

FRUEHAUF
CORPORATION
DETROIT, MICHIGAN 48232

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

April 4, 1988

Dear Fellow Stockholder:

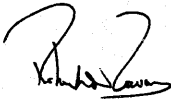
I invite you to attend the Annual Meeting of Stockholders of Fruehauf Corporation to be held at 1:30 P.M. on Thursday, May 5, 1988, at the Troy Hilton, 1455 Stephenson Highway, Troy, Michigan. I hope that you will be able to attend and participate in the Annual Meeting. At the meeting, I will review the business and operations of Fruehauf and officers and directors of Fruehauf will be available to answer your questions about your Company.

We will consider and act upon the election of directors, the reappointment of your Company's independent public accountants, 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 1987 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

April 4, 1988


NOTICE IS HEREBY GIVEN that the 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, May 5, 1988, at 1:30 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 1988.
3. If presented, acting on a stockholder proposal concerning employment practices of a Northern Ireland corporation in which Fruehauf has an indirect 40% interest.
4. Transacting any other business which may properly be brought before such meeting or any adjournment thereof.

Pursuant to the By-laws of Fruehauf, March 11, 1988, 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 1987 Annual Report and a proxy card are 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.

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FRUEHAUF CORPORATION

10900 Harper Avenue
Detroit, Michigan 48213

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Fruehauf Corporation ("Fruehauf" or the "Corporation", which terms include a Michigan corporation of the same name of which the Corporation is the successor) of proxies in the accompanying proxy card form. The Notice of Annual Meeting, the Proxy Statement and the proxy card, together with the Fruehauf Corporation 1987 Annual Report, are being mailed or delivered to holders of Common Stock commencing on April 4, 1988. Proxies are solicited so that stockholders may 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 stockholders' directions. Stockholders may specify their choices by marking the appropriate boxes on the proxy card; if no choice has been specified, the shares will be voted as recommended by the Board. Means have been provided whereby a stockholder may withhold his vote for any director and may vote for or against, or abstain from voting on, any other matter. The proxy cards confer discretionary authority to vote the shares authorized to be voted thereby on (1) any matter which was not known on the date of this Proxy Statement but may properly be presented for action at the meeting and (2) matters incident to the conduct of the Annual Meeting; the persons voting the proxies will vote on such matters in accordance with their judgment.

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

A proxy is revocable by its grantor before the exercise of its powers by delivering written notice of revocation to any individual appointed as a proxy in the proxy card at the offices of the Corporation, by submitting a subsequently dated proxy, or by withdrawing the proxy at the Annual Meeting.

On March 11, 1988, the record date for the Annual Meeting, the Corporation had outstanding 5,937,872 shares of Class A Common Stock, par value \$0.01 per share ("Class A Common Stock"), and 6,104,258 shares of Class B Common Stock, par value \$0.01 per share ("Class B Common Stock"). The two classes, collectively referred to as "Common Stock", will vote together on all matters presently expected to be presented at the Annual Meeting, at which the total number of shares entitled to vote is 12,042,130. A list of stockholders entitled to vote at the Annual Meeting, in the form required by Delaware law, may be examined by any stockholder, for any purpose germane to the meeting, during ordinary business hours, for 10 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 on the record date 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 on the record date. Thus, 23,917,874 votes may be cast upon each matter to come before the meeting, of which 17,813,616 may be cast by the holders of Class A Common Stock and 6,104,258 may be cast by the holders of Class B Common Stock. Only holders of Common Stock on the record date are entitled notice of and to vote at the Annual Meeting.

GENERAL INFORMATION

Board of Directors

Your Board of Directors manages the business and affairs of the Corporation. The Board, which is elected annually by the stockholders, represents the interests of the stockholders as a whole rather than the special interests of any particular group. There are presently 9 directors serving on the Board, all of whom were elected at the 1987 Annual Meeting of Stockholders. Mr. Leon Alexander, whose term will expire on the day of the Annual Meeting, is not standing for reelection to the Board.

Your Board reviews significant developments affecting Fruehauf and acts on matters requiring its approval. The Board met 13 times during 1987 with an average attendance by incumbent directors of 92%. The Board has approved this Proxy Statement and authorized the approval of the 1987 Annual Report.

Committees of the Board

Your Board has established seven standing committees to assist in discharging its responsibilities in specific areas. These committees and their principal responsibilities are described below. Committee membership is indicated in the biographical information for each nominee. Of the 25 memberships on the committees, 16 or 64% are held by nonmanagement directors. Attendance by incumbent directors at committee meetings was 100% during 1987.

Executive Committee. One nonmanagement director and four management directors serve on the Executive Committee, which possesses all powers of the Board except those specifically reserved by Delaware law or Fruehauf's By-laws to the full Board. This committee did not meet during 1987.

Audit Committee. The Audit Committee comprises three directors, who 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. This Committee reviews the preparation and auditing of the Corporation's accounts; considers and recommends to the Board the engagement of independent 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 its internal audit function; receives and reviews the reports of the independent accountants and internal audit staff; and reviews the annual financial report to the directors and stockholders of the Corporation. It is required to report to the Board not less than twice in each year and met twice during 1987.

Compensation Committee. The Compensation Committee fixes the base salaries of officers and of employees who have, or by action of the committee will have, a base salary in excess of an amount (currently \$70,000) fixed by the Board of Directors. The committee comprises three nonmanagement directors and one management director. Although it is not required, the majority of its members is expected to be nonmanagement directors. This committee did not meet formally during 1987, but handled many matters by consent.

Incentive Compensation Committee. This committee administers the Policy Council bonuses and the 1986 Stock Option Plan of the Corporation and the Policy Council bonus of Kelsey-Hayes Company. It also administers divisional bonuses. It will administer any future plan whereby officers or other employees of the Corporation and its subsidiaries may receive remuneration in addition to their base salaries. Membership is limited to nonmanagement directors. Three directors serve on this committee, which met once during 1987.

Contributions Committee. This committee has three members, two of whom are members of management. Contributions exceeding \$1,000 are acted upon by this committee, which did not meet formally during 1987, but approved many contributions by consent.

Pension Review Committee. This committee reviews the investment performance of the trustees and the administration of the pension plans of the Corporation and its subsidiaries. Two of the three members are nonmanagement directors. This committee met once during 1987.

Nominating Committee. The Nominating Committee recommends to the Board qualifications of nominees for Board membership and considers recommendations for nominees for election to the Board from concerned persons, including in particular Fruehauf's directors and stockholders. 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 did not meet during 1987.

Compensation of the Board

Management directors receive no additional compensation for serving on the Board or its committees. Nonmanagement directors receive an annual fee at the rate of \$12,000 per year plus \$600 per Board meeting attended and, except for the committee chairmen named in the table below, \$600 for each committee meeting attended. Chairmen of certain committees received in 1987 additional compensation as follows:

<u>Name</u>	<u>Chairman of</u>	<u>Additional 1987 Compensation</u>
Jack Breslin	Audit Committee	\$20,000
Frank P. Coyer, Jr.	Pension Review Committee	\$ 6,000
Frank P. Coyer, Jr.	Contributions Committee	\$ 3,000
Dean E. Richardson	Compensation and Incentive Compensation Committees	\$12,000

Mr. Frank P. Coyer, Jr., received during 1987 a fee of \$25,000 for his service as Vice Chairman.

Stockholder Proposals

At each Annual Meeting of Stockholders, the Board submits to the stockholders (1) its nominees for director and (2) the ratification of the appointment of independent public accountants for the Corporation by the Board 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 Certificate of Incorporation or proposals relating to benefit and incentive plans or certain amendments to existing plans.

Additionally, stockholders may be asked to consider proposals submitted by stockholders under regulations of the Securities and Exchange Commission ("SEC"). The Board will consider proposals submitted by stockholders. When adoption of a 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 herein) will generally be those with which the Board 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 1989, must be received by the Secretary by November 28, 1988 in order to be included in the proxy statement and form of proxy relating to said annual meeting.

Stockholder Interest

The Corporation has been advised by the corporation named in the following table that it owns beneficially shares of Common Stock in the manner and to the extent indicated therein:

<u>Name and Address of Beneficial Owner</u>	<u>Class of Common Stock</u>	<u>Aggregate Shares Owned</u>	<u>Number of Shares With</u>				<u>Percent of Class</u>
			<u>Voting Power</u>		<u>Dispositive Power</u>		
			<u>Sole</u>	<u>Shared</u>	<u>Sole</u>	<u>Shared</u>	
Merrill Lynch & Co., Inc...	Class A	2,515,278	2,515,278	—	2,515,278	—	42.4(1)
Merrill Lynch World Headquarters North Tower World Financial Center New York, NY 10281-1201							

(1) These shares represent approximately 20.9% of all shares, and approximately 31.5% of the combined voting power of all shares, of Common Stock outstanding as of the record date.

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. Although the Board has no reason to believe that any nominee will be unable to serve, if that contingency should occur, shares represented by proxies will be voted, in the absence of a contrary indication, for any substitute nominee designated by the Board, or the Board will reduce its size accordingly. There is presented below information as to each nominee's principal occupation, his other business and community affiliations and his service as of March 31, 1988.

Name and Age of Nominee,
Principal Occupation(1) and Affiliations

Service as a Director(1)

Robert D. Rowan, 66. Chairman of the Board and Chief Executive Officer of the Corporation for more than five years. 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

Jack Breslin, 67. 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. 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 Manufacturers Bank of Lansing.

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

T. Neal Combs, 45. President and Chief Administrative Officer and Principal Financial Officer of Fruehauf since 1986; Principal Financial Officer and Executive Vice President—Finance and Legal of Fruehauf, 1985-1986; prior thereto Vice President and General Counsel of Fruehauf; Secretary of 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., 68. Vice Chairman of Fruehauf since 1981. Retired employee of Fruehauf since 1985. Graduate of the University of Illinois.

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

Wills S. Hesselroth, 44. Vice President of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") since 1971; Managing Director of Merrill Lynch Capital Markets of MLPF&S since 1978. 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

Name and Age of Nominee,
Principal Occupation(1) and Affiliations

Service as a Director(1)

Dean E. Richardson, 60. Chairman of the Board of Manufacturers National Bank of Detroit and of Manufacturers National Corporation since 1973. Director of Detroit Edison Company (electric utility), R. P. Scherer Corporation (pharmaceuticals) and Tecumseh Products Company (gasoline engines). Received his undergraduate degree 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.

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

Francis J. Sehn, 69. 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, 56. President and Chief Operating Officer of Fruehauf since January 1988; Chairman of the Board and Chief Executive Officer of Kelsey-Hayes since March 1988; and President and Chief Executive Officer of Kelsey-Hayes Company, 1985-March 1988; Executive Vice President—Automotive Group of Fruehauf, 1985-1986; President and Chief Operating Officer of Kelsey-Hayes 1984-1985; 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

James S. Wilkerson, 67. Retired employee of Kelsey-Hayes since 1984. Served as Executive Vice President—Automotive Operations of Fruehauf from 1980 until his retirement and during 1984 as Chairman of the Board and Chief Executive Officer of Kelsey-Hayes. Serves as a director of Marcom Telecommunications, Inc. (telecommunications). Graduated from Wittenberg University in 1942 and serves on its Board of Directors.

Director from 1977 through 1986

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) Includes service, if any, as a director, and employment, if any, as an officer, of the predecessor of Fruehauf.

**ITEM 2—RATIFICATION OF THE REAPPOINTMENT OF
INDEPENDENT PUBLIC ACCOUNTANTS**

Touche Ross & Co. ("Touche Ross"), Fruehauf's independent public accountants, has been reappointed by the Board, upon the recommendation of the Audit Committee, to audit Fruehauf's financial statements for 1988. Touche Ross has served the Corporation and most of its subsidiaries since 1947. Its representatives regularly attend Audit Committee meetings and have direct access to its members. Representatives of Touche Ross will attend the Annual Meeting of Stockholders, will have the opportunity to make a statement if they desire and will respond to appropriate questions. The Audit Committee approved in advance the audit services provided by Touche Ross for the year ended December 31, 1987.

If the selection of Touche Ross is not ratified by the stockholders, or if, after such ratification, it should become unable or ineligible to serve, the Board of Directors will select another firm.

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).

ITEM 3—STOCKHOLDER PROPOSAL

The Proposal

Fruehauf has been advised that a stockholder intends to present the following proposal at the Annual Meeting of Stockholders:

"WHEREAS, Fruehauf indirectly owns a 40% interest in a company operating in Northern Ireland, Fruehauf Northern Ireland, Ltd.;

WHEREAS, discrimination against Northern Ireland's Catholic minority in employment has been cited by the International Commission of Jurists as being one of the major causes of the conflict in that country;

"WHEREAS, census figures for Northern Ireland show that the unemployment rate for Catholic workers is more than twice as high as that of Protestant workers;

"WHEREAS, Dr. Sean MacBride, founder of Amnesty International and Nobel Peace laureate, has proposed several equal opportunity employment principles to serve as guidelines for corporations in Northern Ireland. These include:

1. Increasing the representation of individuals from underrepresented religious groups in the workforce including managerial, supervisory, administrative, clerical and technical jobs.
2. Adequate security for the protection of minority employees both at the workplace and while traveling to and from work.
3. The banning of provocative religious or political emblems from the workplace.
4. All job openings should be publicly advertised and special recruitment efforts should be made to attract applicants from underrepresented religious groups.
5. Layoff, recall, and termination procedures should not in practice, favor particular religious groupings.
6. The abolition of job reservations, apprenticeship restrictions, and differential employment criteria, which discriminate on the basis of religion or ethnic origin.
7. The development of training programs that will prepare substantial numbers of current minority employees for skilled jobs, including the expansion of existing programs and the creation of new programs to train, upgrade, and improve the skills of minority employees.
8. The establishment of procedures to assess, identify and actively recruit minority employees with potential for further advancement.
9. The appointment of a senior management staff member to oversee the company's affirmative action efforts and the setting up of timetables to carry out affirmative action principles.

"RESOLVED, Stockholders request the Board of Directors to:

1. Make all possible lawful efforts to implement and/or increase activity on each of the nine MacBride Principles."

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

SUPPORTING STATEMENT

"—Continued discrimination and worsening employment opportunities have been cited as contributing to increasing support among Catholics for a violent solution to Northern Ireland's problems.

"—In May 1986, the United States District Court ruled in *NYCERS v. American Brands*, 86 Civ. 3188 Slip Op. (S.D.N.Y., May 12, 1986) that 'Plaintiff has made a strong showing of the likelihood of success on the

merits—that upon full trial it could prove that all nine of the MacBride Principles could be legally implemented by management in its Northern Ireland facility.

“—An endorsement of the MacBride Principles by Fruehauf will demonstrate its concern for human rights and equality of opportunity. Please vote your proxy **FOR** these concerns.”

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

Management's Response

The directors recommend a vote **AGAINST** the adoption of Item 3 for the following reasons:

Management has reviewed the MacBride Principles and has determined that Fruehauf should not endorse them. The Corporation has been advised by Northern Ireland counsel that implementing the MacBride Principles would cause Fruehauf to be in breach of the law of Northern Ireland and that the opinion of the court referred to by the proponent is not binding in any way upon the courts of Northern Ireland and reliance on that opinion by Fruehauf would not constitute a defense to a breach of the employment laws of Northern Ireland. In that opinion, the court did not rule that the MacBride Principles could lawfully be implemented, but only that there was a strong showing by one party to the litigation that it might prove that the MacBride Principles could lawfully be implemented; however, the case was never tried on its merits.

Until January 1988, Fruehauf owned 100% of the stock of Fruehauf Northern Ireland, Ltd. (“FNIL”), sales and assets of which constituted approximately two-tenths of one percent of Fruehauf's total sales and assets during 1987, and employees of which were not more than 50. As a result of a restructuring of its European trailer operations at the end of January 1988, Fruehauf now has a 40% indirect interest in FNIL, controls only one-third of the seats on the Board of Directors of the corporation which owns FNIL and does not participate in that corporation's or FNIL's day-to-day management. Thus, Fruehauf is without power to cause FNIL to implement the MacBride Principles or any other personnel policy.

Fruehauf is an equal opportunity employer world-wide and does not discriminate anywhere on the basis of race, religion, sex, national origin, age, handicap, veteran's status or otherwise. While FNIL was controlled by Fruehauf, FNIL's employment practices coincided with those recommended by the MacBride Principles, except insofar as those principles required discrimination for or against any person or required FNIL to assume public safety responsibilities vested in governmental authorities. During this period, Fruehauf's management was satisfied that FNIL's workforce was representative of the religious makeup of Northern Ireland generally. Fruehauf has advised the proponent of Item 3 of these facts on several occasions.

Although FNIL's employment practices coincide with those recommended by the MacBride Principles and management believes that there is no underrepresented religious group at FNIL, management believes that implementing certain of these principles would require reverse discrimination in favor of persons from underrepresented religious groups, which, under the law of Northern Ireland, would be unlawful. If the MacBride Principles are read as not requiring illegal reverse discrimination, then management believes that these principles add nothing to the employment policies which were followed by FNIL while it was 100% owned by Fruehauf or the fair employment legislation in force in Northern Ireland. With respect to this legislation, FNIL is a signatory of a Declaration of Principle and Intent under the Fair Employment Act (Northern Ireland) of 1976 (the “Act”), which has as its purpose the promotion of equal opportunity and the elimination of discrimination in employment for persons of different religious and political beliefs. Fruehauf believes that FNIL is complying fully with the applicable provisions of the Guide to Effective Practice, issued September 15, 1987, under the Act. Fruehauf is not aware of any claim of discrimination having ever been brought against FNIL under the Act.

For the above reasons, and in light of Fruehauf's and FNIL's commitment to and achievements with respect to equal employment opportunity in Northern Ireland, your Board of Directors believes that adoption of this proposal is unnecessary and inappropriate. As stated above, however, Fruehauf is firmly committed to the underlying concept of the MacBride Principles that religious or ethnic discrimination is wrong.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THIS STOCKHOLDER PROPOSAL (ITEM 3 ON THE PROXY CARD). The affirmative vote of a majority of the votes cast on this proposal at the Annual Meeting is required for adoption of this proposal.

COMPENSATION OF EXECUTIVE OFFICERS

All cash compensation of each of the five most highly compensated executive officers for services in all capacities to Fruehauf and its subsidiaries for the year ended December 31, 1987, and of all executive officers as a group was as follows:

Name	Capacities in which served	Cash compensation	
		Base salary	Bonuses(1)
Robert D. Rowan	Chairman of the Board and Chief Executive Officer of Fruehauf; Director of Fruehauf.	\$ 475,000	—
T. Neal Combs	President and Chief Administrative Officer of Fruehauf; Principal Financial Officer of Fruehauf; Director of Fruehauf.	\$ 201,425	—
Robert G. Siefert	President and Chief Executive Officer of Kelsey-Hayes Company; Director of Fruehauf.	\$ 201,350	\$70,000(2)
Leon Alexander	President and Chief Executive Officer—Trailer Operations of Fruehauf; Director of Fruehauf.	\$ 200,000	—
Arnold P. McIlwain	Executive Vice President—Maritime Operations of Fruehauf; President and Chief Executive Officer of Jacksonville Shipyards, Inc.	\$ 200,000	—
All executive officers as a group (24 persons, including those named above)		\$3,807,890	\$231,148(2)

(1) Does not include payments in respect of bonus awards for prior years, which were included in Cash Compensation reported for such years in prior proxy statements.

(2) Paid by Kelsey-Hayes to executive officers participating in the bonus paid to employees of its Automotive Division based upon its profitable performance during 1987. See "Incentive Compensation."

Retirement Plans

Pensions for salaried personnel are provided through the Retirement Plan for Salaried Employees of Fruehauf and the Retirement Plan for Salaried Employees of Kelsey-Hayes Company (collectively, the "Retirement Plans"). The normal retirement age under the Retirement Plans is 65, but participants who are at least age 55 and have at least ten years' service credited under the Retirement Plans are eligible for early retirement benefits (which are reduced if payments are commenced before age 65). The following table shows the maximum annual amounts payable at age 65 under the Retirement Plans, on a straight life annuity basis, based on the assumed final average salary and the years of credited service indicated.

Assumed Final Average Salary	Years of Credited Service			
	10	20	30	35
\$175,000	\$26,250	\$ 52,500	\$ 78,750	\$ 91,875
200,000	30,000	60,000	90,000	105,000
225,000	33,750	67,500	101,250	118,250
250,000	37,500	75,000	112,500	131,250
275,000	41,250	82,500	123,750	144,375
300,000	45,000	90,000	135,000	157,500
325,000	48,750	97,500	146,250	170,625
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

Each employee retiring on or before December 31, 1991, will receive the amount in the above table determined from his final average salary and years of credited service on his retirement date, and each employee retiring after December 31, 1991, will receive the amount in the above table determined from his final average salary on December 31, 1991 and years of credited service on his retirement date. In each case, the amount otherwise payable under the Retirement Plans will be reduced by the amount of the annuity, if any, purchased for him in connection with the termination of certain retirement plans. For purposes of the Retirement Plans, salary does not include bonus and incentive compensation. The amounts shown in the above table will also be reduced in respect of Social Security benefits; for employees retiring in 1987 at age 65 with 10, 20 and 30 or more years of service, the reduction was \$1,578, \$3,156 and \$4,734, respectively.

Fruehauf is arranging to purchase annuities for the participants in certain terminated retirement plans which will pay to them upon retirement the amounts which would be paid to them 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 these retirement plans remaining after the purchase of annuities.

Under provisions of the Internal Revenue Code of 1986 (the "Code") pensions in excess of \$75,000 per year may not be paid pursuant to the Retirement Plans. Fruehauf has an unfunded Supplemental Pension Benefit Plan, under which it will pay the difference, if any, between the amounts shown in the table above (less applicable reductions) and the amount which may be paid under the aforesaid provisions.

The individuals named in the Cash Compensation Table (the "Named Officers") had the following number of whole years of credited service at December 31, 1987: Arnold P. McIlwain, 32; Robert D. Rowan, 28; Robert G. Siefert, 24; Leon Alexander, 33; and T. Neal Combs, 12.

Employee Stock Options

Fruehauf's 1986 Stock Option Plan (the "Stock Option Plan") provides for the grant to officers, key executives and professional personnel of Fruehauf and its subsidiaries of options to purchase ("Options") up to 1,000,000 shares of Class A and/or Class B Common Stock. Options may be granted as Incentive Stock Options (as defined in Section 422A of the Code) or nonqualified options. The Stock Option Plan also provides for the grant of stock appreciation rights ("Rights") to such persons in the form of General Rights and Limited Rights. Rights are exercisable in tandem with Options, so that related Options are extinguished for each corresponding Right exercised. On exercising Rights, the holder is entitled to receive for each Right exercised an amount equal to the difference between the exercise price of the Option to which the Right relates, and, in the case of a General Right, the Fair Market Value per Share (as defined) on the date on which the General Right is exercised or, in the case of a Limited Right, the highest price per Share paid in any tender or exchange offer in effect at any time during the 60 days prior to its exercise. General Rights are exercisable to the extent that the Options to which they related are exercisable, and Limited Rights were exercisable only within a 30-day period following certain tender or exchange offers.

The Stock Option Plan provides that Options may become exercisable in full or in cumulative installments not earlier than one year after the date of grant. The per share exercise price of an Option can not be less than the Fair Market Value per Share (as defined) on the date of grant of the Option, except that the exercise price of nonqualified options may be as low as 85% of the Fair Market Value per Share on such date. Adjustments are to 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 can be exercised more than 10 years after its date of grant. The exercise price of an Option may be paid in cash or shares of Common Stock (valued as of the date of exercise), or any combination thereof, or by delivery of a stock purchase agreement.

The following table sets forth information for 1987 regarding Options and Rights held by the Named Officers and all executive officers as a group, all of which were granted as nonqualified stock options on January 15, 1987, at an exercise price of \$5.70 per share (which was \$0.05 less than the Fair Market Value per Share on that date):

	Robert D. Rowan	T. Neal Combs	Robert G. Siefert	Leon Alexander	Arnold P. McIlwain	All Executive Officers as a Group
Granted 1/1/87 to 12/31/87:						
Number of Options in tandem with Rights (1) ..	50,000	35,000	35,000	35,000	20,000	359,000
Exercised 1/1/87 to 12/31/87:						
Options and Rights Exercised—Net value realized in shares (market value less exercise price) or cash	—	—	—	—	—	—

(1) Each grant was divided equally between Class A Common Stock and Class B Common Stock.

On January 15, 1987, employees other than executive officers were granted Options without Rights for a total of 348,750 shares of Common Stock, equally divided as to each optionee between Class A Common Stock and Class B Common Stock, at an exercise price of \$5.70 per share.

Directors' Stock Options

In 1987, the stockholders approved the adoption of the Fruehauf Corporation 1987 Directors' Stock Option Plan (the "Directors' Plan"), which provides for grant to each nonemployee director of one option to acquire 10,000 shares of Class A Common Stock (a "Director Option"). The aggregate number of shares for which Director Options may be granted pursuant to the Directors' Plan is 200,000 shares of Class A Common Stock. The Directors' Plan is administered by the Board.

Each nonemployee director then serving on the Board automatically received a single Director Option on the date that the stockholders approved the Directors' Plan. Each future nonemployee director will receive a similar option on the date of his first election as such. Each person may receive only one Director Option. The price per share purchasable upon exercise of a Director Option is the Fair Market Value per Share of Class B Common Stock on the date of grant. Each Director Option is exercisable in five equal cumulative installments, each becoming exercisable at one-year intervals commencing on the first anniversary of the date of grant. The Board is authorized to adjust the number of shares and the option price per share of each Director Option in the event of a stock dividend, issue or repurchase of Common Stock, or a split-up, combination, reclassification of Common Stock or an exchange of Common Stock for other securities.

A Director Option will lapse immediately if the optionee's service as a director terminates for any reason within one year after the grant thereof or if he is removed from the Board as a result of a breach of his 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 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 Director Option within 30 days thereafter for the number of shares for which it was exercisable when such service terminated. If, however, an optionee dies during such 30-day period, the exercise period 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 Director Option is then exercisable, the entire option may be exercised within 180 days from the date of death to the extent that it had not previously been exercised. Director Options are not transferable by the optionee other than by will or the laws of descent and distribution.

Stockholder approval is required to amend the Directors' Plan to increase the maximum number of shares available for Director Options (other than in the event of stock splits and dividends, combinations and similar events), to change the provisions of the Directors' Plan respecting determination of the exercise price of options (other than in the same events), to change the period during which options may be granted or remain outstanding, to change the class of persons eligible to receive Director Options or to materially increase the benefits accruing to optionees. The Board may amend the Directors' Plan in all other respects. The Directors' Plan will terminate on June 18, 1997, unless previously terminated by the Board.

On June 18, 1987, Messrs. Jack Breslin, Frank P. Coyer, Jr., Willis S. Hesselroth, Dean E. Richardson and Francis J. Sehn were each granted a Director Option at an option price of \$6.50 per share. None of these persons exercised any options to purchase Common Stock during 1987.

Stock Purchase (Savings) Plan

Under the Stock Purchase (Savings) Plan (the "Savings Plan"), each eligible salaried employee of the predecessor of Fruehauf and certain of its subsidiaries could elect to defer compensation to a future date specified by the employee at the time of his election. Deferred compensation was credited to an account measured in Units, each of which was acquired for the then current market price of a share of the predecessor's common stock. Each Unit accrued a return from the date credited equivalent to the dividends paid on one such share during the deferral period. The compensation ultimately paid with respect to each Unit was the greater of the amount for which the Unit was purchased or the value of the Unit measured by the market price per share of such stock at the time of payment. The Savings Plan was terminated in 1986, such that no Units could be acquired after September 1, 1986 and the value of all Units unpaid on September 1, 1988 will then be paid. Amounts paid after September 1, 1986, for Units bore and will bear interest from that date. Messrs. Siefert and McIlwain were or will be paid \$88,382 and \$510,753, plus accrued interest, respectively, for their Units during 1988 and Mr. Siefert was paid \$36,278, plus accrued interest, for his Units during 1987. The remaining executive officers were paid in 1987 and will be paid in 1988, \$768,394 and \$2,205,017, respectively, plus accrued interest, for their Units.

Incentive Compensation

Each of Fruehauf and Kelsey-Hayes has an incentive compensation plan, both of which were suspended in 1986. Management is currently reviewing these arrangements to determine whether to recommend to the Board that it reinstate them and maintain the other bonus arrangements described below. Fruehauf and Kelsey-Hayes have also awarded bonuses in prior years to members of the Fruehauf Corporation Policy Council, the Fruehauf Division Policy Council and the Kelsey-Hayes Company Policy Council. No bonuses for 1987 were awarded under any of these arrangements.

In addition, certain divisions of Fruehauf and its subsidiaries maintain bonus plans under which bonuses may be awarded based upon the performance of these divisions. As disclosed in the Cash Compensation Table, certain executive officers who serve on the Kelsey-Hayes Company Policy Council were awarded bonuses based upon the profitable performance of Kelsey-Hayes' Automotive Division during 1987.

Indebtedness

Certain executive officers incurred indebtedness in respect of money borrowed from the Corporation in 1986. This indebtedness is repayable in 10 equal annual installments of principal together with interest at the rate of 7.17% per annum. Executive officers whose above described indebtedness exceeded \$60,000 since January 1, 1987 are as follows:

Name	Maximum Indebtedness	
	1/1/87-	3/15/88
Richard S. Glazer		\$ 66,125
Arthur A. Kowalski		123,002
Robert G. Siefert		106,665
John Utley		116,319

Termination of Employment

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 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 addition, during 1985 and 1986, the Named Officers and 23 other executive officers of Fruehauf entered into termination agreements with the predecessor of Fruehauf. See "Termination Agreements."

OWNERSHIP OF STOCK BY DIRECTORS, NOMINEES AND OFFICERS

The table below provides information as to the shares of Class A Common Stock, Class B Common Stock and Preferred stock beneficially owned and deemed to be beneficially owned by each director and nominee for director and by all officers, directors and nominees as a group as of February 1, 1988. Each such person exercises sole voting power and sole investment power with respect to such shares.

Name of Beneficial Owner or Group	Class A Common Stock	Percent of Class	Class B Common Stock(1)	Total Common Stock	Percent of All Common Stock	Preferred Stock(1)
Robert D. Rowan	494,078	8.2	8,333	502,411	4.1	—
Leon Alexander	71,417	1.2	5,833	77,250	0.6	—
Jack Breslin	—	—	198	198	(1)	400
T. Neal Combs(2)	252,033	4.2	6,230(3)	258,263	2.1	1,003
Frank P. Coyer, Jr.(2)	—	—	5,823	5,823	(1)	11,782
Willis S. Hesselroth	—	—	—	—	(1)	—
Dean E. Richardson	—	—	500	500	(1)	—
Francis J. Sehn	—	—	187	187	(1)	25
Robert G. Siefert(2)	177,821	3.0	5,833	183,659	1.5	—
James S. Wilkerson	—	—	—	—	—	—
All directors and officers as a group (25 persons)	2,332,863	38.9	73,397	2,406,260	20.0	38,416

- (1) Less than .1% of the class for each director and/or less than .3% for all directors and officers as a group.
- (2) Messrs. Combs, Coyer and Siefert respectively own 300, 4,200 and 300 shares of Kelsey-Hayes Canada Limited, a subsidiary of the Corporation.
- (3) Mr. Combs' children own a total of 24 shares of Class B Common Stock and 49 shares of Preferred stock. Mr. Combs disclaims any beneficial ownership of these shares.

The above table includes in shares beneficially owned and in each class of stock shares which could have been acquired pursuant to the exercise of stock options and other rights within 60 days after February 1, 1988.

In January 1988, Mr. Robert D. Rowan sold 1,500 shares of Fruehauf Canada, Inc., a former subsidiary of the Corporation, for an aggregate of \$58,500 (Canadian funds) in a tender offer made by an unaffiliated party to all stockholders of Fruehauf Canada, Inc. in connection with its disposition by the Corporation.

Termination Agreements

During 1985 and 1986, the Named Officers and 23 other executive officers entered into termination agreements with the predecessor ("Termination Agreements"), which are binding upon Fruehauf. Under the Termination Agreements, each executive agreed to remain in the employ of the predecessor for six months following a Potential Change in Control. A Potential Change in Control was deemed to have occurred (a) if the predecessor entered into an agreement the consummation of which would result in a Change in Control (as defined below); (b) if any person (including the predecessor) publicly announced an intention to take or to consider taking actions which if consummated would constitute a Change in Control; (c) if any person became the beneficial owner, directly or indirectly, of securities of the predecessor representing 10% or more of the voting power of the predecessor; or (d) if the board adopted a resolution that, for purposes of the Termination Agreements, a Potential Change in Control had occurred.

The Termination Agreements also provide that, upon the actual or constructive termination of the employment of an executive following a Change in Control (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), 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) of the executive paid to him 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 resulting from a Change in Control). 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 such payment. For purposes of the Termination Agreements, a Change in Control means a change in control of a nature that would be required to be reported in response to Item 6(e) 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 of the directors then still in office cease for any reason to constitute a majority thereof. After a Change in Control, each Termination Agreement expires three years after its next anniversary date. A Change in Control occurred in 1986 and accordingly, the Termination Agreements will expire on December 31, 1990. During 1987, two executive officers received a total of \$563,487 under their Termination Agreements when their employment was terminated in connection with Fruehauf's divestitures of certain of its operations.

Certain Transactions

Mr. Willis S. Hesselroth is a Vice President of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), of which Merrill Lynch & Co., Inc. ("Merrill Lynch") is the parent, and is a managing director of Merrill Lynch Capital Markets ("MLCM"), which is a part of MLPF&S. In 1986, Fruehauf entered into an agreement with MLCM, under which it provided financial advisory services in connection with the disposition of 12 of Fruehauf's subsidiaries and Fruehauf agreed to pay to MLCM a percentage of the purchase price, as defined, of each subsidiary sold, reimburse it for certain expenses and indemnify it for certain liabilities. In 1987, Fruehauf paid MLCM fees of \$4,690,000 and reimbursed its expenses of \$275,000 in connection with the disposition of 10 of these subsidiaries; MLCM may receive additional payments during 1988 for the sale of the two remaining subsidiaries.

In 1987, Fruehauf entered into three additional agreements with MLCM and two affiliates of Merrill Lynch concerning the disposition of two additional subsidiaries and the restructuring of Fruehauf's European trailer operations, the terms of which are similar to those of the letter agreement described above, except that, for the restructuring, the fee is based on "Transaction Value", as defined. In 1988, Fruehauf has paid fees of \$3,118,000 and will pay estimated expenses of \$350,000 in respect of the sale of one subsidiary and the European restructuring. MLCM will receive compensation during 1988 if the remaining subsidiary is sold.

MLCM also received from Fruehauf advisory and remarketing fees of \$40,600 in connection with the remarketing in 1987 of certain industrial revenue bonds issued in 1982 for the benefit of a subsidiary of Fruehauf and tendered to Fruehauf by their holders during 1987 in accordance with their terms.

A Credit Agreement, dated as of December 23, 1986 (as amended, the "Credit Agreement") was entered into among Fruehauf, Bank of America National Trust & Savings Association ("B of A"), as agent, and the Banks (as defined therein), Manufacturers National Bank of Detroit ("Manufacturers"), of which Mr. Dean E. Richardson is Chairman of the Board, is one of the Banks. The Credit Agreement provides for: (a) up to \$425 million under a one-year term credit facility (the "Term Loan Facility"), which has been repaid; (b) up to \$400 million pursuant to a five-year revolving credit facility (the "Revolving Credit Facility"), which facility has been reduced to \$162 million in accordance with the terms of the Credit Agreement; (c) up to \$50 million pursuant to a revolving credit facility for financing Fruehauf's international operations (the "International Facility"); and (d) up to \$132 million pursuant to a standby letter of credit facility (the "Letter of Credit Facility"). Of these amounts, Manufacturers originally committed to provide up to \$25 million; its commitment is now \$7.7 million. Fruehauf's obligations under the Credit Agreement (other than under the Receivables Subfacility, as defined below) are secured by a lien on the Corporation's accounts receivable and inventory and a pledge of the shares of certain subsidiaries, including Kelsey-Hayes.

The Term Loan Facility provided for interest at a floating rates based, at Fruehauf's option, upon B of A's reference rate, LIBOR or the rate paid by B of A on certificates of deposit (the "CD Rate"). During 1987, the interest rates utilized were variously 1 $\frac{3}{4}$ % over B of A's reference rate and 2 $\frac{1}{2}$ % over LIBOR. Fruehauf also paid a commitment fee equal to 0.5% per annum on the unutilized portion of the Term Loan Facility.

Interest rates on the Revolving Credit Facility were floating rates which were variously 1 $\frac{1}{2}$ % over B of A's reference rate, 2 $\frac{1}{4}$ % over LIBOR and 2 $\frac{3}{8}$ % over the CD Rate, at Fruehauf's option. Up to \$70 million of the amounts available under the Revolving Credit Facility were made available through the purchase of certain

automotive accounts receivable, utilizing discount rates which were $\frac{1}{2}\%$ lower than each of the rates under the Revolving Credit Facility. Rates will be reduced if Fruehauf meets certain financial ratios. Fruehauf paid a commitment fee of 0.5% on the unutilized portion of the Revolving Credit Facility. Interest rates under the International Facility are comparable to those under the Revolving Credit Facility.

Under the Letter of Credit Facility Fruehauf paid an annual commission of 2% on the amount of outstanding letters of credit and a commitment fee of 0.5% on the unutilized portion of this facility.

Manufacturers shared and will share in the interest and fees paid under the Credit Agreement, in the proportion borne by its commitment to all commitments. Manufacturers currently extends to the Corporation a \$10,000,000 line of credit and until May 15, 1987, extended a \$10,000,000 line of credit to Fruehauf's former subsidiary, Fruehauf Finance Company. Fruehauf maintains relationships with many other banks.

Kelsey-Hayes and Mr. Frank P. Coyer are parties to a consulting agreement, which extends from year to year, under which Mr. Coyer acts as a general advisor and consultant to Kelsey-Hayes' management on all matters pertaining to its business and refrains from competing or assisting others in competing, with Kelsey-Hayes. There is no requirement as to the time that Mr. Coyer is to expend. Mr. Coyer receives \$50,000 per year, with each year's payment deferred for five years; each deferred payment bears simple interest at the rate of 10% per annum. Kelsey-Hayes furnishes Mr. Coyer with the use of a car, provides certain insurance coverages and pays certain other business-related expenses.

Fruehauf and Mr. Leon Alexander have entered into a consulting agreement which commences on July 1, 1988 and ends on October 31, 1990 and is extendible for one year at the option of the Chief Executive Officer of Fruehauf. Under the agreement Mr. Alexander will act as a general adviser and consultant to the Chief Executive Officer on all matters relating to Fruehauf's business and refrain from competing or assisting others in competing with Fruehauf or its subsidiaries. Fruehauf will pay Mr. Alexander at the rate of \$100,000 per year in equal monthly instalments, furnish Mr. Alexander with the use of a car, provide certain insurance coverages, and reimburse certain business-related, moving and tax service expenses.

Litigation

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

Between June 26, 1986 and July 10, 1986, six putative class actions (the "Class Action Litigation") were commenced against the predecessor of Fruehauf, its directors and certain of its officers, Merrill Lynch and Fruehauf. Three actions, *Lewis v. Fruehauf Corporation*, *Katz v. Fruehauf Corporation* and *Cubit v. Fruehauf Corporation*, commenced in Michigan in the Circuit Court for the County of Wayne, have been dismissed. The other three actions, *Lewis v. Fruehauf Corporation*, commenced in the Delaware Court of Chancery, and *Warshofsky v. Fruehauf Corporation* and *Steiner v. Fruehauf Corporation*, pending in the United States District Court for the Eastern District of Michigan, allege that the predecessor's directors breached their fiduciary duties in approving an unsuccessful tender offer for the common stock of the predecessor during 1986 and seek unspecified damages.

On September 17, 1986, a putative class action, *Priddy v. Edelman*, was commenced in the above mentioned District Court against the predecessor, its directors, Merrill Lynch, Fruehauf, LMC Acquisition Corp., Kidder, Peabody & Co. Incorporated and the Edelman Group. The plaintiffs alleged that a proposal of the Edelman Group for acquisition of all of the predecessor's shares of common stock in 1986 was the highest received and should have been accepted and that the predecessor's directors, in collusion with the other defendants, took steps to ensure that Merrill Lynch would succeed in acquiring the predecessor in violation of their fiduciary duties, a preliminary injunction obtained by a member of the Edelman Group against the predecessor and its directors and the federal securities laws. The complaint sought, *inter alia*, judgment requiring defendants to pay \$56.89 for each share and directing that \$21,065,000 paid to the Edelman Group for its expenses in connection with its attempt to gain control of the predecessor be distributed pro rata to the class. In 1987, following discovery, all defendants moved for summary judgment on all claims and the plaintiff cross-moved for summary judgment and leave to amend its complaint. On February 23, 1988, the court denied the plaintiff's motion and granted the defendants' motion for summary judgment. The court held that, *inter alia*, the predecessor's directors had acted in accordance with their fiduciary obligations and their actions were protected under the business judgment rule. The plaintiff has filed notice of appeal.

The directors of the predecessor involved in the Class Action Litigation and *Priddy v. Edelman* included Messrs. Jack Breslin, Dean E. Richardson, Robert D. Rowan, Francis J. Sehn and James S. Wilkerson. Messrs. T. Neal Combs, Robert G. Siefert and Leon Alexander were also parties to portions of the Class Action Litigation.

Fruehauf intends to pay all expenses in connection with the Class Action Litigation and *Priddy v. Edelman* to the extent permitted by law. Fruehauf and its predecessor have purchased insurance pursuant to which all or a portion of such expenses may be paid.

Indemnification

As permitted under the Delaware General Corporation Law (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 his 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 unlawful payment of dividends or unlawful stock purchases or redemptions under Section 174 of the DGCL and (iv) for any transaction from which he derived an improper personal benefit. As a result, Fruehauf and its stockholders have no cause of action against a director for an alleged breach of fiduciary duty resulting from his negligence or gross negligence. There is no pending or threatened litigation naming a director of Fruehauf for which indemnification might be sought.

Other Matters

At the Annual Meeting of Stockholders there will also be an address by the Chairman of the Board and an opportunity for stockholders to ask questions about the business and operations of Fruehauf.

Costs of soliciting proxies will be borne by the Corporation and include charges by brokers and other custodians, nominees and fiduciaries for forwarding proxy materials 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.

By order of the Board of Directors.



Richard F. Darke
Secretary

Dated: April 4, 1988

STOCKHOLDERS ARE URGED TO COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD 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.