

STONERIDGE INC  
Form PRE 14A  
March 27, 2007

**Table of Contents**

**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  o

Check the appropriate box:

x Preliminary Proxy Statement

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

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to § 240.14a-12

**Stoneridge, 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):

x No fee required.

o 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:

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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:

Not Applicable

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

Not Applicable

(3) Filing Party:

Not Applicable

(4) Date Filed:

Not Applicable

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**TABLE OF CONTENTS**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

PROPOSAL ONE: ELECTION OF DIRECTORS

PROPOSAL TWO: RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE  
COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR  
ENDING DECEMBER 31, 2007

PROPOSAL THREE: APPROVE THE COMPANY'S ANNUAL INCENTIVE PLAN

PROPOSAL FOUR: APPROVE AN AMENDMENT TO THE COMPANY'S AMENDED AND  
RESTATE CODE OF REGULATIONS TO PERMIT THE COMPANY TO ISSUE SHARES  
WITHOUT PHYSICAL CERTIFICATES

EXECUTIVE COMPENSATION

OTHER INFORMATION

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**Table of Contents**

**STONERIDGE, INC.  
9400 East Market Street  
Warren, Ohio 44484**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We will hold the 2007 Annual Meeting of Shareholders of Stoneridge, Inc. on Monday, May 7, 2007, at 10:00 a.m. Eastern Time, at 761 Youngstown-Kingsville Road S.E., Vienna, Ohio 44473.

The purpose of the Annual Meeting is to consider and vote on the following matters:

1. Election of eight directors, each for a term of one year;
2. Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2007;
3. A proposal to approve the adoption of the Annual Incentive Plan;
4. A proposal to approve an amendment to the Company's Code of Regulations; and
5. Any other matters that properly come before the meeting.

Only shareholders of record at the close of business on March 23, 2007, are entitled to notice of and to vote at the meeting or any adjournment thereof. Shareholders are urged to complete, sign and date the enclosed proxy and return it in the enclosed envelope.

By order of the Board of Directors,

AVERY S. COHEN,  
*Secretary*

Dated: April 9, 2007

**YOUR VOTE IS IMPORTANT  
PLEASE COMPLETE, SIGN, DATE AND RETURN YOUR PROXY**

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**Table of Contents**

**STONERIDGE, INC.  
PROXY STATEMENT**

The Board of Directors of Stoneridge, Inc. (the Company) is sending you this proxy statement to ask for your vote as a Stoneridge shareholder on certain matters to be voted on at the Annual Meeting of Shareholders. The Annual Meeting of Shareholders will be held on Monday, May 7, 2007, at 10:00 a.m. Eastern Time, at 761 Youngstown-Kingsville Road S.E., Vienna, Ohio 44473. The Board of Directors is mailing this proxy statement and the accompanying notice and proxy to you on or about April 9, 2007.

**Annual Report**

A copy of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2006, is enclosed with this proxy statement.

**Solicitation of Proxies**

The Board of Directors is making this solicitation of proxies and will pay the cost of the solicitation. The Board of Directors has retained Georgeson Shareholder, at an estimated cost of \$7,500, to assist the Company in the solicitation of proxies from brokers, nominees, institutions and individuals. In addition to solicitation of proxies by mail by Georgeson Shareholder, the Company's employees may solicit proxies by telephone, facsimile or electronic mail.

**Proxies; Revocation of Proxies**

The shares represented by your proxy will be voted in accordance with the instructions as indicated on your proxy. In the absence of any such instructions, they will be voted to elect the director nominees set forth under Election of Directors, FOR the ratification of the independent public accountants, FOR the proposal to approve the adoption of the Annual Incentive Plan and FOR the amendment to the Code of Regulations. Your presence at the Annual Meeting of Shareholders, without more, will not revoke your proxy. However, you may revoke your proxy at any time before it has been exercised by signing and delivering a later-dated proxy or by giving notice to the Company in writing at the Company's address indicated on the attached Notice of Annual Meeting of Shareholders or in open meeting.

**Voting Eligibility**

Only shareholders of record at the close of business on the record date, March 23, 2007, are entitled to receive notice of the Annual Meeting of Shareholders and to vote the common shares that they held on the record date at the meeting. On the record date, the Company's voting securities outstanding consisted of 24,276,967 common shares, without par value, each of which is entitled to one vote on each matter properly brought before the meeting.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table describes certain information regarding the beneficial ownership of the Company's common shares as of February 16, 2007, by: (a) the Company's directors; (b) each other person who is known by the Company to own beneficially more than 5% of the Company's outstanding common shares; (c) the executive officers named in the Summary Compensation Table; and (d) the Company's executive officers and directors as a group.

Name of Beneficial Owner(1)	Number of Shares Beneficially Owned	Percent of Class
C.M. Draime(2)	5,675,000	23.8%
Jeffrey P. Draime(3)	3,040,430	12.8
FMR Corp.(4)	2,000,406	8.4
Dimensional Fund Advisors, Inc.(5)	1,970,385	8.3
Wellington Management Group(6)	1,729,100	7.3
Earl L. Linehan(7)	298,679	1.3
John C. Corey(8)	290,811	1.2
Avery S. Cohen(9)	87,679	*
Sheldon J. Epstein(10)	74,871	*
Richard E. Cheney(11)	64,671	*
William M. Lasky(12)	22,100	*
Douglas C. Jacobs(13)	12,100	*
Edward F. Mosel(14)	149,338	*
Thomas A. Beaver(15)	121,604	*
George E. Strickler(16)	83,847	*
Mark J. Tervalon(17)	61,650	*
All Executive Officers and Directors as a Group (15 persons)	4,424,230	18.6%

\* Less than 1%.

- (1) Unless otherwise indicated, the beneficial owner has sole voting and investment power over such shares.
- (2) Represents 5,650,000 common shares held in trust for the benefit of the estate of the late D.M. Draime, of which Mrs. C. M. Draime is trustee, and 25,000 common shares held by the Draime Family Foundation, a charitable foundation of which Mrs. Draime is a co-trustee. The address of C.M. Draime is C.M. Draime c/o Stoneridge, Inc., 9400 East Market Street, Warren, Ohio 44484.
- (3) Represents 1,010,595 common shares held in trust for the benefit of Jeffrey P. Draime, of which Mr. Draime is trustee, 1,964,735 common shares held in trust for the benefit of Draime family members, of which Mr. Draime is trustee, 25,000 common shares held by the Draime Family Foundation, a charitable foundation of which Mr. Draime is a co-trustee, 6,900 restricted common shares, which are subject to forfeiture, and 33,200 common shares owned by Mr. Draime directly. The address of Jeffrey P. Draime is 9400 East Market Street, Warren, Ohio 44484.

(4)

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According to a Schedule 13G filed with the Securities and Exchange Commission ( SEC ) by FMR Corp., all common shares are owned by clients of FMR Corp., and FMR Corp. does not exercise sole or shared voting power over the 2,000,406 common shares set forth in the above table. The address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.

- (5) According to a Schedule 13G filed with the SEC by Dimensional Fund Advisors Inc., all common shares are owned by advisory clients of Dimensional Fund Advisors Inc. Dimensional Fund Advisors Inc. has disclaimed beneficial ownership of all such securities. The address of Dimensional Fund Advisors Inc. is 1299 Ocean Avenue, 11th Floor, Santa Monica, California 90401.



**Table of Contents**

- (6) According to a Schedule 13G filed with the SEC by Wellington Management Company, LLP, all common shares are owned by clients of Wellington Management Company, LLP, and Wellington Management Company, LLP (i) does not exercise sole voting power over the 1,729,100 common shares set forth in the above table, (ii) exercises shared voting power over 1,010,000 common shares included in the above table, and (iii) exercises shared dispositive power over the 1,729,200 common shares set forth in the above table. The address of Wellington Management Company, LLP is 75 State Street, Boston, Massachusetts 02109.
- (7) Represents 26,500 common shares that Mr. Linehan has the right to acquire upon the exercise of share options, 6,900 restricted common shares, which are subject to forfeiture, 150,000 common shares indirectly beneficially owned in a trust and 115,279 common shares owned by Mr. Linehan directly.
- (8) Represents 10,000 common shares that Mr. Corey has the right to acquire upon exercise of share options, 212,500 restricted common shares, which are subject to forfeiture, and 68,311 common shares owned by Mr. Corey directly.
- (9) Represents 26,500 common shares that Mr. Cohen has the right to acquire upon the exercise of share options, 6,900 restricted common shares, which are subject to forfeiture, and 54,279 common shares owned by Mr. Cohen directly.
- (10) Represents 1,500 common shares owned by Mr. Epstein's wife, 26,500 common shares that Mr. Epstein has the right to acquire upon the exercise of share options, 6,900 restricted common shares, which are subject to forfeiture, and 39,971 common shares owned by Mr. Epstein directly.
- (11) Represents 500 common shares owned by Mr. Cheney's wife, 26,500 common shares that Mr. Cheney has the right to acquire upon the exercise of share options, 6,900 restricted common shares, which are subject to forfeiture, and 30,771 common shares owned by Mr. Cheney directly.
- (12) Represents 10,000 common shares that Mr. Lasky has the right to acquire upon the exercise of share options, 6,900 restricted common shares, which are subject to forfeiture, and 5,200 common shares owned by Mr. Lasky directly.
- (13) Represents 6,900 restricted common shares, which are subject to forfeiture, and 5,200 common shares owned by Mr. Jacobs directly.
- (14) Represents 24,000 common shares that Mr. Mosel has the right to acquire upon the exercise of share options, 81,432 restricted common shares, which are subject to forfeiture, and 43,906 common shares owned by Mr. Mosel directly.
- (15) Represents 45,000 common shares that Mr. Beaver has the right to acquire upon the exercise of share options, 39,766 restricted common shares, which are subject to forfeiture, and 36,838 common shares owned by Mr. Beaver directly.
- (16) Represents 76,250 restricted common shares, which are subject to forfeiture, and 7,597 common shares owned by Mr. Strickler directly.
- (17) Represents 4,000 common shares that Mr. Tervalon has the right to acquire upon the exercise of share options, 47,891 restricted common shares, which are subject to forfeiture, and 9,759 common shares owned by Mr. Tervalon directly.

**PROPOSAL ONE: ELECTION OF DIRECTORS**

In accordance with the Company's Code of Regulations, the number of directors has been fixed at ten. At the Annual Meeting of Shareholders, you will elect eight directors to hold office until the Company's next Annual Meeting of Shareholders and until their successors are elected and qualified. The Board of Directors proposes that the nominees described below, all of whom are currently serving as directors, be elected to the Board of Directors. John C. Corey, the Company's President and Chief Executive Officer, has an employment agreement with the Company, which provides that, during the term of the agreement, Mr. Corey shall be entitled to be nominated for election to the Board of Directors. At the Annual Meeting of Shareholders, the common shares represented by proxies, unless otherwise specified, will be voted for the election of the eight nominees hereinafter named. The proxies cannot be voted for a greater number of persons than the number of nominees named. Because the number of directors is currently fixed at ten, after the Annual Meeting of Shareholders there will be vacancies on the Board

**Table of Contents**

of Directors. The Nominating and Corporate Governance Committee retained a national search firm to recommend qualified persons to serve as directors for the Board of Directors to consider. The Board of Directors expects to appoint one new and independent person to fill a vacancy sometime after the Annual Meeting of Shareholders. If the vacancy is filled, the person filling it will serve as a director until the Annual Meeting of Shareholders in 2008.

The director nominees are identified in the following table. If for any reason any of the nominees is not a candidate when the election occurs (which is not expected), the Board of Directors expects that proxies will be voted for the election of a substitute nominee designated by the Board of Directors. The following information is furnished with respect to each person nominated for election as a director.

**The Board of Directors recommends that you vote FOR the following nominees.**

**Nominees for Election at the Annual Meeting of Shareholders**

Name and Age	Principal Occupation	Period of Service as a Director	Expiration of Term for Which Proposed
John C. Corey 59	President and Chief Executive Officer of the Company	2004 to date	2008
Avery S. Cohen 70	Partner, Baker & Hostetler LLP, a law firm	1988 to date	2008
Jeffrey P. Draime 40	Owner of Silent Productions, a concert promotions company, and Owner of QSL Columbus, QSL Dayton, a restaurant franchise	2005 to date	2008
Sheldon J. Epstein 68	Partner, Moss Adams LLP, an independent public accounting firm	1988 to date	2008
Douglas C. Jacobs 67	Executive Vice President-Finance and Chief Financial Officer of Brooklyn NY Holdings LLC, a privately held investment advisory company	2004 to date	2008
Kim Korth 52	President, IRN, Inc., an international automotive consulting firm	2006 to date	2008
William M. Lasky 59	Chairman of the Board of Directors of the Company	2004 to date	2008
Earl L. Linehan 65	President, Woodbrook Capital Inc., a venture capital and investment firm	1988 to date	2008

Each of the nominees for election as a director has engaged in the principal occupation or activity indicated for at least five years, except for the following:

Mr. Corey was the President and Chief Executive Officer of Safety Components International (a supplier of air bags and components) from October 2000 until January 2006. On January 16, 2006, Mr. Corey was appointed President and Chief Executive Officer of the Company.

Mr. Epstein was a managing member at the independent public accounting firm Epstein, Weber & Conover, PLC from January 2002 until December 2006.

Mr. Jacobs, a former partner of the accounting firm Arthur Andersen LLP, was Vice President-Finance, Chief Financial Officer and Treasurer of the Cleveland Browns from 1999 to 2001, when he became the organization's Executive Vice President-Finance, Chief Financial Officer and Treasurer until December 2005. In January 2006, Mr. Jacobs became Executive Vice President-Finance and Chief Financial Officer of Brooklyn NY Holdings LLC, a privately held investment advisory company established to manage the assets of a family and family trust, including the Cleveland Browns.

Mr. Lasky served as Chairman, Chief Executive Officer and President of JLG Industries, Inc., a diversified construction and industrial equipment manufacturer, from January 2001 until December 2006.

## **Table of Contents**

*Directorships.* Mr. Corey is a director and chairman of the board of directors of Haynes International (a producer of metal alloys). Mr. Jacobs is a director of Standard Pacific Corporation (a national residential home builder in southern California), serving as chairman of its audit committee and as a member of its nominating and corporate governance committee.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Documents and Committee Charters**

The Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for Senior Financial Officers and the charters of the Board of Directors' Compensation, Audit, and Nominating and Corporate Governance committees are posted on the Company's website at [www.stoneridge.com](http://www.stoneridge.com). Written copies of these documents will be available to any shareholder upon request. Requests should be directed to Investor Relations at the Company's address listed on the Notice of Annual Meeting of Shareholders.

### **Corporate Ethics Hotline**

The Company established a corporate ethics hotline as part of the Company's Whistleblower Policy and Procedures to allow persons to lodge complaints about accounting, auditing and internal control matters, and to allow an employee to lodge a concern, confidentially and anonymously, about any accounting and auditing matter. Information about lodging such complaints or making such concerns known is contained in the Company's Whistleblower Policy and Procedures, which is posted on the Company's website at [www.stoneridge.com](http://www.stoneridge.com).

### **Director Independence**

The New York Stock Exchange ( NYSE ) rules require listed companies to have a board of directors comprised of at least a majority of independent directors. Under the NYSE rules, a director qualifies as independent upon the affirmative determination by the Board of Directors that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Board of Directors has determined that the following directors are independent:

Richard E. Cheney  
Sheldon J. Epstein  
Douglas C. Jacobs

Kim Korth  
William M. Lasky  
Earl L. Linehan

The Board of Directors has not adopted categorical standards of independence. In considering Mr. Linehan's status as independent, the Board of Directors considered Mr. Linehan's 11.81% limited partnership interest, and his 26.35% holdings of a 5% general partner, in Industrial Development Associates LP, a Maryland limited partnership real estate development company ( IDA ). Until December 29, 2006 the Company owned a 30% general partnership interest in IDA. The Company previously leased a facility from IDA. The last lease payment made to IDA was on or about March 31, 2004. The Board of Directors considered Mr. Linehan's limited partnership interest in IDA and determined that it had not interfered with Mr. Linehan's exercise of independent judgment as a director.

### **The Board of Directors**

In 2006, the Board of Directors held eight meetings and took action by unanimous written consent on five occasions. The Company's policy is that directors attend the Annual Meeting of Shareholders. All directors attended the 2006

Annual Meeting of Shareholders. Mr. Lasky has been appointed as the presiding director by the non-management directors to preside at the executive sessions of the non-management and independent directors. It is the Board of Directors' practice to have the non-management directors meet regularly in executive session and to have the independent directors meet at least once a year in executive session.

**Table of Contents****Committees of the Board**

The Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are the Compensation Committee, the Audit Committee and the Nominating and Corporate Governance Committee. Each member of the Compensation, Audit and Nominating and Corporate Governance committees is independent as defined under the listing standards of the NYSE. The table below shows the composition of the Board's committees:

<b>Compensation Committee</b>	<b>Audit Committee</b>	<b>Nominating and Corporate Governance Committee</b>
Richard E. Cheney Kim Korth William M. Laksy Earl L. Linehan*	Richard E. Cheney Sheldon J. Epstein* Douglas C. Jacobs	Sheldon J. Epstein William M. Lasky* Earl L. Linehan

\* Committee Chairperson

***Compensation Committee***

This committee held seven meetings during 2006. The Compensation Committee is responsible for establishing and reviewing our compensation philosophy and programs with respect to our executive officers, approving executive officer compensation and benefits and recommending to the Board the approval, amendment and termination of incentive compensation and equity based plans and certain other compensation matters, including director compensation. Recommendations regarding compensation of other officers are made to the Compensation Committee by our Chief Executive Officer. The Compensation Committee can exercise its discretion in modifying any amount presented by our Chief Executive Officer. The Compensation Committee regularly reviews tally sheets that detail the total compensation obligations to each of our executive officers. The Compensation Committee has retained Towers Perrin, an independent outside compensation consulting firm, to advise on all matters related to executive and director compensation. Specifically, Towers Perrin provides relevant market data, current trends in executive and director compensation and advice on program design. In accordance with its charter, the Compensation Committee may delegate power and authority as it deems appropriate for any purpose to a subcommittee of not fewer than two members.

***Audit Committee***

This committee held thirteen meetings during 2006. Information regarding the functions performed by the Audit Committee is set forth in the Audit Committee Report, included in this proxy statement. The Board of Directors has determined that each Audit Committee member is financially literate under the current listing standards of the NYSE. The Board of Directors also determined that Mr. Epstein qualifies as an audit committee financial expert as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002. In addition, under the Sarbanes-Oxley Act of 2002 and the NYSE rules mandated by the SEC, members of the audit committee must have no affiliation with the issuer, other than their Board seat, and receive no compensation in any capacity other than as a director or committee member. Each member of the Audit Committee meets this additional independence standard applicable to audit committee members of NYSE listed companies.

*Nominating and Corporate Governance Committee*

This committee held two meetings in 2006. The purpose of the Nominating and Corporate Governance Committee is to evaluate and recommend candidates for election as directors, make recommendations concerning the size and composition of the Board of Directors, develop and implement the Company's corporate governance policies and assess the effectiveness of the Board of Directors.

**Nomination Process**

It is the policy of the Nominating and Corporate Governance Committee to consider individuals recommended by shareholders for membership on the Board of Directors. If a shareholder desires to recommend an individual for



## **Table of Contents**

membership on the Board of Directors, then that shareholder must provide a written notice (the Recommendation Notice ) to the Secretary of the Company at Stoneridge, Inc., 9400 East Market Street, Warren, Ohio 44484, on or before January 15 for consideration by this committee for that year's election of directors at the Annual Meeting of Shareholders.

In addition, in order for a recommendation to be considered by the Nominating and Corporate Governance Committee, the Recommendation Notice must contain, at a minimum, the following: the name and address, as they appear on the Company's books, and telephone number of the shareholder making the recommendation, including information on the number of common shares owned and date(s) acquired, and if such person is not a shareholder of record or if such shares are owned by an entity, reasonable evidence of such person's ownership of such shares or such person's authority to act on behalf of such entity; the full legal name, address and telephone number of the individual being recommended, together with a reasonably detailed description of the background, experience and qualifications of that individual; a written acknowledgment by the individual being recommended that he or she has consented to that recommendation and consents to the Company's undertaking of an investigation into that individual's background, experience and qualifications in the event that the committee desires to do so; any information not already provided about the person's background, experience and qualifications necessary for the Company to prepare the disclosure required to be included in the Company's proxy statement about the individual being recommended; the disclosure of any relationship of the individual being recommended with the Company or any of its subsidiaries or affiliates, whether direct or indirect; the disclosure of any relation of the individual being recommended with the shareholder, whether direct or indirect, and, if known to the shareholder, any material interest of such shareholder or individual being recommended in any proposals or other business to be presented at the Company's Annual Meeting of Shareholders (or a statement to the effect that no material interest is known to such shareholder).

The Nominating and Corporate Governance Committee determines, and reviews with the Board of Directors on an annual basis, the desired skills and characteristics for directors as well as the composition of the Board of Directors as a whole. This assessment considers the directors' qualifications and independence, as well as diversity, age, skill and experience in the context of the needs of the Board of Directors. At a minimum, directors should share the values of the Company and should possess the following characteristics: high personal and professional integrity; the ability to exercise sound business judgment; an inquiring mind; and the time available to devote to Board of Directors' activities and the willingness to do so. In addition to the foregoing considerations, generally with respect to nominees recommended by shareholders, the committee will evaluate such recommended nominees considering the additional information regarding them contained in the Recommendation Notices. When seeking candidates for the Board of Directors, the committee may solicit suggestions from incumbent directors, management and third-party search firms. Ultimately, the Nominating and Corporate Governance Committee will recommend to the Board of Directors prospective nominees who the Nominating and Corporate Governance Committee believes will be effective, in conjunction with the other members of the Board of Directors, in collectively serving the long-term interests of the Company's shareholders.

The Nominating and Corporate Governance Committee recommended to the Board of Directors each of the nominees identified in Election of Directors on page 3

## **Compensation Committee Interlocks and Insider Participation**

None of the members of the Board's Compensation Committee has served as one of our officers or employees at any time. Additionally, no Compensation Committee interlocks existed during 2006.

## **Communications with the Board of Directors**

The Board of Directors believes that it is important for interested parties to have a process to send communications to the Board of Directors. Accordingly, persons who wish to communicate with the Board of Directors may do so by sending a letter to the Secretary of the Company at Stoneridge, Inc., 9400 East Market Street, Warren, Ohio 44484. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Board Communication or Director Communication. All such letters must identify the author and clearly state whether the intended recipients are all members of the Board of Directors or certain specified individual directors

## **Table of Contents**

(such as the presiding director or non-management directors as a group). The Secretary will make copies of all such letters and circulate them to the appropriate director or directors. The directors are not spokespeople for the Company and responses or replies to any communication should not be expected.

## **Transactions with Related Persons**

### ***Hunters Square***

The estate of the late D.M. Draime, former Chairman of the Board of Directors, is a 50% owner of Hunters Square, Inc. ( HSI ), an Ohio corporation, which owns Hunters Square, an office complex and shopping mall located in Warren, Ohio. The Company leases office space in Hunters Square. The Company pays all maintenance, tax and insurance costs related to the operation of the office. Lease payments made by the Company to HSI in 2006 were \$342,000. The Company will continue to make lease payments as required under the lease agreement, which terminates in December 2009. The Company believes the terms of the lease are no less favorable to it than would be the terms of a third-party lease.

### ***Industrial Development Associates Limited Partnership***

Until December 29, 2006, the Company owned a 30% interest in Industrial Development Associates Limited Partnership, a Maryland limited partnership ( IDA ). Additionally, Earl L. Linehan, a director of the Company, owns an interest in IDA and owns approximately 26.3% of MI Holding Company, a Maryland corporation, which is a 5% general partner of IDA. IDA is a real estate development company of certain commercial properties in Mebane, North Carolina. The Company previously leased a facility from IDA. On December 29, 2006, the Company entered into a Partnership Interest Purchase Agreement (the Purchase Agreement ) with Heritage Real Estate Fund V, LLC, a Maryland limited liability company ( Heritage ). Mr. Linehan is a member of Heritage, owning a 14.2% membership interest. Mr. Linehan is also a member of the Board of Directors of Heritage Properties, Inc., the managing member of Heritage. Pursuant to the Purchase Agreement, Stoneridge sold its 30% general partnership interest in IDA to Heritage for \$1.1 million in cash. The sales price was determined by the average of two independent appraisals.

### ***Relationship with Counsel***

Avery S. Cohen, one of the Company's directors, is a partner in Baker & Hostetler LLP, a law firm, which has served as general outside counsel for the Company since 1993 and is expected to continue to do so in the future.

### ***Draime Family***

In 2006 members of the Draime family, including the wife and children of D.M. Draime, who was the Chairman of the Board until his death in July 2006 (such persons are also the mother, sister and brother of Jeffrey P. Draime, a director of the Company and D.M. Draime's son) were permitted to use the Company's airplane for personal travel. The dollar value of the Draime family's personal use of the Company airplane in 2006, excluding D.M. Draime's and Jeffrey P. Draime's personal use which is disclosed in the Director Compensation table, was approximately \$227,520. Pursuant to the Company's recently adopted policy statement on related party transactions, all future personal use of the Company's airplane must be arranged through the Company's third-party charter company, which will require the payment of its standard charter rates.

## **Review and Approval of Transactions with Related Persons**

The Board adopted a written statement of policy with respect to related party transactions. Under the policy, a related party transaction is a transaction required to be disclosed pursuant to Item 404 of Regulation S-K or any other similar

transaction involving the Company and the Company's subsidiaries and any Company employee, officer, director, 5% shareholder or an immediate family member of any of the foregoing if the dollar amount of the transaction or series of transactions exceeds \$25,000. A related party transaction will not be prohibited merely because it is required to be disclosed or because it involves related parties. Pursuant to the policy, such transactions are presented to the Nominating and Corporate Governance Committee for evaluation and approval by the committee, or if the committee elects, by the full Board of Directors. If the transaction is determined to involve a

**Table of Contents**

related party, the Nominating and Corporate Governance Committee will either approve or disapprove the proposed transaction. Under the policy, in order to be approved, the proposed transaction must be on terms that are fair to the Company and are comparable to market rates, where applicable.

**PROPOSAL TWO: RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS  
THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR  
ENDING DECEMBER 31, 2007**

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP ( Ernst & Young ) as our independent registered public accounting firm for the year ended December 31, 2007. Ernst & Young has been regularly engaged by us to audit our annual financial statements and to perform audit-related and tax services. Representatives of Ernst & Young are expected to be present at the Annual Meeting of Shareholders, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

The Board of Directors seeks an indication from shareholders of their approval or disapproval of the Audit Committee's appointment of Ernst & Young as the Company's independent registered public accounting firm for the 2007 fiscal year. The submission of this matter for approval by shareholders is not legally required. The Board of Directors, however, believes that the submission is an opportunity for the shareholders to provide feedback to the Board of Directors on an important issue of corporate governance. If the shareholders do not approve the appointment of Ernst & Young, the appointment of the Company's independent registered public accounting firm will be re-evaluated by the Audit Committee but will not require the Audit Committee to appoint a different accounting firm.

**The Board of Directors recommends that you vote FOR Proposal Two.**

**Service Fees Paid to the Independent Registered Public Accounting Firm**

The following table sets forth the aggregate audit fees billed to the Company by Ernst & Young and fees paid to Ernst & Young in the other fee categories for the fiscal years ended December 31, 2006 and 2005. The Audit Committee has considered the scope and fee arrangements for all services provided by Ernst & Young, taking into account whether the provision of non-audit related services is compatible with maintaining Ernst & Young's independence.

	2006	2005
Audit Fees	\$ 1,846,577	\$ 1,548,754
Audit Related Fees	3,000	31,310
Tax Fees	119,823	169,242
All Other Fees	21,764	44,276
Total	\$ 1,991,164	\$ 1,793,582

*Audit Fees.* Audit fees include fees associated with the annual audit of the Company's financial statements, the assessment of the Company's internal control over financial reporting as integrated with the annual audit of the Company's financial statements, the quarterly reviews of the financial statements included in the Company's Form 10-Q filings, statutory and regulatory audits and general assistance with the implementation of new regulatory pronouncements.

*Audit-Related Fees.* Audit-related fees primarily relate to audits of employee benefit plans.

*Tax Fees.* Tax fees primarily relate to tax audits, tax compliance, tax consulting and both domestic and international tax planning.

*All Other Fees.* All other fees relate to regulatory reviews.

## **Table of Contents**

### **Pre-Approval Policy**

The Audit Committee's policy is to approve in advance all audit and permitted non-audit services to be performed for the Company by its independent registered public accounting firm. Pre-approval is generally provided for up to one year, is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit Committee also pre-approves particular services on a case-by-case basis. In accordance with the policy, the Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee. The Chairman may pre-approve services and then inform the Audit Committee at the next scheduled meeting.

All services provided by Ernst & Young during fiscal 2006, as noted in the table above, were authorized and approved by the Audit Committee in compliance with the pre-approval policies and procedures described previously. In connection with the audit of the 2006 financial statements, the Company entered into an engagement agreement with Ernst & Young which set forth the terms by which Ernst & Young will perform audit services for the Company. That agreement is subject to alternate dispute resolution procedures and an exclusion of punitive damages.

### **Audit Committee Report**

In accordance with its written charter, the Audit Committee assists the Board of Directors in fulfilling its responsibility relating to corporate accounting, reporting practices of the Company, and the quality and integrity of the financial reports and other financial information provided by the Company to any governmental body or to the public. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of the audited financial statements with generally accepted accounting principles. The Audit Committee is comprised of three directors, all of whom are independent for audit committee purposes under the current listing standards of the NYSE.

In discharging its oversight responsibility as to the audit process, the Audit Committee reviewed and discussed the audited financial statements of the Company for the year ended December 31, 2006, with the Company's management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements. The Audit Committee reviewed with the Company's independent registered public accounting firm, Ernst & Young, its judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed by Statement on Auditing Standards No. 61, as amended by Statement on Auditing Standards No. 90, Communication with Audit Committees. The Audit Committee also obtained a formal written statement from Ernst & Young that described all relationships between Ernst & Young and the Company that might bear on Ernst & Young's independence consistent with Independence Standards Board Standard No. 1, Independence Discussions with Audit Committee, as amended or supplemented. The Audit Committee discussed with Ernst & Young any relationships that might impact Ernst & Young's objectivity and independence and satisfied itself as to Ernst & Young's independence. The Audit Committee also considered whether the provision of non-audit services by Ernst & Young is compatible with maintaining Ernst & Young's independence. Management has the responsibility for the preparation of the Company's financial statements, and Ernst & Young has the responsibility for the examination of those statements.

The Audit Committee discussed with the Company's internal auditor and Ernst & Young the overall scope and plans for their respective audits. The Audit Committee meets with the internal auditor and Ernst & Young, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal control, and the overall quality of the Company's financial reporting.

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Based on the above-referenced review and discussions with management, internal auditor and Ernst & Young, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the SEC.

The Audit Committee  
Sheldon J. Epstein, Chairman  
Richard E. Cheney  
Douglas C. Jacobs



**Table of Contents**

**PROPOSAL THREE: APPROVE THE COMPANY'S ANNUAL INCENTIVE PLAN**

Under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), annual compensation in excess of \$1 million paid to the Company's chief executive officer and the four other highest paid executive officers (collectively, the Covered Executives) is not deductible by the Company for federal income tax purposes. However, performance-based compensation is exempt from the \$1 million deduction limit. For compensation to qualify as performance-based compensation under Internal Revenue Code Section 162(m) certain conditions must be met, including shareholder approval of the material terms of the arrangement under which the compensation is paid. In addition, shareholders must reapprove the material terms every five years. Therefore, on October 30, 2006, the Board adopted a written Annual Incentive Plan (the AIP). The AIP provides that the executive officers and other key employees selected by the Compensation Committee are eligible to receive annual bonuses, payable in cash based on the level of attainment of Company and individual performance goals over one-year performance periods. The AIP is now being submitted for shareholder approval. The AIP is effective as of January 1, 2007; however, no awards granted for 2007 or later years to a Covered Executive will be settled until the shareholders of the Company have approved the Plan in a manner that satisfies the requirements of Section 162(m) of the Internal Revenue Code.

**Approval AIP**

The affirmative vote of a majority of the votes cast in person or by proxy by shareholders represented and entitled to vote at the Annual Meeting of Shareholders is required for approval of the AIP. No compensation will be paid under the AIP to Covered Executives if it is not approved by the shareholders. In the event that the AIP is not approved by shareholders, payments made to certain of the Company's executive officers outside the AIP may not be deductible for federal income tax purposes under Section 162(m) of the Internal Revenue Code.

**Summary of the Material Provisions of the AIP**

Below is a summary of the significant terms of the AIP. The summary does not purport to be complete and is qualified in its entirety by reference to the full text of the AIP, a copy of which is attached as Appendix A to this proxy statement.

**Purpose**

To promote the growth, profitability and success of the Company by providing performance incentives for selected executive officers and key employees.

**Administration of the AIP**

The Compensation Committee (the Committee) will administer the AIP. The Committee will be comprised solely of outside directors, within the meaning of Internal Revenue Code Section 162(m), and NYSE independent directors. The Committee's responsibilities pursuant to the AIP will include (i) selecting the participants; (ii) determining the date awards are to be made; (iii) determining whether performance goals and other payment criteria have been satisfied; (iv) determining when awards should be paid; and (v) determining whether the amount of awards should be reduced. The Committee also will have the powers necessary to administer the AIP, including the power to make rules and regulations, the power to interpret the AIP, and the power to delegate certain of its powers and responsibilities.

**Eligible Persons**

Officers and other key employees of the Company or its subsidiaries.

**Awards**

An award is an amount payable in cash to a participant if one or more performance objectives are met during the fiscal year, and if any other specified terms or conditions are satisfied. The Committee determines the amount of each award, the specific performance objectives that must be met for the award to be payable, and any other terms and conditions for the award.

**Table of Contents**

<b>Maximum Award</b>	\$2,000,000 per year to any employee who is selected to participate in the AIP.
<b>Reduction and Increase of Awards</b>	The Committee may reduce the amount payable to any participant and increase the amount payable to any participant who is not a Covered Executive. In the case of any Covered Executive, the Committee may not increase the amount an individual is eligible to receive as calculated on the basis of the level of Company performance under the pre-established performance objectives.
<b>Establishment of Performance Objectives</b>	The Committee will establish performance objectives for awards to Covered Executives from the list set out below. Except in the case of mid-year hires, the Committee must designate performance objectives for awards to Covered Executives in writing during the first 90 days of the fiscal year, while the attainment of each designated objective is still uncertain. Performance objectives for other participants may consist of any measure selected by the Committee in its discretion at any time.
<b>Types of Performance Objectives</b>	Performance objectives established by the Committee may be based on one or more of the following criteria: increase in net sales; pretax income before allocation of corporate overhead and bonus; operating profit; net working capital; earnings per share; net income; attainment of division, group or corporate financial goals; return on shareholders equity; return on assets; attainment of strategic and operational initiatives; attainment of one or more specific and measurable individual strategic goals; appreciation in or maintenance of the price of the C