

FRUEHAUF
CORPORATION
DETROIT, MICHIGAN 48232

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

May 15, 1987

Dear Fellow Stockholder:

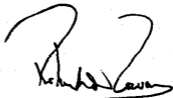
I invite you to attend the delayed Annual Meeting of Stockholders of Fruehauf Corporation to be held at 2:30 P.M. on Thursday, June 18, 1987, at the Troy Hilton, 1455 Stephenson Highway, Troy, Michigan. The meeting was delayed by the Board of Directors because an important change in the presentation of Fruehauf's financial statements made it impossible to prepare and mail the Fruehauf Corporation 1986 Annual Report in time to hold the Annual Meeting at the usual time. 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, a stock option plan for nonemployee directors, and, if presented, a stockholder proposal.

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 1986 Annual Report.

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

Sincerely yours,



FRUEHAUF CORPORATION

NOTICE OF ANNUAL MEETING

May 15, 1987

NOTICE IS HEREBY GIVEN that the delayed Annual Meeting of the Stockholders of Fruehauf Corporation, a Delaware corporation ("Fruehauf"), will be held at the Troy Hilton, 1455 Stephenson Highway, Troy, Michigan, on Thursday, June 18, 1987, at 2:30 P.M., Eastern Daylight Time, for the purposes of:

1. Electing 9 directors of Fruehauf.
2. Ratifying the reappointment of Touche Ross & Co. as the independent public accountants of Fruehauf for the year 1987.
3. Adopting the Fruehauf Corporation 1987 Directors' Stock Option Plan.
4. If presented, acting on a proposal concerning the Corporation's investment in a South African corporation.
5. 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, May 8, 1987, has been fixed as the record date for the purpose of determining the stockholders entitled to notice of, and to vote at, such meeting or any adjournment thereof. Only record stockholders of Class A Common Stock and Class B 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 1986 Annual Report is enclosed.

By order of the Board of Directors.



Richard F. Darke
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.

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 1986 Annual Report, are being mailed to holders of Common Stock commencing on or about May 15, 1987. Proxies are solicited so that each such stockholder may have an opportunity 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 stockholders' directions. Stockholders 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 stockholder 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 thereby 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.

On May 8, 1987, the Corporation had outstanding 5,983,724 shares of Class A Common Stock, par value \$0.01 per share ("Class A Common Stock") and 6,089,112 shares of Class B Common Stock, par value \$0.01 per share ("Class B Common Stock"). The two classes will vote together as a single class on all matters presently expected to be presented at the Annual Meeting. The total number of shares entitled to vote at the Annual Meeting is 12,072,836. A list of stockholders entitled to vote at the meeting in the form required by Delaware law, will be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of ten days prior to the meeting, at the offices of the Corporation.

Each holder of Class A Common Stock represented in person or by proxy and entitled to vote at the Annual Meeting will be entitled to three votes for each share of such stock standing in his name on the books of the Corporation at the close of business on May 8, 1987 and each holder of Class B Common Stock so represented will be entitled to one vote for each share of such stock standing in his name at the close of business on that date. Thus, there will be 24,040,284 votes eligible to be cast upon each matter to come before the meeting, of which 17,951,172 may be cast by the holders of Class A Common Stock and 6,089,112 may be cast by the holders of Class B Common Stock. Only holders of Class A Common Stock and Class B Common Stock are entitled notice of and 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 stockholders, represent the interests of the Corporation's shareholders as a whole rather than the special interests of any particular group.

There are presently 9 directors serving on the Board. The shareholders of Fruehauf Corporation, a Michigan corporation ("Old Fruehauf"), which was liquidated by merger into the Corporation on December 23, 1986, took action at a special meeting of Old Fruehauf held on December 15, 1986 that was deemed to constitute the election of the present directors of Fruehauf. Of these directors, Messrs. Jack Breslin, Frank

P. Coyer, Jr., Dean E. Richardson, Robert D. Rowan and Francis J. Sehn served as directors of Old Fruehauf. The terms of Messrs. Thomas J. Reghanti, Donald F. Chamberlin, John P. Grace, Russe^l G. Howell, John C. McCabe and James S. Wilkerson, who also served as directors of Old Fruehauf, terminated on December 23, 1986. Mr. John D. Schapiro did not stand for reelection as a director at the May 1, 1986, shareholders' meeting of Old Fruehauf, being ineligible so to do by reason of his age.

Owing to a contest for control of Old Fruehauf, the joint tender offer of Old Fruehauf and LMC Acquisition Corporation for shares of Common Stock, par value \$1.00 per share, of Old Fruehauf ("Old Fruehauf Common Stock"), and the various transactions which culminated in the liquidation of Old Fruehauf into the Corporation, the Board of Directors of Old Fruehauf and a temporary committee, the Special Committee (the functions of which are described on page 3), were extremely active during 1987. The Old Fruehauf Board of Directors met 22 times and the Fruehauf Board of Directors met once during 1986 with an average attendance by the incumbent directors of approximately 90%.

Your 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 1986 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 25 memberships on the seven committees, 16 or 64% are held by nonmanagement directors. None of these committees met during 1986; however, attendance by incumbent directors at meetings of committees of Old Fruehauf having the same titles and responsibilities averaged approximately 92% during 1986.

Executive Committee. One nonmanagement director and four management directors serve on the Executive Committee. This committee possesses all the powers of the Board except those specifically reserved by Delaware law or Fruehauf's By-laws to the full Board of Directors. The Executive Committee of Old Fruehauf met once during 1986.

Audit Committee. The Audit Committee comprises three 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. The Audit Committee of Old Fruehauf met seven times during 1986.

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 three 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 Compensation Committee of Old Fruehauf met once during 1986.

Incentive Compensation Committee. This committee administers the Incentive Compensation Plan, Policy Council bonuses and the 1986 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. Three directors serve on this committee. The Incentive Compensation Committee of Old Fruehauf, which met three times

during 1986, administered the Incentive Compensation Plan, Policy Council bonuses and the 1980 and 1984 Stock Option Plans of Old Fruehauf, and the Incentive Compensation Plan and Policy Council bonus of Kelsey-Hayes Company.

Contributions Committee. This committee has three members, two of whom are members of management. Contributions exceeding \$1,000 are approved by this committee. The Contributions Committee met twice during 1986.

Pension Review Committee. The Pension Review Committee reviews the investment performance of the trustees and the administration of the pension plans of the Corporation and its subsidiaries. This committee has three members, two of whom are nonmanagement directors. The Pension Review Committee of Old Fruehauf met three times during 1986.

Nominating Committee. The Nominating Committee 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. This committee comprises four directors, of whom three are nonmanagement directors. The Secretary of the Corporation will upon request advise interested persons as to the procedure for submitting recommendations. The Nominating Committee of Old Fruehauf met once during 1986.

In addition to the standing committees named above, the Board of Directors of Old Fruehauf on June 19, 1986, formed a Special Committee, consisting of Messrs. Jack Breslin, Donald F. Chamberlin, John P. Grace, John C. McCabe, Dean E. Richardson (Chairman) and Francis J. Sehn, all of whom were not and had never been employees of Old Fruehauf. This committee, which met 14 times during 1986, was formed to act solely on behalf of Old Fruehauf's public shareholders in connection with the alternatives presented in the contest for control of Old Fruehauf and the transactions that culminated in the acquisition of control of Fruehauf on December 23, 1986, by the Management Investors and Merrill Lynch, as these terms are hereafter defined. (See "Certain Transactions" on page 17.)

Compensation of the Board

Except as set forth below, nonmanagement directors of Old Fruehauf received and of Fruehauf will receive an annual fee at the rate of \$12,000 per year plus \$600 per Board meeting attended and \$600 for each committee meeting attended. Chairmen of certain committees of the Board of Directors of Old Fruehauf received in 1986 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 1986 Compensation</u>
Jack Breslin	Audit Committee	\$20,000
Donald F. Chamberlin	Pension Review Committee	\$ 6,000
John P. Grace	Contributions Committee (after April 1986)	\$ 2,000
Dean E. Richardson	Compensation and Incentive Compensation Committees	\$12,000
John D. Schapiro	Contributions Committee (through April 1986)	\$ 1,000

Mr. Frank P. Coyer, Jr., received during 1986 a fee of \$25,000, paid in equal monthly installments, for his service as Vice Chairman of Old Fruehauf.

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 Stockholders, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from stockholders. Further information concerning Touche Ross & Co. appears on page 6.

Stockholder Proposals

At the Annual Meeting of Stockholders of the Corporation each year, the Board of Directors submits to the stockholders (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 stockholder approval, such as an amendment of the Corporation's Certificate of Incorporation and proposals relating to benefit and incentive plans or certain amendments to existing plans.

Additionally, stockholders may be asked to consider and take action on proposals submitted by stockholders under regulations of the Securities and Exchange Commission ("SEC"). The Board of Directors will consider proposals and suggestions submitted by stockholders. When adoption of a suggestion or proposal is clearly in the best interests of the Corporation and its stockholders and can be implemented without stockholder approval, it may be implemented without inclusion in any proxy statement. Thus, stockholder proposals which appear in proxy statements (such as the stockholder proposal appearing in this proxy statement) 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 stockholders as a whole. Under current SEC regulations, a stockholder proposal, otherwise proper for presentation, to be presented at the Annual Meeting of Stockholders to be held in 1988, must be received by the Secretary of the Corporation by December 3, 1987.

Stockholder Interests

The Corporation has been advised by the persons named in the following table that they own or may be deemed to own beneficially shares of Common Stock in the manner and to the extent indicated therein:

Name and Address of Beneficial Owner	Class of Common Stock	Aggregate Shares Owned	Number of Shares With				Percent of Class
			Voting Power		Dispositive Power		
			Sole	Shared	Sole	Shared	
Merrill Lynch & Co., Inc. One Liberty Plaza 165 Broadway New York, N.Y. 10080	Class A	2,515,278	2,515,278	—	2,515,278	—	42.0(1)
Max L. Heine 26 Broadway New York, N.Y. 10004	Class B	646,520	646,520	—	646,520	—	10.6(2)

- (1) The 2,515,278 shares of Class A Common Stock represent approximately 20.8% of the total shares, and approximately 31.4% of the combined voting power of the shares, of Class A Common Stock and Class B Common Stock outstanding as of the record date for the Annual Meeting.
- (2) The 646,520 shares of Class B Common Stock represent approximately 5.4% of the total shares, and approximately 2.7% of the combined voting power of the shares, of Class A Common Stock and Class B Common Stock outstanding as of the record date for the Annual Meeting.

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 Stockholders 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 9 nominees named below for director. 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 as of February 1, 1987.

Name and Age of Nominee
Principal Occupation and Background Information

Service as a Director(1)

Robert D. Rowan, 65. Chairman of the Board and Chief Executive Officer of the Corporation since December 1986 and of Old Fruehauf for more than five years prior thereto. 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

Leon Alexander, 61. President and Chief Executive Officer—Trailer Operations of the Corporation since December 1986, and of Old Fruehauf, June 1986-December 1986. Executive Vice President—Trailer Operations of Old Fruehauf, January 1986 until June 1986; prior thereto, Vice President and General Manager—Liquid and Bulk Tank Division of Old Fruehauf. Mr. Alexander attended Montana State University, University of Tulsa and Oklahoma University. He is a member of the American Society of Mechanical Engineers, the American Welding Society and the American Bar Association and is active in professional organizations in the trailer industry.

Director since 1986
Committee membership:
Executive Committee

Jack Breslin, 66. Senior Consultant to the President for State and Public Affairs at Michigan State University since 1985; Vice President for Administration and Public Affairs at Michigan State University, 1980-1985. Has also been a Professor of Administration at the University for more than 25 years. Involved in numerous University and community activities. Director of Jackson National Life Insurance Company and the Bank of Lansing.

Director since 1975
Committee memberships:
Audit Committee (Chairman)
Nominating Committee
Pension Review Committee

T. Neal Combs, 44. President and Chief Administrative Officer and Principal Financial Officer of the Corporation since December 1986 and of Old Fruehauf, June 1986-December 1986; Principal Financial Officer and Executive Vice President—Finance and Legal of Old Fruehauf, May 1985 to June 1986; prior thereto Vice President and General Counsel of Old Fruehauf; Secretary of Old Fruehauf, 1975-1986. Received his undergraduate and law degree from Southern Methodist University in 1965 and 1968, respectively.

Director since 1986
Committee memberships:
Contributions Committee
Executive Committee
Pension Review Committee

Frank P. Coyer, Jr., 67. Vice Chairman of Fruehauf since December 1986. Vice Chairman of Old Fruehauf, 1981-1986; retired employee of Old Fruehauf since 1985. Mr. Coyer is a graduate of the University of Illinois.

Director since 1973
Committee memberships:
Contributions Committee
(Chairman)
Nominating Committee
Pension Review Committee
(Chairman)

Willis S. Hesselroth, 43. Vice President of Merrill Lynch, Pierce, Fenner & Smith Incorporated since 1971; Managing Director of Merrill Lynch Capital markets of MLPF&S since 1978. Mr. Hesselroth received his undergraduate degree from the University of Pennsylvania and his M.B.A. from the Wharton School.

Director since 1986
Committee memberships:
Compensation Committee
Executive Committee
Incentive Compensation
Committee

Dean E. Richardson, 59. Chairman of the Board of Manufacturers National Bank of Detroit and of Manufacturers National Corporation in 1973. Director of Detroit Edison Company (electric utility), R. P. Scherer Corporation (pharmaceuticals) and Tecumseh Products Company (gasoline engines). Received his undergraduate degree

Director since 1980
Committee memberships:
Audit Committee
Compensation Committee
(Chairman)

Name and Age of Nominee
Principal Occupation and Background Information

Service as a Director(1)

from Michigan State University in 1950 and his law degree from the University of Michigan in 1953. Active in many artistic, charitable and civic organizations.

Incentive Compensation
Committee (Chairman)

Francis J. Sehn, 68. Chairman of Comau Productivity Systems Inc. (integrated manufacturing systems); also Chief Executive Officer of the Fran Sehn Company, an international consulting service, since 1954. A registered professional engineer, active in engineering societies here and abroad. Life Fellow of The Institute of Production Engineers, and a member of the Institute of Directors, London, England. 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
Incentive Compensation
Committee
Nominating Committee (Chairman)

Robert G. Siefert, 55. President and Chief Executive Officer of Kelsey-Hayes Company since 1985; Executive Vice President—Automotive Group of Old Fruehauf, 1985 through June 1986; President and Chief Operating Officer of Kelsey-Hayes since 1984; prior thereto, President—Automotive Group of Kelsey-Hayes. Received his B.S.M.E. from Purdue University in 1955 and his M.B.A. from Harvard Business School in 1957.

Director since 1986
Committee membership:
Executive Committee

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF ITS NOMINEES NAMED ABOVE AS DIRECTORS (ITEM 1 ON THE PROXY CARD).

- (1) Years of service includes service, if any, as a director of Old Fruehauf. Each nominee became a director of Fruehauf on December 23, 1986.

**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 1987. Touche Ross & Co. has served the Corporation and Old Fruehauf in such capacity continuously since 1947.

If the selection of Touche Ross & Co. should not be ratified by the stockholders, 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 of Old Fruehauf approved in advance the audit services provided by Touche Ross & Co. for the year ended December 31, 1986.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ITS PROPOSAL TO RATIFY THE REAPPOINTMENT OF TOUCHE ROSS & CO. (ITEM 2 ON THE PROXY CARD). 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—THE FRUEHAUF CORPORATION
1587 DIRECTORS' STOCK OPTION PLAN**

Shareholders are being asked to approve the adoption of the Fruehauf Corporation 1987 Directors' Stock Option Plan (the "Directors' Plan") to provide for grant to nonemployee directors of Fruehauf of options to acquire shares of Class A Common Stock ("Directors' Options").

A summary of the provisions of the Directors' Plan is set forth below. The full text of the Directors' Plan is set forth as Annex 1 to this Proxy Statement.

Options

The aggregate number of shares for which Directors' Options may be granted pursuant to the Directors' Plan is 200,000 shares of Class A Common Stock. The Directors' Plan will be administered by the Board of Directors.

Each director who is not an employee of Fruehauf will automatically receive a single Directors' Option to purchase 10,000 shares of Class A Common Stock on the date that the stockholders approve the Directors' Plan, if he is then serving as a director, or if he is not then so serving, on the date on which he is first elected a director. No person may be granted more than one Directors' Option under the Directors' Plan. The option price for each share which may be purchased upon exercise of a Directors' Option will be the Fair Market Value per Share of a share of Class B Common Stock. Each Directors' Option will be exercisable in five equal cumulative installments, each installment becoming exercisable at one year intervals commencing on the first anniversary of the grant of the option. No Directors' Option may be exercised within one year of its grant.

The Board is authorized to adjust the number of shares of Class A Common Stock and the option price per share of each Directors' Option in the event of a stock dividend, issue or repurchase of shares of Common Stock, or a split-up, combination, reclassification of its outstanding shares of Common Stock or an exchange of such shares for other securities.

An option will lapse immediately if the optionee's service as a director terminates for any reason within one year after the grant of his Directors' Option or if the optionee is removed from the Board at any time as a result of a breach of the optionee's obligations to Fruehauf, the commission of a felony or the perpetration of a dishonest act or fraud against Fruehauf or any subsidiary or any other act or omission that is materially injurious to the financial condition or business reputation of Fruehauf or any subsidiary. If service as a director terminates more than one year after the date of grant, otherwise than by reason of death or removal for a reason specified in the preceding sentence, the optionee may exercise the Directors' Option within thirty days after such termination but only for the number of shares for which such option was exercisable on the date on which service terminated. If, however, an optionee dies during such 30-day period, the period of exercise will be extended for 180 days from the date of death. If an optionee dies while serving as a director and any portion of his Directors' Option is then exercisable, the option may be exercised within a period of 180 days from the date of death for the total number of shares for which it was granted and has not previously been exercised. Directors' Options are not transferable by the optionee other than by will or the laws of descent and distribution.

The Board may amend the Directors' Plan in any respect except that the maximum number of shares available for options may not be increased (other than in the event of stock splits and dividends, combinations and similar events), the provisions of the Directors' Plan respecting determination of the exercise price of options (other than in the same events) may not be changed, the period during which options may be granted or remain outstanding may not be changed, the class of persons eligible to receive options may not be changed or the benefits accruing to optionees may not be materially increased without stockholder approval. The Directors' Plan will terminate on June 18, 1997, unless previously terminated by the Board.

Federal Income Tax Consequences

Directors' Options will be granted as nonqualified options. The grant of a nonqualified option will have no income tax consequences for either Fruehauf or the optionee. Upon the exercise of a nonqualified option by an optionee who makes a special election respecting liability under Section 16(b) of the Securities Exchange Act of 1934, the optionee will recognize ordinary income and Fruehauf will be entitled to a deduction in an amount equal to the excess of the fair market value of the Class A Common Stock purchased over the exercise price. If an optionee who does not make the special election exercises a nonqualified option, the optionee will recognize ordinary income and Fruehauf will be entitled to a deduction six months after such exercise (or on the date the optionee ceases to be so subject, if earlier) in an amount equal to the excess of the fair market value at such later time of the Class A Common Stock purchased over the exercise price. Such ordinary income is subject to withholding of tax by Fruehauf. If payment of the exercise price of a nonqualified option consists of shares of Common Stock, the employee's basis for an equal number of shares of Class A Common Stock received will be equal to the amount of ordinary income includible with respect

to such exercise. The subsequent sale or exchange of Class A Common Stock acquired pursuant to the exercise of a nonqualified option would generally give rise to capital gain or loss.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE FRUEHAUF CORPORATION 1987 DIRECTORS' STOCK OPTION PLAN. (ITEM 3 ON THE PROXY CARD). 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 4—STOCKHOLDER PROPOSAL

The Proposal

A holder of Class B Shares has advised the Corporation that it intends to present the following resolution for consideration at the Annual Meeting:

WHEREAS stockholders have interests in Fruehauf's investment in and contractual ties to South Africa, which are directly affected by that government's suppressive apartheid policies;

WHEREAS many American corporations are withdrawing from South Africa because of the deteriorating economic and political conditions there; and are concerned about the demonstrated continued unwillingness of South Africa to change its political policies causing negative economic repercussions;

WHEREAS Fruehauf's investment, through its 24.9% interest in a South African corporation, and Fruehauf's inability to influence political change there jeopardizes such investment;

WHEREAS such continued investment and ties to there also may be seen as supporting the apartheid system and may have a negative economic impact on Fruehauf's operations outside South Africa because of legislative, regulatory and individual actions in America and elsewhere.

THEREFORE, BE IT RESOLVED THAT, the stockholders request that the Board of Directors establish the following policy:

THAT Fruehauf expeditiously sell its investment in and terminate its ties to South Africa.

The proponent of the proposal has submitted the following statement in support of the proposal:

SUPPORTING STATEMENT

A holder of 147,600 shares of Fruehauf, having examined with special care the relationship between its investments in corporations operating or investing in or having ties to South Africa and the conditions in South Africa, concludes that Fruehauf's investment in and contractual ties to South Africa cannot offer prospects for effecting the dismantling of apartheid, which is crucial to that country's future economic viability. Therefore, it cannot support Fruehauf's continued investment in and ties to South Africa.

The situation in South Africa continues to deteriorate with violence, arrests and deaths multiplying daily, adversely affecting economic stability there. South Africa's economic depression continues, and the international banking community has expressed a lack of confidence in that country's ability to pay its international debts.

Against this backdrop, many American corporations there have been attempting to be a force for positive change. However, American corporations are severely restricted in what they can do to effect the dismantling of apartheid. Their South African operations and investments represent a small percentage of their total worldwide operations. Their resources for effecting political change are limited, especially under current conditions. That government, moreover, has indicated that it will rebuff any further intrusion of American corporations into the political arena. Despite their efforts, some substantial, American corporations together have been unable to gain credibility among many South African blacks who believe

that American corporations support apartheid through management, products, loans and required tax payments. Reinforcing this belief, South Africa, under penalty of law, requires American corporations with South African operations and South African corporations in which American corporations such as Fruehauf have investments to supply products deemed necessary for security reasons.

Presently, nothing indicates that South Africa is prepared to completely dismantle apartheid. Moreover, there does not appear to be a consensus among South African whites to force such action.

If Fruehauf continues its investment in and ties to South Africa, representing less than (1%) of its total worldwide assets, without the ability to effect the dismantling of apartheid, it exposes itself to:

- Possible boycotts of its products and/or services; and
- Diminished confidence in its management.

Fruehauf will furnish the name of the proponent to any person, orally or in writing as requested, promptly upon the receipt of any oral or written request therefor.

Management's Response

Fruehauf, which is a signatory of the Sullivan Principles, has an investment in 24.9% of the shares of a South African corporation which manufactures trailers under license from Fruehauf. A single South African corporation owns the remaining shares. Fruehauf has no employees or operations in South Africa and does not participate in the day-to-day management of the South African trailer corporation. Fruehauf has repeatedly stated its abhorrence of the practice known as apartheid and does not anywhere discriminate on the basis of race.

Fruehauf believes that the management of this South African trailer corporation is forward looking and progressive and shares Fruehauf's concern with eliminating discrimination against, and improving the lot of, its black employees. Fruehauf believes that the South African trailer corporation is working towards compliance with the Sullivan Principles, which call for the elimination of racial discrimination, fair wages for black employees and company programs to provide housing for black employees and to improve the condition to which such employees are subject outside the workplace. Among other things, the South African trailer corporation has made substantial progress in eliminating segregated facilities, recognizing black unions, bringing black employees into administrative, technical and managerial positions, providing funds for education of black employees and providing housing assistance for black employees. Further, Fruehauf does not believe that disposing of its shares would be in the interest of Fruehauf and its stockholders. Investment in these shares contributes to the profits of Fruehauf and disinvestment would terminate Fruehauf's income attributable to its investment. Since there is no public market for these shares, it is uncertain whether a purchaser for these shares could be found, or whether a purchaser, if found, would be willing to pay a fair price for these shares. Finally, Fruehauf might not be able to terminate its contractual ties to the South African trailer corporation without incurring liability for breach of contract or, to the extent that there are required licenses from Fruehauf to manufacture trailers, without damaging the South African trailer corporation, causing it to lay off some or all of its employees and impairing or perhaps even completely destroying the value of Fruehauf's investment.

Most importantly, as stated above, Fruehauf believes that the management of the South African trailer corporation is progressive. Fruehauf does not wish to terminate support for its positive steps forward by withdrawal from South Africa.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THIS STOCKHOLDER PROPOSAL (ITEM 4 ON THE PROXY CARD). A vote of the majority of the shares of Common Stock represented at the Annual Meeting is required for adoption of the proposal.

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 and Old Fruehauf and its subsidiaries for the year ended December 31, 1986, and of all executive officers of the Corporation and Old Fruehauf as a group is as follows:

Name	Capacities in which served(1)	Cash compensation	
		Base salary	Bonuses(2)
Robert D. Rowan	Chairman of the Board and Chief Executive Officer of Fruehauf; Director of Fruehauf and Old Fruehauf.	\$ 475,000	—
Arnold P. McIlwain	Executive Vice President—Maritime Operations of Fruehauf; President and Chief Executive Officer of Jacksonville Shipyards, Inc.	\$ 200,000	—
T. Neal Combs	President and Chief Administrative Officer of Fruehauf; Executive Vice President and Secretary of Old Fruehauf; Director of Fruehauf.	\$ 187,500	—
Leon Alexander	President—Trailer Operations of Fruehauf; Executive Vice President—Trailer Operations of Old Fruehauf; Vice President and General Manager—Liquid and Bulk Tank Division of Old Fruehauf; Director of Fruehauf.	\$ 187,500	—
Robert G. Siefert	President and Chief Executive Officer of Kelsey-Hayes Company; Executive Vice President—Automotive Group of Old Fruehauf; Director of Fruehauf.	\$ 187,500	—
All executive officers as a group (26 persons, including those named above)		\$3,716,119	—

- (1) Each person who is indicated as being an officer of Fruehauf held such office on and after December 23, 1986, held the same office in Old Fruehauf for all or a portion of the period from January 1 to December 23, 1986, and received compensation therefor.
- (2) Amounts awarded, but not necessarily paid, under the Old Fruehauf Incentive Compensation Plan, the Kelsey-Hayes Company Incentive Plan, the Old Fruehauf Policy Council Bonus, the Fruehauf Division Policy Council Bonus of Old Fruehauf and the Kelsey-Hayes Company Policy Council bonus.

Pension Plans

Through December 31, 1986, pensions for salaried personnel were provided through the Retirement Plan for Salaried Employees of Old Fruehauf and the Retirement Plan for Salaried Employees of Kelsey-Hayes Company ("Kelsey-Hayes"). The two retirement plans are referred to collectively as the "Retirement Plans". The normal retirement age under the Retirement Plans was 65, but participants who attained age 55 and had at least ten years of service credited under the Retirement Plans were eligible for early retirement benefits (which were reduced if payments commenced before age 65). Old Fruehauf has also elected from time to time to offer special early retirement benefits (which included supplemental benefits payable until age 65) to participants who attained age 60 with ten years of service credited under the plans. It was the policy of Old Fruehauf to offer special early retirement benefits from time to time at selected operating locations. The following table shows the maximum annual amounts payable at age 65 under the provisions of the Retirement Plans, on a straight life annuity basis based on assumed final average salary and the years of participation indicated.

Final Average Salary	Years of Credited Service			
	10	20	30	35
\$175,000	\$26,250	\$ 52,500	\$ 70,750	\$ 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 1986 (the "Code") pensions in excess of \$90,000 per year may be paid pursuant to the Retirement Plans only up to a maximum of \$136,425 per year and only to the extent that pension benefits had accrued under the formulas of the Retirement Plans prior to January 1, 1983. Old Fruehauf had and Fruehauf also has a Supplemental Pension Benefit Plan (the "Supplemental Plan"), which is unfunded, under which it will pay the difference, if any, between the amounts set forth above in the table and the amount which may be paid under the aforesaid provisions of the Code.

The amounts shown in the above table are reduced by the amount of Social Security benefits paid to employees. For employees retiring in 1987 at age 65 with 10, 20 and 30 or more years of service, the reduction was \$1,578, \$3,151 and \$4,735, respectively.

An employee's retirement benefit was based on the average of such employee's highest consecutive five years of earning during the final ten years of his employment. For purposes of the Retirement Plans and the Supplemental Plan, earnings generally include base salary but exclude bonus and incentive compensation.

The individuals named in the Cash Compensation Table (the "Named Officers") had the following number of whole years of credited service to Fruehauf and its subsidiaries at December 31, 1986: Arnold P. McIlwain, 31; Robert D. Rowan, 27; Robert G. Siefert, 23; Leon Alexander, 32; and T. Neal Combs, 11.

At an Old Fruehauf Board meeting held on June 24, 1986, the Retirement Plans were amended to provide for the allocation among participants of the Retirement Plans of assets of the Retirement Plans which exceed the present value of accrued benefits in the event of a termination of the Retirement Plans or a merger, consolidation or transfer of assets or liabilities of the Retirement Plans within two years following the occurrence of certain events constituting a "Change in Control", as defined in such amendments but no such Change of Control occurred during 1986. See "Amendment of Employee Benefit Plans" on page 21.

The Retirement Plans were terminated as of December 31, 1986, and Fruehauf is arranging to purchase annuities for the participants in the Retirement Plans which will pay to them upon retirement the amounts which would be paid to them under the Retirement Plans based on their final average salary and credited service on December 31, 1986, without taking into account any vesting provisions. Fruehauf will receive any assets of the Retirement Plans remaining after the purchase of these annuities upon approval of the Pension Benefit Guaranty Corporation. Fruehauf and Kesley-Hayes have adopted new pension plans, effective January 1, 1987, which will pay (1) to each employee retiring on or before December 31, 1991, the amount in the above table determined from his final average salary and years of credited service on the date of his retirement, offset by the amount of the annuity purchased for him and (2) to each employee retiring after December 31, 1991, the amount in the above table determined from his Final Average Salary on December 31, 1991 and years of credited service on the date of his retirement, offset by the amount of the annuity purchased for him.

Incentive Compensation

Old Fruehauf maintained an Incentive Compensation Plan (the "Old Fruehauf Incentive Plan"), and an Incentive Compensation Plan of Kelsey-Hayes (the "Kelsey-Hayes Incentive Plan", and together with the Old Fruehauf Incentive Plan, the "Old Incentive Plans") providing for the award of incentive compensation from cumulative reserves to officers and other employees of Old Fruehauf and its subsidiaries. At a meeting held on July 17, 1986, the Old Fruehauf Board suspended the Old Incentive Plans effective as of September 1, 1986 and provided that installments of awards which are unpaid as of September 1, 1988 will be paid to recipients on that date, unless paid earlier; such installments may be paid on September 1, 1987. At an earlier meeting, the Old Incentive Plans were amended to provide for immediate payment of all unpaid installments of awards in the event a person becomes the owner of 45% or more of the shares of Common Stock of Old Fruehauf without prior approval of the Old Fruehauf Board. See "Amendment of Employee Benefit Plans" on page 22. Fruehauf's management is currently reviewing these bonus arrangements to determine whether to recommend to the Board of Directors of the Corporation that it reinstate the Old Incentive Plans and maintain the other bonus arrangements described below or to replace them, in whole or in part, with different arrangements.

Under the terms of the Old Fruehauf Incentive Plan, the Incentive Compensation Committee of Fruehauf may credit to such Plan's reserve, in each year, an amount up to a percentage of Fruehauf's "earnings before taxes on income" as determined by Fruehauf's independent public accountants, 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, would any amount be credited to the reserve, in any year, if the effect of the credit would have been to reduce the return on shareholders' investment below 6%. Awards are paid in not more than four annual installments.

Certain persons, including the Named Officers, who served on the policy Council of Old Fruehauf have been entitled to receive an annual bonus (the "Fruehauf Policy Council Bonus"), payable in a lump sum, in addition to amounts payable under the Old Fruehauf Incentive Plan. Awards under the Fruehauf Policy Council Bonus were paid from the general funds of Old Fruehauf.

Under the Kelsey-Hayes Incentive Plan, there was credited to a reserve 8% of Kelsey-Hayes' earnings, as defined in such plan, after deducting 10% of Stockholder's Investment, as defined therein. Awards are payable in not more than four annual installments. The persons who serve on the Kelsey-Hayes Policy Council, who include Robert D. Rowan, T. Neal Combs and Robert G. Siefert, may receive an annual bonus (the "Kelsey-Hayes Policy Council Bonus") fixed by the Board and payable in a lump sum. In addition to amounts payable under the Kelsey-Hayes Policy Council Bonus, Mr. Siefert is entitled to receive payments under the Kelsey-Hayes Incentive Plan.

Listed below are the aggregate amounts awarded pursuant to the Incentive Plans, the Old Fruehauf Policy Council Bonus and the Kelsey-Hayes Policy Council Bonus to the Named Officers, Mr. Frank P. Coyer, Jr., who is the only person participating in the 1987 Directors' Plan who received any bonus compensation during 1984, 1985 or 1986, all executive officers as a group and all employees as a group during the last five years:

Name	Amounts awarded during the year, ended December 31,		
	1984	1985	1986
Robert D. Rowan	\$ 318,750	\$ 273,100	—
T. Neal Combs	112,500	105,758	—
Leon Alexander	112,500	96,400	—
Robert G. Siefert	98,813	96,400	—

Arnold P. McIlwain	142,500	122,100	—
Frank P. Coyer, Jr.	195,000	167,000	—
All executive officers as a group (26 persons, including those named above)	\$ 3,018,208	\$ 2,519,345	—
All employees as a group	\$17,323,224	\$12,880,777	—

Directors who were not employees were neither awarded nor received any bonuses in respect of the years 1984 through 1986.

Stock Options

Old Fruehauf's 1980 Stock Option Plan and 1984 Stock Option Plan (collectively, the "Stock Option Plans") provided for the grant to officers, key executives and professional personnel of Old Fruehauf and its subsidiaries of options to purchase ("Options") up to 1,125,000 and 1,500,000 shares of Old Fruehauf Common Stock, respectively. Options were granted as Incentive Stock Options (as defined in Section 422A of the Internal Revenue Code of 1954, as amended) or nonqualified options. The Stock Option Plans also provided for the grant of stock appreciation rights ("Rights") to such persons in the form of General Rights and Limited Rights. Rights were exercisable in tandem with Options, so that related Options were extinguished for each corresponding Right exercised. On exercising such Right, the holder was entitled to receive for each share for which the Right was exercised an amount equal to the difference between the exercise price of the Option to which the Right related, and, in the case of a General Right, the fair market value per Share on the date on which the General Right was exercised or, in the case of a Limited Right, the highest price per Share paid in any tender or exchange offer (other than one made by Old Fruehauf) in effect at any time during the 60 days prior to the exercise of the Limited Right. General Rights were exercisable to the extent that the Options to which they related were exercisable, and Limited Rights were exercisable only within a thirty-day period following a tender or exchange offer, other than an offer made by Old Fruehauf. Limited Rights became exercisable as a result of the joint tender offer for Old Fruehauf Common Stock of Old Fruehauf made by Old Fruehauf and LMC Acquisition Corporation on August 27, 1986, but the period within which they were exercisable has expired.

The Stock Option Plans provided that Options were exercisable in full or in cumulative installments. No portion of an Option could be exercised within one year after the date of grant. The per share exercise price of an Option could not be less than the fair market value per share of Old Fruehauf Common Stock on the date of grant of the Option. Adjustments could be made in the exercise price or number of shares which could be acquired pursuant to an Option to take into account stock dividends, splits and combinations, certain mergers and transfers of assets, and similar events. No Option could be exercisable more than 10 years after its date of grant. The exercise price of an option could be paid in cash or shares of Old Fruehauf Common Stock (valued as of the date of exercise), or any combination thereof, or by delivery of a stock purchase agreement or promissory note. See "Indebtedness" on page 16.

On June 24, 1986, the Stock Option Plans were amended to allow certain adjustments to the terms of Options and the Rights, including accelerating the exercisability of all Options and Rights, in the event of a tender or exchange offer for at least 40% of the outstanding shares of Old Fruehauf Common Stock, or certain other specified changes in control of Old Fruehauf. On July 17, 1986, the Incentive Compensation Committee of the Old Fruehauf Board declared all Options and Rights immediately exercisable in full at any time prior to the Merger, as that term is hereafter defined. See "Background" on page 17. Under the Merger Agreement, Old Fruehauf took action such that all Options and Rights (other than Options and Rights surrendered in exchange for shares of Class A Common Stock by the Management Investors, as hereinafter defined) only entitled the holder to receive cash equal to the difference between \$49.50 and the per share exercise price of such Option multiplied by the number of shares subject to such Option. See "Amendment of Employee Benefit Plans" on page 22.

On December 15, 1986, the shareholders of Old Fruehauf approved the 1986 Stock Option Plan of Fruehauf, which provides for the grant of Options and Rights on substantially the same terms as contained in the Stock Option Plans, except that the exercise price of nonqualified options may be as low as 85% of the Fair Market Value per share (as defined). No options were granted under this plan during 1986.

The following table sets forth information for 1986 regarding Options and Rights held by the Named Officers and all executive officers as a group:

	Robert D. Rowan	Leon Alexander	T. Neal Combs	Robert G. Siefert	Arnold P. McInan	All Executive Officers as a Group
Granted 1/1/86 to 12/31/86:						
Number of options in tandem with Rights	—	—	—	—	—	7,500
Exercised 1/1/86 to 12/31/86:						
Options and Rights Exercised—Net value realized in shares (market value less exercise price) or cash	\$482,345	\$135,022	—	\$121,843	\$322,428	\$3,203,553
Sales 1/1/86 to 12/31/86 (number of shares):						
Number of Options Outstanding at 12/31/86	—	—	—	—	—	—

During 1986, employees other than executive officers were granted Options without Rights for a total of 39,250 shares of Old Fruehauf Common Stock.

As described under "Amendment of Employee Benefit Plans" on page 22, during 1986 stock options held by employees were converted, for each option, into the right to receive the difference between \$49.50 and the base price of the option. Set forth below are the amounts to which the Named Officers and all officers as a group become entitled by reason of such conversion and the number of options converted:

	Robert D. Rowan	Leon Alexander	T. Neal Combs	Robert G. Siefert	Arnold P. McInan	All Executive Officers as a Group
Amount Payable	—	\$325,212	—	—	—	\$1,033,490
Number of Options	—	12,378	—	—	—	38,560

The above amounts were paid in January 1987.

See "Payment for Shares" on page 19 for information as to the value of certain Options surrendered on December 23, 1986, by Management Investors for restricted shares of Class A Common Stock.

Set forth below is certain information for fiscal years 1984 through 1986 regarding Options and Rights held by the Named Officers and all executive officers as a group. All Options granted to executive officers were granted in tandem with Rights. During the same period, all employees as a group were granted Options covering a total of 731,225 Shares.

	Robert D. Rowan	Leon Alexander	T. Neal Combs	Robert G. Siefert	Arnold P. McInan	All Executive Officers as a Group
Options and Rights granted:						
Number of Shares	50,000	22,500	22,000	22,500	25,500	504,000
Average exercise price	\$ 20.50	\$ 22.00	\$ 21.26	\$ 20.50	\$ 20.50	\$ 20.65
Net value realized pursuant to exercise of Options and Rights (market value less exercise price)	\$482,345	\$178,950	\$143,054	\$188,366	\$591,166	\$4,627,635

In addition, Mr. Frank P. Coyer, Jr., who is the only person participating in the 1987 Directors' Plan who received any stock options during 1984, 1985 and 1986, received 30,000 Options in tandem with Rights during the fiscal years 1984, 1985 or 1986, at an average price of \$26.50 per Share. During those years, Mr. Coyer realized a net value pursuant to the exercise of Options and Rights (market value less exercise price) of \$125,157. Directors who were not employees did not receive or exercise Options during 1984, 1985 and 1986.

Stock Purchase (Savings) Plan

Under the Stock Purchase (Savings) Plan (the "Savings Plan"), eligible salaried employees of Old Fruehauf and certain of its subsidiaries were permitted under certain circumstances to defer compensation (in lieu of current payment in cash) to a future date or dates specified by the employee. The deferred compensation was credited to an account measured in Units, each of which Units was acquired by the employee for the then current market price of a share of Old Fruehauf Common Stock. Each Unit accrued a return since the date credited equivalent to the dividends paid on one such share during such period

("Dividend Equivalents"). Dividend Equivalents were paid currently or used to purchase additional Units. The deferred compensation was paid to participants on the date or dates designated at the time of the original election. The compensation ultimately paid to participants with respect to each Unit was the greater of the amount for which the employee purchased the Unit or the value of the Unit measured by the market value per share of Old Fruehauf Common Stock at the time of payment. Participants were permitted to elect, as to any Unit, to receive one share of Old Fruehauf Common Stock (as adjusted for any stock split after acquisition of the Unit) in lieu of payment of the value of the Unit in cash.

On July 17, 1986, the Board terminated the Savings Plan and provided that no Units could be acquired after September 1, 1986 and that the value of all Units that were unpaid on September 1, 1988 would be paid to participants on such date unless a participant elected to receive an earlier payment. See "Amendment of Employee Benefit Plans" on page 22.

The following table indicates, with respect to the Named Officers and all executive officers as a group, the following information with respect to Units held by them as of September 1, 1986, the date after which no further Units could be purchased: (i) the number of Units purchased by them during 1986 and the average per Unit purchase price; (ii) the net value realized for any Units paid in shares of Old Fruehauf Common Stock or cash during 1986; and (iii) Dividend Equivalents paid during 1986.

	Robert D. Rowan	Leon Alexander	T. Neal Combs	Robert G. Siefert	Arnold P. McIwain	All Executive Officers as a Group
Purchased during 1986:						
Number of Units	—	—	265	712	37	9,660
Average price per Unit	\$ —	—	\$ 36.00	\$ 35.39	\$ 36.50	\$ 37.88
Units paid (realized) during 1986:						
Net value realized in shares (market value) or cash	\$ 20,769	—	\$ 7,581	\$ 2,916	\$ 16,803	\$ 290,218
Dividend Equivalents paid during 1986	\$ 3,633	—	\$ 541	\$ 1,452	\$ 6,749	\$ 29,292
Value of Units Outstanding at 12/31/86(1)	—	—	—	\$123,626	\$501,658	\$5,787,614
Number of Units Outstanding at 12/31/86	—	—	—	2,498	10,135	116,922

(1) Based on a value of \$49.50 per Unit, the amount to be paid for each Unit on September 1, 1987, or September 1, 1988.

See "Amendment of Employee Benefit Plans" on page 22 for information regarding the cash value of Units held by executive officers of Old Fruehauf. On December 23, 1986, certain of the Management Investors (as hereinafter defined) surrendered Units in exchange for restricted shares of Class A Common Stock. See "Payment for Shares" on page 19 for information as to the value of the Units so surrendered. Pursuant to the Merger Agreement, as hereafter defined, Old Fruehauf took action such that each Unit outstanding on December 23, 1986, was converted into the right to receive an amount in cash equal to the greater of the amount paid for such Unit or \$49.50.

As described under "Amendment of Employee Benefit Plans" on page 22, the Savings Plan was amended during 1986 to provide that each Unit owned prior to the Merger (but after surrender by certain persons of Units) in exchange for Class A Shares, as described under "Payment for Shares" on page 19) would be converted into the right to receive the greater of the amount paid for such Unit or \$49.50. The above table indicates the amounts outstanding on December 31, 1986 for each Named Officer and all Executive Officers as a group. Messrs. Siefert and McIwain will be paid the value of their Units on September 1, 1988. The remaining Executive Officers who own Units will be paid the value of their Units either on September 1, 1987 or September 1, 1988, depending on the number of Units owned.

Set forth below are the amounts of compensation deferred and the net value realized in cash or Shares during the three-year period ended December 31, 1986 for the Named Officers, Mr. Frank P. Coyer, who is the only person participating in the 1987 Directors' Plan who also participated in the Savings Plan during 1984, 1985 or 1986, and all executive officers as a group. During the same period, the aggregate amount of compensation deferred by all employees as a group pursuant to the Savings Plan was \$9,695,822.

<u>Name</u>	<u>Amounts Deferred</u>	<u>Net value Realized</u>
Robert D. Rowan	\$ 212,500	\$ 46,606
T. Neal Combs	35,400	10,933
Leon Alexander	—	—
Robert G. Siefert	110,004	17,500
Arnold P. McIlwain	—	49,116
Frank Coyer, Jr.	336,000	121,559
All executive officers as a group	1,692,924	884,883

Directors who were not employees were not eligible to defer compensation pursuant to the Savings Plan.

Indebtedness

The Stock Option Plans provided that holders of Options could finance 100% of the exercise price of such Options. During 1986, the rates of interest used in calculating installment payments of the exercise price of Options were 6% per annum for nonqualified stock options and 9.2% per annum for incentive stock options. The payments were required to be made over 10 years with equal principal payments in each year. The 1986 Stock Option Plan contains similar provisions, although the rates of interest used may be different. Executive officers of Fruehauf or Old Fruehauf whose indebtedness under the Stock Option Plans has exceeded \$60,000 at any time since January 1, 1986 are as follows:

<u>Name</u>	<u>Maximum Indebtedness Since January 1, 1986</u>
James Barber	\$102,500
Howard O. Emorey	116,392
Edward J. Hayes	140,000
Joseph Mack II	95,000
Adolph T. Silverstein	70,020
Arnold P. McIlwain	147,555
Leon Alexander	137,242

As of December 31, 1986, all indebtedness incurred by the executive officers listed above had been repaid.

Certain executive officers of the Corporation incurred indebtedness to the Corporation in respect of money borrowed to purchase shares of Class A Common Stock on December 23, 1986. See "Payment for Shares" on page 19. This indebtedness is repayable in 10 equal annual installments of principal together with interest at the rate of 7.17% per annum. All of such indebtedness is now outstanding. Executive officers whose above described indebtedness has exceeded \$60,000 is as follows:

<u>Name</u>	<u>Maximum Indebtedness Incurred</u>
Richard F. Darke	\$ 84,504
Richard S. Glazer	66,125
Charles P. Jacoby	85,765
Arthur A. Kowalski	123,000
Robert G. Siefert	106,665
John Utley	116,317

Termination of Employment

During 1985 and 1986, 28 executive officers of Old Fruehauf, including several Management Investors, as that term is hereinafter defined, entered into termination agreements with Old Fruehauf. See "Termination Agreements on page 21.

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 their length of service with Fruehauf and Old Fruehauf, and all regular salaried employees of Kelsey-Hayes, including executive officers, are

entitled to receive up to six months' base salary, depending on their length of service with Kelsey-Hayes. In such event, Mr. Robert D. Rowan would be entitled to receive a separation allowance of \$72,000. No other Named Officer would be entitled to receive a separation allowance exceeding \$60,000 pursuant to these policies.

OWNERSHIP OF COMMON STOCK BY DIRECTORS AND OFFICERS

Set forth in the table below is the number of Class A Shares, Class B Shares and shares of \$3.68 Series A Cumulative Exchangeable Redeemable Preferred Stock ("3.68 Preferred Stock") owned by each director and by all officers and directors as a group. Each director and officer exercises sole voting power and sole investment power with respect to the Shares beneficially owned; however, as discussed under the caption "Purchase of Shares" on page 18, the disposition of Class A Shares is subject to certain restrictions. For information as to the ownership of Class A Shares (i) by Merrill Lynch & Co., Inc., see "Stockholder Interests" on page 4 and (ii) by the Management Investors, as hereinafter defined, see "Payment for Shares" on page 19.

Name of Beneficial Owner or Group	Shares Beneficially Owned as of February 1, 1987				Percent of All Common Shares	\$3.68 Preferred Stock(1)
	Class A Shares	Percent of Class	Class B Shares(1)	Total		
Robert D. Rowan(2)	485,575	8.11	—	485,575	2.71	—
Leon Alexander	65,584	1.09	—	65,584	.37	—
Jack Breslin	—	—	198	198	(1)	345
T. Neal Combs	246,200	4.11	427(3)	246,627	1.37	745(3)
Frank P. Coyer, Jr.(4)	—	—	5,823	5,823	(1)	10,166
Willis S. Hesselroth	—	—	—	—	(1)	—
Dean E. Richardson	—	—	—	—	(1)	—
Francis J. Sehn	—	—	187	187	(1)	326
Robert G. Siefert	171,993	2.87	—	171,993	.96	—
All directors and officers as a group (31 persons)	2,334,966	39.02	17,948	2,352,914	13.11	27,055

(1) Less than .1% of the Class for each director and/or less than .3% for all directors and officers as a group.

(2) Mr. Rowan also owns 1,500 shares of Fruehauf Canada, Inc., a subsidiary of the Corporation.

(3) Mr. Combs' children own a total of 24 shares of Class B Common Stock and a total of 42 shares of \$3.68 Preferred Stock. Mr. Combs disclaims any beneficial ownership of these shares.

(4) Mr. Coyer also owns 4,200 shares of Kelsey-Hayes Canada Limited, a subsidiary of the Corporation.

CERTAIN TRANSACTIONS

Acquisition by Management and Merrill Lynch & Co., Inc., of Class A Common Stock of Fruehauf Background

On December 23, 1986, a two-step transaction (the "Transaction") was completed, pursuant to which the Corporation, then named Fruehauf Holdings, Inc., acquired the entire common equity of Old Fruehauf, and Merrill Lynch & Co., Inc. ("Merrill Lynch") and 69 members of Old Fruehauf's management (the "Management Investors") acquired 49.5% of the common equity of Fruehauf Holdings, Inc. On December 23, 1986, Old Fruehauf was liquidated into Fruehauf Holdings, Inc. and its subsidiaries and Fruehauf Holdings, Inc. changed its name to Fruehauf Corporation. For convenience, Fruehauf Corporation, a Michigan corporation, is referred to herein as "Old Fruehauf" and Fruehauf Holdings, Inc., prior to the liquidation of Old Fruehauf, is referred to as "Holdings." Throughout this Proxy Statement, "Fruehauf" or the "Corporation"

refers to Fruehauf Corporation, a Delaware corporation (formerly Fruehauf Holdings, Inc.), after the consummation of the liquidation. The first step in the Transaction was the purchase under a joint tender offer (the "Offer") by Old Fruehauf and LMC Acquisition Corporation ("Acquisition"), a wholly owned subsidiary of Holdings, of 14,575,000 shares of Old Fruehauf's Common Stock at a price of \$49.50 per share. The Offer was made pursuant to an Offer to Purchase dated as of August 28, 1986 (the "Offer to Purchase"). The second step of the Transaction was the merger (the "Merger") of Acquisition into Old Fruehauf on December 23, 1986, pursuant to an Amended and Restated Agreement and Plan of Merger dated as of June 24, 1986, as amended on August 22 and September 3, 1986, by and among Old Fruehauf, Holdings and Acquisition (the "Merger Agreement"). The Merger Agreement was approved by the shareholders of Old Fruehauf on December 15, 1986. The Merger resulted in (1) the conversion of each share of Old Fruehauf's Common Stock (other than treasury shares and shares owned by Holdings and its subsidiaries, which were cancelled) into a unit consisting of 1 share of Class B Common Stock and 1.746 shares of \$3.68 Preferred Stock and (2) the conversion of each share of Acquisition's common stock (all owned directly or indirectly by Holdings) into shares of Class A Common Stock of Old Fruehauf.

As part of the Transaction, on August 22, 1986, Holdings, Acquisition and Asher B. Edelman and certain of his affiliates and associates (the "Edelman Group") entered into an agreement, pursuant to which, among other things, Holdings purchased for \$49.00 per share in cash the 2,131,077 shares of Old Fruehauf Common Stock acquired by the Edelman Group in its efforts to acquire control of Old Fruehauf, and the Edelman Group agreed not to acquire shares of, or attempt to control, Holdings or Old Fruehauf. Also on August 22, 1986, Holdings, Acquisition and the Edelman Group entered into an agreement pursuant to which the parties released all claims against one another relating to their efforts to acquire control of Old Fruehauf. Holdings paid \$21,065,000 on account of expenses incurred by one of the members of the Edelman Group in connection with such efforts and Holdings agreed to indemnify the members of the Edelman Group against certain liabilities. Finally, Old Fruehauf and its directors entered into an agreement with the Edelman Group, Holdings and Acquisition pursuant to which the parties dismissed all litigation and released all claims relating to the parties' efforts to acquire control of Old Fruehauf. This litigation is described under "Litigation—The Plaza Securities Litigation" on page 25.

Old Fruehauf paid to Merrill Lynch Capital Markets ("MLCM") of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), a wholly owned subsidiary of Merrill Lynch, fees of \$2 million relating to services rendered in connection with the Offer and the Merger. Old Fruehauf also reimbursed MLCM for reasonable out-of-pocket expenses incurred in consummating the Transaction. Holdings, upon consummation of the Merger, paid a fee of approximately \$12 million to MLCM in connection with such services.

Purchase of Shares

During 1986, certain members of Fruehauf's management and Merrill Lynch acquired 28.7% and 20.8%, respectively, of the common equity of Fruehauf, and 43.2% and 31.4%, respectively, of the voting power of Fruehauf. The following is a summary of the transactions in which these interests were acquired.

On June 24, 1986, Robert D. Rowan, Chairman of the Board of Old Fruehauf, and the members of Old Fruehauf's Office of the President, T. Neal Combs, President and Chief Administrative Officer of Old Fruehauf, Robert G. Siefert, President and Chief Executive Officer of Kelsey-Hayes, and Leon Alexander, President and Chief Executive Officer—Trailer Operations of Old Fruehauf (the "Executives") entered into an agreement (the "Management Investment Agreement") with Merrill Lynch pursuant to which the Executives formed a group of 69 investors, including the Executives, who were members of the management of Old Fruehauf (the "Management Investors"). Among the Management Investors were 21 persons, including Messrs. Rowan, Combs, Siefert and Alexander, who were executive officers of Old Fruehauf during 1986 and are executive officers of Fruehauf.

The Management Investors entered into investment agreements, each dated as of September 3, 1986, which provided for the purchase by the Management Investors of Class A Common Stock (the "Investment Agreements") for a purchase price of \$4.178 per share. The purchase price was determined by MLCM, in a proposal submitted to a Special Committee of the Board of Directors of Old Fruehauf (the "Old Fruehauf Board"), which proposal culminated in the Transaction. The Special Committee consisted of directors who were not and had never been employees of Old Fruehauf. The factors considered by MLCM were: the risks of the Transaction; the superior voting rights of the Class A Common Stock; the significant restrictions on

the transfer of Class A Common Stock, including the facts that shares of Class A Common Stock were not registered under the Securities Act of 1933 and that upon transfer to a person other than Merrill Lynch or a Management Investor, shares of Class A Common Stock would automatically convert into shares of Class B Common Stock; and that Merrill Lynch and the Management Investors were committing to purchase shares of Class A Common Stock prior to the arrangement of financing in the amount of approximately \$1.4 billion required in connection with the Transaction.

As a result of the Transaction, Merrill Lynch owns 2,515,278 shares of Class A Common Stock, representing 20.8% of Fruehauf's common equity, which it purchased for \$10,508,833, and the Management Investors together own 3,468,446 shares of Class A Common Stock, representing 28.7% of Fruehauf's common equity, which they purchased for \$14,491,168. The shares of Class A Common Stock owned by Merrill Lynch and the Management Investors constitute 31.4% and 43.2%, respectively, of the voting power of Fruehauf. On January 15, 1987, options to purchase 353,875 shares of Class A Common Stock were granted to employees, including the Management Investors, which, if exercised, would increase the voting power of the holders of Class A Common Stock to a greater extent than their equity interest. These options were granted pursuant to Fruehauf's 1986 Stock Option Plan, which was approved by the shareholders of Old Fruehauf on December 15, 1986.

The opportunity to obtain a greater continuing interest in the equity of Holdings than that available to the other stockholders (other than Merrill Lynch) may have presented certain of the Management Investors with actual or potential conflicts of interest in connection with the negotiation of the terms of the Merger Agreement, the Offer and the Merger. In addition, certain Management Investors received substantial amounts of cash or property rights upon the termination of certain employee benefit plans of Fruehauf pursuant to the Merger Agreement. Further, after the completion of the Merger, the Management Investors became employees of Fruehauf, and the Executives became directors of Fruehauf. The Old Fruehauf Board and the Special Committee took account of the actual or potential conflicts of interest of the Management Investors when deciding to approve the Merger Agreement, the Offer, the Merger, and the termination or suspension of employee benefit plans.

Payment for Shares

The Management Investors paid for shares of Class A Common Stock in three ways. First, the Management Investors purchased for cash an aggregate of 410,483 shares of Class A Common Stock at a price of \$4.178 per share for an aggregate purchase price of \$1,714,998, which may have been obtained in part from the exercise of rights under certain of Old Fruehauf's employee benefit plans, including the Stock Option Plans and the Savings Plan. Second, the Management Investors exchanged 36,921 shares of Old Fruehauf Common Stock (valued at \$49.50 per share), some of which shares may have been acquired upon the exercise of options granted under the Stock Option Plans ("Options") or upon the settlement of units purchased pursuant to the Savings Plan ("Units"), for an aggregate of 437,430 shares of Class A Common Stock (valued at \$4.178 per share). Third, the Management Investors surrendered Options having an aggregate value of \$9,488,897 (determined, for each such Option, by multiplying the number of shares of Old Fruehauf Common Stock subject thereto by the excess of \$49.50 over the exercise price of such Option (the "Spread")) and Units having a value in the aggregate of \$1,459,597 (based on a value of \$49.50 per Unit), plus such amounts of cash as were sufficient to permit the purchase of whole shares, in exchange for 2,620,533 shares of Class A Common Stock valued at \$4.178 per share. Options and Units surrendered in exchange for shares of Class A Common Stock were cancelled. Shares of Old Fruehauf Common Stock were exchanged by the Management Investors for Class A Common Stock prior to the purchase of any shares of Old Fruehauf Common Stock pursuant to the Offer and simultaneously with the consummation of the Merger. Options and Units were surrendered in exchange for Class A Common Stock and shares of Class A Common Stock were purchased for cash.

The following table sets forth certain information, as of September 25, 1986 (immediately prior to the acceptance of shares of Old Fruehauf Common Stock for payments pursuant to the Offer), with respect to each Management Investor who was an executive officer of Old Fruehauf, all such executive officers as a group and all Management Investors as a group, concerning the number of shares of Old Fruehauf Common Stock beneficially owned (excluding shares issuable upon the exercise of Options, but including shares of Old Fruehauf Common Stock which were exchanged for Class A Common Stock), the number of shares of

Old Fruehauf Common Stock issuable on exercise of all Options held, the cash value of the Spread on such Options and the cash value of all Units credited to such persons under the Savings Plan. The table also indicates the number of shares of Class A Common Stock which the Management Investors have acquired pursuant to the Investment Agreements and their aggregate investment in such shares. Except for Mr. Richard P. Helwig, who retired in December 1986, all persons named below are executive officers of Fruehauf. As used in the table, "Old Fruehauf Shares" means shares of Old Fruehauf Common Stock.

Name	Old Fruehauf Shares Owned	Percentage of Outstanding Old Fruehauf Shares	Shares Issuable on Exercise of Options		Cash Value of Units	Class A Common Stock Purchased at or Prior to the Merger	
			Number of Old Fruehauf Shares	Spread		Number of Shares	Investment
Robert D. Rowan	34,649	.15%	55,295	\$1,717,073	\$ 312,345	485,745	\$2,029,443
T. Neal Combe	8,585	.04	23,000	659,205	63,805	246,200	1,028,624
Robert G. Siefert	2,944	.01	15,002	435,058	137,907	171,993	718,587
Leon Alexander	1,956	.01	20,061	548,019	0	65,584	274,010
James W. Barber	2,810	.01	10,000	290,000	14,602	102,704	429,097
Richard F. Darke	1,500	.01	11,750	328,875	7,573	77,912	325,516
Howard O. Moreay	16,519	.07	15,000	427,875	131,076	117,589	491,287
Robert G. Flagan	3,320	.01	7,002	203,058	721,215	29,620	123,752
John J. Garber	500	*	7,500	217,500	0	52,059	217,502
Richard S. Glazer	1,876	.01	3,000	82,375	17,127	67,071	280,223
Edward G. Hayes	875	*	14,000	406,000	2,108,700	256,067	1,069,848
Richard P. Helwig	264	*	10,000	290,000	992,079	34,706	145,002
Charles P. Jacoby	3,037	.01	1,500	43,500	76,032	20,528	85,786
Arthur A. Kowalski	4,500	.02	6,000	174,000	0	77,011	321,752
Joseph Mack, II	5,900	.03	18,706	575,198	0	34,706	145,002
Arnold P. McIlwain	18,021	.08	17,000	493,000	610,533	144,503	603,733
Michael W. Parros	0	0	7,001	203,029	0	70,137	293,032
Adolph T. Silverstein	7,361	.03	15,400	452,720	286,754	108,359	452,724
Stanley J. Thompson, Jr.	0	0	6,000	174,000	0	27,765	116,002
John Utlay	3,000	.01	8,000	230,000	10,098	118,913	496,619
Al M. Van Steenkiste	0	0	6,000	174,000	7,178	30,000	125,340
Executive Officers as a Group (21 persons)	117,617	.49	277,217	8,126,485	5,497,024	2,339,172	9,773,061
Management Investors as a Group (69 persons)	140,035	.72	405,087	11,674,050	5,847,286	3,468,446	14,491,168

*Less than .01%.

The shares of Class A Common Stock acquired pursuant to the Investment Agreements may not be sold or otherwise disposed of (except in certain limited circumstances) for a period of three years after September 25, 1986, and, for a period beginning when restrictions on such sale and transfer terminate until September 25, 1991, each Management Investor seeking to dispose of such shares must first offer such shares to the other Management Investors and Merrill Lynch. With respect to shares of Class A Common Stock acquired by a Management Investor upon the surrender of Options and Units, if the Management Investor's employment is terminated before September 30, 1989, for any reason other than death or disability, such shares will be forfeited. With respect to shares of Class A Common Stock acquired for cash or in exchange for shares of Old Fruehauf Common Stock, if the Management Investor's employment is terminated for cause or the Management Investor voluntarily resigns within three years after the first acquisition of shares pursuant to the Investment Agreements, Fruehauf will have the right to repurchase such shares of Class A Common Stock at a price of \$4.178 per share or, if less, the market price of shares of Class B Common Stock on the date of such repurchase. Under the Investment Agreements, the Management Investors have agreed not to compete with Fruehauf for a period of three years after the Merger.

Fruehauf's Certificate of Incorporation contains provisions requiring approval of certain corporate transactions, including mergers, business combinations and sales involving a majority of its assets by a vote of at least 80% of the combined ordinary voting power of its shares of which are entitled to vote thereon. As a result, it is possible that the Management Investors will be in a position to veto any such transaction.

Participation of Merrill Lynch and MLPF&S in Financing the Transaction

Holdings required approximately \$1.4 billion to (i) repay funds to finance the Offer, the purchase of Old Fruehauf Common Stock from the Edelman Group and the payment made to the Edelman Group on account of its expenses, (ii) to pay fees and expenses incurred in connection with the Transaction, (iii) to prepay outstanding indebtedness of Old Fruehauf which was required to be prepaid as a result of the Merger, (iv) to provide funds used by Holdings to repurchase 1,074,957 shares of Class A Common Stock and (v) to provide working capital for Fruehauf. MLPF&S received fees of \$17,586,000 in connection with its underwriting of \$510 million principal amount of Senior Subordinated Debt Securities issued in connection with the financing of the Transaction and Holdings agreed to indemnify MLPF&S against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments that MLPF&S may be required to make in respect thereof.

In addition, Merrill Lynch loaned \$370 million to finance the Offer and for other purposes. The loan from Merrill Lynch was made pursuant to a Second Amended and Restated Financing Agreement, dated as of August 22, 1986 between Merrill Lynch and Holdings, pursuant to which Merrill Lynch loaned to Holdings \$370 million for the Offer, for the purchase of a portion of the 2,131,077 shares of Old Fruehauf Common Stock purchased from the Edelman Group and for the payment of the expenses of the Edelman Group. Holdings paid fees to Merrill Lynch of \$7.7 million in respect of borrowings under this agreement and also paid interest of \$8.8 million on the amounts borrowed based upon a fluctuating rate equal to 5% per annum above the Base Rate, as defined. The loan from Merrill Lynch was repaid on December 23, 1986, together with interest thereon.

Termination Agreements

During 1985 and 1986, the Executives and 24 other executives of Old Fruehauf and its subsidiaries, including several Management Investors, entered into termination agreements with Old Fruehauf (the "Termination Agreements"), which are binding upon Fruehauf. Under the Termination Agreements, each such executive agreed to remain in the employ of Fruehauf for a period of six months following a Potential Change in Control. A Potential Change in Control shall be deemed to have occurred (a) if Fruehauf enters into an agreement the consummation of which would result in the occurrence of a Change in Control of Fruehauf (as defined below); (b) if any person (including Fruehauf) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of Fruehauf; (c) if any person becomes the beneficial owner, directly or indirectly, of securities of Fruehauf representing 10% or more of the voting power of Fruehauf's then outstanding voting shares; or (d) if the Board adopts a resolution to the effect that, for purposes of the Termination Agreements, a Potential Change in Control has occurred.

The Termination Agreements also provide that, upon the actual or constructive termination of the employment of an executive following a Change in Control of Fruehauf (as defined below), unless such termination be by reason of death or Retirement or for Cause or Disability or by the executive without Good Reason (as such terms are defined in the Termination Agreements), 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 2.99 times the average annual compensation (as defined in the Termination Agreements) of the executive, paid to him by Fruehauf for the five calendar years preceding the calendar year in which a Change in Control occurred and includable in his gross income (such amount to be reduced by any other payment received or to be received in connection with a Change in Control of Fruehauf). The executive will also receive an additional lump sum payment to the extent that the actuarial present value of his future benefits under Fruehauf's (or a subsidiary's) pension plan, determined as if the executive were fully vested in his right to receive benefits under such plan on his termination date, exceeds the actuarial present value of the benefits to which he is actually then entitled; Fruehauf has agreed to pay excise taxes which may be due because of payment of such amounts. For purposes of the Termination Agreements, a Change in Control of Fruehauf means a change in control of a nature that would be required to be reported in response to Item 5(G) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, provided that, without limitation, a Change in Control shall be deemed to have occurred (a) if any person becomes the beneficial owner, directly or indirectly, of securities of Fruehauf representing 20% or more of the voting power of Fruehauf's securities or (b) if during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director whose election to the Board was

approved by at least two-thirds (2/3) of the directors then still in office cease for any reason to constitute a majority thereof. The Termination Agreements are for a term ending on December 31, 1987, but automatically are renewed, prior to a Change in Control, for successive one-year terms unless terminated as provided in the Termination Agreements; after a Change in Control, the Termination Agreements extend for a further three-year term after their respective next anniversary dates. The acquisition of shares of Old Fruehauf Common Stock pursuant to the Offer constituted a Change in Control for purposes of the Termination Agreements. Accordingly, the Termination Agreements will remain in effect until December 31, 1990. In the event of a Change in Control followed by an actual or constructive termination during 1986 of the executives party to Termination Agreements, such executives would have been entitled to receive pursuant to the Termination Agreements approximately \$12.9 million, less certain other amounts which may be payable to such executives. Payments under the Termination Agreements could increase the cost of an acquisition of Fruehauf.

Amendment of Employee Benefit Plans

At its June 24, 1986 meeting, the Old Fruehauf Board voted to amend the Stock Option Plans. The amendments provided that in the event of a sale or transfer of all or substantially all of the assets of Old Fruehauf, a merger or consolidation of Old Fruehauf with another entity (other than a merger or consolidation in which Old Fruehauf was the surviving corporation and no shares of Old Fruehauf Common Stock were converted into or exchanged for securities, cash or any other thing of value), a tender or exchange offer for at least 40% of the outstanding shares of Old Fruehauf Common Stock (any of the above transactions being referred to as a "Change in Control Transaction") or any change in the ownership of such shares as a result of which Old Fruehauf was to have a Substantial Shareholder (as defined below), the Incentive Compensation Committee of the Old Fruehauf Board was authorized to make certain adjustments to the terms of Options or rights ("Rights") granted under the Stock Option Plans, including accelerating the exercisability of any Option or permitting any optionee to surrender any Option to Old Fruehauf for cancellation or to exercise any Right following a Change in Control Transaction. In addition, the Stock Option Plans were amended to provide that all Options and Rights would become immediately exercisable in the event of any change in ownership as a result of which Old Fruehauf was to have a Substantial Shareholder. The Stock Option Plans were further amended to provide that in the event there was to be a Substantial Shareholder, Old Fruehauf would irrevocably waive the right to accelerate payments upon the termination of the optionee's employment with Old Fruehauf under any promissory note or stock purchase agreement entered into in connection with the exercise of an Option.

For purposes of the amendments described herein, the term Substantial Shareholder meant any person (other than Old Fruehauf or any subsidiary of Old Fruehauf and other than any profit sharing, employee stock ownership or other employee benefit plan of or sponsored by Old Fruehauf or any such subsidiary) who was the beneficial owner of 40% or more of the shares of Old Fruehauf Common Stock. A person would not be a Substantial Shareholder if he had acquired such shares in a transaction or series of transactions which were consummated with the prior approval of the Old Fruehauf Board.

At the June 24, 1986 meeting, the Old Fruehauf Board also approved amendments to the Incentive Plans which provided that in the event that Old Fruehauf had a Substantial Shareholder (as defined above), all unpaid installments of awards under the Incentive Plans would become immediately due and would be paid to the employee entitled thereto. At the meeting of the Old Fruehauf Board held on July 17, 1986, the Old Fruehauf Board amended the Incentive Plans to provide that their participants, who included the Management Investors and certain members of the Old Fruehauf Board, could elect to have unpaid installments of their awards paid to them on September 1, 1987 or September 1, 1988.

At the meeting of the Old Fruehauf Board held on June 24, 1986, the Savings Plan was amended to provide that in the event Old Fruehauf had a Substantial Shareholder (as defined above), the Savings Plan would terminate and each employee's account would be paid to him in cash as soon thereafter as practicable, with the value of each Unit in such account determined by the greater of the acquisition cost of such Unit or the highest closing price of the Shares on the New York Stock Exchange during the 90-day period ending on the date of such termination.

At the same meeting, the Old Fruehauf Board adopted amendments to the Retirement Plans which provided for the allocation among participants of the Retirement Plans which exceed the present value of

accrued benefits in the event of a termination of the Retirement Plans or a merger, consolidation or transfer of assets or liabilities of the Retirement Plans within two years following a "Change of Control". For purposes of the amendments to the Old Retirement Plans, a "Change of Control" was defined as (i) the acquisition by a person or group of beneficial ownership of 40% or more of the combined voting power of Old Fruehauf's securities (including acquisition of voting power by proxy), other than through one or more transactions consummated with the prior approval of the Old Fruehauf Board, or (ii) a change in the composition of a majority of the members of the Old Fruehauf Board (other than new directors whose election was approved by at least two-thirds of the continuing directors) during a two-year period. The amendments to the Retirement Plans described above could not be amended without the consent of a majority of the participants in the Retirement Plans.

Pursuant to the Merger Agreement, Old Fruehauf took such action that, at the effective time of the Merger, all Options were converted into the right to receive an amount in cash equal to the Spread on such Options and Units were converted into the right to receive an amount in cash equal to the greater of the amount paid for such Unit or \$49.50. In accordance with the Merger Agreement, the Stock Option Plans were terminated at such effective time. Amounts due to employees by reason of such conversion were paid in January 1987.

Indemnification

The Merger Agreement provides that Old Fruehauf, and after the consummation of the Merger, Fruehauf, indemnify and hold harmless each officer, director, employee and agent of Old Fruehauf and its subsidiaries, which parties may include certain Management Investors, against any liability arising out of actions or omissions occurring at or prior to such consummation to the full extent permitted under applicable state law. In addition, Fruehauf was required, on or before January 1, 1987 and will be required on each of the first five anniversaries of the initial deposit, to deposit \$500,000 in cash in a trust account in lieu of providing officers' and directors' liability insurance for the benefit of non-management members of the Board. Any amount remaining in such trust account on the sixth anniversary of the Merger will be returned to Fruehauf.

In addition, the Michigan Business Corporation Act permits a corporation to indemnify its officers and directors who have acted in good faith and in a manner that they reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders. The Old Fruehauf By-laws provided that Old Fruehauf indemnify its officers and directors to the fullest extent authorized or permitted by law.

As permitted under the General Corporation Law of the State of Delaware (the "DGCL"), Fruehauf's Certificate of Incorporation provides that no director shall be liable to Fruehauf or its stockholders for monetary damages for breach of fiduciary duty as a director other than (i) for breaches of the director's duty of loyalty to Fruehauf and its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for the unlawful payment of dividends or unlawful stock purchases or redemptions under Section 174 of the DGCL and (iv) for any transaction from which the director derived an improper personal benefit. As a result of this provision of the Certificate of Incorporation, Fruehauf and its stockholders would not have a cause of action against a director for an alleged breach of fiduciary duty resulting from the director's negligence or gross negligence. At the date of the mailing of this Proxy Statement, there is no pending or threatened litigation naming a director of Fruehauf for which indemnification might be sought.

For information concerning expenses of certain litigation, see "Litigation", on page 25.

Additional Information

Mr. Willis S. Hesselroth, a director of Fruehauf, is a Vice President of MLPF&S and a Managing Director of MLCM. As noted throughout this Proxy Statement, these entities performed substantial investment banking services for Old Fruehauf and Holdings during 1986. Holdings entered into a letter agreement, dated as of June 24, 1986, and amended on August 22, 1986, whereunder Merrill Lynch is required, at least until September 25, 1988, to provide, on an exclusive basis, investment banking services to Fruehauf and to charge fees for such services which are competitive based upon similar transactions and practices in the investment banking industry. Fruehauf also entered into an agreement with Merrill Lynch under which Merrill

Lynch is providing investment banking services to Fruehauf in connection with the disposition of 12 subsidiaries of Fruehauf; under this agreement, Merrill Lynch will receive a fee of $\frac{3}{4}\%$ of the amount received for each subsidiary.

MLPF&S received fees from Old Fruehauf of \$1,090,000 in connection with the underwriting of its convertible preferred stock and convertible subordinated debentures in March 1986, and Old Fruehauf agreed to indemnify MLPF&S against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments that MLPF&S may be required to make in respect thereof.

A credit agreement, dated as of December 23, 1986 (the "Bank Credit Agreement") was entered into among Holdings, Bank of America National Trust & Savings Association, as agent for the Banks (as defined therein) and the Banks. One of the Banks is Manufacturers National Bank of Detroit ("Manufacturers"), of which Mr. Dean E. Richardson, a director of the Corporation, is Chairman of the Board and Chief Executive Officer.

The following amounts are available to the Corporation pursuant to the Bank Credit Agreement: (a) up to \$425 million under a one-year term credit facility (the "Term Loan Facility"); (b) up to \$425 million pursuant to a five-year revolving credit facility (the "Revolving Credit Facility"), which amount will be reduced to \$175 million after one year; (c) up to \$50 million pursuant to a five-year revolving credit facility for the financing of Fruehauf's international operations (the "International Facility"); and (d) up to \$100 million pursuant to a standby letter of credit facility (the "Letter of Credit Facility"). Of these amounts, Manufacturers is committed to provide up to \$25 million.

The Bank Credit Agreement provides that \$125 million of the amounts advanced pursuant to the Term Loan Facility will be due within six months after the date of advance and that the balance will be due on November 30, 1987. Amounts available under the Term Loan Facility will bear interest at a floating rate based, at the Corporation's option, upon either the Bank's reference rate, LIBOR or the rate paid by the Bank on certificates of deposit (the "CD Rate"). Such interest rates are expected to be equal to between $1\frac{3}{4}\%$ and $3\frac{3}{4}\%$ over the Bank's reference rate, between $2\frac{1}{2}\%$ and $4\frac{1}{2}\%$ over the LIBOR rate and between $2\frac{5}{8}\%$ and $4\frac{5}{8}\%$ over the CD Rate, depending upon the length of time during which such interest rate would be in effect.

The Bank Credit Agreement provides for the payment of a facility fee of \$2.125 million with respect to the Term Loan Facility, which was paid upon execution of the Bank Credit Agreement, and the payment of a commitment fee equal to 0.5% per annum on any unutilized portion of the Term Loan Facility.

Up to \$70 million of the amounts available under the Revolving Credit Facility is expected to be made available on a three-year revolving basis through the purchase of certain accounts receivable of Kelsey-Hayes (the "Receivables Sub-Facility").

The Bank Credit Agreement provides that advances under the Revolving Credit Facility will bear interest at a floating rate, at the option of the Corporation, equal to either $1\frac{1}{2}\%$ over the Bank's reference rate, $2\frac{1}{4}\%$ over the LIBOR rate of $2\frac{3}{8}\%$ over the CD Rate. It is expected that advances under Receivables Sub-Facility will bear interest at floating rates which are $\frac{1}{2}\%$ lower than each of the rates under the Revolving Credit Facility. In addition, the Bank Credit Agreement provides for the reduction of such interest rates if certain financial ratios are met.

The Bank Credit Agreement provides for the payment of a facility fee of \$2.125 million with respect to the Revolving Credit Facility, including the Receivables Sub-Facility, which was paid upon execution of the Bank Credit Agreement, and an annual commitment fee of 0.5% of any unutilized portion of the Revolving Credit Facility. Advances pursuant to the International Facility will bear interest at the same rates as advances under the Revolving Credit Facility.

The Bank Credit Agreement provides for the payment of a facility fee of \$250,000 with respect to the International Facility, which was paid upon execution of the Bank Credit Agreement and payment of a commitment fee equal to 0.5% per annum on any unutilized portion of the International Facility.

The Letter of Credit Facility provides for the issuance of standby letters of credit aggregating up to \$100 million. The Bank Credit Agreement provides for the payment of an annual commission equal to 2% of the amount of any outstanding letters of credit. In addition, the Bank Credit Agreement provides for the payment

of a commitment fee equal to 0.5% of any unutilized portion of the Letter of Credit Facility and for the payment of a facility fee of \$500,000, which was paid upon the signing of the Bank Credit Agreement.

Any amounts advanced pursuant to the Bank Credit Agreement will be secured by a lien on the Corporation's accounts receivable and inventory. Such advances are also secured by a pledge of the shares of certain subsidiaries of the Corporation, including Kelsey-Hayes and certain subsidiaries which are expected to be divested.

Manufacturers shared and will share in the fees payable under the Bank Credit Agreement, in the proportion of its commitment to all of the commitments under the Bank Credit Agreement.

The Corporation maintains banking relationships in the ordinary course of business with numerous banks, including Manufacturers. Manufacturers currently makes available to the Corporation a line of credit in the amount of \$10 million and an additional line of credit to its wholly-owned subsidiary, Fruehauf Finance Company, in the amount of \$10 million.

Old Fruehauf entered into a Revolving Credit and Term Loan Agreement in 1985 with 23 banks, including Manufacturers, under which Old Fruehauf could borrow up to \$150 million from all of the banks, including \$6 million from Manufacturers. Fruehauf Finance Company also entered into a Revolving Credit and Term Loan Agreement in 1985, with the same banks, under which it may borrow up to \$100 million from all of the banks, including \$4 million from Manufacturers. Under each agreement, borrowings may be made, at the option of the borrower, at variable rates. Each agreement originally provided for payment of a commitment fee on the unused portion of the revolving credit equal to $\frac{3}{8}$ % of such unused portion. Under these agreements, Old Fruehauf and Fruehauf Finance Company were indebted to Manufacturers in the maximum respective amounts of \$1.2 million and \$4.0 million during 1986. The 1985 Agreement was terminated by Old Fruehauf and amounts due thereunder repaid on December 23, 1986. The Agreement with Fruehauf Finance Company was amended on December 9, 1986, to provide that (1) the agreement would terminate and be repayable upon the earlier of June 30, 1987 or the disposition by Fruehauf of Fruehauf Finance Company and (2) that the rate of interest payable would be increased. Fruehauf Finance Company also had short-term borrowings during 1986 of up to approximately \$40 million under a master note agreement with the trust department of Manufacturers.

Old Fruehauf had a \$3 million line of credit with Texas Commerce Bank—Houston, in respect of which line of credit Old Fruehauf maintained a compensating balance. This line of credit was terminated in December, 1986. Mr. John P. Grace, who served as a director of Old Fruehauf until December 23, 1986, 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, 1986, Kelsey-Hayes and Mr. Frank P. Coyer, who retired as an employee of Fruehauf in 1985, entered into a consulting agreement with an initial term of one year and provision for extension from year to year. Under this agreement, Mr. Coyer is to act as a general advisor and consultant to Kelsey-Hayes' management on all matters pertaining to Kelsey-Hayes' business and is to refrain from competing, or assisting others in competing, with Kelsey-Hayes. The agreement contains no limit upon the amount of time Mr. Coyer is to expend thereunder. Mr. Coyer is being 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. Under this Agreement, Kelsey-Hayes is also furnishing Mr. Coyer with the use of a car, is providing certain insurance coverages and has agreed to pay certain other expenses.

During 1986, Kelsey-Hayes paid to Blue Cross and Blue Shield of Michigan, of which Mr. John C. McCabe, who served as a director of Old Fruehauf until December 23, 1986, is Chief Executive Officer and Chief Administrative Officer, and its affiliates, approximately \$1.7 million for administrative services and certain premiums in connection with health care plans of Kelsey-Hayes and its subsidiaries; it is estimated that approximately \$1.6 million will be paid by Kelsey-Hayes and its subsidiaries for these services and premiums in 1987.

Litigation

The directors and certain officers of Old Fruehauf (several of whom are directors and officers of the Corporation) were or are parties to the following litigation arising from the attempt of the Edelman Group to gain control of Old Fruehauf.

The Plaza Securities Litigation

This litigation was commenced on April 1, 1986, by a member of the Edelman Group against Old Fruehauf and its directors in the United States District Court for the Eastern District of Michigan under the title *Plaza Securities Company v. Fruehauf Corporation et al.* (the "Plaza Securities Litigation"). In this litigation, the complaint was amended several times to allege many causes of action; many of the claims made are inapposite to this Proxy Statement, inasmuch as they did not contain allegations against Old Fruehauf's Board or because such claims were not substantiated or were dismissed. However, it was alleged, and the District Court found, that Old Fruehauf's Board of Directors and the Special Committee thereof had breached their fiduciary duty to the shareholders of Old Fruehauf in the manner in which they had considered an earlier joint tender offer by Old Fruehauf and Acquisition, which had been commenced on June 27, 1986, in which Old Fruehauf and Acquisition had offered to purchase up to 17,500,000 shares of Old Fruehauf Common Stock at a price of \$48.50 per share (the "Initial Offer"). As stated above under "Background," this litigation was dismissed under an agreement between the parties.

Certain Class Actions

Between June 26, 1986 and July 10, 1986, six putative class actions (collectively referred to as the "Class Action Litigation") were commenced against Old Fruehauf, its directors and certain of its officers, Merrill Lynch and Holdings. Three actions, *Lewis v. Fruehauf Corporation et al.*, *Katz v. Fruehauf Corporation et al.*, and *Cubit Corporation v. Fruehauf Corporation et al.*, were commenced in Michigan in the Circuit Court for the County of Wayne, one action, *Lewis v. Fruehauf Corporation et al.*, was commenced in the Delaware Court of Chancery, and two actions, *Warshofsky v. Fruehauf Corporation et al.*, and *Steiner v. Fruehauf Corporation et al.* (the "Steiner Action"), are pending in the District Court for the Eastern District of Michigan. The complaints allege that Old Fruehauf's directors breached their fiduciary duties in approving the Initial Offer and the complaints seek injunctive relief and unspecified damages. On or about September 17, 1986, a putative class-action complaint entitled *Priddy v. Edelman et al.* was filed in the United States District Court for the Eastern District of Michigan. The complaint names as defendants Old Fruehauf, its directors, Merrill Lynch, Holdings, Acquisition, Kidder, Peabody & Co. Incorporated and the Edelman Group. The complaint alleges that the proposal submitted by the Edelman Group on August 18, 1986 was the highest offer received and should have been accepted. The complaint further alleges that Old Fruehauf's directors, in collusion with the other defendants, took steps to ensure that Merrill Lynch would be successful in acquiring Old Fruehauf in violation of their fiduciary duties and of the preliminary injunctions issued in the Plaza Securities Litigation and in violation of federal securities laws. The complaint seeks, *inter alia*, judgment requiring defendants to pay \$56.89 for each share and directing Mr. Asher B. Edelman to turn over the \$21,065,000 paid to the Edelman Group for its expenses for distribution on a pro rata basis to the class. The time within which to file motions or answer with respect to the complaint has not yet expired. The defendants have denied the material allegations of the complaint.

The directors of Old Fruehauf involved with the Plaza Securities Litigation, Class Action Litigation and *Priddy v. Edelman* were Messrs. Jack Breslin, Dean E. Richardson, Robert D. Rowan and Francis J. Sehn, who are directors and nominees for director of Fruehauf, and Messrs. Thomas J. Reghanti, Donald F. Chamberlin, John P. Grace, John C. McCabe and James S. Wilkerson, whose terms as directors of Old Fruehauf terminated on December 23, 1986. In addition, Messrs. T. Neal Combs, Robert G. Siefert and Leon Alexander, who were officers of Old Fruehauf, and are officers, directors and nominees for directors of Fruehauf, were parties to certain of the Class Action Litigation; Mr. Combs was also a party to the Plaza Securities Litigation in his capacity as Secretary of Old Fruehauf.

Old Fruehauf has paid all of the expenses of its directors and officers in connection with the Plaza Securities Litigation and intends to pay all such expenses in connection with the Class Action Litigation and *Priddy v. Edelman* to the full extent permitted by law. Old Fruehauf and Fruehauf have purchased insurance pursuant to which all or a portion of such expenses may be paid. For further information concerning indemnification, see "Indemnification" on page 23.

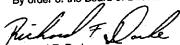
MISCELLANEOUS MATTERS

At the Annual Meeting of Stockholders, 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 stockholders 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 Class B 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.

As of the date hereof, the Board of Directors has no knowledge of any business which will be presented for consideration at the Annual 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.



Richard F. Darke
Secretary

Dated: May 15, 1987

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