

LAMSON & SESSIONS CO

Form DEFR14A

April 03, 2006

**Table of Contents**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**SCHEDULE 14A**

(RULE 14a-101)

**SCHEDULE 14A INFORMATION**

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

Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement  Definitive Additional Materials  Soliciting  
Material Pursuant to §240.14a-12

The Lamson & Sessions Co.

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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(2) Aggregate number 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):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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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:

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

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(3) Filing Party:

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(4) Date Filed:

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**Table of Contents**

**25701 Science Park Drive  
Cleveland, Ohio 44122  
(216) 464-3400**

March 30, 2006

To Our Shareholders:

On behalf of the Board of Directors and management of Lamson & Sessions, I cordially invite you to attend the 2006 Annual Meeting of Lamson's shareholders to be held on Friday, April 28, 2006, at 9:00 a.m., local time, at the Wyndham Cleveland Hotel, 1260 Euclid Avenue, Cleveland, Ohio 44115.

At this meeting, shareholders are expected to elect three directors for a three-year term ending in 2009, elect one director for a one-year term ending in 2007 and to approve Lamson's 1998 Incentive Equity Plan (As Amended and Restated as of April 28, 2006).

In addition, there will be a report on current developments in the Company and an opportunity for questions of general interest to shareholders.

It is extremely important that your shares be represented at the meeting. Whether or not you plan to attend the Annual Meeting in person, you are requested to mark, sign, date and return the enclosed proxy promptly in the envelope provided or give your proxy by telephone or over the Internet by following the instructions on the proxy card.

Sincerely,

John B. Schulze  
*Chairman of the Board  
and Chief Executive Officer*

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**Table of Contents**

**25701 Science Park Drive  
Cleveland, Ohio 44122  
(216) 464-3400**

**NOTICE OF 2006 ANNUAL MEETING OF SHAREHOLDERS  
April 28, 2006**

Notice is hereby given that the Annual Meeting of Shareholders of The Lamson & Sessions Co. will be held at the Wyndham Cleveland Hotel, 1260 Euclid Avenue, Cleveland, Ohio 44115 on April 28, 2006, beginning at 9:00 a.m., local time, for the purpose of considering and acting upon the following:

1. The election of three Class II directors for three-year terms expiring in 2009 and one Class 1 director for a one-year term expiring in 2007;
2. Approval of The Lamson & Sessions Co. 1998 Incentive Equity Plan (As Amended and Restated as of April 28, 2006); and
3. Any other business as may properly come before the Annual Meeting or any adjournment or postponements thereof.

If you were a shareholder of record at the close of business on March 1, 2006, you are entitled to notice of and to vote at the Annual Meeting and any adjournment or postponements thereof.

By order of the Board of Directors.

John B. Schulze  
*Chairman of the Board  
and Chief Executive Officer*

March 30, 2006

**IMPORTANT: Whether or not you plan to attend, so that your vote will be counted at the Annual Meeting, please mark, sign, date and return the enclosed proxy promptly, using the return envelope enclosed, or give your proxy by telephone or over the Internet by following the instructions on the proxy card.**

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**Table of Contents**

**25701 Science Park Drive  
Cleveland, Ohio 44122  
(216) 464-3400**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON APRIL 28, 2006**

**Date of the Proxy Statement March 30, 2006**

**GENERAL INFORMATION**

**Information About the Annual Meeting**

Our Annual Meeting will be held on Friday, April 28, 2006 at 9:00 a.m., local time, at the Wyndham Cleveland Hotel, 1260 Euclid Avenue, Cleveland, Ohio 44115.

**Information About this Proxy Statement**

We sent you this Proxy Statement and the enclosed proxy card because Lamson's Board of Directors is soliciting your proxy to vote your shares at the Annual Meeting. If you own Lamson common stock in more than one account, such as individually and also jointly with your spouse, you may receive more than one set of these proxy materials. To assist us in saving money and to provide you with better shareholder services, we encourage you to have all your accounts registered in the same name and address. You may do this by contacting Lamson's Shareholder Relations Department at (216) 464-3400. This Proxy Statement summarizes information that we are required to provide to you under the rules of the Securities and Exchange Commission and which is designed to assist you in voting your shares. On or about March 30, 2006, we began mailing this Proxy Statement and the enclosed proxy card to all shareholders of record at the close of business on March 1, 2006.

**What You May Vote On at the Annual Meeting**

1. The election of three directors in Class II, with terms expiring in 2009 and one director in Class I with a term expiring in 2007.
2. Approval of The Lamson & Sessions Co. 1998 Incentive Equity Plan (As Amended and Restated as of April 28, 2006) (the "Amended and Restated 1998 Plan").

The Board recommends that you vote **FOR** each of the four nominees for director and **FOR** the Amended and Restated 1998 Plan.

The Board of Directors does not know of any other matter which will be presented at the Annual Meeting other than the election of directors. However, if any other matter properly comes before the Annual Meeting, the individuals named on the enclosed proxy card ( "proxies" ) will act on such proposal in their discretion.

**Information About Voting**

Shareholders can vote on matters presented at the Annual Meeting in four ways:

- (a) *By Proxy*. You can vote by signing, dating and returning the enclosed proxy card. If you do this, the proxies will vote your shares in the manner you indicate. You may specify on your proxy card whether your shares should be voted for all, some or none of the nominees for director. If you do not indicate instructions on the card, your shares will be voted FOR the election of the directors and FOR the approval of the Amended and Restated 1998 Plan.
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**Table of Contents**

(b) *By Telephone.* After reading the proxy materials and with your proxy and voting instruction form in front of you, you may call the toll-free number 1-888-693-8683 using a touch-tone telephone. You will be prompted to enter your Control Number from your proxy and voting instruction form. This number will identify you and the Company. Then you can follow the simple instructions that will be given to you to record your vote.

(c) *Over the Internet.* After reading the proxy materials and with your proxy and voting instruction form in front of you, you may use your computer to access the Web site <http://www.cesvote.com>. You will be prompted to enter your Control Number from your proxy and voting instruction form. This number will identify you and the Company. Then you can follow the simple instructions that will be given to you to record your vote.

(d) *In Person.* You may attend the Annual Meeting and cast your vote in person.

The Internet and telephone voting procedures have been set up for your convenience and have been designed to authenticate your identity, allow you to give voting instructions and confirm that those instructions have been recorded properly.

You may revoke your proxy at any time before it is exercised by sending a written notice (or other verifiable form of communication) notice of revocation to Lamson's Secretary, James J. Abel, prior to the Annual Meeting, or by submitting a later-dated proxy to the Company.

Each share of Lamson common stock is entitled to one vote. As of the record date, March 1, 2006, there were 15,354,310 shares of common stock outstanding.

**Cumulative Voting**

Each shareholder has the right to vote cumulatively for the election of directors subject to the following notice provisions: Notice that cumulative voting is desired must be given to the President, a Vice President or the Secretary of Lamson at least forty-eight hours before the Annual Meeting. At the start of the Annual Meeting, Lamson's Chairman or Secretary or the shareholder giving such notice must announce notice was given that cumulative voting is desired. If the notice is properly given, each shareholder will have the right to cumulate his or her voting power and cast all of his or her votes for one or more of the director nominees. If voting for the election of directors is cumulative, the persons named in the enclosed proxy will vote the shares represented thereby and by other proxies held by them in such manner and in their discretion so as to elect as many as possible of the four nominees.

**Information Regarding Tabulation of the Vote**

Lamson's policy is that all proxies, ballots and votes tabulated at a meeting of the shareholders are confidential. Representatives of National City Bank will tabulate votes and act as Inspectors of Election at the Annual Meeting.

**Quorum Requirement**

A quorum of shareholders is necessary to hold a valid meeting. Under Lamson's Amended Code of Regulations (the Code of Regulations), if shareholders holding 75% of the voting power are present in person or by proxy, a quorum will exist to elect directors at the meeting. For all other business that may be properly conducted at the Annual Meeting, the holders of common stock entitled to exercise two-thirds of the voting power of the Company, present in person or by proxy, shall constitute a quorum. Abstentions are counted as present for establishing a quorum but broker non-votes are not. A broker non-vote occurs when a broker votes on some matters on the proxy card but not on others because the broker does not have the authority to do so.

The holders of a majority of the voting power represented at the Annual Meeting, whether or not a quorum is present, may adjourn the meeting without notice other than by announcement at the meeting of the date, time and location at which the meeting will be reconvened.

**Table of Contents**

**Information About Votes Necessary for Action to be Taken**

***Election of Directors***

The four nominees for director receiving the greatest number of votes will be elected at the meeting. Abstentions and broker non-votes will have no effect on the result of the vote on the election of directors.

***Amended and Restated 1998 Plan***

A majority of the votes cast at the Annual Meeting will be required to approve the Amended and Restated 1998 Plan, provided that the total votes cast are over 50% in interest of all securities entitled to vote on the Amended and Restated 1998 Plan.

***Other Matters***

The Board of Directors does not know of any other matter to be presented at the Annual Meeting other than the election of directors and the Amended and Restated 1998 Plan discussed in this Proxy Statement. However, if any other matter properly comes before the Annual Meeting, your proxies will act on such proposal in their discretion.

**Revocation of Proxies**

If you give a proxy (either by mailing your proxy card, by telephone or over the Internet), you may revoke it at any time before it is exercised by giving notice to Lamson's Secretary in writing or by means of other verifiable communication prior to the Annual Meeting or by submitting a later-dated proxy to the Company.

**Costs of Proxy Solicitation**

Lamson will pay all the costs of soliciting these proxies. In addition to solicitation by mail, proxies may be solicited personally, by telephone or personal interview by an officer or regular employee of the Company. Lamson will also ask banks, brokers and other institutions, nominees and fiduciaries to forward the proxy materials to their principals and to obtain authority to execute proxies, and reimburse them for expenses. In addition, Lamson has also retained Georgeson Shareholder Communications, Inc. to aid in the distribution and solicitation of proxies and has agreed to pay Georgeson a fee of approximately \$6,500, plus reasonable expenses.



**Table of Contents****INFORMATION ABOUT LAMSON COMMON STOCK OWNERSHIP****Beneficial Ownership of Shares**

The following table sets forth as of December 31, 2005 (except as otherwise noted), all persons (including any group as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (the Exchange Act)) we know to be beneficial owners of more than five percent of Lamson's outstanding common stock, other than directors or officers of Lamson. This information is based on reports filed with the Securities and Exchange Commission (SEC) by each of the individuals or firms listed in the table below. If you wish, you may obtain these reports from the SEC.

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership(1)</b>	<b>Percent of Class</b>
Farhad Fred Ebrahimi 475 Circle Drive Denver, CO 80206	1,409,000(2)	9.2%
Bear Stearns Asset Management Inc. 383 Madison Avenue New York, New York 10179	1,322,553(3)	8.6%
GAMCO, Investors, Inc., et al. One Corporate Center Rye, New York 10580	860,900(4)	5.6%

- (1) Beneficial Ownership is a technical term broadly defined by the SEC to mean more than ownership in the usual sense. So, for example, you beneficially own Lamson common stock not only if you hold it directly, but also if you indirectly (through a relationship, a position as a director or trustee or a contract or understanding), have (or share) the power to vote the stock, or to sell it, or you have the right to acquire it within 60 days.
- (2) Farhad Fred Ebrahimi reported the beneficial ownership of such shares on a Form 4, which was filed with the SEC on January 24, 2006.
- (3) Bear Stearns Asset Management Inc. reported the ownership of such shares on a Schedule 13G, which was filed with the SEC on February 14, 2006.
- (4) Mario J. Gabelli and various entities which he directly or indirectly controls or for which he acts as chief investment officer reported the ownership of such shares (as of March 10, 2006) on a Schedule 13D/ A, which was filed with the SEC on March 14, 2006.

**Table of Contents****Security Ownership of Management and Directors**

The following table sets forth, as of March 17, 2006, the beneficial ownership of Lamson's common stock by each of its five most highly-compensated executive officers as of December 31, 2005 (the "Named Executive Officers") and each director individually, and the percent of cumulative beneficial ownership of all executive officers and directors as a group.

Name	Amount and Nature of Beneficial Ownership(1)(2)	Percent of Class
John B. Schulze	600,319	3.67
James J. Abel	498,190	3.05
Donald A. Gutierrez	127,777	*
Norman P. Sutterer	50,669	*
Norman E. Amos	39,958	*
James T. Bartlett	48,376	*
Francis H. Beam, Jr.	11,241	*
Martin J. Cleary	48,000	*
William H. Coquillet	17,830	*
John C. Dannemiller	92,002	*
George R. Hill	78,537	*
A. Malachi Mixon, III	80,569	*
D. Van Skilling	65,078	*
All executive officers and directors as a group (17 persons)	1,914,945	11.72

\* Less than 1 percent.

- (1) Includes the following number of Common Shares which are not owned of record but which could be acquired by the individual within 60 days after January 16, 2006 upon the exercise of outstanding options under the Company's stock option plans: Mr. Schulze 338,333; Mr. Abel 276,000; Mr. Gutierrez 103,333; Mr. Sutterer 28,333; Mr. Amos 4,000 and all other directors and executive officers as a group 156,666.
- (2) Includes shares held jointly or in the name of the director's spouse, minor children, or relatives sharing his home, reporting of which is required by applicable rules of the SEC. Unless otherwise indicated, or in the case of joint ownership, the listed individuals possess sole voting power and sole investment power with respect to such shares. The figure for Mr. Schulze includes 700 shares owned by his wife, to which he has disclaimed beneficial ownership. No other director or executive officer has disclaimed beneficial ownership of any shares.

**ELECTION OF DIRECTORS  
(Proposal No. 1)**

**Nominees for Directors**

The Board of Directors currently has ten members and is divided into three classes. At least a majority of the Board must satisfy the independence criteria established by the SEC and the New York Stock Exchange (the "NYSE"). Class II currently consists of three members, Class I currently consists of four members and Class III currently consists of three members. A single class of directors is elected by the shareholders annually for a three-year term.

Pursuant to the Company's Guidelines on Significant Corporate Governance Issues, the retirement age for the Company's directors is 70 (although the Board may waive the retirement age for valid reasons or under special

circumstances). Both Mr. Beam and Mr. Cleary have reached the retirement age for directors, and

**Table of Contents**

each has informed the Company that he will retire effective after the Annual Meeting. The Code of Regulations provides that the number of directors serving on the Board will be between nine and fifteen, as may be determined by the Board. The Board intends that after the retirement of Messrs. Beam and Cleary and in accordance with the Code of Regulations, the Board will consist of nine directors, with three members in each class.

The terms of the following Class II directors expire at the Annual Meeting: John C. Dannemiller, George R. Hill and William H. Coquillette. For election as Class II directors at the Annual Meeting, the Governance, Nominating and Compensation Committee of the Board of Directors has recommended, and the Board of Directors has approved, the re-nomination of Mr. Dannemiller, Dr. Hill and Mr. Coquillette to serve as directors for the three-year term of office which will expire at the Annual Meeting of Shareholders in 2009. For election as a Class I director at the Annual Meeting, the Governance, Nominating and Compensation Committee also has recommended, and the Board has approved, the nomination of Michael J. Merriman, Jr. to serve as a director in Class I, with a term of office that will expire at the Annual Meeting of Shareholders in 2007. Each director elected will serve until the term of office of the class to which he is elected expires and until the election and qualification of his successor.

The director candidates receiving the greatest number of votes shall be elected at the Annual Meeting. It is the intention of the persons named in the enclosed proxy to vote such proxy as specified and, if no specification is made, to vote such proxy for the election of Mr. Dannemiller, Dr. Hill and Mr. Coquillette as Class II directors and Mr. Merriman as a Class I director. The Board of Directors recommends that you vote FOR the four nominees for director.

The Board of Directors has no reason to believe that the persons nominated will not be available to serve. In the event that a vacancy among such original nominees occurs prior to the Annual Meeting, shares of common stock of Lamson (the Common Shares) represented by the proxies so appointed will be voted for a substitute nominee or nominees designated by the Board of Directors and for the remaining nominees.

Listed below are the names of the three nominees for election to the Board of Directors in Class II, the one nominee for election to the Board of Directors in Class I, those continuing directors in Classes I and III, who previously have been elected to terms which will expire in 2007 and 2008, respectively, and those retiring directors in Class I. Also listed is the year in which each individual first became a director of the Company, the individual's principal occupation, and certain other information, based in part on data submitted by the directors.

Name, Age Principal Occupation and Business(1)	Nominee(s) for Election at the Meeting		Year First Became a Director
		Other Directorships	
<b><i>Class II: Term Expires in 2009 (if elected at the Annual Meeting)</i></b>			
John C. Dannemiller (67) Retired Chairman, Applied Industrial Technologies (Distributor of bearings, power transmission components and related products)	U-Store-It		1988
George R. Hill (64) Retired Senior Vice President, The Lubrizol Corporation (Full service supplier of performance chemicals and systems to worldwide transportation and industrial markets)	None		1990
William H. Coquillette (56) Partner, Jones Day (Law firm)	None		1997

**Table of Contents**

<b>Nominee(s) for Election at the Meeting</b>		
<b>Name, Age Principal Occupation and Business(1)</b>	<b>Other Directorships</b>	<b>Year First Became a Director</b>
<b><i>Class I: Term Expires in 2007 (if elected at the Annual Meeting)</i></b>		
Michael J. Merriman, Jr. (49) Senior Vice President and Chief Financial Officer, American Greetings Corporation (manufacturer and marketer of social expression products) (September 2005 Present), Private Investor May 2004 August 2005, President and Chief Executive Officer, Royal Appliance Manufacturing Co. (marketer of dirt devil and royal vacuum cleaners) (August 1995 May 2004)	RC2 Corporation	
<b>Continuing Directors</b>		
<b><i>Class III: Term Expires in 2008</i></b>		
James J. Abel (60) Executive Vice President, Secretary, Treasurer and Chief Financial Officer of the Company	CPI Corp.	2002
A. Malachi Mixon, III (65) Chairman of the Board and Chief Executive Officer, Invacare Corporation (Manufacturer and distributor of home healthcare products)	Invacare Corporation The Sherwin-Williams Company Cleveland Clinic Foundation	1990
John B. Schulze (68) Chairman of the Board, President and Chief Executive Officer of the Company	None	1984
<b><i>Class I: Term Expires in 2007</i></b>		
James T. Bartlett (69) Advising Director, Primus Venture Partners (Private investment firm)	Keithley Instruments, Inc.	1997
D. Van Skilling (72) Retired Chairman and Chief Executive Officer, Experian Information Solutions, Inc. (Supplier of credit, marketing and real estate information and decision support systems)	First American Corporation American Business Bank McDATA Corporation Onvia, Inc. First Advantage Corporation	1989
<b>Retiring Directors</b>		
<b><i>Class I:</i></b>		
Francis H. Beam, Jr. <sup>(2)</sup> (70) Retired President, Pepper Capital Corp. (Venture capital firm)	None	1990
Martin J. Cleary <sup>(2)</sup> (70) Retired President and Chief Operating Officer, The Richard E. Jacobs Group (Real estate developer)	Guardian Life Insurance Company of America CBL & Associates Properties, Inc.	1989

(1) Each director and nominee either has held the position shown or has had other executive positions with the same employer or its subsidiary for more than five years.

(2) Such director will retire immediately after the Annual Meeting, as described above.

**Meetings and Committees of the Board of Directors**

The Board of Directors oversees the business and affairs of Lamson and monitors the performance of management. Non-management directors meet in executive session without management directors present at least quarterly. A presiding non-management director is selected by all of the non-management directors for each meeting. The Board met seven times during 2005. All of the Directors attended at least 75% of the

**Table of Contents**

regularly scheduled and special meetings of the Board and Board committees on which they served in 2005. All members of the Board were present at the Company's 2005 Annual Meeting of Shareholders. All Board members are expected to attend the 2006 Annual Meeting of Shareholders.

The Board has determined that to be considered independent, a director must meet the independence criteria set forth in the NYSE's listing requirements. That is, a director may not have a direct or indirect material relationship with the Company. A material relationship is one which impairs or inhibits (or has the potential to impair or inhibit) a director's exercise of critical and disinterested judgment on behalf of the Company and its shareholders. In making its assessment of independence, the Board considers any and all material relationships not merely from the standpoint of the director, but also from that of persons or organizations with which the director has or has had an affiliation or those relationships which may be material, including commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. The Board also considers whether a director is a former employee of the Company within the last five years. The Board consults with the Company's counsel to ensure that the Board's determinations with respect to the independence of directors are consistent with the NYSE listing requirements, as well as all relevant securities and other laws and regulations. Consistent with these considerations, the Board affirmatively has determined that the following directors are independent directors: James T. Bartlett, Francis H. Beam, Jr., Martin J. Cleary, John C. Dannemiller, George R. Hill, A. Malachi Mixon, III and D. Van Skilling.

The Board has two standing committees: the Audit Committee and the Governance, Nominating and Compensation Committee. Each committee reports to the Board at the next meeting of the Board following a committee meeting. The Audit Committee and the Governance, Nominating and Compensation Committee each held five meetings in 2005.

**Standing Committees of the Board of Directors**

*The Audit Committee:* The Audit Committee is a separately designated standing committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee consists solely of independent directors (as currently required by the NYSE listing standards). Messrs. Beam (Chairman), Cleary and Dannemiller and Dr. Hill currently are the members of the Audit Committee. The functions of the Audit Committee include (i) appointing, retaining, overseeing and terminating the Company's independent registered public accounting firm, both external and internal, and pre-approving all auditing and non-auditing services to be performed by the independent auditors, (ii) reviewing the independence of the independent registered public accounting firm, (iii) reviewing the proposed audit programs (including both independent and internal audits) and the results of the independent and internal audits, (iv) reviewing and evaluating the adequacy of the Company's systems of internal accounting controls, (v) reviewing the recommendations of the independent registered public accounting firm, (vi) reviewing the quarterly and annual financial statements of the Company prior to the filing of such statements with the SEC, and (vii) reviewing such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Company as the Audit Committee, in its own discretion, may deem desirable in connection with the review functions described above. The functions of the Audit Committee are more fully described in its charter which is posted on the Company's Web site at [www.lamson-sessions.com](http://www.lamson-sessions.com) via the Investor Relations page. The Audit Committee meets privately with the independent audit groups for both internal and external audits and the Company's management at each of its meetings.

*The Governance, Nominating and Compensation Committee:* The Governance, Nominating and Compensation Committee (the GNC Committee) consists solely of independent directors (as currently required by NYSE listing standards). Messrs. Skilling (Chairman), Bartlett, Beam, Dannemiller and Mixon currently are the members of the GNC Committee. The GNC Committee considers all material matters relating to the compensation policies and practices of the Company, and administers the Company's incentive plans and base salary policies as they relate to the executive officers of the Company. The GNC Committee also (i) reviews and recommends candidates for election to the Board of Directors, (ii) recommends whether

## **Table of Contents**

incumbent directors should be nominated for re-election to the Board, and (iii) recommends directors for appointment to any committee of the Board.

The GNC Committee identifies potential director candidates through various means, including recommendation from members of the Board of Directors and shareholders. With respect to any nominee recommended by a shareholder of the Company, a resume of the candidate's business experience and background should be directed in writing to the attention of Lamson's Secretary, 25701 Science Park Drive, Cleveland, OH 44122. The Company's Guidelines on Significant Corporate Governance Issues contain Board membership criteria that apply to assessments by the GNC Committee of potential nominees for a position on the Board. These Guidelines provide that in evaluating and recommending director candidates, the GNC Committee consider a variety of factors, including experience, business judgment and industry knowledge. In addition, the GNC Committee evaluates the candidate's qualifications in light of the needs of the Board and the Company at that time. Finally, the Company requires that at least a majority of its directors satisfy the independence criteria established by the NYSE Listing Requirements, any applicable SEC rules and the Board's criteria for independence described above. The Company's Guidelines on Significant Corporate Governance Issues are posted on the Company's Web site at [www.lamson-sessions.com](http://www.lamson-sessions.com) via the Investor Relations page.

The GNC Committee also is responsible for developing and recommending corporate governance principles applicable to the Board in compliance with rules and regulations of the NYSE and the SEC. The functions of the GNC Committee are more fully described in its charter which is also posted on the Company's Web site at [www.lamson-sessions.com](http://www.lamson-sessions.com) via the Investor Relations page.

### **Communications with the Board**

Shareholders may communicate with the Board, the non-employee directors as a group or any of the directors by sending written communications addressed to the Board or any of the directors, c/o Secretary, The Lamson & Sessions Co., 25701 Science Park Drive, Cleveland, OH 44122. The mailing envelope should contain a clear notation indicating that the enclosed letter is a Shareholder-Board Communication or Shareholder-Director Communication. All communications are compiled by the Secretary and forwarded to the Board or, if appropriate, a committee of the Board or the individual director(s).

### **Compensation of Lamson's Directors**

Directors who are employees of Lamson do not receive any separate fees or other remuneration for serving as a director of the Board. For fiscal year 2005, non-employee directors were each paid an annual retainer of \$15,000 for their service on the Board of Directors, and received an additional fee of \$1,500 for each Board meeting and \$2,500 for each committee meeting attended. Each of the Chairmen of the Audit Committee and the GNC Committee received an additional annual fee of \$5,000. Directors may also participate in the Company's Deferred Compensation Plan for Non-Employee Directors (the Plan), under which directors may elect to defer their annual retainers and meeting fees. Under this Plan, deferred fees may be invested by the trustee, at a director's option, in either a money market fund or Common Shares of the Company. If a director elects to have his deferred compensation invested in Common Shares of the Company, the director will receive an additional sum equal to 25% of the deferred amount in the form of restricted shares issued from the Company's 1998 Incentive Equity Plan (the 1998 Plan). If the Amended and Restated Plan is approved by the shareholders at the Annual Meeting, the additional 25% may be issued in the form of restricted shares or deferred shares.

New directors who have not previously served on the Board of Directors receive a one-time grant of restricted shares under the 1998 Plan. Such restricted shares will have an aggregate market value on the date of such election of \$100,000.

Lamson's current non-employee directors are provided with certain retirement and death benefits under the Company's Outside Directors Benefit Program (the Program). All current non-employee directors have completed an aggregate of one year of continuous service and are eligible to participate. The Program generally provides for normal retirement benefits payable upon retirement and completion of five years of



**Table of Contents**

continuous service. The Program also contains provisions for early retirement benefits, vested deferred retirement benefits, a change in control of the Company, disability retirement benefits and survivors benefits upon the death of a participant. Participants in the Program, or their beneficiaries, are eligible to receive benefits in an amount equal to the annual retainer being paid to the participant for service as a non-employee director as of December 31, 2004, with such adjustments as are necessary based on the date of retirement or death. Retirement or death benefits under the Program are payable for a ten-year period on a quarterly basis, commencing upon the date of retirement or death. Either the participant, the participant's beneficiary or the Company can elect that such retirement or death benefits be paid in an actuarially-equivalent, lump-sum payment. Only the directors currently serving on the Board are eligible to participate in the Program. In 2004, Lamson's Board of Directors froze the Program. As a result, only the non-employee directors serving on the Board as of December 31, 2004 are eligible to receive benefits under the Program, and any person not serving on the Board as of December 31, 2004 will not be entitled to participate in the Program.

*Stock Option Grants to Non-Employee Directors:* The 1998 Plan authorizes the grant of options to non-employee directors for the purchase of Common Shares. The 1998 Plan provides that each year on the Monday following the Annual Meeting of Shareholders, each individual elected, re-elected or continuing as a non-employee director automatically will receive a non-qualified option to purchase 4,000 Common Shares. The exercise price for such options is the average of the high and low prices at which the Common Shares traded on the NYSE on the date of grant. Such options become exercisable one year after the date of grant and expire ten years after the date of the grant. If the Amended and Restated 1998 Plan is approved by the shareholders at the Annual Meeting, the mandatory option grants will be eliminated; however, the Board will have the authority to make grants of options, restricted shares or deferred shares to the non-employee directors. Prior to April 30, 2004, such option grants were made to non-employee directors under Lamson's Non-Employee Directors Stock Option Plan (the Directors Plan). The Directors Plan expired on April 22, 2004 and no future grants will be made thereunder. As of December 31, 2005, there were options outstanding under the Directors Plan representing 60,000 shares of the Company's Common Stock. The options outstanding under the Directors Plan may be exercised pursuant to the terms of the stock option agreements, which expire on or before May 5, 2013.

Options granted under the Directors Plan to a non-employee director must be exercised within 36 months of retirement as a director or within 12 months from the date a director resigns due to disability. Upon the death of a non-employee director, the director's legal representative or heirs will have twelve months from the date of death to exercise his stock options. However, in no event will options be exercisable after the expiration of the 10-year option period.

If a director resigns, or ceases to serve as a non-employee director for any reason other than retirement, disability or death, only those options exercisable on the date of termination will be exercisable. Such options may be exercised within ninety days after termination.

In the event of a change in control of the Company (as defined in the Directors Plan and in the 1998 Plan), all stock options fully vest and become exercisable.

Pursuant to the 1998 Plan, on May 2, 2005 each non-employee director was granted a non-qualified stock option to purchase 4,000 Common Shares at an exercise price of \$9.395 per share. These stock options are scheduled to become exercisable on May 2, 2006.

**Table of Contents****EXECUTIVE COMPENSATION**

The following table summarizes the compensation earned by each of the Named Executive Officers with respect to the fiscal year shown for services rendered to the Company and its subsidiaries.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (1)(2)(3)
		Salary	Bonus	Other Accrual Compensation (3)	Awards	Payouts	Performance Unit Compensation (1)(2)(3)	
					Restricted Stock Awards (3)	Securities Underlying Options (#)		
John B. Schulze Chairman of the Board President and Chief Executive Officer	2005	\$490,000	\$882,000	\$ 5,178		100,000	\$	\$ 37,139
	2004	470,000	541,400	8,774		100,000		29,522
	2003	450,000				100,000		31,080
James J. Abel Executive Vice President, Secretary, Treasurer and Chief Financial Officer	2005	335,000	522,500	1,062		45,000		\$ 18,178
	2004	320,000	307,200	1,844		45,000		15,463
	2003	302,000				40,000		14,242
Donald A. Gutierrez <sup>(4)</sup> Senior Vice President	2005	238,000	257,000	1,897	198	25,000		\$ 49,100
	2004	228,000	154,400	927	341	25,000		35,689
	2003	221,000				25,000		16,531
Norman P. Sutterer <sup>(4)</sup> Senior Vice President	2005	211,000	227,850	669	175	25,000		\$ 45,649
	2004	203,000	134,700	1,067	297	25,000		32,851
	2003	195,000				20,000		16,244
Norman E. Amos <sup>(4)</sup> Vice President	2005	184,000			1,337	12,000		\$203,751
	2004	177,000			2,290	12,000		130,666
	2003	170,000				12,000		

(1) Includes the cost (exclusive of tax reimbursement) of split dollar insurance maintained by the Company to provide death benefits for Mr. Schulze, Mr. Abel, Mr. Gutierrez, Mr. Sutterer and Mr. Amos in 2005 of \$25,139, \$6,178, \$8,500, \$8,047 and \$-0-, respectively; in 2004 of \$25,139, \$6,178, \$8,500, \$8,047 and \$-0-, respectively;

and in 2003 of \$22,080, \$5,242, \$7,531, \$7,514 and \$-0-, respectively.

- (2) Includes matching contributions up to 75% of the first 6% of an employee's compensation contributed to the Company's 401(k) Deferred Savings Plan with an additional 25% match based on the Company's profitability, which is available to all salaried employees. On February 17, 2005, the GNC Committee approved a 25% match based upon the Company's financial performance for fiscal year 2004. The matching contributions made by the Company under the Plan to the accounts of: Mr. Schulze, Mr. Abel, Mr. Gutierrez, Mr. Sutterer and Mr. Amos in 2005 totaled \$12,000, \$12,000, \$12,000, \$12,252 and \$10,551, respectively; in 2004 totaled \$10,719, \$10,719, \$10,719, \$10,719 and \$15,266, respectively; and in 2003 totaled \$8,051, \$8,051, \$8,051, \$7,730 and \$-0-, respectively.
- (3) Includes deferred compensation pursuant to Stock Ownership Guidelines for Executive Officers implemented by the GNC Committee. Pursuant to the Stock Ownership Guidelines, officers may elect to defer income earned in a fiscal year. However, the deferral for which the election is made does not occur until February following the end of the fiscal year specified by the officer's election, since bonuses for any fiscal year most recently ended are not approved by the GNC Committee until then. For fiscal year 2005 (to be paid in March 2006), the income amounts deferred by Messrs. Gutierrez, Sutterer and Amos were \$28,600, \$25,350 and \$193,200, respectively. For fiscal year 2004 (paid in March 2005), the income amounts deferred by Mr. Gutierrez, Mr. Sutterer and Mr. Amos were \$17,200, \$15,000 and \$115,400, respectively. For fiscal year 2003, there were no bonuses paid, therefore, no deferrals were possible in February 2004. In addition, for those officers who elect to defer a portion of their bonuses, the Company matches 20% of the deferred amounts in the form of restricted shares to these executives, issued from the 1998 Plan.

**Table of Contents**

(4) Mr. Gutierrez and Mr. Sutterer are responsible for the business segments of Carlon and Lamson Home Products, respectively. Mr. Amos is responsible for Supply Chain Management for the Company.

(5) Reflects reimbursement of taxes resulting from premiums on split dollar insurance.

**Stock Options**

The following table sets forth information concerning stock option grants made to the Named Executive Officers during fiscal year 2005 pursuant to the 1998 Plan.

**OPTION GRANTS IN LAST FISCAL YEAR**

Name	Individual Grants				Grant Date Value
	Number of Securities Underlying Options Granted (#)(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Sh)	Expiration Date	Grant Date Present Value(2)
John B. Schulze	100,000	32.26%	\$9.725	4/29/15	\$501,000
James J. Abel	45,000	14.52%	9.725	4/29/15	225,450
Donald A. Gutierrez	25,000	8.06%	9.725	4/29/15	125,250
Norman P. Sutterer	25,000	8.06%	9.725	4/29/15	125,250
Norman E. Amos	12,000	3.87%	9.725	4/29/15	60,120

- (1) Options are exercisable after April 29, 2006 and then only as follows: one-third on each anniversary of the grant date over three years, with the number of shares vested in each year rounded to the nearest whole share. In the event of a change in control of the Company (as defined in the 1998 Plan), all stock options fully vest and become exercisable and all awards of stock may be cashed out on the basis of the highest price paid or offered for Common Shares during the preceding 60-day period.
- (2) The present value determinations in this column were made pursuant to rules promulgated by the SEC using a Black-Scholes option pricing model and, therefore, are not intended to forecast possible future appreciation, if any, of the Company's Common Shares. The actual value, if any, an executive officer may realize will depend on the excess of the stock price over the exercise price on the date the option is exercised, so that there is no assurance that the value realized by an executive officer will be at or near the value estimated by the Black-Scholes model. The estimated values under that model are based on arbitrary assumptions as to variables such as interest rates, stock price volatility, time of exercise and dividend yield. The Company determined the estimated values using volatility assumptions based on 125 months of stock prices; interest rate assumptions based on the five-year Treasury Strip Yield, as reported in The Wall Street Journal; a dividend yield assumption of zero; and an assumed time of exercise of the option of five years.

**Table of Contents****Stock Option Exercises and Fiscal Year-End Values**

The following table sets forth information about stock options exercised during fiscal year 2005 by the Named Executive Officers and the fiscal year-end values of unexercised options held by the Named Executive Officers. All of such options were granted under the Company's 1988 Incentive Equity Performance Plan and the 1998 Plan.

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

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Unexercised Options Held at December 31, 2005 (#)		Value of Unexercised In-the-Money Options Held at December 31, 2005(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
John B. Schulze	150,000	3,317,960	505,000	200,000	\$9,614,254	\$3,485,166
James J. Abel	36,000	145,332	289,667	88,333	5,364,980	1,532,351
Donald A. Gutierrez	47,000	880,463	95,000	50,000	1,799,884	871,291
Norman P. Sutterer	93,000	1,414,652	56,667	48,333	1,087,783	835,317
Norman E. Amos	44,000	830,235		24,000	-0-	418,220

(1) Based on the closing price on the NYSE Composite Transactions of the Company's Common Shares on December 30, 2005 (the last trading day in fiscal year 2005) of \$25.02.

**Pension Benefits**

The following table shows the estimated annual pension benefits under The Lamson & Sessions Co. Salaried Employees Retirement Plan (Lamson & Sessions Plan), that would be payable to employees in various compensation classifications upon retirement at age sixty-five during the year 2005.

Average Annual Compensation	Annual Normal Retirement Benefits for Years of Credited Service Indicated			
	15 Years	20 Years	25 Years	30 Years
\$100,000	\$ 25,000	\$ 33,333	\$ 41,667	\$ 50,000
150,000	37,500	50,000	62,500	75,000
200,000	50,000	66,667	83,333	100,000
250,000	62,500	83,333	104,167	125,000
300,000	75,000	100,000	125,000	150,000
350,000	87,500	116,667	145,833	175,000
400,000	100,000	133,333	166,667	200,000
450,000	112,500	150,000	187,500	225,000
500,000	125,000	166,668	208,333	250,000
550,000	137,500	183,335	229,166	275,000
600,000	150,000	200,000	250,000	300,000
650,000	162,500	216,668	270,833	325,000
700,000	175,000	233,335	291,666	350,000

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750,000	187,500	250,000	312,500	375,000
800,000	200,000	266,668	333,333	400,000
850,000	212,500	283,335	354,166	425,000
900,000	225,000	300,000	375,000	450,000

The amounts listed in the table are computed on a straight-life annuity basis and are subject to an offset for Social Security benefits. These amounts have been determined without regard to the maximum benefit

**Table of Contents**

limitations for defined benefit plans and the limitations on compensation imposed by the Internal Revenue Code of 1986, as amended (the Code). The Code places limitations on the amount of compensation that may be taken into account in calculating pension benefits and on the amount of pensions that may be paid under federal income tax qualified plans such as the Lamson & Sessions Plan. For benefits accruing in plan years beginning after 1999, no more than \$210,000 (indexed for inflation) in annual compensation may be taken into account. However, under the Supplemental Executive Retirement Plan agreements (SERPs), described below, participating executives will receive the amounts to which they otherwise would have been entitled under the Lamson & Sessions Plan provided they meet the terms of the applicable SERP.

The amounts shown in the column under the heading Average Annual Compensation are based on the highest five consecutive years of compensation during the last ten years prior to retirement and include salary, overtime and bonuses, but exclude commissions and stock option awards. Normal retirement benefits under the Lamson & Sessions Plan are equal to the greater of (a) 50% of a participant's average annual compensation based on the highest five consecutive years during the last ten years prior to retirement less 50% of the participant's primary Social Security benefit or (b) \$3,600 times a fraction, the denominator of which is 30 and the numerator of which is the participant's number of years of service up to 30.

Messrs. Schulze, Abel, Gutierrez, Sutterer and Amos are participants in the Lamson & Sessions Plan with 18, 15, 9, 17 and 5 years of credited service, respectively, under the Lamson & Sessions Plan. The Company has entered into amended and restated SERPs with Messrs. Schulze and Abel. Messrs. Schulze and Abel will not be able to achieve thirty years of service on their normal retirement dates.

The SERPs provide that the executive will receive, upon normal retirement, a supplemental retirement benefit equal to the difference between (i) the amount that would have been payable to the executive under the Lamson & Sessions Plan, without regard to any federal statutory limitation on the annual amount of benefits payable under the Lamson & Sessions Plan and the amount of compensation taken into account in calculating benefits under the Lamson & Sessions Plan, as if the executive had completed thirty years of service with the Company, and (ii) the amount actually payable to the executive under the Lamson & Sessions Plan or under any other applicable plan for which the executive meets the eligibility requirements. The SERPs also provide for, among other things, disability benefits and benefits in the event the executive's employment with the Company is terminated under certain circumstances prior to retirement and in the event of the executive's death prior to retirement under certain circumstances.

**Agreements with Certain Officers**

Lamson has entered into agreements with Messrs. Schulze, Abel, Gutierrez, Sutterer and Amos and three other executives (as amended, the Executive Change-in-Control Agreements), which specify certain financial arrangements that the Company will provide upon the termination of such individuals' employment with the Company under circumstances involving a change in control (as defined in the Executive Change-in-Control Agreements) of the Company. The Executive Change-in-Control Agreements are intended to ensure continuity and stability of senior management of the Company.

Each of the Executive Change-in-Control Agreements provides that, in the event of a change in control of the Company, the individual would continue employment with the Company in the individual's then current position for a term of three years for Mr. Schulze and two years for each of the other executives following the change in control. Following a change in control, the individual would be entitled during the ensuing period of employment to receive base compensation and to continue to participate in incentive and employee benefit plans consistent with past practices. Upon the occurrence of a change in control followed by (i) a significant adverse change in the nature or scope of the individual's duties or compensation, (ii) the individual's determination of being unable effectively to carry out the current duties and responsibilities, (iii) relocation of the individual's principal work location to a place more than fifty miles from the principal work location immediately prior to the change in control, (iv) the liquidation, merger or sale of the Company (unless the new entity assumes the Executive Change-in-Control Agreement) or (v) a material breach of the Executive Change-in-Control Agreement, the individual would be entitled to resign and would be entitled to receive a lump sum payment equal to the present value of the then current base compensation





**Table of Contents**

and incentive compensation (based on historical experience). The individual would also be entitled to continue to participate in employee benefit plans consistent with past practices for the remaining period of employment provided in his Executive Change-in-Control Agreement. In the case of a change in control, the Executive Change-in-Control Agreements also provide for protection of certain retirement benefits which would have been earned during the years for which severance was paid and reimbursement for any additional tax liability incurred as a result of excise taxes imposed or payments deemed to be attributable to the change in control.

The Executive Change-in-Control Agreements do not create employment obligations for the Company unless a change in control has occurred, prior to which time the Company and the individual each reserves the right to terminate the employment relationship. Both before and after the occurrence of a change in control the Company may terminate the employment of any of such individuals for cause.

The Company has established trust agreements pursuant to which amounts payable under the SERPs, the Executive Change-in-Control Agreements and certain expenses incurred by the officers in enforcing their rights under these arrangements, must be deposited by the Company in trust and expended by the trustee for such purposes. Such trusts are revocable, but upon the occurrence of certain change in control events affecting the Company, will become irrevocable. The trusts are currently nominally funded, but the Company is obligated to fund them fully upon the occurrence of the change in control events.

The Company has also entered into Indemnification Agreements with each current member of the Board of Directors, as well as each of the Company's executive officers. These agreements provide that, to the extent permitted by Ohio law, the Company will indemnify the director or officer against all expenses, costs, liabilities and losses (including attorneys' fees, judgments, fines or settlements) incurred or suffered by the director or officer in connection with any suit in which the director or officer is a party or otherwise involved as a result of the individual's service as a member of the Board of Directors or as an officer if the individual's conduct that gave rise to such liability meets certain prescribed standards.

**GOVERNANCE, NOMINATING AND COMPENSATION COMMITTEE REPORT**

**Overview and Philosophy**

The GNC Committee is composed entirely of non-employee directors and has been delegated the responsibility of approving the cash and non-cash compensation of all executive officers of the Company and making recommendations to the Board of Directors with respect to the establishment of the Company's executive compensation plans. No member of the GNC Committee has interlocking relationships, reporting of which is required by applicable rules of the SEC.

In administering the various executive compensation plans, the aim of the GNC Committee is to attract and retain key executives critical to the long-term success of the Company, to create incentives for executives to achieve long-term strategic management objectives that enhance shareholder value, to provide a balance between annual and long-term forms of compensation and, above all, to ensure that total compensation is performance-oriented and related to Company goals and objectives, using measurable criteria to the extent possible.

The GNC Committee has considered the impact of Section 162(m) of the Code, which disallows a deduction to publicly-held companies for compensation paid to any executive officer whose compensation exceeds \$1 million per year. Qualified performance-based compensation is excluded from this deduction limitation if certain requirements are met. The GNC Committee believes that Section 162(m) should not cause the Company to be denied a deduction for compensation paid to any executive officer in 2005.

**Executive Officer Base Compensation**

Each executive officer's base salary is reviewed by the GNC Committee at the time of the officer's annual performance review. The base salary is recommended to the GNC Committee by the Chairman of the Board and Chief Executive Officer of the Company, and falls within a salary range for each officer's job function that

**Table of Contents**

has been established by an independent executive compensation consultant, based, in part, on information collected by the consultant concerning compensation for executives with similar responsibilities at companies with comparable size and geographic location. Typically, salaries fall throughout the range and are not based on an arbitrary percentage of the highest salary within the range. In each case, the GNC Committee reviews the recommendation of the Chairman and CEO and approves the salary only after making an independent assessment of the individual executive's performance.

Mr. Schulze's compensation is based upon the same factors considered with regard to executive officer compensation generally. The components making up his 2005 compensation included base salary, short-term incentive compensation and stock options. Pursuant to the annual incentives established by the GNC Committee, seventy-two percent of Mr. Schulze's base salary represents his target award, the achievement of which was contingent upon the attainment of specific financial performance goals. The GNC Committee's award of stock options to Mr. Schulze under the 1998 Plan was based on the same methodology used to calculate the awards of options to other executive officers under the 1998 Plan and designed to further align Mr. Schulze's interests with those of other shareholders of the Company.

In determining Mr. Schulze's compensation, the GNC Committee considered the Company's performance. The GNC Committee discusses and determines priorities with Mr. Schulze at the beginning of the year and discusses his performance with respect to these priorities periodically during the year and at the end of the year.

Mr. Schulze is not present when the GNC Committee reviews his performance and determines his compensation.

**Short-Term Incentive Compensation**

Target award levels are established annually by the GNC Committee for each executive officer of the Company. In 2005, Mr. Schulze's award is based solely on the financial performance of the Company expressed in terms of earnings before interest, taxes, depreciation and amortization. Other executive officers' achievement of target awards is based 80 percent on the financial performance of the Company and 20 percent on the achievement of specific personal goals and objectives. In 2005, the Company's Short-Term Incentive Plan provided target award opportunities for executive officers that ranged from 42 to 72 percent of base salary, although amounts could vary above and below that range depending upon Company performance and individual accomplishment.

**Stock Options and Long-Term Incentive Compensation**

The GNC Committee also is charged with the responsibility of administering the 1998 Plan, under which stock options are granted to executive officers and other employees of the Company. The GNC Committee believes that stock options align the interests of the executive officers with those of the shareholders, providing a way in which the executive officers can build a meaningful stake in the Company. Accordingly, the GNC Committee has approved the implementation of stock ownership guidelines for the executive officers that are to be achieved over a fixed period of time. The guidelines are based on each executive officer's respective salary compensation level and they will be reviewed by the GNC Committee at appropriate intervals.

The GNC Committee fixes the terms, vesting requirements and the size of the grants of stock options awarded to the executive officers without regard to the amount of options or the expiration dates of options already held by executive officers. The size of each grant is based on the duties, responsibilities, performance and experience of the executive officer and his anticipated contribution to the Company. Options granted to executive officers vest one-third on each anniversary over three years, with the number of shares vested in each year rounded to the nearest whole share.

**Table of Contents**

Because stock options under the 1998 Plan and grants under the Company's Long-Term Incentive Plan are both forms of long-term executive compensation, grants under both plans are generally considered at the same time. Awards under the Long-Term Incentive Plan are made in the form of performance units payable upon the achievement of three-year corporate goals, currently expressed in terms of financial performance. The GNC Committee determines the goals under which these awards are made from year to year. The GNC Committee did not approve the grant of performance units under the Company's Long-Term Incentive Plan to executive officers for 2005.

GOVERNANCE, NOMINATING AND  
COMPENSATION COMMITTEE

D. Van Skilling, Chairman  
John C. Dannemiller  
James T. Bartlett  
A. Malachi Mixon, III  
Francis H. Beam, Jr.

17

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**Table of Contents****Company Stock Performance**

The following performance graph compares the five-year cumulative return, including reinvestment of dividends, from investing \$100 on December 31, 2000 in each of the Common Shares, the Russell 2000 Index and Standard & Poor's Small Industrials Index.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
The Lamson & Sessions Co.	100	50	30.67	54.95	86.67	238.29
Russell 2000	100	102.49	81.49	120	142	148.46
S&P SmallCap 600 Industrial Index	100	106.1	95.22	131.01	167.16	188.53

\$100 invested on 12/31/00 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

There can be no assurances that the Company's stock performance will continue into the future with the same or similar trends depicted in the performance graph above. The Company does not make or endorse any predictions as to future stock performance.

**CERTAIN BUSINESS RELATIONSHIPS**

During the past fiscal year, the Company, in the normal course of business, utilized the services of the law firm of Jones Day in which Mr. Coquillette is a partner. The Company plans to continue using the services of the firm in 2006.

**Table of Contents**

**PROPOSAL TO APPROVE THE AMENDED AND RESTATED 1998 PLAN  
(Proposal No. 2)**

**GENERAL**

The 1998 Incentive Equity Plan ( Original Plan ) was approved by the Company s shareholders on April 24, 1998. An amendment ( First Amendment ) increasing the shares available from 650,000 to 1,300,000 and updating the definition of Change in Control was approved by the Company s shareholders on April 28, 2000. A second amendment ( Second Amendment ) increasing the shares available from 1,300,000 to 1,950,000 and providing that no participant in the Original Plan can be granted Option Rights and Appreciation Rights (each as defined in the Original Plan) in the aggregate for more than 350,000 shares of the Common Shares during any three-year period was approved by the Company s shareholders on April 27, 2001. A third amendment ( Third Amendment ) increasing the shares available from 1,685,075 to 2,570,000 and permitting grant of options and restricted shares to Non-Employee Directors of the Company was approved by the Company s shareholders on April 30, 2004. As of December 31, 2005, 822,739 Common Shares have been issued, 1,566,674 Common Shares are subject to outstanding awards and 180,587 Common Shares remain available for future awards under the Original Plan, as amended by the First Amendment, the Second Amendment and Third Amendment (for purposes of this summary and description section, the Current Plan ).

In order to continue the Company s ability to develop and maintain strong management, on February 16, 2006, on the recommendation of the GNC Committee, the Board of Directors of the Company (the Board ) approved amendments to the Current Plan by adopting the Amended and Restated 1998 Plan, subject to shareholder approval at the 2006 Annual Meeting. The principal reason for amending the Current Plan is to increase the number of shares to be issued by 650,000. In addition, certain limits on awards have been changed and the Amended and Restated 1998 Plan provides more flexibility for awards to Non-Employee Directors. The additional shares represent less than five percent of the issued and outstanding capital stock of the Company.

A summary description of the Amended and Restated 1998 Plan is set forth below. The full text of the Amended and Restated 1998 Plan is annexed to this Proxy Statement as Appendix A, and the following summary is qualified in its entirety by reference to Appendix A. If the Amended and Restated 1998 Plan is not approved, the Current Plan remains in effect.

**SUMMARY OF CHANGES**

Set forth below is a summary of the principal changes being proposed:

*Available Shares Increased.* The Amended and Restated 1998 Plan increases the total number of Common Shares available by 650,000 Common Shares so that 3,220,000 Common Shares are available under the Amended and Restated 1998 Plan.

*Liberal Recycling Provisions Eliminated.* The Current Plan contains liberal recycling provisions. However, the Amended and Restated 1998 Plan provides that, except for awards settled in cash, only shares covered by awards that expire or are forfeited will again be available for issuance under the Amended and Restated 1998 Plan. The following shares will not be added back to the aggregate limit under the Amended and Restated 1998 Plan: (1) shares tendered in payment of the option price; (2) shares withheld by the Company to satisfy the tax withholding obligation; and (3) shares that are repurchased by the Company with option right proceeds. Further, all shares covered by a SAR, to the extent that it is exercised and settled in shares, whether or not all shares covered by the award are actually issued to the participant upon exercise of the right, shall be considered issued or transferred pursuant to the Amended and Restated 1998 Plan.

*Limits on Certain Awards Changed.* The Current Plan provides that the number of Restricted Shares that are not conditioned on the attainment of Management Objectives plus the number of Deferred Shares may not (after taking any forfeitures into account) exceed in the aggregate 845,000 Common Shares. The Amended and Restated 1998 Plan provides that the aggregate number of Common Shares issued as

**Table of Contents**

Restricted Shares, Deferred Shares or Performance Shares or in payment of Performance Units may not exceed 360,000 Common Shares. The Current Plan provides that in no event shall any participant in any calendar year receive an award of Performance Shares or Performance Units having an aggregate maximum value as of their respective dates of Grant in excess of \$500,000. The Amended and Restated 1998 Plan provides that in no event shall any participant in any calendar year receive an award of Performance Units having an aggregate maximum value as of their respective dates of Grant in excess of \$750,000.

*Non-Employee Director Awards Modified.* The Current Plan provides for an automatic grant of an Option Right for 4,000 Common Shares to each Non-Employee Director on the Monday following the annual meeting of shareholders and also gives the GNC Committee discretion to grant additional option rights as well as restricted shares to Non-Employee Directors. The Amended and Restated 1998 Plan eliminates the automatic option award and gives the Committee the flexibility to grant options, restricted shares or deferred shares to Non-Employee Directors on a date or dates determined by the GNC Committee.

*Term Extended.* The term of the Amended and Restated 1998 Plan has been extended. The Amended and Restated 1998 Plan provides that it will terminate ten years after the date of shareholder approval at the Annual Meeting.

*Section 409A.* Various changes have been made to the Amended and Restated Plan in accordance with Section 409A of the Internal Revenue Code.

**SUMMARY OF THE PLAN**

*General.* Under the Amended and Restated 1998 Plan, the GNC Committee is authorized to make awards of options to purchase Common Shares ( Option Rights ), awards of Tandem Appreciation Rights and/or Free-Standing Appreciation Rights ( Appreciation Rights ), awards of restricted shares ( Restricted Shares ), awards of deferred shares ( Deferred Shares ) and awards of performance shares ( Performance Shares ) and performance units ( Performance Units ). The terms applicable to awards of the various types, including those terms that may be established by the GNC Committee when making or administering particular awards, are set forth in detail in the Amended and Restated 1998 Plan.

*Shares Available Under the Plan.* Subject to adjustment as provided in the Amended and Restated 1998 Plan, the number of Common Shares that may be issued or transferred (a) upon the exercise of Option Rights or Appreciation Rights, (b) as Restricted Shares, (c) as Deferred Shares, (d) in payment of Performance Shares or Performance Units that have been earned, or (e) in payment of dividend equivalents paid with respect to awards made under the Amended and Restated 1998 Plan may not exceed 3,220,000 (650,000 of which were approved by shareholders in 1998, 650,000 of which were approved by the shareholders in 2000, 650,000 of which were approved by the shareholders in 2001, 620,000 of which were approved by shareholders in 2004 and 650,000 of which are being added as of April 28, 2006) in the aggregate. Such Common Shares may be shares of original issuance or treasury shares or a combination of both. Shares covered by an award granted under the Amended and Restated 1998 Plan will not be counted as used unless and until they are actually issued and delivered to a participant. Without limiting the generality of the foregoing, upon payment in cash of the benefit provided by any award granted under the Amended and Restated 1998 Plan, any shares that were covered by that award will be available for issue or transfer under the Plan. Notwithstanding anything to the contrary: (a) shares tendered in payment of the exercise price of an option right shall not be added to the aggregate plan limit described above; (b) shares withheld by the Company to satisfy the tax withholding obligation shall not be added to the aggregate plan limit described above; (c) shares that are repurchased by the Company with option right proceeds shall not be added to the aggregate plan limit described above; and (d) all shares covered by a SAR, to the extent that it is exercised and settled in shares, whether or not all shares covered by the award are actually issued to the participant upon exercise of the right, shall be considered issued or transferred pursuant to the Amended and Restated 1998 Plan.

*Limitations on Specific Kinds of Awards.* In addition to the general limitation on the number of Common Shares available under the Amended and Restated 1998 Plan, the Amended and Restated 1998 Plan specifically limits the number of Common Shares actually issued and transferred by the Company upon

**Table of Contents**

the exercise of an Incentive Stock Option to 650,000 in the aggregate subject to adjustment. Also, the aggregate number of Common Shares issued of Restricted Shares, Deferred Shares or Performance Shares or in payment of Performance Units may not exceed 360,000 Common Shares, subject to adjustment.

Additionally, the Amended and Restated 1998 Plan provides for certain specific limits and other requirements in order that awards of Option Rights, Appreciation Rights, Performance Shares and Performance Units may qualify as performance-based compensation for the purpose of Section 162(m) of the Code. No participant may be granted Option Rights and Appreciation Rights, in the aggregate, for more than 350,000 Common Shares during any period of three years subject to adjustment. No participant shall be granted Restricted Shares that specify Management Objectives or Performance Shares, in the aggregate for more than 100,000 Common Shares during any one calendar year. Moreover, no participant may receive in any calendar year an award of Performance Units having an aggregate maximum value as of their respective dates of grant over \$750,000.

*Eligibility.* Officers, including officers who are members of the Board, and other key employees of the Company and its subsidiaries may be selected by the GNC Committee to receive benefits under the Amended and Restated 1998 Plan. The GNC Committee may also make awards under the Amended and Restated 1998 Plan to a person who has agreed to commence serving in any such capacity within 90 days of the date of grant. Non-Employee Directors are eligible to receive grants of Option Rights, Restricted Shares and Deferred Shares under the Amended and Restated 1998 Plan.

*Option Rights.* The GNC Committee may grant Option Rights, which entitle the optionee to purchase a specified number of Common Shares at a price equal to or greater than market value at the date of grant. The option price is payable in cash, by the transfer to the Company of nonforfeitable unrestricted Common Shares owned by the optionee for at least six months having a value at the time of exercise equal to the option price, by any other legal consideration the GNC Committee may deem appropriate, or by a combination of such payment methods. To the extent permitted by law, any grant may provide for deferred payment of the option price from the proceeds of sale through a bank or broker of some or all of the Common Shares to which the exercise relates.

Option Rights granted under the Amended and Restated 1998 Plan may be Option Rights that are intended to qualify as incentive stock options ( Incentive Stock Options ) within the meaning of Section 422 of the Code or Option Rights that are not intended to so qualify or combinations thereof. Incentive Stock Options may only be granted to participants who meet the definition of employees under Section 3401(c) of the Code. The GNC Committee may at the date of grant of any Option Rights (other than Incentive Stock Options), provide for the payment of dividend equivalents to the optionee in cash or additional Common Shares on a current, deferred or contingent basis. The GNC Committee may condition the exercise of Option Rights on the achievement of Management Objectives.

No Option Right may be exercised more than ten years from the date of grant. Each grant must specify the period of continuous employment with the Company or any subsidiary that is necessary before the Option Rights will become exercisable and may provide for the earlier exercise of such Option Rights in the event of a change of control of the Company. Successive grants may be made to the same optionee whether or not Option Rights previously granted remain unexercised. The exercise of an Option Right cancels, on a share-for-share basis, any Tandem Appreciation Right. Option Rights must be evidenced by an Evidence of Award, containing the terms and provisions, consistent with the Amended and Restated 1998 Plan, as the GNC Committee may approve.

*Appreciation Rights.* Appreciation Rights provide participants an alternative means of realizing the benefits of Option Rights. A Tandem Appreciation Right is a right to receive from the Company up to 100 percent of the spread between the option price and the current value of the Common Shares underlying the option. The amount is determined by the GNC Committee and the right is exercisable only when the related Option Right is also exercisable, the spread is positive and the recipient surrenders the related Option Right for cancellation. A Free-Standing Appreciation Right is the right to receive a percentage of the spread at the time of exercise. When computing the spread for a Free-Standing Appreciation Right, the base price must be equal to or greater than the market value of the underlying Common Shares on the date of grant.

**Table of Contents**

Successive grants may be made to the same recipient even if that individual already has unexercised Free-Standing Appreciation Rights. No Free-Standing Appreciation Right may be exercised more than ten years from the date of grant.

Any grant of Appreciation Rights may specify any or all of the following: (1) that the amount payable on exercise of an Appreciation Right may be paid by the Company in cash, in Common Shares, or in any combination thereof, and the right to elect among those alternatives may be given to the participant or retained by the GNC Committee, (2) a maximum amount payable on exercise, (3) waiting periods before exercise, (4) permissible exercise dates or periods, (5) whether the Appreciation Right may be exercised only on or after a change in control of the Company, (6) whether dividend equivalents may be paid in cash or in Common Shares, and (7) Management Objectives that must be achieved as a condition to exercise such rights. Appreciation Rights must be evidenced by an Evidence of Award, containing the terms and provisions, consistent with the Amended and Restated 1998 Plan, as the GNC Committee may approve.

*Restricted Shares.* An award of Restricted Shares involves the immediate transfer by the Company to a participant of ownership of a specific number of Common Shares in consideration of the performance of services. The participant is entitled immediately to voting, dividend and other ownership rights in such shares, but the GNC Committee may require that any dividends be automatically deferred and reinvested in additional Restricted Shares. The transfer may be made without additional consideration or in consideration of a payment by the participant that is less than current market value, as the GNC Committee may determine. The GNC Committee may condition the award on the achievement of Management Objectives.

Restricted Shares must be subject to a substantial risk of forfeiture within the meaning of Section 83 of the Code for a period of not less than three years to be determined by the GNC Committee. An example would be a provision that the Restricted Shares would be forfeited if the participant ceased to serve the Company as an officer or key employee during a specified period of years. In order to enforce these forfeiture provisions, the transferability of Restricted Shares will be prohibited or restricted in a manner and to the extent prescribed by the GNC Committee for the period during which the forfeiture provisions are to continue. The GNC Committee may provide for a shorter period during which the forfeiture provisions are to apply in the event of a change in control of the Company. Restricted Shares must be evidenced by an Evidence of Award, containing the terms and provisions, consistent with the Amended and Restated 1998 Plan, as the GNC Committee may approve.

*Deferred Shares.* An award of Deferred Shares constitutes an agreement by the Company to deliver Common Shares to the participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions during the deferral period as the GNC Committee may specify. During the deferral period, the participant has no right to transfer any rights under his or her award, has no rights of ownership in the Deferred Shares and no right to vote them, but the GNC Committee may, at or after the date of grant, authorize the payment of dividend equivalents on such shares on a current, deferred or contingent basis, either in cash or additional Common Shares. Awards of Deferred Shares may be made without additional consideration or in consideration of a payment by the participant that is less than the market value per share at the date of grant.

Deferred Shares must be subject to a deferral period, as determined by the GNC Committee at the date of grant, except that the GNC Committee may provide for the earlier termination of such period in the event of a change in control of the Company. Deferred Shares must be evidenced by an Evidence of Award, containing the terms and provisions, consistent with the Amended and Restated 1998 Plan, as the GNC Committee may approve.

*Performance Shares and Performance Units.* A Performance Share is the equivalent of one Common Share, and a Performance Unit is the equivalent of \$1.00. The number of Performance Shares or Performance Units is specified by the GNC Committee and may be adjusted to reflect changes in compensation or other factors (unless the adjustment for certain participants would cause an award to lose its Section 162(m) exemption).



**Table of Contents**

A recipient must meet one or more Management Objectives within a specified performance period. Such performance period may be subject to earlier termination in the event of a change in control of the Company. A minimum level of acceptable achievement may also be established by the GNC Committee. If by the end of the performance period the participant has achieved the specified Management Objectives, he or she will be deemed to have fully earned the Performance Shares or Performance Units. If the participant has not achieved the Management Objectives, but has attained or exceeded the predetermined minimum, he or she will be deemed to have partly earned the Performance Shares and/or Performance Units (the amount earned to be determined in accordance with a formula). The grant of Performance Shares or Performance Units will specify that, before the Performance Shares or Performance Units will be earned and paid, the Committee must determine that the Management Objectives have been satisfied.

To the extent earned, the Performance Shares and/or Performance Units will be paid to the participant at the time and in the manner determined by the GNC Committee in cash, Common Shares or in any combination thereof (the GNC Committee may give either the participant or the GNC Committee the right to choose the form of payment). At the date of grant, the GNC Committee may provide for the payment of dividend equivalents on such Performance Shares in cash or additional Common Shares on a current, deferred or contingent basis. The GNC Committee may specify a maximum amount payable under any grant of Performance Shares or Performance Units. Performance Shares and Performance Units must be evidenced by an Evidence of Award, containing the terms and provisions, consistent with the Amended and Restated 1998 Plan, as the GNC Committee may approve.

*Awards to Non-Employee Directors.* The GNC Committee may authorize the grant of Option Rights and may also authorize the grant or sale of Restricted Shares and Deferred Shares to Non-Employee Directors. Any grant of Option Rights will be upon terms and conditions discussed above under Option Rights. Any grant of Restricted Shares will be on terms and conditions as discussed above under Restricted Shares. Any grant of Deferred Shares will be on terms and conditions as discussed above under Deferred Shares.

In addition, each such Option Right will become exercisable one year after the date of grant, unless otherwise specified by the GNC Committee on the date of grant. In the event of termination of a director's service on the Board, other than by reason of retirement, disability or death, the then outstanding Option Rights held by such director may be exercised to the extent that they would be exercisable on such date of termination and will expire 90 days after termination, or on their stated expiration date, whichever comes first. In the event of termination of service on the Board by the holder of any such Option Rights by reason of retirement after a Non-Employee Director has completed a specified period of service and attained a specified age, each of the then outstanding Option Rights of such holder (whether or not previously exercisable) may be exercised at any time within 36 months after the date of such retirement, or on their stated expiration date, whichever occurs first. In the event of the death or disability of the holder of any such Option Rights, each of the then outstanding Option Rights of such holder (whether or not previously exercisable) may be exercised at any time within one year after such death or disability, but in no event after the expiration date of the term of such Option Rights. If a Non-Employee Director subsequently becomes an employee of the Company or a Subsidiary while remaining a member of the Board, any Option Rights held under the Amended and Restated 1998 Plan by such individual at the time of such commencement of employment will not be affected thereby. Option Rights may be exercised by a Non-Employee Director only upon payment to the Company in full of the Option Price of the Common Shares to be delivered. Such payment will be made in cash or in Common Shares then owned by the optionee for at least six months, or in a combination of cash and such Common Shares.

*Management Objectives.* The GNC Committee may establish performance objectives for participants who have received awards of Performance Shares or Performance Units or, if so determined, Option Rights, Appreciation Rights, Restricted Shares or dividend credits. Section 162(m) of the Code requires that the Amended and Restated 1998 Plan and the performance measures which must be attained to earn compensation under performance-based awards be disclosed to and approved by shareholders. Such performance measures, or Management Objectives may be described either in terms of Company-wide objectives or objectives that are related to performance of the individual participant or the division, subsidiary, department



**Table of Contents**

or function within the Company or a subsidiary in which the participant is employed. The Management Objectives applicable to any award to a participant who is or is likely to become a covered employee within the meaning of Section 162(m) of the Code will be based on specified levels of, or growth in, one or more of the following criteria:

- (1) cash flow/net assets ratio;
- (2) debt/capital ratio;
- (3) return on total capital;
- (4) return on equity;
- (5) earnings per share growth;
- (6) revenue growth;
- (7) total return to shareholders; and
- (8) financial performance of the Company expressed in terms of EBITDA (earnings before interest, taxes, depreciation and amortization).

If the GNC Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Management Objectives unsuitable, the GNC Committee may modify such Management Objectives or the related minimum acceptable level of achievement, in whole or in part, as the GNC Committee deems appropriate and equitable, except in the case of a covered employee where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

*Transferability.* Except as otherwise determined by the GNC Committee, no Option Right, Appreciation Right or other award under the Amended and Restated 1998 Plan is transferable by a participant other than by will or the laws of descent and distribution. Except as otherwise determined by the GNC Committee, only the participant (or the participant's guardian or legal representative in the event of the participant's legal incapacity) may exercise Option Rights or Appreciation Rights during the participant's lifetime.

The GNC Committee may specify at or after the date of grant that Option Rights (other than Incentive Stock Options), Appreciation Rights, Restricted Shares, Deferred Shares, Performance Shares and Performance Units are transferable by a participant to any family member (as defined in the instructions to Form S-8 under the Securities Act of 1933) of the Participant, without payment by the transferee, if reasonable prior notice of the transfer was given to the Company, and the transfer was made according to the terms and conditions specified by the GNC Committee or the Company. Any transferee will be subject to the same terms and conditions under the Amended and Restated 1998 Plan as the participant.

The GNC Committee may specify that part or all of the Common Shares that are (i) to be issued or transferred by the Company upon exercise of Option Rights or Appreciation Rights, upon termination of the deferral period applicable to Deferred Shares or upon payment under any grant of Performance Shares or Performance Units or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer in the case of Restricted Shares, shall be subject to further restrictions on transfer.

*Adjustments.* The number, kind, and price of shares covered by outstanding Option Rights, Appreciation Rights, Deferred Shares and Performance Shares and the prices per share applicable thereto, are subject to adjustment in the event of stock dividends, splits and combinations, changes in capital structure of the Company, mergers, spin-offs, partial or complete liquidation, and similar events. If any such event occurs, the GNC Committee has discretion to substitute for any or all outstanding awards under the Amended and Restated 1998 Plan such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require the surrender of all awards so

replaced. The GNC Committee may also make or provide for such adjustments in the numbers of shares available under the Amended and Restated 1998

**Table of Contents**

Plan and available for specific kinds of awards under the Amended and Restated 1998 Plan as the GNC Committee may determine appropriate to reflect any such transaction or event.

*Change in Control.* A definition of *Change in Control* is specifically included in the Amended and Restated 1998 Plan. This definition can be found in the full text of the Amended and Restated 1998 Plan attached hereto as Appendix A.

*Certain Terminations of Employment.* To the extent if permitted by Section 409A, if a participant holding (a) an Option Right or Appreciation Right that is not fully and immediately exercisable, (b) Restricted Shares where the restrictions on transfer have not yet lapsed, (c) Deferred Shares where the deferral period is not complete, (d) Performance Shares or Performance Units that have not been fully earned, or (e) Common Shares distributed under the Amended and Restated 1998 Plan and subject to continuing restrictions, terminates employment by reason of death, disability, normal retirement, early retirement approved by the Company, entry into public service or leave of absence approved by the Company, or in the event of hardship or other special circumstances, the GNC Committee may take any action it deems equitable or in the Company's best interest.

*Non-U.S. Employees.* The GNC Committee may provide for special terms for awards to participants who are foreign nationals or who are employed by the Company or any of its subsidiaries outside of the United States of America, as the GNC Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom.

*Administration and Amendments.* The Amended and Restated 1998 Plan will be administered by a committee of the Board (or subcommittee thereof) consisting of not less than three members of the Board, each of whom shall (i) meet all applicable independence requirements of the New York Stock Exchange, or if the Common Shares are not traded on the New York Stock Exchange, the principal national securities exchange on which the Common Stock is traded, (ii) be a *Non-Employee Director* within the meaning of Rule 16b-3 and (iii) be an *outside director* within the meaning of Section 162(m) of the Code.

The GNC Committee's interpretation of the Amended and Restated 1998 Plan and related agreements and documents is final and conclusive. The Amended and Restated 1998 Plan may be amended from time to time by the GNC Committee. However, any amendment which must be approved by the shareholders of the Company in order to comply with applicable law or the rules of any national securities exchange upon which the Common Shares are traded or quoted will not be effective unless and until such approval has been obtained in compliance with such applicable law or rules. Presentation of the Amended and Restated 1998 Plan or any amendment thereof for shareholder approval is not to be construed to limit the Company's authority to offer similar or dissimilar benefits through plans that are not subject to shareholder approval.

Consistent with the Company policy against repricing *underwater* options, the GNC Committee may not, without the further approval of the shareholders of the Company, authorize the amendment of any outstanding Option Right to reduce the option price. Furthermore, no Option Right may be canceled and replaced with awards having a lower option price without further approval of the shareholders.

Except with respect to Option Rights and Appreciation Rights, the GNC Committee may require participants, or permit participants to elect, to defer issuance of shares or the settlement of cash awards and may provide for payment of interest or dividend equivalents on the deferred amounts. The GNC Committee may also condition any award on the surrender or deferral by a participant of his or her right to receive a cash bonus or other compensation.

*Compliance with Section 409A of the Internal Revenue Code.* The American Jobs Creation Act of 2004, enacted on October 22, 2004, revised the federal income tax law applicable to certain types of awards that may be granted under the Plan. To the extent applicable, it is intended that the Plan and any grants made under the Plan comply with the provisions of Section 409A of the Internal Revenue Code. The Plan and any grants made under the Plan will be administered in a manner consistent with this intent, and any provision of the Plan that would cause the Plan or any grant made under the Plan to fail to satisfy Section 409A shall have no force and effect until amended to comply with Section 409A (which amendment may be retroactive to the extent permitted by Section 409A and may be made by the Company without the consent of the participants).



**Table of Contents**

Any reference to Section 409A will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

*Termination.* No grant under the Amended and Restated 1998 Plan may be made more than ten years after the Amended and Restated 1998 Plan is approved by the shareholders, but all grants made on or before the 10th anniversary will continue in effect after that date subject to the terms of those grants and this Amended and Restated 1998 Plan.

*General.* The closing price of the Common Shares on December 30, 2005 on the New York Stock Exchange was \$25.02 per share.

**FEDERAL INCOME TAX CONSEQUENCES**

The following is a brief summary of certain of the Federal income tax consequences of certain transactions under the Amended and Restated 1998 Plan based on Federal income tax laws in effect on January 1, 2006. This summary is not intended to be complete and does not describe state or local tax consequences.

**TAX CONSEQUENCES TO PARTICIPANTS**

*Non-qualified Stock Options.* In general, (i) no income will be recognized by an optionee at the time a non-qualified Option Right is granted; (ii) at the time of exercise of a non-qualified Option Right, ordinary income will be recognized by the optionee in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares, if unrestricted, on the date of exercise; and (iii) at the time of sale of shares acquired pursuant to the exercise of a non-qualified Option Right, appreciation (or depreciation) in value of the shares after the date of exercise will be treated as a capital gain (or loss).

*Incentive Stock Options.* No income generally will be recognized by an optionee upon the grant or exercise of an Incentive Stock Option. The exercise of an Incentive Stock Option, however, may result in an alternative minimum tax liability. If Common Shares are issued to the optionee pursuant to the exercise of an Incentive Stock Option, 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 transfer of such shares to the optionee, then upon sale of such shares, any amount realized in excess of the option price will be taxed to the optionee as a capital gain and any loss sustained will be a capital loss.

If Common Shares acquired upon the exercise of an Incentive Stock Option 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 if a sale or exchange) over the option price paid for such shares. Any further gain (or loss) realized by the participant generally will be taxed as a capital gain (or loss).

*Appreciation Rights.* No income will be recognized by a participant in connection with the grant of a Tandem Appreciation Right or a Free-Standing Appreciation Right. When the Appreciation Right 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 Common Shares received on the exercise.

*Restricted Shares.* The recipient of Restricted Shares generally will be subject to tax at ordinary income rates on the fair market value of the Restricted Shares (reduced by any amount paid by the participant for such Restricted Shares) 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 shares (determined without regard to the Restrictions) over the purchase price, if any, of such Restricted Shares. If a Section 83(b) election has not been made, any dividends received with respect to Restricted Shares that are

**Table of Contents**

subject to the Restrictions generally will be treated as compensation that is taxable as ordinary income to the participant.

*Deferred Shares.* No income generally will be recognized upon the award of Deferred Shares. The recipient of a Deferred Share award generally will be subject to tax at ordinary income rates on the fair market value of non-restricted Common Shares on the date that such shares are transferred to the participant under the award (reduced by any amount paid by the participant for such Deferred Shares).

*Performance Shares and Performance Units.* No income generally will be recognized upon the grant of Performance Shares or Performance Units. Upon payment 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 non-restricted Common Shares received.

**TAX CONSEQUENCES TO THE COMPANY OR SUBSIDIARY**

To the extent that a participant recognizes ordinary income in the circumstances described above, the Company or subsidiary for which the participant performs services will be entitled to a corresponding 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.

**REQUIRED VOTE**

A majority of the votes cast at the Annual Meeting will be required to approve the Amended and Restated 1998 Plan, provided that the total votes cast are over 50% in interest of all securities entitled to vote on the Amended and Restated 1998 Plan.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE PROPOSAL TO APPROVE THE AMENDED AND RESTATED 1998 PLAN.**

**NEW PLAN BENEFITS**

It is not possible to determine specific amounts and types of awards that may be awarded in the future under the Amended and Restated 1998 Plan because the grant and actual pay-out of awards under such plan are discretionary.



**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

The table below sets forth certain information regarding the following equity compensation plans of the Company as of December 31, 2005: 1988 Incentive Equity Performance Plan (As Amended as of October 19, 2000), the Current Plan, Non-Employee Directors Stock Option Plan (As Amended and Restated as of July 19, 2001), Deferred Compensation Plan for Non-Employee Directors (As Amended and Restated as of April 30, 2004) and Deferred Compensation Plan for Executive Officers (As Amended and Restated as of October 18, 2001). All of those plans have been approved by shareholders, except the Directors Deferred Plan and the Executive Officers Deferred Plan.

<b>Plan Category</b>	<b>Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights  (a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights  (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))  (c)</b>
Equity compensation plans approved by security holders	1,786,174	\$6.67	180,587(1)
Equity compensation plans not approved by security holders	0	N/A	0(2)
<b>Total</b>	<b>1,786,174</b>	<b>\$6.67</b>	<b>180,587</b>

- (1) Reflects 180,587 Common Shares remaining available under the 1998 Plan, which authorizes the GNC Committee to make awards of Option Rights, Appreciation Rights, Restricted Shares, Deferred Shares, Performance Shares and Performance Units.
- (2) The Directors Deferred Plan and the Executive Officers Deferred Plan provide for the issuance of Common Shares, but do not provide for a specific amount available under the plans. Descriptions of those plans are set forth below.

**Directors Deferred Plan**