

PATRICK INDUSTRIES INC
Form DEF 14A
October 20, 2009
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

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 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 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):
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- 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 SPECIAL MEETING OF SHAREHOLDERS
To Be Held November 19, 2009

TO OUR SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Special Meeting of Shareholders of Patrick Industries, Inc., an Indiana corporation, will be held at the Company's corporate offices, 107 West Franklin Street, Elkhart, Indiana, on Thursday, November 19, 2009 at 10:00 A.M., Eastern time, for the following purposes:

1. To approve the Patrick Industries, Inc. 2009 Omnibus Incentive Plan; and
 2. To consider and transact such other business as may properly come before the meeting or any adjournment or postponement thereof.
- The Board has fixed the close of business on September 23, 2009 as the record date for the determination of the holders of shares of our outstanding common stock entitled to notice of and to vote at the Special Meeting of Shareholders. Each shareholder is entitled to one vote per share on all matters to be voted on at the meeting.

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

October 27, 2009

Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Shareholders to Be Held On November 19, 2009.

Our Proxy Statement for the special meeting is available on Patrick Industries, Inc.'s website www.patrickind.com under Investors. You may also request hard copies of this document free of charge by writing to us at the address above, Attention: Office of the Secretary.

PATRICK INDUSTRIES, INC.
107 West Franklin Street
P.O. Box 638
Elkhart, Indiana 46515-0638
(574) 294-7511

PROXY STATEMENT

Special Meeting of Shareholders

To Be Held November 19, 2009

This Proxy Statement and the accompanying Proxy Card are being mailed to shareholders of Patrick Industries, Inc. (the "Company" or "Patrick") on or about October 27, 2009, and are furnished in connection with solicitation of proxies by the Board of Directors (the "Board") for the Special Meeting of Shareholders to be held on November 19, 2009 (the "Special Meeting") for the purpose of considering and acting upon the matters specified in the Notice of Special Meeting of Shareholders accompanying this Proxy Statement. If the form of proxy which 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.

Requests for additional copies of this Proxy Statement should be submitted to the Office of the Secretary, Patrick Industries, Inc., 107 West Franklin Street, P.O. Box 638, Elkhart, Indiana 46515-0638. Special Meeting materials may also be viewed online through our website, www.patrickind.com.

VOTING INFORMATION

Each shareholder is entitled to one vote for each share of our 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 September 23, 2009, the record date for shareholders entitled to vote at the Special Meeting, there were outstanding 9,162,189 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. With respect to the proposal to approve the 2009 Omnibus Incentive Plan, a shareholder may vote for, against or abstain. Proxies properly executed and received by us 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 approval of the proposal.

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

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no vote on the non-routine matter. Broker non-votes and abstentions will be included in the determination of the number of common shares present at our Special Meeting for quorum purposes, but will not be counted as votes cast on any matter presented at our Special Meeting.

Proposal 1 in this Proxy Statement requires the affirmative vote of a majority of the votes cast, provided a quorum (50% of the outstanding shares of common stock) is present. Broker non-votes and abstentions will have no effect on Proposal 1.

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

Shareholder Proposals

Shareholder proposals for inclusion in proxy materials for the next Annual Meeting should be addressed to the Office of the Secretary, 107 West Franklin Street, P.O. Box 638, Elkhart, Indiana 46515-0638, and must be received no later than December 28, 2009. In addition, our 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 be delivered to the Secretary, together with certain prescribed information in accordance with the procedures for bringing business before an annual meeting at which directors are to be elected.

PROPOSAL 1:

APPROVAL OF THE 2009 OMNIBUS INCENTIVE PLAN

Purpose and Background:

On August 13, 2009 (the **Effective Date**), the Board of Directors unanimously approved and adopted, subject to shareholder approval, the Patrick Industries, Inc. 2009 Omnibus Incentive Plan (the **Plan**). The purposes of the Plan are (i) to attract and retain highly competent persons as employees, directors, and consultants of the Company and its affiliates (**Service Providers**); (ii) to provide additional incentives to such Service Providers by aligning their interests with those of the Company's shareholders; and (iii) to promote the success and business of the Company and its affiliates. You are being asked to approve the Plan.

Patrick currently may grant equity awards under the terms of the Patrick Industries, Inc. 1987 Stock Option Program, as amended and restated (the **Predecessor Plan**), including incentive stock options, non-qualified stock options, related stock appreciation rights and stock awards. If the Plan is approved by the shareholders, no future grants will be made under the Predecessor Plan. Approval of the Plan will in no way affect the validity of prior grants made under the Predecessor Plan. Options to purchase 330,125 shares of common stock, without par value, of the Company (**shares**) and 151,000 stock awards, subject to restrictions, were outstanding under the Predecessor Plan as of October 19, 2009. An aggregate of 264,502 shares were available for future awards under the Predecessor Plan as of October 19, 2009. If the Plan is approved by shareholders, the shares available for future awards under the Predecessor Plan will be included in the total shares available under the Plan. In the event that the required votes to approve the Plan are not obtained, the Plan will not become effective and the Company will not be able to make grants of awards pursuant to the terms of the Plan.

You are also being asked to approve certain material terms of the Plan in order to preserve Patrick's ability to receive a federal income tax deduction for performance-based payments under the Plan. Under Section 162(m) of the Internal Revenue Code of 1986, as amended (the **Code**), and applicable regulations, the Company must seek shareholder approval to preserve its ability to receive this federal income tax deduction. Shareholder approval of the Plan will have the effect of reducing the potential tax to be paid by the Company on certain compensation should it reach the limits set forth in Section 162(m) of the Code. If shareholders fail to approve the Plan, the Company will still be able to make awards of, among other things, stock options, stock appreciation rights, and restricted stock under the Predecessor Plan, but may be unable to receive a federal income tax deduction for certain performance-based awards under the Predecessor Plan.

The Board of Directors recommends that you vote to approve the Plan, including the material terms for performance-based awards for purposes of Section 162(m).

A summary of the Plan follows, which summary is qualified in its entirety by reference to the Plan itself, a copy of which is attached to this proxy statement as Appendix A.

Administration:

The Plan shall be administered by the Compensation Committee of the Board of Directors (the **Committee**).

The Committee shall have authority to interpret the Plan and any award agreement under the Plan, prescribe rules and regulations, and make determinations necessary for the administration of the Plan.

The determinations of the Committee shall be final and binding.

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The Committee may delegate its authority to one or more executive officers of the corporation to designate employees who are not executive officers as eligible to participate in the Plan and to determine the amount and type of awards that may be granted to employees who are not executive officers.

Eligibility:

Service Providers who are employees, consultants, or directors, who are determined by the Committee to be significantly responsible for the success and future growth and profitability of the Company, are eligible to receive awards under the Plan. However, Incentive Stock Options (as that term is defined in Section 422 of the Code) may be granted only to employees. The number of persons eligible to participate in the Plan is currently estimated to be approximately 30 people.

Share Limits:

The maximum number of shares available for delivery to Service Providers pursuant to awards granted under the Plan shall be 750,000, subject to adjustment as described in the Plan, plus the number of shares previously authorized for issuance under the Predecessor Plan which are not subject to outstanding awards under the Predecessor Plan on the Effective Date or that become available for future awards under the Predecessor Plan as a result of the subsequent forfeiture, lapse or expiration of awards granted pursuant to the Predecessor Plan that were outstanding as of the Effective Date.

All of the available shares may, but need not, be issued pursuant to the exercise of Incentive Stock Options. At all times the Company will reserve and keep available a sufficient number of shares to satisfy the requirements of all outstanding awards under the Plan that are to be settled in shares. Shares available for delivery under this Plan may be authorized and unissued shares or treasury shares.

Section 162(m) of the Code Qualifications (Individual Award Limits):

Awards under the Plan are subject to individual limits that are to be applied consistently with Section 162(m) of the Code. Under Section 162(m) of the Code, in order for compensation in excess of \$1,000,000 paid in any year to any covered employee to be deductible by the Company, such compensation must qualify as performance-based. A covered employee is defined as a Company's chief executive officer and any of the Company's three other most highly compensated executive officers named in the proxy statement, not including the chief financial officer. The following individual annual grant limitations apply per calendar year to all covered employees participating in the Plan, and are subject to adjustment as described in the Plan.

Stock Options: 500,000 shares

Stock Appreciation Rights: 500,000 shares

Restricted Stock and Restricted Stock Units: 500,000 shares.

Performance Based Awards Payable in Shares: 500,000 shares

Performance-Based Awards Payable in Cash: \$1 million determined as of the payout date

Cash-Based Awards: \$1 million determined as of the payout date

Other Share-Based Awards: 500,000 shares

Canceled Awards. Awards granted to a Service Provider that are canceled shall continue to count toward the individual share limit applicable to that Service Provider as set forth in the Plan

Adjustments and Substitution of Awards:

If there is any change affecting the Company's common stock by reason of any stock split, stock dividend, cash dividend, recapitalization, reclassification, reorganization or similar event affecting the Company's capital structure or its business as defined in the Plan, the maximum number of shares issuable to a Service Provider under the Plan, and any other limitation under this Plan on the maximum number of shares issuable to an individual Service Provider or in the aggregate will be equitably adjusted by the Committee in its discretion to prevent dilution or enlargement of the rights of the holders of outstanding awards granted under the Plan (Participants).

In the case of a merger, consolidation, acquisition or disposition of property or shares, separation, spin-off, reorganization, stock rights offering, liquidation, disaffiliation or similar event affecting the Company or any of its affiliates, the Committee may, in its discretion, (i) cancel all outstanding awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of the award, as determined by the Committee in its sole discretion; and (ii) substitute other property for the shares subject to outstanding awards. Any action taken or adjustment authorized by the Plan and taken by the Committee shall be conclusive and binding on all Participants.

Awards:

The following types of awards may be granted under the Plan (which may be in lieu of other amounts owed to a Participant), subject to such terms as the Compensation Committee may prescribe in an award agreement:

Stock Options: Options may take the form of Incentive Stock Options (ISOs) or Nonqualified Stock Options. The exercise price of a stock option shall not be less than 100% of the fair market value per share, as defined, on the date the stock option is granted. In the case of any ISO granted to a 10% shareholder, as defined, the exercise price shall not be less than 110% of the fair market value, as defined, on the date such ISO is granted. The term of a stock option cannot exceed 10 years and in the case of any Incentive Stock Option granted to a 10% shareholder, the term of such Incentive Stock Option shall not exceed 5 years.

Stock Appreciation Rights (SARs): The right to receive the difference between the fair market value of a share on the date of exercise and the exercise price, payable in cash, shares, other securities, other awards, other property or any combination thereof.

Restricted Stock and Restricted Stock Units (RSUs): RSUs confer the right to receive shares at a future date in accordance with the terms of such grant upon the attainment of certain conditions specified by the Committee. They are subject to substantial risk of forfeiture and restrictions on their sale or other transfer by the Participant.

Performance Awards: An award, denominated in either shares or U.S. dollars, which is earned during a specified performance period subject to the attainment of performance criteria.

Other Awards: An award of shares or an award that is based in whole or in part on the value of a share payable in shares, cash, other securities, or other property.

Performance Criteria:

Performance measures are objectives established by the Committee for Participants to be eligible to receive certain awards under the Plan. Performance objectives may be based on Company-wide, affiliate, divisional, project team, and/or individual performance and may be expressed in terms of attaining a specified level or a percentage or absolute increase or decrease in the particular objective, and may involve comparisons to historical results. The performance objectives may be applied to the performance of the Company relative to a market index, a peer group of other companies or a combination thereof. The Committee may further specify a minimum acceptable level of achievement below which no award payment will be made or vesting will occur.

The performance objective(s) with respect to any performance-based award may include any one or more of the following objectives, as established by the Committee: earnings per share; net income or net operating income (before or after taxes and before or after extraordinary items); sales, revenues or expenses; cash flow return on investments; earnings before or after taxes; earnings before interest, taxes, depreciation and amortization (EBITDA); gross revenues; gross margins; share price including, but not limited to, growth measures and total shareholder return; economic value added; debt reduction; market share; revenue growth; cash flow; increase in customer base; return on equity, assets, capital or investment; working capital; net margin; earnings before interest, taxes, depreciation, amortization and rent expense (EBITDAR); headcount; sales per dollar of salaried/hourly wage expense; material costs, labor, overhead, delivery, selling, general, and administrative expenses, interest, amortization, and other expenses; sales dollar content per manufactured housing and recreational vehicle units shipped; gross margin per customer; return on total assets; return on fixed assets; accounts receivable turns; days sales in accounts receivable; inventory turns; days inventory on hand; operating and investing cash flows; leverage ratio; fixed charge ratio; and capital expenditures.

Performance measures may exclude certain types or categories of extraordinary, unusual or non-recurring items, including the dilutive effects of acquisitions or joint ventures, restructuring and/or other nonrecurring charges, the effects of changes to generally accepted accounting principles (GAAP) required by the Financial Accounting Standards Board, International Financial Accounting Standards (IFRS), or any other standard setting body, the impact of any extraordinary items as determined under GAAP or IFRS or any other standard setting body, the effect of any change in outstanding shares due to any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common shareholders other than regular cash dividends, and any other unusual, non-recurring gain or loss or other extraordinary item.

The Committee may reduce, but may not increase, the number of shares deliverable, or the amount payable, under any award that is contingent on achievement of one or more performance objectives after the objectives are satisfied.

Other Provisions:

Shares covered by an award granted under the Plan are not counted as used, unless actually issued and delivered to a Participant. In addition, shares exchanged by a Participant in payment of the exercise price, retained by the Company pursuant to a tax withholding election, covered by an award settled in cash, or withheld by the Company in connection with an award which is net-settled, are available for future awards under the Plan.

If an award expires, is terminated, surrendered, or canceled without having been exercised in full, or is otherwise forfeited, then the unissued shares are available for future awards.

Awards may be granted in substitution for stock and stock based awards of another company (an Acquired Company) in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Company or an Affiliate, or the acquisition of property or stock of the Acquired Company. Such awards are not counted against the share limitations set forth in the Plan.

The Plan does not provide any Participant the right to continue as an employee, consultant or director of the Company and a Participant does not have any rights as a shareholder unless shares are actually issued.

Rights under the Plan are not assignable by a Participant, except by will or by the laws of descent and distribution, unless otherwise determined by the Committee.

No award granted under the Plan will be transferred for value.

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The Participant or beneficiary is responsible for paying any federal, state, and local income or employment tax due on any award, and the Company is not liable for any interest or penalty that a Participant or beneficiary incurs by failing to pay any tax.

An award agreement may include restrictions on resale of shares or other disposition, provisions for the acceleration of vesting and/or exercisability of awards or for the cancellation of awards upon a change in control of the Company, and provisions to comply with applicable laws.

The costs of administering the Plan are paid by the Company.

The repricing of options or SARs without shareholder approval is prohibited.

The 2009 Plan is governed by the laws of the State of Indiana, without regard to its conflict of laws principles.

The Committee may establish one or more sub-plans under the Plan, including sub-plans to satisfy blue sky, securities, and/or tax laws.

Amendment or Termination of the Plan:

The Company reserves the right to amend the Plan.

The Board of Directors (the Board) or the Committee may at any time amend, alter, suspend, or terminate the Plan, without the consent of the Participants or beneficiaries.

No amendment or termination may be made without shareholder approval that would increase the maximum number of shares that may be issued under the Plan (except for adjustments permitted under the Plan), change the class of eligible Participants, permit the repricing of outstanding options or SARs or otherwise require shareholder approval. No amendment or termination may terminate or adversely affect any right of a Participant under an award without the Participant's consent, except as necessary to comply with changes in law or accounting rules applicable to the Company.

2009 Awards Under the Plan:

Stock options and awards previously granted under the Predecessor Plan will not be affected by the Plan and will remain outstanding until they are exercised, expire or otherwise terminate. Under the terms of the Predecessor Plan, equity awards to any one Participant are limited to a maximum of 50,000 shares per fiscal year.

In May 2009, the Company granted a total of 495,000 stock options to certain executive officers and non-executive officer employees. Of this total, 255,000 stock options were granted subject to shareholder approval of the Plan. If the Plan is approved by shareholders, the maximum number of shares available for delivery to Service Providers pursuant to awards granted under the Plan would be 750,000 plus the 264,502 shares that were available for future awards under the Predecessor Plan as of October 19, 2009, less the 255,000 shares issuable under the May 2009 grant that are subject to shareholder approval of the Plan. The table below sets forth information regarding the 255,000 shares granted to our executive officers, non-employee directors and non-executive employees that are subject to shareholder approval of the Plan.

<u>Name and Position</u>	<u>Number of Options Granted (1)</u>	<u>Option Exercise Price</u>
Todd M. Cleveland, President and CEO	67,500	\$ 0.75
	67,500	\$ 1.75
Andy L. Nemeth, Executive Vice President and CFO		\$ 0.75
	28,437	
	34,063	\$ 1.75
Executive Group	95,937	\$ 0.75
	101,563	\$ 1.75
Non-Executive Director Group	-	-
Non-Executive Officer Employee Group (2)	21,750	\$ 0.75
	35,750	\$ 1.75

- (1) These options have a 10-year term. On the grant date, 10% of the options were immediately vested. The remaining options will vest 25%, 35% and 30% on the first, second and third anniversary dates, respectively, of the option grant date.
- (2) These options consist of awards granted to four officers of the Company.

Effective Date and Termination:

The 2009 Plan will be effective as of August 13, 2009, if approved by shareholders.

Unless earlier terminated, the Plan will expire on August 13, 2019.

Federal Income Tax Consequences

The following is a brief summary of some of the federal income tax consequences of certain transactions under the Plan based on federal income tax laws in effect on August 13, 2009. This summary is not intended to be complete and does not describe state or local tax consequences. It is not intended as tax guidance to Participants in the Plan.

Tax Consequences to Participants:

Nonqualified Stock Options. In general, no income will be recognized by an optionee at the time a nonqualified stock option is granted. At the time of exercise of a nonqualified stock option, ordinary income will be recognized by the optionee in an amount equal to the difference between the exercise price paid for the shares and the fair market value of the shares, if unrestricted, on the date of exercise. At the time of the sale of shares acquired pursuant to the exercise of a nonqualified stock option, appreciation (or depreciation) in value of the shares after the date of exercise will be treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held post-exercise.

Incentive Stock Options. No income generally will be recognized by an optionee upon the grant or exercise of an incentive stock option (ISO). The exercise of an ISO, however, may result in alternative minimum tax liability. If shares are issued to the optionee pursuant to the exercise of an ISO, and if no disqualifying disposition of such shares is made by such optionee within two years after the date of grant or within one year after the date of exercise, then upon sale of such shares, any amount realized in excess of the exercise price will be taxed to the optionee as a long-term capital gain and any loss sustained will be a long-term capital loss. If shares acquired upon the exercise of an ISO are disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at the time of exercise (or, if less, the amount realized on the disposition of such shares in a sale or exchange) over the exercise price paid for such shares. Any further gain (or loss) realized by the Participant generally will be taxed as short-term or long-term capital gain (or loss) depending on the holding period.

SARs. No income will be recognized by a Participant in connection with the grant or vesting of a SAR. When the SAR is exercised, the Participant normally will be required to include as taxable ordinary income in the year of exercise an amount equal to the amount of cash received and the fair market value of any unrestricted shares received on the exercise.

Restricted Stock. The recipient of restricted stock generally will be subject to tax at ordinary income rates on the fair market value of the restricted stock (reduced by any amount paid by the Participant for such restricted stock) at such time as the shares are no longer subject to forfeiture or restrictions on transfer for purposes of Section 83 of the Code (Restrictions). However, a recipient who so elects under Section 83(b) of the Code within 30 days of the date of transfer of the shares will have taxable ordinary income on the date of transfer of the shares equal to the excess of the fair market value of such

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shares (determined without regard to the Restrictions) over the purchase price, if any, of such restricted stock. If a Section 83(b) election has not been made, any dividends received with respect to restricted stock that is subject to the Restrictions generally will be treated as compensation that is taxable as ordinary income to the Participant.

Restricted Stock Units. No income generally will be recognized upon the award or vesting of restricted stock units. The recipient of an award of restricted stock units generally will be subject to tax at ordinary income rates on the amount of cash received or the fair market value of unrestricted shares received, measured as of the date that such shares are transferred to the Participant under the award (reduced by any amount paid by the Participant for such restricted stock units), and the capital gains/loss holding period for such shares will also commence on such date.

Performance Shares and Performance Units. No income generally will be recognized upon the

grant of performance shares or performance units. Upon payment in respect of the earn-out of performance shares or performance units, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted shares received.

Other Stock Awards. No income generally will be recognized upon the grant of other stock awards.

Upon payment of other awards, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted shares received.

Tax Consequences to the Company:

To the extent that a Participant recognizes ordinary income in the circumstances described above, the Company will be entitled to a corresponding compensation expense deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an excess parachute payment within the meaning of Section 280G of the Code and is not disallowed by the \$1 million limitation on certain executive compensation under Section 162(m) of the Code.

Vote Required

Proposal 1 requires the affirmative vote of a majority of the votes cast, provided a quorum (50% of the outstanding shares of common stock) is present.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL NO. 1 APPROVING THE PATRICK INDUSTRIES, INC. 2009 OMNIBUS INCENTIVE PLAN.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of the record date, information concerning the parties known to us as having beneficial ownership of more than five percent of our outstanding common stock and information with respect to the stock ownership of all of our directors and executive officers individually and as a group. The address of each director and executive officer listed below is 107 West Franklin Street, P.O. Box 638, Elkhart, Indiana, 46515-0638.

<u>Name and Address of Beneficial Owner</u>	<u>Aggregate Number of Shares of Common Stock Beneficially Owned</u>	<u>Percent of Class</u>
<i>Five Percent Shareholders:</i>		
Jeffrey L. Gendell		
c/o Tontine Capital Management, L.L.C. 55 Railroad Avenue, 1 st Floor Greenwich, CT 06830 Andrew K. Boszhardt, Jr. and Zoltan H. Zsitvay	5,174,963 (1)	56.5%
c/o Great Oaks Capital Management, LLC 660 Madison Avenue, 14 th Floor New York, NY 10065	529,261 (2)	5.8%
<i>Directors:</i>		
Paul E. Hassler (3)	93,005	1.0%
Keith V. Kankel	36,186	*
Larry D. Renbarger	36,000	*
Terrence D. Brennan	28,500	*
Walter E. Wells	28,500	*
Joseph M. Cerulli (4)	3,500	*
<i>Named Executive Officers:</i>		
Todd M. Cleveland (5)	204,791	2.2%
Andy L. Nemeth (6)	86,838	*
Darin R. Schaeffer (7)	15,110	*
<i>Directors and Executive Officers as a group (9 persons)</i>	532,430	5.8%
* Less than 1%.		

- (1) Information based on the Schedule 13D/A filed jointly by Tontine Capital Management, L.L.C. (TCM), Tontine Capital Partners, L.P. (TCP), Tontine Capital Overseas Master Fund, L.P. (TCO), Tontine Capital Overseas GP, L.L.C. (TCO GP) and Jeffrey L. Gendell (together with TCM, TCP, TCO and TCO GP Tontine) on December 16, 2008. Includes 4,221,155 shares owned directly by TCP and 953,808 shares owned directly by TCO. Mr. Gendell is the managing member of TCM, the general partner of TCP. Mr. Gendell is also the managing member of TCO GP, the general partner of TCO.
- (2) Information based on the Schedule 13G filed jointly by Great Oaks Strategic Investment Partners, LP (the Fund), GOCP, LLC (the General Partner), Great Oaks Capital Management, LLC (the Investment Manager), Andrew K. Boszhardt, Jr., and Zoltan H. Zsitvay on September 9, 2009. Mr. Boszhardt is the managing member and controlling person of the General Partner and the Investment Manager, and Mr. Zsitvay is the advisor of the Investment Manager with respect to the Fund.
- (3) Includes 49,000 options which are exercisable within 60 days of the record date. Mr. Hassler retired from his role as the Company's Chief Executive Officer effective January 31, 2009 and continues to serve in his role as Chairman of the Board.

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- (4) Mr. Cerulli is employed by an affiliate of Tontine. He disclaims beneficial ownership of the shares beneficially owned by Tontine.
- (5) Includes 15,000 options which are exercisable within 60 days of the record date.
- (6) Includes 37,750 options which are exercisable within 60 days of the record date.
- (7) Mr. Schaeffer is an executive officer of the Company. Includes 2,000 options which are exercisable within 60 days of the record date.

COMPENSATION COMMITTEE

The Board had a Compensation Committee which from January 1, 2008 to May 22, 2008 was comprised of Terrence D. Brennan (Chairman), Keith V. Kankel, Walter E. Wells, and Harold E. Wyland. Mr. Wyland resigned from the Board effective with the 2008 Annual Meeting. Mr. Wells became Chairman effective May 22, 2008. On July 21, 2008, the size of the Compensation Committee was increased to five members: Walter E. Wells (Chairman), Terrence D. Brennan, Joseph M. Cerulli, Keith V. Kankel and Larry D. Renbarger. The Compensation Committee met three times in 2008. The primary responsibilities of this committee include:

Reviewing and recommending to the independent members of the Board the overall compensation programs for the officers of the Company; and