

DONALDSON CO INC
Form DEF 14A
October 06, 2008
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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

Donaldson Company, Inc.

(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:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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DONALDSON COMPANY, INC.

1400 West 94th Street

Minneapolis, Minnesota 55431-2370

www.donaldson.com

NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

TIME: 1:00 p.m. (local time) on Friday, November 21, 2008

PLACE: Donaldson Company, Inc. Corporate Offices, Campus West, 2001 West 94th Street, Minneapolis, Minnesota 55431.

ITEMS OF BUSINESS:

- (1) To elect three directors;
- (2) To ratify the appointment of PricewaterhouseCoopers LLP as Donaldson Company's independent registered public accounting firm to audit the Company's financial statements for the fiscal year ending July 31, 2009; and
- (3) To transact other business that properly comes before the meeting.

RECORD DATE: You may vote if you are a stockholder of record at the close of business on September 23, 2008.

PROXY VOTING: It is important that your shares be represented and voted at the Annual Meeting. Instructions on voting your shares are on the Notice of Internet Availability of Proxy Materials you received for the Annual Meeting. If you received paper copies of the proxy materials, instructions on the three different ways to vote your shares are found on the enclosed proxy card. You should vote by proxy even if you plan to attend the Annual Meeting. Your support is appreciated, and you are cordially invited to attend the Annual Meeting.

PLEASE PROMPTLY VOTE YOUR PROXY TO SAVE US THE EXPENSE OF ADDITIONAL SOLICITATION.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on November 21, 2008: Our 2008 Proxy Statement and our Fiscal 2008 Annual Report to Stockholders are available at www.proxyvote.com.

By Order of the Board of Directors

Norman C. Linnell
Secretary

Dated: October 7, 2008

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DONALDSON COMPANY, INC.

1400 West 94th Street

Minneapolis, Minnesota 55431

PROXY STATEMENT
Mailing Date: October 7, 2008

PROPOSALS YOU ARE ASKED TO VOTE ON

Item 1

Election of Directors

Three current directors, F. Guillaume Bastiaens, Janet M. Dolan, and Jeffrey Noddle, are recommended for election to the Board of Directors at the annual meeting. Information on the nominees is provided on page 7. Directors are elected for a three-year term so that approximately

one-third are elected at each annual meeting of stockholders.

The Board of Directors unanimously recommends a vote FOR the election of each director nominee.

Item 2

Ratification of the Appointment of Independent Registered Public Accounting Firm

The Audit Committee has selected PricewaterhouseCoopers LLP as Donaldson Company's independent registered public accounting firm to audit the Company's financial statements for the fiscal year ending July 31, 2009, and is requesting ratification by the stockholders.

The Board of Directors unanimously recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Donaldson Company's independent registered public accounting firm to audit the Company's financial statements for the fiscal year ending July 31, 2009.

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QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Q: *Why did I receive access to this Proxy Statement?*

A: Because the Board of Directors of Donaldson is soliciting proxies for use at the annual meeting to be held on November 21, 2008 and you are a Donaldson stockholder as of the close of business on the record date of September 23, 2008. Only stockholders of record are entitled to vote at the annual meeting and the Board of Directors is soliciting your proxy to vote at the meeting. We had 76,917,375 shares of common stock outstanding as of close of business on the record date. Each share entitles its holder to one vote, and there is no cumulative voting.

This Proxy Statement summarizes the information you need to know to vote. We first mailed or otherwise made available the Proxy Statement and form of proxy to stockholders on or about October 7, 2008.

Q: *Why did I receive a notice in the mail regarding the internet availability of proxy materials instead of a full set of proxy materials?*

A: In accordance with rules adopted by the Securities and Exchange Commission (the "SEC"), we may now furnish proxy materials, including this Proxy Statement and our Fiscal 2008 Annual Report to Stockholders, to our stockholders by providing access to such documents on the internet instead of mailing printed copies. Most stockholders will not receive printed copies of the proxy materials unless they request them. Instead, the Notice of Internet Availability of Proxy Materials, which was mailed to most of our stockholders, will instruct you as

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to how you may access and review all of the proxy materials on the internet. Such notice also instructs you as to how you may submit your proxy on the internet. By accessing and reviewing the proxy materials on the internet, you will save us the cost of printing and mailing these materials to you and reduce the impact of such printing and mailing on the environment. If you would like to receive a paper copy of our proxy materials, you should follow the instructions for requesting such materials provided in the Notice of Internet Availability of Proxy Materials.

Q: *What am I voting on and what does the Board recommend?*

- A:
1. The election of three directors; and
 2. The ratification of the appointment of our independent registered public accounting firm for the fiscal year ending July 31, 2009.

THE BOARD RECOMMENDS A VOTE FOR EACH OF THE DIRECTORS AND FOR THE RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

Q: *How do I vote if I am a stockholder of record?*

A: If you are a stockholder of record you may vote using any ONE of the methods:

1. VOTE BY PHONE TOLL FREE 1-800-690-6903
2. VOTE BY INTERNET <http://www.proxyvote.com>
3. VOTE BY PROMPTLY COMPLETING, SIGNING AND MAILING YOUR PROXY CARD (if you received paper copies of the proxy materials)
4. VOTE BY CASTING YOUR VOTE IN PERSON AT THE MEETING

If you participate in the Donaldson Dividend Reinvestment Program open to all stockholders and administered by the transfer agent, your shares in that program have been added to your other holdings and are included in your proxy materials.

If you participate in the Donaldson Employee Stock Purchase Program administered by the transfer agent, your shares in that program have been added to your other holdings and are included in your proxy materials.

Q: *How do I vote if I hold stock through a Donaldson employee benefit plan?*

A: We have added the shares of common stock held by participants in Donaldson's employee benefit plans to the participants' other holdings shown on their proxy materials. Donaldson's employee benefit plans are the Employee Stock Ownership Plan, the PAYSOP, and the Donaldson Company, Inc. Retirement Savings Plan (the 401(k) Plan).

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If you hold stock through Donaldson's employee benefit plans, voting your proxy using one of methods 1-3 above also serves as confidential voting instructions to the plan trustee, Fidelity Management Trust Company (Fidelity). Fidelity will vote your employee benefit plan shares as directed by you provided that your proxy vote is **RECEIVED BY NOVEMBER 18, 2008**.

Fidelity also will vote the shares allocated to individual participant accounts for which it has not received instructions, as well as shares not so allocated, in the same proportion as the directed shares are voted.

Q: How do I vote if my shares are held in a brokerage account in my broker's name (i.e., street name)?

If your shares are held in a brokerage account in your broker's name (street name), you should follow the voting directions provided by your broker or nominee. If you do so, your broker or nominee will vote your shares as you have directed.

Q: What does it mean if I receive more than one Notice of Internet Availability of Proxy Materials or proxy card?

A: It means that you have multiple accounts with banks or stockbrokers or with the transfer agent.
PLEASE VOTE ALL OF YOUR SHARES.

Q: What if I change my mind after I vote my shares?

A: You can revoke your proxy at any time before it is voted at the meeting by:

1. Sending written notice of revocation to the Company Secretary;
2. Submitting a properly signed proxy card with a later date;
3. Voting by telephone or internet at a time following your prior telephone or internet vote; or
4. Voting in person at the annual meeting.

Q: How are the votes counted?

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A: For item (1), the election of directors, you may 1) vote for all of the nominees, 2) withhold your vote from all of the nominees or 3) withhold your vote from a specifically designated nominee. For item (2), the ratification of the appointment of our independent registered public accounting firm, you may vote (or abstain) by choosing For, Against or Abstain.

If you abstain from item (2), your shares will be counted as present at the meeting for the purposes of determining a quorum, and they will be treated as shares not voted on the specific proposal.

If you hold shares in street name and do not provide voting instructions to your broker, your broker will not vote your shares on any proposal where the broker does not have discretionary authority to vote. In such a situation, the shares will be considered present at the meeting for purposes of determining a quorum, but will not be considered to be represented at the meeting for purposes of calculating the vote with respect to the matter requiring discretionary authority. New York Stock Exchange (NYSE) Rules permit brokers discretionary authority to vote on items (1) and (2) if they do not receive instructions from the street name holder of the shares. As a result, if you do not vote your street name shares, your broker has authority to vote on your behalf.

We use an independent inspector of elections, Broadridge Investor Communication Solutions, Inc., which tabulates the votes received.

Q: *What if I do not specify how I want my shares voted?*

A: If you do not specify on your returned proxy card or through the telephone or internet prompts how you want to vote your shares, they will be voted FOR the election of all director nominees, and FOR the ratification of the appointment of the independent registered public accounting firm.

Q: *How many shares must be present to hold the meeting?*

A: A quorum must be present for the meeting to be valid. This means that at least a majority of the shares outstanding as of the record date must be present. We will count you as present if you:

1. Have properly voted your proxy by telephone, internet or mailing of the proxy card; or
2. Are present and vote in person at the meeting.

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Q: *How many votes are needed to approve each item?*

A: The Bylaws were amended to change the voting standard for the election of directors in uncontested director elections from a plurality to a majority voting standard. A nominee for director in an uncontested election will be elected to the Board if the votes cast FOR such

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nominee's election exceed fifty percent (50%) of the number of votes cast with respect to such nominee. Votes cast with respect to a nominee include votes to withhold authority and exclude abstentions with respect to such nominee. Directors will be elected by a plurality vote at a stockholder meeting if (i) the Secretary of the Company receives a notice that a stockholder has nominated a person for election to the Board in compliance with the advance notice requirements for stockholder nominees set forth in the Bylaws and (ii) such nomination has not been withdrawn by such stockholder prior to the tenth (10th) day preceding the date the Company first mails its notice of meeting for such meeting to the stockholders.

Ratification of the appointment of the independent registered public accounting firm requires the affirmative vote of a majority of shares entitled to vote and represented at the meeting in person or by proxy.

Q: *How will voting on any other business be conducted?*

A: We do not know of any business to be considered at the 2008 Annual Meeting of Stockholders other than the proposals described in this Proxy Statement. If any other business is properly presented at the annual meeting, your shares will be voted by the holders of the proxies in their discretion.

Q: *Who may attend the meeting?*

A: All Donaldson stockholders of record as of the close of business on September 23, 2008 may attend.

Q: *Where do I find the voting results of the meeting?*

A: We will publish the voting results in our Form 10-Q for the second quarter of Fiscal 2009 to be filed with the SEC.

Q: *How do I submit a stockholder proposal?*

A: If you wish to include a proposal in the Company's Proxy Statement for its 2009 Annual Meeting of Stockholders, you must submit the proposal in writing so that it is received no later than June 9, 2009. Please send your proposal to the Company Secretary, Donaldson Company, Inc., MS 101, P.O. Box 1299, Minneapolis, MN 55440-1299.

Under our Bylaws, if you wish to nominate a director or bring other business before the stockholders at our 2009 annual meeting without having your proposal included in our Proxy Statement:

» You must notify the Company Secretary of Donaldson Company, Inc. in writing between July 24, 2009 and August 23, 2009.

» Your notice must contain the specific information required in our Bylaws. If you would like a copy of our Bylaws, we will send you one without charge. Please write to the Company Secretary at the address shown above.

Q: *Who pays for the cost of proxy preparation and solicitation?*

A: Donaldson pays for the cost of proxy preparation and solicitation, including the reasonable charges and expenses of brokerage firms, banks or other nominees for forwarding proxy materials to street name holders. We are soliciting proxies primarily by mail, email and the internet. In addition, our directors, officers and regular employees may solicit proxies by email, telephone, facsimile or personally. These

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individuals will receive no additional compensation for their services other than their regular salaries.

SECURITY OWNERSHIP

Set forth below is information regarding persons known by the Company to own beneficially more than 5% of the outstanding Common Stock of the Company based on the number of shares of Common Stock outstanding on September 23, 2008:

Name and Address of Beneficial Owner ⁽¹⁾	Amount and Nature of Beneficial Ownership	Percent of Class
Columbia Wanger Asset Management, L.P. 227 West Monroe Street Suite 3000 Chicago, IL 60606	5,547,600 ⁽²⁾	7.2

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- (1) Fidelity Management Trust Company, as the trustee of the Company's Retirement Savings Plan - 401(k) Profit Sharing and ESOP/PAYSOP Plan, held 6,052,385 shares, or 7.9%, of the Company's common stock as of September 23, 2008. Fidelity disclaims beneficial ownership of the shares claiming that it holds the shares solely for the benefit of the employee participants, and that it does not have the power to vote or dispose of those shares except as directed by the employee participants. Fidelity's business address is 82 Devonshire Street, Boston, MA, 02109.
- (2) Based on information provided in a Schedule 13G filed with the SEC on January 24, 2008, Columbia Wanger Asset Management, L.P., an investment advisor, reported that it has sole power to dispose of or direct the disposition of 5,547,600 shares, sole power to vote or direct the vote of 5,177,600 shares and shared power to vote or direct the vote of 370,000 shares.

The following table shows information regarding the beneficial ownership of the Company's common stock and information concerning deferred restricted stock units, deferred share units under stock option exercises and phantom stock units beneficially owned, as of September 23, 2008, by each director, each of the Named Executive Officers (as identified on page 29) and all executive officers and directors of the Company as a group. The shares listed in the table as beneficially owned include (i) shares over which a person has sole or shared voting power, or sole or shared power to invest or dispose of the shares, whether or not a person has any economic interest in the shares; (ii) deferred stock units that have vested and been deferred, as to which the beneficial owner has no voting or investment power; and (iii) shares subject to options exercisable within 60 days of September 23, 2008. Except as otherwise indicated, the named beneficial owner has sole voting and investment power with respect to the shares held by such beneficial owner, and the shares are not subject to any pledge.

Name of Beneficial Owner	Total Amount and Nature of Beneficial Ownership of Common Shares	Percent of Common Shares	Deferred Stock Units Included in Total Amount	Exercisable Options Included in Total Column
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	(1)	(2)	(3)	(4)	(5)	Column (3)	
William M. Cook	971,071				1.3	242,385	521,030
Thomas R. VerHage	115,799				*	28,552	60,500
Lowell F. Schwab	423,950				*	44,683	205,059
Charles J. McMurray	147,743				*	12,734	82,000
Sandra N. Joppa	43,847				*	15,634	20,500
Jack W. Eugster	102,773				*		50,678
Janet M. Dolan	107,789				*		64,800
F. Guillaume Bastiaens	96,336				*		72,000
John F. Grundhofer	85,979				*		36,000
Jeffrey Noddle	75,511				*		57,600
Paul D. Miller	58,679				*		48,692
John P. Wiehoff	45,058				*		36,000
Michael J. Hoffman	26,619				*		21,600
Willard D. Oberton	16,642				*		14,400
Directors and Executive Officers as a Group	2,777,830				3.6	356,439	1,580,214

*Less than 1%

- (1) Includes all beneficially owned shares, including restricted shares, shares for non-employee directors held in trust, shares underlying the units listed under the Deferred Stock Units column and the shares underlying options exercisable within 60 days, as listed under the Exercisable Options column.
- (2) Includes the following shares held in the Employee Stock Ownership and Retirement Savings Plan trust: Cook, 44,155 shares; VerHage, 13 shares; Schwab, 21,856 shares; McMurray, 21,330 shares; Joppa, 1,400 shares; all directors and officers as a group, 138,173 shares. Voting of shares held in the Employee Stock Ownership and Retirement Savings Plan trust is passed through to the participants. Also

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includes the following shares held in the Deferred Compensation and 401(k) Excess Plan trust: Cook, 11,724 shares; VerHage, 74 shares; Schwab, 6,535 shares; McMurray, 1,418 shares; Joppa, 293 shares; all directors and officers as a group, 23,426 shares. Voting of shares held in the Deferred Compensation and 401(k) Excess Plan trust is passed through to the participants.

- (3) Deferred stock units that have vested and been deferred are included in the beneficial ownership totals and in the percent of ownership (columns 1 and 2), however, the beneficial owner has no voting or investment power. The Deferred Stock Units column includes phantom stock units allocated to employees earning in excess of the limits established by the Internal Revenue Code for the qualified Employee Stock Ownership Plan that distributed shares in trust for employees during the period from 1987 to 1996. ESOP phantom stock units are held by the Named Executive Officers in the following amounts: Cook, 5,404 units; VerHage, 0 units; Schwab, 6,497 units; McMurray, 0 units; Joppa, 0 units; all directors and officers as a group, 12,730 units.

The Deferred Stock Units column also includes deferred restricted stock units under the Deferred Compensation and 401(k) Excess Plan. Deferred restricted stock units are held by the Named Executive Officers in the following amounts: Cook, 25,441 units; VerHage, 0 units; Schwab, 0 units; McMurray, 0 units; Joppa, 0 units; all directors and officers as a group, 25,441 units.

The Deferred Stock Units column also includes deferred stock units under the Deferred Compensation and 401(k) Excess Plan for exercises of stock options where the executive has previously elected to defer the receipt of the underlying shares. Deferred stock option gain units are held by the Named Executive Officers in the following amounts: Cook, 126,817 units; VerHage, 0 units; Schwab, 12,543 units; McMurray, 0 units; Joppa, 0 units; all directors and officers as a group, 139,360 units.

The Deferred Stock Units column also includes deferred stock units under the Deferred Compensation and 401(k) Excess Plan for deferral of shares awarded under the long term compensation plan under the 1991 Master Stock Compensation Plan and the 2001 Master Stock Incentive Plan, where the executive has previously elected to defer the receipt of the underlying shares. Deferred stock units are held by the Named Executive Officers in the following amounts: Cook, 84,724 units; VerHage, 28,552 units; Schwab, 25,642 units; McMurray, 12,734 units; Joppa, 15,634 units; and all directors and officers as a group, 178,908 units.

- (4) Includes the following shares held in the non-employee director's deferred stock account trust: Eugster, 25,819 shares; Dolan, 22,931 shares; Bastiaens, 7,026 shares; Grundhofer, 21,369 shares; Noddle, 16,481 shares; Miller, 9,587 shares; Wiehoff, 8,858 shares; Hoffman, 5,019 shares; Oberton, 1,242 shares; all directors and officers as a group, 118,332 shares. Voting of shares held in the deferred stock account trust is passed through to the participants.
- (5) Includes 26,770 shares held in a trust of which Mr. Grundhofer is a trustee and has shared voting and investment power.

ITEM 1: ELECTION OF DIRECTORS

The Bylaws of the Company provide that the Board of Directors shall consist of not less than three nor more than fifteen directors and that the number of directors may be fixed from time to time by the affirmative vote of a majority of the directors. The Board of Directors has fixed the number of directors constituting the entire Board at ten. Vacancies and newly created directorships resulting from an increase in the number of directors may be filled by a majority of the directors then in office and the directors so chosen will hold office until the next election of the class for which such directors shall have been chosen and until their successors are elected and qualified. Directors are elected for a term of three years with positions staggered so that approximately one-third of the directors are elected at each annual meeting of the stockholders. The terms of Mr. Bastiaens, Ms. Dolan, and Mr. Noddle expire at the annual meeting.

The Board of Directors has no reason to believe that any nominees will be unavailable or unable to serve, but in the event any nominee is not a candidate at the meeting, the persons named in the proxy intend to vote in favor of the remaining nominees and such other person, if any, as they may determine.

The Board of Directors recommends that stockholders vote **FOR** the election of each director nominee.

The table on the following page sets forth additional information with respect to each nominee for election as a director and each other person whose term of office as a director will continue after the meeting.

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