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HERCULES INC
Form 10-K/A
April 30, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K/A

ANNUAL REPORT
PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002 Commission file number 1-496

HERCULES INCORPORATED

A DELAWARE CORPORATION
I.R.S. EMPLOYER IDENTIFICATION NO. 51-0023450
HERCULES PLAZA
1313 NORTH MARKET STREET
WILMINGTON, DELAWARE 19894-0001
TELEPHONE: 302-594-5000

Securities registered pursuant to Section 12(b) of the Act
(Each class is registered on the New York Stock Exchange, Inc.)

| Title of each class |
|--|
| Common Stock (\$25/48 Stated Value) |
| 8% Convertible Subordinated Debentures due August 15, 2010 |
| 9.42% Trust Originated Preferred Securities (\$25 liquidation amount), issued by Hercules Trust I and guaranteed by Hercules Incorporated Preferred Share Purchase Rights |

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements in Part III of this Form 10-K/A or any amendment to this Form 10-K/A.

Indicate by check mark whether the Registrant is an accelerated filer (as defined by Rule 12b-2 of the Act). Yes No

The aggregate market value of registrant's common stock, \$25/48 stated value ("Common Stock") held by non-affiliates based on the closing price on the last day of the Company's most recently completed second fiscal quarter, or June 28, 2002, was approximately \$1.2 billion.

As of March 31, 2003, registrant had 109,922,726 shares of Common Stock outstanding, which is registrant's only class of common stock.

On the corporate website, www.herc.com, Hercules Incorporated provides access to the Company's filings with the Securities and Exchange Commission via a hyperlink to the Commission's website.

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PART III

EXPLANATORY NOTE

In Part III of the Form 10-K filed on March 31, 2003, certain disclosures were incorporated by reference to the Company's Proxy Statement. Due to the fact that the Company's Proxy Statement will be filed after April 30, 2003, the information reported in this Form 10-K/A furnishes the disclosures required in Part III of the Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION OF DIRECTORS

Employee directors receive no compensation for serving on the Board of Directors or its committees.

Non-employee directors receive a \$30,000 annual fee (\$16,000 payable quarterly in cash installments and \$14,000 payable quarterly in Restricted Stock Units (RSUs)), \$1,000 for each meeting attended in person or by telephone, \$3,000 for chairing a committee, \$1,000 per day for special assignments and reimbursement for out-of-pocket expenses. The annual fee was increased from \$16,000 to \$30,000 by the Board of Directors in October 2002, effective immediately. The annual fee for 2002 was prorated based upon the date the fees were changed.

Additionally, at the October meeting, the Board of Directors approved making annual grants of RSUs, the number of which are equal to the value difference between \$45,000 and the value of 3,000 stock options granted under the Non-Employee Director Stock Accumulation Plan as discussed below and valued using the Black-Scholes option-pricing model.

NON-EMPLOYEE DIRECTOR STOCK ACCUMULATION PLAN. In 2002, as in past years, non-employee directors had the right to elect to receive restricted stock or equivalent options in lieu of part or all of their fees under Hercules' Non-Employee Director Stock Accumulation Plan (the "NEDSAP"). Restricted stock issued pursuant to the NEDSAP is restricted until the director's retirement from the Board of Directors and is valued at 85% of the fair market value of the Company's common stock. Options issued pursuant to the NEDSAP are valued using the Black-Scholes formula.

Under the NEDSAP, each director also receives an annual nonqualified stock option to purchase 3,000 shares of common stock. The option exercise price is the fair market value of Hercules' common stock on the date of grant. Vesting occurs one year from the grant date.

EQUITY AWARD. Each director has a one-time opportunity to purchase 750 Hercules common shares at fair market value when first elected to the Board of Directors. Upon the purchase, Hercules awards an additional 1,500 Hercules common shares that cannot be transferred until retirement or resignation from the Board of Directors.

RESTRICTED STOCK UNIT GRANT. Upon being elected to the Board of Directors, each director receives 1,100 restricted stock units. The units are placed in an unfunded account and accrue dividend equivalents, to the extent any dividends are paid on the Company's common stock. Each restricted stock unit represents the right to receive one Hercules common share at retirement. Restricted stock units do not carry any voting rights. Of the 1,100 units, 200 vest immediately. Thereafter, for every year served on the Board of Directors, 100 additional

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units vest. Upon retirement from the Board of Directors, all vested restricted stock units are paid in Hercules common shares. This payout will be made in a lump sum or spread over a period not to exceed ten years, as elected by the director.

TRUST ARRANGEMENTS

The Company has previously established a Trust (sometimes referred to as a "Rabbi Trust") to provide for the funding of accrued benefits under the Hercules Incorporated Retirement Plan for Nonemployee Directors and the Hercules Incorporated Deferred Compensation Plan for Nonemployee Directors that are currently not funded. Under the terms of the Trust, the funding is triggered by an "Unsolicited Change in Control Event" as defined therein. A copy of the Trust is filed as an exhibit hereto. Management intends to recommend to the Board of Directors that the Trust be amended to provide, among other things, for a substantial reduction in the funding that would be required should such funding be triggered.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is currently composed of four members. Through June 2002, Mr. McCausland served as Chairman of the Compensation Committee with Mr. Lipton, Ms. Holiday and Ms. Sneed. Mr. Drosdick also served on the Compensation Committee until his retirement in April 2002. In June 2002, Mr. Lipton became Chairman of the Compensation Committee and served with Ms. Holiday, Mr. Troubh and Ms. Sneed until her resignation from the Board of Directors in October 2002. Presently, the Compensation Committee consists of Messrs. Hunter, Lipton (Chairman), Troubh and Ms. Holiday. None of the members of the Compensation Committee is an officer, employee or former officer or employee of the Company or its subsidiaries. In 2002, none of the members of the Compensation Committee had any relationship requiring disclosure in accordance with Item 402(j)(3) of Regulation S-K.

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COMPENSATION OF EXECUTIVE OFFICERS

The following table contains information concerning compensation paid or to be paid to those serving as Chief Executive Officer and the other four most highly compensated executive officers of the Company for services rendered to the Company and its subsidiaries during the past three completed fiscal years.

SUMMARY COMPENSATION TABLE

| | YEAR | ANNUAL COMPENSATION | | | RESTRICTED STOCK (6) (\$) | COMPE |
|------------------------------|------|---------------------|-------------|------------|---------------------------|-------|
| | | SALARY | VARIABLE | | | |
| | | | (4) \$ | OTHER (\$) | | |
| | ---- | \$ | ----- | ----- | | |
| W. H. Joyce (1) | 2002 | \$1,000,000 | \$1,930,000 | \$ 30,084 | \$ | -- |
| Chairman and Chief Executive | 2001 | 666,667 | 997,500 | 5,662 | | -- |
| Officer | 2000 | -- | -- | -- | | -- |

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| | | | | | |
|---------------------------------|------|---------|---------|-------------|--------|
| F. G. Aanonsen (2) | 2002 | 260,000 | 250,000 | 8,473 | -- |
| Vice President and Controller | 2001 | 130,000 | 175,000 | -- | -- |
| | 2000 | -- | -- | -- | -- |
| R. G. Dahlen (3) | 2002 | 300,000 | 259,000 | -- | -- |
| Chief Legal Officer | 2001 | 163,095 | 150,000 | -- | -- |
| | 2000 | -- | -- | -- | -- |
| R. C. Flexon | 2002 | 257,920 | 260,000 | -- | -- |
| Vice President, Work Processes, | 2001 | 248,000 | 175,000 | -- | -- |
| Corporate Resources and | 2000 | 138,182 | -- | 58,181 (5) | 93,750 |
| Development | | | | | |
| C. A. Rogerson | 2002 | 267,082 | 281,000 | 8,335 (5) | -- |
| Vice President and | 2001 | 257,928 | 200,000 | 4,631 (5) | -- |
| General Manager, | 2000 | 157,614 | -- | 114,742 (5) | -- |
| FiberVisions and Pinova | | | | | |

- (1) Dr. Joyce became Chief Executive Officer on May 8, 2001. Dr. Joyce's "Other" column includes taxes paid by the Company.
- (2) Mr. Aanonsen was hired as Vice President and Controller on July 2, 2001. Mr. Aanonsen's "Other" column includes taxes paid by the Company.
- (3) Mr. Dahlen was rehired as Chief Legal Officer on June 15, 2001. Prior to Mr. Dahlen being rehired, he was engaged as a consultant to Hercules. As a result of this consulting agreement, Mr. Dahlen was paid \$270,000, which is reflected in the 2001 total in the "All Other Compensation" column. Additionally, included in this total is \$307,509 as full settlement of payments owed to Mr. Dahlen as a result of his previous Hercules employment and \$9,975 of other compensation, which was primarily the Company's matching contribution and interest on defined contribution plans.
- (4) The 2002 variable compensation was awarded in March 2003 for services rendered in 2002.
- (5) Messrs. Rogerson and Flexon's "Other" columns include taxes and relocation expenses paid by the Company.
- (6) These values are determined by multiplying the number of shares of restricted stock awarded by the closing market price of Hercules common stock on the date of grant and subtracting the consideration, if any, paid by the executive officer. Dividends, if any are payable, may be paid on a current basis or accrued. The number and value (determined by taking the number of shares of restricted stock multiplied by the year-end closing market price, or \$8.80, net of any consideration paid) of aggregate restricted stock holdings is shown below. Included in the chart are restricted shares that each executive officer purchased under the terms of the Hercules Long-Term Incentive Compensation Plan, reported in the column entitled "Above Target MICP Grant," as well as shares that have been granted outright, which are reported in

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the column entitled "Restricted Stock Grant." The aggregate amount paid for restricted shares by executive officers was \$424,419.

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| | Above Target MICP Grant | | Restricted Stock Grant | |
|----------------|-----------------------------|--------------------|-----------------------------|--------------------|
| | Aggregate Restricted Shares | 12/31/02 Net Value | Aggregate Restricted Shares | 12/31/02 Net Value |
| W. H. Joyce | 24,509 | -- | -- | -- |
| F. G. Aanonsen | 1,881 | -- | -- | -- |
| R. G. Dahlen | 3,713 | -- | -- | -- |
| R. C. Flexon | 4,971 | -- | 5,000 | \$ 44,000 |
| C. A. Rogerson | 6,956 | -- | -- | -- |

(7) The amounts listed in the "All Other Compensation" column for 2002 reflect the Company's matching contribution and interest on both the qualified and non-qualified defined contribution plans.

OPTION GRANTS IN LAST FISCAL YEAR

The following table discloses information concerning individual grants of stock options made during the last completed fiscal year to the executive officers named in the summary compensation table.

| Name | No. of Securities Underlying Options Granted | Percent of Total Options Granted to Employees | Exercise or Base Price (\$/Share) | Expiration Date | Grant Date |
|----------------|--|---|-----------------------------------|-----------------|------------|
| W. H. Joyce | 600,000 (2) | 29.5% | \$ 11.91 | 5/9/2012 | 5/9/2002 |
| F. G. Aanonsen | 50,000 (2) | 2.5% | 11.91 | 5/9/2012 | 5/9/2002 |
| R. G. Dahlen | 50,000 (2) | 2.5% | 11.91 | 5/9/2012 | 5/9/2002 |
| R. C. Flexon | 50,000 (2) | 2.5% | 11.91 | 5/9/2012 | 5/9/2002 |
| C. A. Rogerson | 50,000 (2) | 2.5% | 11.91 | 5/9/2012 | 5/9/2002 |

(1) The Black-Scholes option-pricing model was used to determine the fair value of employee stock options in the table above as of the date of the grant. No adjustments for risk of forfeiture have been made. Significant assumptions are as follows:

| | |
|-------------------------|---------|
| Dividend yield | 0.0% |
| Risk free interest rate | 5.0% |
| Expected life | 6 years |
| Expective volatility | 34.6% |

In the fourth quarter of 2000, the Board of Directors approved suspension of the Hercules common stock dividend. During the period from January 1, 1997 to December 31, 2002, the dividend yield on Hercules common stock averaged 2.03%. Had the stock options been valued using the historical dividend yield in the Black-Scholes option-pricing model, the value of Dr. Joyce's grant would have been \$2,449,740. Other grants reported herein would be similarly adjusted downward.

(2) Vesting schedule is as follows: 40% on 5/9/03; 40% on 5/10/04; and 20% on 5/9/05. Options are immediately vested and exercisable upon retirement and

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remain exercisable for a period of five years. Dr. Joyce and Mr. Dahlen are both currently eligible to retire.

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AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The table set forth below discloses certain information concerning the exercise of stock options (exercised and unexercised) during the last completed fiscal year by the executive officers named in the summary compensation table as well as certain information concerning the number and value of unexercised options. The value of options is calculated using the difference between the option exercise price and \$8.80 (year-end stock price) multiplied by the number of shares underlying the option.

| Name | No. of Shares Acquired on Exercise | Value Realized \$ | No. of Securities Underlying Unexercised Options at Year-End | | Exercisab |
|----------------|---|-------------------------|--|-----------|-----------|
| ----- | ----- | ----- | ----- | ----- | ----- |
| W. H. Joyce | 0 | 0 | 0 | 1,850,000 | \$0 |
| F. G. Aanonsen | 0 | 0 | 14,200 | 71,300 | 0 |
| R. G. Dahlen | 0 | 0 | 138,200 | 167,300 | 0 |
| R. C. Flexon | 0 | 0 | 38,760 | 77,440 | 0 |
| C. A. Rogerson | 0 | 0 | 50,600 | 80,400 | 0 |

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PENSION PLANS

The following table shows the estimated annual pension benefits payable to a covered participant at normal retirement age under Hercules' qualified benefits pension plan, as well as nonqualified supplemental benefits, based on the stated remuneration and years of service with Hercules and its subsidiaries.

| REMUNERATION | 15 YEARS | 20 YEARS | 25 YEARS | 30 YEARS | 35 YEARS |
|--------------|-----------|-----------|-----------|-----------|------------|
| ----- | ----- | ----- | ----- | ----- | ----- |
| \$ 200,000 | \$ 45,453 | \$ 60,604 | \$ 75,755 | \$ 90,906 | \$ 106,057 |
| 250,000 | 57,453 | 76,604 | 95,755 | 114,906 | 134,057 |
| 300,000 | 69,453 | 92,604 | 115,755 | 138,906 | 162,057 |
| 350,000 | 81,453 | 108,604 | 135,755 | 162,906 | 190,057 |
| 400,000 | 93,453 | 124,604 | 155,755 | 186,906 | 218,057 |
| 450,000 | 105,453 | 140,604 | 175,755 | 210,906 | 246,057 |
| 500,000 | 117,453 | 156,604 | 195,755 | 234,906 | 274,057 |
| 600,000 | 141,453 | 188,604 | 235,755 | 282,906 | 330,057 |
| 700,000 | 165,453 | 220,604 | 275,755 | 330,906 | 386,057 |

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| | | | | | |
|-----------|---------|---------|---------|---------|-----------|
| 800,000 | 189,453 | 252,604 | 315,755 | 378,906 | 442,057 |
| 900,000 | 213,453 | 284,604 | 355,755 | 426,906 | 498,057 |
| 1,000,000 | 237,453 | 316,604 | 395,755 | 474,906 | 554,057 |
| 1,500,000 | 357,453 | 476,604 | 595,755 | 714,906 | 834,057 |
| 2,000,000 | 477,453 | 636,604 | 795,755 | 954,906 | 1,114,057 |

Annual contributions by Hercules to its qualified pension plan, if any are required, are determined statistically by an independent actuary, and no amount is attributed to an individual employee. In 2002, the Company contributed \$97 million to the Company's pension plans.

Generally, the aggregate annual retirement benefit, under both the qualified and nonqualified plans, is an amount determined by taking the sum of (i) 1.2% of the employee's average annual earnings (based on the highest five consecutive years during the last 10 years of employment) up to one-half the Social Security Tax Base (\$42,450 in 2002), and (ii) 1.6% of the employee's average annual earnings (as determined above) in excess of one-half of the Social Security Tax Base, multiplied by the employee's total years and months of credited service. For this purpose, "average annual earnings" consists of salary plus annual incentive or variable compensation. Certain exceptions apply to union represented employees.

For Dr. Joyce and Messrs. Aanonsen, Dahlen, Flexon and Rogerson, compensation used for calculating retirement income benefits consists of the highest 5 consecutive years of average annual earnings. These amounts for 2002 are shown under the "Salary" and "Variable Compensation" columns of the Summary Compensation Table. The estimated credited years of service for Dr. Joyce and Messrs. Aanonsen, Dahlen, Flexon and Rogerson are 1, 1, 8, 2 and 20, respectively.

TRUST ARRANGEMENTS

The Company has previously established a Trust (sometimes referred to as a "Rabbi Trust") to provide for the funding of accrued benefits under the Hercules Incorporated Deferred Compensation Plan, the Hercules Incorporated Non-qualified Supplemental Retirement Plan, the Hercules Incorporated Phantom Stock Plan and other retirement income or employment agreements that are currently not funded. Under the terms of the Trust, the funding is triggered by an "Unsolicited Change in Control Event" as defined therein. A copy of the Trust is filed as an exhibit hereto. Management intends to recommend to the Board of Directors that the Trust be amended to provide, among other things, for a substantial reduction in the funding that would be required should such funding be triggered.

EMPLOYMENT CONTRACTS

On May 8, 2001, Hercules entered into a two-year written employment agreement with Dr. Joyce which provides for him to serve as Chairman and Chief Executive Officer. Under the agreement, Dr. Joyce's initial compensation consisted of (i) a base annual salary of \$1,000,000, (ii) target annual variable compensation of \$1,000,000 and (iii) a grant of stock options to acquire 1,250,000 shares of common stock at a per share exercise price of \$12.00 (the price of Hercules' common stock on the date of grant). The stock options have ten-year terms and vest at the earliest of April 30, 2003, a "change in control", death, disability or termination other than for cause. Dr. Joyce's employment agreement also provides for further grants of stock options for each calendar year after 2001, at such times as Hercules generally makes stock option grants to other employees and in amounts and with terms and conditions consistent with his position.

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CHANGE IN CONTROL AGREEMENTS

Since 1986, Hercules has entered into change in control agreements with its senior executives. These agreements seek to ensure the stability of Hercules' management during a period of transition within Hercules and only become effective upon a change in control event. Hercules' Compensation Committee periodically reviews these agreements and revises them, if necessary, to reflect contemporary business practices in change in control situations.

Change in Control Agreements are in force for Dr. Joyce and Messrs. Aanonsen, Dahlen, Flexon and Rogerson. These Agreements, the form of which has been filed with the Securities and Exchange Commission, provide that a change in control occurs:

- if any individual, entity or group (with certain exceptions) becomes the beneficial owner of 20% or more of the outstanding shares of Hercules common stock;
- if there is a change in a majority of the Board of Directors other than by election or nomination by a vote of the majority of directors comprising the incumbent Board of Directors;
- upon approval by the shareholders of a reorganization, merger, consolidation or sale that results in Hercules' shareholders owning less than 60% of the combined voting power of the surviving corporation following the transaction; or
- if Hercules' shareholders approve a complete liquidation of the Company.

The full definition of change in control is set forth in the Agreements.

Under the terms of these agreements, upon a change in control, Hercules or its successor is required to continue to employ the above named executives, in substantially the same position and level of compensation (including benefits) as that executive held immediately before the change in control, for a period of three years following the change in control.

Under the terms of these agreements, as amended in 2001, if Hercules or its successor terminates the executive (within the three year period following a change in control) for any reason other than cause, death or disability, or if Hercules or its successor takes actions which permit the executive to terminate his or her employment for good reason, such as diminishing the executive's responsibilities or requiring the executive to relocate, during such three year period, the executive is entitled to the following:

- a lump sum cash payment equal to:
 - any unpaid prorated portion of the executive's variable compensation or, if greater, the most recent variable compensation received by the executive;
 - any monthly salary earned but unpaid as of the date of termination;
 - three times the executive's base salary and variable compensation; and

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- the difference between the amount the executive would be entitled to if Hercules or its successor contributed to the executive's retirement plan for up to three additional years of service (in addition to the years of service credited during the employment period) and three additional years of age and that amount the executive was actually entitled to under this plan on the date of termination;
- three years of continued welfare benefits and perquisites;
- outplacement services at a cost of up to \$50,000;
- full vesting of all stock options and restricted stock held by or previously granted to the executive; and
- payment for any Internal Revenue Service excise taxes for "excess parachute payments" (as defined under the Internal Revenue Code).

Dr. Joyce's and Mr. Dahlen's change in control agreements also provide that if they terminate their employment on at least 180 days' advance notice after a change of control and, in the case of a change in control triggered by shareholder approval of a reorganization, merger, consolidation or sale described above, after consummation of that transaction, the termination will be treated as a termination for good reason, giving rise to the severance pay and benefits described above. The agreements entered into with Dr. Joyce and Mr. Dahlen do not provide for the additional pension service or age credits described above.

Mr. Dahlen's change in control agreement provides in the case of a change in control or termination by the Company for good reason for two times base salary and variable compensation instead of the three times base salary and variable compensation discussed above.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth information, as of March 31, 2003, with respect to the beneficial ownership of Hercules common shares by:

- beneficial owners of more than five percent of Hercules common stock,

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- each Hercules director and nominee for director,
- each of the executive officers named in the Summary Compensation Table set forth above, and
- all directors, nominees and executive officers of Hercules as a group.

This information is based upon Hercules' records, as well as publicly available information filed with the Securities and Exchange Commission.

This beneficial ownership is reported in accordance with the rules of the

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SEC, under which a person may be deemed to be the beneficial owner of shares if that person has or shares the power to vote or dispose of those shares or has the right to acquire beneficial ownership of those shares within 60 days (for example, through the exercise of an option). Accordingly, the shares shown in the table as beneficially owned by certain individuals may include shares owned by certain members of their respective families. Because of these rules, more than one person may be deemed to be the beneficial owner of the same shares. The inclusion of the shares shown in the table is not necessarily an admission of beneficial ownership of those shares by the person indicated.

| NAME | SHARES BENEFICIALLY OWNED (1) | OPTIONS EXERCISABLE WITHIN 60 DAYS | RESTRI STOCK UN |
|--|-------------------------------------|---|--------------------|
| ----- | | | |
| DIRECTORS AND OFFICERS | | | |
| W. H. Joyce, Director and Officer | 157,374 | 1,490,000 | |
| F. G. Aanonsen, Officer | 19,576 | 14,200 | |
| R. G. Dahlen, Officer | 34,537 | 254,200 | |
| R. Fairbanks, Director | 25,949 | 27,000 | 2 |
| R. C. Flexon, Officer | 29,743 | 58,760 | |
| S. J. Heyman, Director (4) | 9,900,120 | 3,000 | 2 |
| A. R. Hirsig, Director | 6,554 | 12,000 | 2 |
| E. E. Holiday, Director | 3,999 | 24,000 | 2 |
| J. C. Hunter, III, Director | -- | -- | 1 |
| R. D. Kennedy, Director | 12,250 | 3,000 | 2 |
| S. Kumar, Director | 20,909 | 3,000 | 2 |
| J. M. Lipton, Director | 21,865 | 3,000 | 2 |
| P. McCausland, Director | 20,560 | 15,000 | 2 |
| C. A. Rogerson, Officer | 28,895 | 79,700 | |
| G. Schaffer, Director | 2,750 | 3,000 | 2 |
| R. S. Troubh, Director | 14,870 | 3,000 | 2 |
| J. B. Wyatt, Director | 7,010 | 3,000 | 2 |
| All directors and executive officers as a group | 10,549,685 | 2,747,360 | 24 |
| 5% SHAREHOLDERS | | | |
| Mario J. Gabelli and related entities (5) C/o Gabelli Asset Management Inc. One Corporate Center Rye, New York 10580 | 10,218,507 | -- | |
| International Specialty Products, Inc and related entities (6) C/o ISP Management Company, Inc. 1361 Alps Road Wayne, New Jersey 07670 | 9,893,700 | -- | |
| T. Rowe Price Associates, Inc. (7) 100 E. Pratt Street Baltimore, Maryland 21202 | 9,209,934 | -- | |

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| NAME | SHARES BENEFICIALLY OWNED (1) | OPTIONS EXERCISABLE WITHIN 60 DAYS | RESTRI STOCK UN |
|---|-------------------------------------|---|--------------------|
| Vanguard Fiduciary Trust Company (8) 500 Admiral Nelson Boulevard Malvern, PA 19355 | 8,315,904 | -- | |
| FMR Corp. and related entities (9) 82 Devonshire Street Boston, MA 02109 | 7,562,431 | -- | |

* Less than 1% of the outstanding Hercules common shares.

- (1) Includes shares as of March 31, 2003 in the Hercules Savings and Investments Plan as follows: W. H. Joyce, 1,044; F. G. Aanonsen, 686; R. G. Dahlen, 3,075; R. C. Flexon, 1,316; C. A. Rogerson, 1,145; and all directors and officers as a group, 39,531. Includes shares with restrictions and forfeiture risks as specified under the Long Term Incentive Compensation Plan; W. H. Joyce, 156,330; F. G. Aanonsen, 18,890; R. G. Dahlen, 19,163; R. C. Flexon, 28,427; C. A. Rogerson, 27,750; and all directors and officers as a group, 414,208. Owners have the same voting and dividend rights as other shareholders of Hercules, but no right to sell or transfer. Included in the non-employee directors' totals is a one-time equity award.
- (2) The non-employee director does not have any voting rights or the right to dispose of these restricted stock units until the non-employee director leaves the Board of Directors. Further discussion of this Restricted Stock Unit Grant can be found in Part III Item 11 Compensation of Directors in this Form 10-K/A filing.
- (3) Based on 109,922,726 shares outstanding on March 31, 2003. The calculation of Percent of Shares excludes the share amounts listed in the Restricted Stock Units column.
- (4) Includes 9,893,700 shares held by International Specialty Products, Inc. ("ISP") and related entities. Mr. Heyman beneficially owns (as defined in Rule 13d-3 of the Exchange Act) 100% of the capital stock of ISP and therefore may be deemed to beneficially own (solely for purposes of Rule 13d-3) the Hercules common stock owned by ISP and related entities.
- (5) Share holding as of December 10, 2002, as reported on Amendment No. 6 to the Schedule 13D filed by such shareholder on December 12, 2002.
- (6) Share holding as of April 16, 2003, as reported on the preliminary Proxy Statement filed by the Hercules Shareholders' Committee for New Management on April 16, 2003.
- (7) Share holding as of December 31, 2002, as reported on Amendment No. 4 to the Schedule 13G filed by such shareholder on January 31, 2003.
- (8) Share holding as of December 31, 2002, as reported on the Schedule 13G filed by such shareholder on April 2, 2003.
- (9) Share holding as of December 31, 2002, as reported on the Scheduled 13G filed by such shareholder on February 13, 2003.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report:

3. Exhibits:

A complete listing of exhibits is included in the Exhibit Index that precedes the exhibits filed with this Report.

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HERCULES INCORPORATED

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HERCULES INCORPORATED

By: /s/ Fred G. Aanonsen

Fred G. Aanonsen
Vice President and Controller
(Principal Financial Officer and duly
authorized signatory)
April 30, 2003

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HERCULES INCORPORATED

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William H. Joyce, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K/A of Hercules Incorporated;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual

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report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 30, 2003

/s/ William H. Joyce

William H. Joyce
Chairman and Chief Executive Officer

HERCULES INCORPORATED

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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I, Fred G. Aanonsen, Vice President and Controller, certify that:

1. I have reviewed this annual report on Form 10-K/A of Hercules Incorporated;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 30, 2003

/s/ Fred G. Aanonsen

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Fred G. Aanonsen
Vice President and Controller

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HERCULES INCORPORATED

EXHIBIT INDEX

| NUMBER | DESCRIPTION | INCORPORATED |
|--------|--|-------------------------------------|
| 10-Q | Form of Change-of-Control Employment Agreements entered into as of August 24, 2000 by Hercules Incorporated and each of Robert C. Flexon and Craig. A. Rogerson. | Exhibit 10-19, Re S-4, filed August |
| 10-W | Form of Change-of-Control Employment Agreements entered into as of June 15, 2001 by Hercules Incorporated and Richard G. Dahlen. | Exhibit 10-25, Re S-4, filed August |
| 10-Ee* | Hercules Incorporated Compensation Benefits Grantor Trust Agreement for Management Employees. | |
| 10-Ff* | Hercules Incorporated Compensation Benefits Grantor Trust Agreement for Nonemployee Directors. | |
| 10-Gg* | Amended and Restated Hercules Incorporated Management Incentive Compensation Plan, dated February 21, 2003. | |
| 99.3* | Certification of Chairman and Chief Executive Officer Pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | |
| 99.4* | Certification of Vice President and Controller Pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | |

* Filed herewith

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