

INSTEEL INDUSTRIES INC

Form DEF 14A

December 21, 2009

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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

Filed by the Registrant [x]

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))**

[x] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to Section 240.14a-12

Insteel 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):

[x] 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: _____

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(1) Amount Previously Paid: _____

(2) Form, Schedule or Registration Statement No.: _____

(3) Filing Party: _____

(4) Date Filed: _____

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January 5, 2010

Dear Shareholder:

You are cordially invited to attend the 2010 Annual Meeting of Shareholders of Insteel Industries, Inc. to be held Tuesday, February 9, 2010 at 9:00 a.m. Eastern Time. The meeting will take place at the Cross Creek Country Club, 1129 Greenhill Road, Mount Airy, North Carolina.

The attached proxy statement and formal notice of the meeting describe the matters expected to be acted upon at the meeting. We urge you to review these materials carefully and to use this opportunity to take part in the Company's affairs by voting on the matters described in the proxy statement. At the meeting, we will also discuss our operations, fiscal year 2009 financial results and our plans for the future. Our directors and management team will be available to answer any questions you may have. We hope that you will be able to attend.

Your vote is important to us. Whether you plan to attend the meeting or not, please complete the enclosed proxy card and return it as promptly as possible. If you attend the meeting, you may elect to have your shares voted as instructed in the proxy or you may withdraw your proxy at the meeting and vote your shares in person. If you hold shares in street name and would like to vote at the meeting, you should follow the instructions provided in the proxy statement.

Thank you for your continued support and interest in Insteel Industries.

Sincerely,

H.O. Woltz III

Chairman of the Board

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INSTEEL INDUSTRIES, INC.
1373 Boggs Drive
Mount Airy, North Carolina 27030
(336) 786-2141

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date: Tuesday, February 9, 2010

Time: 9:00 a.m., Eastern Time

Place: Cross Creek Country Club
1129 Greenhill Road
Mount Airy, North Carolina 27030

Dear Shareholder:

At our Annual Meeting, we will ask you to:

1. Elect the three nominees named in this proxy statement to the Board of Directors, each for three-year terms;
2. Amend our Restated Charter to increase the number of shares of common stock we are authorized to issue to 50,000,000;
3. Ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for our fiscal year 2010; and
4. Transact such other business, if any, as may properly be brought before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on December 7, 2009 are entitled to vote at the Annual Meeting.

If you do not plan to attend the meeting and vote your common stock in person, please mark, sign, date and promptly return the enclosed proxy card or voting instruction form in the postage-paid envelope according to the instructions printed on the card.

Any proxy may be revoked at any time prior to its exercise by delivery of a later-dated proxy or by properly voting in person at the Annual Meeting.

Enclosed is a copy of our Annual Report for the year ended October 3, 2009, which includes our financial statements and other information regarding our business.

By Order of the Board of Directors

James F. Petelle
Secretary

Mount Airy, North Carolina
January 5, 2010

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January 5, 2010

INSTEEL INDUSTRIES, INC.
1373 Boggs Drive
Mount Airy, North Carolina 27030
(336) 786-2141

PROXY STATEMENT

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on February 9, 2010:

The Notice of Annual Meeting of Shareholders, Proxy Statement, Form of Proxy and 2009 Annual Report to the Shareholders are available on our corporate website at <http://investor.insteel.com/annuals.cfm>.

This proxy statement is furnished in connection with the solicitation of proxies by our Board of Directors for use at the Annual Meeting of Shareholders to be held on Tuesday, February 9, 2010 at 9:00 a.m., Eastern Time, and at any adjournments or postponements of the Annual Meeting. The meeting will take place at the Cross Creek Country Club, 1129 Greenhill Road, Mount Airy, North Carolina. This proxy statement, accompanying proxy card and the 2009 Annual Report, which includes our financial statements, are first being mailed to our shareholders on or about January 5, 2010.

This proxy statement summarizes certain information you should consider before you vote at the Annual Meeting. However, you do not need to attend the Annual Meeting to vote your shares. If you do not expect to attend or prefer to vote by proxy, you may follow the voting instructions on the enclosed proxy card. In this proxy statement, Insteel Industries, Inc. is generally referred to as we, our, Insteel Industries, Insteel or the Company.

The attached proxy card indicates the number of shares of Insteel Industries common stock that you own as of the record date of December 7, 2009. In this proxy statement, outstanding Insteel Industries common stock (no par value) is sometimes referred to as the Shares.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Why am I receiving this proxy statement and proxy card?

You are receiving a proxy statement and proxy card from us because you owned shares of our common stock at the close of business on the December 7, 2009 record date for the 2010 Annual Meeting. This proxy statement describes matters on which we would like you, as a shareholder, to vote. It also gives you information on these matters so that you can make an informed decision.

When you sign and return the proxy card, you appoint H.O. Woltz III and James F. Petelle, and each of them individually, as your representatives at the meeting. Messrs. Woltz III and Petelle will vote your Shares at the meeting as you have instructed them. This way, your Shares will be voted regardless of whether you attend the Annual Meeting. Even if you plan to attend the meeting, it is a good idea to complete, sign and return the enclosed proxy card in advance of the meeting just in case your plans change. Returning the proxy card will not affect your right to attend or vote at the Annual Meeting.

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If a matter comes up for vote at the Annual Meeting that is not described in this proxy statement or listed on the proxy card, Messrs. Woltz III and Petelle will vote your Shares, under your proxy, in their discretion. As of the date of this proxy statement, we do not expect that any matters other than those described in this proxy statement will be voted upon at the Annual Meeting.

What is being voted on at the Annual Meeting?

At the Annual Meeting, shareholders entitled to vote will be asked to act upon the following matters as set forth in the accompanying notice of meeting:

the election of the three nominees named in this proxy statement to the Board of Directors, each for three-year terms as discussed herein;

the amendment of our Restated Charter to increase the number of shares of common stock we are authorized to issue to 50,000,000;

the ratification of our appointment of Grant Thornton LLP as our independent registered public accounting firm for our fiscal year 2010; and

any other matters that may properly come before the meeting or any adjournment or postponement thereof.

Who is entitled to vote?

All holders of record of our Shares at the close of business on December 7, 2009 are entitled to receive notice of the Annual Meeting and to vote the Shares held by them on the record date. Each outstanding Share entitles its holder to cast one vote for each matter to be voted upon.

May I attend the meeting?

All holders of record of our Shares at the close of business on the record date, or their designated proxies, are entitled to attend the Annual Meeting.

What constitutes a quorum in order to hold and transact business at the meeting?

Consistent with state law and our bylaws, the presence, in person or by proxy, of holders of at least a majority of the total number of Shares entitled to vote is necessary to constitute a quorum for purposes of voting on a particular matter at the Annual Meeting. As of the record date, there were 17,524,386 Shares outstanding and entitled to vote at the Annual Meeting. Once a Share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and any adjournment thereof unless a new record date is or must be set for the adjournment. Shares held of record by shareholders or their nominees who do not vote by proxy or attend the Annual Meeting in person will not be considered present or represented at the Annual Meeting and will not be counted in determining the presence of a quorum. Signed proxies that withhold authority or reflect abstentions or broker non-votes will be counted for purposes of determining whether a quorum is present. Broker non-votes are proxies received from brokerage firms or other nominees holding Shares on behalf of their clients who have not been given specific voting instructions from their clients with respect to non-routine matters. See Will my Shares be voted if I do not sign and/or return my proxy card?

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How do I vote?

Voting by Holders of Shares Registered in the Name of a Brokerage Firm, Bank or Other Nominee. If your Shares are held by a brokerage firm, bank or other nominee (i.e., in street name), you should receive directions from your nominee that you must follow in order to have your Shares voted. **Street name shareholders who wish to vote in person at the meeting will need to obtain a proxy form, sometimes referred to as a voting instruction form, from the brokerage firm or other nominee that holds their common stock of record.**

Voting by Holders of Shares Registered Directly in the Name of the Shareholder. If you hold your Shares in your own name as a holder of record, you may vote in person at the Annual Meeting or instruct the proxy holders named in the enclosed proxy card how to vote your Shares by mailing your completed proxy card in the postage-paid envelope that we have provided to you. Please make certain that you mark, sign and date your proxy card prior to mailing. All valid proxies received and not revoked prior to the Annual Meeting will be voted in accordance with instructions.

What are the Board's recommendations?

If no instructions are indicated on your valid proxy, the representatives holding proxies will vote in accordance with the recommendations of the Board of Directors. The Board of Directors recommends a vote:

FOR the election of the three director nominees, each for three-year terms as set forth herein;

FOR the amendment of our Restated Charter to increase the number of shares of common stock we are authorized to issue to 50,000,000; and

FOR the ratification of our selection of Grant Thornton LLP as our independent registered public accounting firm for our fiscal year 2010.

Will other matters be voted on at the Annual Meeting?

We are not aware of any matters to be presented at the Annual Meeting other than those described in this proxy statement. If any other matters not described in the proxy statement are properly presented at the meeting, Messrs. Woltz III and Petelle will vote your Shares, under your proxy, in their discretion.

Can I revoke or change my proxy instructions?

You may revoke or change your proxy at any time before it has been exercised by:

notifying our Secretary at 1373 Boggs Drive, Mount Airy, North Carolina 27030 in writing before the Annual Meeting that you have revoked your proxy;

delivering a later dated proxy to our Secretary prior to or at the Annual Meeting; or

appearing in person and voting by ballot at the Annual Meeting.

Any shareholder of record as of the record date attending the Annual Meeting may vote in person whether or not a proxy has been previously given, but the presence of a shareholder at the Annual Meeting without further action will not constitute revocation of a previously given proxy.

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What vote is required to approve the election of directors?

The election of directors will be determined by a plurality of the votes cast at the Annual Meeting if a quorum is present. Shareholders do not have cumulative voting rights in connection with the election of directors. This means that the three nominees receiving the highest number of FOR votes will be elected as directors. Withheld votes and broker non-votes, if any, are not treated as votes cast, and therefore will have no effect on the proposal to elect directors.

What vote is required to approve the amendment of our Restated Charter and to ratify the appointment of our independent registered public accounting firm?

Each proposal will be approved if the votes cast in favor of the respective proposal exceed the votes cast against such proposal. Abstentions and broker non-votes are not treated as votes cast, and therefore will have no effect on the outcome of either proposal. The vote to approve our independent registered public accounting firm is an advisory vote, the results of which will be seriously considered by our Audit Committee.

Will my Shares be voted if I do not sign and/or return my proxy card?

If your Shares are held in street name and you fail to give instructions as to how you want your Shares voted (a non-vote), the brokerage firm, bank or other nominee who holds Shares on your behalf may, in certain circumstances, vote the Shares in their discretion.

With respect to routine matters, such as the ratification of the selection of our independent registered public accounting firm, a brokerage firm or other nominee has authority (but is not required) under the rules governing self-regulatory organizations (the SRO rules), including the NASDAQ Global Select Market (NASDAQ), to vote its clients Shares if the clients do not provide instructions. When a brokerage firm or other nominee votes its clients Shares on routine matters without receiving voting instructions, these Shares are counted both for establishing a quorum to conduct business at the meeting and in determining the number of Shares voted FOR, ABSTAINING or AGAINST with respect to such routine matters.

With respect to non-routine matters, such as the election of directors and the proposal to amend our Restated Charter, a brokerage firm or other nominee is not permitted under the SRO rules to vote its clients Shares if the clients do not provide instructions. The brokerage firm or other nominee will so note on the voting instruction form, and this constitutes a broker non-vote. Broker non-votes will be counted for purposes of establishing a quorum to conduct business at the meeting but not for determining the number of Shares voted FOR, WITHHELD FROM, AGAINST or ABSTAINING with respect to such non-routine matters.

In summary, if you do not vote your proxy, your brokerage firm or other nominee may either:
vote your Shares on routine matters and cast a broker non-vote on non-routine matters; or

leave your Shares unvoted altogether.

We encourage you to provide instructions to your brokerage firm or other nominee by voting your proxy. This action ensures that your Shares will be voted in accordance with your wishes at the Annual Meeting.

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What other information should I review before voting?

Our 2009 Annual Report, including financial statements for the fiscal year ended October 3, 2009, is included in the mailing with this proxy statement. The Annual Report, however, is not part of the proxy solicitation material. A copy of our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the SEC), including the financial statements and financial statement schedules, may be obtained without charge by:

writing to our Secretary at: 1373 Boggs Drive, Mount Airy, North Carolina 27030;

accessing the EDGAR database at the SEC's website at www.sec.gov;

accessing our website at <http://investor.insteel.com>; or

contacting the SEC by telephone at (800) SEC-0330.

The contents of our website are not and shall not be deemed to be a part of this proxy statement.

Where can I find the voting results of the meeting?

We will announce preliminary voting results at the Annual Meeting. We will publish the final results in our quarterly report on Form 10-Q for the second quarter of fiscal 2010. A copy of this quarterly report may be obtained without charge by any of the means outlined above for obtaining a copy of the Annual Report on Form 10-K.

What is Householding?

The SEC rules allow for householding, which is the delivery of a single proxy statement and Annual Report to an address shared by two or more of our shareholders. A single copy of the Annual Report and the proxy statement will be sent to multiple shareholders who share the same address unless we have received contrary instructions from one or more of the shareholders.

If you prefer to receive a separate copy of the proxy statement or the Annual Report, please write to Investor Relations, Insteel Industries, Inc., 1373 Boggs Drive, Mount Airy, North Carolina 27030; or telephone our Investor Relations Department at (336) 786-2141, and we will promptly send you separate copies. If you are currently receiving multiple copies of the proxy statement and Annual Report at your address and would prefer to receive only a single copy of each, you may contact us at the address or telephone number provided above.

CORPORATE GOVERNANCE GUIDELINES AND BOARD MATTERS

The Board of Directors

The Board of Directors is currently comprised of eight members. Our bylaws provide that our Board of Directors must have not less than seven nor more than twelve directors.

The Board of Directors oversees our business affairs and monitors the performance of management. In accordance with basic principles of corporate governance, the Board does not involve itself in day-to-day operations. The directors keep themselves informed through discussions with the Chairman, key executive officers and our principal external advisers (legal counsel, auditors, investment bankers and other consultants), by reading reports and other materials that are sent to them and by participating in Board and committee meetings.

At its meeting on August 25, 2009, the Board of Directors approved the establishment of a Nominating and Governance Committee. Prior to that, the process of evaluating and nominating

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potential new Board members was assigned to the full Board, pursuant to our Nominating and Corporate Governance Rules. At the August 25, 2009 meeting, the Board also adopted new Board Governance Guidelines, which (along with the Charter of the Nominating and Governance Committee) replace the Nominating and Corporate Governance Rules. The Board Governance Guidelines may be found on our website at <http://investor.insteel.com/documents.cfm>.

The Board of Directors, at its meeting in November 2009, determined that the following members of the Board, which constitute a majority thereof, each satisfy the definition of independent director, as that term is defined under NASDAQ listing standards: Louis E. Hannen, Charles B. Newsome, Gary L. Pechota, W. Allen Rogers II, William J. Shields and C. Richard Vaughn. In addition to considering the objective independence criteria established by NASDAQ, the Board also made a subjective determination as to each of these directors that no transactions, relationships or arrangements exist that, in the opinion of the Board, would interfere with the exercise of the director's independent judgment in carrying out his responsibilities as one of our directors. In making these determinations, the Board reviewed information provided by the directors and us with regard to each director's business and personal activities as they may relate to us and our management. Additionally, the Board specifically considered Mr. Newsome's position as Executive Vice President and General Manager of Johnson Concrete Company, which purchased approximately \$585,000 of materials from us during fiscal 2009, and determined that this relationship did not impair or otherwise affect Mr. Newsome's status as an independent director. See Certain Relationships and Related Person Transactions for additional information regarding this relationship.

Directors are expected to attend all meetings of the Board of Directors and all meetings of Board committees on which they serve. The independent directors meet in executive session with no members of management present before or after each regularly scheduled meeting (see Executive Sessions below). The Board of Directors met five times in 2009. Each of the directors attended at least 75% of the Board of Directors meetings and meetings held by committees of the Board of Directors of which they were members.

Director Attendance at Annual Meetings

The Board has determined that it is in our best interest for all members of the Board of Directors to attend the Annual Meeting of Shareholders. All eight of our directors attended the 2009 Annual Meeting of Shareholders.

Committees of the Board

The Audit Committee. The Board has an Audit Committee, which assists the Board in fulfilling its responsibilities to shareholders concerning our accounting, financial reporting and internal controls, and facilitates open communication between the Board, outside auditors and management. The Audit Committee discusses the financial information prepared by management, our internal controls and our audit process with management and with outside auditors. The Audit Committee is charged with the responsibility of selecting our independent registered public accounting firm. The independent registered public accounting firm meets with the Audit Committee (both with and without the presence of management) to review and discuss various matters pertaining to the audit process, including our financial statements, the scope and terms of its work, the results of its year-end audit and quarterly reviews, and its recommendations concerning the financial practices, controls, procedures and policies we employ. The Board has adopted a written charter for the Audit Committee as well as a Pre-Approval Policy regarding all Audit, Audit-Related, Tax and other Non-Audit Related Services to be performed by the independent registered public accounting firm.

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The Audit Committee is a separately-designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934 that consists of Messrs. Rogers (Chairman), Hannen and Pechota. The Board, at its meeting in November 2009, determined that each of the members of the Audit Committee meets the definition of independent director and certain Audit Committee-specific independence requirements under NASDAQ rules and is also independent under SEC requirements for Audit Committee members. At the same meeting, the Board also determined that each of the Committee's members qualify as an Audit Committee Financial Expert as defined under SEC rules. The Board of Directors has also determined that each of the Audit Committee members is financially literate as such qualification is interpreted in the Board's judgment. The functions of the Audit Committee are further described herein under Report of the Audit Committee. The Audit Committee met five times during fiscal 2009 and members of the Audit Committee consulted with management of the Company, the internal auditor and the independent registered public accounting firm at various times throughout the year. The charter for the Audit Committee, as most recently revised February 19, 2008, may be found on our website at <http://investor.insteel.com/documents.cfm>.

The Executive Compensation Committee. The Executive Compensation Committee is responsible for (i) determining appropriate compensation levels for our executive officers, including any employment, severance or change in control arrangements; (ii) evaluating officer and director compensation plans, policies and programs; (iii) reviewing benefit plans for officers and employees; and (iv) producing an annual report on executive compensation for inclusion in the proxy statement. The following directors are the members of the Executive Compensation Committee: Messrs. Shields (Chairman), Newsome and Vaughn. The Board of Directors, at its meeting in November 2009, determined that each of the Executive Compensation Committee members meets the definition of independent director as that term is defined under NASDAQ rules. The Executive Compensation Committee Report is included in this proxy statement. The Executive Compensation Committee also reviews, approves and administers our incentive compensation plans and equity-based compensation plans and has sole authority for making awards under such plans, including their timing, valuation and amount. In addition, the Executive Compensation Committee reviews and recommends the structure and level of outside director compensation to the full Board. The Executive Compensation Committee has the discretion to delegate any of its authority to a subcommittee, but did not do so during fiscal 2009. The Executive Compensation Committee met three times during fiscal 2009. The charter of the Executive Compensation Committee, as adopted on September 18, 2007, may be found on our website at <http://investor.insteel.com/documents.cfm>.

The Executive Compensation Committee regularly consults with members of our executive management team regarding our executive compensation program. Our executive compensation program, including the role members of our executive management team and outside compensation consultants play in assisting with establishing compensation, is discussed in more detail below under Compensation Discussion and Analysis.

The Nominating and Governance Committee. The Nominating and Governance Committee was established by the Board or Directors at the August 25, 2009 Board Meeting. This committee is now responsible for establishing Board membership criteria, identifying individuals qualified to become Board members consistent with such criteria and recommending nominations of individuals when openings exist, recommending the appointment of Board committee members and chairs, reviewing corporate governance issues including periodically reviewing and recommending changes as necessary to the Board Governance Guidelines and our Code of Business Conduct and developing and facilitating an annual Board self-assessment process.

At its August 25, 2009 meeting, the Board designated Messrs. Newsome, Pechota and Rogers as the initial members of the Nominating and Governance Committee. Subsequently, Mr. Pechota was designated Committee Chairman. The Committee first met on November 16, 2009 after the end of our

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2009 fiscal year. The charter of the Nominating and Governance Committee may be found on our website at <http://investor.insteel.com/documents.cfm>.

Executive Sessions

Pursuant to the listing standards of NASDAQ, the independent directors are required to meet regularly in executive sessions. Generally, those sessions are chaired by the lead independent director. The independent directors have determined that it is appropriate to periodically rotate the role of lead independent director. During fiscal 2009, the lead independent director was Mr. Vaughn. During these executive sessions, the lead independent director has the power to lead the meeting, set the agenda and determine the information to be provided. During fiscal 2009, the Board held four executive sessions. The lead independent director can be contacted by writing to Lead Independent Director, Insteel Industries, Inc., c/o James F. Petelle, Secretary, 1373 Boggs Drive, Mount Airy, North Carolina 27030. We screen mail addressed to the lead independent director for security purposes and to ensure that it relates to discrete business matters that are relevant to our Company. Mail that satisfies these screening criteria will be forwarded to the lead independent director.

Code of Business Conduct

In keeping with the Board's commitment to sound corporate governance, on August 11, 2003, the Board adopted a Code of Business Conduct (the "Code of Conduct"), which applies to our Company and all of its employees, officers and directors. The Code of Conduct incorporates an effective reporting and enforcement mechanism. The Board has adopted this Code of Conduct as its own standard. The Code of Conduct was prepared to help employees, officers and directors understand our standard of ethical business practices and to promote awareness of ethical issues that may be encountered in carrying out their responsibilities. The Code of Conduct is included in an employment manual, which is supplied to all of our employees and officers and in a Board of Directors Manual for directors, each of whom are expected to read and acknowledge in writing that they understand such policies.

Board Governance Guidelines

In conjunction with the Board's establishment of the Nominating and Governance Committee on August 25, 2009, the Board adopted Board Governance Guidelines to set forth the framework pursuant to which the Board governs the Company. Among other things, the Board Governance Guidelines describe the expectations regarding attendance at the Annual Meeting and at Board meetings, require regular meetings of independent directors in executive session, describe the functions of the Board's standing committees, including an annual self-assessment process to be facilitated by the Nominating and Governance Committee and set forth the procedure pursuant to which shareholders may communicate with directors.

Availability of Bylaws, Board Governance Guidelines, Code of Conduct and Committee Charters

Our Bylaws, Board Governance Guidelines, Code of Business Conduct, Audit Committee Charter, Audit Committee Pre-Approval Policy, Executive Compensation Committee Charter and Nominating and Governance Committee Charter are available on our website at <http://investor.insteel.com/documents.cfm>, and in print to any shareholder upon written request to our Secretary.

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Shareholder Recommendations and Nominations

The Nominating and Governance Committee Charter provides that the Committee will review the qualifications of any director candidates that have been properly recommended to the Committee by shareholders. Shareholders should submit any such recommendations in writing c/o Insteel Industries, Inc., 1373 Boggs Drive, Mount Airy, North Carolina 27030, Attention: James F. Petelle, Vice President and Secretary. In addition, in accordance with our bylaws, any shareholder entitled to vote for the election of directors at the applicable meeting of shareholders may nominate persons for election to the Board if such shareholder complies with the notice procedures set forth in the bylaws and summarized in Shareholder Proposals for the 2011 Annual Meeting below.

Process for Identifying and Evaluating Director Candidates

Pursuant to its charter and our Board Governance Guidelines, the Nominating and Governance Committee is responsible for developing and recommending to the Board criteria for identifying and evaluating candidates to serve as directors. These criteria include standards for assessing independence; business and management experience; familiarity with our business, customers and suppliers; consideration of the diverse talents, backgrounds and perspectives of each candidate and the composition of the Board as a whole; integrity; leadership; ability to exercise sound judgment; other company board relationships and existing time commitments; and relevant regulatory and NASDAQ membership requirements for the Board and its committees. A candidate's qualifications are evaluated based on these criteria when being considered for nomination or re-nomination to the Board for election at our annual meeting or to fill vacated or newly created positions on the Board.

The Committee works with the Chairman of the Board to identify and recruit qualified director candidates in accordance with the director qualifications set forth in our Board Governance Guidelines, and also may retain a third party search firm to assist in the identification of possible candidates for election to the Board. In addition, the Committee will consider any director candidates that have been properly recommended to the Committee by our shareholders or directors. Upon the recommendation of the Committee, the Board evaluates each director candidate based upon the totality of the merits of each candidate and not based on minimum qualifications or attributes. When considering a director candidate standing for re-election, in addition to the above criteria, the Board will also consider that individual's past contribution and future commitment to us. Upon completion of discussions by the full Board regarding the candidates recommended by the Committee, the Board determines, as applicable, whether to (i) approve and recommend one or more candidates to the shareholders for election at our annual meeting, or (ii) elect one or more candidates to fill vacated or newly created positions on the Board.

Communications with the Board of Directors

The Board has approved a process for shareholders to send communications to the Board. Shareholders can send communications to the Board and, if applicable, to any of its committees or to specified individual directors in writing c/o Insteel Industries, Inc., 1373 Boggs Drive, Mount Airy, North Carolina 27030, Attention: James F. Petelle, Vice President and Secretary.

We screen mail addressed to the Board, its Committees or any specified individual director for security purposes and to ensure that the mail relates to discrete business matters that are relevant to our Company. Mail that satisfies these screening criteria is required to be forwarded to the appropriate director or directors.

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On the record date, to our knowledge, no one other than the shareholders listed below beneficially owned more than 5% of the outstanding shares of our common stock. For information regarding ownership of our common stock by our officers and directors, please see the Security Ownership table on page 41 of this proxy statement.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Royce & Associates, LLC 745 Fifth Avenue New York, New York 10151	1,878,340(1)	10.7% (1)
Third Avenue Management LLC 622 Third Avenue, 32 nd Floor New York, New York 10017	1,092,688 (2)	6.2% (2)
Met Investors Advisory, LLC and Met Investors Series Trust 5 Park Plaza, Suite 1900 Irvine, California 92614	1,074,384 (3)	6.1% (3)

- (1) Based upon information set forth in a Schedule 13G/A filed with the SEC on April 7, 2009 by Royce & Associates, LLC reporting sole power to vote or direct the vote of 1,878,340 shares and sole power to dispose or direct the disposition of 1,878,340 shares.
- (2) Based upon information set forth in a Schedule 13G filed with the SEC on February 13, 2009 by Third Avenue Management LLC (TAM) reporting sole power to vote or direct the vote of 1,092,688 shares and sole power to dispose or direct the disposition of 1,092,688 shares. Met Investors Series Trust-Third Avenue Small Cap Portfolio, an investment company registered under the Investment Company Act of 1940, has the right to receive dividends from, and the proceeds from the sale of, 1,074,384 of the shares reported by TAM. OFI Select-Third Avenue US Equity Fund, an offshore fund for which TAM acts as investment advisor, has the right to receive dividends from, and the proceeds from the sale of 18,304 of the shares reported by TAM.
- (3) Based upon information set forth in a Schedule 13G filed with the SEC on February 13, 2009 by Met Investors Advisory, LLC (Met Investors) and Met Investors Series Trust (the Trust) reporting shared power of Met Investors and the Trust to vote or direct the vote of 1,074,384 shares and shared power of Met Investors and the Trust to dispose or direct the disposition of 1,074,384 shares. Met Investors, an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, serves as investment manager of each series of the Trust, an investment company registered under the Investment Company Act of 1940.

ITEM NUMBER ONE: ELECTION OF DIRECTORS**Introduction**

Our bylaws, as last amended April 21, 2009, provide that the number of directors, as determined from time to time by the Board, shall be not less than seven nor more than twelve. The Board has most recently fixed the number of directors at eight. The bylaws further provide that directors shall be divided into three classes serving staggered three-year terms, with each class to be as nearly equal in number as possible.

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The Board has nominated each of the persons named below to serve a three-year term expiring at the 2013 Annual Meeting of Shareholders or until their successors are elected and qualify. All of the nominees presently serve as our directors. The remaining five directors will continue in office as indicated. It is not contemplated that any of the nominees will be unable or unwilling for good cause to serve; but, if that should occur, it is the intention of the agents named in the proxy to vote for election of such other person or persons to serve as a director as the Board may recommend. If any director resigns, dies or is otherwise unable to serve out his term, or the Board increases the number of directors, the Board may fill the vacancy until the expiration of such director's term.

Vote Required

The nominees for director will be elected by plurality of the votes cast at the meeting at which a quorum representing a majority of all outstanding Shares is present and voting, either by proxy or in person. This means that the three nominees receiving the highest number of votes **FOR** will be elected as directors.

Directors' Recommendation

The Board of Directors unanimously recommends a vote **FOR** the election of each of the following three nominees to serve until the 2013 Annual Meeting. If you do not cast a vote with respect to a particular nominee on your proxy card, your vote will not count as either for or withheld from such nominee. Unless instructions are given to the contrary, it is the intention of the persons named as proxies to vote the Shares to which the proxy is related **FOR** the election of the slate of the following three director nominees.

Information Regarding Nominees, Continuing Directors and Executive Officers

We have set forth below certain information regarding our nominees for director, our continuing directors and our executive officers. The age shown for each is his age on December 7, 2009, our record date.

Nominees to serve until the 2013 Annual Meeting:

Howard O. Woltz, Jr., 84, is our Chairman Emeritus, having served as Chairman of the Board from 1958 to February 2009. Mr. Woltz was employed by us and our predecessors in various capacities for more than 50 years before retiring as an executive officer in April 2005. He served as our President from 1958 to 1968 and from 1974 to 1989. Mr. Woltz also served as a Vice President, General Counsel and a director of Quality Mills, Inc., a publicly-held manufacturer of knit apparel and fabrics for more than 35 years until its acquisition in 1988 by Russell Corporation. Mr. Woltz is the father of H. O. Woltz III. **Committee Membership:** Executive Committee.

C. Richard Vaughn, 70, a director since 1991, has been employed since 1967 by John S. Clark Company, Inc., a general building contracting company. Mr. Vaughn served as Vice President of John S. Clark from 1967 to 1970 and President from 1970 to 1988 and has served as Chairman of the Board and CEO from 1988 to the present. He also is Chairman of the Board of Riverside Building Supply, Inc. **Committee Memberships:** Executive Compensation Committee and Executive Committee. Mr. Vaughn currently serves as our lead director.

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Louis E. Hannen, 71, a director since 1995, served in various capacities with Wheat, First Securities, Inc., from 1975 until his retirement as Senior Vice President in 1993. Since his retirement in 1993, Mr. Hannen has been an investment advisor and consultant. Mr. Hannen had 30 years of experience in the securities analysis and research field, starting with the U. S. Securities and Exchange Commission in 1963. Mr. Hannen then worked for Craigie and Company from 1965 to 1970 and Legg Mason Wood Walker, Inc. from 1970 to 1975 before joining Wheat, First Securities. **Committee Membership:** Audit Committee.

Directors with terms expiring at the 2011 Annual Meeting.

Gary L. Pechota, 60, has been a director since 1998. Since 2007, Mr. Pechota has been the majority owner, President and CEO of DT-Trak Consulting, Inc., a company which provides medical coding and other revenue enhancement services to medical facilities. From 2005 to 2007 Mr. Pechota was a private investor after having served as Chief of Staff of the National Indian Gaming Commission from 2003 to 2005. He was a private investor and consultant from 2001 to 2003. Prior to that, Mr. Pechota served as the CEO and Chairman of the Board of Giant Cement Holding, Inc. from its inception in 1994 until 2001; was CEO of Giant Cement Company, a subsidiary of Giant Cement Holding, Inc., from 1993 to 2001; and CEO of Keystone Cement Company from 1992 to 2001. Prior to joining Keystone, Mr. Pechota served as President and CEO of South Dakota Cement from 1982 to 1992. Mr. Pechota is also a director of Black Hills Corporation and Texas Industries, Inc., both of which are publicly-held companies. **Committee Memberships:** Audit Committee and Nominating and Governance Committee.

W. Allen Rogers II, 63, has been a director since 1986, except for a period of time during 1997 and 1998. Mr. Rogers is a Principal of Ewing Capital Partners, LLC, an investment banking firm founded in 2003. From 2002 to 2003 he was a Senior Vice President of Intrepid Capital Corporation, an investment banking and asset management firm. From 1998 until 2002, Mr. Rogers was President of Rogers & Company, Inc., a private investment banking boutique. From 1995 through 1997, Mr. Rogers served as a Managing Director of KPMG BayMark Capital LLC, and the investment banking practice of KPMG. Mr. Rogers served as Senior Vice President - Investment Banking of Interstate/Johnson Lane Corporation from 1986 to 1995 and as a member of that firm's Board of Directors from 1990 to 1995. **Committee Memberships:** Audit Committee and Nominating and Governance Committee.

William J. Shields, 77, has been a director since 1998. Mr. Shields served as Chairman of the Board and CEO of Co-Steel, Inc., an international steel producer and scrap recycling company, from 1995 to 1997. Mr. Shields also served as President and CEO of Co-Steel, Inc. from 1987 until 1995. Mr. Shields has been retired since 1997. **Committee Membership:** Executive Compensation Committee.

Directors with term expiring at the 2012 Annual Meeting

H. O. Woltz III, 53, was elected Chief Executive Officer in 1991 and has been employed by us and our subsidiaries in various capacities since 1978. He was named President and Chief Operating Officer in 1989 and was named Chairman of the Board in February 2009. He served as our Vice President from 1988 to 1989 and as President of Rappahannock Wire Company, formerly a subsidiary of our Company, from 1981 to 1989. Mr. Woltz has been a director since 1986 and also serves as President of Insteel Wire Products Company. Mr. Woltz served as President of Florida Wire and Cable, Inc. until its merger with Insteel Wire Products Company in 2002. Mr. Woltz is the son of Howard O. Woltz, Jr. **Committee Membership:** Executive Committee.

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Charles B. Newsome, 72, has been a director since 1982. He is Executive Vice President of Johnson Concrete Company and general manager of its affiliate, Carolina Stalite Company. Mr. Newsome has been affiliated with Johnson Concrete Company and Carolina Stalite Company for more than 25 years. **Committee Memberships:** Executive Compensation Committee and Nominating and Governance Committee.

Named Executive Officers Who Are Not Continuing Directors or Nominees:

In addition to Mr. Woltz III, the executive officers listed below were appointed by the Board of Directors to the offices indicated for a term that will expire at the next Annual Meeting of the Board of Directors or until their successors are elected and qualify. The next meeting at which officers will be appointed is scheduled for February 9, 2010, at which each of our executive officers is expected to be reappointed.

Michael C. Gazmarian, 50, joined us in 1994 as Treasurer and Chief Financial Officer. In February 2007, he was elected Vice President, Chief Financial Officer and Treasurer. Before joining us, Mr. Gazmarian had been employed by Guardian Industries Corp., a privately-held glass manufacturer, since 1986, serving in various financial capacities.

James F. Petelle, 59, joined us in October 2006. He was elected Vice President and Assistant Secretary on November 14, 2006 and Vice President - Administration and Secretary on January 12, 2007. Previously he was employed by Andrew Corporation, a publicly-held manufacturer of telecommunications infrastructure equipment, having served as Secretary from 1990 to May 2006, and Vice President - Law from 2000 to October 2006.

Richard T. Wagner, 50, joined us in 1992 and has served as Vice President and General Manager of the Concrete Reinforcing Products Business Unit of the Company's subsidiary, Insteel Wire Products Company, since 1998. In February 2007, Mr. Wagner was appointed Vice President of the parent company, Insteel Industries, Inc. Prior to 1992, Mr. Wagner served in various positions with Florida Wire and Cable, Inc., a manufacturer of PC strand and galvanized strand products, since 1977.

ITEM NUMBER TWO: AMENDMENT OF THE RESTATED CHARTER OF INSTEEL INDUSTRIES, INC. TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

The Board of Directors has unanimously approved and recommended to our shareholders for their adoption an amendment to Article IV of our Restated Charter, as amended, to increase the number of authorized shares of common stock from 20,000,000 to 50,000,000, and correspondingly increase the aggregate number of authorized shares of all classes of our stock from 21,000,000 to 51,000,000. Throughout this proposal, we refer to our Restated Charter, as amended, as the Charter and to the amendment to Article IV of our Charter as the amendment. If the amendment is adopted by the shareholders, the first sentence of Article IV of our Charter will be amended to read in its entirety as follows:

The corporation shall have authority to issue Fifty-One Million (51,000,000) shares of stock, consisting of: Fifty Million (50,000,000) shares of a class designated Common Stock (No Par Value) ; and One Million (1,000,000) shares of a class designated No Par Preferred Stock , having no par value. The remainder of Article IV, and our Charter, would be unchanged.

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We last increased the number of shares of common stock that we are authorized to issue under our Charter on July 30, 1984, prior to the initial public offering of shares of our common stock in April 1985. After taking into account the two-for-one split of our common stock that we distributed on June 16, 2006, we have (as of the record date disclosed on the first page of this proxy statement) 17,524,386 shares outstanding. In addition, 737,387 shares are reserved for issuance under our Equity Incentive Plan. Therefore, the number of authorized but unissued shares of common stock not reserved for a particular purpose is currently only 1,738,227, which we believe is inadequate to provide the Company with the flexibility necessary to respond to future needs and opportunities. Of the preferred stock authorized under the Charter, 900,000 shares are designated as Series A Junior Participating Preferred Stock, which we refer to as the Series A Shares. The Series A Shares, none of which are outstanding, are subject to issuance under our shareholder rights plan.

If the amendment is approved, then the number of authorized but unissued shares of common stock not reserved for a particular purpose will be 31,738,227. The Board of Directors believes that the proposed increase in the number of authorized shares of common stock will benefit us by improving our flexibility in responding to future business needs and opportunities. The additional authorized shares will be available for issuance from time to time in connection with further stock splits, stock dividends, financings, acquisitions and employee benefit plans, if any, or for other corporate purposes which the Board of Directors may deem advisable. Additional shares that are authorized and issued will have the benefit of the rights provided by our shareholder rights plan. Our Board of Directors is seeking approval for the amendment at this time because opportunities requiring prompt action may arise in the future, and the Board believes the delay and expense in seeking shareholder approval for additional authorized common stock could deprive us and our shareholders of the ability to effectively benefit from potential opportunities. No further action or authorization by the shareholders would be necessary prior to the issuance of additional shares, except as may be required by laws or regulations applicable in particular circumstances. Certain large issuances of shares may require shareholder approval under NASDAQ rules that apply to us.

The proposed increase in the number of authorized shares of common stock is not intended to impede a change of control of Insteel, and we are not aware of any current efforts to acquire control of Insteel. It should be noted, however, that the additional shares could be issued in connection with defending Insteel against a hostile takeover bid to dilute the equity ownership of a person or entity seeking to obtain control of Insteel, or in a private placement with purchasers who might side with the Board of Directors if it chose to oppose a specific change of control. These additional shares also could be issued in order to strengthen our management's equity position or deter an attempt to replace our Board of Directors by diluting the percentage of shares held by persons seeking to control us by obtaining seats on the Board. An increase in our authorized common stock, taken together with our shareholder rights plan, may have the effect of discouraging unsolicited takeover attempts because additional shares would be available for issuance if the rights become exercisable. Accordingly, the amendment may have the effect of discouraging efforts to gain control of Insteel in a matter not approved by our Board of Directors. In addition, because the amendment may discourage certain attempts to gain control of Insteel, shareholders could be deprived of opportunities to sell their shares of common stock at an increased price that might result from a takeover attempt.

We currently have no plans, understand