

THOMAS INDUSTRIES INC
Form DEF 14A
March 12, 2004

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SCHEDULE 14A INFORMATION

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

THOMAS INDUSTRIES, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o 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:

THOMAS INDUSTRIES INC.

**4360 Brownsboro Road
Suite 300
Louisville, Kentucky 40207
(502) 893-4600**

Notice of Annual Meeting of Shareholders

April 22, 2004

TO THE SHAREHOLDERS:

The Annual Meeting of Shareholders of Thomas Industries Inc., a Delaware corporation, will be held at the Hyatt Regency Hotel, 320 West Jefferson Street, Louisville, Kentucky, on Thursday, April 22, 2004, at 10:00 A.M. Eastern Daylight Time, for the following purposes:

1. To elect three Class III directors.
2. To consider and approve the Amended and Restated Thomas Industries Inc. 1995 Incentive Stock Plan.
3. To consider and vote upon a shareholder proposal if presented at the meeting.
4. To consider and transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The board of directors has fixed the close of business on February 27, 2004, as the record date for determining the shareholders entitled to notice of and to vote at the Annual Meeting.

By Order of the Board of Directors

Phillip J. Stuecker

*Vice President of Finance,
Chief Financial Officer, and Secretary*

March 12, 2004

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE DATE, SIGN, AND MAIL THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED WHICH REQUIRES NO POSTAGE FOR MAILING IN THE UNITED STATES. A PROMPT RESPONSE IS HELPFUL, AND YOUR COOPERATION WILL BE APPRECIATED.

THOMAS INDUSTRIES INC.

**4360 Brownsboro Road
Suite 300
Louisville, Kentucky 40207**

Proxy Statement

Annual Meeting of Shareholders to be Held April 22, 2004

To the Shareholders of
THOMAS INDUSTRIES INC.:

This Proxy Statement is being mailed to shareholders on or about March 12, 2004, and is furnished in connection with the solicitation by the board of directors of Thomas Industries Inc., a Delaware corporation (the "Corporation"), of proxies for the Annual Meeting of Shareholders to be held on April 22, 2004, for the purpose of considering and acting upon the matters specified in the Notice of Annual Meeting of Shareholders accompanying this Proxy Statement. If the form of Proxy which accompanies this Proxy Statement is executed and returned, it will be voted. A Proxy may be revoked at any time prior to the voting thereof by written notice to the Secretary of the Corporation.

A majority of the outstanding shares entitled to vote at this meeting and represented in person or by proxy will constitute a quorum. With regard to the election of directors, the approval of the Amended and Restated Thomas Industries Inc. 1995 Incentive Stock Plan, the shareholder proposal and any other proposal submitted to a vote, approval requires the affirmative vote of a majority of the shares entitled to vote and represented in person or by proxy at this meeting. Shares represented by proxies which are marked "abstain" or to deny discretionary authority on any matter will be treated as shares present and entitled to vote, which will have the same effect as a vote against any such matters. Broker "non-votes" will not affect the determination of the outcome of the vote on any proposal to be decided at the meeting.

Expenses incurred in the solicitation of proxies will be borne by the Corporation. Officers of the Corporation may make additional solicitations in person or by telephone. In addition, the Corporation has retained Georgeson Shareholder Communications Inc., to assist in the solicitation of proxies for a fee of \$7,500, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with the solicitation.

The Annual Report to Shareholders and Form 10-K for fiscal year 2003 accompanies this Proxy Statement. If you did not receive a copy of the report, you may obtain one by writing to the Secretary of the Corporation.

As of February 27, 2004, the Corporation had outstanding 17,326,299 shares of common stock; and such shares are the only shares entitled to vote at the Annual Meeting. Each share is entitled to one vote on each matter to be voted upon at the Annual Meeting.

SECURITIES BENEFICIALLY OWNED BY PRINCIPAL SHAREHOLDERS AND MANAGEMENT

Set forth in the following table are the beneficial holdings (and the percentages of outstanding shares represented by such beneficial holdings) as of February 27, 2004, except as otherwise noted, of (i) each person (including any "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act")) known by the Corporation to own beneficially more than 5 percent of its outstanding common stock, (ii) directors and nominees, (iii) the executive officers named in the Summary Compensation Table who are not directors, and (iv) all executive officers, directors, and nominees as a group.

Under Rule 13d-3 of the Exchange Act, persons who have the power to vote or dispose of common stock of the Corporation, either alone or jointly with others, are deemed to be beneficial owners of such common stock. Because the voting or dispositive power of certain stock listed in the following table is shared, the same securities in such cases are listed opposite more than one name in the table. The total number of shares of

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common stock of the Corporation listed in the table, after elimination of such duplication, is 7,747,811, (44.72 percent of the outstanding common stock).

	Name	Number of Shares And Nature of Beneficial Ownership	Percent of Class
(i)	Gabelli Group One Corporate Center Rye, NY 10580	3,414,763(1)	19.71%
	T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	1,480,900(2)	8.55
	Werner Rietschle Holding GmbH Grienmatt 79650, Schopfheim, Germany	1,800,000(3)	10.39
(ii)	Timothy C. Brown	429,008(4)(6)	2.48
	Wallace H. Dunbar	272,035(5)(7)(8)	1.57
	H. Joseph Ferguson	34,880(5)(8)	*
	Lawrence E. Gloyd	39,610(5)	*
	William M. Jordan	47,985(5)(8)	*
	Franklin J. Lunding, Jr.	34,014(5)(8)	*
	Anthony A. Massaro	22,834(5)	*
	George H. Walls, Jr.		
(iii)	Dieter W. Rietschle	1,800,000(3)(9)	10.39
	Peter H. Bissinger	51,361(6)	*
	Phillip J. Stuecker	142,276(6)	*
	James J. Kregel	21,435(6)	*
(iv)	All Executive Officers, Directors, and Nominees as a Group (12 people)	2,852,148(5)(6)(10)	16.46

*
Less than 1.0%

(1) Based on an amendment to Schedule 13D filed by certain reporting persons (the "Gabelli Group") with the Securities and Exchange Commission dated November 4, 2003. One of the members of the Gabelli Group, GAMCO Investors, Inc., beneficially owns 2,818,163 shares, representing 16.27% of the outstanding common stock. GAMCO Investors, Inc. has sole voting power with respect to 2,730,363 of such shares. The other reporting persons included in this group are Gabelli Funds, LLC, MJG Associates, Inc., Gabelli Group Capital Partners, Inc., Gabelli Asset Management Inc., and Mario J. Gabelli.

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- (2) Based on an amendment to Schedule 13G filed by T. Rowe Price Associates, Inc. ("Price Associates"), and T. Rowe Price Small-Cap Value Fund, Inc., with the Securities and Exchange Commission dated February 13, 2004. T. Rowe Price Small-Cap Value Fund, Inc., beneficially owns and has sole voting power with respect to 955,600 shares, representing 5.52% of the outstanding common stock. Price Associates has sole voting power with respect to 482,800 shares and sole dispositive power with respect to 1,480,900 shares. The 13G indicates that with respect to the shares held by Price Associates, such shares are owned by various individual and institutional investors which Price Associates serves as investment advisor with power to direct investments.
- (3) Based on a Form 3 filed by Werner Rietschle Holding GmbH with the Securities and Exchange Commission dated August 29, 2002. Werner Rietschle Holding GmbH is the legal entity from which the Corporation purchased substantially all of the assets of the Rietschle business in August 2002.
- (4) Excludes 362 shares owned separately by Mr. Brown's spouse. Mr. Brown disclaims that he is the beneficial owner of any shares of which except for Rule 13d-3 he would not be deemed the beneficial owner.
- (5) Includes shares that may be acquired pursuant to stock options exercisable within sixty days under the Thomas Industries Inc., Non-employee Director Stock Option Plan as follows: Mr. Gloyd, 30,000 shares; Messrs. Jordan and Massaro, 18,000 shares each; Mr. Lunding, 15,000 shares, and Messrs. Dunbar and Ferguson, 9,000 shares each.
- (6) Includes shares that may be acquired pursuant to stock options exercisable within sixty days as follows: Mr. Brown, 310,750 shares; Mr. Bissinger, 39,825; Mr. Stuecker, 87,650 shares; Mr. Kregel, 16,900 shares; and all executive officers as a group, 455,125 shares.
- (7) Includes 3,048 shares owned by the Dunbar Foundation, for which Mr. Dunbar serves as President. Mr. Dunbar disclaims beneficial ownership of such shares.
- (8) Includes 14,430 shares held by the Thomas Industries Master Trust, as amended, of which Messrs. Ferguson, Jordan, Lunding, and Dunbar comprise the Investment Committee. The Investment Committee has the power to vote and direct disposition of such shares, except for certain restrictions placed upon the Investment Committee by the Trustee in the event of a tender offer for the shares of the Corporation. Messrs. Ferguson, Jordan, Lunding, and Dunbar disclaim beneficial ownership of such shares.
- (9) Mr. Rietschle has 49% ownership and 51% voting control of Werner Rietschle Holding GmbH.
- (10) The total number of shares of common stock of the Corporation reported for executive officers, directors, and nominees as a group is shown after eliminating duplication within the table.

PROPOSAL 1. ELECTION OF DIRECTORS

The Restated Certificate of Incorporation of the Corporation provides that the board of directors of the Corporation shall be divided into three classes, as nearly equal in number as possible, with one class being elected each year for a three-year term. On December 9, 2003, the board of directors amended the Corporation's Bylaws to increase the number of directors from eight to nine and to increase the number of members of Class III from two to three. George H. Walls, Jr. was elected by the board of directors as a Class III director to fill the newly created vacancy. Dieter W. Rietschle resigned as a director, effective as of February 12, 2004. As a result of his resignation, the board of directors has amended the Corporation's Bylaws to reduce the number of directors from nine to eight and to reduce the number of members of Class II from three to two. At the Annual Meeting of Shareholders, three Class III directors are to be elected to serve until 2007, and five directors will continue to serve in accordance with their prior election or appointment.

It is intended that the proxies (except proxies marked to the contrary) will be voted for the nominees listed below, all of whom are members of the present board of directors. It is expected that the nominees will serve; but if any nominee declines or is unable to serve for any unforeseen cause, the proxies will be voted to fill any vacancy so arising in accordance with the discretionary authority of the persons named in the proxies.

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The board of directors recommends a vote **FOR** each of the Class III nominees.

Nominees and Continuing Directors

The following table sets forth certain information with respect to the nominees and the continuing directors:

Name, Age and Year First Elected Director	Principal Occupation and Other Information
Class III Nominees for Election with Terms Expiring in 2007	
H. Joseph Ferguson Age 70 1989	Founded Ferguson, Wellman Capital Management in 1975 (registered investment advisers). Retired as a director of Ferguson Wellman on December 31, 1997, and was President of Ferguson Wellman until 1993.
Anthony A. Massaro Age 59 1997	President and Chief Executive Officer of Lincoln Electric Holdings, Inc. (manufacturer of arc welding products) since 1996 and Chairman of the Board since 1997. Director of Commercial Metals, Inc. and PNC Financial Services Group.
George H. Walls, Jr. Age 61 2003	Chief Deputy for the North Carolina Office of the State Auditor since 2000. Special Assistant to the Chancellor and Assistant Secretary to the Board of Trustees of North Carolina Central University from 1993-2000. Prior to that Mr. Walls served as an officer of the U.S. Marine Corp for 28 years, attaining the rank of brigadier general. Director of Lincoln Electric Holdings, Inc.

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Class I Directors with Terms Expiring in 2005

Wallace H. Dunbar Age 72 1991	Chairman of the Board of Americo Group (vinyl and fabric lamination) for more than five years. Mr. Dunbar previously served as a director of the Corporation from 1968 to 1979.
Lawrence E. Gloyd Age 71 1987	Retired in March 2000 as Chairman of the Board and Chief Executive Officer of CLARCOR Inc. (manufacturer of filtration and packaging products), a position held since 1990.
William M. Jordan Age 60 1995	Retired President and Chief Operating Officer of Flowserve Corp. (manufacturer of pumps and related products). President and Chief Operating Officer of Flowserve Corp. from August 1997 to November 1998, and prior thereto Chairman, President, and Chief Executive Officer of The Duriron Corporation, Inc. Director of NIBCO.

Class II Directors with Terms Expiring in 2006

Timothy C. Brown Age 53 1989	President and Chief Executive Officer of the Corporation since February 1992 and Chairman of the Board since April 1995.
Franklin J. Lunding, Jr. Age 65 1972	Attorney in private practice for more than five years. Retired Chairman of the Board, President, and Chief Executive Officer of BioCatalyst Resources, Inc., and its wholly owned subsidiary, The Prozyme Co., Inc. (manufacturer and distributor of enzyme-based food supplements).

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EXECUTIVE COMPENSATION

The following table presents summary information concerning compensation awarded, or paid to, or earned by, the Chief Executive Officer and each of the other executive officers at December 31, 2003, during each of the last three fiscal years for services rendered to the Corporation and its subsidiaries.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long Term Compensation(3)		
		Salary(\$)	Bonus\$(1)	Other Annual Compensation \$(2)	Awards	Payouts	All Other Compensation \$(6)
					Securities Underlying Options (#)(4)	Long-Term Incentive Plan \$(5)	
Timothy C. Brown President, Chief Executive Officer and Chairman of the Board	2003	\$ 460,000	\$ 143,974		21,700	\$ 214,099	\$ 69,782
	2002	425,000	255,000		35,000	180,044	77,078
	2001	405,600	84,917		40,000	25,000	71,792
Dieter W. Rietschle(7)(8) General Manager, TIWR Holding GmbH & Co. KG	2003	\$ 383,628	\$ 78,850				
	2002	117,783	24,538				
Peter H. Bissinger(7) Vice President, General Manager, European Group	2003	\$ 285,491	\$ 337,604		3,765	\$ 17,220	\$ 222,659
	2002	193,124	325,630		4,200	13,850	96,331
	2001	182,991	308,551		4,500		101,677
Phillip J. Stuecker Vice President of Finance, Chief Financial Officer, and Secretary	2003	\$ 228,000	\$ 45,571		8,095	\$ 58,547	\$ 25,932
	2002	220,000	92,400		11,430	47,088	31,328
	2001	213,210	26,037		11,000		33,793
James J. Kregel(9) Vice President, General Manager, North American Group	2003	\$ 165,000	\$ 37,836		2,065	\$	\$ 17,429
	2002	130,695	38,369		4,825		12,117
	2001	126,275	8,549		3,000		12,193

- (1) Represents bonuses paid under the Key Employee Bonus Plan described in the Compensation Committee Report on Executive Compensation.
- (2) The named executive officers received certain perquisites in 2001, 2002, and 2003, the amount of which did not exceed the lesser of \$50,000, or 10 percent of any such officer's salary and bonus.
- (3) No restricted stock was granted to any of the named executive officers in 2001, 2002, or 2003; and no shares of restricted stock were held by any of the named executive officers as of the end of 2003.
- (4) Represents cash only stock appreciation rights awarded in 2003, and stock options awarded in 2002 and 2001 under the Corporation's incentive stock plans.
- (5) Represents December 31 market value of shares earned and certified by the Compensation Committee under Long-Term Incentive Plan awards for the previous three-year period. For 2001, the Compensation Committee made a discretionary performance award to Mr. Brown of 1,000 shares.
- (6) All Other Compensation represents amounts contributed or accrued for Messrs. Brown, Stuecker and Kregel under the Corporation's Profit Sharing Plan and Supplemental Profit Sharing Plan of \$48,603, \$19,932, and \$11,429, respectively, a 401(k) matching contribution of \$6,000 for Messrs. Brown, Stuecker and Kregel and, a contribution of \$15,179 for Mr. Brown under the Corporation's Supplemental Executive Retirement Plan. Other

compensation for Mr. Bissinger represents an amount accrued for Mr. Bissinger under an unfunded defined contribution plan.

- (7) Salary, bonus, and all other compensation are converted using the average exchange rate of 1.1329 for 2003, .9438 for 2002, and .8943 for 2001 for euros and the average exchange rate of 1.6398 for 2003 and 1.5033 for 2002 for British pounds.
- (8) Mr. Rietschle was appointed as a general manager of TIWR Holding GmbH & Co. KG effective August 30, 2002.
- (9) Mr. Kregel was appointed Vice President, General Manager, North American Group effective April 17, 2003.

The following tables present certain additional information concerning cash only stock appreciation rights (SAR's) granted to the named executive officers during 2003 and the value of SAR's held by such officers at fiscal year end.

STOCK APPRECIATION RIGHTS GRANTED IN LAST FISCAL YEAR

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For SAR Term(3)	
	Number of Securities Underlying SAR's Granted(#)(1)	% of Total SAR's Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)(2)	Expiration Date	5%	10%
Timothy C. Brown	21,700	12.8%	\$ 34.35/sh	12/19/13	\$ 469,599	\$ 1,185,178
Dieter W. Rietschle						
Peter H. Bissinger	3,765	2.2	\$ 34.35/sh	12/19/13	81,476	205,631
Phillip J. Stuecker	8,095	4.8	\$ 34.35/sh	12/19/13	175,180	442,121
James J. Kregel	2,065	1.2	\$ 34.35/sh	12/19/13	44,688	112,783

- (1) All SAR's were granted on December 19, 2003, one-third of each SAR becoming exercisable each year beginning December 19, 2005.
- (2) The exercise price for all SAR's granted is equal to the closing market price of the Corporation's common stock on December 19, 2003.
- (3) The amounts shown under these columns are the result of calculations at 5 percent and 10 percent annual rates over the ten-year term of the options as required by the Securities and Exchange Commission and are not intended to forecast future appreciation of the stock price of the Corporation's common stock. The actual value, if any, an executive officer may realize will depend on the excess of the stock price over the exercise price on the date the option is exercised.

The following table sets forth information with respect to the named executive officers concerning exercise of options during the last fiscal year and unexercised options held as of the end of this fiscal year:

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

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Name	Shares Acquired On Exercise (#)	Value Realized \$(1)	Number of Securities Underlying Unexercised Options and SAR's at FY-End (#)		Value of Unexercised In-the-Money Options and SAR's at FY-End \$(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Timothy C. Brown	22,500	\$ 447,366	310,750	116,950	\$ 5,580,223	\$ 976,514
Dieter W. Rietschle						
Peter H. Bissinger			39,825	15,540	732,156	123,562
Phillip J. Stuecker	9,000	165,540	87,650	36,175	1,603,438	283,421
James J. Kregel	4,500	92,175	16,900	11,315	281,819	88,330

(1) Represents the difference between the closing price of the Corporation's common stock on the date of exercise and the exercise price of the option.

(2) Based on the market value of the Corporation's common stock on December 31, 2003.

The following table presents information concerning performance share awards granted to the named executive officers during 2003 under the Corporation's 1995 Incentive Stock Plan.

LONG-TERM INCENTIVE PLAN AWARDS IN LAST FISCAL YEAR

Name	Number of Performance Shares (#)	Performance Period until Maturation	Estimated Future Payouts under Non-Stock Price-Based Plans	
			Target (#)	Maximum (#)
Timothy C. Brown	10,000	12/31/06	10,000	15,000
Dieter W. Rietschle				
Peter H. Bissinger	400	12/31/06	400	600
Phillip J. Stuecker	2,500	12/31/06	2,500	3,750
James J. Kregel	2,000	12/31/06	2,000	3,000

Up to 150 percent of the target shares may be earned, depending on the total shareholder return of the Corporation during the three-year period commencing January 1, 2004, and ending December 31, 2006, as compared with the total shareholder return for the Standard & Poor's Small Cap 600 Index. During the performance period, dividend equivalents will be credited based on actual shares earned. The performance share awards provide for pro rata vesting in the event of death, disability, or retirement, and adjust for stock dividends or splits. In the event of a change in control, the performance goals established thereunder shall be deemed satisfied and 100 percent of the target shares will be delivered. In the event of a merger, consolidation, or combination of the Corporation with or into another corporation, the target shares shall be converted into the acquisition consideration. Recipients of the performance share awards may elect to defer receipt of any shares earned during the performance period in accordance with the terms of the performance share awards.

Other Compensation Arrangements

The Corporation entered into agreements ("Change of Control Agreements") with Messrs. Brown and Stuecker effective October 1, 1988. The Change of Control Agreements provide for continued employment of the respective officer by the Corporation for a period of two years following a "change of control" (as defined) on an equivalent basis to employment immediately before the change of control. If the employee is

terminated other than for "cause" (as defined) or if the employee terminates his employment for "good reason" (as defined) after a change of control of the Corporation, each agreement provides for (a) payment of the employee's "highest base salary" (as defined) and prorated annual bonus through the date of termination, (b) payment of the present value of the employee's highest base salary (plus an annual bonus) for a period of three years, (c) payment of any compensation previously deferred, (d) payment of the present value of three annual payments, each equal to the "average annual contribution" (as defined) by the Corporation for the benefit of the employee to all the Corporation's retirement plans, and (e) the continuation of benefits to the employee and/or the employee's family provided in connection with the Corporation's medical and life insurance policies for a period of three years. If it is determined that any payment made pursuant to these agreements would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the respective employee would be entitled to receive additional payments so that the employee would be in the same after-tax position as if no excise tax were imposed. The Change of Control Agreements also provide that an employee will be reimbursed for any legal expenses incurred in litigating his rights under the agreement. Subject to earlier termination as a result of death, disability, retirement, or termination of employment (unrelated to a change of control), these agreements have three-year terms, automatically extending for an additional one-year term from October 1 of each year unless the Corporation terminates the extension upon sixty days' prior notice.

In conjunction with the Change of Control Agreements, the Corporation entered into an agreement with National City Trust Corporation establishing a trust to provide in whole, or in part, for the payment of the benefits payable under the Change of Control Agreements. The Corporation, at the direction of the board of directors, may contribute to the trust such sums of money or other property as it from time to time deems appropriate to meet its obligations under the Change of Control Agreements.

In addition, as of February 27, 2004 options for a total of 504,074 shares and SAR's for a total of 166,230 shares of common stock granted under the Corporation's incentive stock plans and presently outstanding (but not currently exercisable) will become immediately exercisable in the event of a change of control of the Corporation.

The board of directors adopted a Severance Pay Policy, effective October 1, 1988, for all full-time officers of the Corporation. If an officer is involuntarily terminated by the Corporation (other than for misconduct), upon the execution by such officer of a waiver and release of all claims against the Corporation, he or she will receive severance pay equal to one-half month's compensation (at the pay rate in effect at the date of the termination) for each year of continuous full-time employment with the Corporation. Severance pay under the Policy is subject to a minimum payment equal to one month's compensation and a maximum payment equal to one year's compensation and will be payable in installments. Any installments outstanding at the time the subject individual begins new employment or self-employment will be waived automatically under the terms of the Policy. In addition, an officer shall be entitled to a "non-compete lump sum" equal to the severance pay described above if the terminated officer executes a one year Non-Compete Agreement. This non-compete lump sum is payable one year after the

date of involuntary termination provided the terminated officer remains in compliance with the Non-Compete Agreement.

An officer who, within the scope of this Severance Pay Policy, voluntarily terminates employment with the Corporation shall be entitled to a maximum of one month's severance pay. If the Corporation, a division, or subsidiary of the Corporation is sold by the Corporation, no officer shall be deemed terminated because of such sale and there shall be no entitlement to severance pay pursuant to this Severance Pay Policy.

Effective in 1997, the Corporation entered into an employment agreement with Mr. Brown by which he will be employed as President and Chief Executive Officer of the Corporation. The term of the Agreement will be extended automatically at the end of each day for an additional day so that the remaining term of the Agreement will be three years, provided that such automatic extension may be terminated by the board of directors. This agreement provides for a minimum base salary of \$390,000 for the years 2000 and thereafter. It also makes Mr. Brown eligible for (i) annual target bonuses of not less than sixty percent of his salary, (provided, however, that Mr. Brown has agreed to an annual target bonus for 2003 of approximately 57% of his salary and an annual target bonus for 2004 of approximately 58% of his salary) and (ii) participation in the Corporation's 1995 Incentive Stock Plan and awards of stock options and performance shares as determined from time to time by the Compensation Committee. The agreement may be terminated by the Corporation at any time for cause as defined in the Change of Control Agreements referred to above. If Mr. Brown's employment is terminated by the Corporation without cause, the Corporation will be obligated to (i) pay Mr. Brown his base salary for a 36-month period from the date of termination, (ii) provide Mr. Brown with health and life insurance coverage to which he would otherwise have been entitled, and (iii) pay Mr. Brown a lump sum distribution equal to the present value of three annual contributions to the Corporation's retirement plan. In the event of a change of control, the provisions of the Change of Control Agreements referred to above supersede the provisions of the employment agreement.

Effective August 30, 2002, the Corporation entered into an agreement with Mr. Rietschle whereby he was appointed General Manager of TIWR Holding GmbH & Co. KG. The agreement will expire on December 31, 2004, but will be automatically extended for one year periods unless notice of termination is provided six months prior to the expiration date. Mr. Rietschle will be entitled to an annual salary of 232,000 euro

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(\$292,250 based on actual year-end exchange rate), as well as an annual bonus of up to thirty percent (30%) of his salary. In 2002 and 2003, Mr. Rietschle received additional remuneration from various subsidiaries of TIWR Holding GmbH & Co. KG for which he provides services, all of which is included in the summary compensation table. Beginning January 1, 2004, all of Mr. Rietschle's remuneration will be paid by TIWR Holding GmbH & Co. KG.

Effective January 1, 2003, the Corporation entered into an agreement with Mr. Bissinger whereby he was appointed Managing director of TIWR Holding GmbH & Co. KG. The contract may be terminated no earlier than December 31, 2005, and a notice period of 12 months from the end of the calendar year must be provided. Mr. Bissinger will be entitled to an annual base salary of 252,000 Euro (\$317,444 based on actual year-end exchange rate), as well as a guaranteed bonus of 298,000 Euro (\$375,391 based on actual year-end exchange rate), payable by February 1 of the following year. Mr. Bissinger will also be eligible for participation in the Corporation's 1995 Incentive Stock Plan and awards of stock options and performance shares as determined from time to time by the Compensation Committee.

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EQUITY COMPENSATION PLAN INFORMATION

The information set forth in the following table is as of December 31, 2003:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,526,271	\$ 20.16	275,565
Equity compensation plans not approved by security holders			
Total	1,526,271	\$ 20.16	275,565

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the board of directors has furnished the following report on executive compensation for 2003:

Executive Officer Compensation Policies and 2003 Results

The Compensation Committee of the board of directors administers the Corporation's executive officer compensation program, consisting of base salary, annual bonus opportunities, and stock option grants. Base salary levels reflect individual officer responsibilities and performance over time; adjustments to base salary reflect both individual performance and the Compensation Committee's judgment of Corporation and business unit financial performance. The Corporation's Key Employee Bonus Plan directly links potential annual incentive payments to the accomplishment of predetermined financial and functional goals. A portion of each executive officer's potential bonus is tied to the Corporation's overall financial performance. Awards under the Corporation's 1995 Incentive Stock Option Plan directly link potential participant rewards to increases in shareholder value. As a result of the Corporation's practice in implementing these plans, more than 50 percent of the total senior executive officers' potential compensation is directly related to financial performance and increases in shareholder value.

With respect to 2003, the Committee approved executive officer salaries based on individual performance and the results of an executive compensation survey conducted for 2002 on behalf of the Committee by an independent executive compensation consulting firm (the "Survey"). Using the Survey as a guide, the Committee believes executive officer base salaries for 2003 are at the median competitive base salary levels of comparatively sized companies.

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For the 2003 Key Employee Bonus Plan, the Committee approved goals based on corporate pre-tax earnings, business unit operating income, return on net assets, and individual participant performance. As a result of the achievement of such goals in 2003, bonuses were awarded to executive officers. See the Summary Compensation Table on page 6.

Federal tax law establishes certain requirements in order for compensation exceeding \$1 million earned by certain executives to be deductible. Because the total compensation for any executive officer is below the \$1 million threshold, the Compensation Committee has not had to address the issues relative thereto, except for the performance share award program which has been approved by shareholders.

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Effective in 1997, the Corporation adopted the performance share award program to provide incentives and a more competitive compensation package for its executive officers. The performance share awards are based on the achievement of certain long-term performance goals of the Corporation related to total shareholder return. The Compensation Committee has established targets and goals based on total shareholder return as compared to the Standard & Poor's Small Cap 600 Index and has granted performance share awards to the named executive officers based on these goals. For more information on this subject see "Long-Term Incentive Plan Awards in Last Fiscal Year."

In 1999, the Compensation Committee approved stock ownership guidelines of four times base pay for the Chief Executive Officer, two times base pay for Vice Presidents, and one and one-half times base pay for other officers. The targeted stock ownership should be achieved by the later of (i) December 31, 2004 or (ii) four years from the date such individual is appointed an officer of the Corporation. Deferred shares will be included in the ownership calculation, but outstanding stock options will not be included.

Chief Executive Officer Compensation

For 2003, Mr. Brown's potential bonus award was based on the Corporation meeting certain financial objectives, including targets related to Corporation-wide earnings and return on assets as well as operating income and return on assets of the Pump & Compressor business and certain functional objectives. Since such goals were achieved, a bonus was paid for 2003 performance under the bonus program established in February 2003 by the Committee. See the Summary Compensation Table on page 6.

In 2003, the Committee granted Mr. Brown cash only stock appreciation rights (SAR's) as part of his overall compensation. The Committee believes that Mr. Brown's SAR grant helps to align his compensation directly with shareholder value. The potential value of this grant is based solely on increases in the fair market value of the Corporation's stock during the term of the SAR.

The Compensation Committee granted Mr. Brown a performance share award based on total shareholder return for the reasons discussed above. The combination of SAR's and performance share awards granted to Mr. Brown is intended to bring his overall compensation within a competitive range for chief executive officers of companies comparable to the Corporation. For more information concerning the performance share awards, see "Long-Term Incentive Plan Awards in Last Fiscal Year."

Effective in 1997, the Compensation Committee recommended to the full board of directors that the Corporation enter into an employment agreement with Mr. Brown. For further information on the employment agreement, see "Other Compensation Arrangements" on page 9.

Compensation Committee

Lawrence E. Gloyd, Chairman
William M. Jordan
Anthony A. Massaro

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2003, no executive officer of the Corporation served on the board of directors or compensation committee of any other corporation with respect to which any member of the Compensation Committee was engaged as an executive officer. No member of the Compensation Committee was an officer or employee of the Corporation during 2003, and no member of the Compensation Committee was formerly an officer

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of the Corporation.

RELATED PARTY TRANSACTIONS

The Corporation has an accounts receivable of approximately \$900,000 as of December 31, 2003, from Werner Rietschle Holding GmbH, a shareholder and the entity which sold the Corporation the assets in the Rietschle transaction. This amount primarily related to taxes paid by the Corporation on behalf of Werner Rietschle Holding GmbH in the fourth quarter of 2003. Dieter Rietschle, who is the Corporation's general manager of its TIWR Holding GmbH & Co. KG subsidiary and a former director, has 49% ownership and 51% voting control of Werner Rietschle Holding GmbH.

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AUDIT COMMITTEE REPORT

The responsibilities of the Audit Committee, which are set forth in the Audit Committee Charter adopted by the board of directors and attached hereto as Exhibit A include providing oversight to the Corporation's financial reporting process through periodic meetings with the Corporation's independent auditors and management to review accounting, auditing, internal controls, and financial reporting matters. The management of the Corporation is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The Audit Committee, in carrying out its role, relies on the Corporation's senior management, including senior financial management, and its independent auditors.

We have reviewed and discussed with senior management the Corporation's audited financial statements included in the 2003 Annual Report on Form 10-K. Management has confirmed to us that such financial statements (i) have been prepared with integrity and objectivity and are the responsibility of management and (ii) have been prepared in conformity with accounting principles generally accepted in the United States.

We have discussed with Ernst & Young LLP, our independent auditors, the matters required to be discussed by SAS 61 (Communications with Audit Committee). SAS 61 requires our independent auditors to provide us with additional information regarding the scope and results of their audit of the Corporation's financial statements with respect to (i) their responsibility under auditing standards generally accepted in the United States, (ii) significant accounting policies, (iii) management judgments and estimates, (iv) any significant audit adjustments, (v) any disagreements with management, and (vi) any difficulties encountered in performing the audit.

We have received from Ernst & Young LLP a letter providing the disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) with respect to any relationships between Ernst & Young LLP and the Corporation that in its professional judgment may reasonably be thought to bear on independence. Ernst & Young LLP has discussed its independence with us and has confirmed in such letter that, in its professional judgment, it is independent of the Corporation within the meaning of the federal securities laws.

Based on the review and discussions described above with respect to the Corporation's audited financial statements included in the Corporation's 2003 Annual Report on Form 10-K, we have recommended to the board of directors that such financial statements be included in the Corporation's Annual Report on Form 10-K.

As specified in the Audit Committee Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and in accordance with accounting principles generally accepted in the United States. That is the responsibility of management and the Corporation's independent auditors. In giving our recommendation to the board of directors, we have relied on (i) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and (ii) the report of the Corporation's independent auditors with respect to such financial statements.

Audit Committee

Wallace H. Dunbar, Chairman
William M. Jordan
Franklin J. Lunding, Jr.
Anthony A. Massaro

George H. Walls, Jr.

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INDEPENDENT AUDITORS

The firm of Ernst & Young LLP (Ernst & Young) was selected by the Audit Committee as independent auditors for fiscal year ending December 31, 2003. Representatives of Ernst & Young will be present at the Annual Meeting with the opportunity to respond to appropriate questions and to make a statement if they desire to do so.

On May 21, 2002, the Audit Committee with authority granted by the board of directors appointed Ernst & Young as the Corporation's independent auditors for the 2002 fiscal year, replacing Arthur Andersen LLP (Arthur Andersen) which was dismissed from that role.

Arthur Andersen's report on the financial statements for the fiscal year preceding dismissal contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal year and interim period preceding the dismissal, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

The Audit Committee has appointed Ernst & Young as the independent auditors for the 2004 fiscal year subject to approval of the audit scope and fees.

Set forth below is a summary of certain fees paid to Ernst & Young for services for the years ended December 31, 2003 and December 31, 2002.

	2003	2002
Audit Fees	\$ 761,200	\$ 595,200
Audit-Related Fees	92,200	661,900
Tax Fees	617,000	417,100
All Other Fees	20,000	
Total	\$ 1,490,400	\$ 1,674,200

Below is a description of the nature of services comprising the fees disclosed for each category above.

Audit Fees

The Corporation estimates that the aggregate fees billed by its independent auditors for professional services rendered in connection with (i) the audit of the Corporation's annual financial statements set forth in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003, and (ii) the review of the Corporation's quarterly financial statements set forth in the Corporation's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003, and September 30, 2003, were \$761,200. The Corporation paid Ernst & Young \$595,200 for professional services rendered in connection with (i) the audit of the Corporation's annual financial statements set forth in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, and (ii) the review of the Corporation's quarterly financial statements set forth in the Corporation's Quarterly Reports on Form 10-Q for the quarters ended June 30, 2002, and September 30, 2002. The review of the Corporation's first quarter financial statements set forth in the Corporation's March 31, 2002 Form 10-Q was performed by Arthur Andersen for a fee of \$6,500.

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Audit-Related Fees

The Corporation paid Ernst & Young \$92,200 in 2003 and \$661,900 in 2002 for audit-related fees primarily resulting from the Rietschle acquisition.

Tax Fees

Fees of \$617,000 in 2003 and \$417,100 in 2002 were paid to Ernst & Young by the Corporation for income tax compliance and consulting services.

All Other Fees

The Corporation incurred fees for all other services rendered by Ernst & Young totaling \$20,000 for 2003 and \$0 for 2002. The fees paid in 2003 were for certain services provided to our European operations.

The Audit Committee has advised the Corporation it has determined that the non-audit services rendered by the Corporation's independent auditors during the years ending December 31, 2003 and December 31, 2002 are compatible with maintaining the independence of such auditors.

Pre-approval of Services by the External Auditor

The Audit Committee has adopted a policy for pre-approval of audit and permitted non-audit services by the Corporation's external auditor. The Audit Committee will consider annually and, if appropriate, approve the provision of audit services by its external auditor and consider and, if appropriate, pre-approve the provision of certain defined audit and non-audit services. The Audit Committee will also consider on a case-by-case basis and, if appropriate, approve specific engagements that are not otherwise pre-approved. The Audit Committee pre-approved all audit and permitted non-audit services by the Corporation's external auditors in 2003.

Any proposed engagement that does not fit within the definition of a pre-approved service may be presented to the Audit Committee for consideration at its next regular meeting or, if earlier consideration is required, to the Audit Committee or one or more of its members. The member or members to whom such authority is delegated shall report any specific approval of services at its next regular meeting. The Audit Committee will regularly review summary reports detailing all services being provided to the Corporation by its external auditor.

CORPORATE GOVERNANCE PRACTICES AND SHAREHOLDER COMMUNICATIONS

The Corporation's board of directors has determined that all the Corporation's directors, except the Chief Executive Officer, are independent within the meaning of the rules of the New York Stock Exchange. In determining independence, the board of directors considered the specific criteria for independence under the New York Stock Exchange rules and also the facts and circumstances of any other relationships of individual directors with the Corporation.

The board and board committees regularly meet in executive session without the presence of any management directors or representatives. Anthony A. Massaro, Chair of the Nominating and Corporate Governance Committee, was designated as the lead independent director for 2004 and will preside over the executive sessions of the board.

The Audit, Compensation and Nominating and Corporate Governance committees have each adopted a charter for their respective committees. These charters may be viewed on the Corporation's

website, www.thomasind.com, and copies may be obtained by request to the Secretary of the Corporation. Those requests should be sent to: Corporate Secretary, 4360 Brownsboro Road, Suite 300, Louisville, Kentucky 40207.

The board has adopted Corporate Governance Guidelines and a Corporate Compliance and Code of Ethics Policy. These documents may be viewed on the Corporation's website, www.thomasind.com, and copies may be obtained by request to the Secretary of the Corporation. Those requests should be sent to: Corporate Secretary; 4360 Brownsboro Road, Suite 300, Louisville, Kentucky 40207.

The board of directors has a policy under which directors may not stand for re-election after reaching the age of 70. This policy can be changed at any time by action of the board of directors. The board of directors has nominated H. Joseph Ferguson to stand for re-election as a director even though he has reached the age of 70. The board believes the Corporation and the board will continue to benefit from Mr. Ferguson's experience and knowledge.

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The Corporation expects all board members to attend the annual meeting of shareholders, but from time to time, other commitments may prevent all directors from attending each meeting. All directors, except one, attended the most recent annual meeting of shareholders, which was held on April 17, 2003.

Shareholders may send communications to board members by either sending a communication to the board and/or a particular board member care of the Corporate Secretary of the Corporation at 4360 Brownsboro Road, Suite 300, Louisville, Kentucky 40207, or by using e-mail at boardmember@thomasind.com. Communications intended for non-management directors should be directed to the Chair of the Nominating and Corporate Governance Committee at the e-mail address listed above by referencing the non-management directors in the subject line of the e-mail.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE PROCESSES

The Nominating and Corporate Governance Committee will consider board nominees recommended by shareholders. Those recommendations should be sent to the Chair of the Nominating and Corporate Governance Committee, care of the Corporate Secretary of Thomas Industries Inc., 4360 Brownsboro Road, Suite 300, Louisville, Kentucky 40207. In order for a shareholder to nominate a candidate for director, under the Corporation's Bylaws, timely notice of the nomination must be given in writing to the Secretary of the Corporation. To be timely, such notice must be received at the principal executive offices of the Corporation not less than ninety days prior to the meeting of shareholders. Notice of a nomination must include your name, address and number of shares you own; the name, age, business address, residence address and principal occupation of the nominee; and the number of shares beneficially owned by the nominee. It must also include the information that would be required to be disclosed in the solicitation of proxies for election of directors under the federal securities laws, as well as whether the individual can understand basic financial statements and the candidate's other board memberships (if any). You must submit the nominee's consent to be elected and to serve. The Nominating and Corporate Governance Committee may require any nominee to furnish any other information, within reason, that may be needed to determine the eligibility of the nominee. As provided in its Charter, the Nominating and Corporate Governance Committee will follow procedures which the committee deems reasonable and appropriate in the identification of candidates for election to the board and evaluating the background and qualifications of those candidates. Those processes include consideration of nominees suggested by an outside search firm, by incumbent board members and by shareholders. The committee will seek candidates having experience and abilities relevant to serving as a director of the Corporation and who represent the best interests of shareholders as a whole and not any specific interest group or constituency.

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The committee will consider a candidate's qualifications and background, including, but not limited to responsibility for operating a public company or a division of a public company, international business experience, a candidate's technical background or professional qualifications and other public company boards on which the candidate is a director. The committee will also consider whether the candidate would be "independent" for purposes of the New York Stock Exchange and the rules and regulations of the Securities and Exchange Commission. The committee may from time to time engage the service of a professional search firm to identify and evaluate potential nominees.

BOARD OF DIRECTORS

The board of directors held five meetings during 2003. All directors attended at least 75 percent of the aggregate number of such meetings and of meetings of board committees on which they served in 2003.

The Audit Committee members are: Wallace H. Dunbar, Chairman, William M. Jordan, Franklin J. Lunding, Jr., Anthony A. Massaro and George H. Walls, Jr. Members of the audit committee are independent under rules of the Securities and Exchange Commission and the New York Stock Exchange. The Corporation's board of directors has determined that Wallace H. Dunbar meets the qualifications of an "audit committee financial expert," as that term is defined by rules of the Securities and Exchange Commission and he is "independent" as that term is used in Item 7(d)(3)(iv) of Schedule 14A of the Exchange Act. As provided in its charter, functions of the Audit Committee include the appointment, compensation and oversight of the Corporation's independent public accountants, reviewing with the independent public accountants the financial statements and their accompanying report and reviewing the system of internal controls and the adequacy of the internal audit program. Reference is made to the Audit Committee Report and the Audit Committee Charter included with this proxy statement, which appears earlier in this proxy statement, for a further description of the responsibilities of this Committee. The Audit Committee held six meetings during fiscal year 2003.

The board of directors has a Compensation Committee which met four times during 2003. The Compensation Committee is currently composed of Lawrence E. Gloyd, Chairman, William M. Jordan, and Anthony A. Massaro. As provided in its charter, the functions of the

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Compensation Committee include establishing the remuneration for the Chief Executive Officer, evaluating the performance of the Chief Executive Officer, consulting with the Chief Executive Officer with respect to the compensation of other executives of the Corporation, and administering and determining awards under the Corporation's stock incentive plans and certain other employee benefit plans.

The Nominating and Corporate Governance Committee met four times during 2003. The Nominating and Corporate Governance Committee is currently composed of Anthony A. Massaro, Chairman, H. Joseph Ferguson, Lawrence E. Gloyd and George H. Walls, Jr. As provided in its charter, the functions of the Nominating and Corporate Governance Committee include recommending to the board for its approval, the criteria and qualifications for membership on the board, developing policies and procedures with regard to identifying and considering director candidates, reviewing, revising and interpreting the Corporation's corporate governance policies and guidelines, evaluating the effectiveness of the board and its committees and reviewing senior management succession plans.

Directors who are committee chairmen (except for directors who are employees of the Corporation) currently receive a fee of \$23,000 per year, and all other directors (except for directors who are employees of the Corporation) receive a fee of \$20,000 per year. In addition, all directors (except for directors who are employees of the Corporation) receive \$1,000 for attendance at each board of directors meeting, committee meeting, special management meeting, if any, and annual meeting of shareholders, plus

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expenses for attendance. In addition, pursuant to the Corporation's Nonemployee Director Stock Option Plan, each non-employee director receives, on the date of each annual meeting, a non-qualified stock option to purchase 3,000 shares of common stock. Effective in 1997, the Nonemployee Director Stock Option Plan permits directors to elect to receive their annual retainer and meeting fees in shares of common stock. The board has approved amendments to the Corporation's 1995 Plan, one of which will make directors eligible to participate in that Plan instead of the 1997 Plan. The present intention is to continue the compensation for non-employee directors based on the parameters discussed in this paragraph. See "Approval of Amended and Restated Thomas Industries Inc. 1995 Incentive Stock Plan."

Any director elected prior to 1995 terminating his membership on the board of directors after at least one year of service thereon is eligible to receive an annual retainer fee for three years following termination of board membership. Any new director elected to the board after 1994 is entitled to receive a benefit equal to one year's retainer fee for each three years served on the board of directors, up to a maximum of a three-year benefit. This fee is equal to the fee such director received as an active member of the board prior to termination.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires that certain of the Corporation's officers and directors, and persons who own more than ten percent of the Corporation's outstanding stock, file reports of ownership and changes in ownership with the Securities and Exchange Commission and the New York Stock Exchange. During 2003, to the knowledge of the Corporation, all Section 16(a) filing requirements applicable to its officers, directors, and greater than ten percent beneficial owners were complied with.

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PERFORMANCE GRAPH

The following graph sets forth a comparison of the Corporation's cumulative total shareholder return, assuming reinvestment of dividends, for the last five years with the cumulative total return for the same period measured by the Standard & Poor's Small Cap 600 Index and the Value Line Machinery Index.

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Thomas Industries Inc.	\$ 100.00	\$ 105.88	\$ 122.25	\$ 133.11	\$ 140.49	\$