

MSC INDUSTRIAL DIRECT CO INC
Form DEF 14A
December 03, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**SCHEDULE 14A
(Rule 14a-101)**

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
 o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
 x Definitive Proxy Statement
 o Definitive Additional Materials
 o Soliciting Material Pursuant to §240.14a-12

MSC INDUSTRIAL DIRECT CO., INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
 o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(4) Date Filed:

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**75 Maxess Road
Melville, New York 11747**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the shareholders of MSC Industrial Direct Co., Inc.:

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of MSC Industrial Direct Co., Inc., a New York corporation, will be held on January 13, 2011 at 9:00 a.m., local time, at the Melville Marriott Long Island, 1350 Old Walt Whitman Road, Melville, New York 11747, for the following purposes:

1. to elect nine directors to serve for one-year terms;
to amend our 2005 Omnibus Equity Plan to permit the grant of cash incentive awards that qualify for the
 2. performance-based compensation exception to the \$1,000,000 limitation on the deduction of compensation imposed under Section 162(m) of the tax code;
 3. to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2011; and
 4. to consider and act upon such other matters as may properly come before the annual meeting or any adjournments or postponements thereof.
- Only shareholders of record at the close of business on November 24, 2010 are entitled to vote at the annual meeting and any adjournments or postponements thereof.

All shareholders are cordially invited to attend the annual meeting. However, to assure your representation at the annual meeting, you are urged to vote on the Internet, by telephone or by completing, signing and dating the enclosed proxy card as promptly as possible, and returning it in the postage-paid envelope provided. Any shareholder attending the annual meeting may vote in person even if he or she has already voted on the Internet, by telephone or by returning a proxy.

By Order of the Board of Directors,

Steve Armstrong
Vice President, General Counsel and
Corporate Secretary

Melville, New York
December 3, 2010

IMPORTANT:

The prompt return of proxies will ensure that your shares will be voted. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed within the United States.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
SHAREHOLDERS MEETING TO BE HELD ON JANUARY 13, 2011.**

Our Proxy Statement and Annual Report are available online at:
<http://materials.proxyvote.com/553530>

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**75 Maxess Road
Melville, New York 11747**

PROXY STATEMENT

FOR

**Annual Meeting of Shareholders
to be held on January 13, 2011**

INFORMATION ABOUT THE MEETING

We are furnishing this proxy statement to you in connection with the solicitation of proxies by our Board of Directors, which we refer to as the Board, to be used at our 2011 annual meeting of shareholders, or at any adjournments or postponements thereof. This proxy statement describes the matters to be presented at the meeting and related information that will help you vote at the meeting. References in this proxy statement to the company, we, us, our, and similar terms mean MSC Industrial Direct Co., Inc.

We have elected to take advantage of the Securities and Exchange Commission's notice and access rule that allows us to furnish proxy materials to shareholders online. We believe that electronic delivery will expedite the receipt of proxy materials, while significantly lowering costs and reducing the environmental impact of printing and mailing full sets of proxy materials. As a result, on or about December 3, 2010, we mailed to our shareholders of record as of November 24, 2010, either (i) a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials online and how to request paper copies of our proxy materials or (ii) a printed set of proxy materials which includes the notice of annual meeting, this proxy statement, our 2010 annual report to shareholders and a proxy card. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the materials unless you specifically request one. If your shares are held in the MSC Industrial Direct Co., Inc. 401(k) Plan, you will receive a printed set of proxy materials and the enclosed proxy will serve as a voting instruction card for the trustee of our 401(k) Plan, T. Rowe Price Trust Company, who will vote all shares of Class A common stock of the company allocated to your 401(k) account in accordance with your instructions.

The mailing address of our principal executive office is 75 Maxess Road, Melville, New York 11747.

When and where is the annual meeting?

Our 2011 annual meeting of shareholders will be held at the Melville Marriott Long Island, 1350 Old Walt Whitman Road, Melville, New York 11747, on January 13, 2011 at 9:00 a.m., local time.

What am I voting on?

You are voting on the following proposals:

to elect nine directors to serve for one-year terms;
to amend our 2005 Omnibus Equity Plan to permit the grant of cash incentive awards that qualify for the performance-based compensation exception to the \$1,000,000 limitation on the deduction of compensation imposed under Section 162(m) of the tax code;
to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2011; and
to consider and act upon such other matters as may properly come before the annual meeting or any adjournments or postponements thereof.

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What are the voting recommendations of the Board of Directors?

Our Board recommends that you vote **FOR** each of the director nominees, **FOR** the amendment to our 2005 Omnibus Equity Plan and **FOR** ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2011.

Who is entitled to vote?

Only shareholders of record of our Class A common stock and our Class B common stock at the close of business on November 24, 2010, the record date, are eligible to vote at the annual meeting. On that date, we had outstanding 45,979,375 shares of our Class A common stock and 17,425,474 shares of our Class B common stock.

What is a shareholder of record?

You are a shareholder of record if you are registered as a shareholder with our transfer agent, Computershare Shareholder Services.

What is a beneficial shareholder?

You are a beneficial shareholder if a brokerage firm, bank, trustee or other agent holds your shares in their name for your benefit. This form of ownership is often called ownership in street name, since your name does not appear in our records. If you are a beneficial shareholder, you may vote by following the voting instructions provided by your broker, bank, trustee or other nominee included with your proxy materials.

What is a broker non-vote?

If you hold shares beneficially in street name and do not provide your broker, bank or other agent with voting instructions, your shares could constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and the beneficial owner does not provide instructions.

If you are a beneficial owner whose shares are held in the name of a broker, and you do not provide your broker with voting instructions, the broker has the authority to vote your shares for or against certain routine matters. The proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2011 is the only routine matter being considered at the 2011 annual meeting.

We encourage you to provide instructions to your broker or other nominee so that your shares may be voted. If you do not provide instructions to your broker or other nominee, your shares will not be voted in the director elections or on the proposal to amend our 2005 Omnibus Equity Plan.

What is a quorum?

A quorum is the minimum number of shares required to hold a shareholders meeting. Under New York law and our By-Laws, the presence in person or by proxy of the holders of a majority of the total shares of our Class A common stock and our Class B common stock that are entitled to vote is necessary to constitute a quorum at the annual meeting.

How many votes are needed for the proposals to pass?

The election of directors requires the affirmative vote of a plurality of the votes cast in person or by proxy at the annual meeting. All other proposals require the affirmative vote of a majority of the votes cast on those proposals at the annual meeting. In addition, the proposal to amend our Omnibus Equity Plan will not pass unless the total votes cast on the proposal (including abstentions) represent at least a majority in interest of all shares entitled to vote on the matter. Abstentions will be counted as votes cast against the amendment to our 2005 Omnibus Equity Plan but will not affect the outcome of any other matter being voted on at the meeting, assuming that a quorum is obtained. Broker non-votes are not counted for any purpose in determining whether a matter has been approved, but, along with abstentions, are considered present and entitled to vote for purposes of determining a quorum.

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On all matters to be voted upon at the annual meeting and any adjournments or postponements thereof, the record holders of the Class A common stock and the Class B common stock vote together as a single class, with each holder of Class A common stock entitled to one vote per share of Class A common stock and each holder of Class B common stock entitled to ten votes per share of Class B common stock.

How do I vote?

If you are a shareholder of record, you may vote in person at the 2011 annual meeting, on the Internet, by telephone or by signing, dating and mailing your proxy card. Detailed instructions for Internet and telephone voting are provided in the Notice of Internet Availability and the printed proxy card. If you are a beneficial shareholder, you must follow the voting procedures provided by your broker, bank, trustee or other nominee included with your proxy materials.

If you are a record holder and you sign your proxy card without giving specific instructions, your shares will be voted in accordance with the recommendations of our Board (FOR all nine of our nominees to the Board, FOR the proposal to amend our 2005 Omnibus Equity Plan and FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2011).

If your shares are held in the MSC Industrial Direct Co., Inc. 401(k) Plan, the enclosed proxy will serve as a voting instruction card for the trustee of our 401(k) Plan, T. Rowe Price Trust Company, who will vote all shares of Class A common stock of the company allocated to your 401(k) account in accordance with your instructions. If the voting instruction card is returned without choices marked, and if not otherwise directed, the shares in your 401(k) account that are represented by the voting instruction card will *not* be voted.

What will happen if another matter properly comes before the annual meeting?

Our Board does not intend to bring any matter before the annual meeting except as specifically indicated in the foregoing notice and these proxy materials, nor does our Board know of any matters that anyone else proposes to present for action at the annual meeting. However, if any other matters are properly presented at the meeting for a vote, the enclosed proxy card confers discretionary authority to the individuals named as proxies to vote the shares represented by proxy, as to those matters.

If I plan to attend the annual meeting, should I still vote by proxy?

All shareholders are cordially invited to attend the annual meeting. However, to assure your representation at the annual meeting, we urge you to vote your shares as promptly as possible either by Internet, by telephone or by completing, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided. Any shareholder attending the annual meeting may vote in person even if he or she has already voted or returned a proxy card.

If you vote by Internet, telephone or proxy and also attend the meeting, you do not need to vote again at the meeting unless you want to change your vote. Written ballots will be available at the meeting for shareholders of record. Beneficial shareholders who wish to vote in person must request a proxy from their broker or other nominee and bring that proxy to the annual meeting.

Who pays the cost for the solicitation of proxies?

We will pay any expenses for the solicitation of proxies for the annual meeting. Such solicitation may be made in person or by telephone by officers and employees of the company. Upon request, we will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding material to the beneficial owners of shares of our Class A common stock.

How do I change my vote?

Shareholders of record may revoke their proxies and change their vote by giving written notice of revocation to our Corporate Secretary before the annual meeting, by delivering later-dated proxies (either in writing, by telephone or over the Internet), or by voting in person at the meeting. Beneficial shareholders may change their vote by following the instructions of their broker, bank, trustee or other nominee.

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ELECTION OF DIRECTORS (PROPOSAL No. 1)

Nine directors will be elected at our 2011 annual meeting of shareholders for a term of one year expiring at the 2012 annual meeting, and will serve until their respective successors shall have been elected, or until their earlier resignation or removal. Each of the nominees for director was previously elected a director of the company by our shareholders except for Mr. Jonathan Byrnes, who was elected by the Board to serve as a director on March 19, 2010 and Mr. Erik Gershwind, our Executive Vice President and Chief Operating Officer, who was elected by the Board on October 19, 2010.

Each nominee has indicated that he or she is willing to serve as a member of our Board, if elected, and our Board has no reason to believe that any nominee may become unable or unwilling to serve. In the event that a nominee should become unavailable for election for any reason, the shares represented by a properly executed and returned proxy will be voted for any substitute nominee who shall be designated by the current Board. There are no arrangements or understandings between any director or nominee for director and any other person pursuant to which such person was selected as a director or nominee for director of the company.

Our Nominating and Corporate Governance Committee has reviewed the qualifications and independence of the nominees for director, and, with each member of the Nominating and Corporate Governance Committee abstaining as to himself or herself, has recommended each of the other nominees for election to our Board.

Qualifications of Directors and Nominees

We are one of the largest direct marketers and distributors of a broad range of metalworking and maintenance, repair and operations (MRO) products to customers throughout the United States. We operate primarily in the United States, with customers in all 50 states, through a network of five customer fulfillment centers and 96 branch offices. Our business strategy is to provide an integrated, lower cost solution to the purchasing, management and administration of our customers' MRO needs. We believe we add value to our customers' purchasing process by reducing their total costs for MRO supplies, taking into account both the direct cost of products and the administrative, personnel and financial cost of obtaining and maintaining MRO supplies.

Our Nominating and Corporate Governance Committee is responsible for assessing the composition and performance of the Board of Directors and Committees of the Board and for recruiting, evaluating and recommending candidates to be presented for appointment or election to serve as members of the Board. In evaluating our Board, our Nominating and Corporate Governance Committee has considered that our directors have a wide range of experience as senior corporate officers of large public companies, and in the areas of investment banking, accounting and business consulting. In these positions, they have also gained experience and knowledge in core management skills that are important to their service on our Board, such as supply chain management, strategic and financial planning, compliance, risk management, intellectual property matters and leadership development. Several of our directors also have experience serving on the boards of directors and board committees of other public companies, which provides them with an understanding of current corporate governance practices and trends and executive compensation matters. Our Nominating and Corporate Governance Committee also believes that our directors have other key attributes that are important to an effective board of directors, including the highest professional and personal ethics and values, a broad diversity of business experience and expertise, an understanding of our business and industry, a high level of education, broad-based business acumen, and the ability to think strategically.

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In addition to the qualifications described above, the Nominating and Corporate Governance Committee also considered the specific experience described in the biographical details that follow in determining whether each individual nominee or director should serve on our Board.

Nominees for Director

Name of Nominee	Principal Occupation	Age	Director Since
Charles Boehlke	Executive Vice President and Chief Financial Officer of the company	54	January 2009
Jonathan Byrnes	Senior Lecturer at Massachusetts Institute of Technology	62	March 2010
Roger Fradin	President and Chief Executive Officer of Automation and Control Solutions Division of Honeywell International Inc.	57	July 1998
Erik Gershwind	Executive Vice President and Chief Operating Officer of the company	39	October 2010
Louise Goeser	President and Chief Executive Officer of Grupo Siemens S.A. de C.V.	57	January 2009
Mitchell Jacobson	Chairman of the Board of the company	59	October 1995
Denis Kelly	Managing Partner of Scura Partners Securities LLC	61	April 1996
Philip Peller	Business Consultant; Retired Partner of Arthur Andersen LLP	71	April 2000
David Sandler	President and Chief Executive Officer of the company	53	June 1999

Charles Boehlke has served as our Executive Vice President and Chief Financial Officer since January 2003. Prior to being appointed as our Executive Vice President, Mr. Boehlke was appointed our Senior Vice President and Chief Financial Officer in June 2000. From April 1996 to April 2000, he was the Vice President of Finance for North American operations at Arrow Electronics, Inc. From January 1994 to April 1996, Mr. Boehlke served as the Chief Financial Officer of Black & Decker Mexico. He held several other finance positions of increasing responsibility at Black & Decker between 1980 and 1994. Mr. Boehlke previously served on our Board from January 2001 to December 2007, when he voluntarily resigned to ensure that our Board had a majority of independent directors. Mr. Boehlke was subsequently re-elected to the Board at our 2009 annual meeting of shareholders.

Mr. Boehlke's long service with the company and extensive knowledge and expertise in financial and accounting matters provide a critical skill-set and perspective in the diverse issues facing our company, most importantly in the areas relating to financial matters.

Jonathan Byrnes has been Senior Lecturer at MIT since 1992. In this capacity, he has taught graduate courses in Supply Chain Management and Integrated Account Management, he has taught programs for business executives, and he has supervised thesis research. He has been president of Jonathan Byrnes & Co., a consulting company, since 1976. Dr. Byrnes earned a doctorate at Harvard University, and is a former President of the Harvard Alumni Association. He also served a two-year term on Harvard University's Advisory Committee on Shareholder Responsibility. Mr. Byrnes was elected by the Board to serve as a director of the company in March 2010.

Mr. Byrnes is a recognized expert in the areas of supply chain and integrated account management, areas which are critical to industrial distribution. Mr. Byrnes provides our Board with key perspectives relating to the company's operations and business strategy.

Erik Gershwind was appointed our Executive Vice President and Chief Operating Officer in October 2009 and elected by the Board to serve as a director in October 2010. Previously, Mr. Gershwind was our Senior Vice President, Product Management and Marketing from December 2005 and our Vice President of Product Management from April 2005. From August 2004 to April 2005, Mr. Gershwind served as Vice President of MRO and Inventory Management. Mr. Gershwind has held various positions of increasing responsibility in Product, E-Commerce and Marketing. Mr. Gershwind joined the company in 1996 as manager of our acquisition integration initiative.

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On October 21, 2010, the company announced a management succession plan pursuant to which Mr. Sandler will continue in his current role through December 31, 2012, or no later than December 31, 2013 as determined by the Board, and then serve as Vice Chairman of the Board for four years. Mr. Gershwind has been identified by the Board as the successor to Mr. Sandler as the company's Chief Executive Officer. Mr. Gershwind was appointed to the Board in connection with the management succession plan. Mr. Gershwind has held senior management positions responsible for key business functions of the company and is a key contributor to our current strategy and success. He brings critical perspectives to our Board on the company's strategic direction and growth strategy.

Roger Fradin has served as the President and Chief Executive Officer of the Automation and Control Solutions Division of Honeywell International Inc. since June 2002. Previously, from 2000 until June 2002, he was President of the Security and Fire Solutions Division of Honeywell International Inc. From 1987 until 2000, Mr. Fradin served as the President of the ADEMCO Group.

Mr. Fradin's operational expertise and broad experience as a senior executive of a major diversified technology and manufacturing company makes him a valued asset to the Board. In addition, he provides critical insight and perspective relating to the company's customer base.