

PATRICK INDUSTRIES INC
Form PRE 14A
March 16, 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:

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 - (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:

 - o Fee paid previously with preliminary materials.

 - o 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

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;
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;
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.

Whether or not you expect to attend the meeting, you are urged to sign, date, and return the enclosed proxy in the enclosed envelope.

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By Order of the Board of Directors,

ANDY L. NEMETH
SECRETARY

April 7, 2006

PLEASE DATE, SIGN AND MAIL THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED WHICH REQUIRES NO POSTAGE FOR MAILING IN THE UNITED STATES. A PROMPT RESPONSE IS HELPFUL, AND YOUR COOPERATION WILL BE APPRECIATED.

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 accompanies this Proxy Statement is executed and returned, 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 vote at the Annual Meeting, there were outstanding 4,748,198 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

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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 the 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 the 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.

<u>Name and Address of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percent of Class</u>
Tontine Capital Partners, L.P.	1,313,089	27.21%
. . . . 55 Railroad Avenue, 3 rd Floor Greenwich, Connecticut 06830		
CAM North America, LLC.	459,200	9.52%
. . . . Smith Barney Fund Management, LLC 399 Park Avenue New York, New York 10043		
Heartland Advisors, Inc.	398,625	8.26%
. . . . 789 North Water Street Milwaukee, Wisconsin 53202		
Dimensional Fund Advisors, Inc.	336,817	6.98%
. . . . 1299 Ocean Avenue, 11 th Floor Santa Monica, California 90401		
FMR Corp.	273,280	5.66%
. . . . 25 Lovat Lane Boston, Massachusetts 02109		
Wilens Capital Management	265,332	5.50%
. . . .		

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2360 West Joppa Road, Suite
226
Lutherville, MD 21093

Directors and Executive Officers as a group (10 persons) (1) .	181,046	3.75%(1)
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- (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 Paul E. Hassler (5,280 shares), Andy L. Nemeth (1,890 shares), and 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.

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, its 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(1)</u>	<u>Percent of Common Stock Owned</u>
<u>Directors to Serve Until the 2009 Annual Meeting:</u>				
Walter E. Wells, 67	Retired President and CEO of Schult Homes Corporation	2001	15,000	less than 1%
John H. McDermott, 74	Of counsel to the Chicago, Illinois law firm of McDermott Will & Emery LLP, which firm has been retained by the Company since 1968 for certain legal matters.	1969	32,000	less than 1%
Paul E. Hassler, 58	President and Chief Executive Officer 2005 since 2004. Vice President of Western Operations of Patrick Industries, Inc. from December, 2003 to April, 2004 and Executive Director, West 1994 to 2003. General Manager of CA operations from 1986 to 1994.		5,280	less than 1%

Directors to Serve Until the 2007 Annual Meeting:

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

Vice President- Finance, Chief Financial Officer and Secretary-Treasurer of the

Company from May 2003 to April 2004. Secretary-Treasurer of the Company from July 2002 to May 2003. Division Controller of the Company from May 1996 to July 2002.

<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>Nominees to Serve Until the 2008 Annual Meeting:</u>				
Robert C. Timmins, 84 . . .	Retired Vice President and Director of a Musical Instrument Company and CPA and Partner of McGladrey & Pullen (certified public accountants) until 1985.	1987	57,300	1.19%
Terrence D. Brennan, 67. .	Retired President and CEO of NBD Bank, Elkhart, IN, from 1973 to 1997.	1999	15,000	less than 1%
Larry D. Renbarger, 67. .	Retired as CEO of Shelter Components in 1998.	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 27.2% 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. (Partnership) 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 the Partnership and/or its affiliates and successors, to the extent that the Partnership'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 the Schedule 13D filed 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 Appendix 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.

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 share 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.

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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, 2005 was \$9.55 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 Year</u> <u>Position</u>	<u>Annual Compensation</u>		<u>Long-Term Compensation</u>		
	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Securities</u> <u>Underlying</u> <u>Options(#)</u>	<u>All Other</u> <u>Compensation \$(3)</u>	
Paul E. Hassler 2005 President and CEO 2004	293,460	28,000	24,500	664	
2003	138,497	33,803 (1)	---	624	
Andy L. Nemeth				395	