

FULLER H B CO  
Form 10-Q  
March 28, 2014

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

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 1, 2014**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 001-09225**

**H.B. FULLER COMPANY**

**(Exact name of registrant as specified in its charter)**

**Minnesota**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**41-0268370**  
**(I.R.S. Employer**  
**Identification No.)**

**1200 Willow Lake Boulevard, St. Paul, Minnesota**  
**(Address of principal executive offices)**  
**(651) 236-5900**

**55110-5101**  
**(Zip Code)**

**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The number of shares outstanding of the Registrant's Common Stock, par value \$1.00 per share, was 50,097,024 as of March 20, 2014.

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****H.B. FULLER COMPANY AND SUBSIDIARIES****Condensed Consolidated Statements of Income**

(In thousands, except per share amounts)

(Unaudited)

	<b>13 Weeks Ended</b>	
	<b>March 1, 2014</b>	<b>March 2, 2013</b>
<b>Net revenue</b>	<b>\$ 485,981</b>	<b>\$ 479,842</b>
Cost of sales	<b>(352,936)</b>	(346,466)
Gross profit	<b>133,045</b>	133,376
Selling, general and administrative expenses	<b>(96,799)</b>	(97,640)
Special charges, net	<b>(11,734)</b>	(5,333)
Other income (expense), net	<b>(1,050)</b>	378
Interest expense	<b>(4,126)</b>	(5,327)
<b>Income before income taxes and income from equity method investments</b>	<b>19,336</b>	25,454
Income taxes	<b>(6,541)</b>	(7,120)
Income from equity method investments	<b>1,854</b>	2,440
<b>Net income including non-controlling interests</b>	<b>14,649</b>	20,774
Net income attributable to non-controlling interests	<b>(78)</b>	(97)
<b>Net income attributable to H.B. Fuller</b>	<b>\$ 14,571</b>	<b>\$ 20,677</b>
<b>Earnings per share attributable to H.B. Fuller common stockholders:</b>		
Basic	<b>\$ 0.29</b>	\$ 0.42
Diluted	<b>\$ 0.28</b>	\$ 0.41
<b>Weighted-average common shares outstanding:</b>		
Basic	<b>49,910</b>	49,817
Diluted	<b>51,255</b>	51,027
<b>Dividends declared per common share</b>	<b>\$ 0.100</b>	\$ 0.085

See accompanying Notes to Condensed Consolidated Financial Statements.

**H.B. FULLER COMPANY AND SUBSIDIARIES****Condensed Consolidated Statements of Comprehensive Income**

(In thousands)

(Unaudited)

	<b>13 Weeks Ended</b>	
	<b>March 1, 2014</b>	<b>March 2, 2013</b>
<b>Net income including non-controlling interests</b>	<b>\$ 14,649</b>	<b>\$ 20,774</b>
Other comprehensive income (loss)		
Foreign currency translation	<b>547</b>	(3,462)
Defined benefit pension plans adjustment, net of tax	<b>1,018</b>	1,976
Interest rate swaps, net of tax	<b>10</b>	10
Cash-flow hedges, net of tax	<b>3</b>	210
<b>Other comprehensive income (loss)</b>	<b>1,578</b>	(1,266)
Comprehensive income	<b>16,227</b>	19,508
Less: Comprehensive income attributable to non-controlling interests	<b>67</b>	104
<b>Comprehensive income attributable to H.B. Fuller</b>	<b>\$ 16,160</b>	<b>\$ 19,404</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

**H.B. FULLER COMPANY AND SUBSIDIARIES****Condensed Consolidated Balance Sheets**

(In thousands, except share and per share amounts)

(Unaudited)

	March 1, 2014	November 30, 2013
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 113,047	\$ 155,121
Trade receivables (net of allowances - \$8,991 and \$8,539, for March 1, 2014 and November 30, 2013, respectively)	327,314	331,125
Inventories	260,763	221,537
Other current assets	98,510	85,046
Current assets of discontinued operations	1,865	1,865
<b>Total current assets</b>	<b>801,499</b>	794,694
Property, plant and equipment	1,069,069	1,032,792
Accumulated depreciation	(606,697)	(598,405)
<b>Property, plant and equipment, net</b>	<b>462,372</b>	434,387
Goodwill	265,444	263,103
Other intangibles, net	214,568	219,401
Other assets	165,224	161,443
<b>Total assets</b>	<b>\$ 1,909,107</b>	\$ 1,873,028
<b>Liabilities, redeemable non-controlling interest and total equity</b>		
<b>Current liabilities:</b>		
Notes payable	\$ 21,846	\$ 20,589
Trade payables	208,099	201,575
Accrued compensation	53,802	76,218
Income taxes payable	13,115	10,830
Other accrued expenses	50,238	46,566
Current liabilities of discontinued operations	5,000	5,000
<b>Total current liabilities</b>	<b>352,100</b>	360,778
Long-term debt, excluding current maturities	511,851	472,315
Accrued pension liabilities	52,135	52,922
Other liabilities	54,151	51,835
<b>Total liabilities</b>	<b>970,237</b>	937,850

Commitments and contingencies		
<b>Redeemable non-controlling interest</b>	<b>4,862</b>	4,717
<b>Equity:</b>		
H.B. Fuller stockholders' equity:		
Preferred stock (no shares outstanding) Shares authorized	10,045,900	
Common stock, par value \$1.00 per share, Shares authorized	160,000,000, Shares	
outstanding	50,074,010 and 50,228,543, for March 1, 2014 and November 30,	
2013, respectively	<b>50,074</b>	50,229
Additional paid-in capital	<b>37,076</b>	44,490
Retained earnings	<b>916,838</b>	907,308
Accumulated other comprehensive income (loss)	<b>(70,373)</b>	(71,962)
<b>Total H.B. Fuller stockholders' equity</b>	<b>933,615</b>	930,065
<b>Non-controlling interests</b>	<b>393</b>	396
<b>Total equity</b>	<b>934,008</b>	930,461
<b>Total liabilities, redeemable non-controlling interest and total equity</b>	<b>\$ 1,909,107</b>	\$ 1,873,028

See accompanying Notes to Condensed Consolidated Financial Statements.

**H.B. FULLER COMPANY AND SUBSIDIARIES****Condensed Consolidated Statements of Total Equity**

(In thousands)

(Unaudited)

**H.B. Fuller Company Shareholders**

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Non- Controlling Interests</b>	<b>Total</b>
<b>Balance at December 1, 2012</b>	\$ 49,903	\$ 37,965	\$ 830,031	\$ (139,626)	\$ 425	\$ 778,698
Comprehensive income			96,761	67,664	370	164,795
Dividends			(19,484)			(19,484)
Stock option exercises	462	8,429				8,891
Share-based compensation plans other, net	301	12,621				12,922
Excess tax benefit on share-based compensation		2,676				2,676
Repurchases of common stock	(437)	(17,201)				(17,638)
Redeemable non-controlling interest					(399)	(399)
<b>Balance at November 30, 2013</b>	50,229	44,490	907,308	(71,962)	396	930,461
Comprehensive income			14,571	1,589	67	16,227
Dividends			(5,041)			(5,041)
Stock option exercises	94	1,911				2,005
Share-based compensation plans other, net	65	4,095				4,160
Excess tax benefit on share-based compensation		1,613				1,613
Repurchases of common stock	(314)	(15,033)				(15,347)
Redeemable non-controlling interest					(70)	(70)
<b>Balance at March 1, 2014</b>	<b>\$ 50,074</b>	<b>\$ 37,076</b>	<b>\$ 916,838</b>	<b>\$ (70,373)</b>	<b>\$ 393</b>	<b>\$ 934,008</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

**H.B. FULLER COMPANY AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows**

(In thousands)

(Unaudited)

	13 Weeks Ended	13 Weeks Ended
	March 1, 2014	March 1, 2013
<b>Cash flows from operating activities from continuing operations:</b>		
Net income including non-controlling interests	\$ 14,649	\$ 20,111
Adjustments to reconcile net income including non-controlling interests to net cash provided by operating activities from continuing operations:		
Depreciation	10,353	10,353
Amortization	5,775	5,775
Deferred income taxes	14	14
Income from equity method investments	(1,854)	(1,854)
Share-based compensation	3,985	3,985
Share-based compensation tax benefit	(1,613)	(1,613)
Change in assets and liabilities, net of effects of acquisitions and discontinued operations:		
Accounts receivables, net	3,749	1,111
Prepaid expenses	(38,735)	(2,111)
Other assets	(11,978)	(11,978)
Accounts payable	17,265	17,265
Accrued compensation	(22,837)	(22,837)
Accrued expenses	3,452	3,452
Income taxes payable	1,754	1,754
Deferred / prepaid pensions	(2,291)	(2,291)
Other liabilities	1,359	1,359
	(155)	(155)
<b>Cash used in operating activities from continuing operations</b>	<b>(17,108)</b>	<b>(17,108)</b>
<b>Cash flows from investing activities from continuing operations:</b>		
Disposal of property, plant and equipment	(50,879)	(50,879)
Disposal of businesses		
Proceeds from sale of property, plant and equipment	610	610
<b>Cash used in investing activities from continuing operations</b>	<b>(50,269)</b>	<b>(50,269)</b>
<b>Cash flows from financing activities from continuing operations:</b>		
Proceeds from long-term debt	40,000	30,000
Repayment of long-term debt		(4,000)
Proceeds (repayments) from notes payable	1,283	1,283
Dividends paid	(5,004)	(5,004)
Proceeds from stock options exercised	2,005	2,005
Share-based compensation tax benefit	1,613	1,613
Repurchases of common stock	(15,347)	(15,347)



<b>Cash provided by (used in) financing activities from continuing operations</b>	<b>24,550</b>	<b>(3)</b>
of exchange rate changes	753	
<b>Change in cash and cash equivalents from continuing operations</b>	<b>(42,074)</b>	<b>(3)</b>
used in operating activities of discontinued operations		
<b>Change in cash and cash equivalents</b>	<b>(42,074)</b>	<b>(3)</b>
and cash equivalents at beginning of period	155,121	200
<b>and cash equivalents at end of period</b>	<b>\$ 113,047</b>	<b>\$ 160</b>

Supplemental disclosure of cash flow information:

Dividends paid with company stock	\$ 37	\$
Interest paid for interest, net of amount capitalized of \$983 and \$84 for the periods ended March 1, 2014 and March 2, 2013, respectively	\$ 3,898	\$ 4

**Compensation for AAM Executive Officers and Other AAM Executives:** The Compensation Committee specifically approves the base salaries and bonus awards for AAM Executive Officers. The Compensation Committee concluded that the approved base salaries and bonus awards were commensurate with base salaries and bonus awards paid to individuals in comparable positions at Peer Group Companies and certain other companies not included as Peer Group Companies, based on the size, locale, industry, and activities of such companies based on data available from recognized compensation surveys, taking into consideration the duties, experience, and performance of each such AAM Executive Officer.

The Compensation Committee specifically approved an overall 2001 Base Salary Merit Budget for Other AAM Executives which is based on data regarding salaries of Other AAM Executives and the overall 2001 Base Salary Merit Budget with available survey data covering Peer Group Companies as well as certain other companies that are not identified as Peer Group Companies, based on the size, locale, industry, and activities of such companies. The base salary for each Other AAM Executive is based on the duties, experience, and performance of such Other AAM Executive, within the constraints of the 2001 Base Salary Merit Budget. The Compensation Committee concluded that the 2001 Base Salary Merit Budget was commensurate with base salaries and bonus awards paid to individuals in comparable positions at Peer Group Companies as well as certain other companies that are not identified as Peer Group Companies, based on the size, locale, industry, and activities of such companies.

**Table of Contents**

During 2001, Mr. Richard E. Dauch received compensation in excess of the \$1 million limitation on deductibility under Section 162(m) of the Internal Revenue Code. Consequently, a portion of the compensation earned by Mr. Richard E. Dauch was not deductible by AAM in the calculation of its 2001 income tax expense. Section 162(m) of the Internal Revenue Code did not impact AAM's ability to take a tax deduction for compensation paid to any other AAM Executive Officer, Other AAM Executive or other salaried associates eligible for bonus or stock options.

The Compensation Committee periodically reviews AAM's executive compensation plans to determine their compliance with Section 162(m) of the Internal Revenue Code. The Compensation Committee may, as was the case in 2001, recommend that non-deductible compensation be paid to one or more AAM Executive Officers when such compensation is deemed to be in the best interests of AAM stockholders.

**Compensation Committee Interlocks and Insider Participation:** There are none.

*Reviewed and approved by the members of the Compensation Committee of the Board of Directors:*

*Thomas K. Walker, Chairman*

*Forest J. Farmer*

*John P. Reilly*

**Table of Contents**

**EXECUTIVE COMPENSATION, RETIREMENT PROGRAM  
AND EMPLOYMENT AGREEMENTS**

**Executive Compensation Table**

The following table sets forth the compensation awarded or paid to, or earned by, AAM's Chief Executive Officer and each of AAM's other four most compensated executive officers during 2001 (collectively, the "Named Executive Officers").

**SUMMARY COMPENSATION TABLE**

Name and Principal Position(a)	Year	Annual Compensation		Other Annual Compensation (\$)(c)	Long Term Compensation Awards	
		Base Salary (\$)	Bonus \$(b)		Securities Underlying Options(#)	All Other Compensation \$(d)
E. Dauch Founder, Chairman & Chief Executive Officer	2001	920,833	2,805,000	2,360,873	300,000	30,796
	2000	833,333	1,870,000		215,000	25,794
	1999	750,000	1,700,000			24,841
Robinson President & Chief Operating Officer	2001	300,000	400,000		100,000	6,906
	2000	265,008	360,000		45,000	6,906
	1999	250,008	310,000		81,086	7,278
Adams Executive Vice President Finance & Chief Financial Officer	2001	237,552	300,000		60,000	5,730
	2000	228,378	260,000		40,000	5,730
	1999	109,943	225,000		100,000	2,049
S. Lancaster SVP Vice President, Chief Administrative Officer & Secretary	2001	220,000	240,000		35,000	7,266
	2000	196,347	225,000		18,000	7,107
	1999	168,000	200,000			6,760
A. Cumo President Materials Management & Logistics	2001	229,300	240,000		22,000	7,594
	2000	220,500	225,000		20,000	7,899
	1999	210,000	220,000			7,514

**Table:**

Amounts shown are as of January 1, 2002.

Dividends are paid in the year subsequent to the year in which they are earned.

Benefits pursuant to Supplemental Compensation Agreement as described further on page 29 hereof and Employment Agreements.

Executive compensation includes for the year 2001: (1) the Company matching contributions in the Company's qualified section 401(k) plan and a non-qualified deferred compensation plan and (2) the dollar value of life insurance premiums and benefits. These amounts, expressed in the same order as identified above are as follows: Mr. Dauch \$5,100 and \$25,696; Mr. Robinson \$5,100 and \$1,806; Mr. Adams \$5,100 and \$630; Mr. Lancaster \$5,760 and \$1,506; and Mr. Cumo \$5,788 and \$1,806. The amounts shown for 2000 represent: (1) the Company matching contributions in the Company's qualified section 401(k) plan and a non-qualified deferred compensation plan and (2) the dollar value of life insurance premiums and benefits. These amounts, expressed in the same order as identified above are as follows: Mr. Dauch \$9,238 and \$16,556; Mr. Robinson \$5,100 and \$1,806; Mr. Adams \$5,100 and \$630; Mr. Lancaster \$5,634 and \$1,473; and Mr. Cumo \$6,093 and \$1,806. The amounts shown for 1999 represent (1) the Company matching contributions in the Company's qualified section 401(k) plan and a non-qualified

## Edgar Filing: FULLER H B CO - Form 10-Q

erred compensation plan and (2) the dollar value of life insurance premiums and benefits. These amounts, expressed in the same order as identified above are as follows: Mr. Dauch \$7,613 and \$17,228; Mr. Robinson \$4,800 and \$2,478; Mr. Adams \$1,125 and \$924; Mr. Lancaster \$2,026 and \$1,834; and Mr. Cumo \$5,036 and \$2,478.

**Table of Contents****Option Grants**

The following table presents additional information concerning the option awards shown in the Summary Compensation Table for 2001. These awards consist of nonqualified stock options to purchase common stock and were granted to the Named Executive Officers listed below under the 1999 Plan for the year ended December 31, 2001.

**OPTION GRANT TABLE**

Name and Principal Position (1)	Individual Grants					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (3)	
	Securities Underlying Options Granted (2)		Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/share)	Expiration Date	5% Stock Price \$13.90	10% Stock Price \$21.39
	Date	Number					
E. Dauch, President, Chairman & Executive Officer	04/02/2001	300,000	18.6%	8.85	04/02/2011	\$ 1,515,684	\$ 3,763,146
R. Robinson, President & Chief Operating Officer	04/02/2001	100,000	6.2%	8.85	04/02/2011	\$ 505,228	\$ 1,254,382
J. Adams, Senior Vice President & Chief Financial Officer	04/02/2001	60,000	3.7%	8.85	04/02/2011	\$ 303,137	\$ 752,629
S. Lancaster, Senior Vice President, Administrative & Secretary	04/02/2001	35,000	2.2%	8.85	04/02/2011	\$ 176,830	\$ 439,034
A. Cumo, Senior Vice President, Materials Management & Logistics	04/02/2001	22,000	1.4%	8.85	04/02/2011	\$ 111,150	\$ 275,964

**Table:**

Values shown are as of January 1, 2002.

These options were granted with an exercise price equal to the fair market value of a share of AAM common stock on the date of grant. These options will become exercisable in three substantially equal annual installments beginning on April 2, 2002.

In accordance with SEC regulatory requirements, hypothetical gains that would exist for the respective options are shown using assumed rates of appreciation of 5% and 10%, respectively. The ultimate value of the options will depend on the actual market value of AAM's common stock at a future date. The potential realizable value is shown net of the option exercise or base price, but before income taxes associated with exercise.

The estimated amounts presented represent assumed annual compounded rates of appreciation in the market price for AAM's common stock from the date of grant through the expiration of the options (in each case, although exercisable as described in Note (2) above, the options expire

the 10th anniversary of the date of grant). Based on the closing price of \$8.85 per share for the AAM common stock as reported on the New York Stock Exchange on

**Table of Contents**

April 2, 2001, the 5% and 10% rates of appreciation for a period of 10 years from such date would result in per share prices of \$13.90 and \$11.39 respectively. This presentation is based on the disclosure format prescribed by the SEC and is not intended to forecast future appreciation of the common stock price. In addition, the Named Executive Officers listed above will not benefit unless the common stock price increases above the exercise or base price for each stock option.

**Aggregated Option Exercises and Option Values**

The following table presents additional information with respect to the Named Executive Officers concerning the exercise of stock options during the period ended December 31, 2001 and the unexercised options held as of December 31, 2001:

**AGGREGATED OPTION EXERCISES AND OPTION VALUES**

Name and Principal Position (1)	Shares Acquired On Exercise (#)	Value Realized (2) (\$)	Number of Securities Underlying Unexercised Options (#)		Value of Unexercised In-the-Money Options (3) (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
E. Dauch, President, Chairman & Executive Officer			1,307,134	1,062,141	21,593,422	15,213,666
Robinson, President & Chief Operating Officer			152,054	208,888	1,904,433	2,401,922
Adams, Vice President & Chief Financial Officer			79,200	120,800	501,072	1,131,128
S. Lancaster, Vice President, Chief Administrative Officer & Secretary			95,844	92,012	1,575,153	1,281,212
A. Cumo, President Materials Management & Logistics			423,939	80,352	8,497,854	1,126,442

**Table:**

Values shown are as of January 1, 2002.

Value realized is equal to the difference between the stock option exercise price and the fair market value of AAM common stock at the date of exercise multiplied by the number of stock options exercised.

Value is equal to the difference between the stock option exercise price and the closing market price of AAM common stock reported on the New York Stock Exchange on December 31, 2001 of \$21.38 multiplied by the number of stock options held by the Named Executive Officer.

The dollar values in this table are calculated on a pre-tax basis.

**Benefit Program and Pension Plan Tables**

AAM maintains the following defined benefit plans for AAM Executive Officers and certain Other AAM Executives (Eligible AAM Executives) 57





**Table of Contents**

American Axle & Manufacturing, Inc. Supplemental Executive Retirement Plan (the "SERP"), which is a non-qualified plan. Benefits paid from the Plan are from current earnings of AAM.

The RPSE covers substantially all AAM salaried associates and consists of noncontributory benefits and optional contributory benefits.

For AAM Executives who do not elect to contribute to the RPSE, they are only entitled to receive basic retirement benefits equal to a flat dollar per year of credited service, which are essentially equivalent to the benefits under the American Axle & Manufacturing Hourly-Rate Employees Pension Plan maintained by AAM for its hourly associates. All Eligible AAM Executives are entitled to this flat dollar per year of service. In accordance with its terms, benefits under the RPSE fully vest after five years of credited service and are payable at the normal retirement age, or earlier, on a reduced basis, at the election of the participant. Supplemental early retirement benefits are available for certain employees hired before 1988.

The non-contributory portion of the RPSE provides defined benefits under a formula based on eligible years of credited service (maximum 35 years) and average monthly base salary received in the highest sixty months out of the final ten years of service. In addition, upon retirement at or after age 65, employees receive an annual retirement benefit that is equal to the sum of their contributions to the RPSE. The benefits are subject to certain Internal Revenue Code limitations that change from time to time. For the twelve month period ending December 31, 2001, the Internal Revenue Code limits the total remuneration that may be included for purposes of determining benefits under the RPSE to \$170,000 on an annualized basis.

Under the SERP, Eligible AAM Executives who made the optional specified contributions to the RPSE are also eligible to receive the greater of the regular form of the SERP benefit or an alternative form of the SERP benefit.

Monthly retirement benefits for an Eligible AAM Executive receiving the regular form of the SERP benefit are equal to the sum of the following: (1) the average monthly base salary received in the highest sixty months out of the final ten years of service; (2) multiplied by the eligible years of credited service as an employee of AAM (as calculated for purposes of the RPSE); and (3) less the sum of all benefits payable under the RPSE (with a reduction for any survivor option) plus the product of 2%, multiplied by the number of years of credited service as an employee of AAM (as calculated for purposes of the RPSE) multiplied by the maximum monthly Social Security benefit payable to a person retiring at age 65.

Monthly retirement benefits for an Eligible AAM Executive receiving the alternative form of the SERP benefit are computed such that the sum of the RPSE benefits and the alternative form of RPSE benefits equal the sum of the following: (1) the product of 1.5% multiplied by the average monthly compensation (including bonus) of the Eligible AAM Executive's highest five years of total direct compensation out of the last ten years; (2) multiplied by eligible years of credited service as an employee of AAM (as calculated for purposes of the RPSE); and (3) less 100% of the maximum monthly Social Security benefit payable to a person in the year of retirement. Supplemental executive retirement benefits otherwise payable under the alternative formula can be reduced or eliminated at the discretion of the Compensation Committee and the Board of Directors.

The SERP is not subject to ERISA, neither the average monthly base salary used as a factor in determining benefits under the regular form nor the direct compensation (including bonus) used as a factor in determining benefits under the alternative form is subject to a limitation under the Internal Revenue Code.

**Table of Contents**

**Projected Total Retirement Benefit:** The total estimated annual retirement benefits payable to the Eligible AAM Executives, including the Named Executive Officers, under both the RPSE and the SERP are set forth in the following tables:

**RPSE and Regular SERP:** Table I shows the estimated total annual retirement benefit under both the RPSE and the regular form of the SERP related to final base salary as of December 31, 2001, that would be payable in 12 equal monthly installments per annum as a single life annuity to the Eligible AAM Executives retiring in 2002 at age 65. The benefits shown are based upon participation in the optional contributory portion of the SERP and maximum annual Social Security benefits of \$19,920 payable to persons retiring in 2002. If the Eligible AAM Executive elects to receive benefits in the form of a 65% joint and survivor annuity to the Eligible AAM Executive and his spouse, the amounts shown would generally be reduced by 5%, subject to certain adjustments depending on the age differential between the Eligible AAM Executive and his spouse.

**TABLE I****Projected Total Annual Retirement Benefits RPSE plus Regular SERP**

Highest Five-Year Average Annual Total Base Salary	Years of Eligible Contributory Credited Service				
	15	20	25	30	35*
150,000	44,540	59,390	74,240	89,090	103,940
200,000	54,024	72,032	90,040	108,048	126,056
300,000	84,024	112,032	140,040	168,048	196,056
400,000	114,024	152,032	190,040	228,048	266,056
600,000	174,024	232,032	290,040	348,048	406,056
800,000	234,024	312,032	390,040	468,048	546,056
1,000,000	294,024	392,032	490,040	588,048	686,056
1,200,000	354,024	472,032	590,040	708,048	826,056

\*Maximum contributory credited service under the contributory portion of the RPSE and SERP is 35 years. As of December 31, 2001, the Named Executive Officers had the following years of Contributory Credited Service: Mr. R.E. Dauch, 7.8333 years; Mr. J.D. Robinson, 7.8333 years; Mr. J.J. Adams, 2.5000 years; Mr. P.S. Lancaster, 7.5833 years; and Mr. M.A. Cumo, 7.8333 years.

The base salaries are reported for the most recent year(s) considered in the calculations of the averages reported in the Summary Compensation Table in the column labeled Base Salary.

**RPSE and Alternative SERP:** Table II shows the estimated total annual retirement benefit under both the RPSE and the alternative form of the SERP related to final average total direct compensation (including bonus) as of December 31, 2001, that would be payable in 12 equal monthly installments per annum as a single annuity to senior executives retiring in 2002 at age 65. The benefits shown are based upon participation in the optional contributory portion of the RPSE and maximum Social Security benefits of \$19,920 payable to persons retiring in 2002. If the Eligible AAM Executive elects to receive benefits in the form of a 65% joint and survivor annuity to the Eligible AAM Executive and his spouse, the amounts shown would generally be reduced by 5%, subject to certain adjustments depending on the age differential between the Eligible AAM Executive and his spouse.

**Table of Contents****TABLE II****Projected Total Annual Retirement Benefits RPSE plus Alternative SERP**

Highest Five-Year Average Annual Total Direct Compensation	Years of Eligible Contributory Credited Service				
	15	20	25	30	35*
400,000	70,080	100,080	130,080	160,080	190,080
600,000	115,080	160,080	205,080	250,080	295,080
800,000	160,080	220,080	280,080	340,080	400,080
1,000,000	205,080	280,080	355,080	430,080	505,080
1,400,000	295,080	400,080	505,080	610,080	715,080
1,800,000	385,080	520,080	655,080	790,080	925,080
2,200,000	475,080	640,080	805,080	970,080	1,135,080
2,600,000	565,080	760,080	955,080	1,150,080	1,345,080
3,000,000	655,080	880,080	1,105,080	1,330,080	1,555,080
3,400,000	745,080	1,000,080	1,255,080	1,510,080	1,765,080

Maximum contributory credited service under the contributory portion of the RPSE and SERP is 35 years. As of December 31, 2001, the Named Executive Officers had the following years of Contributory Credited Service: Mr. R.E. Dauch, 7.8333 years; Mr. J.D. Robinson, 7.8333 years; Mr. J.J. Adams, 2.5000 years; Mr. P.S. Lancaster, 7.5833 years; and Mr. M.A. Cumo, 7.8333 years.

The annual total direct compensation for the most recent year considered in Table II in the calculation of the sum of the averages of salary and of bonus, (which is reported here as average annual total direct compensation), will be found in the Summary Compensation Table in the columns labeled Base Salary and Bonus.

**Employment Agreements**

AAM has an Employment Agreement with Richard E. Dauch to serve as Co-Founder, Chairman of the Board & Chief Executive Officer. The Employment Agreement expires on December 31, 2006, subject to periodic renewal, as more particularly discussed in the Compensation Committee Report. AAM and Mr. Dauch also entered into a Supplemental Compensation Agreement in December 2000, which is also more particularly described in the Compensation Committee Report.

AAM has an Employment Agreement with Robin J. Adams to serve as Executive Vice President-Finance & Chief Financial Officer. This agreement was entered into on July 5, 2002. The agreement provides for, among other things, an annual base salary, an annual bonus, and provides that AAM will grant Mr. Adams a certain number of options pursuant to the American Axle & Manufacturing Holdings, Inc. 1999 Stock Incentive Plan to purchase shares of AAM common stock at the closing price of AAM stock on the date of grant, which options will vest at a substantially equal rate over the three-year term of the agreement. Under the terms of his Employment Agreement, Mr. Adams is bound by confidentiality and non-competition covenants for a period of 18 months following the expiration of the Employment Agreement. AAM may terminate Mr. Adams' Employment Agreement for Cause as defined in

loyment Agreement.

---

**OTHER INFORMATION**


---

**Directors & Officers Indemnification**

governed by Delaware Law, AAM's Certificate of Incorporation eliminates the personal liability of a director of AAM for monetary damages for breach of fiduciary duty of care as a director, except for (i) any breach of the director's duty of loyalty to AAM or its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) unlawful payment of dividends or stock repurchases or redemptions pursuant to Delaware Law and (iv) any transaction from which the director derived an improper personal benefit. In addition, AAM's Certificate of Incorporation provides for indemnification, to the full extent specifically authorized under Delaware Law, of directors and officers of AAM and persons who serve at the request of AAM as a director, officer, employee, agent or trustee of another corporation, partnership, joint venture, trust or other enterprise. The provisions of AAM's Certificate of Incorporation on the subject of indemnification are deemed to constitute a contract between AAM and each director or officer. AAM also maintains an insurance policy that insures directors and officers against claims arising from alleged wrongful acts in their respective capacities as directors and officers of AAM.

**Party Transactions**

In connection with a leveraged recapitalization transaction in 1997 through which Blackstone Capital Partners II Merchant Banking Fund L.P. and certain of its affiliates (collectively "Blackstone") acquired a majority ownership interest in AAM, AAM entered into an agreement pursuant to which Blackstone provides certain advisory and consulting services to AAM and is paid an annual fee therefor (the "Monitoring Agreement"). The Monitoring Agreement has been amended effective January 1, 2002, to modify the term and provide a different fee structure payable to Blackstone. Under the new structure, fees payable to Blackstone under the Monitoring Agreement decrease based on a decrease in Blackstone's ownership interest in AAM. In 2000, Blackstone was paid \$4.1 Million by AAM for such advisory and consulting services. Messrs. Friedman, Lappin, and Pearlman are each partners of Blackstone and are also members of the AAM Board of Directors. This amendment to the Monitoring Agreement was approved by the Compensation Committee.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Management believes that during 2001, all SEC filings of its officers, directors and owners of more than 10% of a registered class of AAM's equity securities complied with the requirements of Section 16 of the Securities Exchange Act, except that Yogen N. Rahangdale made a delayed Form 4 filing with respect to a transaction which occurred in 2000, and Blackstone Management Associates II L.L.C. and Blackstone Capital Partners II Merchant Banking Fund L.P. (and Blackstone Offshore Capital Partners II L.P. and Blackstone Family Investment Partnership II L.P., as joint filers) each made a delayed Form 4 filing with respect to AAM's follow-on stock offering which occurred in August, 2001.

**Other Matters**

As of the date of this proxy statement, management is not aware of any matters to be presented for action at the Annual Meeting other than those set forth above, except for routine matters. If such other matters do properly come before the Annual Meeting, however, the persons named in the accompanying proxy intend to vote the proxy in accordance with their best judgment on such matters.

**Table of Contents**

**Information**

Board of Directors is soliciting the enclosed proxy card, and the expense of the solicitation will be borne by AAM. No proxy solicitor has been employed by AAM. Proxy materials were distributed by mail by EquiServe, as part of its responsibilities as AAM's transfer agent. AAM reimbursed the houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials to shareholders.

**furnish, without charge, to each person whose proxy is being solicited, upon request of such person, one copy of our Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the Securities and Exchange Commission. Requests for copies of such materials should be directed to the Investor Relations Department, American Axle & Manufacturing Holdings, Inc., 1840 Holbrook Avenue, Troy, MI 48212.**

---

Chairman of the Board of Directors,

Mark S. Lancaster

Mark S. Lancaster  
Vice President, Chief  
Administrative Officer & Secretary  
American Axle & Manufacturing Holdings, Inc.  
1840 Holbrook Avenue  
Troy, MI 48212

August 8, 2002

AAHCM-PS-02

Table of Contents

---

**Table of Contents**

**AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.**  
**1000 WILSON AVENUE**  
**PO BOX 43068**  
**PROVIDENCE, RI 02940**

**American Axle & Manufacturing Holdings, Inc.**  
**World Headquarters**  
**Corporate Town Hall Room**  
**1840 Holbrook Avenue**  
**Detroit, MI 48212**  
**(313) 974-2000**

[LOCATION MAP]

DETACH HERE

**Please mark  
votes as in  
this example**

- |   |  |                                  |
|---|--|----------------------------------|
| <p>1. Election of Class III Directors<br/> (01) Richard E. Dauch,<br/> (02) Larry W. McCurdy and<br/> (03) John P. Reilly</p> | <p>2. Approval of the<br/> appointment of Deloitte &amp;<br/> Touche LLP as<br/> independent auditors.</p> | <p>FOR    AGAINST    ABSTAIN</p> |
|---|--|----------------------------------|

**FOR ALL  
NOMINEES  
(except as marked  
to the contrary on  
the line below)**

**WITHHOLD  
AUTHORITY  
To vote for all  
nominees**

To withhold authority for any individual nominee or nominees, write his or their name or names in the space above

**MARK HERE  
FOR ADDRESS  
CHANGE AND  
NOTE BELOW**

**MARK HERE IF  
YOU  
PLAN TO  
ATTEND THE  
MEETING**

In their discretion, the proxies are also authorized to the extent permitted by law, to vote on any and all other matters as may properly come before the meeting. The undersigned hereby revokes any proxy or proxies heretofore given to vote upon or act with respect to said stock and hereby ratifies and confirms all that the proxies names herein and their substitutes, or any of them, may lawfully do by virtue hereof. The undersigned acknowledges receipt of the Notice of Annual Meeting and the 2002 Proxy Statement, both dated March 28, 2002, and the 2001 Annual



Edgar Filing: FULLER H B CO - Form 10-Q

Report to Stockholders.

NOTE: Please date this Proxy and sign it exactly as the name or names appear at left. All joint owners of shares should sign. State full title when signing as executor, administrator, trustee, guardian, et cetera. Please return the signed proxy in the enclosed envelope.

Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

---

DETACH HERE

ZAAHC2

**AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.**

**PROXY FOR ANNUAL MEETING OF STOCKHOLDERS  
ON MAY 16, 2002 SOLICITED ON BEHALF OF THE  
BOARD OF DIRECTORS**

The undersigned appoints Richard E. Dauch and Patrick S. Lancaster, or either of them, with full power of substitution, as proxies of the undersigned, with full power and authority to vote upon and act with respect to all shares of stock of American Axle & Manufacturing Holdings, Inc. (the "Company"), which the undersigned is entitled in any capacity to vote, at the Annual Meeting of Stockholders of the Company, to be held in the Town Hall Room at its World Headquarters complex, located at 1840 Holbrook Avenue, Detroit, Michigan, beginning at 2:00 p.m. on May 16, 2002, and at any and all adjournments or postponements thereof, in accordance with the instructions set forth in the Proxy and with the same as though the undersigned were present in person and voting such shares. The proxies are authorized in their discretion to vote for the election of one or more persons to the Board of Directors if any nominee named herein becomes unable to serve or for good cause will not serve, upon all matters to be brought to the conduct of the Annual Meeting, and upon such other business as may properly come before the meeting.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS SPECIFIED HEREIN. IF THIS PROXY DOES NOT INDICATE AN ALTERNATE CHOICE, IT WILL BE VOTED FOR ALL THE NOMINEES FOR DIRECTOR AS LISTED IN ITEM 1, FOR THE ELECTION OF AUDITORS DESCRIBED IN ITEM 2, AND IN THE DISCRETION OF THE PERSONS NAMED AS PROXIES WITH RESPECT TO ANY AND ALL OTHER MATTERS BROUGHT BEFORE THE MEETING TO THE EXTENT PERMITTED BY APPLICABLE LAW.**

**SEE REVERSE  
SIDE**

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**

**SEE REVERSE  
SIDE**