

FRUEHAUF
CORPORATION
DETROIT, MICHIGAN 48222

ROBERT D. ROWAN
CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

March 27, 1985

Dear Fellow Shareholder:

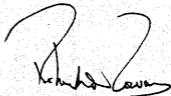
I invite you to attend the Annual Meeting of Shareholders of Fruehauf to be held at 2:30 P.M. on Thursday, May 2, 1985 at the Hotel Pontchartrain, 2 Washington Boulevard, Detroit, Michigan. I hope that you will be able to attend and participate in the Annual Meeting. At the meeting, I will review the business and operations of Fruehauf and officers and directors of Fruehauf will be available to answer your questions about your Company.

We will consider and act upon the election of directors, the reappointment of your Company's independent public accountants, amendment of the Restated Articles of Incorporation to increase the authorized Common and Preferred Stock and amending the Restated Articles of Incorporation, to discourage a recent practice referred to as "greenmail," which favors the interests of one or a few shareholders at the expense of the remaining shareholders, and to mandate cumulative voting for directors when any shareholder or shareholder group beneficially owns 40% or more of Fruehauf's voting stock.

Whether or not you attend the meeting in person, it is important that your shares be represented and voted at the meeting. Accordingly, I urge you to sign, date and return the enclosed proxy card after you read the enclosed Notice of Annual Meeting and Proxy Statement and the enclosed Fruehauf Corporation 1984 Annual Report.

A report on the results of voting at the Annual Meeting will be sent to you with the Report to Shareholders for the Second Quarter.

Sincerely yours,



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ST. PETERSBURG, FL U.S.A.

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FRUEHAUF CORPORATION

NOTICE OF ANNUAL MEETING

March 27, 1985

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of Fruehauf Corporation ("Fruehauf") will be held at the Hotel Pontchartrain, 2 Washington Boulevard, Detroit, Michigan, on Thursday, May 2, 1985, at 2:30 P.M., Eastern Daylight Time, for the purposes of:

1. Electing 12 directors of Fruehauf.
2. Ratifying the reappointment of Touche Ross & Co. as the independent public accountants of Fruehauf for the year 1985.
3. Amending Article IV of the Restated Articles of Incorporation to increase the number of shares of Common Stock which the Corporation is authorized to issue from 40,000,000 to 100,000,000.
4. Amending Article IV of the Restated Articles of Incorporation to increase the number of shares of Preferred Stock which the Corporation is authorized to issue from 3,000,000 to 10,000,000.
5. Amending the Restated Articles of Incorporation to add a new Article VII, which would prohibit the Corporation's purchase of its shares from certain shareholders at a premium over market price without the consent of a majority of the other shareholders, and a new Article VIII, which would require cumulative voting for directors whenever any shareholder beneficially owns 40% or more of the Corporation's voting stock and permitting any shareholder who beneficially owns shares of the Corporation's voting stock with a market price of at least \$100,000 to nominate directors.
6. Transacting any and all other business which may properly be brought before such meeting or any adjournment thereof.

Pursuant to the By-laws of Fruehauf, March 8, 1985, has been fixed as the record date for the purpose of determining the shareholders entitled to notice of, and to vote at, such meeting or any adjournment thereof. Only record shareholders of Common Stock at the close of business on that date are entitled to such notice and to vote at such meeting or any adjournment thereof.

A copy of the Fruehauf Corporation 1984 Annual Report is enclosed.

By order of the Board of Directors.



T. Neal Combs
Secretary

The execution and return of the enclosed proxy as promptly as possible will be greatly appreciated. A return envelope is enclosed for your convenience, and requires no postage if mailed in the United States.

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FRUEHAUF CORPORATION

P.O. Box 238
Detroit, Michigan 48232

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Fruehauf Corporation (hereinafter referred to as "Fruehauf" or the "Corporation") of proxies in the accompanying proxy card form. The Notice of Annual Meeting, the Proxy Statement and the accompanying proxy card, together with the Fruehauf Corporation 1984 Annual Report, are being mailed to shareholders commencing on or about March 27, 1985. Proxies are solicited so that each shareholder may have an opportunity to vote. These proxies will enable shareholders to vote on all matters which are scheduled to come before the meeting. When proxies are returned properly executed, the shares represented thereby will be voted in accordance with the shareholders' directions. Shareholders are urged to specify their choices by marking the appropriate boxes on the enclosed proxy card; if no choice has been specified, the shares will be voted as recommended by the Board of Directors. Means have been provided whereby a shareholder may withhold his vote for any director and may vote against, or abstain from voting on, any matter other than the election of directors. The proxy cards also confer discretionary authority to vote the shares authorized to be voted thereby on any matter which was not known on the date of this Proxy Statement but may properly be presented for action at the meeting.

Your vote is important. Accordingly, you are asked to sign, date and return the accompanying proxy card regardless of whether or not you plan to attend the meeting.

Any proxy may be revoked by the person giving it at any time prior to the exercise of the powers conferred by delivering written notice of revocation to any of the individuals appointed as proxies in the proxy card at the above office of the Corporation, by submitting to the Corporation a subsequently dated proxy, or by attending the meeting and withdrawing the proxy.

Each holder of Common Stock represented in person or by proxy and entitled to vote at the Annual Meeting will be entitled to one vote for each share of such stock standing in the name of such shareholder on the books of the Corporation at the close of business on March 8, 1985. On that date, the Corporation had outstanding and entitled to vote 19,051,197 shares of Common Stock. Only holders of Common Stock are entitled to vote at the Annual Meeting.

GENERAL INFORMATION

Board of Directors

Your Board of Directors is responsible for managing the business and affairs of the Corporation. The directors, who are elected annually by the shareholders, represent the interests of the Corporation's shareholders as a whole rather than the special interests of any particular group.

There are presently 12 directors serving on the Board. All of the directors were elected at the 1984 Annual Meeting of Shareholders, except for Mr. John C. McCabe, who was elected a director by the Board of Directors effective March 1, 1985.

Your Board of Directors met 10 times during 1984 with an average attendance by incumbent directors of approximately 98%. The Board meets to review significant developments affecting the Corporation and to act on matters requiring Board approval. The Board has approved this Proxy Statement and authorized the approval of the Fruehauf Corporation 1984 Annual Report.

Information on each nominee for director appears on pages 4 through 6 of this Proxy Statement.

Committees of the Board

Your Board has established seven standing committees of the Board of Directors to assist in the discharge of the Board's responsibilities in specific areas. These committees and the principal responsibilities of each are described below. Membership of nominees for director on committees is indicated in the biographical information for each nominee for director. At the present time, of the 33 memberships on the seven committees, 22 or approximately 67% are held by nonmanagement directors. Attendance by incumbent directors at meetings of committees averaged approximately 97% during 1984.

Executive Committee. Three nonmanagement directors and four management directors serve on the Executive Committee. This committee, which did not meet last year, possesses all the powers of the Board except those specifically reserved by Michigan law or Fruehauf's By-laws to the full Board of Directors.

Audit Committee. The Audit Committee comprises four directors. All members of this committee are required to be independent of management and free of any relationship that would interfere with the exercise of independent judgment as a committee member. The Audit Committee reviews the preparation and auditing of accounts of the Corporation; considers and recommends to the Board of Directors the engagement of independent certified public accountants for the ensuing year and the terms of such engagement; reviews the scope of the audit proposed by such accountants; implements and periodically reviews the performance of the Corporation's program of internal control and reviews the internal audit function of the Corporation; receives and reviews the reports of the independent accountants and internal audit staff; and reviews the annual financial report to the directors and shareholders of the Corporation. The Audit Committee is required to report to the Board of Directors not less than twice in each year. This committee met on four occasions during 1984, and reported to the Board of Directors after each meeting.

Compensation Committee. The Compensation Committee fixes the base salaries of officers or of employees who have, or by action of the committee will have, a base salary in excess of an amount fixed by the Board of Directors. Currently, the committee fixes all base salaries in excess of \$70,000. The Compensation Committee comprises four nonmanagement directors and one management director. While there is no requirement that all members of this committee be nonmanagement directors, the majority of the members appointed to this committee is expected to be nonmanagement directors. The committee held three meetings during 1984.

Incentive Compensation Committee. This committee administers the Incentive Compensation Plan, Policy Council bonuses, the 1980 Stock Option Plan and 1984 Stock Option Plan of the Corporation and the Incentive Compensation Plan and Policy Council bonus of Kelsey-Hayes Company. It will administer any other future plan whereby officers or other employees of the Corporation and its subsidiaries may receive remuneration in addition to their base salaries. Membership on this committee is limited to nonmanagement directors. Four directors serve on this committee, which met four times during 1984.

Contributions Committee. This committee, which met twice during 1984, has five members, of whom three are members of management. Contributions exceeding \$1,000 are approved by this committee.

Pension Review Committee. The Pension Review Committee, which met three times during the past year, reviews the investment performance of the trustees and the administration of the pension plans of the Corporation. This committee has four members, of whom three are nonmanagement directors.

Nominating Committee. The Nominating Committee, which met once during 1984, recommends to the Board of Directors qualifications of nominees for membership on the Board of Directors and considers recommendations for nominees for election to the Board from concerned persons, including in particular the directors and shareholders of the Corporation. On February 21, 1985, this committee recommended to the Board of Directors that it nominate as directors the 12 nominees named on pages 4 through 6. This committee comprises four directors, of whom two are nonmanagement directors. The Secretary of the Corporation will upon request advise interested persons as to the procedure for submitting recommendations.

Compensation of the Board

Except as set forth below, nonmanagement directors received an annual fee at the rate of \$12,000 per year plus \$500 per Board meeting attended and \$500 for each committee meeting attended (unless waived). Effective January 1, 1985, the fee paid to nonmanagement directors for attendance at Board and committee meetings was raised to \$600 per meeting. Chairmen of certain committees of the Board of Directors received additional compensation as follows, but were not paid fees for attending meetings of the committees of which they are chairmen:

<u>Name</u>	<u>Chairman of</u>	<u>Additional Compensation Received</u>
Jack Breslin	Audit Committee	\$20,000
Dean E. Richardson	Compensation and Incentive Compensation Committees	\$12,000
John D. Schapiro	Contributions Committee	\$ 3,000
Donald F. Chamberlin	Pension Review Committee	\$ 6,000

Management directors receive no additional compensation for serving on the Board or its committees.

Auditors

Touche Ross & Co. has served as independent public accountants for the Corporation and most of its subsidiaries for many years. Touche Ross representatives regularly attend meetings of the Audit Committee and have direct access to members of the Audit Committee.

Representatives of Touche Ross & Co. will attend the Annual Meeting of Shareholders, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. Further information concerning Touche Ross & Co. appears on page 7.

Shareholder Proposals

At the Annual Meeting of Shareholders of the Corporation each year, the Board of Directors submits to the shareholders (1) its nominees for election as directors and (2) the ratification of the appointment of independent public accountants for the Corporation by the Board of Directors upon recommendation of the Audit Committee. From time to time, the Board may submit other matters requiring shareholder approval, such as an amendment of the Corporation's Restated Articles of Incorporation and proposals relating to new employee benefit and incentive plans or certain amendments to existing plans.

Additionally, shareholders may be asked to consider and take action on proposals submitted by shareholders under regulations of the Securities and Exchange Commission ("SEC"). The Board of Directors will consider proposals and suggestions submitted by shareholders. When adoption of a suggestion or proposal is clearly in the best interests of the Corporation and its shareholders and can be implemented without shareholder approval, it may be implemented without inclusion in any proxy statement. Thus, the shareholder proposals which appear in proxy statements will generally be those proposals with which the Board of Directors has disagreed or which it has determined that it must oppose in fulfilling its obligations to represent and safeguard the best interests of the Corporation and its shareholders as a whole. Under current SEC regulations, a shareholder proposal, otherwise proper for presentation, to be presented at the Annual Meeting of Shareholders to be held in 1986, must be received by the Secretary of the Corporation by November 28, 1985.

Certain Shareholders

The Corporation has been advised by the persons named in the following table that such persons beneficially own shares of the Corporation's Common Stock in the manner and to the extent indicated therein:

Name and Address of Beneficial Owner	Aggregate Shares Owned	Number of Shares With				Percent of Class
		Voting Power		Dispositive Power		
		Sole	Shared	Sole	Shared	
Dean LeBaron d/b/a Batterymarch Financial Management 600 Atlantic Avenue Boston, Mass. 02210	957,250	335,850	—	957,250	—	5.1
United Banks of Colorado, Inc. 1700 Broadway Denver, Colo. 80217	1,368,407	1,223,841	4,650	1,330,099	21,262	7.2

ITEM 1—ELECTION OF DIRECTORS

The Board of Directors, upon recommendation of the Nominating Committee, has nominated each of the persons named below for election as a director, to hold office until the next Annual Meeting of Shareholders and until his successor is elected and qualified. It is intended that shares represented by properly executed proxies will be voted, in the absence of a contrary indication, in favor of the election of the 12 nominees named below for director, each to hold office until the next Annual Meeting of Shareholders and until his successor is elected and qualified. Although the Board of Directors has no reason to believe that any nominee will be unable to serve as a director, if that contingency should occur, it is intended that the shares represented by the proxies will be voted, in the absence of a contrary indication, for any substitute nominee designated by the Board of Directors, or that the Board of Directors will reduce the size of the Board accordingly.

For each nominee, there is presented background information as to his principal occupation and his other business and community affiliations. There is also presented a summary of his service as a director and the number of shares of Common Stock beneficially owned by him, including shares deemed to be owned beneficially by him under SEC regulations as of February 1, 1985; the number of shares, if any, deemed to be owned beneficially under said regulations is indicated parenthetically. All directors and executive officers as a group owned beneficially 307,760 shares of Common Stock (including 103,229 shares deemed to be owned beneficially by them under SEC regulations), aggregating approximately 1.6% of the outstanding Common Stock.

Name and Age of Nominee
Principal Occupation and Background Information

Service as a Director
and Stock Ownership¹

Jack Breslin, 64. Mr. Breslin became Vice President for Administration and Public Affairs at Michigan State University in 1980. Prior to that date, he served the University as Executive Vice President, Vice President for Administration and State Relations, and Secretary of the Board of Trustees. He has also been a Professor of Administration at the University for more than 25 years. Mr. Breslin has been involved in numerous University and community activities. He is a director of Jackson National Life Insurance Company and the Bank of Lansing.

Director since 1975
Committee memberships:
Audit Committee (Chairman)
Executive Committee
Nominating Committee
Pension Review Committee
Shares owned: 1,050

Donald F. Chamberlin, 48. Mr. Chamberlin has served as President of Asset Timing Corporation, Troy, Michigan, a registered investment adviser (financial and investment planning), since 1978. Prior thereto, he was at Kidde, Peabody & Co. (investment banking). Mr. Chamberlin graduated from Michigan State University in 1958. Mr. Chamberlin serves as a trustee of three educational institutions and is president of two foundations.

Director since 1972
Committee memberships:
Audit Committee
Pension Review Committee
(Chairman)
Shares owned: 2,957

Frank P. Coyer, Jr., 65. Mr. Coyer is Vice Chairman—Finance and Administration of Fruehauf. Mr. Coyer became a director in 1973, served as Vice President from 1973 to 1974, as Vice President—Finance from 1974 to 1980, and as Executive Vice President—Finance from 1980 to 1981, when he assumed his present office. Mr. Coyer is a graduate of the University of Illinois.

Director since 1973
Committee memberships:
Executive Committee
Nominating Committee
Pension Review Committee
Shares owned: 33,731² (6,000)

John P. Grace, 36. For more than the past five years, Mr. Grace has been president of John P. Grace Co., Fort Worth, Texas (real estate brokerage) and has been involved in the development of real estate in Texas. Mr. Grace serves on the Board of Directors of Texas Commerce Bank, Fort Worth, Texas. He graduated from the University of Houston in 1970.

Director since 1981
Committee memberships:
Compensation Committee
Contributions Committee
Incentive Compensation
Committee
Shares owned: 1,927^{3,4}

Russell G. Howell, 60. Mr. Howell was elected Executive Vice President—Financing Affairs of Fruehauf in 1980. He has served Fruehauf Finance Company in several capacities, including President from 1965-1980 and as Chairman of the Board since January 1981. Mr. Howell attended the University of Detroit. He is active in professional organizations.

Director since 1980
Committee membership:
Contributions Committee
Shares owned: 4,697 (4,427)

John C. McCabe, 61. Mr. McCabe has served since 1976 as Chief Executive Officer and Chief Administrative Officer of Blue Cross and Blue Shield of Michigan (prepaid health care); he is also Chairman of the Board of Directors of the Blue Cross and Blue Shield Association. He serves as a director of several Detroit civic and charitable organizations. Mr. McCabe received his undergraduate degree from Manhattan College, and did graduate work at New York University and Columbia University.

Director since 1985
Shares owned: 150

Thomas J. Reghanti, 60. Mr. Reghanti has been President and Chief Operating Officer of Fruehauf since 1981. Prior thereto, he served as Executive Vice President—Trailer Operations and President of the Fruehauf Division since 1980. From 1974 to 1980, he was Vice President—General Manager of the Fruehauf Division. Mr. Reghanti has also served as President of Fruehauf Canada Inc., a subsidiary of the Corporation, since 1979. He graduated from the University of Wisconsin in 1950. Mr. Reghanti is active in a number of trucking industry associations.

Director since 1976
Committee Memberships:
Contributions Committee
Executive Committee
Shares owned: 17,740 (4,287)

Dean E. Richardson, 57. Mr. Richardson became Chairman of the Board of Manufacturers National Bank of Detroit and of Manufacturers National Corporation in 1973. He also serves as Chief Executive Officer of both of these corporations and as President of Manufacturers National Corporation. He is a director of Detroit Edison Company (electric utility), R. P. Scherer Corporation (pharmaceuticals) and Tecumseh Products Company (gasoline engines). Mr. Richardson received his undergraduate degree from Michigan State University in 1950 and his law degree from the University of Michigan in 1953. Mr. Richardson is active in many artistic, charitable and civic organizations.

Director since 1980
Committee memberships:
Audit Committee
Compensation Committee
(Chairman)
Executive Committee
Incentive Compensation
Committee (Chairman)
Shares owned: 1,000

Robert D. Rowan, 63. Mr. Rowan, who was appointed Chairman of the Board and Chief Executive Officer of the Corporation in 1981, joined Fruehauf in 1955. He was elected Vice President—Controller in 1963, Vice President—Finance in 1965, President and Chief Operating Officer in 1972 and President and Chief Executive Officer in 1974. Mr. Rowan is a graduate of Michigan State University, where he majored in business administration and accounting.

Director since 1970
Committee memberships:
Compensation Committee
Contributions Committee
Executive Committee (Chairman)
Nominating Committee
Shares owned: 55,359⁴ (20,710)

John D. Schapiro, 71. Mr. Schapiro has served as Chairman of the Board of Jacksonville Shipyards, Inc., a wholly owned subsidiary of Fruehauf, for more than five years. He serves as Chairman of Boston Metals Company (metal recycling) and is active in the Boy Scouts of America as a member of its National Executive Board and on the local level. He is a trustee of the Maryland Historical Society. Mr. Schapiro is a graduate of Stanford University.

Director since 1980
Committee memberships:
Compensation Committee
Contributions Committee
(Chairman)
Incentive Compensation
Committee
Pension Review Committee
Shares owned: 3,000

Francis J. Sehn, 66. Mr. Sehn is Chairman of Comau Productivity Systems Inc. (integrated manufacturing systems). He has also been Chief Executive Officer of the Fran Sehn Company, an international consulting service, since 1954. A registered professional engineer, Mr. Sehn is active in engineering societies here and abroad. He is a Life Fellow of The Institute of Production Engineers, and a member of the Institute of Directors, London, England. He is a director of several privately owned companies, a director of several hospitals and a trustee of St. Mary's College.

Director since 1980
Committee memberships:
Audit Committee
Compensation Committee
Executive Committee
Incentive Compensation
Committee
Nominating Committee (Chairman)
Shares owned: 750

James S. Wilkerson, 64. Mr. Wilkerson, who retired in December 1984, served during 1984 as Executive Vice President—Automotive Operations of Fruehauf since 1980 and as Chairman of the Board and Chief Executive Officer of Kelsey-Hayes Company, a subsidiary of Fruehauf. He served as President of Kelsey-Hayes Company, from 1976 to 1983, and Chief Executive Officer of Kelsey since 1977. From 1977 to 1980, he was also a Vice President of Fruehauf. Prior to 1976, he served as Vice President—Aerospace Group of Kelsey. He served as a director of Kelsey since 1964. Mr. Wilkerson graduated from Wittenberg University in 1942 and serves on its Board of Directors.

Director since 1977
Committee membership:
Executive Committee
Shares owned: 15,500

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE NOMINEES NAMED ABOVE AS DIRECTORS.

- (1) Based on information furnished by each officer or director. As of February 1, 1985, no officer or director owned any of the Corporation's \$2.00 Cumulative Convertible Preferred Stock, except as indicated in Note 3, or 5.50% Convertible Subordinated Debentures due 1994. Pursuant to regulations of the SEC, shares receivable by directors and officers (a) upon exercise of stock options exercisable or (b) upon election to receive shares of Common Stock under the Stock Purchase (Savings) Plan with respect to units payable within 60 days after February 1, 1985, are deemed to be beneficially owned by such directors and officers at said date.
- (2) Mr. Coyer also owns 2,100 shares of Kelsey-Hayes Canada Limited, a subsidiary of the Corporation's wholly-owned subsidiary, Kelsey-Hayes Company.
- (3) Mr. Grace also owns beneficially 1,000 shares of the Corporation's \$2.00 Cumulative Convertible Preferred Stock.
- (4) Mr. Rowan and Mr. Grace also respectively own 1,500 and 1,800 shares of Fruehauf Canada, Inc a subsidiary of the Corporation.

ITEM 2—RATIFICATION OF THE REAPPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Touche Ross & Co., independent public accountants for the Corporation, has been reappointed by the Board of Directors, upon the recommendation of the Audit Committee, to audit the financial statements of the Corporation for 1985. Touche Ross & Co. has served the Corporation in such capacity continuously since 1947.

If the selection of Touche Ross & Co. should not be ratified by the shareholders, or if, after such ratification, that firm should become unable or ineligible to serve, the Board of Directors will select another firm.

The Audit Committee of the Board of Directors approved in advance the audit services provided by Touche Ross & Co. for the year ended December 31, 1984.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO RATIFY THE REAPPOINTMENT OF TOUCHE ROSS & CO. The affirmative vote of the holders of a majority of the shares of Common Stock represented at the Annual Meeting is required for adoption of this proposal.

ITEM 3—PROPOSAL TO AMEND THE RESTATED ARTICLES OF INCORPORATION TO INCREASE THE AUTHORIZED COMMON STOCK

On February 21, 1985, the Board of Directors of the Corporation adopted a resolution recommending adoption by the shareholders of an amendment of Article IV of the Restated Articles of Incorporation of the Corporation (the "Restated Articles") to increase the number of shares of Common Stock which the Corporation is authorized to issue from 40,000,000 to 100,000,000.

As of December 31, 1984, there were 19,043,711 shares of Common Stock outstanding. (During 1984, over 6,000,000 shares were issued to effect a 3-for-2 stock split.) At December 31, 1984, 1,398,355 shares were reserved for issuance upon conversion of the Corporation's outstanding 5.50% Convertible Subordinated Debentures due 1994, 1,872,674 shares were reserved for issuance upon conversion of shares of the Corporation's \$2.00 Cumulative Convertible Preferred Stock, 1,806,677 shares were for issuance upon exercise of options granted under the Corporation's Stock Option Plans and 7,573 shares were reserved for issuance upon payment of Units purchased under the Stock Purchase (Savings) Plan. Thus, as of that date (and as of the date of this Proxy Statement), only 15,871,010 shares were available for issuance. The Board of Directors believes it desirable and in the long-term interest of the Corporation to have additional shares of Common Stock available in order to assure the Corporation's flexibility of action with respect to possible future expansions of the Corporation's business, stock splits, stock dividends, employee benefit plans, or other appropriate purposes. Timing is frequently important in such transactions, and, therefore, it is desirable to have available a sufficient number of authorized shares.

Inasmuch as the holders of shares of Common Stock do not have any pre-emptive rights to purchase any part of an issue of shares of Common Stock of the Corporation, the additional authorized shares of Common Stock resulting from the proposed amendment may be issued by the Board of Directors from time to time without further shareholder action and without first offering such shares to the shareholders. There are no present plans for the issuance or sale of such additional shares of Common Stock.

Article IV would also be amended by incorporating present Article VII, as restated, into it, thereby combining related provisions of the Restated Articles, but having no substantive effect upon them.

The foregoing description of the proposed amendment to Article IV is not intended to be complete and is qualified in its entirety by reference to the complete text of Article IV, as proposed to be amended pursuant to this Item 3 and pursuant to Item 4, attached to this Proxy Statement as Appendix A. In the event that Item 4 is not approved by the shareholders, amended Article IV will provide for 3,000,000 authorized shares of Preferred Stock instead of the 10,000,000 shares indicated in Exhibit A.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL. Adoption of this proposal will require the affirmative vote of a majority of the outstanding shares of Common Stock entitled to vote thereon.

ITEM 4—PROPOSAL TO AMEND THE RESTATED ARTICLES OF INCORPORATION TO INCREASE THE AUTHORIZED PREFERRED STOCK

On February 21, 1985 the Board of Directors of the Corporation adopted a resolution recommending adoption by the shareholders of an amendment of Article IV of the Restated Articles to increase the number of shares of Preferred Stock, without par value, which the Corporation is authorized to issue from 3,000,000 to 10,000,000.

As of December 31, 1984, there were 1,647,900 shares of Preferred Stock outstanding, leaving only 1,352,100 shares available for issuance. The Board of Directors believes it desirable and in the long-term interest of the Corporation to have additional shares of Preferred Stock available in order to assure the Corporation's flexibility of action with respect to increases in the Corporation's equity, future expansions of the Corporation's business, or other appropriate purposes. Timing is frequently important in such transactions, and therefore, it is desirable to have available a sufficient number of authorized shares.

The Preferred Stock, the terms of which are to be fixed from time to time by the Board of Directors, may be used for the purpose of raising equity capital or financing future acquisitions, or for other corporate purposes, without the delay and expense incident to a meeting of shareholders.

The Preferred Stock may be divided into separate series and issued from time to time in separate series without further authorization of the shareholders. The Board of Directors is authorized to establish one or more series of Preferred Stock and determine the relative rights and preferences of each series including, but not limited to, variations as to (a) dividend rates, (b) redemption provisions, (c) rights on liquidation, (d) sinking fund provisions, (e) conversion rights, and (f) voting rights.

The foregoing description of the proposed amendment to Article IV is not intended to be complete and is qualified in its entirety by reference to the complete text of Article IV, as proposed to be amended pursuant to this Item 4 and pursuant to Item 3, attached to this Proxy Statement as Appendix A. In the event that Item 3 is not approved by the shareholders, amended Article IV will provide for 40,000,000 authorized shares of Common Stock instead of 100,000,000.

The power of the Board of Directors to issue shares of Preferred Stock, including the shares presently authorized (within the limits imposed by applicable law and the rules of the New York Stock Exchange), with voting or other rights which might impede or discourage a takeover attempt, may make the Corporation a less attractive takeover candidate and may deter takeover attempts not approved by the Board in which shareholders might receive for some or all of their shares a substantial premium above market value at the time such takeover bid were made. The Corporation does not contemplate issuing Preferred Stock for these ends; in the past, Preferred Stock has been issued for purposes of raising equity capital. Additionally, issuance of Preferred Stock, including the shares presently authorized, could result in a class or series of securities outstanding that will have certain preferences with respect to dividends and in liquidation over the Common Stock, and might enjoy voting rights, contingent or otherwise, in addition to those of the Common Stock, such that the Corporation could not act on certain matters, which could include takeovers requiring shareholder approval, without the consent of the holders of one or more series of Preferred Stock. Such issuance could also result in the dilution of the voting rights, net income per share and net book value of the common stock. The Corporation has no specific plans and there are no commitments, understandings or negotiations at this time with respect to the issuance of additional shares of Preferred Stock.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL. Adoption of this proposal will require the affirmative vote of a majority of the outstanding shares of Common Stock entitled to vote thereon.

ITEM 5—ADOPTION OF PROPOSED ARTICLES VII AND VIII TO THE RESTATED ARTICLES OF INCORPORATION

Introduction

On February 21, 1985, the Board of Directors adopted a resolution recommending adoption by the shareholders of two new related Articles of the Restated Articles. The first, proposed Article VII, is intended to discourage "greenmail"—a recently developed practice of accumulating stock of a corporation with the intent of persuading management to repurchase it at a premium to avoid a possible takeover or proxy fight. The second, proposed Article VIII, is intended to preserve the rights of shareholders to be represented on

the Board of Directors if the Corporation has a Substantial Shareholder (a shareholder owning 40 percent or more of the Corporation's voting stock) by instituting cumulative voting for directors and permitting any shareholder who beneficially owns shares with a market value of more than \$100,000 to nominate at least one director.

The Restated Articles presently contain no provisions respecting takeovers of the Corporation or other acquisitions of sizeable amounts of its voting stock. However, Chapter 7A of the Michigan Business Corporation Act, which became effective in 1984, requires approval of a "business combination" with an "interested shareholder" both (1) by the holders of not less than 80 percent of the outstanding shares entitled to vote and (2) by not less than 66 $\frac{2}{3}$ percent of the shares entitled to vote held by shareholders other than the interested shareholder, unless the consideration to be received by the shareholders in the business combination is at least equal to the higher of (1) the highest price paid by the interested shareholder for shares of stock of the Corporation during the prior two-year period or (2) the current market value of the stock. "Business combination" includes certain mergers, transfers of assets, recapitalizations and liquidations and dissolutions; and an "interested shareholder" is one who beneficially owns 10 percent or more of the Corporation's voting power. The purpose of the statute is to prevent so-called "two-tier" tender offers in which one group of shareholders is treated more favorably than another, as, for example, a partial tender offer sufficiently large to obtain control of a corporation in which the tendering shareholders received a premium over the market price (the first tier), followed by a merger (the second tier) in which the shareholders who did not tender their shares or whose tenders of shares were not accepted were eliminated or "frozen out" for a lower or different per share consideration from that received by the first-tier shareholders.

Chapter 7A of the Michigan Business Corporation Act makes it difficult for a controlling shareholder, following his acquisition of a controlling interest, to eliminate the remaining shareholders except on terms as favorable to them as the terms on which the controlling shareholder purchased the shares which he then owns. Accordingly, Chapter 7A has the indirect effect of discouraging tender offers and other acquisitions of a controlling interest in the Corporation. Similarly, proposed Article VIII may discourage such tender offers and acquisitions because it might impede a Substantial Shareholder who held less than a majority of the Corporation's shares in his efforts to elect a majority of the Corporation's directors. In contrast, proposed Article VII of the Restated Articles, while inhibiting "greenmail," should not deter a person from making an attempt to obtain control of the Corporation, except to the extent that such person considers "greenmail" to be a possible alternative to acquiring control. If proposed Articles VII and VIII are adopted, the management of the Corporation may be assisted in retaining their positions to the extent that the provisions of either Article may inhibit a contemplated acquisition of control of the Corporation by a third party and may tend to insulate management against the possibility of removal in the event of a takeover bid.

However, the Board of Directors believes that the advantages to the Corporation's shareholders of the proposed amendments generally outweigh any potential disadvantages.

While the Board of Directors is not aware of any pending or proposed offer to acquire control of the Corporation, recent well publicized instances of "greenmail" attempts have caused the Board of Directors to conclude that the adoption of proposed Article VII would discourage any use of this practice against the Corporation. Also, proposed Article VIII would make it difficult for any person who had gained control of the Corporation to eliminate all directors representing the remaining shareholders of the Corporation. In view of the current environment of tender offers and other attempts to acquire control of public companies, the Board of Directors believes that both of these proposals are in the interests of the shareholders. In evaluating Item 5, shareholders should also consider Item 4, which proposes to increase the authorized Preferred Stock, and which, as discussed in Item 4, may have the effect of making the Corporation a less attractive takeover candidate.

The Board of Directors and management of the Corporation are not aware of the existence of any pending or proposed offer to acquire control of the Corporation and have no present intention of proposing additional amendments to the Restated Articles relating to offers for control.

Proposed Article VII

Proposed Article VII to the Restated Articles would, in the absence of approval by a majority of the outstanding voting shares other than shares owned by a Significant Shareholder (a shareholder beneficially owning shares of the Corporation's voting stock having power to cast 5% or more of the votes which may be cast by all shares of the Corporation's voting stock), preclude the Corporation from purchasing any of its outstanding capital stock at a price greater than the Fair Market Value (the closing price on the last preceding trading day) from a shareholder who is a Significant Shareholder. The purchase of stock pursuant to a tender offer or an exchange offer by the Corporation for some or all of the outstanding shares of a class of such stock which is made on the same terms to all holders of such shares, or an open market purchase program approved by a majority of the members of the Board of Directors who were elected and acting members of the Board prior to the time such person became a Significant Shareholder are excepted from the requirement of a shareholder vote. The text of proposed Article VII is set forth in Exhibit B hereto.

In recent years a practice which is sometimes referred to as "greenmail" has arisen of accumulating beneficial ownership of a significant block of stock in a publicly held company for the purpose of pressuring the company to repurchase that stock at a premium price (i.e., a price above the current market price) in order to avoid a tender offer, proxy contest or other effort to obtain control of the company. The premium (i.e., the portion of the price in excess of the current market price), which may be substantial, is paid at the expense of the remaining shareholders, who not only do not have the same opportunity to sell their shares at the premium price, but who also have the value of their shares diluted by the use of corporate assets to pay the premium. In addition, payment of the price could divert corporate funds from other uses, making it necessary for the company either to defer or cancel the programs or purchases for which the funds paid to the "greenmailer" were to be used or to replace such funds on terms which the company may find disadvantageous or onerous. Further, threatened "greenmail" may distract directors and officers from management of their company.

Greenmail has been the subject of criticism by legislators, regulators and commentators. Because this practice may be utilized to exert pressure on a board of directors to repurchase acquired shares for this purpose, the proposed amendment is designed to serve notice on those who might be tempted to acquire a share position for such purpose that the Corporation's directors are not susceptible to such pressure.

The proposed amendment transfers the decision-making power with respect to purchases subject to proposed Article VII from the Board of Directors to the shareholders. If the amendment is adopted, and at some future date a proposal were made to purchase shares from a Significant Shareholder at a premium over their Fair Market Value, a meeting of the shareholders would have to be convened to consider and act upon the proposal.

While the adoption of this amendment may discourage acquisitions of the Corporation's stock which otherwise could result in a temporary market-price increase beneficial to shareholders deciding to sell their shares at that time, the Board believes that even-handed treatment of all shareholders is of sufficient importance and benefit to shareholders generally to outweigh these possible disadvantages.

If Article VII is adopted, it may not thereafter be amended or rescinded, nor may any provisions inconsistent with it be adopted, unless approved by the affirmative vote of not less than a majority of the outstanding voting shares of the Corporation held by persons other than Significant Shareholders, in addition to a majority of all outstanding shares of voting stock.

The foregoing description of proposed Article VII is not intended to be complete and is qualified in its entirety by reference to the complete text of proposed Article VII, attached to this proxy statement as Exhibit B.

Proposed Article VIII

Proposed Article VIII (which is set forth in Exhibit C hereto) provides that during a period when any person is a Substantial Shareholder (the beneficial owner of shares of the Corporation's voting stock having power to cast 40% or more of the votes which may be cast by all shares of the Corporation's voting stock), the shareholders shall have the right to vote cumulatively for directors. Moreover, during any period when cumulative voting is in effect, any shareholder may nominate candidates for the Board of Directors and the Corporation must include in its proxy solicitation materials for stockholder vote at least one of the candidates nominated by any shareholder who owns voting stock having an aggregate market price of at least \$100,000.

Since a person who acquired a large block of stock in the Corporation might have interests and objectives different from those of the remaining shareholders, the amendment provides, in such a case, for proportional representation on the Board of Directors. It would permit the public shareholders of the Corporation to continue to have representation on the Board of Directors notwithstanding acquisition of control of the Corporation by such Substantial Shareholder through the election of his nominees as a majority of the directors, unless he were to own sufficient shares to elect all directors even with cumulative voting.

The Restated Articles do not presently provide for cumulative voting for directors under any circumstances. Accordingly, under Michigan law, the vote of a majority of the shares cast at any election of directors will elect all of the directors. Therefore, a Substantial Shareholder could now nominate his own slate of directors and, if the votes cast by him constituted a majority of the votes cast at the meeting, he could elect all of the directors. If the votes cast by him did not constitute a majority of the votes cast at the meeting, he would elect no directors.

Proposed Article VIII provides that during any period when the Corporation has a Substantial Shareholder, each shareholder may vote cumulatively in the election of directors and give one nominee a number of votes equal to the number of directors to be elected multiplied by the number of shares the shareholder is entitled to vote, or distribute his votes on the same principle among two or more nominees as he thinks fit. Therefore, by concentrating their votes, shareholders other than a Substantial Shareholder may still elect some directors even though they do not have a majority of the votes cast at a meeting. On the other hand, cumulative voting would permit a Substantial Shareholder to be represented on the Board irrespective of the votes of the other shareholders, for he could always elect some directors by virtue of the votes cast by him even if they did not amount to a majority of the votes cast at the election.

Cumulative voting will be in effect during any period when the Corporation has a Substantial Shareholder. If such shareholder exists on the record date for the meeting at which directors are to be elected, proxies distributed to shareholders will permit cumulative voting and the related proxy statements will describe the procedure.

Proposed Article VIII also provides that, as long as cumulative voting is in effect, any person who is the beneficial owner of the Corporation's voting stock having an aggregate market price of \$190,000 or more may propose candidates to a Special Committee of the Board of Directors comprised of Directors who were directors before the Substantial Shareholder became an Interested Shareholder, certain former directors, or other persons not affiliated with the Substantial Shareholder. The Special Committee is required to approve at least one of the candidates submitted to it by each such shareholder. The Special Committee may also approve other persons or nominees, including nominees of persons who are not beneficial owners of shares having an aggregate market price of \$100,000 or more. The Corporation is obligated to include in any proxy statement relating to election of directors the persons approved by the Special Committee. This provides a mechanism under which the shareholders, other than the Substantial Shareholder, will be able to nominate and vote for directors even after a Substantial Shareholder has assumed control of the Corporation through electing his nominees as a majority of the directors. The continuing shareholders would thus be afforded an opportunity for representation on the Board of Directors and to be represented regarding the overall business policies and direction of the Corporation.

This procedure is to be contrasted with the present procedure for nomination of directors under which any shareholder may nominate a candidate as director by submitting his name to the Nominating Committee but the inclusion of that nominee is discretionary with the Nominating Committee. Based upon the closing price of the Corporation's Common Stock on March 21, 1985, of \$23³/₁₆ per share (as reported by the New York Stock Exchange consolidated tape, 4,279 shares of the Corporation's Common Stock would have an aggregate market price of \$100,000 and would amount to approximately 2/100ths of one percent of the Corporation's issued and outstanding Common Stock.

Proposed Article VIII also provides that, while there is a Substantial Shareholder, the number of seats on the Board may not be changed.

Proposed Article VIII could discourage attempts to acquire control of the Corporation because the provisions for cumulative voting could delay a Substantial Shareholder in obtaining control of the Board of Directors of the Corporation and could permit the election of directors representing minority shareholders even if a Substantial Shareholder acquired control of the Board of Directors. Since tender offers are normally

made at prices above the current market price of a company's stock and open market purchases of stock may support or increase the market price, a tender offer or other acquisition attempt could afford an opportunity to shareholders to dispose of their shares at a premium price. Adoption of the amendment could therefore adversely affect such shareholders. However the Board of Directors believes that proposed Article VIII would protect the continuing interests of shareholders who did not sell their shares to a purchaser who attempted to acquire control of the Corporation. Moreover, Chapter 7A of the Michigan Business Corporation Act (discussed above), which imposes "fair price" requirements upon any such transaction, already constitutes a substantial disincentive to persons who might consider attempting to acquire control of the Corporation.

If proposed Article VIII is adopted, it may not thereafter be amended or rescinded, nor may provisions inconsistent with it be adopted, unless approved by the affirmative vote of not less than a majority of the outstanding voting shares of the Corporation held by persons other than a Substantial Shareholder, in addition to a majority of all outstanding shares of voting stock.

The foregoing description of proposed Article VIII is not intended to be complete and is qualified in its entirety by reference to the complete text of proposed Article VIII, attached to this proxy statement as Exhibit C.

Vote Required

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL. The adoption of this proposal requires the favorable vote of a majority of (1) all of the outstanding shares of Common Stock, (2) all outstanding shares of Common Stock held by persons other than persons who would be Significant Shareholders if this proposal is adopted and (3) all outstanding shares of Common Stock held by persons other than Substantial Shareholders. If this proposal is adopted, the persons whose names appear under the caption "Certain Shareholders" on pages 3 and 4 may be regarded as Significant Shareholders. The Board of Directors believes that the Corporation has no Substantial Shareholders.

COMPENSATION OF EXECUTIVE OFFICERS

All cash compensation of each of the five most highly compensated executive officers of the Corporation for services in all capacities to the Corporation and its subsidiaries for the year ended December 31, 1984, and of all executive officers of the Corporation as a group is as follows:

(A) Name of individual or number in group	(B) Capacities in which served	(C) Cash compensation	
		(1) Salaries	(2) Bonuses
Robert D. Rowan	Chairman of the Board and Chief Executive Officer; Director of the Corporation	\$ 425,000	\$ 318,750
Frank P. Coyer, Jr.	Vice Chairman—Finance and Administration and Director of the Corporation	\$ 260,000	\$ 195,000
Thomas J. Reghanti	President and Chief Operating Officer and Director of the Corporation	\$ 235,000	\$ 176,250
James S. Wilkerson	Executive Vice President—Automotive Operations and Director of the Corporation and President and Chief Executive Officer of Kelsey-Hayes Company	\$ 210,000	\$ 157,500
Arnold P. McIlwain	Executive Vice President—Maritime Operations of the Corporation and President and Chief Executive Officer of Jacksonville Shipyards, Inc., and Maryland Shipbuilding & Drydock Company	\$ 190,000	\$ 142,500
All executive officers as a group (29 persons, including those named above)		\$3,987,819	\$3,018,208

Pensions

Pensions for salaried personnel are provided through three retirement plans for salaried employees of Fruehauf and its subsidiaries. The following table shows the maximum annual amounts payable at age 65 under the present pension plan provisions, on a straight life annuity basis based on assumed final average earnings for various years of participation, as indicated.

Assumed Final Average Annual Salary	Years of Credited Service			
	10	20	30	35
\$175,000	\$26,250	\$ 52,500	\$ 78,750	\$ 91,875
200,000	30,000	60,000	90,000	105,000
225,000	33,750	67,500	101,250	118,250
250,000	37,500	75,000	112,500	131,250
275,000	41,250	82,500	123,750	144,375
300,000	45,000	90,000	135,000	157,500
350,000	52,500	105,000	157,500	183,750
375,000	56,250	112,500	168,750	196,875
400,000	60,000	120,000	180,000	210,000
425,000	63,750	127,500	191,250	223,125
450,000	67,500	135,000	202,500	236,250
475,000	71,250	142,500	213,750	249,375
500,000	75,000	150,000	225,000	262,500
525,000	78,750	157,500	236,250	275,625
550,000	82,500	165,000	247,500	288,750

Under provisions of the Internal Revenue Code of 1954, as amended, pensions in excess of \$90,000 per year may be paid under the Plan only to the extent that pension benefits had accrued under the Plan formula prior to January 1, 1984, limited to a maximum pension of \$136,425 per year. During 1983, the Corporation adopted a Supplemental Pension Benefit Plan, which is a nonqualified unfunded plan, under which it will pay the difference, if any, between the amounts in the above table and the amount of pension which may be paid under the aforesaid provisions of the Internal Revenue Code.

The amounts shown in the above table will be reduced for Social Security benefits. For employees retiring in 1985 at age 65 with 10, 20 and 30 or more years of service, the reduction would be \$1,433, \$2,869 and \$4,302, respectively.

Remuneration covered by such plans generally comprises base salary (indicated in Column C(1) of the Cash Compensation Table on page 12), but excludes overtime, incentive compensation, and cost-of-living allowance payments. The plans provide that an employee's retirement benefit will be based on such employee's highest consecutive five years of salary out of the final ten years of his employment.

The individuals named in the Cash Compensation Table (the "Named Officers") had the following number of whole years of credited service to the Corporation and its subsidiaries at December 31, 1984: Frank P. Coyer, Jr., 31; Arnold P. McIlwain, 29; Thomas J. Reghanti, 29; Robert D. Rowan, 25; and James S. Wilkerson, 39.

Incentive Compensation

The Incentive Compensation Plan of the Corporation (the "Incentive Plan"), which was adopted by the shareholders of the Corporation in 1956, and amended by the shareholders in 1968, provides for the award of incentive compensation from a cumulative reserve to officers and other employees of the Corporation and its subsidiaries other than Kelsey-Hayes Company ("Kelsey"), which has a separate incentive compensation plan. The Corporation, under the terms of the Incentive Plan, may credit to such reserve, in each year, an amount, determined by the Corporation's independent public accountants up to a percentage of the Corporation's "earnings before taxes on income," as follows:

If the range of "return on shareholders' investment" is—	Then the maximum percentage of "earnings before taxes on income" credited to the Plan is—
Under 6%	None
6% but under 12%	2.00%
12% but under 16%	4.50%
16% but under 20%	6.75%
20% or more	9.00%

*As defined in the Incentive Plan.

In no event, however, may any amount be credited to the reserve, in any year, if the effect of the credit would be to reduce the return on shareholders' investment below 6%. Awards are paid in four annual installments.

Certain persons, who serve on the Policy Council of the Corporation may also receive an annual bonus (the "Policy Council Bonus"), payable in a lump sum, in addition to amounts payable under the Incentive Plan; among them are the Named Officers. Awards under the Policy Council Bonus are paid from the general funds of the Corporation.

Kelsey has an incentive compensation plan (the "Kelsey Incentive Plan") approved by Kelsey's stockholders in 1952. Under this plan, there is credited to a reserve 8% of Kelsey's earnings, as defined in the Plan, after deducting 10% of Stockholders' Investment, as so defined. Awards are payable in four annual installments. The persons who serve on Kelsey's Policy Council may receive an annual bonus (the "Kelsey Policy Council Bonus"), fixed by the Board of Directors of the Corporation, payable in a lump sum, in addition to amounts payable under the Kelsey Incentive Plan. Among such persons are Messrs. Frank P. Coyer, Jr., Thomas J. Reghanti, Robert D. Rowan, and James S. Wilkerson.

Under the above plans, the Incentive Compensation Committee has sole discretion to determine persons eligible to participate in the plans, awards and the total amount awarded to any person for each year.

Stock Options

In 1980 and 1984, the shareholders respectively approved the 1980 Stock Option Plan and 1984 Stock Option Plan of the Corporation (the "Plans"), which respectively provide for the grant of stock options for up to 1,125,000 and 1,500,000 shares (adjusted for a 3-for-2 Common Stock split in 1984) of the Corporation's Common Stock to officers, key executives and professional personnel of the Corporation and its subsidiaries. The Plans also provide for the grant of stock appreciation rights to such persons in the form of General Rights and Limited Rights. On exercising a Right, the holder would receive for each share for which the Right is exercised an amount equal to the difference between the exercise price of the option to which the Right relates, and, in the case of a General Right, the fair market value per share on the date on which the General Right is exercised or, in the case of a Limited Right, the highest price per share paid in any tender or exchange offer which offer is in effect at any time during the 60 days prior to the exercise of the Limited Right. General Rights are exercisable to the extent that the options to which they relate are exercisable and Limited Rights are exercisable in the event of such tender or exchange offer. Rights are exercisable in tandem with exercisable options; that is, such options are reduced by the number of such Rights exercised.

The Plans provide that options may be exercisable in full or in cumulative installments not earlier than one year after the date of grant. No option may be granted at a per share exercise price of less than the fair market value per share on the date of grant of a share of the Corporation's Common Stock, and no adjustment may be made in the exercise price, except with respect to stock dividends, splits and combinations, certain mergers and transfers of assets, and similar events. No option may be exercisable more than 10 years after the date of grant.

The following table sets forth information for 1984 respecting options and Rights held by the Named Officers and all executive officers as a group:

	Robert D. Rowan	Frank P. Coyer, Jr.	Thomas J. Reghanti	James S. Wilkerson	Arnold P. McHwain	All Executive Officers as a Group
Granted 1:1-84 to 12:31-84:						
Number of options in tandem with Rights(1) . . .	60,000	30,000	30,000	25,500	25,500	478,500
Exercised 1:1-84 to 12:31-84:						
Options and Rights Exercised—Net value realized in shares (market value less exercise price) or cash	—	—	\$ 22,555	\$ 19,250	—	\$ 964,396
Sales 1:1-84 to 12:31-84 (number of shares)(1):	—	—	—	7,950	—	40,710
Outstanding at 12:31-84:						
Number of options(1)	80,710	36,000	34,827	27,000	51,000	574,015
Potential (unrealized) value (market value less exercise price)(2)(3)	\$384,376	\$129,460	\$110,714	\$ 70,620	\$333,540	\$2,063,684

(1) Adjusted for a 3-for-2 Common Stock split during 1984.

(2) General Rights outstanding on December 31, 1984, which were exercisable in tandem with options, had the same potential value.

(3) Based on a closing price for Fruehauf Common Stock of \$22⁵/₈ per share on December 31, 1984, as quoted on the New York Stock Exchange consolidated tape.

During 1984, employees other than executive officers were granted options without Rights for a total of 605,250 shares (adjusted for a 3-for-2 stock split) of Common Stock.

Stock Purchase (Savings) Plan

Under the Stock Purchase (Savings) Plan of the Corporation, adopted in 1971 and approved by shareholders in 1972, any eligible salaried employee of the Corporation and certain of its subsidiaries may under certain conditions defer compensation (in lieu of current payment in cash) for payment at a future time. The deferred compensation is credited to an account measured in Units, each of which Units is acquired by the employee for the current market price of a share of Common Stock. Each Unit accrues a return which is equivalent to the dividend paid on one share of Common Stock ("Dividend Equivalent"). The compensation ultimately paid, as to each Unit, will be the greater of the amount for which the employee purchased the Unit or the value of the Unit measured by the market value at time of payment of one share of Common Stock. A participant may elect, as to any Unit, to receive one share (as adjusted for any stock split after acquisition of the Unit) of Common Stock.

The following table indicates, with respect to executive officers, the following information as to Units held by them: (i) the number of Units purchased by them during 1984 and the average per Unit purchase price, (ii) the net value realized for any Units paid in shares or cash during 1984, (iii) the number of such Units outstanding as of December 31, 1984, and the potential (unrealized) value of such Units (market value less purchase price), and (iv) Dividend Equivalents paid during 1984:

	Robert D. Rowan	Frank P. Coyer, Jr.	Thomas J. Rehant	James S. Wilkinson	Arnold P. McIlwain	All Executive Officers as a Group
Purchased during 1984:						
Number of Units(1)	4,653	7,253	—	—	—	30,866
Average price per Unit	\$ 22.83	\$ 23.32	—	—	—	\$ 23.20
Units paid (realized) during 1984:						
Net value realized in shares (market value) or cash	\$ 9,765	\$76,354	—	—	\$17,261	\$454,914
Outstanding at December 31, 1984:						
Number of Units (1)(2)	14,619	9,408	—	9,798	15,305	177,422
Potential (unrealized) value (market value less purchase price)(3)	\$65,580	\$ 5,777	—	\$ 68,353	\$77,786	\$374,126
Dividend Equivalents paid during 1984	\$ 3,695	\$ 2,169	—	\$ 3,397	\$ 5,203	\$ 50,588

(1) Adjusted for a 3-for-2 Common Stock split during 1984.

(2) None of such Units was payable on December 31, 1984.

(3) Based on a closing price for Fruehauf Common Stock of \$22⁵/₈ per share on December 31, 1984, as quoted on the New York Stock Exchange consolidated tape.

Indebtedness

The 1980 Stock Option Plan and the 1984 Stock Option Plan provide that all participants therein may finance 100% of the exercise price of the options held by them to purchase shares upon exercise of such options. Such financing was made at interest rates of 6% per annum for nonqualified options and 9% per annum for Incentive Stock Options and are required to be repaid over 10 years with equal payments of principal in each year. The Corporation has financed many purchases under the Stock Option Plans, several of which purchases were made by executive officers, as follows:

Name	Maximum Indebtedness Since January 1, 1984	Indebtedness at February 28, 1985
Leon Alexander	\$127,505	\$121,380
Frank P. Coyer, Jr.	\$169,249	\$152,324
Howard O. Emorey	\$113,765	\$107,640
Robert G. Flagan	\$ 87,500	—
Edward J. Hayes	\$140,000	\$140,000
Joseph Mack II	\$106,750	\$ 98,000
George Malley	\$116,666	—
Donald R. McCleary	\$ 62,250	\$ 15,777
Thomas J. Reghanti	\$119,980	\$107,962
William Shinn	\$ 70,000	—
Joseph Silk	\$ 78,750	—
James S. Wilkerson	\$ 92,231	\$ 80,702

Termination of Employment

During 1983, the Board of Directors determined that it would be in the best interests of the Corporation and its shareholders to enter into agreements with each of the executives who are officers of the Corporation (except assistant officers) or who serve on the Policy Councils of Fruehauf, Fruehauf Division or Kelsey. Under these agreements, each executive has agreed to remain in the employment of the Corporation for a period of 6 months following a potential change in control of the Corporation (as defined in the agreements). The agreements also provide that, upon the actual or constructive termination of the employment of an executive following a change in control (as defined), unless such termination be by reason of death or Retirement or for Cause or Disability, the executive will immediately receive: (a) salary then due; (b) deferred portions of bonus and incentive compensation awards; and (c) in lieu of any future salary payments, an amount equal to the product of (1) the sum of the executive's base salary plus the mean average bonus or incentive compensation awarded to him during the most recent five years multiplied by (2) the number of years remaining in the term of the agreement (the "Compensation Period"). The number of years remaining in the agreement will be that number of years remaining until normal retirement age (age 65) for executives of or over the age of 60 and 5 and 4 years for executives who were of or over the respective ages of 50 and 40 years when the agreements were signed.

The agreements also require the Corporation to maintain certain fringe benefits, including insurance coverages, for each executive after such termination for the Compensation Period, and to credit the executive with a number of years of participation in the Corporation's retirement programs equal to the number of years in the Compensation Period, which may result in the vesting of pension benefits for certain executives who would otherwise not be vested.

The agreements confer no benefits prior to a change of control (as defined).

In the event of termination of employment on account of layoff or inability to perform assigned duties satisfactorily, all regular salaried employees of Fruehauf, including executive officers, are entitled to receive a separation allowance of up to 10 weeks' base salary, depending on length of service to the Corporation, and all regular salaried employees of Kelsey, including executive officers, are entitled to receive up to six months' base salary, depending on length of service to Kelsey. In such event, certain executive officers named in the Cash Compensation Table would be entitled to receive the separation allowances in excess of \$60,000 based on their present base salaries, as follows: Robert D. Rowan, \$72,000 and Frank P. Coyer, \$130,000.

ADDITIONAL INFORMATION

The Corporation maintains banking relationships in the ordinary course of business with numerous banks, including Manufacturers National Bank of Detroit ("Manufacturers"), of which Mr. Richardson is Chairman of the Board and Chief Executive Officer. Manufacturers participates in the Corporation's \$177 million joint open lines of credit available to either the Corporation or its wholly owned subsidiary, Fruehauf Finance Company, in the amount of \$8 million.

In 1983, the Corporation entered into a Revolving Credit and Term Loan Agreement, dated as of September 19, 1983, with 25 banks, including Manufacturers, under which the Corporation may borrow up to \$150 million from all of the banks, including \$6 million from Manufacturers. Fruehauf Finance Company entered into a Revolving Credit and Term Loan Agreement, dated as of September 19, 1983, with the same banks under which it may borrow up to \$100 million from all banks, including \$4 million from Manufacturers. Each agreement provides for a revolving credit facility which terminates on August 31, 1986 and permits the amount outstanding upon such termination to be repaid under a term loan facility in 16 quarterly equal installments, the last of which would be due August 31, 1990. Under each agreement, borrowings may be made, at the option of the borrower, at the prime rate, or at variable rates based upon domestic money market rates or the London Interbank Offered Rate. Each agreement provides for payment of a commitment fee on the unused portion of the revolving credit equal to $\frac{1}{2}\%$ of such unused portion. Under these agreements, Fruehauf and Fruehauf Finance Company were indebted to Manufacturers in the maximum respective amounts of \$2.4 million and \$2.0 million during 1984.

Fruehauf Finance Company had during 1984 short term borrowings of up to approximately \$41 million under a master note agreement with the trust department of Manufacturers. It also entered into a master note agreement with a money market fund of which Manufacturers is the investment adviser, but made no borrowings thereunder during 1984.

The Corporation has a \$3 million line of credit with Texas Commerce Bank—Houston, in respect of which line of credit the Corporation maintains a compensating balance. Mr. John P. Grace is a director of Texas Commerce Bank of Fort Worth, which is owned by the same bank holding company as Texas Commerce Bank—Houston.

On January 1, 1985, the Corporation and Mr. James S. Wilkerson, who is a director and who retired as Chairman of the Board of Kelsey on December 31, 1984, entered into a consulting agreement with an initial term of one year and provision for extension from year to year. Under this agreement, Mr. Wilkerson is to act as a general advisor and consultant to Kelsey's management on all matters pertaining to Kelsey's business and is to refrain from competing, or assisting others in competing, with Kelsey. The agreement contains no limit upon the amount of time Mr. Wilkerson is to expend thereunder. Mr. Wilkerson is to be paid \$50,000 per year, but payment is deferred until January 15 in the fifth year after the year in respect of which it is to be paid; each payment deferred will bear simple interest at the rate of 10% per annum, commencing the first year after the year in respect of which it is to be paid. Kelsey will also furnish Mr. Wilkerson with the use of a car, will provide certain insurance coverages and has agreed to pay certain other expenses.

During 1984, Kelsey paid to Blue Cross and Blue Shield of Michigan, of which Mr. John C. McCabe is Chief Executive Officer and Chief Administrative Officer, and its affiliates, approximately \$1.2 million for administrative services in connection with health care plans of Kelsey and its subsidiaries; it is estimated that approximately \$1.5 million will be paid by Kelsey and its subsidiaries for these services in 1985.

MISCELLANEOUS MATTERS

At the Annual Meeting of Shareholders, in addition to the matters described above, there will be an address by the Chairman of the Board and a general discussion period during which shareholders will have an opportunity to ask questions about the business and operations of Fruehauf.

The cost of soliciting proxies will be borne by the Corporation. Such cost will include charges by brokers and other custodians, nominees and fiduciaries for forwarding proxies and other proxy material to the beneficial holders of Common Stock. Solicitation may also be made personally or by telephone, telegraph and other communication devices, by directors, officers and full-time employees of the Corporation without additional compensation. In addition, the Corporation has retained Georgeson & Co., Wall Street Plaza, New York, New York 10005 to assist in the solicitation of proxies from brokers, bank nominees and other institutional holders for a fee of approximately \$10,000 plus expenses.

As of the date hereof, the Board of Directors has no knowledge of any business which will be presented for consideration at the meeting other than that described above. As to other business, if any, that may come before the meeting, it is intended that proxies in the accompanying form will be voted in respect thereof in accordance with the judgment of the persons voting the proxies.

By order of the Board of Directors.


T. Neal Combs
Secretary

Dated: March 27, 1985

SHAREHOLDERS ARE URGED TO COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD(S) PROMPTLY IN THE SELF-ADDRESSED ENVELOPE (WHICH IS POSTAGE-PAID FOR SHAREHOLDERS IN THE UNITED STATES), WHETHER OR NOT THEY EXPECT TO ATTEND THE MEETING. A SHAREHOLDER MAY NEVERTHELESS VOTE IN PERSON IF HE DOES ATTEND.