

SIFCO INDUSTRIES INC

Form DEF 14A

December 16, 2005

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**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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

**SIFCO Industries, Inc.**

(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.

1. Title of each class of securities to which transaction applies: \_\_\_\_\_

2. Aggregate number of securities to which transaction applies: \_\_\_\_\_

3. 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): \_\_\_\_\_

4. Proposed maximum aggregate value of transaction: \_\_\_\_\_

5. Total fee paid: \_\_\_\_\_

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.

1. Amount Previously Paid: \_\_\_\_\_

2. Form, Schedule or Registration Statement No.: \_\_\_\_\_

3. Filing Party: \_\_\_\_\_

4. Date Filed: \_\_\_\_\_

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**SIFCO Industries, Inc.**  
**970 East 64th Street, Cleveland, Ohio 44103**  
**NOTICE OF 2006 ANNUAL MEETING OF SHAREHOLDERS**

The 2006 Annual Meeting of Shareholders of SIFCO Industries, Inc. will be held at the National City Center Annex Building, 1900 East 9th Street, Cleveland, Ohio, on January 31, 2006 at 10:30 a.m., to consider and vote upon proposals to:

1. Elect six (6) directors to each serve one-year terms expiring at the 2007 Annual Meeting;
2. Ratify the designation of Grant Thornton LLP as the independent auditors of the Company; and
3. Consider and take action upon such other matters as may properly come before the meeting or any adjournment thereof.

The holders of record of Common Shares at the close of business on December 5, 2005 will be entitled to receive notice of and vote at the meeting.

The Company's Annual Report for the fiscal year ended September 30, 2005 is included with this Notice.

By order of the Board of Directors.

Industries, Inc. SIFCO

December 16, 2005 *Kristine*  
*M. Wellman*, Secretary

**Kindly fill in, date and sign the enclosed proxy and promptly return it in the enclosed addressed envelope, which requires no postage if mailed in the United States. If you are present and vote in person at the meeting, your proxy will not be used.**

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**SIFCO Industries, Inc.**  
**970 East 64th Street, Cleveland, Ohio 44103**  
**December 16, 2005**  
**PROXY STATEMENT**  
**General Information**

The proxy that accompanies this statement is solicited by the Board of Directors of SIFCO Industries, Inc. (the Company ) for use at the 2006 Annual Meeting of the Shareholders of the Company to be held January 31, 2006, or at any adjournment thereof. This proxy statement was first mailed on December 16, 2005 to shareholders of record on December 5, 2005.

Any shareholder giving a proxy for the meeting may revoke it before it is exercised by giving a later dated proxy or by giving notice of revocation to the Company in writing before or at the 2006 Annual Meeting. However, the mere presence at the 2006 Annual Meeting of the shareholder granting a proxy does not revoke the proxy. Unless revoked by notice as above stated, the shares represented by valid proxies will be voted on all matters to be acted upon at the 2006 Annual Meeting. On any matter or matters with respect to which the proxy contains instructions for voting, such shares will be voted in accordance with such instructions. Abstentions will be deemed to be present for the purpose of determining a quorum for the 2006 Annual Meeting, but will be deemed not voting on the issues or matters as to which abstention is applicable. Brokers who have not received voting instructions from beneficial owners generally may vote in their discretion with respect to the election of directors and the ratification of the auditors. Broker non-votes will not affect the outcome of any matter for which the 2006 Annual Meeting is called.

The cost of solicitation of proxies in the form accompanying this statement will be borne by the Company. Proxies will be solicited by mail or by telephone or personal interview with an officer or regular employee of the Company or by requesting brokers and other custodians, nominees and fiduciaries to forward proxy soliciting material to the beneficial owners of shares held of record by such brokers, custodians, nominees or fiduciaries, who will be reimbursed by the Company for their expenses in so doing.

**OUTSTANDING SHARES AND VOTING RIGHTS**

The record date for determining shareholders entitled to vote at the 2006 Annual Meeting is December 5, 2005. As of October 31, 2005, the outstanding voting securities of the Company were 5,201,391 Common Shares. Each Common Share, exclusive of treasury shares, has one vote. The Company held 6,342 Common Shares in its treasury on October 31, 2005. The holders of a majority of the Common Shares of the Company issued and outstanding, present in person or by proxy, shall constitute a quorum for the purposes of the 2006 Annual Meeting.

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The table below names the persons who are known by the Company to be the beneficial owners of more than 5% of its outstanding Common Shares as of October 31, 2005, the number of such Common Shares beneficially owned by, or held in trust for, each such person (including their spouses and children who live with them, if any) and the percentage of the outstanding Common Shares, which that number of shares constitutes.

| <b>Name and Address of Beneficial Owner</b>   | <b>Amount and Nature<br/>of<br/>Beneficial<br/>Ownership</b> | <b>Percent<br/>of Class</b> |
|---|--|-----------------------------|
| Ms. Janice Carlson and Mr. Charles H. Smith, III<br>Trustees, Voting Trust Agreement<br>970 E. 64 <sup>th</sup> Street<br>Cleveland, OH 44103 | 2,004,074(1)   | 38.53%                      |
| Tontine Capital Management, LLC<br>35 Railroad Avenue, 3 <sup>rd</sup> Floor,<br>Greenwich, CT 05830  | 501,700(2)   | 9.65%                       |
| Dimensional Fund Advisors, Inc.<br>1299 Ocean Avenue<br>Santa Monica, CA 90401  | 279,665(3)   | 5.37%                       |

(1) As of October 31, 2005, Janice Carlson and Charles H. Smith, III owned, as Trustees, 2,004,074 Common Shares of the Company, such Common Shares having been deposited with them or their predecessors, as Trustees, under a Voting Trust Agreement entered into as of February 1, 1997 and extended to January 31, 2007. The Trustees under

the Voting Trust Agreement share voting control with respect to all such Common Shares, and may be contacted at the above noted address. Mrs. G. D. Gotschall beneficially owns 456,972 shares (8.79%) of the Company, which shares are subject to the Voting Trust Agreement. The Estate of Mr. C. H. Smith, Jr. beneficially owns 539,836 shares (10.38%) of the Company, which shares are subject to the Voting Trust Agreement. The executors and beneficiaries of the estate have, subject to the terms of the Voting Trust Agreement, voting power and investment power with respect to the shares held by the estate.

- (2) Tontine Capital Management, LLC ( Tontine ), the general partner of Tontine Capital Partners, LP, a non-registered,

privately-held  
investment  
partnership,  
possesses both  
voting and  
investment  
power over  
501,700  
Common Shares  
of the Company  
as of  
October 31,  
2005.

- (3) Dimensional  
Fund Advisors  
Inc.  
( Dimensional ),  
an investment  
advisor  
registered under  
Section 203 of  
the Investment  
Advisors Act of  
1940, furnishes  
investment  
advice to four  
investment  
companies  
registered under  
the Investment  
Company Act of  
1940, and serves  
as investment  
manager to  
certain other  
investment  
vehicles,  
including  
commingled  
group trusts.  
(These  
investment  
companies and  
investment  
vehicles are the  
Portfolios ) In its  
role as  
investment  
advisor and  
investment



manager,  
Dimensional  
possessed both  
voting and  
investment  
power over  
279,665  
Common Shares  
of SIFCO  
Industries, Inc.  
as of  
October 31,  
2005.  
Dimensional has  
advised the  
Company that  
the Portfolios  
own all  
securities  
reported in this  
statement, and  
Dimensional  
disclaims  
beneficial  
ownership of  
such securities.

**PROPOSAL TO ELECT SIX (6) DIRECTORS**

Six (6) directors are to be elected at the annual meeting to hold office until the next annual meeting of shareholders and until their respective successors are elected and qualified. It is intended that the accompanying proxy will be voted in favor of the following persons to serve as directors unless the shareholder indicates to the contrary on the proxy. The six (6) nominees receiving the most votes will be elected as directors for 2006.

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Although the Company does not contemplate that any of the nominees will be unavailable for election, if a vacancy in the slate of nominees is occasioned by death or other unexpected occurrence, it is currently intended that the remaining directors will, by the vote of a majority of their number, designate a different nominee for election to the Board at the 2006 Annual Meeting.

*Nominees for election to the Board of Directors*

**Jeffrey P. Gotschall**, 57, director of the Company since 1986, Chairman of the Board since 2001, and Chief Executive Officer of the Company since 1990. Mr. Gotschall previously served the Company from 1989 to 2002 as President, from 1986 to 1990 as Chief Operating Officer, from 1986 through 1989 as Executive Vice President and from 1985 through 1989 as President of SIFCO Turbine Component Services.

**Hudson D. Smith**, 54, director of the Company since 1988. Mr. Smith is currently the President of Forged Aerospace Sales, LLC. Mr. Smith served the Company as Executive Vice President from 2003 through January 2005 and as Treasurer from 1983 through January 2005. Mr. Smith previously served as President of SIFCO Forge Group from 1998 through 2003, Vice President and General Manager of SIFCO Forge Group from 1995 through 1997, General Manager of SIFCO Forge Group's Cleveland Operations from 1989 through 1995 and General Sales Manager of SIFCO Forge Group from 1985 through 1989. Refer to Organization and Compensation of the Board of Directors for discussion of related-party transactions between Mr. Smith and the Company.

**Michael S. Lipscomb**, 59, director of the Company since 2002. Mr. Lipscomb has been Chairman, President and Chief Executive Officer of Argo-Tech Corporation since 1994. Mr. Lipscomb joined TRW's corporate staff in 1981 and was appointed Director of Operations for the Power Accessories Division in 1985. He was named Vice President of Operations when Argo-Tech was formed in 1986, becoming Executive V.P. and Chief Operating Officer in 1988, President in 1990 and Chairman in 1994. Mr. Lipscomb has served as a director of Argo-Tech and AT Holdings Corporation since 1990. He also serves on the Board of Ruhlin Construction Company and is a Board member of the Aerospace Industries Association and General Aviation Manufacturers Association.

**P. Charles Miller, Jr.**, 67, director of the Company since 2002. Mr. Miller is the Chairman and CEO of Duramax Marine LLC. Prior to acquiring Duramax Marine in 1999, he served as President, CEO and director of Duramax, Inc. since 1982. Mr. Miller continues to serve as a director of Duramax, Inc., and serves on the Board of Advisors of Custom Rubber Corporation and the Atlas Steel Products Company. He also serves on the Boards of numerous not-for-profit organizations.

**Alayne L. Reitman**, 41, director of the Company since 2002. Ms. Reitman currently serves as a Trustee for the Cleveland Foundation and Hawken School, where she is also Assistant Treasurer. She previously served from 1999 to 2001 as President of Embedded Planet, a high-tech start-up company; from 1993 to 1998 as Vice President and Chief Financial Officer of The Tranzonic Companies, Inc.; and from 1991 to 1993 as Senior Financial Analyst for American Airlines.

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**J. Douglas Whelan**, 66, director of the Company since 1995. Mr. Whelan retired in 1999 from his positions as President, Chief Operating Officer and director of Wyman-Gordon Company, North Grafton, Massachusetts. He previously served from 1994 through 1997 as President of Wyman-Gordon Forgings, Houston, Texas and from 1989 through 1994, as Vice President of Operations for the Cameron Forged Products Division of Cooper Industries, Houston, Texas. From 1965 to 1989, Mr. Whelan served in a variety of executive, technical and management positions with Cameron Iron Works, Houston, Texas.

**STOCK OWNERSHIP OF OFFICERS, DIRECTORS AND NOMINEES**

The following table sets forth as of October 31, 2005, the number of Common Shares of the Company beneficially owned by each director and officer and all directors and officers as a group, according to information furnished to the Company by such persons:

| Name  | Amount and Nature<br>of<br>Beneficial<br>Ownership (1) | Percent of<br>Class |
|---|--|---------------------|
| Timothy V. Crean (1)                              | 179,896  | 3.46%               |
| Jeffrey P. Gotschall (1)(2)(3)(4)                 | 146,850  | 2.82%               |
| Hudson D. Smith (2)(3)(4)                         | 135,563  | 2.61%               |
| Frank A. Cappello (1)                             | 28,250   | *                   |
| J. Douglas Whelan                                 | 8,000  | *                   |
| P. Charles Miller, Jr.                            | 2,700  | *                   |
| Alayne L. Reitman                                 | 1,100  | *                   |
| Michael S. Lipscomb                               | 600  | *                   |
| All Directors and Officers as a Group (9 persons) | 514,959  | 9.90%               |

\* Common Shares owned are less than one percent of class.

- (1) Unless otherwise stated below, the shares owned are owned of record by that person who has sole voting and investment power as to those shares. A portion of the total number of shares for the following persons and group represents shares which could be acquired within 60 days (February 15, 2006) of the date of this Proxy Statement by exercise of stock options: Mr. T. V. Crean, 80,625 shares; Mr. J. P. Gotschall, 3,750 shares; Mr. F. A. Cappello, 27,250 shares; and all directors and officers as a group, 122,875 shares.
- (2) Includes in the cases of Mr. J. P. Gotschall and Mr. H. D. Smith shares owned by their spouses and any minor children or in trust for them, their spouses and their lineal descendants.
- (3) Includes Voting Trust Certificates issued by the aforementioned (see page 2) Voting Trust representing an equivalent number of Common Shares held by such Trust as follows: Mr. J. P. Gotschall 143,100; and Mr. H. D. Smith 134,123.
- (4) Mr. J. P. Gotschall and Mr. H. D. Smith are cousins.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16 (a) of the Securities and Exchange Commission Act of 1934 requires the Company's officers and directors, and persons who own more than ten (10) percent of a registered class of Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten (10) percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16 (a) forms they file.

Based solely upon a review of Forms 3, 4 and 5 furnished to the Company during, or with respect to, 2005, no director, officer, beneficial owner of more than ten (10) percent of its outstanding common stock or any other person subject to Section 16 (a) of the Exchange Act failed to file on a timely basis during 2005 any reports required by 16 (a) of the Exchange Act, except that one (1) officer made a single late filing with respect to a stock option exercise.

**ORGANIZATION AND COMPENSATION OF THE BOARD OF DIRECTORS**

The Company's Board of Directors held four (4) regularly scheduled meetings during the last fiscal year. The Board of Directors' standing committees are the Audit, Compensation, and Governance Committees. During fiscal 2005 each director attended at least 75% of the total number of meetings of the Board and the committees on which he or she served. SIFCO's independent directors meet at each regularly scheduled Board meeting.

The functions of the Audit Committee are to select, subject to shareholder ratification, the Company's independent auditor; to approve all non-audit related services performed by the Company's independent auditor; to determine the scope of the audit; to discuss any special problems that may arise during the course of the audit; and to review the audit and its findings for the purpose of reporting to the Board of Directors. The members of the Audit Committee are all independent directors as defined in Section 121A of The AMEX Listing Standards, Policies and Requirements. Each member of the Audit committee is financially literate with at least one experienced in finance and accounting. The Audit Committee, currently composed of M. S. Lipscomb (Chairperson), A. L. Reitman, P. C. Miller, Jr. and J. D. Whelan, held two (2) meetings during the last fiscal year. The Audit Committee operates under a written charter that was filed with the Securities and Exchange Commission on December 17, 2004, as Exhibit A to the Proxy Statement dated December 17, 2004.

The function of the Compensation Committee is to review and recommend the compensation of directors and officers of the Company, including the granting of stock options and the number of shares that should be subject to each option so granted. The Compensation Committee, currently composed of J. D. Whelan (Chairperson), M. S. Lipscomb, A. L. Reitman and P. C. Miller, Jr., held two (2) meetings during the last fiscal year.

The function of the Governance Committee is to recommend candidates for the Board of Directors and address issues relating to senior management performance and succession, and to the composition and procedures of the Board. The Governance Committee is currently composed of M. S. Lipscomb, A. L. Reitman, J. D. Whelan and P. C. Miller, Jr. The members of the Governance Committee

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are all independent directors as defined in Section 121A of the AMEX Listing Standards, Policies and Requirements. The Governance Committee did not hold any formal meetings during the last fiscal year; however, its function was fulfilled during sessions of the full Board of Directors. The Governance Committee operates under a written charter that was filed with the Securities and Exchange Commission on December 17, 2004, as Exhibit B to the Proxy Statement dated December 17, 2004. In its role as the nominating body for the Board, the Governance Committee reviews the credentials of potential director candidates (including potential candidates recommended by shareholders), conducts interviews and makes formal recommendations to the Board for the annual and any interim election of directors. In making its recommendations, the Governance Committee considers a variety of factors, including skills, independence, background, experience, diversity and compatibility with existing Board members. Other than the foregoing, there are no stated minimum criteria for director nominees, although the Governance Committee may also consider such other factors as it deems appropriate in the best interests of the Company and its shareholders.

The Governance Committee will consider shareholder nominations for directors at any time. Any shareholder desiring to have a nominee considered by the Governance Committee should submit such recommendation in writing to a member of the Governance Committee or the Secretary of the Company, c/o SIFCO Industries, Inc., 970 East 64<sup>th</sup> Street, Cleveland, OH 44103. The recommendation letter should include the shareholder's own name, address and the number of shares owned and the candidate's name, age, business address, residence address, and principal occupation, as well as the number of shares the candidate owns. The letter should provide all of the information that would need to be disclosed in the solicitation of proxies for the election of directors under federal securities laws. Finally, the shareholder should also submit the recommended candidate's written consent to be elected and commitment to serve if elected. The Company may also require a candidate to furnish additional information regarding his or her eligibility and qualifications.

For fiscal 2005, each director (other than directors who are employed by the Company) received an annual retainer fee of \$12,000 and an attendance fee of \$2,000 per Board of Directors meeting and \$1,000 per committee meeting. Committee Chairpersons received an additional \$3,000 annual retainer for such service.

In fiscal 2005, H.D. Smith resigned as Executive Vice President and Treasurer of the Company. In connection with the resignation, the Company entered into a Separation Agreement with Mr. Smith that provides him with severance benefits for two years and medical benefits for 18 months. Mr. Smith received payments of \$114,700 during fiscal 2005 under such Separation Agreement. In fiscal 2005, Mr. Smith entered into a Sales Representative Agreement with the Company, the terms of which are substantially the same as the terms of other agreements the Company maintains with its third-party sales representatives. Mr. Smith received payments of \$47,700 during fiscal 2005 under such Sales Representative Agreement.

**Table of Contents****EXECUTIVE COMPENSATION**

The following table sets forth the annual and long-term compensation received for each of the three previous fiscal years by the Company's Chief Executive Officer and two other executive officers of the Company:

| Name and<br>Principal Position                 | Year | Summary Compensation Table |        | Long Term              | All Other               |
|--|------|----------------------------|--------|------------------------|-------------------------|
|  |      | Annual<br>Compensation     | Bonus  | Compensation<br>Option | Compensation<br>(\$)(1) |
|  |      | Salary (\$)                | (\$)   | Awards                 | (\$)(1)                 |
| Jeffrey P. Gotschall<br>Chairman and CEO       | 2005 | 204,775                    | -0-    | -0-                    | 7,551                   |
|  | 2004 | 180,000                    | 11,000 | -0-                    | -0-                     |
|  | 2003 | 240,000                    | -0-    | -0-                    | 5,460                   |
| Timothy V. Crean<br>President and COO          | 2005 | 266,051                    | -0-    | -0-                    | -0-                     |
|  | 2004 | 208,626                    | 24,000 | -0-                    | -0-                     |
|  | 2003 | 185,095                    | -0-    | -0-                    | -0-                     |
| Frank A. Cappello<br>Vice President and<br>CFO | 2005 | 150,400                    | -0-    | 6,000                  | 6,379                   |
|  | 2004 | 141,000                    | 43,000 | 10,000                 | 5,967                   |
|  | 2003 | 143,965                    | 10,000 | -0-                    | 4,298                   |

(1) Represents amounts contributed by the Company as matching contributions with respect to U.S. employees pursuant to the SIFCO Industries, Inc. Employees 401(k) Plan ( Plan ), a defined contribution plan. Under the Plan, as amended April 1, 2003, the Company matches 50% of the first 10% of participating employee compensation contributed to

the Plan.  
Employees  
become vested  
in those  
amounts  
contributed by  
the Company at  
varying  
percentages  
prior to  
achieving three  
full years of  
service, at  
which time they  
become 100%  
vested.

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For each individual named in the Summary Compensation Table, set forth below is information on grants of stock options, pursuant to the Company's 1995 Long-Term Incentive Plan, during the fiscal year ended September 30, 2005.

| Name                 | Individual Grants    |  | Exercise or Base | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term |          |
|----------------------|----------------------|--|------------------|-----------------|--|----------|
|                      | Options/SARS Granted | % of Total Options Granted to Employees in Fiscal Year |                  |                 | 5% (\$)  | 10% (\$) |
| Jeffrey P. Gotschall | -0-                  | -0-  | -0-              | N/A             | -0-  | -0-      |
| Timothy V. Crean     | -0-                  | -0-  | -0-              | N/A             | -0-  | -0-      |
| Frank A. Cappello    | 6,000                | 10.9%  | \$ 3.74          | 7/26/2015       | \$14,112   | \$35,764 |

**Option Exercises and Fiscal Year-End Values**

For each individual named in the Summary Compensation Table, set forth below is information relating to such person's exercise of stock options during the fiscal year ended September 30, 2005 and ownership of unexercised stock options at September 30, 2005.

| Name                 | Shares Acquired on Exercise | Value Realized | Number of Securities Underlying Unexercised |                                   | Value of Unexercised in the Money Options at |                               |
|----------------------|-----------------------------|----------------|---|-----------------------------------|--|-------------------------------|
|                      |                             |                | Options at Year-End Exercisable             | Options at Year-End Unexercisable | Fiscal Year-End Exercisable                  | Fiscal Year-End Unexercisable |
| Jeffrey P. Gotschall | -0-                         | -0-            | 8,750                                       | 1,250                             | -0-  | -0-                           |
| Timothy V. Crean     | 12,778                      | -0-            | 80,625                                      | 1,875                             | -0-  | -0-                           |
| Frank A. Cappello    | -0-                         | -0-            | 25,000                                      | 16,000                            | -0-  | -0-                           |

**Defined Benefit Pension Plans**

The amounts stated in the foregoing Summary Compensation Table do not include amounts paid by the Company for purposes of funding the Company's non-contributory pension plan. Mr. J. P. Gotschall and Mr. F. A. Cappello participate on the same basis as other salaried employees in a qualified, non-contributory pension plan known as SIFCO Industries, Inc. Salaried Retirement Plan (the



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Retirement Plan ). Mr. T. V. Crean participates in the SIFCO Turbine Components Limited Pension Plan (the STCL Plan ), which is described later in this section.

The Summary Compensation Table on page 7 includes both base salary and incentive compensation. Benefits payable under the Retirement Plan are calculated using only base salary. Under the terms of the Retirement Plan, as amended March 1, 2003 to cease the accrual of future retirement benefits as of that date, the amount of normal annual retirement benefit payable to a participating employee is generally based upon (i) years of service with the Company prior to normal retirement date but limited to service through March 1, 2003; (ii) final average earnings (average base salary during the 60 consecutive month period, within the 120 month period preceding March 1, 2003, during which the total amount of base salary was the highest); and (iii) average Social Security covered compensation. For an employee retiring with 25 years of service or less as of March 1, 2003, the benefit is equal to 2.144% of final average earnings minus .625% of average Social Security covered compensation multiplied by years of service up to 25 years. If an employee has more than 25 years of service as of March 1, 2003, the benefit is increased by 1.25% of final average earnings multiplied by his years of service in excess of 25 years. The amount so determined is payable in the form of a single life annuity or a lump sum payment. Under the Internal Revenue Code, the maximum annual benefit payable under the Retirement Plan to covered employees is limited to \$170,000 per year for 2005. In addition, the maximum amount of final average earnings used to compute benefits under the Retirement Plan is limited by the Internal Revenue Code. Therefore, in response to such limitations, the Company established a non-qualified Supplemental Executive Retirement Plan ( SERP ) to provide covered employees with a benefit amount equal to what they would have been entitled to receive under the Retirement Plan, as of March 1, 2003, if no such limitations existed.

The estimated annual retirement benefit under the combined plans for each participant is based upon the base salary at March 1, 2003, the date on which benefits under the Retirement Plan and SERP ceased to accrue for all participants. The following table shows estimated combined annual benefits payable upon retirement under the Retirement Plan and the SERP.

| Remuneration | Years of Service |         |         |         |         |         |         |
|--------------|------------------|---------|---------|---------|---------|---------|---------|
|              | 15               | 20      | 25      | 30      | 35      | 40      | 45      |
| \$ 50,000    | 12,382           | 16,510  | 20,637  | 23,762  | 26,887  | 30,012  | 33,137  |
| 75,000       | 20,422           | 27,230  | 34,037  | 38,724  | 43,412  | 48,099  | 52,787  |
| 100,000      | 28,462           | 37,950  | 47,437  | 53,687  | 59,937  | 66,187  | 72,437  |
| 150,000      | 44,542           | 59,390  | 74,237  | 83,612  | 92,987  | 102,362 | 111,737 |
| 200,000      | 60,622           | 80,830  | 101,037 | 113,537 | 126,037 | 138,537 | 151,037 |
| 250,000      | 76,702           | 102,270 | 127,837 | 143,462 | 159,087 | 174,712 | 190,337 |
| 300,000      | 92,782           | 123,710 | 154,637 | 173,387 | 192,137 | 210,887 | 229,637 |

The payments by the Company to fund the benefits under the Retirement Plan and SERP are actuarially determined. The estimated annual benefits payable upon retirement and projected years of credited service through March 1, 2003 , the date on which benefits under the Plan ceased to accrue for all participants, are as follows: Mr. J. P. Gotschall \$132,598 (29.7 years) and Mr. F. A. Cappello \$7,755 (3.1 years). Total pension expense related to the Retirement Plan and SERP for fiscal year 2005 was \$54,395.

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Mr. T. V. Crean participates in the STCL Plan. This is a contributory plan for employees of the Company's Irish subsidiary, SIFCO Turbine Components Limited (STCL). Under the STCL Plan, the employee and STCL each pay 50% of retirement benefits. Other costs such as life insurance are borne by STCL.

Under the terms of the STCL Plan, the amount of normal annual retirement benefits payable to a participating employee is generally based upon years of service with STCL prior to normal retirement date, final pensionable salary (average basic salary during the period of 36 consecutive months preceding retirement) and average government pension. The benefit is 1/60<sup>th</sup> of final pensionable salary for each year of service, subject to a maximum of 40 years, minus 1<sup>1</sup>/<sub>2</sub> times the single person's annual rate of government retirement pension. Years of service for senior managers who will have completed at least ten years of service may be augmented. Any related additional cost is paid by STCL.

The payments by STCL and employees to fund the benefits under the STCL Plan are actuarially determined. The current U.S. dollar value of estimated annual benefits payable (in Euros) upon retirement and projected years of credited service to retirement for Mr. T. V. Crean is \$157,165 (40 years). Total pension expense for the STCL Plan for fiscal year 2005 was \$476,213.

**Change in Control and Separation Pay Agreements**

The Company has entered into agreements with certain key executives of the Company in order to protect the Company and such key executives in the event of involuntary termination of key executives for other than cause and/or as a result of a change in control of the Company. The purpose of these agreements is to reinforce and encourage the continued attention and dedication of these executives to their assigned duties without distraction in the face of (i) solicitations by other employers and (ii) the potentially disturbing circumstances arising from the possibility of a change in control of the Company. To that end, the agreements obligate the Company to provide certain severance benefits, described below, to any of these officers whose employment is terminated under certain circumstances. Such benefits for Mr. J. P. Gotschall, Mr. T. V. Crean, and Mr. F. A. Cappello principally include a payment equal to a maximum of 250% of the employee's annual compensation, continuation of insurance coverage for up to 24 months following termination, and accelerated vesting of existing stock options and certain retirement benefits.

**REPORT OF THE COMPENSATION COMMITTEE**

The Company's compensation of its executive personnel has three components: base salary, cash incentive compensation and stock-based compensation (stock options and restricted shares).

Based on a consideration of Chief Executive Officer salaries in manufacturing companies of comparable size in the aerospace industry and the Company's performance, Mr. Gotschall's annual salary was adjusted to \$207,000 in November 2004, which reflected an increase of \$27,000 following a temporary reduction in July 2003 of \$60,000 in his annual salary for fiscal 2004. Mr. Gotschall received no cash incentive for fiscal 2005.

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The Company has incentive plans for each business unit and for the corporate headquarters staff. In general, certain members of the business units share in compensation pools equal to 10% of the unit's operating profits, subject to certain adjustments and members of the corporate staff may earn incentives from a pool equal to up to 10% of profits before tax, subject to certain adjustments.

During fiscal 2005, options on 55,000 shares were awarded to participants in the Company's 1995 Long-Term Incentive Plan, including awards of 6,000 shares to Mr. F. A. Cappello.

*Compensation Committee*

*J. Douglas Whelan, Chairperson*

*Michael S. Lipscomb*

*P. Charles Miller, Jr.*

*Alayne L. Reitman*

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee reviewed and discussed the audited financial statements of the Company, for the fiscal year ended September 30, 2005, with the Company's management and with the Company's independent certified public accountants, Grant Thornton LLP. The Audit Committee also discussed with Grant Thornton LLP the matters required to be discussed by Statement of Auditing Standards No. 61 (Communication with Audit Committees).

The Audit Committee received the written disclosures and the letter from Grant Thornton LLP required by Independence Standards Board Standard No. 1 certifying the firm's independence and the Audit Committee discussed the independence of Grant Thornton LLP with that firm.

The Audit Committee and the Board of Directors of the Company operate under a written charter as last amended in July 2004.

Based upon the Audit Committee's review and discussion noted above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2005.

*Audit Committee*

*Michael S. Lipscomb, Chairperson*

*P. Charles Miller, Jr.*

*Alayne L. Reitman*

*J. Douglas Whelan*

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**PERFORMANCE GRAPH**

Set forth below is a graph comparing the price performance of the Company's Common Shares to the price performance of the S&P Composite 500 Stock Index and the S&P Aerospace/Defense Group. The graph assumes that the value of the investment in the Common Shares, the S&P Composite 500 Stock Index and the S&P Aerospace/Defense Group was \$100 on September 30, 2000.

**COMPARISON OF FIVE-YEAR RETURN PERFORMANCE OF  
SIFCO INDUSTRIES, INC., S&P 500 INDEX  
AND S&P AEROSPACE/DEFENSE GROUP**

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**INTERLOCKS AND INSIDER PARTICIPATION**

During fiscal 2005, no officer or employee of the Company served as a member of the Compensation Committee, and there were no interlocking relationships (as described in Item 402(j) of SEC Regulation S-K) between members of the Compensation Committee and the Company.

**PRINCIPAL ACCOUNTING FEES AND SERVICES**

**Audit Fees**

Fees paid or payable to Grant Thornton LLP for the audits of the annual financial statements included in the Company's Forms 10-K and for the reviews of the financial statements included in the Company's Forms 10-Q for the years ended September 30, 2005 and 2004 were \$179,400 and \$150,000, respectively. The Audit Committee has sole responsibility for determining whether and under what circumstances an independent registered public accounting firm may be engaged to perform audit-related services and must pre-approve any non-audit related service performed by such firm. In fiscal 2005, all audit and non-audit related fees, to the extent they were incurred, were pre-approved by the Audit Committee.

**Audit-related Fees**

Fees paid or payable to Grant Thornton LLP for audit-related services for the year ended September 30, 2005 were \$600. There were no such fees paid during 2004 to Grant Thornton LLP for audit-related products or services other than the audit fees described above.

**Tax Fees**

Fees paid or payable to Grant Thornton LLP for tax consulting services for the year ended September 30, 2005 were \$3,800. There were no such fees paid during 2004 to Grant Thornton LLP for tax consulting services.

**All Other Fees**

There were no such fees paid during 2005 or 2004 to Grant Thornton LLP for other products or services other than the professional services described above.

**PROPOSAL FOR APPROVAL OF DESIGNATION OF AUDITORS**

The firm of Grant Thornton LLP has been the Company's independent registered public accounting firm since prior to 2003. The Board of Directors has chosen that firm to audit the accounts of the Company and its consolidated subsidiaries for the fiscal year ending September 30, 2006, subject to the ratification of the shareholders for which the affirmative vote of a majority of the Common Shares

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present and voting at the 2006 Annual Meeting (in person or by proxy) is required. Grant Thornton LLP has advised the Company that neither the firm nor any of its members or associates has any direct or indirect financial interest in the Company or any of its affiliates other than as auditors. The Board of Directors recommends ratification of the selection of Grant Thornton LLP as independent registered public accounting firm of the Company for the year ending September 30, 2006.

Representatives of Grant Thornton LLP are expected to be present at the 2006 Annual Meeting with the opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

**SHAREHOLDER PROPOSALS FOR THE 2007 ANNUAL MEETING OF SHAREHOLDERS**

A shareholder who intends to present a proposal at the 2007 Annual Meeting, and who wishes to have the proposal included in the Company's proxy statement and form of proxy for that meeting, must deliver the proposal to the Company no later than August 18, 2006. Any shareholder proposal submitted other than for inclusion in the Company's proxy materials for the 2007 Annual Meeting must be delivered to the Company no later than November 1, 2006 or such proposal will be considered untimely. If a shareholder proposal is received after November 1, 2006, the Company may vote, in its discretion as to the proposal, all of the Common Shares for which it has received proxies for the 2007 Annual Meeting.

**OTHER MATTERS**

The management does not know of any other matters that will come before the meeting. In case any other matter should properly come before the 2006 Annual Meeting, it is the intention of the persons named in the enclosed proxy or their substitutions to vote in accordance with their best judgment in accordance with the recommendation of the Board of Directors or, in the absence of such a recommendation, in accordance with their judgment pursuant to the discretionary authority conferred by the enclosed proxy.

By order of the Board of Directors.

SIFCO Industries, Inc.

*Kristine M. Wellman*, Secretary

December 16, 2005

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**SIFCO Industries, Inc.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints JEFFREY P. GOTSCHALL and HUDSON D. SMITH, and each of them, the proxies of the undersigned to vote the shares of the undersigned at the Annual Meeting of Shareholders of SIFCO Industries, Inc., to be held on January 31, 2006, and at any and all adjournments thereof, upon proposals to:

(1) ELECT SIX (6) DIRECTORS. To elect the following persons for one-year terms expiring at the 2007 Annual Meeting of Shareholders:

Jeffrey P. Gotschall  
Alayne L. Reitman

Michael S. Lipscomb  
Hudson D. Smith

P. Charles Miller, Jr.  
J. Douglas Whelan

“ FOR all nominees listed above  
(except as noted below)

“ WITHHOLD AUTHORITY  
To vote for all nominees

*(INSTRUCTIONS: If you wish to withhold authority to vote for any individual nominee, write that nominee's name in the space below.) \_\_\_\_\_*

(2) RATIFY THE DESIGNATION OF GRANT THORNTON LLP as the independent registered public accounting firm for the fiscal year ending September 30, 2006.

“ FOR

“ AGAINST

“ ABSTAIN

(3) Consider and take action upon such other matters as may properly come before the meeting or any adjournment thereof.

“ GRANT AUTHORITY

“ WITHHOLD AUTHORITY

*(Continued on other side)*

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*(Proxy continued from other side)*

| Proxy No.  | Shares |
|--|--------|
| <b>IF NO INSTRUCTION IS INDICATED, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES FOR DIRECTORS, FOR THE PROPOSAL TO RATIFY THE DESIGNATION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND, IN THE DISCRETION OF THE PROXIES, ON SUCH OTHER BUSINESS AS MAY COME BEFORE THE MEETING OR ANY ADJOURNMENT.</b> |        |

Dated:

NOTE: The signature of this proxy should correspond with the name (or names), as shown hereon, in which your stock is registered. Where stock is registered jointly in the name of two or more persons, all should sign.