

DONALDSON CO INC
Form DEF 14A
November 23, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Donaldson Company Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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DONALDSON COMPANY, INC.

**1400 West 94th Street
Minneapolis, Minnesota 55431-2370
www.donaldson.com**

NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS

TIME: 9:00 a.m. (local time) on Tuesday,
December 22, 2015

PLACE: Donaldson Company, Inc. (“Donaldson”
or the “Company”) Corporate Offices,
Campus West, 2001 West 94th Street,
Minneapolis, Minnesota 55431.

ITEMS OF BUSINESS: (1) To elect four Directors;

To re-approve the material terms of
(2) the performance goals under the
Donaldson Company, Inc. 2010
Master Stock Incentive Plan;

To ratify the appointment of
PricewaterhouseCoopers LLP as the
(3) Company’s independent registered
public accounting firm for the fiscal
year ending July 31, 2016; and

(4) To transact any other business that
properly comes before the meeting.

RECORD DATE: You may vote if you are a Stockholder
of record at the close of business on
November 16, 2015.

PROXY VOTING: It is important that your shares be
represented and voted at the Annual
Meeting. If you received paper copies
of the proxy materials, instructions on
the different ways to vote your shares
are found on the enclosed proxy card.

You should vote by proxy even if you plan to attend the Annual Meeting. Your support is appreciated, and you are cordially invited to attend the Annual Meeting.

PLEASE PROMPTLY VOTE YOUR PROXY TO SAVE US THE EXPENSE OF ADDITIONAL SOLICITATION.

Notice of Internet Availability of Proxy Materials for the Stockholder Meeting to be held on December 22, 2015: Our 2015 Proxy Statement and our Fiscal 2015 Annual Report to Stockholders are available at www.proxyvote.com.

By Order of the Board of Directors

Amy C. Becker
Secretary

Dated:
November
23,
2015

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DONALDSON COMPANY, INC.
1400 West 94th Street
Minneapolis, Minnesota 55431-2370

PROXY STATEMENT
Mailing Date: November 23, 2015

PROPOSALS YOU ARE ASKED TO VOTE ON

Item 1: Election of Directors

Four current Directors, Andrew Cecere, William Cook, James Owens and Trudy Rautio, are recommended for election to the Board of Directors at the Annual Meeting. Information on the nominees is provided on page 8. Directors are elected for a three-year term so that approximately one-third are elected at each Annual Meeting of Stockholders.

The Board of Directors unanimously recommends a vote **FOR** the election of each Director nominee.

Item 2: Re-approval of the material terms of the performance goals under the Donaldson Company, Inc. 2010 Master Stock Incentive Plan

In order to maintain the Company's ability to deduct "performance-based compensation" granted under the Company's 2010 Master Stock Incentive Plan under Internal Revenue Code Section 162(m), Stockholders must re-approve the material terms of the performance goals set forth in the Plan every five years.

The Board of Directors unanimously recommends a vote **FOR** the re-approval of the material terms of the performance goals as described in this Proxy Statement.

Item 3: Ratification of the Appointment of Independent Registered Public Accounting Firm

The Audit Committee has appointed PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm to audit the Company's financial statements for the fiscal year ending July 31, 2016, and is requesting ratification by the Stockholders.

The Board of Directors unanimously recommends a vote **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending July 31, 2016.

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QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Why did I receive this Proxy Statement?

Because the Board of Directors of the Company is soliciting proxies for use at the Annual Meeting to be held on December 22, 2015 and you were a Donaldson Stockholder as of the close of business on the record date of November 16, 2015. Only Stockholders of record are entitled to vote at the Annual Meeting and the Board of Directors is soliciting your proxy to vote at the meeting. We had 132,680,334 shares of Common Stock outstanding as of the close of business on the record date. Each share entitles its holder to one vote, and there is no cumulative voting.

This Proxy Statement summarizes the information you need to know to vote. We first mailed or otherwise made available to Stockholders the Proxy Statement and form of proxy on or about November 23, 2015.

What am I voting on and what does the Board recommend?

1. The election of four Directors;
2. Re-approval of the material terms of the performance goals under the Donaldson Company, Inc. 2010 Master Stock Incentive Plan; and
3. The ratification of the appointment of our independent registered public accounting firm for the fiscal year ending July 31, 2016.

The Board recommends a vote:

- **FOR each of the Directors;**
- **FOR the re-approval of the material terms of the performance goals; and**
- **FOR the ratification of the appointment of our independent registered public accounting firm.**

How do I vote if I am a Stockholder of record?

If you are a Stockholder of record you may vote using any ONE of the following methods:

- VOTE BY PHONE TOLL FREE 1-800-690-6903
- VOTE BY INTERNET — <http://www.proxyvote.com>
- VOTE BY PROMPTLY COMPLETING, SIGNING, AND MAILING YOUR PROXY CARD
- VOTE BY CASTING YOUR VOTE IN PERSON AT THE MEETING

If you participate in the Donaldson Dividend Reinvestment Program or in the Donaldson Employee Stock Purchase Program administered by the transfer agent, your shares in those programs have been added to your other holdings and are included in your proxy materials.

How do I vote if I hold stock through a Donaldson Employee benefit plan?

We have added the shares of Common Stock held by participants in Donaldson's Employee benefit plans to the participants' other holdings shown on their proxy materials. Donaldson's Employee benefit plans are the Employee Stock Ownership Plan, the PAYSOP, and the Donaldson Company, Inc. Retirement Savings Plan (the "401(k) Plan").

If you hold stock through Donaldson's Employee benefit plans, voting your proxy using one of the first three methods above also serves as confidential voting instructions to the plan trustee, Fidelity Management Trust Company ("Fidelity"). Fidelity will vote your Employee benefit plan shares as directed by you provided that your proxy vote is **RECEIVED BY DECEMBER 18, 2015.**

Fidelity also will vote the shares allocated to individual participant accounts for which it has not received instructions, as well as shares not so allocated, in the same proportion as the directed shares are voted.

How do I vote if my shares are held in a brokerage account in my broker's name (*i.e.*, street name)?

If your shares are held in a brokerage account in your broker's name (street name), you should follow the voting directions provided by your broker or nominee. If you do so, your broker or nominee will vote your shares as you have directed.

What does it mean if I receive more than one proxy card?

It means that you have multiple accounts with banks or stockbrokers or with the transfer agent. **PLEASE VOTE ALL OF YOUR SHARES.**

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What if I change my mind after I vote my shares?

If you are a Stockholder of record you can revoke your proxy at any time before it is voted at the meeting by:

- Sending written notice of revocation to the Company Secretary;
- Submitting a properly signed proxy card with a later date;
- Voting by telephone or internet at a time following your prior telephone or internet vote; or
- Voting in person at the Annual Meeting.

If your shares are held in a brokerage account in your broker's name (street name), you should contact your broker or nominee for information on how to revoke your voting instructions and provide new voting instructions.

How are the votes counted?

For Item 1, the election of Directors, you may vote for all of the nominees, withhold your vote from all of the nominees or withhold your vote from a specifically designated nominee.

For Item 2, the re-approval of material terms of the performance goals, you may vote (or abstain) by choosing For, Against, or Abstain.

For Item 3, the ratification of the appointment of our independent registered public accounting firm, you may vote (or abstain) by choosing For, Against or Abstain.

If you abstain from Items 2 and 3 your shares will be counted as present at the meeting for the purposes of determining a quorum, and they will be treated as shares not voted on the specific proposal. This means that for Items 2 and 3, abstentions have the same effect as a vote against such item.

If you hold shares in street name and do not provide voting instructions to your broker, your broker will not vote your shares on any proposal where the broker does not have discretionary authority to vote. In such a situation, the shares will be considered present at the meeting for purposes of determining a quorum, but will not be considered to be represented at the meeting for purposes of calculating the vote with respect to the matter requiring discretionary authority. New York Stock Exchange ("NYSE") rules permit brokers discretionary authority to vote on Item 3 if they do not receive instructions from the street name holder of the shares. As a result, if you do not vote your street name shares, your broker has authority to vote on Item 3 on your behalf.

We use an independent inspector of elections, Broadridge Investor Communication Solutions, Inc., which tabulates the votes received.

What if I do not specify how I want my shares voted?

If you do not specify on your returned proxy card or through the telephone or internet prompts how you want to vote your shares, your shares will be voted FOR the election of all Director nominees, FOR the re-approval of the material terms of the performance goals, and FOR the ratification of the appointment of the independent registered public accounting firm.

How many shares must be present to hold the meeting?

A quorum must be present for the meeting to be valid. This means that at least a majority of the shares outstanding as of the record date must be present. We will count you as present if you:

- Have properly voted your proxy by telephone, internet, or mailing of the proxy card;
- Are present and vote in person at the meeting; or

Hold your shares in street name (as discussed above) and your broker uses its discretionary authority to vote your shares on Item 3.

How many votes are needed to approve each item?

Our Bylaws provide for a majority voting standard for the election of Directors in uncontested Director elections. A nominee for Director in an uncontested election will be elected to the Board if the votes cast FOR such nominee's election exceed 50% of the number of votes cast with respect to such nominee. Votes cast with respect to a nominee include votes to withhold authority. Directors will be elected by a plurality vote at a Stockholder meeting if:

• The Secretary of the Company receives a notice that a Stockholder has nominated a person for election to the Board in compliance with the advance notice requirements for Stockholder nominees set forth in the Bylaws; and
• Such nomination has not been withdrawn by such Stockholder prior to the 10th day preceding the date the Company first mails its notice of meeting to the Stockholders.

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In order for the proposal to re-approve the material terms of the performance goals and the proposal to ratify the appointment of the independent registered public accounting firm to be approved, the affirmative vote of a majority of the shares of the Company's Common Stock entitled to vote and represented at the meeting in person or by proxy is required.

How will voting on any other business be conducted?

We do not know of any business to be considered at the 2015 Annual Meeting of Stockholders other than the proposals described in this Proxy Statement. If any other business is properly presented at the Annual Meeting, your shares will be voted by the holders of the proxies in their discretion.

Who may attend the meeting?

All Donaldson Stockholders of record as of the close of business on November 16, 2015 may attend.

Where do I find the voting results of the meeting?

We will publish the voting results in a Form 8-K to be filed with the SEC within four business days of the meeting.

How do I submit a Stockholder proposal?

The date of the Company's 2015 Annual Meeting of Stockholders was delayed this year due to unique circumstances. The Company expects that it will resume its typical schedule next year and hold its 2016 Annual Meeting of Stockholders on the third Friday of November, which is November 18, 2016. Accordingly, the Company has calculated the deadlines for shareholder proposals using the date on which this year's meeting would have normally been held.

If you wish to include a proposal in the Company's Proxy Statement for its 2016 Annual Meeting of Stockholders, you must submit the proposal in writing so that it is received no later than June 9, 2016. Please send your proposal to Amy Becker, Company Secretary, Donaldson Company, Inc., MS 101, P.O. Box 1299, Minneapolis, MN 55440-1299.

Under our Bylaws, if you wish to nominate a Director or bring other business before the Stockholders at our 2016 Annual Meeting without having your proposal included in our Proxy Statement:

- You must notify the Company Secretary of the Company in writing between July 23, 2016 and August 22, 2016. Your notice must contain the specific information required in our Bylaws. If you would like a copy of our Bylaws, we will send you one without charge. Please write to the Company Secretary at the address shown above.

Who pays for the cost of proxy preparation and solicitation?

We pay for the cost of proxy preparation and solicitation, including the reasonable charges and expenses of brokerage firms, banks, or other nominees for forwarding proxy materials to street name holders. We are soliciting proxies primarily by mail, email, and the internet. In addition, our Directors, Officers, and other Employees may solicit proxies by email, telephone, facsimile, or personally. These individuals will receive no additional compensation for their services other than their regular salaries.

SECURITY OWNERSHIP

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Set forth below is information regarding persons known by the Company to own beneficially more than 5% of the outstanding Common Stock of the Company based on the number of shares of Common Stock outstanding on October 30, 2015.

Name and Address of Beneficial Owner⁽¹⁾	Amount and Nature of Beneficial Ownership	Percent of Class
Columbia Wanger Asset Management, LLC 227 West Monroe Street, Suite 3000 Chicago, IL 60606	11,323,400 ⁽²⁾	8.5
State Farm Mutual Automobile Insurance Company One State Farm Plaza Bloomington, IL 61710	10,838,165 ⁽³⁾	8.2
The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	9,200,201 ⁽⁴⁾	6.9
BlackRock, Inc. 55 East 52 nd Street New York, NY 10022	7,700,763 ⁽⁵⁾	5.8

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(1) Fidelity Management Trust Company, as the trustee of the Company's Retirement Savings Plan - 401(k) Profit Sharing and ESOP/PAYSOP Plan, held 6,274,788 shares, or 4.7%, of the Company's Common Stock as of October 30, 2015. Fidelity disclaims beneficial ownership of the shares claiming that it holds the shares solely for the benefit of the Employee participants, and that it does not have the power to vote or dispose of those shares except as directed by the Employee participants. Fidelity's business address is 82 Devonshire Street, Boston, MA, 02109.

(2) Based on information provided in a Schedule 13G/A filed jointly with the SEC on February 11, 2015, Columbia Wanger Asset Management, LLC ("CWAM"), an investment advisor, reported that it has sole power to vote or direct the vote of 10,627,500 shares and sole power to dispose of or direct the disposition of 11,323,400 shares. The shares reported include shares held by Columbia Acorn Fund, a Massachusetts business trust, that is advised by CWAM. According to the Schedule 13G, Columbia Acorn Fund held 5.7% of the shares of the Company as of December 31, 2014. CWAM disclaims beneficial ownership of any shares reported.

(3) Based on information provided in a Schedule 13G/A jointly filed with the SEC on February 4, 2015 by State Farm Mutual Automobile Insurance Company, an insurance company ("Auto Company") and certain of its subsidiaries and affiliates: Auto Company reported that it has sole power to vote or direct the vote of and sole power to dispose of or direct the disposition of 6,054,000 shares; State Farm Life Insurance Company, an insurance company ("SFLIC"), reported that it has sole power to vote or direct the vote of and sole power to dispose of or direct the disposition of 609,600 shares; State Farm Investment Management Corp., an investment adviser and registered transfer agent ("SFIMC"), reported that it has sole power to vote or direct the vote of and sole power to dispose of or direct the disposition of 228,600 shares; State Farm Insurance Companies Employee Retirement Trust ("SF Retirement Trust") reported that it has sole power to vote or direct the vote of and sole power to dispose of or direct the disposition of 3,033,525 shares; and State Farm Insurance Companies Savings and Thrift Plan for U.S. Employees ("SF Thrift Plan") reported that it has sole power to vote or direct the vote of and sole power to dispose of or direct the disposition of 912,440 shares. Auto Company is the parent company of multiple wholly-owned insurance company subsidiaries, including SFLIC. Auto Company is also the parent company of SFIMC. SFIMC serves as transfer agent and investment adviser to three Delaware business trusts that are registered investment companies. Auto Company also sponsors SF Retirement Trust and SF Thrift Plan, two qualified retirement plans, for the benefit of its employees. Auto Company has established an investment department that is directly or indirectly responsible for managing or overseeing the management of the investment and reinvestment of assets owned by each entity that has joined in filing the Schedule 13G. The investment department is responsible for voting proxies or overseeing the voting of proxies related to the shares of each entity that joined in the filing. Each insurance company included in the filing and SFIMC have established an investment committee that oversees the activities in managing that firm's assets and the trustees of the qualified plans perform a similar role in overseeing the investment of each plan's assets. Each of the reporting persons expressly disclaims beneficial ownership as to all shares as to which such person has no right to receive the proceeds of sale of the shares and disclaims that it is part of a group.

(4) Based on information provided in a Schedule 13G/A filed with the SEC on February 10, 2015 by The Vanguard Group, Inc., an investment adviser ("Vanguard") reported that it had sole power to vote 89,314 shares, sole power to dispose of 9,122,487 shares and shared power to dispose of 77,714 shares. Each of Vanguard Fiduciary Trust Company ("Vanguard Trust") and Vanguard Investments Australia, Ltd. ("Vanguard Investments") are wholly owned subsidiaries of Vanguard. Vanguard Trust is the beneficial owner of 77,714 shares, as a result of its service as investment manager of collective trust accounts and Vanguard Investments is the beneficial owner of 11,600 shares, as a result of its serving as investment manager of Australian investment offerings.

(5) Based on information provided in a Schedule 13G/A filed with the SEC on February 2, 2015, BlackRock, Inc., a parent holding company, reported that it has sole power to vote or directing the vote of 7,295,005 shares and sole

power to dispose of or direct the disposition of 7,700,763 shares.

The following table shows information regarding the beneficial ownership of the Company's Common Stock and information concerning deferred restricted stock units, deferred share units under stock option exercises, and phantom stock units beneficially owned, as of October 30, 2015, by each Director, each of the Named Executive Officers ("NEOs" as identified on page 20) and all Executive Officers ("Officers") and Directors of the Company as a group. The shares listed in the table as beneficially owned include (i) shares over which a person has sole or shared voting power, or sole or shared power to invest or dispose of the shares, whether or not a person has any economic interest in the shares; (ii) deferred stock units that have vested and been deferred, as to which the beneficial owner has no voting or investment power; and (iii) shares

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subject to options exercisable within 60 days of October 30, 2015. Except as otherwise indicated, the named beneficial owner has sole voting and investment power with respect to the shares held by such beneficial owner, and the shares are not subject to any pledge.

Name of Beneficial Owner	Total		Deferred Stock Units Included in Total Amount Column (3)	Exercisable Options Included in Total Amount Column
	Amount and Nature of Beneficial Ownership of Common Shares (1)(2)(3)(4)(5)	Percent of Common Shares		
William M. Cook	2,267,475	1.7	663,387	959,767
Tod E. Carpenter	239,376	*	—	166,434
James F. Shaw	89,063	*	—	73,501
Jay L. Ward	286,317	*	—	193,631
Wim Vermeersch	64,133	*	—	53,501
Thomas R. Scalf	40,512	*	—	27,667
Jeffrey Noddle	188,898	*	—	99,800
John P. Wiehoff	138,791	*	—	99,800
Paul D. Miller	112,978	*	—	79,207
Michael J. Hoffman	139,627	*	—	114,200
Willard D. Oberton	105,255	*	—	92,800
Ajita G. Rajendra	52,219	*	—	42,200
James J. Owens	13,272	*	—	11,000
Andrew Cecere	7,057	*	—	6,200
Trudy A. Rautio	1,405	*	—	0
All Other Officers	198,618	*	8,332	133,357
Directors and Officers as a Group	3,944,996	3.0	671,719	2,153,065

*Less than 1%

Includes all beneficially owned shares, including restricted shares, shares for Non-Employee Directors held in (1) trust, shares underlying the units listed under the Deferred Stock Units column, and the shares underlying options exercisable within 60 days, as listed under the Exercisable Options column.

Includes the following shares held in the Employee Stock Ownership and Retirement Savings Plan trust: Cook, 98,698 shares; Carpenter, 8,355 shares; Shaw, 3,816 shares; Ward, 15,214 shares; Vermeersch, 0 shares; Scalf, 5,770 shares; and all Directors and Officers as a group, 143,428 shares. Voting of shares held in the Employee (2) Stock Ownership and Retirement Savings Plan trust is passed through to the participants. Also includes the following shares held in the Deferred Compensation and 401(k) Excess Plan trust: Cook, 40,597 shares; Carpenter, 2,762 shares; Shaw, 1,118 shares; Ward, 2,874 shares; Vermeersch, 0 shares; Scalf, 682 shares; and all Directors and Officers as a group, 57,408 shares. Voting of shares held in the Deferred Compensation and 401(k) Excess Plan trust is passed through to the participants.

(3) Deferred stock units that have vested and been deferred are included in the beneficial ownership totals and in the percent of ownership (columns 1 and 2), however, the beneficial owner has no voting or investment power. The

Deferred Stock Units column includes phantom stock units allocated to Employees earning in excess of the limits established by the Internal Revenue Code for the qualified Employee Stock Ownership Plan that distributed shares in trust for Employees during the period from 1987 to 1996. Phantom stock units are held in the following amounts: Cook, 11,828 units; and all Directors and Officers as a group, 11,828 units.

The Deferred Stock Units column also includes deferred restricted stock units under the Deferred Compensation and 401(k) Excess Plan in the following amounts: Cook, 55,685 units; and all Directors and Officers as a group, 64,017 units.

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The Deferred Stock Units column also includes deferred stock units under the Deferred Compensation and 401(k) Excess Plan for exercises of stock options where the executive has previously elected to defer the receipt of the underlying shares. Deferred stock option gain units are held in the following amounts: Cook, 410,430 units; and all Directors and Officers as a group, 410,430 units.

The Deferred Stock Units column also includes deferred stock units under the Deferred Compensation and 401(k) Excess Plan for deferral of shares awarded under the long term compensation plan under the 1991 Master Stock Compensation Plan and the 2001 Master Stock Incentive Plan, where the executive has previously elected to defer the receipt of the underlying shares. Deferred stock units are held in the following amounts: Cook, 185,444 units; and all Directors and Officers as a group, 185,444 units.

Includes the following shares held in the Non-Employee Director's deferred stock account trust: Noddle, 47,433 shares; Wiehoff, 38,591 shares; Miller, 32,971 shares; Hoffman, 25,427 shares; Oberton, 10,455 shares; (4) Rajendra, 9,819 shares; Owens, 2,272 shares; Cecere, 857 shares; Rautio, 1,405 shares; and all Directors and Officers as a group, 169,230 shares. Voting of shares held in the deferred stock account trust is passed through to the participants.