

PATRICK INDUSTRIES INC
Form DEF 14A
April 07, 2006
SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Sections 240.14a-11(c) or Section 240.14a-12

PATRICK INDUSTRIES, INC.

(Name of Registrant as Specified in its Charter)

(Name Of Person(S) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transactions 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:

PATRICK INDUSTRIES, INC.

107 West Franklin Street

P.O. Box 638

Elkhart, Indiana 46515-0638

574-294-7511

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 11, 2006

April 7, 2006

TO OUR SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Patrick Industries, Inc., an Indiana corporation, will be held at the Company's Corporate offices, 107 W. Franklin Street, Elkhart, Indiana, on Thursday, May 11, 2006 at 10:00 a.m., Indiana time, for the following purposes:

1. To elect three directors of the Company to serve until 2009; and
2. To approve the reinstatement of full voting rights of Tontine Capital Partners, L.P. common stock, which is currently subject to the control share restrictions of the Indiana Business Corporation Law; and
3. To approve a proposed amendment to the Company's 1987 Stock Option Program; and
4. To consider and transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on March 17, 2006, as the record date for the determination of the holders of shares of the Company's outstanding Common Stock entitled to notice of and to vote at the Annual Meeting of Shareholders. Each shareholder is entitled to one vote per share on all matters to be voted on at the meeting.

Edgar Filing: PATRICK INDUSTRIES INC - Form DEF 14A

Your vote is important. Whether or not you expect to attend the meeting, please vote your shares using the Internet, by telephone, or by mail by signing, dating, and returning the enclosed proxy in the enclosed envelope. Your shares will then be represented at the meeting if you are unable to attend. You may, of course, revoke your Proxy and vote in person at the meeting if you desire.

By Order of the Board of Directors,

ANDY L. NEMETH
SECRETARY

PATRICK INDUSTRIES, INC.

107 West Franklin Street

P.O. Box 638

Elkhart, Indiana 46515-0638

574-294-7511

PROXY STATEMENT

Annual Meeting of Shareholders

To Be Held May 11, 2006

This Proxy Statement is being mailed to shareholders of Patrick Industries, Inc. (the "Company") on or about April 7, 2006, and is furnished in connection with the Board of Directors' solicitation of proxies for the Annual Meeting of Shareholders to be held on May 11, 2006 for the purpose of considering and acting upon the matters specified in the Notice of Annual Meeting of Shareholders accompanying this Proxy Statement. If the form of proxy which either accompanies this Proxy Statement is executed and returned, or is voted by Internet or by telephone, it may be revoked by the person giving it at any time prior to the voting thereof by written notice to the Secretary, by delivery of a later dated proxy, or by requesting to vote in person at the meeting. Additional solicitations, in person or by telephone or otherwise, may be made by certain directors, officers, and employees of the Company without additional compensation. Expenses incurred in the solicitation of proxies, including postage, printing and handling, and actual expenses incurred by brokerage houses, custodians, nominees, and fiduciaries in forwarding documents to beneficial owners, will be paid by the Company.

The Annual Report to shareholders for the year ended December 31, 2005, accompanies this Proxy Statement. Additional copies of the Annual Report may be obtained by writing the Secretary of the Company.

VOTING INFORMATION

Each shareholder is entitled to one vote for each share of the Company's Common Stock held as of the record date. For purposes of the meeting, a quorum means a majority of the outstanding shares. As of the close of business on March 17, 2006, the record date for shareholders entitled to

Edgar Filing: PATRICK INDUSTRIES INC - Form DEF 14A

vote at the Annual Meeting, there were outstanding 4,843,208 shares of Common Stock entitled to one vote each. In determining whether a quorum exists at the meeting, all shares represented in person or by proxy will be counted. A shareholder may, with respect to the election of directors, (i) vote for the election of all named director nominees, (ii) withhold authority to vote for all named director nominees, or (iii) vote for the election of all named director nominees other than any nominee with respect to whom the shareholder withholds authority to vote by so indicating in the appropriate space on the proxy. With respect to any other proposals, a shareholder may vote for, against, or abstain. Proxies properly executed and received by the Company prior to the meeting and not revoked will be voted as directed therein on all matters presented at the meeting. In the absence of a specific direction from the shareholder, proxies will be voted for the election of all named director nominees, for the proposal to reinstate full voting rights of Tontine Capital Partners, L.P. common stock (the Reinstatement Proposal), and for the proposed amendment to the Company's 1987 Stock Option Program (the Stock Option Program Proposal).

The Directors are elected by a plurality of the votes cast by shares present in person or by proxy at the Annual Meeting and entitled to vote. Consequently, withholding authority to vote in the election of Directors will have no effect on the election of directors. The Reinstatement Proposal requires the approval of a majority of the outstanding shares and the Stock Option Program Proposal requires the approval of a majority of the votes cast at a meeting at which a quorum is present. A broker non-vote occurs when a broker holding shares registered in street name is permitted to vote, in the broker's discretion, on routine matters without receiving instructions from the client, but is not permitted to vote without instructions on non-routine matters, and the broker returns a proxy card with no vote on the non-routine matter. Under the rules and regulations of the primary trading markets applicable to most brokers, the election of directors is a routine matter on which a broker has the discretion to vote if instructions are not received from the client in a timely manner. Broker non-votes will have no effect the election of directors or the approval of the Stock Option Program Proposal. A broker non-vote will have the effect of a vote against the Reinstatement Proposal. An abstention will have the effect of a vote against both proposals.

The Board of Directors knows of no other matter which may come up for action at the Annual Meeting. However, if any other matter properly comes before the Annual Meeting, the persons named in the proxy form enclosed will vote in accordance with their judgment upon such matter.

Shareholder proposals for inclusion in proxy materials for the next Annual Meeting should be addressed to the Company's Secretary, P.O. Box 638, Elkhart, Indiana 46515-0638, and must be received no later than Friday, December 8, 2006. In addition, the Company's By-laws require notice of any other business to be brought before a meeting by a shareholder (but not included in the proxy statement) to be delivered, in writing, to the Company's Secretary, together with certain prescribed information, not less than 90 days nor more than 110 days prior to the first anniversary of the preceding year's annual meeting. Likewise, the Articles of Incorporation and By-laws require that shareholder nominations to the Board of Directors be delivered to the Secretary, together with certain prescribed information in accordance with the procedures for bringing business before an Annual Meeting which directors are to be elected.

STOCK OWNERSHIP INFORMATION

The following table sets forth, as of the record date, information concerning the only parties known to the Company having beneficial ownership of more than 5 percent of its outstanding Common Stock and information with respect to the stock ownership of all directors and executive officers of the Company as a group.

Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
<hr/>		
Tontine Capital Partners, L.P. 55 Railroad Avenue, 3 rd Floor Greenwich, CT 06830	1,313,089 (2)	27.11%
<hr/>		
CAM North America Smith Barney Fund Management, LLC 399 Park Avenue New York, NY 10022	584,055 (3)	12.06%
<hr/>		
Heartland Advisors, Inc. 789 North Water Street Milwaukee, WI 53202	398,625 (4)	8.23%
<hr/>		
Dimensional Fund Advisors, Inc. 1299 Ocean Avenue, 11 th Floor		

Edgar Filing: PATRICK INDUSTRIES INC - Form DEF 14A

Santa Monica, CA 90401	336,817 (5)	6.95%
<hr/>		
FMR Corp.		
25 Lovat Lane		
Boston, MA 02109	273,280 (6)	5.64%
<hr/>		
Wilco Management Company, Inc.		
2360 West Joppa Road, Suite 226		
Lutherville, MD 21093	265,332 (7)	5.48%
<hr/>		
Directors and Executive Officers as a group (10 persons) (1)	181,046	3.74%
<hr/>		

- (1) The stock ownership of the executive officers named in the Summary Compensation Table is set forth under the heading Election of Directors, except for Gregory J. Scharnott (1,890 shares). Paul E. Hassler has 13,625 shares which are exercisable within 60 days of the record date and Andy L. Nemeth and Gregory J. Scharnott each have 3,625 shares which are exercisable within 60 days of the record date.
- (2) Information based on latest Schedule 13D filed by Tontine Capital Partners, L.P. on September 19, 2005
- (3) Information based on latest Schedule 13G filed by CAM North America on March 9, 2006

Edgar Filing: PATRICK INDUSTRIES INC - Form DEF 14A

- (4) Information based on latest Schedule 13G filed by Heartland Advisors, Inc. on February 3, 2006
- (5) Information based on latest Schedule 13G filed by Dimensional Fund Advisors, Inc. on February 1, 2006
- (6) Information based on latest Schedule 13G filed by FMR Corp. on February 16, 2004
- (7) Information based on latest Schedule 13G filed by Wilen Management Company, Inc. on January 26, 2006

2

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires that certain of the Company's officers, directors, and 10% shareholders file with the Securities and Exchange Commission and NASDAQ an initial statement of beneficial ownership and certain statements of changes in beneficial ownership of Common Stock of the Company. Based solely on its review of such forms received by the Company and written representation from the directors and officers that no other reports were required, the Company is unaware of any instances of noncompliance or late compliance with such filings during the fiscal year ended December 31, 2005, except for Harold E. Wyland who was late in filing one Form 4 covering one transaction.

ELECTION OF DIRECTORS

The Board of Directors is divided into three classes, with the members of each class serving staggered three-year terms. Accordingly, at the 2006 Annual Meeting three directors will be elected to hold office until the 2009 Annual Meeting or until their successors are duly elected and qualified.

It is intended that the proxies will be voted for the nominees listed below, unless otherwise indicated on the proxy form. It is expected that these nominees will serve, but, if for any unforeseen cause any such nominee should decline or be unable to serve, the proxies will be voted to fill any vacancy so arising in accordance with the discretionary authority of the persons named in the proxies.

The following information concerning principal occupations and the number of shares of Common Stock of the Company owned beneficially as of March 17, 2006, has been furnished by the nominees and directors continuing in office:

<u>Name and Age</u>	<u>Principal Occupation and Other Directorships</u>	<u>First Year Elected Director</u>	<u>Common Stock of the Company Owned</u> <u>(1)</u>	<u>Percent of Common Stock Owned</u>
<u>Nominees to Serve Until the 2009 Annual Meeting:</u>				
- Walter E. Wells, 67.....	Retired President and CEO of Schult Homes 2001 Corporation.		15,000	Less than 1%
John H. McDermott, 74.....	Of counsel to the Chicago, Illinois law firm 1969 of McDermott, Will & Emery, LLP, which law firm has been retained by the Company since 1968 for certain legal matters.		32,000	Less than 1%
Paul E. Hassler, 58.....	President and Chief Executive Officer of the 2005 Company.		5,280	Less than 1%

Edgar Filing: PATRICK INDUSTRIES INC - Form DEF 14A

Directors to Serve Until the 2007 Annual Meeting:

Keith V. Kankel, 63.....	Retired Interim President and CEO of the Company from 2003 to 2004. Vice President of Finance of the Company from 1987 through July 2002, and retired Secretary-Treasurer of the Company from 1974 through July 2002.	1977	22,686	Less than 1%
Harold E. Wyland, 69.....	Chairman in 2001. Retired Vice President of Sales of the Company from 1990 through 1998.	1989	7,500	Less than 1%
Andy L. Nemeth, 37.....	Executive Vice President of Finance, Secretary-Treasurer, and Chief Financial Officer of the Company.	2006	1,890	Less than 1%

<u>Name and Age</u>	<u>Principal Occupation and Other Directorships</u>	<u>First Year Elected Director</u>	<u>Common Stock of the Company Owned (1)</u>	<u>Percent of Common Stock Owned</u>
<u>Directors to Serve Until the 2008 Annual Meeting:</u>				
- Robert C. Timmins, 84.....	Retired Vice President and Director of Emerson Musical Instruments, Inc., and CPA and Partner of McGladrey & Pullen (certified public accountants) until 1985.	1987	57,300	1.18%
Terrence D. Brennan, 67.....	Retired President and CEO of NBD Bank, Elkhart, IN, from 1973-1997.	1999	15,000	Less than 1%
Larry D. Renbarger, 67.....	Retired President and CEO of Shelter Components.	2002	22,500	Less than 1%

(1) Each individual has sole voting and dispositive power over the shares indicated.

The Board of Directors unanimously recommends a vote FOR this Proposal, and your proxy will be so voted, unless you specify otherwise.

APPROVAL OF CONTROL SHARE ACQUISITION

On September 12, 2005, Tontine Capital Partners, L.P. (the Partnership) purchased 890,221 shares of common stock of the Company from Mervin and Dorothy Lung (the Control Shares). As a result of the purchase, Jeffrey L. Gendell, Tontine Capital Partners, L.P., and Tontine Capital Management L.L.C., along with their affiliates or associates (collectively, Tontine) own 1,313,089 shares, or 27.1%, of the outstanding common stock of the Company.

Since the acquisition of the Control Shares increased Tontine's total share ownership to more than one-fifth but less than one-third of all voting power, under the Indiana Business Corporation Law, the Control Shares held by Tontine will have voting rights only to the extent granted by the resolution approved by the shareholders of the Company.

In order to restore full voting rights to the Control Shares, the Board of Directors of the Company recommends a vote **FOR** the following resolutions:

RESOLVED, that pursuant to Section 23-1-42-9 of the Indiana Business Corporation Law, the 890,221 shares of common stock of the Company acquired from Mervin and Dorothy Lung and held by Tontine Capital Partners, L.P. (Tontine) be and hereby are accorded the same voting rights as all other shares of common stock of the Company, and that any and all restrictions of such voting rights arising from the status of such shares as control shares under the Indiana Business Corporation Law shall not apply; and

RESOLVED, that pursuant to Section 23-1-42-9 of the Indiana Business Corporation Law, any additional shares of common stock of the Company beneficially owned or acquired by Tontine and/or its affiliates and successors, to the extent that Tontine's aggregate ownership of common stock represents less than thirty percent (30%) of the Company's outstanding common stock, be and hereby are accorded the same voting rights as all other shares of common stock of the Company, and that any and all restrictions of such voting rights arising from the status of such shares as control shares under the Indiana Business Corporation Law shall not apply.

The foregoing resolutions must be adopted by the affirmative vote of the holders of a majority of all the outstanding common stock of the Company entitled to vote excluding interested shares. Under the Indiana Business Corporation Law, all shares held by Tontine, as well as any shares held by officers of the Company or by anyone who is an employee as well as a director of the Company, are interested shares and will not be entitled to vote on this resolution. Abstentions and broker non-votes will count as a vote against the proposal.

The Partnership is a Delaware limited partnership which operates as a private investment partnership. The general partner of the Partnership is Tontine Capital Management, L.L.C., a Delaware limited liability company (the General Partner). Jeffrey L. Gendell is the managing member of the General Partner. According to material provided to the Company by the Partnership, its investment objective is to achieve superior after-tax capital appreciation through investments that primarily focus on small capitalization companies. The General Partner's investment approach emphasizes value investing and is based primarily on its industry research, analysis of company financial documents and discussions with company management. Tontine has delivered an acquiring person statement to the Company as permitted under Section 23-1-42-6 of the Indiana Business Corporation Law. A copy of the acquiring person statement is attached as Exhibit A to this proxy statement.

Under the Company's Rights Agreement, Tontine's ownership of shares of the Company's common stock will not constitute a Triggering Event to the extent that Tontine's ownership of common stock represents less than 30% of the outstanding common stock of the Company. The Company is a party to a registration rights agreement with Tontine, which provides that, during the two year period following the September 12, 2005 acquisition date, Tontine may demand that the Company register for resale the shares owned by Tontine or its affiliates of a Form S-3 Registration Statement, subject to certain exceptions as provided in the Agreement. In addition, as long as Tontine beneficially owns more than 8.86% of the outstanding common stock of the Company, Tontine is entitled to piggy-back registration rights in the event that the Company files a registration statement with the Securities and Exchange Commission subject to certain exceptions as provided in the Agreement.

The Board of Directors unanimously recommends a vote FOR this Proposal, and your proxy will be so voted, unless you specify otherwise.

6

PROPOSED AMENDMENTS TO 1987 STOCK OPTION PROGRAM

The Company's 1987 Stock Option Program (the "Program") was adopted by the Board of Directors in 1987 and approved by the shareholders in the same year. The purpose of the Program is to attract and retain highly qualified persons as officers and key employees of the Company.

In 1994, the Program was amended to (i) extend the term of the Program to the year 2004, (ii) increase the number of shares available for grants under the Program to 600,000, (iii) change the class of eligible participants to include non-employee directors, and (iv) add a per person limitation of 50,000 shares to the number of shares which may be awarded to any participant in any year during the term of the Program to comply with the requirements of Section 162(m) of the Internal Revenue Code. In 2001, the Program was amended to increase the number of shares available for grants under the Program by 200,000 shares. In 2004 the Program was amended to extend the expiration date of the Program from May 17, 2004 to May 17, 2014 and to change the non-employee director awards from bi-annual awards of 6,000 shares vesting over a two-year period to annual awards of 3,000 shares to vest over a one-year period.

The Board of Directors has now amended the Program, subject to shareholder approval, to increase the number of shares available for grants under the program by 500,000 shares.

The proposed amendments will permit the Company to continue to keep pace with changing trends in management compensation and make the Company competitive with those companies that offer stock incentives to attract and keep management employees and non-employee directors.

A brief summary of the Program is provided below, but is qualified in its entirety by reference to the full text of the Program on file with the Securities and Exchange Commission. A copy of the Program is available from the Corporation's Secretary at the address on the cover of this Proxy statement.

Eligibility for Participation

Under the Program, the Company may grant stock options that may either be incentive stock options or non-qualified stock options, related stock appreciation rights, and stock awards. Officers and other key employees of the Company are eligible to participate in the Program. In addition, each non-employee director annually receives a restricted stock award for 3,000 shares of Common Stock upon election to the Board which will vest after one year of continued service on the Board.

Federal Tax Treatment

The grant of a stock option is not a taxable event. Upon exercise of a stock option, the participant will have taxable income equal to the difference between the fair market value on the date of exercise and the exercise price.

The non-employee directors who receive restricted stock awards will not realize taxable income at the time of grant, and the Company will not be entitled to a tax deduction at the time of grant, unless any such person makes an election to be taxed at the time of grant. When the restrictions lapse, the non-employee director will recognize taxable income in an amount equal to the then fair market value of the shares. The Company will be entitled to a corresponding tax deduction.

Other Information

A new benefits table is not provided because no grants have been made in 2006 under the Program and all benefits are discretionary. The closing price of the Common Stock as reported on the NASDAQ/NMS for March 17, 2006 was \$11.41 per share.

The affirmative vote of holders of a majority of the shares represented and entitled to vote at the meeting is required for approval of the amendments to the 1987 Stock Option Program. Abstentions will count as a vote against the proposal, and broker non-votes will have no effect on the proposal.

The Board of Directors unanimously recommends a vote FOR approval of the amendments to the 1987 Stock Option Program.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Summary Compensation Table

<u>Name and Principal Position</u>	<u>Year</u>	<u>Annual Compensation</u>		<u>Long Term Compensation</u>	
		<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Securities Underlying Options (#)</u>	<u>All Other Compensation (\$)(3)</u>
Paul E. Hassler	2005	293,460	28,000	24,500	664
President and Chief Executive Officer	2004	282,601	28,000	24,500	624
Andy L. Nemeth	2003	138,497	33,803 (1)	---	395
	2005	193,464	18,000	14,500	500
Executive Vice President of Finance, Secretary-Treasurer, and Chief Financial Officer	2004	192,887	18,000	14,500	386
Gregory J. Scharnott	2003	163,460	13,000 (2)	---	353
	2005	193,464	18,000	14,500	560
Executive Vice President of Operations and Distribution	2004	192,727	18,000	14,500	520
	2003	155,040	13,000 (2)	---	470

- (1) The bonus for Paul E. Hassler is related to compensation as an executive director of Western Operations. Mr. Hassler was elected Vice President of Operations and Distribution West in December 2003 and subsequently elected President and Chief Executive Officer of the Company effective April 5, 2004.
- (2) The bonus for the executive officers was a discretionary bonus awarded by the Board of Directors in February 2003. This award was based on management's efforts to contain costs as a result of the December 31, 2002 operating results.
- (3) Company contributions to 401(k) Savings Plan.

Employment Contracts

The Company entered into Employment Agreements with Paul E. Hassler, Andy L. Nemeth, and Gregory J. Scharnott, pursuant to which they agreed to serve as executive officers of the Company. The agreements contain a non-compete clause and certain other stipulations and provide for a severance package that includes twelve (12) months base salary for Paul E. Hassler and six (6) months base salary for Andy L. Nemeth and Gregory J. Scharnott.

Edgar Filing: PATRICK INDUSTRIES INC - Form DEF 14A

The executive officers of the Company have deferred compensation agreements which provide that the Company will pay each of these employees, or their beneficiaries, up to 40% of their base salary for 120 months upon retirement (if the employee continues in the employment of the Company until the age of 65 or upon the attainment of other parameters) or upon the employee's death or total disability.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

<u>Name</u>	<u>Shares Acquired On Exercise (#)</u>	<u>Value Realized (\$)(1)</u>	<u>Number of Securities Underlying Unexercised Options at Fiscal Year End (#)</u>	<u>Value of Unexercised In-the-Money Options at Fiscal Year end (\$) *</u>
			<u>Exercisable/Nonexercisable</u>	<u>Exercisable/NonExercisable</u>
Paul E. Hassler	6,000	\$26,850	13,625/42,875	\$35,728/\$26,338
Andy L. Nemeth	3,875	\$18,562	3,625/25,375	\$2,103/\$15,588
Gregory J. Scharnott	---	---	3,625/25,375	\$2,103/\$15,588

*