

INDUSTRIAL DISTRIBUTION GROUP INC

Form DEF 14A

March 31, 2005

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

SCHEDULE 14A

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

Exchange Act of 1934 (Amendment No. )

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

INDUSTRIAL DISTRIBUTION GROUP, INC.

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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)(4) 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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(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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**INDUSTRIAL DISTRIBUTION GROUP, INC.**

March 31, 2005

To Our Stockholders:

On behalf of the Board of Directors and management of Industrial Distribution Group, Inc., I cordially invite you to the Annual Meeting of Stockholders to be held on Friday, April 29, 2005, at 1:00 p.m., Eastern Time, at 950 East Paces Ferry Road, Suite 1575, Atlanta, Georgia.

At the Annual Meeting, stockholders will be asked to elect two directors of the Company, the nominees for which are currently directors of the Company. Information about the nominees and certain other matters is contained in the accompanying Proxy Statement. A copy of the Company's 2004 Annual Report to Stockholders, which contains financial statements and other important information about the Company's business, is also enclosed.

It is important that your shares of stock be represented at the meeting, regardless of the number of shares you hold. You are encouraged to specify your voting preferences by marking the enclosed proxy card. Please complete, sign, date and return the proxy card in the enclosed envelope, whether or not you plan to attend the meeting. If you do attend and wish to vote in person, you may revoke your proxy at that time.

I hope you are able to attend and look forward to seeing you.

Sincerely,

Andrew B. Shearer  
*President and Chief Executive Officer*

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**INDUSTRIAL DISTRIBUTION GROUP, INC.  
950 EAST PACES FERRY ROAD  
SUITE 1575  
ATLANTA, GEORGIA 30326**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD APRIL 29, 2005**

To the Stockholders of  
Industrial Distribution Group, Inc.:

Notice is hereby given that the Annual Meeting of Stockholders of Industrial Distribution Group, Inc. will be held at 1:00 p.m., Eastern Time, Friday, April 29, 2005, at 950 East Paces Ferry Road, Suite 1575, Atlanta, Georgia for the following purposes:

1. To elect two directors to the Board of Directors to serve until their respective terms have expired and until their successors, if there are to be any, are elected and qualified.

2. To consider such other matters as may properly come before the meeting and any adjournment or postponement thereof.

Only stockholders of record on March 1, 2005, are entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement.

**BY ORDER OF THE BOARD OF DIRECTORS,**

Jack P. Healey  
*Secretary*

**March 31, 2005**

**Whether Or Not You Expect To Be Present At The Annual Meeting, Please Fill In, Date, Sign, And Promptly Return The Enclosed Proxy Card In The Enclosed Business Reply Envelope. The Proxy May Be Revoked At Any Time Prior To Exercise, And If You Are Present At The Annual Meeting, You May, If You Wish, Revoke Your Proxy At That Time And Exercise The Right To Vote Your Shares Personally.**

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**INDUSTRIAL DISTRIBUTION GROUP, INC.**

**PROXY STATEMENT  
Dated March 31, 2005  
For the Annual Meeting of Stockholders  
To be Held April 29, 2005**

This Proxy Statement is furnished to stockholders in connection with the solicitation of proxies by the Board of Directors of Industrial Distribution Group, Inc. ( IDG or the Company ) for use at IDG s 2005 Annual Meeting of Stockholders ( Annual Meeting ) to be held on Friday, April 29, 2005, including any postponement, adjournment, or adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting. Management intends to mail this Proxy Statement and the accompanying form of proxy to stockholders on or about March 31, 2005.

Only stockholders of record at the close of business on March 1, 2005 (the Record Date ), are entitled to notice of and to vote in person or by proxy at the Annual Meeting. As of the Record Date, there were 9,401,517 shares of Common Stock, \$.01 par value per share ( Common Stock ), of IDG outstanding and entitled to vote at the Annual Meeting. The presence of a majority of such shares is required, in person or by proxy, to constitute a quorum for the conduct of business at the Annual Meeting. Each share is entitled to one vote on any matter submitted for vote by the stockholders. The vote required for approval of each matter submitted to the stockholders is described with the discussion of that matter in this Proxy Statement.

Proxies in the accompanying form, duly executed and returned to the management of the Company, and not revoked, will be voted at the Annual Meeting. Any proxy given pursuant to this solicitation may be revoked by the stockholder at any time prior to the voting of the proxy by delivery of a subsequently dated proxy, by written notification to the Secretary of the Company, or by personally withdrawing the proxy at the Annual Meeting and voting in person.

Proxies that are executed, but that do not contain any specific instructions, will be voted for the election of the two nominees for directors specified herein, and, in the discretion of the persons appointed as proxies, on any other matter that may properly come before the Annual Meeting or any postponement, adjournment, or adjournments thereof, including any vote to postpone or adjourn the Annual Meeting.

A copy of the Company s 2004 Annual Report to Stockholders (including substantive excerpts from the Company s Annual Report on Form 10-K) is being furnished herewith to each stockholder of record as of the close of business on the Record Date. Additional copies of the 2004 Annual Report to Stockholders will be provided free of charge upon written request to:

**Industrial Distribution Group, Inc.  
950 East Paces Ferry Road Suite 1575  
Atlanta, Georgia 30326  
Attn.: Investor Relations Department**

If the person requesting the Annual Report was not a stockholder of record on the Record Date, the request must include a representation that the person was a beneficial owner of Common Stock on that date. Copies of any exhibits to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2004 will also be furnished on request and upon payment of the Company s expenses in furnishing the exhibits.

**VOTING SECURITIES AND PRINCIPAL STOCKHOLDERS**

The following table sets forth the information concerning the beneficial ownership of Common Stock, which is the only class of voting stock of the Company, at February 14, 2005, by (1) each person known to the Company to beneficially own more than 5% of the Common Stock, (2) each director, nominee for director, and designated highly compensated executive officer, and (3) all directors and executive officers of the Company as a group. Unless otherwise indicated below, the persons named below had sole voting and investment power with respect to all shares of the Common Stock shown as beneficially owned by them.

Name of Beneficial Owner	Shares Beneficially Owned	Percent(1)
Dalton, Greiner, Hartman, Maher & Company(2)	765,232	8.1%
Dimensional Fund Advisors, Inc.(3)	755,528	8.0%
Andrew B. Shearer(4)	713,925	7.5%
Thomas W. Aldridge, Jr.(5)	70,113	*
Michael W. Brice(6)	6,250	*
Martin C. Burkland(7)	201,651	2.1%
Jack P. Healey(8)	107,387	1.1%
John R. Kramer(9)	31,787	*
Charles A. Lingenfelter(10)	188,887	2.0%
Robert E. Vanderhoff(11)	10,000	*
David K. Barth(12)	66,066	*
William J. Burkland(13)	238,898	2.5%
William R. Fenoglio(14)	36,000	*
William T. Parr(15)	32,200	*
George L. Sachs, Jr.(16)	112,234	1.2%
Richard M. Seigel(17)	89,000	*
All Directors and Executive Officers as a Group (14 persons)(18)	1,904,398	19.2%

\* Denotes less than 1%.

- (1) The percentages shown are based on 9,399,500 shares of Common Stock outstanding on February 14, 2005 plus, as to each person and group listed, the number of shares of Common Stock deemed owned by such holder pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended, assuming the exercise of options held by such holder are exercisable within 60 days of February 14, 2005.
- (2) The address of Dalton, Greiner, Hartman, Maher & Company is 565 Fifth Avenue, Suite 2101, New York, New York, 10017. The listed owner has filed a Schedule 13G with the Commission and claims voting and investment power with respect to 746,632 shares and sole dispositive power with respect to 765,232 shares.
- (3) The address of Dimensional Fund Advisors, Inc. is 1299 Ocean Avenue, 11th Floor, Santa Monica, California 90401. The listed owner has filed a Schedule 13G with the Commission and claims voting and investment power with respect to all 755,528 shares.
- (4) Includes 32,130 shares that are restricted. Includes 136,833 shares subject to exercisable options. The address for Mr. Shearer is 950 E. Paces Ferry Rd, Ste 1575, Atlanta, GA 30326.
- (5) Includes 10,000 shares that are restricted. Includes 45,000 shares subject to exercisable options.
- (6) Includes 6,250 shares that are restricted.
- (7) Includes 10,000 shares that are restricted. Includes 30,433 shares subject to exercisable options, and 100 shares held by Mr. Burkland as custodian for his minor child. Does not include 100 shares held by Mr. Burkland's adult child, with respect to which Mr. Burkland disclaims ownership.

- (8) Includes 17,800 shares that are restricted. Includes 46,933 shares subject to exercisable options.
- (9) Includes 10,500 shares that are restricted. Includes 20,000 shares subject to exercisable options.
- (10) Includes 35,355 shares that are restricted. Includes 47,167 shares subject to exercisable options.
- (11) Includes 10,000 shares that are restricted.
- (12) Includes 30,000 shares subject to exercisable options. Does not include an aggregate of 9,000 shares owned by Mr. Barth's adult children, with respect to which Mr. Barth disclaims beneficial ownership.



- (13) Includes an aggregate of 300 shares held by Mr. Burkland as custodian for his three minor children and 32,333 shares subject to exercisable options. Does not include an aggregate of 28,966 shares owned by Mr. Burkland's wife, with respect to which Mr. Burkland disclaims beneficial ownership. Includes an aggregate of 91,432 shares owned by the Charles T. Burkland Trust and Mary Joan Burkland Trust, as to each of which Mr. Burkland was a trustee, with respect to which Mr. Burkland disclaims beneficial ownership. Effective March 1, 2005, Mr. Burkland no longer serves as a trustee of the Charles T. Burkland Trust and Mary Joan Burkland Trust.
- (14) Includes 30,000 shares subject to exercisable options.
- (15) Includes 30,000 shares subject to exercisable options. Does not include an aggregate of 1,200 shares owned by Mr. Parr's wife, with respect to which Mr. Parr disclaims beneficial ownership.
- (16) Includes 40,000 shares subject to exercisable options.
- (17) Includes 55,000 shares subject to exercisable options.
- (18) Includes an aggregate of 132,035 shares that are restricted. Includes an aggregate of 543,699 shares subject to exercisable options that are held by the persons in the group.

**ELECTION OF DIRECTORS**  
**(Item Number 1 on the Proxy Card)**

The Bylaws of IDG provide that the Board of Directors (the Board) shall consist of not less than three nor more than fifteen directors, with the exact number being set from time to time by the Board. The Board presently consists of seven directors, each of whom serves until the expiration of his term and until his successor, if there is to be one, is elected and qualified.

The Board is divided into three classes as equal in number as possible. The terms of service of each class is staggered so that each director serves a three-year term. Two directors are to be elected at the 2005 Annual Meeting of Stockholders to serve in Class I, which will have a term expiring in 2008. Each of the nominees is listed below and is presently serving as a director of the Company.

Directors are elected by a plurality of the votes cast by the holders of shares of Common Stock entitled to vote for the election of directors at a meeting at which a quorum is present. A quorum will be present for the Annual Meeting when the holders of a majority of the shares outstanding on the Record Date are present in person or by proxy. An abstention and a broker non-vote are included in determining whether a quorum is present, but will not affect the outcome of the vote for the election of directors. Unless otherwise indicated on a proxy, all duly executed proxies granted by the holders of Common Stock will be voted individually at the Annual Meeting for the election of each nominee. Each nominee has indicated that he will serve if elected, but if the situation should arise that either nominee is no longer able or willing to serve, the proxy may be voted for the election of such other person as may be designated by the Board. Information with respect to each nominee, including biographical information for at least the last five years, is set forth below.

*Nominees for Election Whose Terms Will Expire in 2008 (Class I)*

**George L. Sachs, Jr.**

**President (Retired)**  
**IDG St. Louis**

Mr. Sachs, age 63, is retired from the Company. Mr. Sachs served from 1978 through 2001, when he retired, as the President of the IDG St. Louis business unit, formerly Tri-Star Industrial Supply, Inc. (Tri-Star), one of the companies that founded the Company in 1997. He served as Tri-Star's Vice President-Finance from 1978 to 1985. Prior to joining Tri-Star, Mr. Sachs served as an Audit Manager for Arthur Andersen & Co. from 1968 to 1978. Mr. Sachs is a member of the Nominating and Corporate Governance and Audit Committees of the Board. Mr. Sachs is considered an independent director in accordance with the Company's Corporate Governance Guidelines.

**President (Retired)**

**David K. Barth**

**Barth Smith Company**

Mr. Barth, age 61, is retired and a member of the faculty of the Lake Forest Graduate School of Management. He is the past President of Barth Smith Company, an investment and management consulting firm, which he founded in 1991 and which assisted the Company with its formation in 1997. Prior to that time, he served as Vice President, Planning and Development, from 1985 to 1990, and Treasurer, from 1979 to 1984, of W.W. Grainger, Inc., a national distributor of maintenance, repair, and operating supplies and related information to commercial, industrial, contractor, and institutional customers. Mr. Barth is the Chairman of the Compensation Committee and serves as a member of the Executive, Nominating and Corporate Governance, and Audit Committees of the Board. Mr. Barth is considered an independent director in accordance with the Company's Corporate Governance Guidelines.

**Continuing Directors**

Information with respect to each continuing director, including biographical information for at least the last five years, is set forth below:

*Directors Whose Terms Will Expire in 2006 (Class II)*

**William J. Burkland**

**Vice President  
IDG (Northwest Region)**

Mr. Burkland, age 43, has served since 1994 as a Vice President of the Company serving in the Northwest region, formerly B&J Industrial Supply Company ( B&J ), one of the companies that founded the Company in 1997. Prior to becoming Vice President of B&J, Mr. Burkland held various positions with B&J from the time he joined in 1986. Mr. Burkland is considered an inside director because of his employment with the Company.

**William R. Fenoglio**

**Chief Executive Officer (Retired)  
Augat, Inc.**

Mr. Fenoglio, age 65, served as the President and Chief Executive Officer of Augat, Inc., a manufacturer of connector products, from 1994 to 1996. Prior to that time, Mr. Fenoglio served as President and Chief Executive Officer, from 1991 to 1994, and Chief Operating Officer, from 1985 to 1991, of Barnes Group, Inc., a diversified manufacturer and distributor, which owns Bowman Distribution Company. From 1961 to 1984, Mr. Fenoglio was employed by General Electric Corporation and served as the Vice President and General Manager of the Component Motor Division from 1981 to 1984. Mr. Fenoglio is currently a director of Standex International, Inc. (NYSE: SXI). Mr. Fenoglio is Chairman of the Audit Committee and serves as a member of the Executive, Nominating and Corporate Governance, and Compensation Committees of the Board. Mr. Fenoglio is considered an independent director in accordance with the Company's Corporate Governance Guidelines.

**William T. Parr**

**Vice Chairman  
J. Smith Lanier & Co.**

Mr. Parr, age 68, has served as Vice Chairman and a director of J. Smith Lanier & Co., an insurance placement company, since 1980. Mr. Parr is a member of the Nominating and Corporate Governance and Compensation Committees of the Board. Mr. Parr is considered an independent director in accordance with the Company's Corporate Governance Guidelines.

*Directors Whose Terms Will Expire in 2007 (Class III)*

**Richard M. Seigel**

**Chairman of the Board  
IDG**

Mr. Seigel, age 59, became Chairman of the Board in March 1999, and served as President and Acting Chief Executive Officer of the Company from March 1999 to November 1999. Mr. Seigel is the retired former

Chairman and Chief Executive Officer of SYSCO Food Services of Los Angeles, a subsidiary of SYSCO Corporation, with which he held the position of Senior Vice President Foodservice Operations. Prior to that, Mr. Seigel was President of Continental Foodservice Company, a national distributor of foodservice products. Mr. Seigel is the Chairman of the Executive and Nominating and Corporate Governance Committees, and he serves as a member of the Audit and Compensation Committees of the Board. Mr. Seigel is considered an independent director in accordance with the Company's Corporate Governance Guidelines.

**President and Chief Executive Officer**

**Andrew B. Shearer**

**IDG**

Mr. Shearer, age 41, became President and Chief Executive Officer of the Company in August 2001. Mr. Shearer had served since 1991 as the President of the IDG York business unit, formerly Shearer Industrial Supply Co., one of the companies that founded the Company in 1997. Mr. Shearer is a member of the Executive Committee of the Board. Mr. Shearer is considered an inside director because of his employment as a senior executive with the Company.

**Meetings and Committees of the Board**

The Board of the Company meets on a regular basis to supervise, review, and direct the business and affairs of the Company. During the Company's 2004 fiscal year, the Board held five meetings. The Board has an Executive Committee, a Nominating and Corporate Governance Committee, an Audit Committee, and a Compensation Committee to which it has assigned certain responsibilities in connection with the governance and management of the Company's affairs. Each of the directors attended all of the Board meetings and meetings of committees on which he served, during fiscal year 2004.

The Company believes that the active participation of its directors in the governance and management of IDG's business and affairs, including attendance at annual meetings of its stockholders, is vital to the success of the Company. In furtherance of the Company's policy regarding the free flow of communication between the Company's stockholders and the Board, directors are encouraged to attend all annual stockholders' meetings. In this regard, all of the Company's directors attended the 2004 Annual Meeting of Stockholders.

*Executive Committee.* The Executive Committee, pursuant to authority delegated by the Board, from time to time considers certain matters in lieu of convening a meeting of the full Board, subject to any restrictions in applicable law related to the delegation of certain powers to a committee of the Board. Messrs. Barth, Fenoglio, Shearer, and Seigel (Chair) currently comprise the members of the Executive Committee. The Committee meets without Mr. Shearer, who is a member of management, at least twice a year. The Executive Committee held two meetings during fiscal 2004. A copy of the Executive Committee Charter can be found on the Company's website ([www.idglink.com](http://www.idglink.com)).

*Nominating and Corporate Governance Committee.* The Nominating and Corporate Governance Committee was established on February 22, 2004 to assist the Board in identifying qualified individuals to become members of the Board, maintain oversight over the compensation and effectiveness of the Board and its standing committees, consult with management and the Board on senior executive continuity and organizational matters, and develop and recommend to the Board a set of Corporate Governance Guidelines. In addition, on an annual basis, the Committee receives comments from all directors and provides an assessment, based on the comments, of the Board's performance to the Board. Messrs. Barth, Fenoglio, Parr, Sachs, and Seigel (Chair) comprise the members of this committee, and all are independent in accordance with the current NASDAQ Listing Standards. The Nominating and Corporate Governance Committee held one meeting during fiscal 2004. A copy of the Nominating and Corporate Governance Committee Charter can be found on the Company's website ([www.idglink.com](http://www.idglink.com)).

*Audit Committee.* The Audit Committee recommends the appointment of independent auditors, reviews the scope of audits proposed by the independent auditors, reviews audit reports on various aspects of corporate operations, and periodically consults with the independent auditors on matters relating to internal financial controls and procedures. Messrs. Barth, Fenoglio (Chair), Sachs, and Seigel comprise the members of the Audit Committee, and all are independent as defined by the current NASDAQ Listing Standards. The

Board has determined that at least one member of the audit committee is a financial expert within the meaning of SEC regulations. The Audit Committee held four meetings during fiscal 2004. A copy of the Audit Committee Charter can be found on the Company's website ([www.idglink.com](http://www.idglink.com)).

*Compensation Committee.* The Compensation Committee is responsible for the review and approval of compensation of senior management, the review of management recommendations relating to incentive compensation plans, and the administration of the Company's stock incentive and stock purchase plans. Messrs. Barth (Chair), Fenoglio, Parr, and Seigel comprise the members of the Compensation Committee. The Compensation Committee held four meetings during fiscal 2004. A copy of the Compensation Committee Charter can be found on the Company's website ([www.idglink.com](http://www.idglink.com)).

#### **Directors Compensation**

The Company pays its outside directors an annual fee of \$20,000, payable quarterly, and an additional \$15,000 annually to its non-executive Chairman of the Board. The Company also pays each director \$1,000 for each meeting attended in person, reimburses all directors for their travel and other expenses incurred in connection with attending Board or Committee meetings, and also reimburses its outside directors for actual expenses otherwise incurred in performing their duties. Beginning in April 2004, the Company pays an additional \$1,250 per quarter to both the Audit Committee Chairman and the Compensation Committee Chairman. The Company also pays certain health insurance costs for Messrs. Barth, Fenoglio, Parr, Sachs, and Seigel; such costs totaled approximately \$104,000 for 2004. During fiscal 2004, the Company granted options to purchase an aggregate of 25,000 shares of Common Stock pursuant to the Stock Incentive Plan. All of the recipients were non-management directors of the Company. The options vest ratably over a three-year period and are expensed in accordance with Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation.

### **CORPORATE GOVERNANCE MATTERS**

#### **Director Nominations**

The Company is committed to having sound Corporate Governance Guidelines ( Guidelines ). In conjunction with the move in 2004 of the listing of Company's Common Stock from the New York Stock Exchange to the NASDAQ Stock Market, the Board modified the Guidelines to meet or exceed the current NASDAQ listing standards. The portion of the Guidelines addressing director independence is attached to this proxy statement as Annex A, and the full text of the Guidelines can be found on the Company's website ([www.idglink.com](http://www.idglink.com)). A copy may also be obtained upon request from the Company's Corporate Secretary.

#### **Board Independence**

Pursuant to the Guidelines, the Board undertook its annual review of director independence in February 2005. During this review, the Board considered transactions and relationships between each director or any member of his immediate family and the Company and its subsidiaries and affiliates, including those reported under Certain Transactions below. The Board also examined transactions and relationships between directors or their affiliates and members of the Company's senior management or their affiliates. As provided in the Guidelines, the purpose of this review was to determine whether any relationships or transactions were inconsistent with a determination that the director is independent. The Board has determined that a majority of the members of the Board are independent as defined under applicable federal securities laws and the current NASDAQ Listing Standards. Messrs. Barth, Fenoglio, Parr, Sachs and Seigel are independent directors.

#### **Consideration of Director Nominees**

The Nominating and Corporate Governance Committee will consider candidates for Board membership who are suggested by its members and other Board members as well as management and stockholders. The Committee may also retain a third-party executive search firm to identify candidates, if it believes such a

search is warranted. A stockholder who wishes to recommend a prospective nominee for the Board should notify the Company's Corporate Secretary at the Company's corporate headquarters no later than November 30, 2005, in writing with whatever supporting material the stockholder considers appropriate for consideration at the 2006 Annual Meeting of Stockholders.

Once the Nominating and Corporate Governance Committee has identified a prospective nominee, the Committee makes an initial determination as to whether to conduct a full evaluation of the candidate. This initial determination is based on whatever information is provided to the Committee with the recommendation of the prospective candidate, as well as the Committee's own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or expand the size of the Board and the likelihood that the prospective nominee can satisfy the evaluation factors described below. If the Committee determines, in consultation with the Chairman of the Board and other Board members as appropriate, that additional consideration is warranted, it may request a third party-search firm to gather additional information about the prospective nominee's background and experience and to report its finding to the Committee. The Committee then evaluates the prospective nominee against the standards and qualifications set out in the Guidelines, including:

The ability of the prospective nominee to represent the interests of the stockholders of the Company;

The prospective nominee's standards of integrity, commitment and independence of thought and judgment;

The prospective nominee's ability to dedicate sufficient time, energy, and attention to the diligent performance of his or her duties, including the prospective nominee's service on other public company boards, as specifically set out in the Company's Guidelines;

The extent to which the prospective nominee contributes to the range of talent, skill and expertise appropriate for the Board; and

The extent to which the prospective nominee helps the Board reflect the diversity of the Company's stockholders, employees, and customers.

The Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee expertise and the evaluations of other prospective nominees. In connection with this evaluation, the Committee determines whether to interview the prospective nominee, and if warranted, one or more members of the Committee, and others as appropriate, interview prospective nominees in person or by telephone. After completing this evaluation and interview, the Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Committee.

#### **Stockholder Communications**

Communications that stockholders wish to send to the Board can be mailed to the attention of the Company's Corporate Secretary at 950 East Paces Ferry Road, NE, Suite 1575, Atlanta, Georgia 30326. Any such communication must state the number of shares beneficially owned by the stockholder making the communication. The communication will be forwarded to the full Board or to any individual director or directors to whom the communication is directed unless the communication is hostile, threatening, illegal or similarly inappropriate.

#### **Code of Ethics**

The Company has a code of ethics that applies to its Directors, Chief Executive Officer, Chief Financial Officer, Chief Information Officer, all Regional Presidents (including those Regional Presidents who are Named Executive Officers), all regional controllers, and other such executives of the Company as the Company's management deems appropriate. A copy of the code of ethics can be found on the Company's



website (www.idglink.com). A copy may also be obtained upon request from the Company's Corporate Secretary.

### Section 16(a) Beneficial Ownership Compliance Reporting

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission and the NASDAQ reports of ownership and changes in ownership of Common Stock and other equity securities. Directors, executive officers and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon a review of the copies of such reports furnished to the Company or written representations that no other reports were required, the Company believes that all of the filings required during fiscal year 2004 by executive officers and directors were timely made.

### EXECUTIVE COMPENSATION

The following table sets forth the total compensation accrued or paid by the Company, for services rendered, to the Company's Chief Executive Officer and each of the Company's four other most highly compensated executive officers (the Named Executive Officers) for the year ended December 31, 2004 and the prior two years, if applicable.

#### Summary Compensation Table

Name and Principal Position(s)	Fiscal Year	Annual Compensation			Long Term Compensation Awards		
		Salary	Bonus	Other Annual Compensation	Restricted	Securities	All Other
					Stock	Underlying	
				(1)	(1)	(2)	
Andrew B. Shearer President and Chief Executive Officer	2004	\$ 300,000	\$ 431,011(3)	\$	\$ 95,618		\$ 1,588
	2003	\$ 250,000	\$ 188,023(3)				\$ 4,422
	2002	\$ 233,333(4)	\$ 145,833(5)	\$ 59,258(6)	\$ 62,400		\$ 2,323
Jack P. Healey Senior Vice President, Chief Financial Officer and Secretary	2004	\$ 250,000	\$ 294,908(3)		\$ 61,494		\$ 9,269
	2003	\$ 215,000	\$ 129,753(3)				\$ 4,613
	2002	\$ 208,333(7)	\$ 86,000		\$ 31,200	30,000	\$ 15,935
Thomas W. Aldridge, Jr. Senior Vice President	2004	\$ 215,000	\$ 214,079(3)				\$ 12,075
	2003	\$ 215,000	\$ 129,753(3)				\$ 6,141
	2002	\$ 208,333(8)	\$ 86,000		\$ 31,200	30,000	\$ 9,549
John R. Kramer	2004	\$ 180,625	\$ 146,000		\$ 3,875		\$ 9,879

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President (Midwest region)(9)	2003	\$ 175,000	\$ 22,703(10)	\$33,603(11)			\$ 1,643
	2002	\$ 27,587			\$ 31,200	30,000	\$ 3,162
Charles A. Lingenfelter President (Southern region)	2004	\$ 220,833	\$ 853,000		\$ 199,929		\$ 3,778
	2003	\$ 200,000	\$ 393,000				\$ 9,021
	2002	\$ 186,667(12)	\$ 313,500	\$ 43,470(13)	\$ 31,200	30,000	\$ 2,250

- (1) As of December 31, 2004, Mr. Shearer held an aggregate of 32,130 restricted shares of Common Stock with a value of \$266,679, Mr. Healey held an aggregate of 17,800 restricted shares of Common Stock with a value of \$147,740, Mr. Aldridge held an aggregate of 10,000 restricted shares of Common Stock with a value of \$83,000, Mr. Kramer held an aggregate of 10,500 restricted shares of Common Stock with a value of \$87,150, and Mr. Lingenfelter held an aggregate of 35,355 restricted shares of Common Stock with a value of \$293,447. All shares are subject to forfeiture if the individual ceases to be employed by the Company. The forfeiture provisions lapse on all shares on the third anniversary of the grant date. Although no dividends are expected to be declared on the Common Stock, if the Company does declare and pay any dividends on its Common Stock in the future, such dividends will be paid on the restricted shares of Common Stock to the executives referred to above.
- (2) Amounts represent disability and health insurance premium payments.



- (3) The amount reported above for the 2004 bonus represents the amount actually earned under the Management Incentive Plan, and the amount reported for the 2003 bonus represents the amount that had been earned (and paid) under the Management Incentive Plan before adjusting for the effects of the restatement of certain 2003 financial results of the Company. Because the restatement of the Company's 2003 financial results reduced 2003 earnings, the bonus amounts that would have been earned (and paid) to Messrs. Shearer, Healey, and Aldridge for 2003, if calculated based on the restated results, were \$142,500, \$98,470, and \$98,470, respectively. The Board required that each person repay the difference between these amounts, and each of Messrs. Shearer, Healey, and Aldridge agreed to do so by voluntarily reducing his 2004 bonus by the amount of such difference. Accordingly, the bonus amounts actually paid to Messrs. Shearer, Aldridge and Healey for 2004 were \$385,511, \$263,518, and \$182,689, respectively.
- (4) Mr. Shearer earned a base salary of \$250,000 in 2002; however, from August 15, 2001 to August 31, 2002, Mr. Shearer voluntarily reduced his salary to \$225,000 due to economic conditions and their effect on the Company.
- (5) Mr. Shearer's annual bonus earned for the year ended December 31, 2002 was \$125,000. In addition, he received a bonus of \$20,833 related to his relocation.
- (6) Mr. Shearer received reimbursement of expenses in 2002 related to his relocation.
- (7) Mr. Healey earned a base salary of \$215,000 in 2002; however, from June 1, 2001 to August 31, 2002, Mr. Healey voluntarily reduced his salary to \$205,000 due to economic conditions and their effect on the Company.
- (8) Mr. Aldridge earns a base salary of \$215,000; however from June 1, 2001 to August 31, 2002, Mr. Aldridge voluntarily reduced his salary to \$205,000 due to economic conditions and their effect on the Company.
- (9) Mr. Kramer joined IDG as President of the Midwest Region in November 2002.
- (10) Mr. Kramer's annual bonus earned for the year ended December 31, 2003 was \$8,120. In addition, he received a bonus of \$14,583 related to his relocation.
- (11) Mr. Kramer received reimbursement of expenses in 2003 related to his relocation.
- (12) Mr. Lingenfelter earned a base salary of \$200,000 in 2002; however, from June 1, 2001 to August 31, 2002, Mr. Lingenfelter voluntarily reduced his salary to \$180,000 due to economic conditions and their effect on the Company.
- (13) Mr. Lingenfelter received reimbursement of expenses in 2002 related to his relocation.

The following table sets forth the fiscal year-end value of unexercised options held by the Named Executive Officers at the end of fiscal 2004. There were no stock options granted in 2004 to Named Executive Officers.

**Fiscal Year-End Option Values**

	<b>No. of Securities Underlying Unexercised Options at Fiscal Year End</b>		<b>Value of Unexercised In-the-Money Options At Fiscal Year End(1)</b>	
	<b>Exercisable</b>	<b>Unexercisable</b>	<b>Exercisable</b>	<b>Unexercisable</b>
Andrew B. Shearer	136,833		\$ 778,465	\$
Jack P. Healey	46,933	10,000	232,285	51,800
Thomas W. Aldridge, Jr.	45,000	10,000	168,600	51,800
John R. Kramer	20,000	10,000	109,200	54,600
Charles A. Lingenfelter	47,167	10,000	224,530	51,800

- (1) As required by the rules of the Securities and Exchange Commission, the value of unexercised in-the-money options is calculated based on the difference between the strike price and the closing sale price of the Company's Common Stock on the NASDAQ as of the last business day of its fiscal year, December 31, 2004, which was

\$8.30 per share.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table gives information about equity compensation awards under the Company's Stock Incentive Plan, Employee Stock Purchase Plan, and Management Incentive Program as of December 31, 2004.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans [excluding securities reflected in column (a)]
<b>Equity compensation plans approved by stockholders</b>	914,669	\$4.61	526,911(1)
<b>Equity compensation plans not approved by stockholders</b>	140,000	\$3.92	0
<b>Total</b>	1,054,669	\$4.52	526,911(1)

(1) Includes 254,081 shares of Common Stock available for grant under the Stock Incentive Plan, 112,261 shares available for grant under the Employee Stock Purchase Plan, and 160,569 shares of Common Stock available for grant under the Management Incentive Program, in each case as of December 31, 2004.

**Non-Stockholder Approved Equity Arrangements**

In 2002, the Company entered into individual restricted stock agreements with its Chief Executive Officer and Chief Financial Officer, Senior Vice President, and Regional Presidents. Under these agreements, the Company granted the Chief Executive Officer 20,000 shares of Common Stock and 10,000 shares of Common Stock to each of the Chief Financial Officer, Senior Vice President, and Regional Presidents, all of which shares are restricted and subject to forfeiture if the individual ceases to be employed by the Company prior to the third anniversary of the date of grant. The forfeiture provisions lapse on the third anniversary of the date of the grant if the trading price of the Common Stock has exceeded the trading price on the date of the grant for 20 consecutive days. In addition, the forfeiture provisions will lapse upon a change in control (as defined in the restricted stock agreements). The shares of Common Stock will become fully vested in May 2005.

**CERTAIN TRANSACTIONS****Related Party Matters**

The Company has entered into certain real property leases as lessee with respect to which stockholders of the Company, or their affiliates, are the lessors. The Company currently leases two properties with respect to which Mr. Shearer is the lessor. The properties are located in York and Whitehall, Pennsylvania. Total annual rent under the terms of both leases for 2004 was \$414,255. The Company believes that the annual rent and other terms of these leases are no less favorable to the Company than could be obtained from unaffiliated parties for comparable properties in the York and Whitehall, Pennsylvania areas. Mr. Shearer is the President and Chief Executive Officer and a director of the Company.

The Company currently leases property from a company in which Mr. Sachs, a director of the Company, has a 15% ownership interest. Although the Company is not required to disclose this transaction because it totals less than \$60,000 per year, it is disclosed because Mr. Sachs is a director of the Company.

**Policy Respecting Related Party Transactions**

The Board's policy is that any transactions between the Company and any of its officers, directors, principal stockholders, or affiliates must be on terms no less favorable than those that could be obtained from

unaffiliated parties in comparable situations and must be approved by a majority of the disinterested members of the Board. The Audit Committee of the Board is responsible for reviewing all related party transactions on a continuing basis and all potential conflict of interest situations where appropriate.

**Compensation Committee Interlocks And Insider Participation**

Messrs. Barth, Fenoglio, Parr, and Seigel served as members of the Company's Compensation Committee throughout the 2004 fiscal year. None of the executive officers of the Company served as either a member of the Compensation Committee or a director of any entity of which any member of the Compensation Committee is an executive officer.

**REPORT OF COMPENSATION COMMITTEE**

This report documents the components of the Company's compensation programs for its executive officers, including Regional Presidents, and sets forth the factors used to determine fiscal 2004 compensation with respect to the Chief Executive Officer and other Named Executive Officers of the Company. All fiscal 2004 compensation decisions with respect to base salaries, annual incentive compensation, restricted stock grants, and benefits for these executives were made by the Compensation Committee (the Committee).

**Overall Executive Compensation Philosophy**

The Committee seeks to develop programs and policies for the compensation of the Company's executive officers that will link the compensation of executive officers to the financial performance of the Company. Specifically, the Committee has tied the level of the Company's executive compensati