

Square, Inc.
Form S-8
February 27, 2017

As filed with the Securities and Exchange Commission on February 24, 2017

Registration No. 333-

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

FORM S-8
REGISTRATION STATEMENT

Under
The Securities Act of 1933

Square, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1455 Market Street, Suite 600

80-0429876
(I.R.S. Employer

Identification Number)

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San Francisco, CA 94103

(Address of principal executive offices, including zip code)

2015 Equity Incentive Plan

2015 Employee Stock Purchase Plan

(Full title of the plan)

Jack Dorsey

Chief Executive Officer

Square, Inc.

1455 Market Street, Suite 600

San Francisco, CA 94103

(415) 375-3176

(Name, address and telephone number, including area code, of agent for service)

Copies to:

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David J. Segre
Tony Jeffries
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Wilson Sonsini Goodrich &**

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Square, Inc.
1455 Market Street, Suite 600**

**San Francisco, California 94103

Telephone: (415) 375-3176

Facsimile: (855) 204-8795**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered ⁽¹⁾	Proposed	Proposed	Amount of Registration Fee
		Maximum Offering Price Per Share	Maximum Aggregate Offering Price	
Class A common stock, \$0.0000001 par value per share:				
2015 Equity Incentive Plan	18,227,368 ⁽²⁾	\$14.50 ⁽⁴⁾	\$264,296,836.00	\$30,632.00
2015 Employee Stock Purchase Plan	3,645,473 ⁽³⁾	\$12.33 ⁽⁵⁾	\$44,948,682.09	\$5,209.55
TOTAL:	21,872,841		\$309,245,518.09	\$35,841.55

- (1) Pursuant to Rule 416(a) of the Securities Act of 1933, as amended (the **Securities Act**), this Registration Statement shall also cover any additional shares of the Registrant's Class A common stock (**Class A common stock**) that become issuable under the Registrant's 2015 Equity Incentive Plan (**2015 Plan**) and the Registrant's 2015 Employee Stock Purchase Plan (**2015 ESPP**) by reason of any stock dividend, stock split, recapitalization, or other similar transaction effected without receipt of consideration that increases the number of outstanding shares of Class A common stock.
- (2) Reflects an automatic increase to the number of shares of Class A common stock reserved for issuance pursuant to future awards under the 2015 Plan, which annual increase is provided for in the 2015 Plan.
- (3) Reflects an automatic increase to the number of shares of Class A common stock reserved for issuance under the 2015 ESPP, which annual increase is provided for in the 2015 ESPP.
- (4) Estimated in accordance with Rule 457(c) and (h) of the Securities Act solely for the purpose of calculating the registration fee on the basis of \$14.50 per share, which is the average of the high and low prices of Class A common stock, as reported on the New York Stock Exchange, on February 21, 2017.
- (5) Estimated in accordance with Rule 457(c) and (h) of the Securities Act solely for the purpose of calculating the registration fee on the basis of 85% of \$14.50 per share, which is the average of the high and low prices of Class A common stock, as reported on the New York Stock Exchange, on February 21, 2017. Pursuant to the 2015 ESPP, the purchase price of the shares of Class A common stock reserved for issuance thereunder will be at least 85% of the lower of the fair market value of a share of Class A common stock on the first trading day of the offering period or on the exercise date.

PART I

INFORMATION REQUIRED IN THE PROSPECTUS

The information specified in Item 1 and Item 2 of Part I of Form S-8 is omitted from this Registration Statement on Form S-8 (this **Registration Statement**) in accordance with the provisions of Rule 428 under the Securities Act of 1933, as amended (the **Securities Act**), and the introductory note to Part I of Form S-8. The documents containing the information specified in Part I of Form S-8 will be delivered to the participants in the equity benefit plans covered by this Registration Statement as specified by Rule 428(b)(1) under the Securities Act.

PART II

INFORMATION REQUIRED IN REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

Square, Inc. (the **Registrant**) hereby incorporates by reference into this Registration Statement the following documents previously filed with the Securities and Exchange Commission (the **Commission**):

- (1) The Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the Commission on February 24, 2017 (the **Annual Report**);
- (2) All other reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), since the end of the fiscal year covered by the Annual Report (other than the portions of these documents not deemed to be filed); and
- (3) The description of the Registrant's Class A common stock contained in the Registrant's Registration Statement on Form 8-A (File No. 001-37622) filed with the Commission on November 6, 2015, pursuant to Section 12(b) of the Exchange Act, including any amendment or report filed for the purpose of updating such description.

All documents filed by the Registrant pursuant to Sections 13(a), 13(c), 14, and 15(d) of the Exchange Act on or after the date of this Registration Statement and prior to the filing of a post-effective amendment to this Registration Statement that indicates that all securities offered have been sold or that deregisters all securities then remaining unsold shall be deemed to be incorporated by reference in this Registration Statement and to be part hereof from the date of filing of such documents; *provided, however*, that documents or information deemed to have been furnished and not filed in accordance with the rules of the Commission shall not be deemed incorporated by reference into this Registration Statement. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any subsequently filed document which also is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law authorizes a corporation's board of directors to grant, and authorizes a court to award, indemnity to officers, directors, and other corporate agents.

As permitted by Section 102(b)(7) of the Delaware General Corporation Law, the Registrant's amended and restated certificate of incorporation includes provisions that may eliminate the personal liability of its directors and officers for monetary damages for breach of their fiduciary duty as directors and officers.

In addition, as permitted by Section 145 of the Delaware General Corporation Law, the amended and restated certificate of incorporation and amended and restated bylaws of the Registrant provide that:

The Registrant shall indemnify its directors and officers for serving the Registrant in those capacities or for serving other business enterprises at the Registrant's request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Registrant and, with respect to any criminal proceeding, had no reasonable cause to believe such person's conduct was unlawful.

The Registrant may, in its discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law.

The Registrant is required to advance expenses, as incurred, to its directors and officers in connection with defending a proceeding, except that such director or officer shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification.

The Registrant will not be obligated pursuant to its amended and restated bylaws to indemnify a person with respect to proceedings initiated by that person, except with respect to proceedings authorized by the Registrant's board of directors or brought to enforce a right to indemnification.

The rights conferred in the amended and restated certificate of incorporation and amended and restated bylaws are not exclusive, and the Registrant is authorized to enter into indemnification agreements with its directors, officers, employees, and agents and to obtain insurance to indemnify such persons.

The Registrant may not retroactively amend the bylaw provisions to reduce its indemnification obligations to directors, officers, employees, and agents.

The Registrant's policy is to enter into separate indemnification agreements with each of its directors and executive officers that provide the maximum indemnity allowed to directors and officers by Section 145 of the Delaware General Corporation Law and also to provide for certain additional procedural protections. The Registrant also maintains directors and officers insurance to insure such persons against certain liabilities.

These indemnification provisions and the indemnification agreements entered into between the Registrant and its executive officers and directors may be sufficiently broad to permit indemnification of the Registrant's executive officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

Exhibit		Incorporated by Reference			
Number	Exhibit Description	Form	File No.	Exhibit	Filing Date
4.1	Form of Class A common stock certificate of the Registrant.	S-1/A	333-207411	4.1	November 6, 2015
5.1	Opinion of Wilson Sonsini Goodrich & Rosati, P.C.				
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.				
23.2	Consent of Wilson Sonsini Goodrich & Rosati, P.C. (included in Exhibit 5.1 hereto).				
24.1	Power of Attorney (included on the signature page hereto).				
99.1	Square, Inc. 2015 Equity Incentive Plan, as amended and restated, and related form agreements.	10-Q	001-37622	10.1	August 4, 2016
99.2	Square, Inc. 2015 Employee Stock Purchase Plan, as amended and restated, and related form agreements.	10-K	001-37622	10.3	March 10, 2016

Item 9. Undertakings.

A. The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

Provided, however, that paragraphs (A)(1)(i) and (A)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the

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Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

B. The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California, on February 24, 2017.

SQUARE, INC.

By: /s/ Jack Dorsey
 Jack Dorsey
*President, Chief Executive Officer, and
 Chairman*

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Jack Dorsey, Sarah Friar and Hillary Smith, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their, his or her substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Jack Dorsey Jack Dorsey	President, Chief Executive Officer, and Chairman (Principal Executive Officer)	February 24, 2017
/s/ Sarah Friar Sarah Friar	Chief Financial Officer (Principal Financial Officer)	February 24, 2017
/s/ Ajmere Dale Ajmere Dale	Chief Accounting Officer (Principal Accounting Officer)	February 24, 2017
/s/ Roelof Botha Roelof Botha	Director	February 24, 2017

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/s/ Paul Deighton	Director	February 24, 2017
Paul Deighton		
/s/ Jim McKelvey	Director	February 24, 2017
Jim McKelvey		
/s/ Mary Meeker	Director	February 24, 2017
Mary Meeker		
/s/ Ruth Simmons	Director	February 24, 2017
Ruth Simmons		
/s/ Lawrence Summers	Director	February 24, 2017
Lawrence Summers		
/s/ David Viniar	Director	February 24, 2017
David Viniar		

INDEX TO EXHIBITS

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	421,590 President and CEO 2015 353,967 0 0 0 73,227 ⁽¹⁾ 427,194 James B. Huff, 2016 121,630 0 0 0 17,548 139,178 Secretary/Treasurer/CFO 2015 114,581 0 0 0 16,450 ⁽²⁾ 131,031 Glenda Anderson, 2016 126,031 0 0 0 16,371 142,402 Sales Manager 2015 120,031 0 0 0 18,054 ⁽³⁾ 138,085 Ronald Lazarus 2016 256,114 0 0 0 27,459 283,573 President USI Electric 2015 235,827 0 0 0 45,026 ⁽⁴⁾ 280,853				

All other compensation for Mr. Grossblatt for 2016 and 2015, respectively, includes employer 401(k) contributions (1) of \$33,700 and \$33,700, medical reimbursement and health insurance premiums of \$28,416 and \$33,343, group life and disability premiums of \$5,560 and \$5,332, and auto lease value of \$852 and \$852.

All other compensation for Mr. Huff for 2016 and 2015, respectively, includes employer match of 401(k) (2) contributions of \$4,865 and \$4,583, group life and disability premiums of \$4,883 and \$4,067, and auto lease value or reimbursement allowance of \$7,800 and \$7,800.

All other compensation for Ms. Anderson for 2016 and 2015 respectively, includes employer match of 401(k) (3) contributions of \$4,801 and \$4,801, medical reimbursement and health insurance premiums of \$2,918 and \$4,708, group life and disability premiums of \$2,653 and \$2,545, and auto reimbursement allowances of \$6,000 and \$6,000.

All other compensation for Mr. Lararus for 2016 and 2015 respectively, includes employer match of 401(k) (4) contributions of \$9,801 and \$9,433, medical reimbursement and health insurance premiums of \$0 and \$0, group life and disability premiums of \$5,658 and \$5,398, and auto reimbursement allowances of \$12,000 and \$12,000.

401(k) Plan

The Company has a defined contribution profit sharing plan covering eligible employees. The Plan is voluntary with respect to participation and is subject to the provisions of ERISA. The plan provides for participant contributions of up to 25% of annual compensation, as defined by the plan. The Company contributes an amount equal to a match of the first three percent (3%) contributed by the employee plus fifty percent (50%) of the next two percent (2%) contributed by the employee with a maximum contribution of four percent (4%). The Company may contribute an additional amount from its profits as authorized by the Board. The Company made no additional contributions in 2016. Participants in the plan are immediately vested in their and the Company's contributions, plus actual earnings thereon. The Company's 2016 contributions to the plan on behalf of named executive officers are included in the "All Other Compensation" column in the "Summary Compensation Table" above.

Executive Employment Agreements

The Chief Executive Officer's compensation is governed largely by his employment agreement with the Company, originally effective April 1, 2002, as amended. The current employment agreement expires on July 31, 2017. The employment agreement currently provides that Mr. Grossblatt's base annual salary beginning July 18, 2005 was \$300,000, increased to \$325,000 on August 1, 2006, and increasing to \$350,000 on August 1, 2007. Additionally, Mr. Grossblatt is entitled to bonus compensation for each fiscal year of the Company in which the Company earned pre-tax net income in such fiscal year in excess of a percentage, pre-determined by the Board, of shareholders' equity as of the start of the fiscal year (which was 4% for the fiscal years ended March 31 2015 and 2014), as follows: 3% of all (after the 4% threshold) pre-tax net income up to \$1 million, 4% of pre-tax net income from \$1-\$2 million, 5% of pre-tax net income from \$2-\$3 million, 6% of pre-tax net income from \$3-\$4 million, 7% of pre-tax net income over \$4 million. Mr. Grossblatt is also entitled to life, health and disability insurance benefits, medical reimbursement, automobile allowance, and Company paid retirement plan contributions.

If the Employment Agreement is not renewed by the Company or is terminated by Mr. Grossblatt for good reason, Mr. Grossblatt is entitled to receive his compensation through any balance of the employment term plus a lump sum payment equal to his last 12 months base salary and bonus, health benefits for three years, and an additional lump sum payment payable on each of the first three anniversaries of the termination equal to the 401(k) plan contribution the Company would have made on behalf of the Company had he remained employed by the Company.

If Mr. Grossblatt's employment is terminated following or in anticipation of a "change of control" of the Company, Mr. Grossblatt will be entitled to receive a lump sum payment equal to his base salary for the balance of the Employment Agreement's term and the amount of Mr. Grossblatt's last bonus plus three times Mr. Grossblatt's last 12 months base salary and bonus. In addition, Mr. Grossblatt is entitled to receive health benefits for three years, and an additional lump sum payment payable on the anniversary of the termination equal to the 401(k) plan contribution the Company would have made on behalf of the Company had he remained employed by the Company. Furthermore, Mr. Grossblatt will receive an amount equal to three times his base salary for the last 12 months and the amount of his last bonus, limited to 2.99 times Mr. Grossblatt's average annual taxable compensation from the Company which is included in his gross income for the five taxable years of the Company ending before the date on which the change of control occurs.

If the Employment Agreement is terminated by the Company due to Mr. Grossblatt's death, Mr. Grossblatt's estate is entitled to receive a lump sum payment equal to his base salary for the greater of the balance of the Employment Agreement's term or one year, reduced by any individual life insurance benefits the premiums for which are paid for by the Company, plus the amount of his last bonus and the amount of the Company's last 401(k) plan contribution made on behalf of Mr. Grossblatt. In addition, Mr. Grossblatt's estate is entitled to the health insurance and medical reimbursement benefits for the longer of the balance of the term or three years following the date of death, or the cash equivalent thereof.

If the Employment Agreement is terminated by the Company due to Mr. Grossblatt's disability, Mr. Grossblatt is entitled to the continuation of the payment of his base salary for the balance of the term, reduced by any group or individual disability income insurance benefits the premiums for which are paid for by the Company and Social Security disability benefits paid to Mr. Grossblatt. In addition, Mr. Grossblatt is entitled to the health insurance and medical reimbursement benefits and a payment equal to the 401(k) plan contribution the Company would have made on behalf of the Company had he remained employed by the Company, for the longer of the balance of the term or three years following the date of disability, or the cash equivalent thereof.

The Employment Agreement generally prohibits Mr. Grossblatt from competing with the Company during the term and during any subsequent period during which he receives compensation from the Company.

Potential Payments upon Termination or Change in Control

The table below shows the estimated incremental value transfer to Harvey B. Grossblatt, the only named executive officer who is contractually entitled to compensation upon termination or a change in control, under various scenarios relating to a termination of employment. Please refer to the discussion titled “Executive Employment Agreements”, above, in this Executive Compensation Section for a description of the circumstances that would trigger payments and benefits upon termination or a change in control. The tables below assume that such termination occurred on March 31, 2016, the last day of the Company’s 2016 fiscal year. The Company’s stock price on the last business day of its 2016 fiscal year was \$4.12. The actual amounts that would be paid to any named executive officer can only be determined at the time of an actual termination of employment and would vary from those listed below. The estimated amounts listed below are in addition to any other benefits that are available to employees generally.

	Non Renewal	Resignation for Good Reason	Termination Following Change in Control ⁽¹⁾	Death	Disability
Severance	\$ 471,000	⁽²⁾ \$ 471,000	⁽²⁾ \$ 1,058,000	⁽⁵⁾ \$ 353,000 minus benefits	\$ 353,000 minus benefits
Health Benefits	\$ 85,000	⁽³⁾ \$ 85,000	⁽³⁾ \$ 85,000	⁽³⁾ \$ 85,000	⁽⁷⁾ \$ 85,000
401(k) Contribution	\$ 72,000	⁽⁴⁾ \$ 72,000	⁽⁴⁾ \$ 72,000	⁽⁴⁾ \$ 72,000	⁽⁴⁾ \$ 72,000
Tax gross up	—	\$ 301,000	\$ 583,000	—	—

Limited to 2.99 times Mr. Grossblatt’s average annual taxable compensation from the Company which is included in ⁽¹⁾his gross income for the five taxable years of the Company ending before the date on which the change of control occurs.

⁽²⁾Lump sum payment equal to Mr. Grossblatt’s last 12 months base salary and bonus.

⁽³⁾The aggregate of the health benefits for the first three years following the termination.

The aggregate of the respective annual lump sum payments, payable on each of the first three anniversaries of the ⁽⁴⁾termination, equal to the 401(k) plan contribution the Company would have made on behalf of the Company had Mr. Grossblatt remained employed by the Company.

⁽⁵⁾Lump sum payment equal to Mr. Grossblatt’s annual base salary for the balance of the employment period and last bonus, plus three times Mr. Grossblatt’s last 12 months base salary and bonus.

⁽⁶⁾Mr. Grossblatt’s estate is entitled to receive a lump sum payment equal to his base salary for the greater of the balance of the employment term or one year, reduced by any individual life insurance benefits the premiums for which are paid for by the Company, plus the amount of his last bonus and the amount of the Company’s last 401(k)

plan contribution made on his behalf.

(7) Mr. Grossblatt's estate is entitled to the health insurance and medical reimbursement benefits for the longer of the balance of the employment term or three years following the date of death, or the cash equivalent thereof.

(8) Mr. Grossblatt is entitled to the continuation of the payment of his base salary for the balance of the term, reduced by any group or individual disability income insurance benefits the premiums for which are paid for by the Company.

(9) Mr. Grossblatt is entitled to the health insurance and medical reimbursement benefits for the longer of the balance of the term or three years following the date of disability, or the cash equivalent thereof.

(10) Mr. Grossblatt is entitled to a payment equal to the 401(k) plan contribution the Company would have made on behalf of the Company had he remained employed by the Company, for the longer of the balance of the term or three years following the date of disability, or the cash equivalent thereof.

Report of the Audit Committee

The Audit Committee has reviewed and discussed with management the annual audited financial statements of the Company and its subsidiaries. The Audit Committee has discussed with Marcum LLP, the independent auditors for the Company for the fiscal year ended March 31, 2016, the matters required to be discussed by Statement on Auditing Standards 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from the independent auditors required by Rule 3526, Communication with Audit Committees Concerning Independence, as adopted by the Public Company Accounting Oversight Board and has discussed with the independent auditors the independent auditors' independence.

Based on the foregoing review and discussions, the Board approved the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2016 for filing with the Securities and Exchange Commission.

The Audit Committee

Ira F. Bormel, Chairman

Ronald A. Seff, M.D.

Cary Luskin

Advisory Vote on Named Executive Officer Compensation

Regulation 14A under the Exchange Act was revised following the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), and requires that the Company seek an advisory, non-binding shareholder vote on the compensation of its named executive officers as disclosed in this Proxy Statement. At the 2013 Annual Meeting, the Company's shareholders voted to hold the advisory vote on executive officer compensation each year, and the Board determined to hold the advisory votes in accordance with the expressed wishes of the shareholders. Accordingly, as required by the Exchange Act and the rules promulgated by the SEC, the Company is providing its shareholders with the opportunity to cast an advisory, non-binding vote on the compensation of the named executive officers, as disclosed in this proxy statement.

This proposal, commonly known as a "say-on-pay" proposal, gives the Company's shareholders the opportunity to endorse or not endorse the Company's executive pay program and policies through the following resolution:

"Resolved, that the shareholders approve the compensation of the named executive officers, as disclosed in the compensation tables and related material in the Proxy Statement distributed in connection with this Meeting."

The Compensation Committee and the Board believe that the Company's compensation policies and procedures align with the long-term success of the Company and the interests of the shareholders.

Because the vote on this Proposal is advisory, it will not be binding on the Board and may not be construed as overruling a decision by the Board nor to create or imply any additional fiduciary duty by the Board. However, the Compensation Committee and the Board will take into account the outcome of the vote when considering future executive compensation arrangements.

This matter will be decided by the affirmative vote of a majority of the votes cast at the annual meeting. The affirmative vote of holders of a majority of the all of the votes cast at a meeting at which a quorum is present is needed to approve the proposal. Consequently, abstentions and broker non-votes with respect to shares otherwise present at the Annual Meeting in person or by proxy will have no effect on the result of the vote although they will be considered present for purposes of determining the presence of a quorum.

The Board of Directors recommends a vote FOR approval of the compensation of the named executive officers.

Authorization for Appointment of Auditors

Selection of Auditors

On September 10, 2015, the Company was notified by its independent registered public accounting firm, Grant Thornton LLP (“Grant Thornton”), that it is resigning its engagement as the Company’s independent registered public accounting firm. The resignation took effect on October 19, 2015.

The audit reports of Grant Thornton on the financial statements for the fiscal years ended March 31, 2014 and 2015 did not contain any adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles, except that the audit report of Grant Thornton, dated August 25, 2015 on the consolidated financial statements of the Company as of and for the fiscal years ended March 31, 2015 and 2014 noted that the Company’s history of operating losses and declining revenue, along with other matters, raise substantial doubt about the Company’s ability to continue as a going concern.

During the fiscal years ended March 31, 2014 and March 31, 2015, and the subsequent period through October 19, 2015, there were no disagreements (as defined in Item 304(a)(1)(iv) of regulation S-K and the related instructions to Item 304 of Regulation S-K) with Grant Thornton, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Grant Thornton's satisfaction, would have caused Grant Thornton to make reference to the subject matter of the disagreements in its reports on the consolidated financial statements for such years.

During the fiscal years ended March 31, 2014 and March 31, 2015, and the subsequent period through October 19, 2015, there were no reportable events (as defined in Item 304(a)(1)(v) of regulation S-K), other than the material weaknesses reported in the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q with respect to such periods.

On October 19, 2015 the Audit Committee of the Board of Directors retained Marcum LLP as the Company's independent public accountants for the fiscal year ended March 31, 2016. In addition Marcum LLP is expected to be retained as the Company's independent auditors for the fiscal year ended March 31, 2017. Representatives of Marcum LLP are not expected to be present at the meeting.

Board Recommendation

The affirmative vote of holders of a majority of the all of the votes cast at a meeting at which a quorum is present is needed to approve the proposal. Consequently, abstentions and broker non-votes with respect to Shares otherwise present at the Annual Meeting in person or by proxy will have no effect on the result of the vote although they will be considered present for purposes of determining the presence of a quorum.

The Board of Directors recommends a vote FOR the proposal to authorize the Board to accept the selection of the Audit Committee of an outside auditing firm for the ensuing year.

Disclosure of Independent Auditor Fees

The following is a description of the fees billed to the Company by Marcum LLP (the "Auditor") during the fiscal year ended March 31, 2016:

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Audit Fees. Audit fees include fees paid by the Company to the Auditor in connection with the annual audit of the Company's consolidated financial statements, and review of the Company's interim financial statements. Audit fees also include fees for services performed by the Auditor that are closely related to the audit and in many cases could only be provided by the Auditor. Such services include consents related to Securities and Exchange Commission and other regulatory filings. The aggregate fees for audit services rendered to the Company for the year ended March 31, 2016 totaled \$188,550.

Audit Related Fees. Audit related services include due diligence services related to accounting consultations, internal control reviews and employee benefit plan audits. There were no audit related services provided in the fiscal year ended March 31, 2016.

Tax Fees. Tax fees include corporate tax compliance, advisory and planning services. There were no tax related services provided in fiscal year ended March 31, 2016.

All Other Fees. There were no other fees for services provided in the fiscal year ended March 31, 2016.

The following is a description of the fees billed to the Company by Grant Thornton during the fiscal years ended March 31, 2015 and 2016:

Audit Fees. Audit fees include fees paid by the Company to Grant Thornton in connection with the annual audit of the Company's consolidated financial statements, and review of the Company's interim financial statements. Audit fees also include fees for services performed by Grant Thornton that are closely related to the audit and in many cases could only be provided by Grant Thornton. Such services include consents related to Securities and Exchange Commission and other regulatory filings. The aggregate fees for audit services rendered to the Company for the years ended March 31, 2016 and 2015 totaled \$192,500 and \$383,450, respectively.

Audit Related Fees. There were no audit related services provided in either year.

Tax Fees. There were no tax related services provided in either year.

All Other Fees. There were no other fees for services provided in either year.

Approval of Independent Auditor Services and Fees

The Company's Audit Committee reviews all fees charged by the Company's independent auditors, and actively monitors the relationship between audit and non-audit services provided. The Audit Committee must pre-approve all audit and non-audit services provided by the Company's independent auditors and fees charged.

Other Matters

The Board is not aware of any other matter which may be presented for action at the 2016 Annual Meeting of Shareholders, but should any other matter requiring a vote of the shareholders arise at the 2016 Annual Meeting, it is intended that the proxies will be voted with respect thereto in accordance with the best judgment of the person or persons voting the proxies, discretionary authority to do so being included in the proxy.

The cost of soliciting proxies will be borne by the Company. Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Shares held of record by such persons, and the Company will reimburse them for their reasonable out-of-pocket expenses. Officers and directors may also solicit proxies.

As a matter of policy, the Company will accord confidentiality to the votes of individual shareholders, whether submitted by proxy or ballot, except in limited circumstances, including any contested election, or as may be necessary to meet legal requirements. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the Company and will determine whether or not a quorum is present. Abstentions will be treated as Shares that are present and entitled to vote for purposes of determining the presence of a quorum but as not voted for purposes of determining the approval of any matter submitted to the shareholders for a vote. If a broker indicates on the proxy that it does not have discretionary authority as to certain Shares to vote on a particular matter, those Shares will not be considered as present and entitled to vote with respect to that matter.

Any shareholder desiring to present a proposal at the 2017 Annual Meeting of Shareholders and wishing to have that proposal included in the proxy statement for that meeting must submit the same in writing to the Secretary of the Company at 11407 Cronhill Drive, Suite A, Owings Mills, Maryland 21117, in time to be received by July 18, 2017. In addition, if a shareholder desires to bring business (including director nominations) before the 2017 Annual Meeting of Shareholders that is not the subject of a proposal timely submitted for inclusion in the Company's Proxy Statement, written notice of such business, as currently prescribed in the Company's Bylaws, must be received by the Company's Secretary between June 18, 2017 and July 18, 2017; provided, however, that in the event that the date of the mailing of the notice for the 2017 Annual Meeting of Shareholders is advanced or delayed by more than 30 days from the first anniversary of the date of mailing of the notice for the 2016 Annual Meeting of Shareholders, notice by the shareholder of such proposal to be timely must be so delivered not earlier than the 150th day prior to the date of mailing of the notice for the 2017 Annual Meeting of Shareholders and not later than the close of business on the 120th day prior to the date of mailing of the notice for the 2017 Annual Meeting of Shareholders. For additional requirements, a shareholder should refer to Article I, Section 8 of the Company's Bylaws, "Advance Notice of Stockholder Nominees for Director and Other Stockholder Proposals," a copy of which may be obtained from the Company's Secretary or from the Company's SEC filings. If the Company does not receive timely notice pursuant to the Bylaws, the nomination or proposal will be excluded from consideration at the meeting.

The persons designated by the Company to vote proxies given by shareholders in connection with the Company's 2016 Annual Meeting of Shareholders will not exercise any discretionary voting authority granted in such proxies on any matter not disclosed in the Company's 2017 proxy statement with respect to which the Company has received written notice no later than October 1, 2017 (or, if the date of the 2017 Annual Meeting of Shareholders changes more than 30 days from the date of the 2016 Annual Meeting of Shareholders, a reasonable time before the Company sends its proxy materials for the 2017 Annual Meeting of Shareholders) that a shareholder (i) intends to present such matter at the 2017 Annual Meeting, and (ii) intends to and does distribute a proxy statement and proxy card to holders of such percentage of the Shares required to approve the matter. If a shareholder fails to provide evidence that the necessary steps have been taken to complete a proxy solicitation on such matter, the Company may exercise its discretionary voting authority if it discloses in its 2017 proxy statement the nature of the proposal and how it intends to exercise its discretionary voting authority.

Shareholders who do not plan to attend the Annual Meeting are urged to vote by telephone or to complete, date, sign and return the enclosed proxy in the enclosed envelope, to which no postage need be affixed if mailed in the United States. Prompt response is helpful and your cooperation will be appreciated.

By Order of the Board of Directors,

James B. Huff
Secretary

Owings Mills, Maryland

November 15, 2016

THE COMPANY WILL FURNISH, WITHOUT CHARGE, A COPY OF ITS ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED MARCH 31, 2016, TO EACH SHAREHOLDER WHO FORWARDS A WRITTEN REQUEST TO THE SECRETARY, UNIVERSAL SECURITY INSTRUMENTS, INC., 11407 CRONHILL DRIVE, SUITE A, OWINGS MILLS, MARYLAND 21117.

To the extent the rules and regulations adopted by the SEC state that certain information included in this Proxy Statement is not deemed “soliciting material” or “filed” with the SEC or subject to Regulation 14A promulgated by the SEC or to the liabilities of Section 18 of the Exchange Act, such information shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or under the Exchange Act.

2016 VOTING PROXY

UNIVERSAL SECURITY INSTRUMENTS, INC.

11407 Cronhill Drive, Suite A, Owings Mills, Maryland 21117

This Proxy is Solicited on Behalf of the Board of Directors of Universal Security Instruments, Inc. The undersigned hereby appoints Harvey B. Grossblatt as proxy, with the power of substitution, to vote as designated below all of the shares the undersigned is entitled to vote at the Annual Meeting of Shareholders to be held at the offices of the Company, 11407 Cronhill Drive, Suite A, Owings Mills, Maryland, on Friday, January 13, 2017 at 8:30 a.m., prevailing local time, and any adjournments or postponements thereof, and otherwise to represent the undersigned at the meeting, with all powers possessed by the undersigned if personally present at the meeting.

FOR VOTE WITHHELD FOR ALL EXCEPT

- | | | | |
|---|----|----|----|
| 1. To elect as director the nominee listed below: | .. | .. | .. |
| Cary Luskin | .. | .. | .. |
| Ira F. Bormel | | | |

INSTRUCTION: To withhold authority to vote for any individual nominee(s), check or mark the box above “For all nominees listed below” and strike a line through the name of the nominee(s) above in respect of whom authority is to be withheld.

The Board of Directors recommends a vote “FOR” the election of the nominees listed above.

FOR AGAINST ABSTAIN

- | | | | |
|---|----|----|----|
| 2. A non-binding resolution to approve the compensation of the named executive officers | .. | .. | .. |
|---|----|----|----|

The Board of Directors recommends a vote “FOR” the resolution to approve the compensation of the named executive officers.

FOR AGAINST ABSTAIN

- | | | | |
|--|----|----|----|
| 3. To authorize the Board of Directors to accept the auditors selected by the Audit Committee for the 2017 fiscal year | .. | .. | .. |
|--|----|----|----|

The Board of Directors recommends a vote for every “FOR” the authorization to select the auditors.

4. In his/their discretion, the proxy/proxies are authorized to vote upon any other business which properly comes before the meeting and any adjournments or postponements thereof.

This proxy, when properly executed, will be voted in the manner directed hereby by the undersigned shareholders. If no direction is made, this proxy will be voted in favor of all nominees and in the discretion of the proxy or proxies upon any other business which properly comes before the meeting.

Please sign exactly as your name appears on the Notice Regarding Availability of Proxy Materials you previously received by mail. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by the President or other authorized officer. If a partnership, please sign in partnership name by an authorized person.

PLEASE MARK, SIGN, DATE AND MAIL THE CARD TO US AT THE ADDRESS SPECIFIED BELOW.

DATED: _____, 201__

PRINT CONTROL NUMBER, NAME AND ADDRESS (as shown on the Notice Regarding Availability of Proxy Materials you previously received by mail).

Signature _____

DATED: _____, 201__

Signature _____

To vote by proxy, mark, sign and date this 2016 Voting Proxy and return it to us at:
Corporate Secretary
Universal Security Instruments, Inc.
11407 Cronhill Drive, Suite A, Owings Mills, Maryland 21117

Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and Annual Report are available at <http://www.usiannualmeeting.com>

UNIVERSAL SECURITY INSTRUMENTS, INC.

**Important Notice Regarding the Availability of Proxy Materials
for the Shareholder Meeting to Be Held on JANUARY 13, 2017.**

This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting.

The Notice of Annual Meeting of Shareholders, Proxy Statement, 2016 Voting Proxy, 2016 Annual Report and any other Annual Meeting materials are available at <http://www.usiannualmeeting.com>.

The 2016 Annual Meeting of Shareholders of Universal Security Instruments, Inc. (the “Company”) will be held at the offices of the Company, 11407 Cronhill Drive, Suite A, Owings Mills, Maryland, on Friday, January 13, 2017 at 8:30 a.m., local time, for the following purposes:

1. To elect two directors to serve until the Annual Meeting of Shareholders to be held in 2019 and until their respective successors are dully elected and qualified;
2. To vote on a non-binding resolution approving the compensation of the executive officers named in the proxy statement.
3. To authorize the Board of Directors to accept the selection of the Audit Committee of an outside auditing firm for the fiscal year ending March 31, 2017;
4. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors recommends voting FOR the nominees for Directors, FOR approval of the compensation, and FOR the selection of auditors. To vote in person, you must attend the Annual Meeting.

If you want to receive a paper or e-mail copy of these documents, you must request one. There is no charge to you for requesting a copy. Please make your request for a copy as instructed below on or before December 28, 2016 to facilitate timely delivery.

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To request a paper copy of these materials for the 2016 Annual Meeting of Shareholders and/or for all future meetings, please do one of the following (you must reference your Shareholder Control Number listed on the label above your name):

Call our toll free number 1-800-390-4321, Extension 211.

Send your request by e-mail to usiannualmeeting@universalsecurity.com

Request a copy at <http://www.usiannualmeeting.com>.

TO VOTE YOU MUST ACCESS YOUR PROXY MATERIALS AT

<http://www.usiannualmeeting.com>.

HAVE THIS CARD IN HAND WHEN YOU ACCESS THE WEBSITE.