated without cause (or if the participant resigns for "good reason"), then (a) all of that participant's outstanding service-based awards will become fully vested, and (b) all of that participant's outstanding performance-based awards will become fully vested, with the level of such vested amount to be determined as follows: (i) if the date of termination occurs during the first half of the applicable performance period, all relevant performance goals will be deemed to have been achieved at the "target" level, and (ii) if the date of termination occurs during the second half of the applicable performance period, the actual level of achievement of all relevant performance goals against target will be measured as of the end of the calendar quarter immediately preceding the date of termination, and there will be a pro rata payout of such awards to the participant within 30 days after the amount earned has been determined (or, if later, the first date that such payment may be made without triggering additional taxes of Section 409A under the Code).

In addition, subject to limitations applicable to certain qualified performance-based awards, the Compensation Committee may in its discretion accelerate awards upon the termination of service of a participant or the occurrence of a change in control. The Compensation Committee may discriminate among participants or among awards in exercising such discretion.

Adjustments. In the event of a transaction between us and our shareholders that causes the per-share value of our common stock to change (including, without limitation, any stock dividend, stock split, spin-off, rights offering or large nonrecurring cash dividend), the share authorization limits and annual award limits under the 2011 Plan will be adjusted proportionately, and the Compensation Committee shall make such adjustments to the 2011 Plan and awards as it deems necessary, in its sole discretion, to prevent dilution or enlargement of rights immediately resulting from such transaction. In the event of a stock split, a stock dividend, or a combination or consolidation of the outstanding shares of our common stock into a lesser number of shares, the authorization limits and annual award limits under the 2011 Plan will automatically be adjusted proportionately, and the shares then subject to each award will automatically be adjusted proportionately without any change in the aggregate purchase price.

Termination and Amendment. Our board or the Compensation Committee may, at any time and from time to time, terminate or amend the 2011 Plan, but if an amendment would constitute a material amendment requiring shareholder approval under applicable listing requirements, laws, policies or regulations, then such amendment will be subject to shareholder approval. In addition, our board or the Compensation Committee may condition any amendment on the approval our shareholders for any other reason. No termination or amendment of the 2011 Plan may, without the written consent of the participant, reduce or diminish the value of an outstanding award.

The Compensation Committee may amend or terminate outstanding awards. However, such amendments may require the consent of the participant and, unless approved by our shareholders, the exercise price of an outstanding option may not be reduced, directly or indirectly, and the original term of an option may not be extended.

Prohibition on Repricing. As indicated above under "Termination and Amendment," outstanding stock options cannot be repriced, directly or indirectly, without shareholder approval. The exchange of an "underwater" option (i.e., an option having an exercise price in excess of the current market value of the underlying stock) for another award would be considered an indirect repricing and would, therefore, require shareholder approval.

Certain U.S. Federal Income Tax Effects

The U.S. federal income tax discussion set forth below is intended for general information only and does not purport to be a complete analysis of all of the potential tax effects of the 2011 Plan. It is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. State and local income tax consequences are not discussed, and may vary from locality to locality.

Nonstatutory Stock Options. There will be no federal income tax consequences to the optionee or to the Company upon the grant of a nonstatutory stock option under the 2011 Plan. When the optionee exercises a nonstatutory option, however, he or she will recognize ordinary income in an amount equal to the excess of the fair market value of the stock received upon exercise of the option at the time of exercise over the exercise price, and the Company will be allowed a corresponding federal income tax deduction. Any gain that the optionee realizes when he or she later sells or disposes of the option shares will be short-term or long-term capital gain, depending on how long the shares were held.

Incentive Stock Options. There will be no federal income tax consequences to the optionee or to the Company upon the grant or exercise of an incentive stock option. If the optionee holds the option shares for the required holding period of at least two years after the date the option was granted and one year after exercise, the difference between the exercise price and the amount realized upon sale or disposition of the option shares will be long-term capital gain or loss, and the Company will not be entitled to a federal income tax deduction. If the optionee disposes of the option shares in a sale, exchange, or other disqualifying disposition before the required holding period ends, he or she will recognize taxable ordinary income in an amount equal to the excess of the fair market value of the option shares at the time of exercise over the exercise price, and the Company will be allowed a federal income tax deduction equal to such amount. While the exercise of an incentive stock option does not result in current taxable income, the excess of the fair market value of the option shares at the time of exercise over the exercise price will be an item of adjustment for purposes of determining the optionee's alternative minimum taxable income.

SARs. A participant receiving a SAR under the 2011 Plan will not recognize income, and the Company will not be allowed a tax deduction, at the time the award is granted. When the participant exercises the SAR, the amount of cash and the fair market value of any shares of stock received will be ordinary income to the participant and the Company will be allowed a corresponding federal income tax deduction at that time.

Restricted Stock. Unless a participant makes an election to accelerate recognition of the income to the date of grant as described below, a participant will not recognize income, and the Company will not be allowed a tax deduction, at the time a restricted stock award is granted, provided that the award is nontransferable and is subject to a substantial risk of forfeiture. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the stock as of that date (less any amount he or she paid for the stock), and the Company will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m). If the participant files an election under Code Section 83(b) within 30 days after the date of grant of the restricted stock, he or she will recognize ordinary income as of the date of grant equal to the fair market value of the stock as of that date (less any amount paid for the stock), and the Company will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m). Any future appreciation in the stock will be taxable to the participant at capital gains rates. However, if the stock is later forfeited, the participant will not be able to recover the tax previously paid pursuant to the Code Section 83(b) election.

Restricted or Deferred Stock Units. A participant will not recognize income, and the Company will not be allowed a tax deduction, at the time a stock unit award is granted. Upon receipt of shares of stock (or the equivalent value in cash or other property) in settlement of a stock unit award, a participant will recognize ordinary income equal to the fair market value of the stock or other property as of that date (less any amount he or she paid for the stock or property), and the Company will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m).

Cash-Based Performance Awards. A participant will not recognize income, and the Company will not be allowed a tax deduction, at the time a cash-based performance award is granted (for example, when the performance goals are established). Upon receipt of cash in settlement of the award, a participant will recognize ordinary income equal to the cash received, and the Company will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m).

Tax Withholding. The Company has the right to deduct or withhold, or require a participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including employment taxes) required by law to be withheld with respect to any exercise, lapse of restriction or other taxable event arising as a result of the 2011 Plan.

Benefits to Named Executive Officers and Others

As of March 1, 2011, no awards had been granted under the 2011 Plan. Awards will be made at the discretion of the Compensation Committee or pursuant to delegated authority. Therefore, it is not presently possible to determine the benefits or amounts that will be received by our named executive officers or other persons or groups pursuant to the 2011 Plan in the future.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2010 regarding compensation plans under which the Company's equity securities are authorized for issuance.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, Rights and RSU's	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Shareholders:	92,623(1)	\$ 18.02	--
	255,916(2)	--	442,884(5)
Equity Compensation Plans Not Approved by Shareholders:	7,853(3)	\$ 15.40	--
	14,912(4)	--	118,762(5)
	371,304		561,646

Total

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- (1) Stock Options granted under our 1998 Long-term Incentive Plan
- (2) Restricted Stock Units granted under our 2006 Incentive Plan
- (3) Stock Options granted under our 1998 Non-Employee Director Stock Incentive Plan
- (4) Deferred Stock Units granted under our 1998 Non-Employee Director Stock Incentive Plan
- (5) All of these shares are available for issuance pursuant to grants of full-value awards.

THE BOARD REMOMMENDS THAT SHAREHOLDERS VOTE “FOR” APPROVAL OF THE 2011 INCENTIVE PLAN.

PROPOSAL 5: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2011. Ernst & Young LLP served as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2010, and the services it provided to the Company and its subsidiaries in the fiscal year ending December 31, 2010 are described under “Audit-Related Matters” below.

We are asking our shareholders to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2011. Although ratification is not required by our Bylaws or otherwise, the Board of Directors is submitting the selection of Ernst & Young LLP to our shareholders for ratification as a matter of good corporate practice.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2011.

In the event shareholders do not ratify the appointment, the appointment will be reconsidered by the Audit Committee and the Board of Directors. Even if the selection is ratified, the Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

CERTAIN INFORMATION CONCERNING NOMINEES AND DIRECTORS

The following section sets forth the names of the nominees and of the Company’s current directors as of the date of the Annual Meeting, their ages, the year in which they were first elected directors, their positions with the Company, their principal occupations and employers for at least the last five years, any other directorships held by them in companies that are subject to the reporting requirements of the Securities Exchange Act of 1934 or any company registered as an investment company under the Investment Company Act of 1940. For information concerning membership on Committees of the Board of Directors, see “Corporate Governance: Board Committees” below.

Nominees for Directors with Terms of Office Expiring in 2014 (Class I):

William D. Gehl, 64, served as a member of the Board and Chief Executive Officer of Gehl Company, a company engaged in the manufacturing of compact construction equipment, from 1987 and 1992, respectively, until his retirement in April 2009. Mr. Gehl also served as Chairman of the Board of Gehl Company from 1996 until his retirement. Mr. Gehl serves as a member of the Board of Freight Car America, a public company engaged in the

manufacturing of aluminum coal cars and other railroad freight cars. Mr. Gehl is a member of the State bars of Wisconsin and Florida. Mr. Gehl has been a Director of the Company since 1999.

Mr. Gehl offers a broad range of experiences in both strategic planning and management, having served as the CEO of a publicly owned construction equipment manufacturing company for 16 years. Mr. Gehl's manufacturing, marketing and financing knowledge is very valuable to the Company.

Phillip E. Casey, 68, retired from his position of Chairman of the Board of Gerdau Ameristeel Corporation in September 2010, a position he had held since 2005. Mr. Casey previously served as President, Chief Executive Officer and Director of this publicly traded steel manufacturer from 1994 to 2005. From 1994 until 2005, Mr. Casey also served in various industry leadership roles as a Director, Member of the Executive Committee and Chairman of the Steel Manufacturers Association (SMA), a leading industry trade organization. Mr. Casey has been a Director of the Company since 2005.

Mr. Casey provides valuable experience and relationships within the steel industry, given that Mr. Casey served as the CEO of a publicly traded steel manufacturing company for 11 years and served as the Chairman of the Steel Manufacturers Association. Steel is a primary raw material of Astec's manufacturing processes and a critical cost component. Mr. Casey's manufacturing knowledge and understanding of the world market and supply of steel is very valuable to the Company.