

TRINITY INDUSTRIES INC  
Form 10-K  
February 19, 2015

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-6903

Trinity Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware

75-0225040

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

2525 N. Stemmons Freeway, Dallas, Texas

75207-2401

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (214) 631-4420

Securities Registered Pursuant to Section 12(b) of the Act

Title of each class

Name of each exchange on which registered

Common Stock (\$1.00 par value)

New York Stock Exchange, Inc.

Securities registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the Registrant's most recently completed second fiscal quarter (June 30, 2014) was \$6,706.8 million.

At January 31, 2015 the number of shares of common stock outstanding was 155,668,747.

The information required by Part III of this report, to the extent not set forth herein, is incorporated by reference from the Registrant's definitive 2015 Proxy Statement.

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All share and per share information, including dividends, has been retroactively adjusted to reflect the 2-for-1 stock split, except for the statement of stockholders' equity which reflects the stock split by reclassifying from "Capital in Excess of Par Value" to "Common Stock" an amount equal to the par value of the additional shares issued to effect the stock split.

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PART I

Item 1. Business.

General Development of Business. Trinity Industries, Inc. and its consolidated subsidiaries, (“Trinity”, “Company”, “we”, or “our”) headquartered in Dallas, Texas, is a diversified industrial company that owns a variety of market-leading businesses providing products and services to the energy, transportation, chemical, and construction sectors. Trinity was incorporated in 1933.

Trinity became a Delaware corporation in 1987. Our principal executive offices are located at 2525 N. Stemmons Freeway, Dallas, Texas 75207-2401, our telephone number is 214-631-4420, and our Internet website address is [www.trin.net](http://www.trin.net).

Financial Information About Industry Segments. Financial information about our industry segments for the years ended December 31, 2014, 2013, and 2012 is presented in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Narrative Description of Business. As a diversified industrial company, we manufacture and sell a variety of products and services principally including:

- railcars and railcar parts;
- the leasing, management, and maintenance of railcars;
- inland barges;
- highway products;
- aggregates;
- storage and distribution containers;
- structural wind towers;
- electric utility structures; and
- parts and steel components.

We serve our customers through the following five business groups:

Rail Group. Through wholly-owned subsidiaries with manufacturing facilities in the U.S. and Mexico, our Rail Group is a leading manufacturer of freight and tank railcars in North America used for transporting a wide variety of liquids, gases, and dry cargo (“Trinity Rail Group” or “Rail Group”).

Trinity Rail Group offers a complete array of railcar solutions to our customers. We are capable of manufacturing a full line of railcars, including:

Autorack Cars - Autoracks and flatcars transport finished automobiles and light trucks.

Box Cars - Box cars carry a wide variety of bulk cargo such as auto parts, paper, and food products.

Covered Hopper Cars - Covered hopper cars transport commodities such as industrial sand and cement, grain products, dry fertilizer, and plastics. Pressure differential covered hopper cars carry products such as flour and starch.

Gondola Cars - Rotary gondola cars are primarily used for coal service. Other gondola cars carry bulk commodities such as scrap metal, aggregate, ores, and finished steel.

Intermodal Cars - Intermodal cars transport shipping containers in single or double stacked configurations as well as truck trailers.

Open Hopper Cars - Open hopper cars are used to transport coal, aggregates, and other similar products.

Tank Cars - Non-pressurized tank cars transport a wide variety of liquid commodities including chemicals, food products, and petroleum products. Pressurized tank cars are used to transport liquefied gases.

Our Rail Group is capable of manufacturing a diversified railcar product line, allowing us to capitalize on changing industry trends and developing opportunities in the construction, agricultural, energy, chemical and automotive markets, among others. We also manufacture and sell a variety of railcar parts and components used in manufacturing and repairing railcars including couplers, axles, and other equipment. We have plants in Mexico and the U.S. that manufacture parts and components, primarily for the North American market. We provide railcar maintenance services at multiple facilities in the U.S.

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Our customers include railroads, leasing companies, and industrial shippers of products, such as utilities, petrochemical companies, grain shippers, agricultural product companies, and major construction and industrial companies. We compete in the North American market primarily against five major railcar manufacturers.

For the year ended December 31, 2014 we shipped 30,255 railcars, or 44% of total North American railcar shipments. As of December 31, 2014, our Rail Group backlog consisted of 61,035 railcars valued at \$7.2 billion. This amount included approximately \$2.0 billion in orders from our Railcar Leasing and Management Services Group (“Leasing Group”). The total amount of orders in our backlog from the Leasing Group was supported by lease commitments with external customers. The final amount dedicated to the Leasing Group may vary by the time of delivery.

We hold patents of varying duration for use in our manufacture of railcars and components. We believe patents offer a marketing advantage in certain circumstances. No material revenues are received from the licensing of these patents.

**Railcar Leasing and Management Services Group.** Our Railcar Leasing and Management Services Group is a leading provider in North America of comprehensive rail industry services. Through wholly-owned subsidiaries, primarily Trinity Industries Leasing Company (“TILC”), and partially-owned subsidiaries, TRIP Rail Holdings LLC (“TRIP Holdings”) and RIV 2013 Rail Holdings LLC (“RIV 2013”), we offer operating leases for tank and freight railcars. TILC also offers management, maintenance, and administrative services to railcar investors. By providing leasing and management, maintenance, and administrative services, in addition to management services for investor-owned funds, our Leasing Group is an important strategic resource that further links our Rail Group with our customers. Trinity's Rail Group and TILC coordinate sales and marketing activities under the registered trade name TrinityRail®, thereby providing a single point of contact for railroads and shippers seeking rail equipment and services.

The railcars in our lease fleet are leased to industrial shippers and railroads. These companies operate in the chemical, agricultural, and energy industries, among others. Substantially all of the railcars in our lease fleet were manufactured by our Rail Group. The terms of our railcar leases generally vary from one to twenty years and provide for fixed monthly rentals. A small percentage of our fleet is leased on a per diem basis. As of December 31, 2014, the lease fleet of our subsidiaries included 75,930 owned or leased railcars that were 99.5% utilized. Of this total, 63,520 railcars were owned by TILC or its affiliates and 12,410 railcars were financed in sale-leaseback transactions.

We also manage railcar fleets on behalf of third parties. Our railcar fleet management services complement our leasing business by generating stable fee income, strengthening customer relationships, and enhancing the view of Trinity as a leading provider of railcar products and services.

Our railcar leasing businesses compete against a number of well-established entities that are also in the business of leasing railcars.

**Construction Products Group.** Through wholly-owned subsidiaries, our Construction Products Group manufactures highway products as well as other primarily-steel products for infrastructure-related projects; mines and produces aggregates; and provides galvanizing services. Many of these lines of business are seasonal and revenues are impacted by weather conditions and fluctuations in government spending levels.

Our Highway Products business is a leading U.S. manufacturer of guardrail, crash cushions, and other protective barriers. The Federal Highway Administration, which determines product eligibility for cost reimbursement using federal funds, has approved many of our products as eligible for Federal-aid reimbursement based on satisfactory performance testing pursuant to criteria established under either the National Cooperative Highway Research Program Report 350 or the Manual for Assessing Safety Hardware, as applicable. Our crash cushion, protective barrier, and guardrail products include multiple proprietary products manufactured under license from certain public and private research organizations and inventors as well as Company-held patents. We sell highway products in Canada, Mexico,

and throughout the U.S., and we export highway products, including proprietary products to more than 60 countries. The Company does not perform any installation services with respect to its highway products, except in Mexico. We compete against several national and regional highway products manufacturers.

We are a leading producer and distributor of lightweight and natural aggregates, including expanded shale and clay; crushed stone; sand and gravel; asphalt rock; and various other products in the western and southwestern U.S. Our aggregates customers are concrete producers; commercial, residential, and highway contractors; manufacturers of masonry products; and state and local municipalities. We compete with lightweight aggregates producers nationwide and natural aggregates producers located in the regions where we operate.

We provide hot-dip galvanizing services to manufacturers of fabricated steel materials from our service facilities in Texas, Louisiana, and Mississippi. We also manufacture a line of trench shields and shoring products for the construction industry and a line of construction equipment for the mining industry.

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Energy Equipment Group. Through wholly-owned subsidiaries, our Energy Equipment Group manufactures structural wind towers; utility steel structures for electricity transmission and distribution; ambient and cryogenic storage and distribution containers; and tank heads for pressure and non-pressure vessels.

We are a leading manufacturer in North America of structural wind towers used in the wind energy market. These towers are manufactured in the U.S. and Mexico to customer specifications and installed by our customers. Our customers are generally wind turbine producers. Our structural wind towers backlog as of December 31, 2014 was approximately \$473.5 million.

With the acquisition of the assets of Meyer Steel Structures ("Meyer"), the utility steel structures division of Thomas & Betts Corporation, a member of the ABB Group, in August 2014, we became one of the leading manufacturers of steel structures for electricity transmission and distribution, which are used principally by municipalities and other local and state governmental entities, as well as by public and private utilities. These structures are manufactured in the U.S. and Mexico to customer specifications and installed by our customers.

We manufacture storage and distribution containers that support the oil, gas, and chemical industries and are used by industrial plants, utilities, residences, and small businesses in suburban and rural areas. Additionally, we manufacture fertilizer storage and distribution containers for bulk storage, farm storage, and the application and distribution of anhydrous ammonia. We also manufacture cryogenic tanks for the distribution of industrial gases and liquefied natural gas. Our storage and distribution container products range from nine-gallon containers for motor fuel use to 1.8 million-gallon bulk storage spheres. We sell our storage and distribution containers to dealers and large industrial users. In the U.S., we generally deliver storage and distribution containers to our customers who install and fill the containers. Our competitors include large and small manufacturers of storage and distribution containers.

We manufacture tank heads, which are pressed metal components used in the manufacturing of many of our finished products, both pressure rated and non-pressure rated, depending on their intended use. We use a significant portion of the tank heads we manufacture in the production of our railcars and storage and distribution containers. We also sell our tank heads to a broad range of other manufacturers. There is strong competition in the tank heads business.

We are a leading manufacturer in North America of storage and distribution containers and tank heads for pressure and non-pressure vessels. We manufacture these products in the U.S. and Mexico. We market a portion of our products in Mexico under the brand name of TATSA®.

In February 2014, we acquired the assets of Platinum Energy Services Corporation ("Platinum"), based in Alberta, Canada, which manufactures and sells oil and gas process and storage equipment, including various types of containers, separators, and treaters used at the well-site and in midstream locations.

There are a number of well-established entities that actively compete with us in the business of manufacturing energy equipment .

Inland Barge Group. Through wholly-owned subsidiaries, our Inland Barge Group is a leading U.S. manufacturer of inland barges and fiberglass barge covers. We manufacture a variety of dry cargo barges, such as deck barges, and open or covered hopper barges that transport various commodities, such as grain, coal, and aggregates. We also manufacture tank barges used to transport liquids such as crude oil, chemicals and a variety of petroleum products. Our fiberglass reinforced lift covers are used primarily for grain barges. Our four barge manufacturing facilities are located along the U.S. inland river systems, allowing for rapid delivery to our customers. Our Inland Barge Group backlog as of December 31, 2014 was approximately \$437.9 million.



Our primary Inland Barge customers are commercial marine transportation companies. Many companies have the capability to enter into, and from time to time do enter into, the inland barge manufacturing business. We strive to compete through operational efficiency, timely delivery, and quality products. We have a number of competitors for our products in this industry.

All Other. All Other includes our captive insurance and transportation companies; legal, environmental, and maintenance costs associated with non-operating facilities; and other peripheral businesses.

Foreign Operations. Trinity's foreign operations are primarily located in Mexico. Continuing operations included sales to foreign customers, primarily in Mexico, which represented 5.8%, 11.7%, and 10.0% of our consolidated revenues for the years ended December 31, 2014, 2013, and 2012, respectively. As of December 31, 2014 and 2013, we had 3.9% and 3.7%, respectively, of our long-lived assets not held for sale located outside the U.S. We manufacture railcars, storage and distribution containers, tank heads, structural wind towers, utility structures, parts and steel components, and other products at our Mexico facilities for local consumption as well as for export to the U.S. and other countries.

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Backlog. As of December 31, 2014 and 2013, our backlog of firm and noncancellable orders was as follows:

	December 31, 2014	December 31, 2013
	(in millions)	
Rail Group		
External Customers	\$5,204.3	\$4,189.6
Leasing Group	2,010.5	827.0
	\$7,214.8	\$5,016.6
Inland Barge Group	\$437.9	\$429.6
Wind towers	\$473.5	\$553.9

For the twelve months ended December 31, 2014, our rail manufacturing businesses received orders for 51,395 railcars, including a multi-year railcar order received in November 2014 from GATX Corporation to deliver 8,950 railcars over a four-year period beginning in 2016. The increase in backlog as of December 31, 2014 reflects the value of orders taken during the year. The orders in our backlog from the Leasing Group are fully supported by lease commitments with external customers. The final amount dedicated to the Leasing Group may vary by the time of delivery as directed by our customers. Approximately 55% of our railcar backlog is expected to be delivered in the twelve months ending December 31, 2015 with the remainder to be delivered from 2016 through 2020. All of our Inland Barge backlog is expected to be delivered in the twelve months ending December 31, 2015. Deliveries for multi-year barge agreements are included in the backlog when specific production quantities for future years have been determined. Approximately 57% of our structural wind towers backlog is expected to be delivered in the twelve months ending December 31, 2015 with the remainder to be delivered in 2016. The Company does not report backlog from its utility structures business because certain contracts contain partial order cancellation provisions.

Marketing. We sell or lease substantially all of our products and services through our own sales personnel operating from offices in multiple locations in the U.S. as well as Canada, Mexico, the United Kingdom, Singapore, Sweden, and Peru. We also use independent sales representatives on a limited basis.

#### Raw Materials and Suppliers.

Railcar Specialty Components and Steel. Products manufactured at our railcar manufacturing facilities require a significant supply of raw materials such as steel, as well as numerous specialty components such as brakes, wheels, axles, side frames, bolsters, and bearings. Although the number of alternative suppliers of specialty components has declined in recent years, at least two suppliers continue to produce most components.

The principal material used in our manufacturing segments is steel. During 2014, the supply of steel was sufficient to support our manufacturing requirements. Market steel prices were relatively stable during the year with 2014 prices averaging slightly higher than 2013. Steel prices may be volatile in the future in part as a result of market conditions. We often use contract-specific purchasing practices, existing supplier commitments, contractual price escalation provisions, and other arrangements with our customers, to mitigate the effect of steel price volatility on our operating profits for the year. In general, we believe there is enough capacity in the supply industry to meet current production levels and that our existing contracts and other relationships we have in place will meet our current production forecasts.

Aggregates. Natural and lightweight aggregates can be found throughout the U.S., and many producers exist nationwide. Shipments of natural aggregates from an individual quarry are generally limited in geographic scope because the cost of transporting processed aggregates to customers is high in relation to the value of the product itself. Lightweight aggregates have a much wider, multi-state distribution area due to their higher value relative to their

distribution costs. We currently operate 14 mining facilities strategically located in Texas, Louisiana, Colorado, and California.

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Employees. The following table presents the approximate headcount breakdown of employees by business group:

Business Group	December 31, 2014
Rail Group	10,980
Construction Products Group	1,670
Inland Barge Group	2,130
Energy Equipment Group	6,340
Railcar Leasing and Management Services Group	200
All Other	420
Corporate	330
	22,070

As of December 31, 2014, approximately 12,520 employees were employed in the U.S. and 9,430 employees were employed in Mexico.

Acquisitions and Divestitures. See Note 2 of the Notes to Consolidated Financial Statements.

Environmental Matters. We are subject to comprehensive federal, state, local, and foreign environmental laws and regulations relating to the release or discharge of materials into the environment; the management, use, processing, handling, storage, transport, and disposal of hazardous and non-hazardous waste and materials; and other activities relating to the protection of human health and the environment.

Environmental operating permits are, or may be, required for our operations under these laws and regulations. These operating permits are subject to modification, renewal, and revocation. We regularly monitor and review our operations, procedures, and policies for compliance with our operating permits and related laws and regulations. We believe that our operations and facilities, whether owned, managed, or leased, are in substantial compliance with applicable environmental laws and regulations and that any non-compliance is not likely to have a material adverse effect on our operations or financial condition.

#### Governmental Regulation.

Railcar Industry. The primary regulatory and industry authorities involved in the regulation of the railcar industry are the U.S. Environmental Protection Agency ("USEPA"); the Research and Special Programs Administration, the Federal Railroad Administration ("FRA"), and the Pipeline and Hazardous Materials Safety Administration ("PHMSA"), all divisions of the U.S. Department of Transportation ("USDOT"); and the Association of American Railroads ("AAR"). These organizations establish rules and regulations for the railcar industry, rail infrastructure, and rail interchange, including product specifications and standards for the design and manufacture of railcars and railcar parts; mechanical, maintenance, and related standards for railcars; safety of railroad equipment, tracks, and operations; and packaging and transportation of hazardous or toxic materials. We believe that our product designs and operations are in compliance with these specifications, standards and regulations.

Recent derailments in North America of trains transporting crude oil have caused various regulatory agencies and industry organizations, including but not limited to the USDOT; FRA; PHMSA; Transport Canada ("TC"); AAR and the AAR Tank Car Committee; American Petroleum Institute; and Railway Supply Institute, as well as community governments, to focus attention on transportation by rail of flammable materials. In August 2014, PHMSA published a Notice of Proposed Rulemaking seeking interested party comments on potential regulatory initiatives pertaining to the transportation of flammable materials by rail. A similar rulemaking process and request for comments was initiated in Canada in July 2014 under the direction of TC - Transport Dangerous Goods. Comment periods for PHMSA and TC have closed and agency review of comments is in process at both PHMSA and TC.

Regulatory certainty from PHMSA and TC is expected in 2015. While the regulatory process itself and the scope of any potential regulatory change is uncertain, the Company is assessing its position under a variety of potentially diverse, final rule scenarios. Any final rule may or may not materially impact the rail industry as a whole; railroad operations; older and newer tank railcars that meet or exceed currently mandated PHMSA and TC standards; future tank railcar specifications; market decisions relative to capital investment in rail products; and the capability of the nation's railcar manufacturing, repair and maintenance infrastructure to implement mandated modification configurations or new construction.

Inland Barge Industry. The primary regulatory and industry authorities involved in the regulation of the inland barge industry are the U.S. Coast Guard; the U.S. National Transportation Safety Board; the U.S. Customs Service; the Maritime Administration of the U.S. Department of Transportation; and private industry organizations such as the American Bureau of Shipping. These organizations establish safety criteria, investigate vessel accidents, and recommend improved safety standards. We believe that our product specifications and operations are in compliance with applicable laws and regulations.

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**Highway Products.** The primary regulatory and industry authorities involved in the regulation of highway products manufacturers are the USDOT, the Federal Highway Administration ("FHWA"), and various state highway departments. These organizations, with participation from the American Association of State Highway and Transportation Officials, establish certain standards, specifications, and product testing criteria related to the manufacture of our highway products. If our products were found to be not in compliance with these standards, specifications, or product testing criteria, we could be required to re-qualify our products for installation on state and national highways, recall products already in use or installed, or replace products in use or installed with other products manufactured by us or manufactured by our competitors. We believe that our highway products are in compliance with all applicable standards and specifications.

**Occupational Safety and Health Administration and Similar Regulations.** Our operations are subject to regulation of health and safety matters by the U.S. Occupational Safety and Health Administration and the U.S. Mine Safety and Health Administration. We believe that we employ appropriate precautions to protect our employees and others from workplace injuries and harmful exposure to materials handled and managed at our facilities. However, claims that may be asserted against us for work-related illnesses or injury and the further adoption of occupational and mine safety and health regulations in the U.S. or in foreign jurisdictions in which we operate could increase our operating costs. While we do not anticipate having to make material expenditures in order to remain in substantial compliance with health and safety laws and regulations, we are unable to predict the ultimate cost of compliance.

See Item 1A for further discussion of risk factors with regard to environmental, governmental, and other matters.

**Executive Officers and Other Corporate Officers of the Company.**

The following table sets forth the names and ages of all of our executive officers and other corporate officers, their positions and offices presently held by them, and the year each person first became an officer. All officer terms expire in May 2015.

Name	Age	Office	Officer Since
Timothy R. Wallace*	61	Chairman, Chief Executive Officer, and President	1985
James E. Perry*	43	Senior Vice President and Chief Financial Officer	2005
Melendy E. Lovett*	56	Senior Vice President and Chief Administrative Officer	2014
William A. McWhirter II*	50	Senior Vice President and Group President	2005
D. Stephen Menzies*	59	Senior Vice President and Group President	2001
S. Theis Rice*	64	Senior Vice President and Chief Legal Officer	