

FASTENAL CO
Form DEF 14A
February 23, 2012
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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ..

Check the appropriate box:

- .. Preliminary Proxy Statement
- .. Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- .. Definitive Additional Materials
- .. Soliciting Material Under Rule 14a-12

Fastenal Company

(Name of Registrant as Specified in its Charter)

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

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

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- 3) Filing Party:

- 4) Date Filed:

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2001 Theurer Boulevard

Winona, Minnesota 55987-0978

(507) 454-5374

February 23, 2012

Dear Fellow Shareholders:

I am pleased to invite you to attend our annual meeting to be held at Fastenal's offices at 2001 Theurer Boulevard, Winona, Minnesota, commencing at 10:00 a.m., central time, on Tuesday, April 17, 2012.

The notice of annual meeting and the proxy statement, which follow, describe the matters to come before the annual meeting. During the annual meeting, we will also review the activities of the past year and items of general interest about Fastenal and will be pleased to answer your questions. Please join us for lunch immediately following the annual meeting.

This year we are again taking advantage of a Securities and Exchange Commission rule allowing us to furnish our proxy material over the internet. If you are a shareholder who holds shares in an account with a broker (also referred to as shares held in street name), you will receive a notice regarding availability of proxy materials by mail from your broker. The notice will tell you how you can access our proxy materials and provide voting instructions to your broker over the internet. It will also tell you how to request a paper or e-mail copy of our proxy materials. If you are a shareholder whose shares are registered directly in your name with our transfer agent, Wells Fargo Bank, N.A. (a registered shareholder), you will continue to receive a copy of our proxy materials by mail as in previous years.

We hope that you will be able to attend the annual meeting in person and we look forward to seeing you. Whether or not you plan to attend the meeting, your vote is important and we encourage you to vote promptly.

Sincerely,
Robert A. Kierlin
Chairman of the Board

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FASTENAL COMPANY

Notice of Annual Meeting of Shareholders

DATE & TIME	Tuesday, April 17, 2012 at 10:00 a.m. (central time)
PLACE	Fastenal Company 2001 Theurer Boulevard Winona, Minnesota 55987 (meeting held in the warehouse)
ITEMS OF BUSINESS	<ol style="list-style-type: none">1. The election of a board of directors consisting of nine members to serve until the next regular meeting of shareholders or until their successors have been duly elected and qualified.2. The ratification of the selection of KPMG LLP as independent registered public accounting firm for the year ending December 31, 2012.3. An advisory vote on a non-binding resolution to approve the compensation of certain of our executive officers disclosed in this proxy statement.4. The approval of an amended and restated Fastenal Company Incentive Plan.5. The approval of an amendment to our restated articles of incorporation to require a majority vote for the election of directors.6. The transaction of such other business as may properly be brought before the annual meeting.
RECORD DATE	You may vote at the annual meeting if you were a shareholder of record at the close of business on February 22, 2012.
VOTING BY PROXY	YOUR VOTE IS IMPORTANT Your proxy is important to ensure a quorum at the annual meeting. Even if you own only a few shares, and whether or not you plan to attend the meeting, please follow the instructions you received to vote your shares as soon as possible, to ensure that your shares are represented at the meeting.

By Order of the Board of Directors,
Daniel L. Florness
Executive Vice-President and

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Chief Financial Officer

Winona, Minnesota

February 23, 2012

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PROXY STATEMENT

Proxies are being solicited by the board of directors of Fastenal Company (hereinafter referred to as Fastenal or by terms such as the company, we, our, or us) for use in connection with the annual meeting to be held on Tuesday, April 17, 2012 at our principal executive office commencing at 10:00 a.m., central time, and at any adjournments thereof. The address of our principal executive office is 2001 Theurer Boulevard, Winona, Minnesota 55987-0978 and our telephone number is (507) 454-5374. The mailing of this proxy statement and our board of directors form of proxy to shareholders whose shares are registered directly in their names with our transfer agent (registered shareholders) will commence on or about March 2, 2012. The mailing of the notice regarding availability of proxy materials to our shareholders who hold shares in accounts with brokers (also referred to as shares held in street name) will commence on or about the same date.

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GENERAL INFORMATION ABOUT THE MEETING AND VOTING

What am I voting on?

These are the proposals scheduled to be voted on at the annual meeting:

Election of all nine directors (Proposal #1);

Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2012 (Proposal #2);

Adoption of the resolution approving, on an advisory basis, the compensation of certain of our executive officers (Proposal #3);

Approval of an amended and restated Fastenal Company Incentive Plan (Proposal #4); and

Approval of an amendment to our restated articles of incorporation to require a majority vote for the election of directors (Proposal #5).

Who is entitled to vote?

The common stock of Fastenal, par value \$.01 per share, is our only authorized and issued voting security. At the close of business on February 1, 2012, there were 295,278,974 shares of common stock issued and outstanding, each of which is entitled to one vote. Only shareholders of record at the close of business on February 22, 2012 will be entitled to vote at the annual meeting or any adjournments thereof.

What constitutes a quorum?

The presence at the annual meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding at the close of business on the record date will constitute a quorum for the transaction of business at the meeting.

How many votes are required to approve each proposal?

Election of Directors

The affirmative vote of a plurality of the shares of common stock present in person or by proxy at the annual meeting and entitled to vote is required for the election to our board of directors of each of the nominees for director. Shareholders do not have the right to cumulate their votes in the election of directors.

Ratification of Independent Registered Public Accounting Firm, Approval of an Amended and Restated Fastenal Company Incentive Plan, and Approval of an Amendment to our Restated Articles of Incorporation

The affirmative vote of the holders of the greater of (1) a majority of the shares of common stock present in person or by proxy at the annual meeting and entitled to vote or (2) a majority of the minimum number of shares entitled to vote that would constitute a quorum for the transaction of business at the annual meeting, is required for approval of Proposals #2, #4, and #5.

Approval of Executive Compensation

The vote to approve our executive compensation is advisory and not binding on our board of directors. However, our board will consider our shareholders to have approved our executive compensation if the number of votes FOR Proposal #3 exceeds the number of votes AGAINST Proposal #3.

How are votes counted?

You may either vote FOR or WITHHOLD authority to vote for each nominee for election to the board of directors. You may vote FOR AGAINST or ABSTAIN on Proposals #2, #3, #4, and #5. Abstentions will be counted as present for purposes of determining the existence of a quorum. If you abstain from voting on any proposal other than the election of directors or Proposal #3, it has the same effect as a vote against the proposal. An abstention will not have any effect on the outcome of the election of directors or on Proposal #3. If you just sign and submit a proxy card without voting instructions, your shares will be voted FOR each director nominee and FOR or AGAINST any other proposal as recommended by the board.

What is a broker non-vote?

If shareholders do not give their brokers instructions as to how to vote shares held in street name, the brokers have discretionary authority to vote those shares on routine matters, such as the ratification of independent registered public accounting firms, but not on non-routine proposals, such as the election of directors, advisory votes regarding executive compensation, and proposals to approve an amended and restated Fastenal Company Incentive Plan and to amend our articles of incorporation. As a result, if you hold your shares in street name and do not provide voting instructions to your broker, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. This is sometimes called a broker non-vote. Shares held by brokers who do not have discretionary authority to vote on a particular matter and who have not received voting instructions from their customers will be counted as present for the purpose of determining whether there is a quorum at the annual meeting, but will not be counted or deemed to be present in person or by proxy for the purpose of determining whether our shareholders have approved that matter.

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How does the board recommend that I vote?

Fastenal's board recommends that you vote your shares:

FOR each of the nominees to the board named in this proxy statement;

FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2012;

FOR the non-binding approval of our executive compensation;

FOR the approval of the amended and restated Fastenal Company Incentive Plan; and

FOR the approval of the amendment to our restated articles of incorporation.

How do I vote my shares without attending the annual meeting?

Registered Shareholders

If you are a registered shareholder, you may vote without attending the annual meeting by telephone, over the internet, or by mail as described below. To vote:

By telephone, (1) on a touch-tone telephone, call toll-free 1-800-690-6903, 24 hours a day, seven days a week, until 11:59 p.m., eastern time, on April 16, 2012, (2) have your proxy card available, and (3) follow the simple instructions provided;

Over the internet, (1) go to www.proxyvote.com, 24 hours a day, seven days a week, until 11:59 p.m., eastern time, on April 16, 2012, (2) have your proxy card available, and (3) follow the simple instructions provided; and

By mail, (1) mark, date, and sign the enclosed proxy card, and (2) return the proxy card in the enclosed postage-paid envelope to Fastenal Company, c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717. You should sign your name exactly as it appears on the proxy card. If you are signing the proxy card in a representative capacity (for example, as guardian, executor, trustee, custodian, attorney or officer of a corporation), you should indicate your name and title or capacity.

Shares held jointly by two or more registered shareholders may be voted by any joint owner, unless we receive written notice from another joint owner denying the authority of the first joint owner to vote those shares.

Shares Held in Street Name

If you hold your shares in street name, you will receive a notice regarding availability of proxy materials that will tell you how to access our proxy materials and provide voting instructions to your broker over the internet. It will also tell you how to request a paper or e-mail copy of our proxy materials. As noted above, if you hold your shares in street name and do not provide voting instructions to your broker, your shares will not be voted on any proposals on which your broker does not have discretionary authority to vote.

Shares Held in the Fastenal Company and Subsidiaries 401(k) and Employee Stock Ownership Plan (the 401(k) plan)

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If you participate in our 401(k) plan and have investments in the Fastenal stock fund, you will receive instructions from the trustee of the plan that you must follow in order for shares attributable to your account to be voted. The trustees will vote shares for which no directions have been timely received, and shares not credited to any participant's account, in proportion to votes cast by participants who have timely responded.

How do I vote my shares in person at the annual meeting?

If you are a registered shareholder and prefer to vote your shares at the annual meeting, bring the enclosed proxy card or proof of identification. You may vote shares held in street name only if you obtain a signed proxy from the record holder (broker or other nominee) giving you the right to vote the shares. Shares attributable to your account in our 401(k) plan may not be voted by you in person at the annual meeting. Even if you plan to attend the annual meeting, we encourage you to vote in advance by telephone, over the internet, or by mail so that your vote will be counted if you later decide not to attend the meeting. If you wish to vote in person at the annual meeting and have previously submitted a proxy, you must deliver to an officer of Fastenal a written notice of termination of the proxy's authority before the vote. Attendance at the annual meeting will not itself revoke a previously granted proxy.

How do I change my vote?

If you are a registered shareholder, you may revoke your proxy at any time prior to the vote at the annual meeting by delivering to an officer of Fastenal a written notice of termination of the proxy's authority or a properly signed proxy bearing a later date, or by submitting a subsequent proxy by telephone or over the internet. If you hold your shares in street name or through our 401(k) plan and wish to change your vote, you should follow the instructions received from your broker or the trustee of the plan.

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PROPOSAL #1 ELECTION OF DIRECTORS**Nominees and Required Vote**

Our bylaws direct that our business will be managed by or under the direction of a board of directors of not less than five or more than 12 directors. Within this range, the exact number of directors is fixed from time to time by the board of directors. Each director will be elected at the annual meeting for a term that expires at the next regular shareholders meeting and will hold office for the term for which he or she was elected or until a successor is elected and has qualified.

Each of the nominees named below is a current director of Fastenal and has indicated a willingness to be named in this proxy statement and to serve as a director for the ensuing year. Each of the nominees has been previously elected by our shareholders. Proxies solicited by the board of directors will, unless otherwise directed, be voted to elect the nine nominees named below to constitute the entire board. Notwithstanding the foregoing, in case any such nominee is not a candidate at the annual meeting of shareholders for any reason, the proxies named in the enclosed proxy card may vote for a substitute nominee in their discretion.

The following table sets forth certain information as to each director and nominee for the office of director:

Name	Age	Director since	Independent	Position
Robert A. Kierlin	72	1968	Yes	Chairman of the Board and Director
Stephen M. Slaggie	72	1970	Yes	Director
Michael M. Gostomski	71	1973	Yes	Director
Willard D. Oberton	53	1999	No	Chief Executive Officer, President, and Director
Michael J. Dolan	63	2000	Yes	Director
Reyne K. Wisecup	49	2000	No	Executive Vice President Human Resources and Director
Hugh L. Miller	68	2007	Yes	Director
Michael J. Ancius	47	2009	Yes	Director
Scott A. Satterlee	43	2009	Yes	Director

Director Qualifications

Fastenal's board of directors is comprised of a diverse group of individuals of varying backgrounds and experiences. Three are long-standing members each with over forty years of experience in the company and the industry. Each independent director has a resume of entrepreneurial experience in leading a business from which he is able to contribute complementary expertise to the company. Our management directors bring important internal insights and perspective developed during their years of experience in operations and administration at the company. They provide direct-line feedback for the people-centered culture that has played a major role in the company's success. Our independent directors contribute a variety of expertise derived from their backgrounds in the areas of entrepreneurial leadership, strategic planning, multi-location sales and marketing, manufacturing, distribution, international market development, publicly-held company reporting, professional administration, investor relations, risk management, and accounting.

The board believes each of the nominees possesses the experience, skills, and attributes to serve on the company's board of directors, and collectively contribute to its ongoing success.

Mr. Robert A. Kierlin has served as chairman of the board since the company's incorporation and is our founder. The company was started with his initiative, vision, and analysis of a business opportunity largely unmet in the fastener supply and distribution markets and he identified the store locations the company initially pursued. His entrepreneurialism, market analysis, determination, operating skill and prudence, strategic insights, integrity, and furtherance of a unique corporate culture based upon finding, directing, retaining, and motivating employees with opportunities and compensation incentives, have been, and continue to be, significant contributing factors to the company's success.

Mr. Kierlin served as the company's chief executive officer from 1968 through 2002, and its president from 1968 through July 2001. In addition, he served as a Minnesota State Senator from April 1999 through 2006, and has been and continues to serve as a board member of multiple businesses and a member and leader of numerous community and educational boards and organizations.

Mr. Kierlin has been a director of Fastenal since 1968.

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Mr. Stephen M. Slaggie is a long-serving member of the company's board. He was in the banking and insurance businesses, most notably with the insurance and real estate firm of Gate City Agency where he was a principal and owner, from 1966 through 1987, when he joined Fastenal as a full time employee. He served as our treasurer from 1970 through June 1996, and as our corporate secretary from 1970 through June 2003, when he retired as an employee. While actively involved with the company, he managed multiple functions including insurance risk management, leasing, real estate, human resources, and investor relations. His experienced background in all of these matters, but particularly risk management and investor relations, provides a valuable resource to the company and its board. In addition, Mr. Slaggie has served as a member and leader of many community and educational boards and organizations, including the board of regents of St. John's University, Collegetown, Minnesota.

Mr. Slaggie has been a director of Fastenal since 1970.

Mr. Michael M. Gostomski is a long-serving member of the company's board. He has never been employed by, nor has he held any type of operating role with, Fastenal. His primary background is in the heating, air-conditioning, and ventilation business with professional skills developed through years of service in all aspects of that business. Since 1993, he has been president and chief executive officer of Winona Heating and Ventilating, Inc., a Winona, Minnesota-based company in the heating, ventilating, air-conditioning, and roofing business with a primary focus on commercial customers and industrial applications. Currently, he serves on the board of Multi-Stack, LLC, a leading originator and innovator in the design, manufacture, distribution, and installation of modular water chilling equipment utilizing environmentally conducive refrigerants to improve the manufacturing processes of manufacturers of commercial and consumer products. His first-hand knowledge of the use of industrial products in the construction, HVAC, and manufacturing businesses, and how to sell into these markets, provides useful insights to the marketing and distribution of industrial products by Fastenal. He currently serves as chair of the board of St. Mary's University, Winona, Minnesota, and has been a member of its board of trustees for many years.

Mr. Gostomski has been a director of Fastenal since 1973 and is a member of our compensation committee.

Mr. Willard D. Oberton has served as the company's president since July 2001, and has been our chief executive officer since December 2002. He began his business career with Fastenal in January 1980, and was promoted to branch manager, then district manager, and later to general operations manager. He served as our vice-president from March 1997 through June 2000, as our executive vice-president from June 2000 through July 2001, and as our chief operating officer from March 1997 through December 2002. Mr. Oberton's professional career has grown from within Fastenal as he has successfully worked, managed, and provided leadership to most of the departments and disciplines integral to the company's growth and financial success. This varied experience with the company gives him unique insights into the company's success drivers and in developing and leading the execution of the company's strategy. He truly epitomizes Fastenal's philosophy of promotion from within whenever possible.

In addition, Mr. Oberton serves on the board of directors of publicly-held Donaldson Company, which gives him useful insight into another organization's corporate governance, compensation planning, and strategic development. Also, he serves on the board of WinCraft, a privately-held company involved in manufacturing and distributing promotional marketing merchandise, which are important disciplines helpful to successfully managing Fastenal. Additionally, he has served on the boards of other community and educational organizations, including the board of trustees of St. Benedict's College, St. Joseph, Minnesota.

Mr. Oberton has been a director of Fastenal since 1999.

Mr. Michael J. Dolan served as chief operating officer of The Smead Manufacturing Company from October 1995 through February 2001, participating in the management and leadership of that privately-owned manufacturer of office filing products. Smead, through its 3,000 employees, achieved \$500 million in annual revenues during Mr. Dolan's tenure by operating multi-plant locations in North America and Europe and selling and distributing products in all fifty states and internationally. Prior to 1995, Mr. Dolan was a partner in the international audit and accounting firm of KPMG LLP, which assisted in taking Fastenal public in 1987. He was associated with KPMG LLP for a total of twenty-five years during which time he specialized in advising distribution, transportation, and manufacturing companies, several of which were publicly-held. Since March 2001, Mr. Dolan has worked as a business consultant. His operations background in manufacturing, multi-location distribution, transportation, and marketing serves the board and company in these areas integral to Fastenal's business, and provides experience in evaluating business risk as well as opportunity. His financial background and experience in accounting and reporting matters and in advising publicly-held companies provides the experience needed to chair the company's audit and compensation committees. He has also served on other community and educational boards, including the board of trustees of St. Mary's University, Winona, Minnesota.

Mr. Dolan has been a director of Fastenal since 2000, and is chair of our audit and compensation committees.

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Ms. Reyne K. Wisecup serves as the company's executive vice president - human resources. She began her career at Fastenal in 1988, and served in various operational and administrative areas until being named human resources director in April 1997. In April 2002, she was promoted to vice-president of employee development, a position she held until November 2007, when she was made executive vice president - human resources.

In her capacity as executive vice president - human resources, Ms. Wisecup has management responsibilities for the company's human resources department which includes human relations, payroll and benefits, equal opportunity and affirmative action, insurance, legal, and the Fastenal School of Business. Because we credit much of our success to our people centered decentralized structure relying upon the entrepreneurial motivation and creative energy of our employees, Ms. Wisecup provides a very useful direct link from the employees to the board which aids the board in shaping employee relations. Her career path also epitomizes the promote from within philosophy which is a cornerstone of Fastenal's culture.

Ms. Wisecup has been a director of Fastenal since 2000.

Mr. Hugh L. Miller has been president and chief executive officer of RTP Company, a privately owned custom compounder of thermoplastic materials headquartered in Winona, Minnesota, since 1985. This manufacturing company, with over \$300 million of annual revenues and eleven plant locations throughout the world, has grown profitably under his strategic guidance and daily executive leadership. In addition to the worldwide manufacturing locations, the company has had a significant international presence for well over 15 years and currently has sales offices in countries such as Singapore, China, Japan, India, Korea, Malaysia, France, and Germany, all areas of Fastenal's strategic focus. Mr. Miller's experience in developing and growing a successful business dependent on diverse customer relationships in unique foreign cultures contributes needed insight to Fastenal's management team as it pursues international opportunities. Additionally, he has served as a member and leader of several community boards and organizations.

Mr. Miller has been a director of Fastenal since 2007 and is a member of our audit committee.

Mr. Michael J. Ancius serves as the director of strategic planning, financing, and taxation of Kwik Trip, Inc., a position he has held since 1997. Kwik Trip is a privately-held multi-location retail convenience store chain and food processing and logistics company headquartered in LaCrosse, Wisconsin, with \$4 billion in annual revenues and over 10,000 employees at 400 locations. Prior to 1997, Mr. Ancius was a senior manager with the certified public accounting firm of RSM McGladrey for nine years, where he specialized in taxation. His background in strategic planning, board operations, capital markets, capital structures and valuations, insurance risk management, taxation, and financial and accounting matters contributes a unique set of skills to the board. Additionally, his involvement with Kwik Trip's strategic planning and in the development of compensation strategies for some 10,000 employees brings beneficial insight to our compensation committee.

Mr. Ancius has been a director of Fastenal since 2009 and is a member of our compensation committee.

Mr. Scott A. Satterlee has served as senior vice-president of transportation of C.H. Robinson Worldwide Inc., one of the world's largest third party logistics companies, since December 2007, and as a vice president of transportation of that company from early 2002 through December 2007. C.H. Robinson, with annual revenues of over \$10.3 billion, is a publicly-held global provider of transportation and logistics services headquartered in Eden Prairie, Minnesota. It serves customers through a network of offices in North America, South America, Europe, Asia, Australia, and the Middle East. C.H. Robinson utilizes a pay-for-performance incentive compensation model to motivate its employees, a philosophy consistent with Fastenal's compensation programs. Since becoming an executive officer of C.H. Robinson, Mr. Satterlee has been responsible for a portion of its existing global operations with duties that include oversight of a decentralized network of offices, each with local and global account relationships. Additionally, Mr. Satterlee has responsibility at C.H. Robinson for expanding operations into portions of South America, Europe, and Asia. He brings multi-location operational, compensation, and international business development experience to the board, all consistent with our company's strategic focus.

Mr. Satterlee has been a director of Fastenal since 2009 and is a member of our audit committee.

None of the above nominees is related to any other nominee or to any of our executive officers.

THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR

THE ELECTION OF EACH OF THE ABOVE NOMINEES

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CORPORATE GOVERNANCE AND DIRECTOR COMPENSATION

Director Independence and Other Board Matters

Our board of directors has determined that none of Mr. Kierlin, Mr. Slaggie, Mr. Gostomski, Mr. Dolan, Mr. Miller, Mr. Ancius, or Mr. Satterlee has any relationship that would interfere with the exercise by such person of independent judgment in the carrying out of his responsibilities as a director and that each such individual is an independent director under the listing standards of the NASDAQ Stock Market (herein referred to as independent directors). The independent directors constitute a majority of our board of directors.

Our board of directors provides a process for our shareholders to send communications directly to our directors. The manner in which shareholders can send communications to directors and the process for relaying such communications is described on our web site at www.fastenal.com.

We have no formal policy regarding attendance by directors at our annual meeting, although most of our directors have historically attended this meeting. Each of our directors attended our 2011 annual meeting.

Board Oversight of Risk

The board of directors recognizes that, although risk management is a primary responsibility of the company's management, the board plays a critical role in oversight of risk. The board, in order to more specifically carry out this responsibility, has assigned the audit committee the primary duty to periodically review the company's policies and practices with respect to risk assessment and risk management, including discussing with management the company's major risk exposures and the steps that have been taken to monitor and control those exposures. The compensation committee has been assigned the duty to assess the impact of the company's compensation programs on risk and recommend to the board of directors the adoption of any policies deemed necessary or advisable in order to mitigate compensation related risks. Information on the compensation committee's involvement in risk assessment and management as they relate to compensation programs is provided below under Executive Compensation Compensation Discussion and Analysis. Each committee reports to the board ensuring the board's full involvement in carrying out its responsibility for risk management.

The board's oversight role in this area has not affected its leadership structure, largely because of the level of direct communication between various members of senior management and the board and its committees.

Board Diversity

Our independent directors, with input from the management directors, are responsible for identifying and recommending to the board the nomination of individuals they consider qualified to be board members. Although the independent directors do not have a formal policy relating specifically to the consideration of diversity in the selection and evaluation of director nominees, they do seek a diversity of perspectives, backgrounds, and experiences. Important characteristics include judgment, intelligence, business background, life experiences, educational resume, employment, and leadership experiences, along with other intangibles which will, in concert with other persons already on the board, contribute to the ongoing success of the company. Characteristics and values of ambition, innovation, integrity and teamwork, consistent with those required of all company employees, are of utmost importance. In January 2012, our board formed a nominating committee which, immediately following this year's annual meeting, will become responsible for identifying and recruiting candidates to serve on our board. The newly formed committee is expected to continue the historic practices of our independent directors in considering diversity in the selection of candidates for election as directors. Further discussion regarding our new nominating committee is contained later in this document.

Board Leadership Structure and Committee Membership

Mr. Kierlin has been the chairman of the board since Fastenal's incorporation, and served as chief executive officer from 1968 through December 2002, and president from 1968 through July 2001. Although the roles of chairman and chief executive officer have been separated since 2003, in the view of the board, the advisability of continued separation of these roles will depend upon specific circumstances and the experience and background of the company's leadership. Separation of the two offices is not mandated by the company's corporate governance guidelines.

As non-executive chairman, Mr. Kierlin is the primary liaison between the chief executive officer and the other independent directors and provides strategic input and counseling to the chief executive officer. With input from the other board members, committee chairs and management, he develops the agenda for board meetings, sets board meeting schedules, presides over meetings of the board, and assigns leadership responsibilities for executive sessions of the independent directors. As the company's founder, former president and chief executive officer, and as board chairman and member for over forty years, Mr. Kierlin has extensive knowledge of the company and the industry, and its

opportunities and challenges, and has a productive working relationship with the chief executive officer and other senior management members.

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The board, collectively and through its committees, executes its monitoring and oversight responsibilities and does not expect its chairman to handle those duties. Under the present circumstances, and with the combination of experience and backgrounds, Fastenal's board believes separation of the roles of chairman and chief executive officer is the best way to operate the company given its flat organizational and management structure. The current separation of these offices provides greater opportunity for the chief executive officer and other members of senior management to generally avail themselves of Mr. Kierlin's extensive knowledge, and allows adequate time for the chairman and chief executive officer to dedicate the time and energy enabling each to function most effectively.

During 2011, we had two standing board committees, consisting of an audit committee and a compensation committee. The members of our audit committee and compensation committee during 2011, and the number of meetings held by the board and by each committee during 2011, are detailed below. During 2011, each director attended more than 75% of the aggregate number of meetings of the board and the various committees on which he or she served during 2011.

	Board	Audit	Compensation
Mr. Kierlin	Chairman		
Mr. Slaggie	X		
Mr. Gostomski	X		X
Mr. Oberton	X		
Mr. Dolan	X	Chairman	Chairman
Ms. Wisecup	X		
Mr. Miller	X	X	
Mr. Ancius	X		X
Mr. Satterlee	X	X	
Number of 2011 meetings	4	6	5

During 2011, we did not have a nominating committee or any other committee of the board of directors performing equivalent functions. In January 2012, our board established a formal nominating committee and appointed Mr. Dolan (chairman), Mr. Miller, and Mr. Ancius as its members.

Audit Committee

Our audit committee consists of three directors, each of whom is an independent director. Our board of directors has determined that Mr. Dolan is an audit committee financial expert under the rules of the SEC.

The audit committee is responsible for overseeing our management and independent registered public accounting firm as to corporate accounting, financial reporting, internal controls, audit matters, and corporate risk management, and has the authority to:

Select, evaluate, compensate, and replace our independent registered public accounting firm;

Pre-approve services to be provided by our independent registered public accounting firm;

Review and discuss with our management and independent registered public accounting firm our interim and audited annual financial statements, and recommend to our board whether the audited annual financial statements should be included in our annual report on Form 10-K;

Review and discuss with management our major risk exposures and the steps that management has taken to monitor and control such exposures;

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Monitor the activities and performance of our internal auditors and our independent registered public accounting firm;

Monitor the independence of our independent registered public accounting firm;

Oversee our internal compliance programs;

Review related person transactions for potential conflict-of-interest situations; and

Establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters.

Our audit committee operates under a written charter originally adopted by our board of directors in June 2000 and most recently amended and restated in January 2011. The audit committee reviews its charter on an annual basis to determine if any amendments are needed. A copy of the current charter is available on our website at www.fastenal.com.

Related Person Transaction Approval Policy

In January 2007, our board of directors adopted a formal written related person transaction approval policy, which sets out our policies and procedures for the review, approval, or ratification of related person transactions. For these purposes, a related person is a director, nominee for director, executive officer, or holder of more than 5% of our common stock, or any immediate family member of any of the foregoing. This policy is reviewed periodically to determine if any amendments are needed. A copy of the current policy is available on our website at www.fastenal.com.

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This policy applies to any financial transaction, arrangement or relationship or any series of similar financial transactions, arrangements or relationships in which Fastenal is a participant and in which a related person has a direct or indirect interest, other than the following:

Payment of compensation by Fastenal to a related person for the related person's service in the capacity or capacities that give rise to the person's status as a related person ;

Transactions available to all employees or all shareholders on the same terms;

Purchases of supplies from Fastenal in the ordinary course of business at the same price and on the same terms as offered to our other customers, regardless of whether the transactions are required to be reported in Fastenal's filings with the SEC; and

Transactions, which when aggregated with the amount of all other transactions between the related person and Fastenal, involve less than \$120,000 in a year.

Our audit committee is required to approve any related person transaction subject to this policy before commencement of the related person transaction, provided that if the related person transaction is identified after it commences, it must be brought to the audit committee for ratification, amendment, or rescission. The chairman of our audit committee has the authority to approve or take other actions in respect of any related person transaction that arises, or first becomes known, between meetings of the audit committee, provided that any action by the chairman must be reported to our audit committee at its next regularly scheduled meeting.

Our audit committee will analyze the following factors, in addition to any other factors the members of the audit committee deem appropriate, in determining whether to approve a related person transaction:

Whether the terms are fair to Fastenal;

Whether the transaction is material to Fastenal;

The role the related person has played in arranging the related person transaction;

The structure of the related person transaction; and

The interests of all related persons in the related person transaction.

Our audit committee may, in its sole discretion, approve or deny any related person transaction. Approval of a related person transaction may be conditioned upon Fastenal and the related person following certain procedures designated by the audit committee.

Transactions with Related Persons

There were no related person transactions during 2011 required to be reported in this proxy statement.

Compensation Committee

Our compensation committee was appointed by our board of directors to discharge the board's responsibilities relating to compensation of Fastenal's executive officers and to oversee and advise the board on the adoption of policies that govern our compensation and benefit programs.

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Our compensation committee consists of three directors, each of whom qualifies as an independent director. Our compensation committee has the authority to:

Evaluate our chief executive officer's performance, and determine and approve all elements of our chief executive officer's compensation;

Review the evaluations of the performance of our other executive officers, and approve all elements of their compensation;

Approve incentive plan goals for executive officers, review actual performance against goals, and approve plan awards;

Review our compensation programs for management employees generally, and make recommendations to our board concerning the adoption or amendment of compensation plans;

Review and approve all changes in Fastenal's benefit plans which could result in material changes in costs or the benefit levels provided;

Review our compensation policies and practices as they relate to risk management practices and risk-taking incentives, and recommend to the board of directors the adoption of policies to mitigate risks arising from compensation policies and practices;

Oversee the process by which the company conducts advisory shareholder votes regarding compensation matters; and

Review and discuss with management our Compensation Discussion and Analysis and recommend to our board the inclusion of the Compensation Discussion and Analysis in Fastenal's annual proxy statement.

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Our compensation committee may delegate to our chief executive officer the authority, within pre-existing guidelines established by the compensation committee, to approve awards of equity-based compensation under established plans to employees other than executive officers. Our chief executive officer may be present during deliberations of the compensation committee on the compensation of our other executive officers and may provide input at the request of the compensation committee on that compensation, but may not vote on executive compensation.

Our compensation committee operates under a written charter originally adopted by our board of directors in February 2007, and most recently amended and restated in January 2011. The compensation committee reviews its charter on an annual basis to determine if any amendments are needed. A copy of the current charter is available on our web site at www.fastenal.com.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee has ever been an officer or employee of Fastenal. No executive officer serves, or in the past has served, as a member of the board of directors or compensation committee (or other board committee performing equivalent functions) of any other entity that has any of its executive officers serving as a member of our board of directors or compensation committee.

Compensation of our Directors

Our chairman of the board made recommendations regarding director compensation for 2011 to the full board and the board made the final decision regarding director compensation after consideration of such recommendations. All of our directors, including our chief executive officer, participated in the deliberations of the board regarding director compensation.

During 2011, each of our directors received an annual retainer of \$15,000 for his or her services as a director. In addition, the chair of the audit committee received an annual retainer of \$15,000 and the chair of the compensation committee received an annual retainer of \$10,000. The annual retainers were paid at the first meeting of the year. Each of the non-employee directors, other than the chairman of the board, received \$4,000 (plus reimbursement of reasonable expenses) for attendance at each regular meeting of the board and each committee meeting. The chairman of the board received a monthly retainer of \$5,000 in lieu of meeting attendance fees.

The following table sets forth information with respect to the 2011 compensation for each of our directors, in their capacity as directors, other than our chief executive officer. Our chief executive officer's compensation, in his capacity as a director and an executive officer of Fastenal, is set out in the Summary Compensation Table later in this document.