

SMITH A O CORP  
Form S-4/A  
March 11, 2009  
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As filed with the Securities and Exchange Commission on March 11, 2009

Registration No. 333-157052

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**AMENDMENT NO. 1**  
**TO**  
**FORM S-4**  
**REGISTRATION STATEMENT**

*UNDER*  
*THE SECURITIES ACT OF 1933*

**A. O. SMITH CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of incorporation or organization)

**3621**  
(Primary Standard Industrial Classification Code Number)

**39-0619790**  
(I.R.S. Employer

Identification Number)

**11270 West Park Place**

**Milwaukee, Wisconsin 53224-9508**

**(414) 359-4000**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**James F. Stern, Esq.**

**Executive Vice President, General Counsel and Secretary**

**A. O. Smith Corporation**

**11270 West Park Place**

**Milwaukee, Wisconsin 53224-9508**

**(414) 359-4000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

**Robert F. Wall**

**Winston & Strawn LLP**

**35 West Wacker Drive**

**Chicago, Illinois 60601**

**(312) 558-5600**

**Mark D. Gerstein**

**Latham & Watkins LLP**

**233 S. Wacker Drive, Suite 5800**

**Chicago, IL 60606**

**(312) 876-7700**

**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable following the effectiveness of this registration statement, satisfaction or waiver of the other conditions to closing of the merger described herein and consummation of the merger.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ..

Exchange Act Rule 14d-1(d) (Cross-Border Third Party Tender Offer) ..

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this document is not complete and is subject to change. We may not sell the securities offered by this document until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.**

**PRELIMINARY SUBJECT TO COMPLETION DATED MARCH 11, 2009**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Stockholders:

The boards of directors of A. O. Smith Corporation, or A. O. Smith, and Smith Investment Company, or SICO, approved an Agreement and Plan of Merger dated as of December 9, 2008 (the Merger Agreement) providing for the merger of SICO with and into SICO Acquisition, LLC, or MergerCo, a newly formed subsidiary of A. O. Smith. As of March 4, 2009, SICO owned approximately 97.9% of the outstanding shares of A. O. Smith Class A common stock and 7.1% of the outstanding shares of A. O. Smith common stock, representing a control position in A. O. Smith. A majority of the outstanding shares of SICO common stock is owned by members of the Smith Family, which is the founding family of A. O. Smith.

If the proposed merger is completed, stockholders of SICO will own shares of A. O. Smith directly, rather than through SICO. Stockholders of SICO will be entitled to receive (a) 2.396 shares of A. O. Smith Class A common stock and (b) 0.463 shares of A. O. Smith common stock for each outstanding share of SICO common stock that they hold immediately prior to the effective time of the merger, subject to the treatment of shares required to be placed into escrow, dissenting shares and fractional shares described in this joint proxy statement/prospectus. The calculation of the number of shares of A. O. Smith Class A common stock and A. O. Smith common stock the stockholders of SICO will be entitled to receive assumes that all of the shares of A. O. Smith common stock deposited into escrow are subsequently released to the former SICO stockholders. The consideration that SICO stockholders will be entitled to receive in the merger is more fully described in this joint proxy statement/prospectus under the heading The Merger Agreement Consideration to be Received in the Merger beginning on page 88.

The closing of the merger is conditioned upon, among other things, the affirmative vote of:

the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing at least  $66\frac{2}{3}\%$  of the votes represented by the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, in favor of the proposal to adopt the Merger Agreement;

the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing a majority of the votes represented by the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, in favor of the proposal to adopt the Amended and Restated Certificate of Incorporation of A. O. Smith (the A. O. Smith Amended Charter);

the holders of A. O. Smith Class A common stock, voting as a separate class, representing a majority of the outstanding shares of A. O. Smith Class A common stock, in favor of the proposal to adopt the A. O. Smith Amended Charter;

the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing a majority of the votes cast by such holders at the A. O. Smith special meeting, in favor of the proposal to approve the issuance of A. O. Smith Class A common stock and A. O. Smith common stock to SICO stockholders pursuant to the Merger Agreement (the Stock Issuance); and

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the holders of a majority of the outstanding shares of SICO common stock in favor of the proposal to approve the Merger Agreement.

SICO, which holds shares representing 78.8% of the voting power of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, and 97.9% of the voting power of the total outstanding shares of A. O. Smith Class A common stock, voting as a separate class, has agreed to vote in favor of the merger and the other related proposals to be considered at the special meeting of A. O. Smith stockholders. In addition, holders of 52.7% of the voting power of the total outstanding shares of SICO common stock have agreed to vote in favor of the merger at the special meeting of SICO stockholders. Therefore, stockholders of A. O. Smith and SICO holding voting power sufficient to adopt and approve the merger and the related proposals have agreed to vote in favor of the merger and the related proposals.

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The obligations of A. O. Smith and SICO to complete the merger also are subject to the satisfaction or waiver of several other conditions to the merger. More information about A. O. Smith, SICO and the merger is contained in this joint proxy statement/prospectus. We encourage you to read carefully this joint proxy statement/prospectus before voting, including the section entitled Risk Factors beginning on page 30.

A. O. Smith will hold a special meeting of its stockholders to consider and vote on the adoption of the Merger Agreement, the adoption of the A. O. Smith Amended Charter and the approval of the Stock Issuance.

SICO will hold a special meeting of its stockholders to consider and vote on the approval of the Merger Agreement.

The respective places, dates and times of the special meetings of A. O. Smith and SICO stockholders are as follows:

**For A. O. Smith stockholders:**  
**A. O. Smith Corporation**

**855 North Third Street**

**Tipp City, Ohio 45371**

**April 14, 2009**

**11:30 a.m., Eastern Daylight Saving Time**

**The A. O. Smith board of directors recommends that A. O. Smith stockholders vote FOR the proposal to adopt the Merger Agreement, FOR the proposal to adopt the A. O. Smith Amended Charter and FOR the proposal to approve the Stock Issuance.**

**For SICO stockholders:**  
**Smith Investment Company**

**11270 West Park Place**

**Milwaukee, Wisconsin 53224**

**April 16, 2009**

**9:30 a.m. Central Daylight Saving Time**

**The SICO board of directors unanimously recommends that SICO stockholders vote FOR the proposal to approve the Merger Agreement.**

Your vote is very important. Whether or not you plan to attend your company's special meeting, please take the time to vote by following the instructions on the enclosed proxy card or in the case of A. O. Smith stockholders, by granting your proxy electronically over the Internet or by telephone.

We enthusiastically support this merger and join with our boards of directors in recommending that our stockholders vote FOR the proposals necessary to complete the merger.

Sincerely,

Paul W. Jones  
Chairman, President and Chief

Executive Officer

A. O. Smith Corporation

A. O. Smith common stock trades on the New York Stock Exchange LLC under the symbol AOS. A. O. Smith Class A common stock is quoted on the Over-the-Counter Bulletin Board under the symbol SAOSA.

SICO common stock is quoted on the Pink OTC Markets, Inc. under the symbol SMIC.

Sincerely,

Bruce M. Smith  
Chairman, President and Chief

Executive Officer

Smith Investment Company

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**Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of the merger and the other transactions described in this joint proxy statement/prospectus nor have they approved or disapproved of the issuance of the A. O. Smith common stock or A. O. Smith Class A common stock to be issued in connection with the merger, or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is dated March 11, 2009, and is being first mailed to A. O. Smith stockholders and SICO stockholders on or about March 13, 2009.



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**CERTAIN FREQUENTLY USED TERMS**

This joint proxy statement/prospectus constitutes a prospectus of A. O. Smith Corporation for the shares of A. O. Smith Class A common stock and A. O. Smith common stock that it will issue to Smith Investment Company stockholders in the merger, and a joint proxy statement for stockholders of A. O. Smith Corporation and Smith Investment Company. Unless otherwise specified or the context so requires:

A. O. Smith means A. O. Smith Corporation, a Delaware corporation.

A. O. Smith Amended Charter means the Amended and Restated Certificate of Incorporation of A. O. Smith to be submitted for approval by A. O. Smith stockholders pursuant to the Merger Agreement, which is described more fully under the heading A. O. Smith Amended Charter beginning on page 103.

A. O. Smith Class A common stock means the Class A common stock, par value \$5.00 per share, of A. O. Smith.

A. O. Smith common stock means the common stock, par value \$1.00 per share, of A. O. Smith.

A. O. Smith Existing Charter means the Restated Certificate of Incorporation of A. O. Smith, restated as of October 10, 2000.

A. O. Smith Special Committee means the Special Committee of the Board of Directors of A. O. Smith.

A. O. Smith Unaffiliated Stockholders means the holders of A. O. Smith Class A common stock and A. O. Smith common stock other than SICO.

Berlin Industries means Berlin Industries, Inc., a Delaware corporation, and its successor Berlin Industries LLC, a Delaware limited liability company, that was a wholly-owned subsidiary of SICO prior to the Spin-Off.

Central States means Central States Distribution Service, Inc., an Illinois corporation, and its successor Central States Distribution Service LLC, a Delaware limited liability company, that was a wholly-owned subsidiary of SICO prior to the Spin-Off.

Class A Exchange Ratio has the meaning set forth under the heading The Merger Agreement Consideration to be Received in the Merger A. O. Smith Class A Common Stock beginning on page 89.

Closing Common Exchange Ratio has the meaning set forth under the heading The Merger Agreement Consideration to be Received in the Merger A. O. Smith Common Stock beginning on page 89.

Code means the Internal Revenue Code of 1986, as amended.

DGCL means the Delaware General Corporation Law.

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**Duff & Phelps** means, as applicable, Duff & Phelps Securities, LLC, financial advisor to the SICO Special Committee, and its affiliate, Duff & Phelps, LLC.

**Escrow Shares** has the meaning set forth under the heading **The Merger Agreement - A. O. Smith Common Stock in Escrow**.

**IRS** means the Internal Revenue Service.

**IRS Letter Ruling** means a private letter ruling from the IRS ruling that, among other things, the merger will qualify as a reorganization under Section 368(a) of the Code.

**Latham** means Latham & Watkins LLP, legal advisor to SICO.

**Merger Agreement** means the Agreement and Plan of Merger, dated as of December 9, 2008, among A. O. Smith, MergerCo, SICO and SpinCo, as the same may be amended, supplemented or otherwise modified from time to time.

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MergerCo means SICO Acquisition, LLC, a Delaware limited liability company.

Merger Consideration means the consideration to be received by the SICO stockholders in the merger as described under the heading The Merger Agreement Consideration to be Received in the Merger, beginning on page 88.

Morgan Stanley means Morgan Stanley & Co. Incorporated, financial advisor to the A. O. Smith Special Committee.

NRS means the Nevada Revised Statutes.

Per Share Escrow Release Number has the meaning set forth under the heading The Merger Agreement Consideration to be Received in the Merger A. O. Smith Common Stock in Escrow beginning on page 90.

Quarles means Quarles & Brady LLP, legal advisor to certain members of the Smith Family.

Reinhart means Reinhart Boerner Van Deuren s.c., legal advisor to the SICO Special Committee.

Shareholders Representative means SpinCo, in its capacity as shareholders representative for the stockholders of SICO as described under the heading The Merger Agreement Indemnification Shareholders Representative beginning on page 100.

SICO means Smith Investment Company, a Nevada corporation.

SICO common stock means the common stock, par value \$0.10 per share, of SICO.

SICO Special Committee means the Special Committee of the Board of Directors of SICO.

SICO Unaffiliated Stockholders means the holders of SICO common stock other than (a) the members of the Smith Family who filed a Schedule 13D/A with the SEC on August 19, 2008 and (b) any other person or entity who becomes a party to the voting trust agreement in the form attached as Annex G to this joint proxy statement/prospectus before the effective time of the merger, together with, in each case, any affiliates of any such person or entity.

Smith Family means the founding family of A. O. Smith and certain trusts for their benefit.

SpinCo means Smith Investment Company LLC, a Delaware limited liability company.

Spin-Off has the meaning set forth under the heading The Companies SICO, beginning on page 120.

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Stock Issuance refers to the issuance of shares of A. O. Smith common stock and A. O. Smith Class A common stock by A. O. Smith to SICO stockholders in the merger.

Winston means Winston & Strawn LLP, legal advisor to the A. O. Smith Special Committee.

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**REFERENCES TO ADDITIONAL INFORMATION**

This joint proxy statement/prospectus incorporates important business and financial information about A. O. Smith from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available for you to review at the public reference room of the United States Securities and Exchange Commission, or the SEC, located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC's website, [www.sec.gov](http://www.sec.gov). You also can obtain those documents incorporated by reference in this joint proxy statement/prospectus, excluding exhibits to those documents, without charge, by requesting them from A. O. Smith in writing at A. O. Smith Corporation, 11270 West Park Place, Milwaukee, Wisconsin 53224-9508, Attention: Corporate Secretary, or by telephone at (414) 359-4000. Additionally, you may obtain certain of those documents at A. O. Smith's website, [www.aosmith.com](http://www.aosmith.com).

**If you would like to request documents, please do so by April 4, 2009 in order to receive them before A. O. Smith's special meeting and SICO's special meeting.**

Information contained in or otherwise accessible through the A. O. Smith website listed above is not a part of this joint proxy statement/prospectus. All references in this joint proxy statement/prospectus to this website are inactive textual references and are for your information only.

No person is authorized to give any information or to make any representation with respect to the matters this joint proxy statement/prospectus describes other than those contained in this joint proxy statement/prospectus, and, if given or made, the information or representation must not be relied upon as having been authorized by A. O. Smith or SICO. This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities or a solicitation of a proxy in any jurisdiction where, or to any person to whom, it is unlawful to make such an offer or a solicitation. Neither the delivery of this joint proxy statement/prospectus nor any distribution of securities made under this joint proxy statement/prospectus shall, under any circumstances, create an implication that there has been no change in the affairs of A. O. Smith or SICO since the date of this joint proxy statement/prospectus or that the information contained herein is correct as of any time subsequent to the date of this joint proxy statement/prospectus.

See "Where You Can Find More Information" beginning on page 139.

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**VOTING BY INTERNET, TELEPHONE OR MAIL**

**Voting by A. O. Smith Stockholders**

**In addition to voting in person at the A. O. Smith special meeting, there are three ways for A. O. Smith stockholders of record as of the record date for the A. O. Smith special meeting to vote:**

**Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.**

**VOTE BY TELEPHONE TOLL FREE 1-800-560-1965 QUICK \*\*\* EASY \*\*\* IMMEDIATE**

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. Central Daylight Saving Time on April 13, 2009.

Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions the voice provides you.

**VOTE BY INTERNET <http://www.eproxy.com/aos/> QUICK \*\*\* EASY \*\*\* IMMEDIATE**

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. Central Daylight Saving Time on April 13, 2009.

Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions to obtain your records and create an electronic ballot.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to A. O. Smith Corporation, c/o Shareowner Services<sup>SM</sup>, P.O. Box 64873, St. Paul, Minnesota 55164-0873.

**If you vote by Telephone or Internet, please do not mail your Proxy Card.**

**Voting by SICO Stockholders**

**In addition to voting in person at the SICO special meeting, SICO stockholders of record as of the record date for the SICO special meeting may also vote by mail. SICO stockholders of record cannot vote by telephone or Internet.**

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Smith Investment Company, c/o Shareowner Services<sup>SM</sup>, P.O. Box 64873, St. Paul, Minnesota 55164-0873.

**Voting Shares of A. O. Smith or SICO Held in Street Name**

If you hold your shares through a bank, broker, custodian or other record holder (that is, in street name), please refer to your proxy card or the information forwarded by your bank, broker, custodian or other record holder to see what options are available to you.

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**11270 West Park Place**

**Milwaukee, WI 53224**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON TUESDAY, APRIL 14, 2009**

To the Stockholders of A. O. Smith Corporation:

The board of directors of A. O. Smith has called for a special meeting of A. O. Smith stockholders to be held on Tuesday, April 14, 2009, at 11:30 a.m., Eastern Daylight Saving Time, at A. O. Smith Corporation, 855 North Third Street, Tipp City, Ohio, for the following purposes:

1. To consider and vote upon a proposal to adopt the Merger Agreement, pursuant to which SICO will merge with and into MergerCo;
2. To consider and vote on a proposal to adopt the A. O. Smith Amended Charter which provides for:

an increase, solely for purposes of completing the merger, in the total number of authorized shares of A. O. Smith Class A common stock that A. O. Smith can issue;

an increase in the percentage of members of the A. O. Smith board of directors that holders of A. O. Smith common stock elect;

shares of A. O. Smith Class A common stock to convert automatically into A. O. Smith common stock, subject to certain exceptions, upon transfer to unaffiliated third parties; and

all shares of A. O. Smith Class A common stock to convert automatically into A. O. Smith common stock once the number of outstanding shares of A. O. Smith Class A common stock fall below 2,397,976 shares, which is approximately 8% of the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock as of the date of the Merger Agreement.

3. To consider and vote on a proposal to approve the Stock Issuance to SICO stockholders pursuant to the merger contemplated by the Merger Agreement; and
4. To transact such other business as may properly be brought before the special meeting of A. O. Smith stockholders.

The foregoing proposals are conditioned on each other and approval of each is required for completion of the merger. The obligations of A. O. Smith and SICO to complete the merger also are subject to the satisfaction or waiver of several other conditions to the merger.

Holders of record of A. O. Smith Class A common stock and A. O. Smith common stock as of March 4, 2009, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting of A. O. Smith stockholders or any adjournments or postponements of the special meeting. No business other than the proposals described in this notice will be considered at the special meeting or any adjournment or postponement thereof. A complete list of A. O. Smith stockholders of record entitled to vote at the special meeting will be available at A. O. Smith's offices at 11270 West Park Place, Milwaukee, Wisconsin 53224-9508, as of April 4, 2009, for examination by stockholders during

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ordinary business hours for purposes related to the special meeting.

A. O. Smith cannot complete the merger without the affirmative vote of:

the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing at least  $66\frac{2}{3}\%$  of the votes represented by the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, in favor of the proposal to adopt the Merger Agreement;



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the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing a majority of the votes represented by the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, in favor of the proposal to adopt the A. O. Smith Amended Charter;

the holders of A. O. Smith Class A common stock, voting as a separate class, representing a majority of the outstanding shares of A. O. Smith Class A common stock, in favor of the proposal to adopt the A. O. Smith Amended Charter; and

the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing a majority of the votes cast by such holders at the A. O. Smith special meeting, in favor of the proposal to approve the Stock Issuance. SICO, which holds shares representing 78.8% of the voting power of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, and 97.9% of the voting power of the total outstanding shares of A. O. Smith Class A common stock, voting as a separate class, has agreed to vote in favor of the proposal to adopt the Merger Agreement and the other proposals to be considered at the special meeting of A. O. Smith stockholders. Therefore, stockholders of A. O. Smith holding voting power sufficient to approve the foregoing proposals have agreed to vote in favor of such proposals.

For more information about the proposals described above and the other transactions contemplated by the Merger Agreement, please review the accompanying joint proxy statement/prospectus, the Merger Agreement attached to it as Annex A, the A. O. Smith Amended Charter attached to it as Annex B and the other annexes to the joint proxy statement/prospectus.

**The A. O. Smith board of directors recommends that A. O. Smith stockholders vote FOR the proposal to adopt the Merger Agreement, FOR the proposal to adopt the A. O. Smith Amended Charter and FOR the proposal to approve the Stock Issuance.**

Whether or not you plan to attend the special meeting, we urge you to vote your shares over the Internet or via the toll-free telephone number, as we describe in the instructions included with your proxy card. As an alternative, you may sign, date and mail the proxy card in the envelope provided. No postage is necessary if mailed in the United States. Voting over the Internet, via the toll-free number or mailing a proxy card will not limit your right to vote in person or to attend the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct them on how to vote your shares. **Your failure to vote on the proposals to adopt the Merger Agreement or to adopt the A. O. Smith Amended Charter will have the same effect as voting AGAINST the proposals. Your failure to vote on the proposal to approve the Stock Issuance will have no effect on the result of the votes.**

By Order of the Board of Directors,

James F. Stern

Executive Vice President, General Counsel

and Secretary

A. O. Smith Corporation

11270 West Park Place

Milwaukee, Wisconsin 53224

**PLEASE VOTE YOUR SHARES PROMPTLY. YOU CAN FIND INSTRUCTIONS FOR VOTING ON THE ENCLOSED PROXY CARDS. IF YOU HAVE QUESTIONS ABOUT THE PROPOSALS OR ABOUT VOTING YOUR SHARES, PLEASE CALL A. O. SMITH S CORPORATE SECRETARY**

**AT (414) 359-4000.**

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**SMITH INVESTMENT COMPANY**

**11270 West Park Place**

**Milwaukee, Wisconsin 53224-9508**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON THURSDAY, APRIL 16, 2009**

To the Stockholders of Smith Investment Company:

The board of directors of SICO has called for a special meeting of SICO stockholders to be held on Thursday, April 16, 2009 at 9:30 a.m., Central Daylight Saving Time, at Smith Investment Company, 11270 West Park Place, Milwaukee, Wisconsin, for the following purposes:

1. To consider and vote on a proposal to approve the Merger Agreement pursuant to which SICO will merge with and into MergerCo; and
2. To transact such other business as may properly be brought before the special meeting of SICO stockholders.

Holders of record of SICO common stock as of March 4, 2009, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting of SICO stockholders or any adjournments or postponements of the special meeting. No business other than the proposal described in this notice will be considered at the special meeting or any adjournment or postponement thereof. A complete list of SICO's stockholders of record entitled to vote at the special meeting will be available for inspection at the special meeting.

SICO cannot complete the merger without the affirmative vote of a majority of the voting power of the total outstanding shares of SICO common stock in favor of the proposal to approve the Merger Agreement. Holders of shares representing 52.7% of the voting power of the total outstanding shares of SICO common stock have agreed to vote in favor of the proposal to approve the Merger Agreement. Therefore, stockholders of SICO holding voting power sufficient to approve the Merger Agreement have agreed to vote in favor of the proposal to approve the Merger Agreement.

The obligations of A. O. Smith and SICO to complete the merger also are subject to the satisfaction or waiver of several other conditions to the merger.

For more information about the proposal described above and the other transactions contemplated by the Merger Agreement, please review the accompanying joint proxy statement/prospectus, the Merger Agreement attached to it as Annex A, and the other annexes to the joint proxy statement/prospectus.

**The SICO board of directors unanimously recommends that SICO stockholders vote FOR the proposal to approve the Merger Agreement.**

Whether or not you plan to attend the special meeting, we urge you to sign, date and mail the proxy card in the envelope provided. No postage is necessary if mailed in the United States. Mailing the proxy card will not limit your right to vote in person or attend the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct them on how to vote your shares. **Your failure to vote on the proposal to approve the Merger Agreement will have the same effect as voting AGAINST the proposal.**

You are or may be entitled to assert dissenter's rights under Nevada Revised Statutes 92A.300 to 92A.500, inclusive, as described under Appraisal Rights; Dissenter's Rights. A copy of Nevada Revised Statutes 92A.300 to 92A.500 is included as Annex J to this joint proxy statement/prospectus and a summary of these sections can be found under Appraisal Rights; Dissenter's Rights.

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Please do not send your stock certificates at this time. If the merger is completed, you will be sent instructions regarding the surrender of your stock certificates.

By Order of the Board of Directors,

Wesley A. Ulrich

Vice President, Chief Financial Officer,

Secretary and Treasurer

Smith Investment Company

11270 West Park Place

Milwaukee, Wisconsin 53224

**PLEASE VOTE YOUR SHARES PROMPTLY. YOU CAN FIND INSTRUCTIONS FOR VOTING ON THE ENCLOSED PROXY CARD. IF YOU HAVE QUESTIONS ABOUT THE PROPOSAL OR ABOUT VOTING YOUR SHARES, PLEASE CALL SICO S CORPORATE SECRETARY AT (414) 359-4030.**

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

**General Questions and Answers about the Merger and Related Transactions**

Below are frequently asked questions and answers regarding the merger.

**Q. Why am I receiving this joint proxy statement/prospectus?**

**A.** We are delivering this document to you because it is a joint proxy statement used by the A. O. Smith and SICO boards of directors to solicit proxies of A. O. Smith and SICO stockholders in connection with the Merger Agreement. This document also is a prospectus being delivered to SICO stockholders because A. O. Smith is offering shares of its Class A common stock and common stock as consideration to SICO stockholders for their shares of SICO common stock in the merger.

**Q. Why is A. O. Smith proposing this merger?**

**A.** A. O. Smith believes that substantial benefits to its stockholders can be obtained as a result of the merger. A. O. Smith and its stockholders will benefit from this transaction because its terms provide for:

an exchange ratio in the Merger Agreement reflecting a discount of 1.5%, such that the merger will result in a reduction in the number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock by issuing to the SICO stockholders 98.5% of the total number of A. O. Smith shares that SICO holds immediately before the merger;

an increase in the public float for A. O. Smith Class A common stock and A. O. Smith common stock, as the A. O. Smith shares currently held by SICO will be distributed more broadly among SICO stockholders; and

enhancement of A. O. Smith's corporate governance structure by:

providing that shares of A. O. Smith Class A common stock automatically convert into A. O. Smith common stock, subject to certain exceptions, upon transfer to unaffiliated third parties;

providing that all shares of A. O. Smith Class A common stock convert automatically into A. O. Smith common stock once the outstanding shares of A. O. Smith Class A common stock fall below 2,397,976 shares, which is approximately 8% of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock as of the date of the Merger Agreement; and

increasing from 25% to 33-<sup>1</sup>/<sub>3</sub>% the percentage of directors that the holders of A. O. Smith common stock have the right to elect to the A. O. Smith board of directors.

For additional information, see *The Merger A. O. Smith's Reasons for the Merger; Recommendations of the A. O. Smith Special Committee and the A. O. Smith Board of Directors* beginning on page 62.



**Q. Why is SICO proposing this merger?**

**A.** SICO believes that substantial benefits to its stockholders can be obtained as a result of the merger.

As of March 4, 2009, SICO owned approximately 97.9% of the outstanding shares of A. O. Smith Class A common stock and 7.1% of the outstanding shares of A. O. Smith common stock, representing a control position in A. O. Smith. A majority of the outstanding shares of SICO common stock is owned by members of the Smith Family, which is the founding family of A. O. Smith.

Historically, SICO's common stock has traded at a significant discount to the underlying value of its A. O. Smith shares. On February 1, 2008, the last full trading day preceding public announcement of SICO's proposal for the merger, the aggregate market value of the outstanding shares of SICO common stock traded at a 39% discount to the aggregate value of the A. O. Smith shares held by SICO (assuming a one-for-one

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conversion of the A. O. Smith Class A common stock into A. O. Smith common stock). The merger will allow for direct ownership by the SICO stockholders of A. O. Smith shares, which will eliminate the discount to the value of the A. O. Smith shares caused by SICO's holding company structure and the tax inefficiencies associated therewith, and allow the SICO stockholders to realize the underlying value of the A. O. Smith shares held by SICO. In addition, direct ownership by the SICO stockholders of the A. O. Smith shares will provide enhanced liquidity for SICO stockholders due to the greater public float and trading volumes for the shares of A. O. Smith common stock and its NYSE listing, as compared to the SICO common stock, which has been thinly traded on the Pink OTC Markets, Inc. (the "Pink Sheets").

For additional information, see "The Merger," SICO's Reasons for the Merger; Recommendations of the SICO Special Committee and the SICO Board of Directors beginning on page 66.

**Q. What will happen in the proposed transaction?**

**A.** Under the terms of the Merger Agreement, SICO will merge with and into MergerCo, with MergerCo continuing as the surviving corporation in the merger.

Upon the completion of the merger, which we also refer to as the effective time of the merger, MergerCo will be a direct, wholly-owned subsidiary of A. O. Smith. SICO stockholders will receive, pursuant to an exchange ratio set forth in the Merger Agreement, shares of A. O. Smith Class A common stock and shares of A. O. Smith common stock in exchange for their shares of SICO common stock. All other stockholders of A. O. Smith will continue to be stockholders of A. O. Smith following the merger and their shares will not be exchanged.

The closing of the merger is conditioned upon, among other things, the affirmative vote of:

the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing at least 66-<sup>2</sup>/<sub>3</sub>% of the votes represented by the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, in favor of the proposal to adopt the Merger Agreement;

the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing a majority of the votes represented by the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, in favor of the proposal to adopt the A. O. Smith Amended Charter;

the holders of A. O. Smith Class A common stock, voting as a separate class, representing a majority of the outstanding shares of A. O. Smith Class A common stock, in favor of the proposal to adopt the A. O. Smith Amended Charter;

the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing a majority of the votes cast by such holders at the A. O. Smith special meeting, in favor of the proposal to approve the Stock Issuance; and

the holders of a majority of the outstanding shares of SICO common stock, in favor of the proposal to approve the Merger Agreement.

SICO, which holds shares representing 78.8% of the voting power of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, and 97.9% of the voting power of the total outstanding shares of A. O. Smith Class A common stock, voting as a separate class, has agreed to vote in favor of the merger and the other related proposals to be considered at the special meeting of A. O. Smith stockholders. In addition, holders of 52.7% of the voting power of the total outstanding shares of SICO common stock have agreed to vote in favor of the merger at the special meeting of SICO stockholders. Therefore, stockholders of A. O. Smith and SICO holding voting power sufficient to adopt and approve the merger and the related proposals have agreed to vote in favor of the merger and the related proposals.



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If adopted, the A. O. Smith Amended Charter provides for:

an increase, solely for purposes of completing the merger, in the total number of authorized shares of A. O. Smith Class A common stock that A. O. Smith can issue from 14,000,000 shares to 22,067,252 shares;

an increase in the percentage of members of the A. O. Smith board of directors that holders of A. O. Smith common stock, voting as a separate class, elect from 25% to 33- 1/3% of the members of the board of directors (if the 33- 1/3% is not a whole number, then rounding up to the nearest whole number of directors (or four of the ten current directors));

the automatic conversion of shares of A. O. Smith Class A common stock into A. O. Smith common stock, subject to certain exceptions, upon transfer to unaffiliated third parties; and

the automatic conversion of all shares of A. O. Smith Class A common stock into A. O. Smith common stock once the outstanding shares of A. O. Smith Class A common stock fall below 2,397,976 shares, which is approximately 8% of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock as of the date of the Merger Agreement.

Following the effective time of the merger, A. O. Smith will cancel the shares of A. O. Smith Class A common stock and A. O. Smith common stock currently held by SICO. Under the A. O. Smith Amended Charter, A. O. Smith will be prohibited from reissuing such shares of Class A common stock after they are cancelled. Following the merger and the cancellation of the shares of A. O. Smith Class A common stock held by SICO, the number of shares of A. O. Smith Class A common stock that A. O. Smith is authorized to issue under the A. O. Smith Amended Charter will be the same number as A. O. Smith is currently authorized to issue under the A. O. Smith Existing Charter. In addition, as of the effective time of the merger, trading of A. O. Smith Class A common stock on the Over-the-Counter Bulletin Board (the " OBB ") will cease.

You are urged to read the summary of the proposed changes to the A. O. Smith Existing Charter, as well as the proposed A. O. Smith Amended Charter, contained elsewhere in this joint proxy statement/prospectus.

For additional information regarding the merger, see " The Merger Agreement " beginning on page 88. For additional information regarding the A. O. Smith Amended Charter, see " A. O. Smith Amended Charter " beginning on page 103. For additional information regarding other conditions of the merger, see " The Merger Agreement Conditions to Obligations to Complete the Merger " beginning on page 97.

**Q. When do A. O. Smith and SICO expect to complete the merger?**

A. A. O. Smith and SICO currently intend to complete the merger promptly following the special meetings of the A. O. Smith and SICO stockholders. However, neither A. O. Smith nor SICO can predict the exact timing of the completion of the merger because the merger is subject to A. O. Smith and SICO satisfying certain conditions. See " The Merger Agreement Conditions to Obligations to Complete the Merger " beginning on page 97 and " Regulatory Approvals " beginning on page 112.

**Q. Are there risks associated with the merger and the related transactions that I should consider in deciding how to vote?**

A. Yes. There are a number of risks related to the merger and the other transactions contemplated by the Merger Agreement that are discussed in this joint proxy statement/prospectus and in other documents incorporated by reference or referred to in this joint proxy statement/prospectus. Please read with particular care the detailed description of the risks described in " Risk Factors " beginning on page 30 and, with respect to A. O. Smith, in A. O. Smith 's filings with the SEC referred to in " Where You Can Find More Information " beginning on page 139.

**Q. Who will pay the expenses associated with the merger and the related transactions?**

- A.** SICO will pay for all of its transaction expenses, as well as all reasonable out of pocket fees, costs and expenses in excess of \$200,000 incurred by A. O. Smith in connection with the merger and the related transactions. As of the date of this joint proxy statement/prospectus, it is estimated that the fees and

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expenses that SICO is responsible to pay in connection with the transactions contemplated by the Merger Agreement will be approximately \$6.75 million in total.

**Q. What are the United States federal income tax consequences of the merger to the stockholders of A. O. Smith and SICO?**

- A.** There are no United States federal income tax consequences of the merger to A. O. Smith stockholders with respect to their shares of A. O. Smith Class A common stock or A. O. Smith common stock.

The merger is intended to constitute a tax-free reorganization within the meaning of Section 368(a) of the Code, and the completion of the merger is conditioned upon receiving the IRS Letter Ruling to that effect. Accordingly, a SICO stockholder generally will not recognize gain or loss for United States federal income tax purposes upon the exchange of the stockholder's shares of SICO common stock for shares of A. O. Smith Class A common stock or A. O. Smith common stock pursuant to the merger, except for any gain or loss recognized in connection with any cash received instead of a fractional share of A. O. Smith Class A common stock or A. O. Smith common stock. Payments, if any, to the SICO stockholders by A. O. Smith for certain tax benefits, refunds and credits of SICO actually realized by A. O. Smith will be taxable when paid to the SICO stockholders.

For more information regarding tax consequences to the SICO stockholders and other tax matters, see Material United States Federal Income Tax Consequences of the Merger beginning on page 113. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. You should consult your tax advisor to determine the tax consequences of the merger to you.

**Q. How do the boards of directors of A. O. Smith and SICO recommend that I vote?**

- A.** The A. O. Smith board of directors, after careful consideration of a variety of factors, including the unanimous recommendation of the A. O. Smith Special Committee, recommends that A. O. Smith stockholders vote **FOR** the proposal to adopt the Merger Agreement, **FOR** the proposal to adopt the A. O. Smith Amended Charter and **FOR** the proposal to approve the Stock Issuance. See The Merger A. O. Smith's Reasons for the Merger; Recommendations of the A. O. Smith Special Committee and the A. O. Smith Board of Directors beginning on page 62.

The A. O. Smith Special Committee is a committee of three members of A. O. Smith's board of directors, each of whom the board has found to be independent and disinterested, that was formed for the purpose of evaluating the proposed merger and related transactions on behalf of the A. O. Smith Unaffiliated Stockholders.

The SICO board of directors, after careful consideration of a variety of factors, including the unanimous recommendation of the SICO Special Committee, recommends that SICO stockholders vote **FOR** the proposal to approve the Merger Agreement. See The Merger SICO's Reasons for the Merger; Recommendations of the SICO Special Committee and SICO Board of Directors beginning on page 66.

The SICO Special Committee is a committee of two members of SICO's board of directors, each of whom the board has found to be independent and disinterested, that was formed for the purpose of evaluating the proposed merger and related transactions on behalf of the SICO Unaffiliated Stockholders.

**Q. What do I need to do now in order to vote?**

- A.** After you have carefully read this joint proxy statement/prospectus, please respond as soon as possible so that your shares will be represented and voted at your special meeting.

If you are an A. O. Smith stockholder, you may vote by:

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submitting your proxy by Internet or telephone as described elsewhere in this joint proxy statement/prospectus and the proxy card; or

by completing, signing and dating your proxy card and returning it in the postage-paid envelope.

A. O. Smith stockholders of record may also attend the A. O. Smith special meeting and vote in person.

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If you are a SICO stockholder you may vote by completing, signing and dating your proxy card and returning it in the postage-paid envelope. SICO stockholders of record will not be permitted to submit proxies by Internet or by telephone.

SICO stockholders of record may also attend the SICO special meeting and vote in person.

If you are a SICO stockholder as well as an A. O. Smith stockholder, you must vote separately at the special meeting of SICO stockholders in your capacity as a SICO stockholder and at the special meeting of A. O. Smith stockholders in your capacity as an A. O. Smith stockholder.

For additional information on voting procedures, see *The Special Meeting of A. O. Smith Stockholders* beginning on page 38 and *The Special Meeting of SICO Stockholders* beginning on page 46, as applicable.

**Q. How do I vote my shares if my shares are held in street name ?**

A. You should contact your broker or bank. Your broker or bank can give you directions on how to vote your shares. Your broker or bank will not vote your shares unless the broker or bank receives appropriate instructions from you. You should therefore provide your broker or bank with instructions as to how to vote your shares. For additional information on voting procedures, see *The Special Meeting of A. O. Smith Stockholders* beginning on page 38 and *The Special Meeting of SICO Stockholders* beginning on page 46, as applicable.

**Q. How will my shares be voted at the special meeting?**

A. If you vote by completing, signing, dating and returning your signed proxy card, your shares will be voted in accordance with your instructions. If you are an A. O. Smith stockholder, you may also vote by Internet or telephone. If your proxy is properly executed and received (or, in the case of an A. O. Smith stockholder, properly submitted by Internet or telephone) in time to be voted at the special meeting, your shares represented by your proxy will be voted in accordance with your instructions. If you properly submit your proxy and do not indicate how you want to vote, your shares will be voted **FOR** adoption and approval of the applicable proposals. For additional information on voting procedures, see *The Special Meeting of A. O. Smith Stockholders* beginning on page 38 and *The Special Meeting of SICO Stockholders* beginning on page 46, as applicable.

**Q. Are any A. O. Smith stockholders already committed to vote in favor of the Merger Agreement, the A. O. Smith Amended Charter and the Stock Issuance?**

A. Yes. In connection with the merger, A. O. Smith entered into a support agreement with SICO. Pursuant to this support agreement, SICO has agreed to vote its shares of A. O. Smith Class A common stock and A. O. Smith common stock in favor of the proposals to adopt the Merger Agreement, to adopt the A. O. Smith Amended Charter and to approve the Stock Issuance. SICO is the single largest stockholder of A. O. Smith, with beneficial ownership of approximately 8,067,052 shares (or approximately 97.9%) of outstanding A. O. Smith Class A common stock and 1,559,076 shares (or approximately 7.1%) of outstanding A. O. Smith common stock.

Because the shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO represent approximately 78.8% of the voting power of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, and 97.9% of the voting power of the total outstanding shares of A. O. Smith Class A common stock, voting as a separate class, stockholders of A. O. Smith holding voting power sufficient to approve the proposals to adopt the Merger Agreement, to adopt the A. O. Smith Amended Charter and to approve the Stock Issuance have agreed to vote in favor of these proposals at the A. O. Smith special meeting.

**Q. Are any SICO stockholders already committed to vote in favor of the Merger Agreement?**



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- A. Yes. In connection with the merger, SICO and A. O. Smith entered into a support agreement with certain members of the Smith Family who are holders of SICO common stock. Pursuant to this support agreement,

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these members of the Smith Family have agreed to vote their shares of SICO common stock in favor of the proposal to approve the Merger Agreement. These members of the Smith Family, collectively, have beneficial ownership of approximately 1,748,044 shares (or approximately 52.7%) of the outstanding SICO common stock.

Because the shares of SICO common stock held by the members of the Smith Family who signed the Smith Family support agreement represent approximately 52.7% of the voting power of the outstanding shares of SICO common stock, stockholders of SICO holding voting power sufficient to approve the proposal to approve the Merger Agreement have agreed to vote in favor of the proposal to approve the Merger Agreement at the SICO special meeting.

### **Questions and Answers for A. O. Smith Stockholders**

#### **Q. When and where is the A. O. Smith special meeting?**

A. The special meeting of the A. O. Smith stockholders will be held on Tuesday, April 14, 2009, at 11:30 a.m. Eastern Daylight Saving Time, at A. O. Smith Corporation, 855 North Third Street, Tipp City, Ohio. Please allow ample time for the check-in procedures.

#### **Q. Who is entitled to vote at the A. O. Smith special meeting?**

A. Holders of shares of A. O. Smith Class A common stock and A. O. Smith common stock at the close of business on March 4, 2009 are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of that meeting.

#### **Q. How can I attend the A. O. Smith special meeting?**

A. A. O. Smith stockholders as of the close of business on March 4, 2009, and those who hold a valid proxy for the special meeting are entitled to attend the A. O. Smith special meeting. A. O. Smith stockholders should be prepared to present photo identification for admittance. In addition, names of record holders will be verified against the list of record holders on the record date prior to being admitted to the meeting. A. O. Smith stockholders who are not record holders but who hold shares through a broker or nominee (i.e., in street name) should provide proof of beneficial ownership on the record date, such as their most recent account statement prior to March 4, 2009, or other similar evidence of ownership. If A. O. Smith stockholders do not provide photo identification or comply with the other procedures outlined above upon request, they will not be admitted to the A. O. Smith special meeting.

#### **Q. What matters will be voted on, and what vote is required by A. O. Smith stockholders?**

A. A. O. Smith stockholders will vote on the three A. O. Smith proposals described in this joint proxy statement/prospectus. We cannot complete the merger unless A. O. Smith obtains the affirmative vote of:

the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing at least 66-<sup>2</sup>/<sub>3</sub>% of the votes represented by the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, in favor of the proposal to adopt the Merger Agreement;

the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing a majority of the votes represented by the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, in favor of the proposal to adopt the A. O. Smith Amended Charter;

the holders of A. O. Smith Class A common stock, voting as a separate class, representing a majority of the votes represented by the outstanding shares of A. O. Smith Class A common stock, in favor of the proposal to adopt the A. O. Smith Amended Charter; and

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the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing a majority of the votes cast by such holders at the A. O. Smith special meeting, in favor of the proposal to approve the Stock Issuance. Each holder of shares of A. O. Smith Class A common stock on the record date will be entitled to one vote for each share held of record upon each matter properly submitted at the special meeting of A. O. Smith stockholders and at any adjournment or postponement of that meeting. Each holder of shares of A. O. Smith common stock outstanding on the record date will be entitled to 1/10th of a vote for each share held of record upon each matter properly submitted at the special meeting of A. O. Smith stockholders and at any adjournment or postponement of that meeting.

**Q. If I am a holder of A. O. Smith Class A common stock who also owns A. O. Smith common stock, how do I vote?**

A. If you hold A. O. Smith Class A common stock as well as A. O. Smith common stock, you must vote each class of shares separately for each proposal, in person or by proxy, at the special meeting of A. O. Smith stockholders. The separate vote of the holders of A. O. Smith Class A common stock is required in order to approve the A. O. Smith Amended Charter. Separate proxy cards for your shares of A. O. Smith Class A common stock and A. O. Smith common stock have been provided with this joint proxy statement/prospectus. For additional information, see *The Special Meeting of A. O. Smith Stockholders* beginning on page 38.

**Q. What if I want to change my vote after I have delivered my proxy card?**

A. You may change your vote at any time before your proxy is voted at the A. O. Smith special meeting. If you are the record holder of your shares of A. O. Smith common stock or A. O. Smith Class A common stock, you may change your vote in one of four ways:

first, you can send a written notice to A. O. Smith stating that you would like to revoke your proxy;

second, you can complete and submit a new valid proxy bearing a later date by mail or by Internet or telephone;

third, you can attend the A. O. Smith special meeting and vote in person; or

fourth, you can follow the instructions on the form you receive from your broker or bank with respect to changing or revoking your proxy if your shares of A. O. Smith Class A common stock and/or A. O. Smith common stock are held by a broker or bank.

Attendance at the A. O. Smith special meeting will not in and of itself constitute revocation of a proxy. If you hold shares of A. O. Smith common stock or A. O. Smith Class A common stock in street name, you should contact your broker or bank to give it instructions to change your vote.

If you are an A. O. Smith stockholder and you choose to send a written notice of revocation or mail a new proxy (rather than submitting any new proxy by Internet or telephone), you must submit your notice of revocation or new proxy to A. O. Smith Corporation, Attention: Corporate Secretary, 11270 West Park Place, Milwaukee, Wisconsin 53224-9508, and it must be received prior to the A. O. Smith special meeting.

**Q. Can I require appraisal of my shares of A. O. Smith Class A common stock or A. O. Smith common stock?**

A. No. A. O. Smith stockholders do not have appraisal rights in connection with the merger.

**Q. Will a proxy solicitor be used?**

- A.** No. A. O. Smith has not retained a proxy soliciting firm in connection with the solicitation of proxies. Proxies may be solicited by mail or facsimile, or by A. O. Smith's directors, officers or employees, without additional compensation, in person or by telephone.

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**Q. As an A. O. Smith stockholder, who can answer my questions about the A. O. Smith special meeting, the merger or the related matters?**

- A. A. O. Smith stockholders who have questions about the A. O. Smith special meeting or the merger, need additional copies of this joint proxy statement/prospectus or have questions about the process for voting or need a replacement proxy card, should contact A. O. Smith's Corporate Secretary at (414) 359-4000.

**Questions and Answers for SICO Stockholders**

**Q. What will SICO stockholders receive in the merger?**

- A. Upon completion of the merger, each issued and outstanding share of SICO common stock will be converted into the right to receive consideration in the form of shares of A. O. Smith Class A common stock and A. O. Smith common stock. For each issued and outstanding share of SICO common stock owned by a SICO stockholder, such stockholder will be entitled to receive:

the number of shares of A. O. Smith Class A common stock equal to the Class A Exchange Ratio;

the number of shares of A. O. Smith common stock equal to the Closing Common Exchange Ratio;

the number of shares of A. O. Smith common stock released from the escrow account, pursuant to the terms of the Merger Agreement and the escrow agreement, equal to the Per Share Escrow Release Number, if any; and

cash with respect to fractional shares, if any.

Assuming all of the shares of A. O. Smith common stock deposited into the escrow account are subsequently released to the former SICO stockholders, SICO stockholders will be entitled to receive (a) 2.396 shares of A. O. Smith Class A common stock and (b) 0.463 shares of A. O. Smith common stock for each share of SICO common stock that they hold, subject to the treatment of dissenting shares and fractional shares, if any.

The exchange ratio in the Merger Agreement reflects a discount of 1.5%, such that the merger will result in a reduction in the number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock by issuing to the SICO stockholders 98.5% of the total number of A. O. Smith shares that SICO holds immediately before the merger. Based on the closing price of \$21.29 of the A. O. Smith common stock on the NYSE on March 9, 2009, the last full trading day for which closing prices were available at the time of the printing of this joint proxy statement/prospectus, the value of the shares of A. O. Smith Class A common stock and A. O. Smith common stock reflected in this discount (assuming a one for one conversion of the A. O. Smith Class A common stock into A. O. Smith common stock) was \$3.1 million.

The Merger Agreement provides that shares of A. O. Smith common stock having a fair market value of \$15,000,000 (calculated in accordance with the Merger Agreement) will be deposited into the escrow account to provide a source of indemnification for A. O. Smith and its subsidiaries under the Merger Agreement. The number of Escrow Shares will vary based upon the average of the volume-weighted average price of trades for A. O. Smith common stock on the New York Stock Exchange for the ten trading days ending on the last trading day immediately preceding the effective time of the merger. Set forth below is a table showing a range of hypothetical volume-weighted average prices of A. O. Smith common stock along with the corresponding number of shares of A. O. Smith Class A common stock and A. O. Smith common stock that would be issued at the effective time of the merger and Escrow Shares per share of SICO common stock outstanding immediately prior to the effective time of the merger. For every \$1.00 that the applicable volume-weighted average price of A. O. Smith common stock increases, the number of Escrow Shares decreases by approximately 0.005 of a share of A. O. Smith common stock for each share of SICO common stock, and the number of shares of A. O. Smith common stock issued at the effective time of the merger increases by approximately 0.005 of a share of A. O. Smith common stock for each share of SICO common stock. This table is for illustrative purposes only. The actual prices at which shares of A. O. Smith



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common stock trade during the ten trading days immediately preceding the effective time of the merger will determine the actual number of Escrow Shares, which may differ from the examples below. The actual number of Escrow Shares will not be determined until the last trading day immediately preceding the effective time of the merger.

**Hypothetical Average****Volume-Weighted**

Prices of A. O. Smith Common Stock	Shares of A. O. Smith Class A Common Stock Issued Per Share of SICO Common Stock	Shares of A. O. Smith Common Stock Issued Per Share of SICO Common Stock	Escrow Shares Issued Per Share of SICO Common Stock
\$15.50	2.396	0.171	0.292
\$16.00	2.396	0.180	0.283
\$16.50	2.396	0.189	0.274
\$17.00	2.396	0.197	0.266
\$17.50	2.396	0.205	0.258
\$18.00	2.396	0.212	0.251
\$18.50	2.396	0.219	0.244
\$19.00	2.396	0.225	0.238
\$19.50	2.396	0.231	0.232
\$20.00	2.396	0.237	0.226
\$20.50	2.396	0.242	0.221
\$21.00	2.396	0.248	0.215
\$21.50	2.396	0.253	0.210
\$22.00	2.396	0.257	0.206
\$22.50	2.396	0.262	0.201
\$23.00	2.396	0.266	0.197
\$23.50	2.396	0.271	0.192
\$24.00	2.396	0.275	0.188
\$24.50	2.396	0.278	0.185
\$25.00	2.396	0.282	0.181
\$25.50	2.396	0.286	0.177
\$26.00	2.396	0.289	0.174
\$26.50	2.396	0.292	0.171
\$27.00	2.396	0.295	0.167
\$27.50	2.396	0.299	0.164
\$28.00	2.396	0.301	0.162
\$28.50	2.396	0.304	0.159

The consideration that SICO stockholders will be entitled to receive in the merger is more fully described in this joint proxy statement/prospectus under the headings **The Merger Agreement** **Consideration to be Received in the Merger** beginning on page 88 and **Agreements Relating to the Merger** **Escrow Agreement** **Establishment of Escrow Fund** beginning on page 108.

**Q. How will I receive my Merger Consideration?**

- A.** Promptly after completion of the merger, SICO stockholders will receive a letter of transmittal with instructions on how to obtain A. O. Smith Class A common stock and A. O. Smith common stock in exchange for their shares of SICO common stock. You must return the completed letter of transmittal and your SICO common stock certificates as described in the instructions, and you will receive the Merger Consideration payable at closing as soon as practicable after Wells Fargo Bank Minnesota, N.A., the exchange agent, receives your completed letter of transmittal and SICO common stock certificates. If you hold shares through a brokerage account, your broker will handle the surrender of stock certificates to Wells Fargo Bank Minnesota, N.A. The procedures for exchange of stock certificates are more fully described in this joint proxy statement/prospectus under the heading **The Merger Agreement** **Exchange of Certificates; Letter of**



Transmittal beginning on page 91.

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**Q. Will there be restrictions on the transfer of the shares of A. O. Smith Class A common stock and A. O. Smith common stock I receive in the merger?**

- A. Under the A. O. Smith Amended Charter, the transfer of A. O. Smith Class A common stock to transferees who are not Permitted Transferees will result in the automatic conversion of the A. O. Smith Class A common stock to A. O. Smith common stock. The A. O. Smith common stock generally carries the same right as the A. O. Smith Class A common stock to receive dividends and payments in a liquidation, and is publicly traded on the NYSE, but the A. O. Smith common stock only has 1/10<sup>th</sup> vote per share on all matters other than the election of directors, as compared to one vote per share for the A. O. Smith Class A common stock. Under the A. O. Smith Amended Charter, holders of A. O. Smith common stock, voting as a class, will be entitled to elect the number of directors which constitutes 33-1/3% of the A. O. Smith board of directors, rounded up (or four of the ten directors). The provisions governing the automatic conversion of shares of A. O. Smith Class A common stock upon any transfer to transferees who are not Permitted Transferees, including the definition of Permitted Transferees, are more fully described in this joint proxy statement/prospectus under the heading A. O. Smith Amended Charter beginning on page 103.

Shares of A. O. Smith common stock will not contain transfer restrictions and will be freely tradable following receipt.

**Q. When and where is the SICO special meeting?**

- A. The special meeting of the SICO stockholders will be held on Thursday, April 16, 2009 at 9:30 a.m., Central Daylight Saving Time, at Smith Investment Company, 11270 West Park Place, Milwaukee, Wisconsin. Please allow ample time for the check-in procedures.

**Q. Who is entitled to vote at the SICO special meeting?**

- A. Holders of shares of SICO common stock as of the close of business on March 4, 2009 are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of the special meeting.

**Q. How can I attend the SICO special meeting?**

- A. SICO stockholders as of the close of business on March 4, 2009, and those who hold a valid proxy for the special meeting are entitled to attend the SICO special meeting. SICO stockholders should be prepared to present photo identification for admittance. In addition, names of record holders will be verified against the list of record holders on the record date prior to being admitted to the meeting. SICO stockholders who are not record holders but who hold shares through a broker or nominee (i.e., in street name) should provide proof of beneficial ownership on the record date, such as their most recent account statement prior to March 4, 2009, or other similar evidence of ownership. If SICO stockholders do not provide photo identification or comply with the other procedures outlined above upon request, they will not be admitted to the SICO special meeting.

**Q. What matters will be voted on and what vote is required by SICO stockholders?**

- A. SICO stockholders will vote on a proposal to approve the Merger Agreement. We cannot complete the merger unless SICO obtains the approval of the holders of a majority of the outstanding shares of SICO common stock in favor of the proposal to approve the Merger Agreement. Each holder of shares of SICO common stock on the record date will be entitled to one vote for each share held of record upon each matter properly submitted at the SICO special meeting and at any adjournment or postponement of that meeting.

**Q. What if I sell my shares of SICO common stock before the special meeting?**

- A. The record date for the special meeting is March 4, 2009. If you transfer your shares of SICO common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting but will transfer the right (if the merger is completed) to receive shares of A. O. Smith Class A common stock and A. O. Smith common stock in exchange for the shares of SICO common stock you hold to the person to whom you transfer your shares.

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**Q. What if I want to change my vote after I have delivered my proxy card?**

- A. You may change your vote at any time before your proxy is voted at the SICO special meeting. If you are the record holder of your shares of SICO common stock, you may change your vote in one of three ways:

first, you can send a written notice to SICO stating that you would like to revoke your proxy;

second, you can complete and submit a new valid proxy bearing a later date by mail; or

third, you can attend the SICO special meeting and vote in person.

Attendance at the SICO special meeting will not in and of itself constitute revocation of a proxy. If you hold shares of SICO common stock in street name, you should contact your broker or bank to give it instructions to change your vote.

If you are a SICO stockholder and you choose to send a written notice of revocation or mail a new proxy, you must submit your notice of revocation or new proxy to Smith Investment Company, Attention: Corporate Secretary, 11270 West Park Place, Milwaukee, Wisconsin 53224-9508, and it must be received prior to the SICO special meeting.

**Q. Should I send in my SICO common stock certificates with my proxy card?**

- A. No. Please DO NOT send any stock certificates with your proxy card. A letter of transmittal with instructions on how to surrender your stock certificates for SICO common stock will be mailed to you promptly after completion of the merger. You should carefully review and follow the instructions regarding the surrender of your stock certificates set forth in the letter of transmittal.

**Q. Can I dissent and seek to obtain the fair value of my shares of SICO common stock?**

- A. Yes. Under NRS Chapter 92A, SICO stockholders will have dissenters' rights in connection with the merger. SICO stockholders who properly demand and perfect their dissenters' rights are entitled to obtain payment of the fair value of their shares of SICO common stock immediately before the effective time of the merger, excluding any appreciation or depreciation in anticipation of the merger. A copy of NRS 92A.300 to 92A.500 is included as Annex J to this joint proxy statement/prospectus and a summary of these sections can be found under Appraisal Rights; Dissenter's Rights beginning on page 84 of this joint proxy statement/prospectus.

**Q. Will a proxy solicitor be used?**

- A. No. SICO has not retained a proxy soliciting firm in connection with the solicitation of proxies. Proxies may be solicited by mail or facsimile, or by SICO's directors, officers or employees, without additional compensation, in person or by telephone.

**Q. As a SICO stockholder, who can answer my questions about the SICO special meeting, the merger or the related matters?**

- A. SICO stockholders who have questions about the SICO special meeting or the merger, need additional copies of this joint proxy statement/prospectus or have questions about the process for voting or need a replacement proxy card, should contact SICO's Corporate

Secretary at (414) 359-4030.

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**SUMMARY**

*This summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. You should carefully read this entire joint proxy statement/prospectus, including the Annexes, and the other documents to which this joint proxy statement/prospectus refers to fully understand the merger and the related transactions. See *Where You Can Find More Information* beginning on page 139. Most items in this summary include a page reference directing you to a more complete description of those items.*

**The Parties to the Merger Agreement**

***A. O. Smith***

A. O. Smith Corporation, a Delaware corporation, is a leading manufacturer of water heating equipment and electric motors, serving a diverse mix of residential, commercial and industrial end markets principally in North America with a growing global presence. A. O. Smith is comprised of two reporting segments: Water Products and Electrical Products. The Water Products business manufactures and markets a comprehensive line of residential gas and electric water heaters, standard and specialty commercial water heating equipment, high-efficiency copper-tube boilers, and water systems tanks and offers its water heating products in North America, Europe, India and China. The Electrical Products business manufactures and markets a comprehensive line of hermetic motors, fractional horsepower alternating current (AC) and direct current (DC) motors. A. O. Smith is also one of the largest manufacturers of electric motors for residential and commercial applications in North America.

A. O. Smith is a reporting company with the SEC, and A. O. Smith common stock trades on the New York Stock Exchange (the NYSE ) under the symbol AOS. Its executive offices are located at 11270 West Park Place, Milwaukee, Wisconsin 53224-9508, Telephone: (414) 359-4000.

For additional information regarding A. O. Smith, see *The Companies A. O. Smith* beginning on page 116.

***MergerCo***

SICO Acquisition, LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of A. O. Smith, was formed solely for the purpose of facilitating the merger.

The executive offices of MergerCo are located at 11270 West Park Place, Milwaukee, Wisconsin 53224-9508, Telephone: (414) 359-4000.

For additional information regarding MergerCo, see *The Companies MergerCo* beginning on page 120.

***SICO***

Smith Investment Company, a Nevada corporation, is a holding company with headquarters in Milwaukee, Wisconsin. Shares of A. O. Smith Class A common stock and A. O. Smith common stock are SICO's principal asset, representing a control position in A. O. Smith.

On January 19, 2009, SICO completed the distribution of all of SICO's ownership interests in SpinCo in a taxable transaction to the SICO stockholders on a *pro rata* basis in the Spin-Off. Prior to the Spin-Off, SpinCo received a contribution from SICO of substantially all of SICO's assets and liabilities, other than the shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO. These assets and liabilities primarily related to the multicolor printing and related services business conducted through Berlin Industries, and the commercial warehousing, trucking and packaging business conducted through Central States.

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SICO common stock is quoted on the Pink Sheets under the symbol SMIC. The executive offices of SICO are located at 11270 West Park Place, Milwaukee, Wisconsin 53224, Telephone: (414) 359-4030.

For additional information regarding SICO and the Spin-Off, see The Companies SICO beginning on page 120.

### ***SpinCo***

Smith Investment Company LLC, a Delaware limited liability company, was formed by SICO in connection with the Spin-Off and to facilitate the merger. On January 19, 2009, SICO completed the distribution of all of SICO's ownership interests in SpinCo in a taxable transaction to the SICO stockholders on a *pro rata* basis. Prior to the Spin-Off, SpinCo received a contribution from SICO of substantially all of SICO's assets and liabilities, other than the shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO. These assets and liabilities primarily related to the multicolor printing and related services business conducted through Berlin Industries and the commercial warehousing, trucking and packaging business conducted through Central States. All of the membership units in SpinCo are held by the SICO stockholders as of December 22, 2008, which was the record date for the Spin-Off.

As of November 1, 2008, Central States entered into an agreement to sell substantially all of the assets of its commercial warehousing, trucking and packaging business to a third party. The transaction was completed on January 21, 2009.

The executive offices of SpinCo are located at 11270 West Park Place, Milwaukee, Wisconsin 53224, Telephone: (414) 359-4030.

For additional information regarding SpinCo and the sale of the Central States business, see The Companies SpinCo beginning on page 120.

### **The Merger and the Merger Agreement**

A. O. Smith, MergerCo, SICO and SpinCo have entered into the Merger Agreement, which provides for the merger of SICO with and into MergerCo, with MergerCo surviving the merger as a wholly-owned subsidiary of A. O. Smith. Pursuant to the Merger Agreement, each share of SICO common stock outstanding immediately prior to the effective time of the merger will be canceled and automatically converted into the right to receive shares of newly issued A. O. Smith Class A common stock and A. O. Smith common stock, as well as cash payable in lieu of any fractional shares.

Assuming all of the shares of A. O. Smith common stock deposited into the escrow account are subsequently released to the former SICO stockholders, SICO stockholders will be entitled to receive (a) 2.396 shares of A. O. Smith Class A common stock and (b) 0.463 shares of A. O. Smith common stock for each share of SICO common stock that they hold, subject to the treatment of dissenting shares and fractional shares, if any. For additional information regarding the shares to be deposited into the escrow account, see the chart provided on page 9.

Please refer to the section entitled The Merger Agreement on page 88 for a more complete description of the material terms of the Merger Agreement. The full text of the Merger Agreement is attached as Annex A to this joint proxy statement/prospectus and is incorporated herein by reference.

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**A. O. Smith Amended Charter**

As a condition to the completion of the merger, the A. O. Smith Existing Charter must be amended and restated. The proposed A. O. Smith Amended Charter will provide for:

an increase, solely for purposes of completing the merger, in the total number of authorized shares of A. O. Smith Class A common stock that A. O. Smith can issue from 14,000,000 shares to 22,067,252 shares;

an increase in the percentage of members of the A. O. Smith board of directors that holders of A. O. Smith common stock, voting as a separate class, elect from 25% to 33-<sup>1</sup>/<sub>3</sub>% of the members of the board of directors (if such 33-<sup>1</sup>/<sub>3</sub>% is not a whole number, then rounding up to the nearest whole number of directors (or four of the ten directors));

shares of A. O. Smith Class A common stock to convert automatically into A. O. Smith common stock, subject to certain exceptions, upon transfer to unaffiliated third parties; and

all shares of A. O. Smith Class A common stock to convert automatically into A. O. Smith common stock once the outstanding shares of A. O. Smith Class A common stock fall below 2,397,976 shares, which is approximately 8% of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock as of the date of the Merger Agreement.

Following the effective time of the merger, A. O. Smith will cancel the shares of A. O. Smith Class A common stock and A. O. Smith common stock currently held by SICO. Under the A. O. Smith Amended Charter, A. O. Smith will be prohibited from reissuing such shares of Class A common stock after they are cancelled. Following the effective time of the merger and the cancellation of the shares of A. O. Smith Class A common stock held by SICO, the number of shares of A. O. Smith Class A common stock that A. O. Smith is authorized to issue under the A. O. Smith Amended Charter will be the same number as A. O. Smith currently is authorized to issue under the A. O. Smith Existing Charter. In addition, as of the effective time of the merger, trading of A. O. Smith Class A common stock on the OBB will cease.

Please refer to the section entitled *A. O. Smith Amended Charter* on page 103 for additional information. The full text of the A. O. Smith Amended Charter is attached as Annex B to this joint proxy statement/prospectus and is incorporated herein by reference.

**Agreements Relating to the Merger**

***SICO Support Agreement***

As a condition to the willingness of A. O. Smith to enter into the Merger Agreement, SICO entered into a support agreement with A. O. Smith. Pursuant to this agreement, SICO has agreed to vote its shares of A. O. Smith Class A common stock and A. O. Smith common stock in favor of the merger and the other transactions contemplated thereby, including adoption of the Merger Agreement. The full text of the SICO support agreement is attached as Annex C to this joint proxy statement/prospectus and is incorporated herein by reference. Because the shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO represent approximately 78.8% of the voting power of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, and approximately 97.9% of the voting power of the total outstanding shares of A. O. Smith Class A common stock, voting as a separate class, stockholders of A. O. Smith holding voting power sufficient to approve the proposals to adopt the Merger Agreement, to adopt the A. O. Smith Amended Charter and to approve the Stock Issuance have agreed to vote in favor of these proposals at the A. O. Smith special meeting.

Please refer to the section entitled *Agreements Relating to the Merger SICO Support Agreement* beginning on page 106 for a more complete discussion of this agreement.



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***Smith Family Support Agreement***

As a condition to the willingness of A. O. Smith and SICO to enter into the Merger Agreement, certain members of the Smith Family have entered into a support agreement with respect to their SICO common stock. Pursuant to this agreement, these members of the Smith Family agreed to vote their shares of SICO common stock in favor of the merger and the other transactions contemplated thereby, including approval of the Merger Agreement. If the Merger Agreement terminates because the SICO board of directors withdraws its recommendation in support of the merger, these members of the Smith Family have agreed for a period of one year after the termination of the Merger Agreement not to vote in favor of any proposal that resulted in or is related to the withdrawal of the SICO board of directors' recommendation. Because the shares of SICO common stock held by the members of the Smith Family who signed the Smith Family support agreement represent approximately 52.7% of the voting power of the total outstanding shares of SICO common stock, stockholders of SICO holding voting power sufficient to approve the proposal to approve the Merger Agreement have agreed to vote in favor of the proposal to approve the Merger Agreement at the SICO special meeting.

Please refer to the section entitled "Agreements Relating to the Merger - Smith Family Support Agreement" beginning on page 106 for a more complete discussion of this agreement. The full text of the Smith Family support agreement is attached as Annex D to this joint proxy statement/prospectus and is incorporated herein by reference.

***Stockholder Agreement***

As a condition to the willingness of A. O. Smith to enter into the Merger Agreement and to consent to the formation of the voting trust contemplated by the voting trust agreement described below, certain members of the Smith Family entered into a stockholder agreement with A. O. Smith relating to the shares of A. O. Smith Class A common stock and A. O. Smith common stock to be issued as consideration in the merger. Pursuant to this agreement, subject to certain exceptions, these members of the Smith Family have agreed that for a period of three years after the closing of the merger, without the approval of the A. O. Smith board of directors, they will not:

directly or indirectly participate in or publicly announce an intention to participate in any solicitation of proxies other than in response to a proxy contest initiated by an unrelated third party;

submit or solicit stockholder approval for any proposal for consideration at any A. O. Smith annual or special meeting; or

solicit or commence an alternative acquisition transaction (a transaction where any person acquires more than 50% of the assets or beneficial ownership of more than 50% of any class of stock of A. O. Smith).

Holders of A. O. Smith Class A common stock are permitted under this stockholder agreement, without approval of the board of directors of A. O. Smith, (a) to solicit proxies or consents and take action by written consent, solely regarding matters affecting the rights, preferences or privileges of the A. O. Smith Class A common stock and not shared with the holders of A. O. Smith common stock and (b) to elect directors with respect to the A. O. Smith Class A common stock in accordance with the A. O. Smith Amended Charter.

Please refer to the section entitled "Agreements Relating to the Merger - Stockholder Agreement" beginning on page 107 for a more complete discussion of this agreement. The full text of the stockholder agreement is attached as Annex E to this joint proxy statement/prospectus and is incorporated herein by reference.

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***Escrow Agreement***

At the effective time of the merger, A. O. Smith, SpinCo and an escrow agent will enter into an escrow agreement for the purpose of providing a source of payment, for a period of two years after the completion of the merger, to reimburse A. O. Smith for the payment of any losses for which A. O. Smith is entitled to indemnification pursuant to the Merger Agreement. The escrow fund will include A. O. Smith common stock having a market value of \$15,000,000 as of the effective time of the merger, for which SpinCo will have the right (not more than five times) to substitute cash for all or a portion thereof. The agreement also provides for the release of a substantial portion of the shares once certain legal proceedings relating to the transactions contemplated by the Merger Agreement have been resolved.

Please refer to the section entitled *Agreements Relating to the Merger Escrow Agreement* beginning on page 108 for a more complete discussion of this agreement and to the section entitled *The Merger Agreement Indemnification* beginning on page 98 for a more detailed description of indemnification under the Merger Agreement. The full text of the form of escrow agreement is attached as Annex F to this joint proxy statement/prospectus and is incorporated herein by reference.

***Voting Trust Agreement***

In connection with the closing of the merger, certain members of the Smith Family have indicated their intention to deposit shares of A. O. Smith Class A common stock and A. O. Smith common stock they receive in the merger into a voting trust governed by a voting trust agreement. Among other rights specified in the voting trust agreement, the trustees will have the right to vote the shares in the trust. Transfers or withdrawals of shares in the trust may occur at any time, provided that:

if shares of A. O. Smith Class A common stock in the trust are being transferred or withdrawn, the shares will automatically be exchanged for shares of A. O. Smith common stock held by the trust to the extent available in the trust; and

if a beneficiary of shares in the trust provides a notice of withdrawal, the notice will constitute an offer to sell the shares to the trust. Please refer to the section entitled *Agreements Relating to the Merger Voting Trust Agreement* beginning on page 109 for a more complete discussion of this agreement. The full text of the form of voting agreement is attached as Annex G and is incorporated herein by reference.

**Recommendations of the A. O. Smith Special Committee and A. O. Smith Board of Directors**

**The A. O. Smith Special Committee recommends that the A. O. Smith Unaffiliated Stockholders Vote FOR Adoption of the Merger Agreement and the A. O. Smith Board of Directors Recommends that all A. O. Smith Stockholders Vote FOR Adoption of the Merger Agreement, FOR Adoption of the A. O. Smith Amended Charter and FOR Approval of the Stock Issuance.**

The A. O. Smith Special Committee is a committee of three independent and disinterested members of A. O. Smith's board of directors that was formed for the purpose of evaluating the proposed merger and related transactions. On December 5, 2008, the A. O. Smith Special Committee unanimously determined that the merger, the terms of the Merger Agreement and the transactions contemplated thereby are advisable and substantively and procedurally fair to, and in the best interests of, A. O. Smith and the A. O. Smith Unaffiliated Stockholders, recommended that the A. O. Smith board of directors adopt, authorize and declare advisable the merger, the Merger Agreement and the other transactions contemplated by the Merger Agreement and recommended to the A. O. Smith Unaffiliated Stockholders that they vote in favor of adoption of the Merger Agreement.

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On December 8, 2008, Morgan Stanley, independent financial advisor to the A. O. Smith Special Committee, rendered its oral opinion to the A. O. Smith Special Committee and the A. O. Smith board of directors, which opinion was subsequently confirmed in a written opinion dated as of December 9, 2008, to the effect that as of such date and based upon and subject to the various considerations set forth in the written opinion, the exchange ratio pursuant to the Merger Agreement was fair from a financial point of view to A. O. Smith. The A. O. Smith Special Committee then reaffirmed its recommendations, and the A. O. Smith board of directors (with Mr. Bruce M. Smith and Mr. Mark D. Smith having recused themselves) considered the A. O. Smith Special Committee's recommendation and reviewed the opinion rendered orally by Morgan Stanley. On December 9, 2008, the A. O. Smith board of directors again considered the A. O. Smith Special Committee's recommendation and reviewed the opinion delivered by Morgan Stanley, and the A. O. Smith board of directors (with Mr. Bruce M. Smith and Mr. Mark D. Smith having recused themselves) approved the merger, the Merger Agreement and the other transactions contemplated by the Merger Agreement, determined that the merger, the Merger Agreement and the other transactions contemplated by the Merger Agreement are advisable and substantively and procedurally fair to, and in the best interests of, A. O. Smith and its stockholders (including the A. O. Smith Unaffiliated Stockholders) and recommended that all A. O. Smith stockholders vote in favor of the adoption of the Merger Agreement, adoption of the A. O. Smith Amended Charter and approval of the Stock Issuance.

In determining whether to recommend the approval of and to approve and adopt the Merger Agreement, the A. O. Smith Special Committee and A. O. Smith board of directors separately consulted with certain members of A. O. Smith's senior management and with their legal and financial advisors. In arriving at their determination, the A. O. Smith Special Committee and A. O. Smith board of directors also considered the factors described under "The Merger A. O. Smith's Reasons for the Merger; Recommendations of the A. O. Smith Special Committee and A. O. Smith Board of Directors" beginning on page 62.

**Recommendations of the SICO Special Committee and SICO Board of Directors**

**The SICO Special Committee Recommends that the SICO Unaffiliated Stockholders Vote FOR Approval of the Merger Agreement and the SICO Board of Directors Recommends that all SICO Stockholders Vote FOR Approval of the Merger Agreement.**

The SICO Special Committee is a committee of two independent and disinterested members of SICO's board of directors that was formed for the purpose of evaluating the proposed merger and related transactions. On December 9, 2008, the SICO Special Committee unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the merger, are advisable and substantively and procedurally fair to, and in the best interests of, SICO and the SICO Unaffiliated Stockholders, recommended that the SICO board of directors authorize, adopt and approve the Merger Agreement and the transactions contemplated by the Merger Agreement, including the merger, and recommended to the SICO Unaffiliated Stockholders that they vote in favor of approval of the Merger Agreement.

On December 9, 2008, SICO's board of directors, after hearing and considering the SICO Special Committee's recommendation, unanimously approved the Merger Agreement and the transactions contemplated thereby, including the merger, determined that the Merger Agreement and the transactions contemplated thereby, including the merger, are advisable and substantively and procedurally fair to, and in the best interests of, SICO and its stockholders (including the SICO Unaffiliated Stockholders) and recommended that all SICO stockholders vote in favor of approval of the Merger Agreement.

In determining whether to approve the Merger Agreement, the SICO Special Committee and the SICO board of directors separately consulted with certain members of SICO's senior management and with their legal and financial advisors. In arriving at their determination, the SICO Special Committee and the SICO board of directors also considered the factors described under "The Merger SICO's Reasons for the Merger; Recommendations of the SICO Special Committee and SICO Board of Directors" beginning on page 66.

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**Opinion of Morgan Stanley, Financial Advisor to the A. O. Smith Special Committee**

On December 8, 2008, Morgan Stanley, independent financial advisor to the A. O. Smith Special Committee, rendered its oral opinion to the A. O. Smith Special Committee and the A. O. Smith board of directors, which opinion was subsequently confirmed in a written opinion dated as of December 9, 2008, to the effect that as of such date and based upon and subject to the various considerations set forth in the written opinion, the exchange ratio pursuant to the Merger Agreement was fair, from a financial point of view, to A. O. Smith. The full text of Morgan Stanley's opinion is attached as Annex H to this joint proxy statement/prospectus, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Morgan Stanley in connection with its opinion. We urge you to read the opinion carefully in its entirety. The opinion of Morgan Stanley is addressed to the A. O. Smith Special Committee and the A. O. Smith board of directors and was one of many factors considered by the A. O. Smith Special Committee in deciding to recommend that the A. O. Smith Unaffiliated Stockholders adopt the Merger Agreement and that the A. O. Smith board of directors adopt the merger, the Merger Agreement and the other transactions contemplated thereby and by the A. O. Smith board of directors in deciding to adopt the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement and recommend stockholder approval. Additionally, the Morgan Stanley opinion addresses only the exchange ratio pursuant to the Merger Agreement and not the underlying decision by A. O. Smith to engage in the merger. Furthermore, the opinion does not constitute a recommendation to any A. O. Smith stockholder as to how that stockholder should vote at the special meeting of A. O. Smith stockholders or act on any matter relating to the merger.

Pursuant to an engagement letter with Morgan Stanley, A. O. Smith paid Morgan Stanley a \$250,000 fee upon execution of the engagement letter and a \$1,250,000 fee upon delivery of Morgan Stanley's opinion in December 2008. An additional fee of \$250,000 will be payable upon completion of the merger. Pursuant to its obligations under the Merger Agreement and a reimbursement agreement between SICO and A. O. Smith, SICO has reimbursed A. O. Smith for the first two payments.

See The Merger Opinion of Morgan Stanley, Financial Advisor to the A. O. Smith Special Committee beginning on page 69.

**Opinion of Duff & Phelps, Financial Advisor to the SICO Special Committee**

Duff & Phelps, independent financial advisor to the SICO Special Committee, has provided an opinion to the SICO Special Committee, and upon which the SICO board of directors may rely, dated as of December 9, 2008, that, as of that date, and based on and subject to the qualifications and assumptions set forth in its opinion, the consideration to be received by the SICO Unaffiliated Stockholders in the merger was fair, from a financial point of view, to such holders. The full text of Duff & Phelps' opinion is attached as Annex I to this joint proxy statement/prospectus, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Duff & Phelps in connection with its opinion. We urge you to read the opinion carefully in its entirety. The opinion of Duff & Phelps is addressed to the SICO Special Committee, and states that it may be relied upon by the SICO board of directors, and was one of many factors considered by the SICO Special Committee in deciding to recommend that the SICO board of directors approve the Merger Agreement and by the SICO board of directors in deciding to approve the Merger Agreement and the transactions contemplated thereby, including the merger. Additionally, the Duff & Phelps opinion addresses only the consideration to be received by the SICO Unaffiliated Stockholders in the merger and not the underlying decision by SICO to engage in the merger. Furthermore, the opinion does not constitute a recommendation to any SICO stockholder as to how that stockholder should vote at the special meeting of SICO stockholders or act on any matter relating to the merger.

Pursuant to an engagement letter with Duff & Phelps, SICO paid Duff & Phelps a \$200,000 fee upon execution of its engagement letter and a \$200,000 fee upon the SICO Special Committee's request to deliver Duff & Phelps' opinion in December 2008.

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See The Merger Opinion of Duff & Phelps, Financial Advisor to the SICO Special Committee beginning on page 73.

**Interests of Executive Officers and Directors of A. O. Smith and SICO in the Merger**

Stockholders should note that certain A. O. Smith directors and certain SICO directors and executive officers have interests in the merger that may be different from, or in addition to, the interests of other A. O. Smith stockholders and SICO stockholders, respectively. Executive officers of A. O. Smith do not have interests in the merger that are different from, or in addition to, the interests of A. O. Smith stockholders generally.

The A. O. Smith Special Committee and the A. O. Smith board of directors were aware of these interests and considered them when (a) in the case of the A. O. Smith Special Committee, they voted to recommend that the A. O. Smith board of directors adopt, authorize and declare advisable the Merger Agreement, the merger and the related transactions and recommend to the A. O. Smith Unaffiliated Stockholders that they vote to adopt the Merger Agreement and (b) in the case of the A. O. Smith board of directors, they voted to adopt, authorize and declare advisable the Merger Agreement, the merger and the related transactions and recommend to A. O. Smith's stockholders that they vote in favor of the adoption of the Merger Agreement, the merger and the related transactions. The SICO Special Committee and the SICO board of directors were aware of these interests and considered them when (a) in the case of the SICO Special Committee, they voted to recommend that the SICO board of directors authorize, adopt and approve the Merger Agreement and the transactions contemplated thereby, including the merger, and recommend to the SICO Unaffiliated Stockholders that they vote to approve the Merger Agreement and (b) in the case of the SICO board of directors, they voted to approve the Merger Agreement and the transactions contemplated thereby, including the merger, and to recommend that the SICO stockholders vote to approve the Merger Agreement.

At the close of business on March 4, 2009, the record date for the special meeting of A. O. Smith stockholders, directors and executive officers of A. O. Smith, other than Bruce M. Smith and Mark D. Smith, had or shared the power to vote in the aggregate approximately 520,796 shares of outstanding A. O. Smith common stock, or approximately 2.37% of the then outstanding A. O. Smith common stock, and no shares of outstanding A. O. Smith Class A common stock.

At the close of business on March 4, 2009, the record date for the special meeting of SICO stockholders, directors and executive officers of SICO, other than Bruce M. Smith, Arthur O. Smith and Arthur O. Smith III, had or shared the power to vote in the aggregate approximately 1,500 shares of outstanding SICO common stock, which is less than 0.1% of the then outstanding SICO common stock.

For information relating to the interests of A. O. Smith's directors in the merger, see The Merger Interests of A. O. Smith Executive Officers and Directors in the Merger beginning on page 79, and for information relating to the interests of SICO's executive officers and directors in the merger, see The Merger Interests of SICO Executive Officers and Directors in the Merger beginning on page 80.

**Regulatory Approvals Required for the Merger**

Completion of the transactions contemplated by the Merger Agreement is subject to the receipt of approvals or consents from, or the making of filings with, various regulatory authorities, including the IRS. A. O. Smith and SICO currently are not aware of any additional required regulatory consents, approvals or filings. In the event any additional consents, approvals or filings are required, A. O. Smith and SICO presently contemplate that they will complete the filing of all of the required applications and notices with applicable regulatory authorities prior to the effective time of the merger. For information regarding regulatory approvals and filings, see Regulatory Approvals beginning on page 112.

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**Material United States Federal Income Tax Consequences of the Merger**

There are no United States federal income tax consequences of the merger to A. O. Smith stockholders with respect to their shares of A. O. Smith Class A common stock or A. O. Smith common stock.

The merger is intended to constitute a tax-free reorganization for United States federal income tax purposes, and the obligations of SICO and A. O. Smith to effect the merger have been conditioned upon the receipt of the IRS Letter Ruling to that effect. Accordingly, we believe holders of SICO common stock will generally not recognize any gain or loss for United States federal income tax purposes on the exchange of their SICO common stock for A. O. Smith Class A common stock or A. O. Smith common stock in the merger, except for any gain or loss recognized in connection with any cash received instead of a fractional share of A. O. Smith Class A common stock or A. O. Smith common stock. Payments, if any, to the SICO stockholders for certain tax benefits of SICO will be taxable when paid. A. O. Smith, SICO and MergerCo themselves will not recognize gain or loss as a result of the merger.

Please refer to the section entitled **Material United States Federal Income Tax Consequences of the Merger** beginning on page 113 for a more complete discussion of the United States federal income tax consequences of the merger. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. You should consult your tax advisor to determine the tax consequences of the merger to you.

**Legal Proceedings Regarding the Merger**

On February 26, 2008 Buttonwood Tree Value Partners, LP filed a purported class action complaint against SICO, A. O. Smith and certain directors and officers of SICO and A. O. Smith in the Milwaukee County Circuit Court in Wisconsin. The initial complaint alleged that the defendants breached their fiduciary duties to plaintiffs in connection with SICO's proposed transaction. The lawsuit sought, among other things, an injunction requiring that defendants provide plaintiff with all documents relevant to the terms and conditions of the proposed transaction and permit the plaintiff to participate in negotiations regarding the potential transaction between SICO and A. O. Smith.

On February 19, 2009, Buttonwood Tree Value Partners, LP filed an amended complaint alleging, among other things, that the individual defendants breached their fiduciary duties in connection with the proposed transaction, and that A. O. Smith, through its officers and directors, aided and abetted this purported breach of fiduciary duty. The amended complaint added certain members of the Smith family and the CEO of A. O. Smith. The amended complaint seeks, among other things, an injunction enjoining the proposed transaction and requiring defendants to make certain disclosures to SICO's stockholders.

Counsel for the parties have agreed in principle to settle the lawsuit and have executed a Memorandum of Understanding dated March 10, 2009. A stipulation of settlement is expected to follow. As part of the settlement, and in exchange for a dismissal of the lawsuit and release, A. O. Smith has agreed to add certain corporate governance measures to its policies and SICO and A. O. Smith have agreed to make certain additional disclosures (that plaintiffs' counsel has reviewed) to its stockholders in this joint proxy statement/prospectus.

The corporate governance measures would include the following: (1) A. O. Smith's Nominating and Governance Committee would need to approve any transaction or arrangement with A. O. Smith reportable under Item 404 of Regulation S-K under the Securities Exchange Act of 1934, involving a potential conflict of interest of an A. O. Smith director, CEO or any of their respective family members; (2) A. O. Smith's Nominating and Governance Committee would evaluate the independence of A. O. Smith directors under previously established and publicly available guidelines; (3) A. O. Smith's Nominating and Corporate Governance Committee would review on an annual basis and report to the board compliance with A. O. Smith's publicly available policy regarding conflicts of interest/affiliations involving directors and their immediate family members.

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The settlement would resolve the claims in the currently pending lawsuit. It is subject to customary conditions, including preliminary and final approval by the Court, after appropriate notice and a hearing to consider the fairness of the settlement. The settlement is also subject to completion of the merger. The defendants continue to deny any liability or responsibility for the claims made in the pending lawsuit and make no admission of any wrongdoing. There can be no assurance that the parties will ultimately enter into a stipulation of settlement or that the Court will approve the settlement even if the parties enter into a stipulation. If the Court approves the settlement, SICO stockholders from February 2, 2008 through the completion of the merger (other than the SICO directors, SICO and A. O. Smith) will release all claims, excluding valid exercises of dissenters' rights, relating to the merger that were or could be brought against SICO, A. O. Smith, the other defendants and in each case, their respective directors, officers, affiliates and agents.

**Appraisal Rights; Dissenters' Rights**

A. O. Smith stockholders do not have appraisal rights in connection with the merger and the other transactions contemplated by the Merger Agreement.

SICO stockholders who dissent from and do not approve the merger may be entitled to certain dissenters' rights in connection with the merger. Stockholders who perfect their dissenters' rights and strictly follow certain procedures in the manner prescribed by NRS 92A.300 to 92A.500 will be entitled to obtain payment of the fair value of their shares immediately before the effective time of the merger, excluding any appreciation or depreciation in anticipation of the merger.

**NRS 92A.300 TO 92A.500 ARE REPRINTED IN THEIR ENTIRETY AS ANNEX J TO THIS JOINT PROXY STATEMENT/PROSPECTUS. ANY SICO STOCKHOLDER WHO WISHES TO EXERCISE DISSENTER'S RIGHTS OR WHO WISHES TO PRESERVE HIS OR HER RIGHT TO DO SO SHOULD REVIEW ANNEX J CAREFULLY AND SHOULD CONSULT HIS OR HER LEGAL ADVISOR, SINCE FAILURE TO TIMELY COMPLY WITH THE PROCEDURES SET FORTH THEREIN WILL RESULT IN THE LOSS OF SUCH RIGHTS.**

**A VOTE IN FAVOR OF THE MERGER BY A SICO STOCKHOLDER MAY RESULT IN A LOSS OF SUCH HOLDER'S DISSENTER'S RIGHTS.**

See The Merger Appraisal Rights; Dissenters' Rights, beginning on page 84 and Annex J to this joint proxy statement/prospectus.

**Table of Contents****SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA OF A. O. SMITH**

The summary historical consolidated financial data set forth below should be read in conjunction with the historical consolidated financial statements of A. O. Smith and the related notes contained in the annual reports and other information that A. O. Smith has previously filed with the SEC and which are incorporated herein by reference. See [Where You Can Find More Information](#) beginning on page 139.

The summary historical consolidated financial data as of and for each of the five years ended December 31, 2008 have been derived from A. O. Smith's audited consolidated financial statements.

(dollars in millions, except per share amounts)

**SUMMARY STATEMENTS OF OPERATIONS DATA**

	Years ended December 31				
	2008	2007	2006 (1)	2005 (2)	2004
Net sales	\$ 2,304.9	\$ 2,312.1	\$ 2,161.3	\$ 1,689.2	\$ 1,653.1
Earnings					
Continuing operations	81.9	88.2	76.2	46.5	35.4
Discontinued operations			0.3		
Net earnings	\$ 81.9	\$ 88.2	\$ 76.5	\$ 46.5	\$ 35.4
Basic earnings per share of common stock:					
Continuing operations	\$ 2.72	\$ 2.89	\$ 2.51	\$ 1.57	\$ 1.21
Discontinued operations			0.01		
Net earnings per share - basic	\$ 2.72	\$ 2.89	\$ 2.52	\$ 1.57	\$ 1.21
Diluted earnings per share of common stock:					
Continuing operations	\$ 2.70	\$ 2.85	\$ 2.46	\$ 1.54	\$ 1.18
Discontinued operations			0.01		
Net earnings per share - diluted	\$ 2.70	\$ 2.85	\$ 2.47	\$ 1.54	\$ 1.18
Cash dividends per common share	\$ 0.74	\$ 0.70	\$ 0.66	\$ 0.64	\$ 0.62

**SELECTED BALANCE SHEET DATA**

	As of December 31				
	2008	2007	2006	2005	2004
Total assets	\$ 1,883.9	\$ 1,854.4	\$ 1,839.9	\$ 1,292.7	\$ 1,314.0
Long term debt (3)	317.3	379.6	432.1	162.4	272.5
Total stockholders' equity	641.1	757.8	684.6	612.9	590.6

(1) In April 2006, A. O. Smith acquired GSW Inc., a publicly traded Canadian based manufacturer of water heaters and building products. In December 2006, A. O. Smith sold the building products segment of this business which was treated as a discontinued operation. See Note 2 of Notes to Consolidated Financial Statements in the A. O. Smith Annual Report on Form 10-K for the year ended December 31, 2008, which Notes are incorporated herein by reference.

(2) In November 2005, A. O. Smith acquired Yueyang Zhongmin Special Electrical Machinery Co., Ltd.



(3) Excludes the current portion of long-term debt.

**Table of Contents****SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA OF SICO**

The summary historical consolidated financial data set forth below should be read in conjunction with the consolidated financial statements of SICO and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations of SICO appearing elsewhere in this joint proxy statement/prospectus. The summary historical consolidated financial data for SICO include the operations of Berlin Industries and SICO's controlled subsidiary, A. O. Smith.

The summary statements of operations data for 2008, 2007 and 2006 and the summary balance sheet data as of December 31, 2008 and 2007 have been derived from audited financial statements included elsewhere in this joint proxy statement/prospectus. The summary statements of operations data for 2005 and 2004 and the balance sheet data as of December 31, 2006, 2005 and 2004 have been derived from audited financial statements not included in this joint proxy statement/prospectus.

(dollars in millions, except per share amounts)

**SUMMARY STATEMENTS OF OPERATIONS DATA**

	Years ended December 31				
	2008	2007	2006 (1)	2005 (2)	2004
Net sales	\$ 2,358.1	\$ 2,386.5	\$ 2,232.4	\$ 1,769.6	\$ 1,739.6
Earnings:					
Continuing operations before minority interest	76.9	90.3	74.2	41.0	26.5
Minority interest in continuing earnings	(55.6)	(60.4)	(52.1)	(31.5)	(23.8)
Continuing operations	21.3	29.9	22.1	9.5	2.7
Discontinued operations	0.4	0.5	0.5	0.2	(0.5)
Net earnings	\$ 21.7	\$ 30.4	\$ 22.6	\$ 9.7	\$ 2.2
Basic and diluted earnings per share of common stock:					
Continuing operations	\$ 6.43	\$ 9.02	\$ 6.68	\$ 2.87	\$ 0.79
Discontinued operations	0.12	0.14	0.14	0.06	(0.14)
Net earnings per share	\$ 6.55	\$ 9.16	\$ 6.82	\$ 2.93	\$ 0.65
Cash dividends per common share	\$ 1.16	\$ 1.02	\$ 0.86	\$ 0.80	\$ 0.80

**SUMMARY BALANCE SHEET DATA**

	As of December 31				
	2008	2007	2006	2005	2004
Total assets	\$ 1,928.7	\$ 1,910.4	\$ 1,893.0	\$ 1,356.2	\$ 1,390.2
Long term debt (3)	317.3	387.6	442.1	174.4	286.5
Total stockholders' equity	226.6	278.7	244.7	222.0	221.4

(1) In April 2006, A. O. Smith acquired GSW Inc., a publicly traded Canadian based manufacturer of water heaters and building products. In December 2006, A. O. Smith sold the building products segment of this business which was treated as a discontinued operation. See Note 2 of Notes to Audited Consolidated Financial Statements of SICO included elsewhere herein.

(2) In November 2005, A. O. Smith acquired Yueyang Zhongmin Special Electrical Machinery Co., Ltd.

(3) Excludes the current portion of long-term debt.



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**SUMMARY UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR SICO**

The summary unaudited pro forma financial information set forth below should be read in conjunction with the unaudited pro forma condensed consolidated financial information, the consolidated financial statements and the related notes of SICO, and Management's Discussion and Analysis of Financial Condition and Results of Operations of SICO appearing elsewhere in this joint proxy statement/prospectus. The summary unaudited pro forma financial information of SICO has been prepared giving effect to the Spin-Off and the merger as if these transactions occurred as of January 1, 2008 for the summary unaudited pro forma statements of operations data for the year ended December 31, 2008; and as of December 31, 2008 for the summary unaudited pro forma balance sheet data as of December 31, 2008.

The summary unaudited pro forma condensed consolidated statements of operations data and the summary unaudited pro forma condensed consolidated balance sheet data have been derived from the unaudited pro forma condensed consolidated financial information and the audited consolidated financial statements of SICO included elsewhere in this joint proxy statement/prospectus and do not purport to represent what SICO's financial position and results of operations actually would have been had the Spin-Off, the merger and related transactions occurred on the dates indicated or to project SICO's financial performance for any future period.

The transaction between A. O. Smith and SICO is considered a reverse acquisition under SFAS 141 (R) *Business Combinations* ( SFAS 141 (R) ). A reverse acquisition occurs when the legal acquirer, or the entity that issues the securities in the merger, is identified as the acquiree for accounting purposes. In the proposed merger, A. O. Smith is the legal acquirer because SICO will be a wholly owned subsidiary of A. O. Smith after the merger, and A. O. Smith will be issuing shares of A. O. Smith Class A common stock and A. O. Smith common stock as consideration in the merger. SICO is the legal acquiree in the merger. Even though A. O. Smith is the legal acquirer, SFAS 141(R) requires that A. O. Smith be treated as the acquiree for accounting purposes and SICO be treated as the acquirer for accounting purposes.

As the legal acquirer, however, A. O. Smith will survive as a publicly listed company after completion of the merger and will be required to present financial statement information in accordance with U.S. GAAP and SEC reporting requirements. SICO will have been merged with MergerCo, will cease to exist as an independent legal entity, and will be a wholly owned subsidiary of A. O. Smith after completion of the merger. Due to the reverse acquisition accounting treatment under SFAS 141(R), A. O. Smith's financial statement information going forward will be presented as if SICO were the successor to the reporting obligation of A. O. Smith as of the date of the merger. As a result, prior period financial statement information presented in the A. O. Smith financial statements will reflect the historical activity of SICO.

In addition to being a reverse acquisition under SFAS 141(R), the merger is a common control transaction according to SFAS 160 *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* ( SFAS 160 ). As a result, the merger will be accounted for as an equity transaction and therefore will not require purchase accounting adjustments to reflect fair value. Because A. O. Smith is the legal acquirer, the SICO shares are treated as having been converted to SICO's ownership of A. O. Smith stock via a stock split to reflect SICO's ownership of A. O. Smith Class A common stock and A. O. Smith common stock. Prior to the merger, SICO consolidated the financial results of A. O. Smith and presented a minority interest (referred to as a noncontrolling interest under SFAS 160). The noncontrolling interest represented the portion of A. O. Smith that SICO did not own. Under a reverse acquisition, the noncontrolling interest is eliminated from the financial statement presentation in future periods as A. O. Smith is the legal acquirer and the accounting acquiree. Although the non-SICO stockholders of A. O. Smith are not exchanging their shares in the merger, the reverse acquisition accounting requires the transaction to be presented as if an acquisition of the noncontrolling interest occurred since there is no remaining noncontrolling interest once the two companies are combined into one reporting entity.

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(dollars in millions, except per share amounts)

SUMMARY UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS DATA

	<b>Year Ended December 31 2008</b>
Net sales	\$ 2,304.9
Net earnings	\$ 81.9
Net earnings per share:	
Basic	\$ 2.74
Diluted	\$ 2.72
Cash dividend per share	\$ 0.74

SUMMARY UNAUDITED PRO FORMA BALANCE SHEET DATA

	<b>As of December 31 2008</b>
Total assets	\$ 1,883.9
Long term debt	317.3
Total stockholders' equity	641.1

**Table of Contents****COMPARATIVE PER SHARE DATA**

The following table sets forth (a) certain historical per share information of A. O. Smith, (b) certain historical per share information of SICO and (c) unaudited pro forma per share information after giving effect to the merger as a reverse acquisition under SFAS 141(R) and a common control transaction in accordance with SFAS 160 *Noncontrolling Interests in Consolidated Financial Statements and amendment of ARB No. 51* (SFAS 160). The unaudited pro forma condensed consolidated per share data assumes that, to give effect to the merger, each share of SICO common stock outstanding as of December 31, 2008 was converted into (a) 2.396 shares of A. O. Smith Class A common stock and (b) 0.463 shares of A. O. Smith common stock, without regard to the treatment of Escrow Shares, dissenting shares and fractional shares described in this joint proxy statement/prospectus. The calculation of these exchange ratios assumes that all of the shares of A. O. Smith common stock deposited into the escrow account have been released to the former SICO stockholders. You should not rely on this information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that A. O. Smith or MergerCo will experience after the effective time of the merger. The unaudited pro forma condensed consolidated per share data have been derived from and should be read in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Information for SICO beginning on page PF-1. The historical per share data have been derived from the historical consolidated financial statements as of and for the periods indicated of A. O. Smith, as incorporated by reference in this joint proxy statement/prospectus, and of SICO, as set forth in this joint statement/prospectus beginning on page F-1.

	<b>For the Year Ended December 31, 2008</b>
<b>A. O. Smith Historical Per Share Data:</b>	
Net Earnings:	
Basic	\$ 2.72
Diluted	2.70
Cash dividends declared	.74
Book value	21.24
<b>SICO Historical Per Share Data:</b>	
Net Income:	
Basic and Diluted	\$ 6.55
Cash dividends declared	1.16
Book value	68.31
<b>Pro Forma Consolidated Per Share Data (unaudited):</b>	
Net Income:	
Basic	\$ 2.74
Diluted	2.72
Cash dividends declared	.74
Book value	21.35

**Table of Contents****COMPARATIVE MARKET PRICE AND DIVIDEND DATA****Recent Share Prices and Dividends**

A. O. Smith common stock is listed on the NYSE under the symbol AOS. A. O. Smith Class A common stock is quoted on the OBB under the symbol SAOSA.

SICO common stock is quoted on the Pink Sheets under the symbol SMIC.

The table below sets forth, for each of the fiscal quarters indicated, the high and low sales prices of A. O. Smith common stock, as reported by the NYSE, the high and low bid quotations for A. O. Smith Class A common stock, as reported by the OBB, the high and low bid quotations for SICO common stock, as reported by the Pink Sheets, and the quarterly cash dividends declared per share of A. O. Smith common stock, A. O. Smith Class A common stock and SICO common stock. The over-the-counter market quotations reported below reflect inter-dealer prices, without mark-up, mark-down or commissions and may not represent actual transactions.

		<b>A. O. Smith</b>								
		<b>Class A</b>								
		<b>Common Stock</b>		<b>Common Stock</b>		<b>Dividend (1)</b>	<b>High</b>	<b>SICO</b>		<b>Dividend</b>
		<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>			<b>Low</b>	<b>High</b>	
<b>2007</b>	First Quarter	\$ 40.74	\$ 35.50	\$ 40.00	\$ 36.00	\$ .17	\$ 65.00	\$ 60.50	\$ .23	
	Second Quarter	41.35	37.53	\$ 41.00	\$ 37.60	.17	68.00	62.50	.23	
	Third Quarter	52.48	40.03	\$ 51.00	\$ 42.00	.18	74.00	66.00	.28	
	Fourth Quarter	47.52	32.09	\$ 43.65	\$ 34.55	.18	70.00	62.00	.28	
<b>2008</b>	First Quarter	\$ 39.02	\$ 29.25	\$ 37.00	\$ 31.99	\$ .18	\$ 106.53	\$ 62.25	\$ .28	
	Second Quarter	36.73	30.05	35.00	30.00	.18	104.00	88.00	.28	
	Third Quarter	51.09	30.70	47.00	31.00	.19	102.75	88.00	.30	
	Fourth Quarter	39.41	23.08	35.00	24.50	.19	88.00	60.00	.30	
<b>2009</b>	First Quarter (through March 4, 2009)	32.75	23.40	30.00	24.50	.19	84.00	65.00		

(1) Dividends paid per share of A. O. Smith Class A common stock and A. O. Smith common stock.

The above table shows only historical comparisons and may not provide meaningful information to A. O. Smith or SICO stockholders in determining whether to approve or adopt the Merger Agreement. The shares of A. O. Smith Class A common stock and SICO common stock are thinly traded in over-the-counter markets that are relatively illiquid, and on certain trading days may not trade at all, which may affect the quoted market prices for those shares. You are urged to obtain current market quotations for A. O. Smith common stock, A. O. Smith Class A common stock and SICO common stock and to carefully review the other information contained in this joint proxy statement/prospectus in considering whether to approve or adopt the Merger Agreement. Please refer to the section of this joint proxy statement/prospectus entitled "Where You Can Find More Information" beginning on page 139.

**Additional Share Information****A. O. Smith**

The closing price per share of A. O. Smith common stock, as reported by the NYSE, was (a) \$36.28 on February 1, 2008, the last full trading day preceding public announcement of SICO's proposal for the merger, (b) \$31.81 on December 8, 2008, the last full trading day preceding public announcement that A. O. Smith and SICO had entered into the Merger Agreement, and (c) \$21.29 on March 9, 2009, the last full trading day for which closing prices were available at the time of the printing of this joint proxy statement/prospectus.





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The closing price per share of A. O. Smith Class A common stock, as quoted by the OBB, was (a) \$33.00 on February 1, 2008, the last full trading day preceding public announcement of SICO's proposal for the merger, (b) \$32.00 on December 8, 2008, the last full trading day preceding public announcement that A. O. Smith and SICO had entered into the Merger Agreement, and (c) \$22.50 on March 9, 2009, the last full trading day for which closing prices were available at the time of the printing of this joint proxy statement/prospectus. The shares of A. O. Smith Class A common stock are thinly traded in an over-the-counter market that is relatively illiquid, and on certain trading days may not trade at all, which may affect the quoted market prices for shares of A. O. Smith Class A common stock.

No assurance can be given as to the market price of A. O. Smith common stock or A. O. Smith Class A common stock at any time after the merger. In the event that the market price of A. O. Smith common stock or A. O. Smith Class A common stock decreases or increases prior to the consummation of the merger, the value of A. O. Smith common stock and/or A. O. Smith Class A common stock to be received in the merger in exchange for SICO common stock may correspondingly decrease or increase. In addition, under the A. O. Smith Amended Charter, which will be in effect after the merger, the transfer of A. O. Smith Class A common stock to any transferee who is not a Permitted Transferee will result in the automatic conversion to A. O. Smith common stock of the shares of A. O. Smith Class A common stock so transferred. As a result of this automatic conversion upon transfer, there is not expected to be any public trading market for the shares of A. O. Smith Class A common stock after the merger, and price quotations for the shares of A. O. Smith Class A common stock will no longer be available on the OBB. This could affect the value of the shares of A. O. Smith Class A common stock after completion of the merger.

*SICO*

The closing price per share of SICO common stock, as quoted by the Pink Sheets, was (a) \$64.00 on February 1, 2008, the last full trading day preceding public announcement of SICO's proposal for the merger, (b) \$60.00 on December 8, 2008, the last full trading day preceding public announcement that A. O. Smith and SICO had entered into the Merger Agreement, and (c) \$61.00 on March 9, 2009, the last full trading day for which closing prices were available at the time of the printing of this joint proxy statement/prospectus. The shares of SICO common stock are thinly traded in an over-the-counter market that is relatively illiquid, and on certain trading days may not trade at all, which may affect the quoted market prices for shares of SICO common stock.

***Additional Dividend Information***

*A. O. Smith*

A. O. Smith has paid dividends for 69 consecutive years. While A. O. Smith has paid dividends on its Class A common stock and its common stock, there is no assurance that it will continue to pay dividends in the future. The decision to pay dividends is within the discretion of the A. O. Smith board of directors and may be affected by various factors, including A. O. Smith's earnings, financial condition, capital requirements, level of indebtedness and other considerations that the A. O. Smith board of directors deems relevant. A. O. Smith's existing credit facility, as well as future credit facilities, other future debt obligations and statutory provisions may limit its ability to pay dividends.

*SICO*

SICO has paid dividends for 69 consecutive years. Dividends are generally paid by SICO on a quarterly basis after receipt by SICO of dividends on the shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO. The SICO board of directors has determined that SICO will not pay a dividend in the first quarter of 2009. In reaching its determination, the SICO board of directors considered the costs expected to be incurred to complete the merger and the desire of the SICO board of directors to preserve financial flexibility in light of current uncertainty in economic and financial conditions. The Merger Agreement does not

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limit the payment of dividends by SICO prior to the effective time as long as such dividends are made by SICO in the ordinary course consistent with past practices. The decision to pay dividends is within the discretion of the SICO board of directors. In determining whether to pay the second quarter 2009 dividend, if the merger has not been completed prior to such time, the SICO board of directors likely will take into account the financial condition of SICO and SpinCo, the costs incurred for the merger and the expectations of SICO stockholders, among other considerations.

**Stockholder Information**

***A. O. Smith***

As of March 4, 2009, A. O. Smith had 8,239,267 shares of A. O. Smith Class A common stock and 21,949,691 shares of A. O. Smith common stock outstanding and approximately 283 stockholders of record of A. O. Smith Class A common stock and 1,283 stockholders of record of A. O. Smith common stock. The numbers of stockholders of record do not reflect the number of persons or entities who may hold their stock in nominee or street name through brokerage firms.

***SICO***

As of March 4, 2009, SICO had 3,317,066 shares of SICO common stock outstanding and approximately 40 stockholders of record of SICO common stock. The number of stockholders of record does not reflect the number of persons or entities who may hold their stock in nominee or street name through brokerage firms.

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**RISK FACTORS**

*In addition to the other information contained in or incorporated by reference in this joint proxy statement/prospectus, including A. O. Smith's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and the matters addressed under the heading "Forward-Looking Statements" beginning on page 37 of this joint proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to vote in favor of the proposals described in this joint proxy statement/prospectus.*

**Risks Relating to the Merger**

***Completion of the merger is subject to the receipt of consents and approvals from, or the making of filings with, certain government entities that could delay completion of the merger or impose conditions that could have a material adverse effect on SICO or A. O. Smith, or significantly reduce the benefits expected to be obtained from the merger.***

The merger is subject to the receipt of approvals or consent from, or the making of filings with, certain regulatory authorities, including the IRS, in connection with the request for the IRS Letter Ruling described in this joint proxy statement/prospectus. While we do not currently expect a delay in receiving the necessary approvals from such regulatory authorities, we cannot assure you that a delay will not occur. In addition to the required regulatory clearances and approvals, the merger is subject to a number of other conditions beyond our control that may prevent, delay or otherwise negatively affect its completion. See "The Merger Agreement - Conditions to Obligations to Complete the Merger" beginning on page 97. We cannot predict whether and when these other conditions will be satisfied. Any delay in completing the merger or the imposition of any additional material conditions on or changes to the terms of the merger may significantly reduce the benefits that we expect to achieve if we successfully complete the merger within the expected timeframe. See "Regulatory Approvals" beginning on page 112.

***If the merger does not constitute a tax-free reorganization under Section 368(a) of the Code, then both SICO stockholders and A. O. Smith or MergerCo may be responsible for payment of income taxes.***

The merger is conditioned upon the receipt by A. O. Smith and SICO of the IRS Letter Ruling to the effect that the merger will be treated as a tax-free reorganization within the meaning of Section 368(a) of the Code. Although a private letter ruling from the IRS generally is binding on the IRS, if the factual representations or assumptions made in the letter ruling request are untrue or incomplete, then the ruling may not be relied upon. If the merger were determined to be taxable, then both SICO stockholders and A. O. Smith or MergerCo (as successors to SICO) may be responsible for the payment of income taxes in connection with the merger.

***The parties to the merger may fail to realize all of the expected benefits of the merger.***

The parties to the merger may fail to realize some or all of the expected benefits of the transaction in the amounts and times projected for a number of reasons, including that the transaction may be more costly than expected or have unexpected adverse results.

***The Merger Agreement limits the ability of A. O. Smith and SICO to pursue alternatives to the merger.***

The Merger Agreement provides that neither of the boards of directors of SICO nor A. O. Smith, nor the A. O. Smith Special Committee nor the SICO Special Committee may withdraw or modify its recommendation regarding the merger. Notwithstanding the foregoing, at any time prior to the adoption of the Merger Agreement by its stockholders, the board of directors of either A. O. Smith or SICO, or duly constituted committees thereof, may withdraw or modify its recommendation regarding the merger in response to a material event relating to its business which is unknown to the board of directors as of the date of the Merger Agreement and which becomes known prior to the approval or adoption of the Merger Agreement by its stockholders, if the board of directors

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(or committee thereof) determines in good faith, after consultation with its legal counsel and financial advisors, that the withdrawal or modification of the recommendation is required in order for the board of directors (or committee thereof) to comply with its fiduciary duties to its stockholders under applicable law. Regardless of whether the board of directors of A. O. Smith withdraws its recommendation regarding the merger as described in the sentence above, the board of directors of A. O. Smith may not cancel the special meeting of the A. O. Smith stockholders and is required to submit consideration of the merger and the related proposals to the A. O. Smith stockholders for a vote. The board of directors of SICO may withdraw its recommendation regarding the merger in accordance with the sentence above without any obligation to hold the special meeting of the SICO stockholders or submit consideration of the merger to the SICO stockholders for a vote. Certain members of the Smith Family who hold a majority of the outstanding shares of SICO common stock have agreed in a support agreement with SICO and A. O. Smith, for a period of one year after the termination of the Merger Agreement, not to vote in favor of any proposal that results in or is related to the withdrawal or modification of the SICO board recommendation. This agreement by the members of the Smith Family, along with the limitations in the Merger Agreement on withdrawing or modifying recommendations, may discourage third-parties from proposing alternative transactions to A. O. Smith or SICO. For a discussion of the limits on the ability of the board of directors of each of A. O. Smith and SICO to withdraw or modify its recommendation, see *The Merger Agreement Obligations of each of the A. O. Smith and SICO Boards of Directors with Respect to its Recommendation and Holding a Meeting of its Stockholders* beginning on page 94. For a discussion of the Smith Family support agreement with SICO and A. O. Smith, see *Agreements Relating to the Merger Smith Family Support Agreement* beginning on page 106.

***Failure to complete the merger could negatively affect the stock price, future business and/or operations of SICO and the stock price of A. O. Smith.***

The Merger Agreement contains a number of conditions to the obligations of the parties to complete the merger. In addition, the Merger Agreement may be terminated under certain circumstances. If the merger is not completed for any reason, SICO and A. O. Smith may be subject to a number of material risks. These risks include the following:

the market price of SICO common stock, A. O. Smith Class A common stock or A. O. Smith common stock may decline to the extent that the current market prices of SICO common stock, A. O. Smith Class A common stock or A. O. Smith common stock reflect a market assumption that the merger will be completed;

fees, costs and expenses incurred by SICO and A. O. Smith in connection with the merger, such as legal, accounting and certain financial advisor fees, costs and expenses, must be paid by SICO even if the merger is not completed; and

the Spin-Off has been completed and was not conditioned on the merger, and if the merger is not completed, SICO and SpinCo would continue as separate companies holding different portions of the assets and liabilities previously held by SICO, which could result in greater aggregate expenses and a greater administrative burden in managing the companies' businesses, assets and liabilities. If the Merger Agreement is terminated and SICO is required to pay the foregoing fees and expenses without realizing any of the benefits of the merger, it could have a material adverse effect on SICO's business, financial condition and results of operations, which could ultimately affect the market price of SICO common stock.

***Certain of A. O. Smith's directors and SICO's executive officers and directors have interests in the merger that are different from, or in addition to, the interests of A. O. Smith stockholders and SICO stockholders.***

The A. O. Smith Special Committee and the SICO Special Committee negotiated the terms of the Merger Agreement. A. O. Smith's board of directors approved and recommended that its stockholders vote to adopt the Merger Agreement, adopt the A. O. Smith Amended Charter and approve the Stock Issuance. SICO's board of

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directors approved and recommended that its stockholders vote to approve the Merger Agreement. Certain directors and/or executive officers may have interests in the merger that are different from, or in addition to, those of A. O. Smith and SICO stockholders generally. For additional information regarding such interests, see *The Merger Interests of A. O. Smith Executive Officers and Directors in the Merger* beginning on page 79 and *The Merger Interests of SICO Executive Officers and Directors in the Merger* beginning on page 80.

***A. O. Smith and SICO are defendants in a pending lawsuit in connection with the merger.***

On February 26, 2008 Buttonwood Tree Value Partners, LP filed a purported class action complaint against SICO, A. O. Smith and certain directors and officers of SICO and A. O. Smith in the Milwaukee County Circuit Court in Wisconsin. The initial complaint alleged that the defendants breached their fiduciary duties to plaintiffs in connection with SICO's proposed transaction. The lawsuit sought, among other things, an injunction requiring that defendants provide plaintiff with all documents relevant to the terms and conditions of the proposed transaction and permit the plaintiff to participate in negotiations regarding the potential transaction between SICO and A. O. Smith.

On February 19, 2009, Buttonwood Tree Value Partners, LP filed an amended complaint alleging, among other things, that the individual defendants breached their fiduciary duties in connection with the proposed transaction, and that A. O. Smith, through its officers and directors, aided and abetted this purported breach of fiduciary duty. The amended complaint added certain members of the Smith family and the CEO of A. O. Smith. The amended complaint seeks, among other things, an injunction enjoining the proposed transaction and requiring defendants to make certain disclosures to SICO's stockholders.

Counsel for the parties have agreed in principle to settle the lawsuit and have executed a Memorandum of Understanding dated March 10, 2009. A stipulation of settlement is expected to follow. As part of the settlement, and in exchange for a dismissal of the lawsuit and release, A. O. Smith has agreed to add certain corporate governance measures to its policies and SICO and A. O. Smith have agreed to make certain additional disclosures (that plaintiffs' counsel has reviewed) to its stockholders in this joint proxy statement/prospectus.

The corporate governance measures would include the following: (1) A. O. Smith's Nominating and Governance Committee would need to approve any transaction or arrangement with A. O. Smith reportable under Item 404 of Regulation S-K under the Securities Exchange Act of 1934, involving a potential conflict of interest of an A. O. Smith director, CEO or any of their respective family members; (2) A. O. Smith's Nominating and Governance Committee would evaluate the independence of A. O. Smith directors under previously established and publicly available guidelines; (3) A. O. Smith's Nominating and Corporate Governance Committee would review on an annual basis and report to the board compliance with A. O. Smith's publicly available policy regarding conflicts of interest/affiliations involving directors and their immediate family members.

The settlement would resolve the claims in the currently pending lawsuit. It is subject to customary conditions, including preliminary and final approval by the Court, after appropriate notice and a hearing to consider the fairness of the settlement. The settlement is also subject to completion of the merger. The defendants continue to deny any liability or responsibility for the claims made in the pending lawsuit and make no admission of any wrongdoing. There can be no assurance that the parties will ultimately enter into a stipulation of settlement or that the Court will approve the settlement even if the parties enter into a stipulation. If the Court approves the settlement, SICO stockholders from February 2, 2008 through the completion of the merger (other than the SICO directors, SICO and A. O. Smith) will release all claims, excluding valid exercises of dissenters' rights, relating to the merger that were or could be brought against SICO, A. O. Smith, the other defendants and in each case, their respective directors, officers, affiliates and agents.

**Risks Relating to the Merger for A. O. Smith Stockholders**

***MergerCo, as successor by merger to SICO, may remain liable to third parties after the merger.***

Under the Merger Agreement, SpinCo has agreed to assume, and to indemnify A. O. Smith and its subsidiaries, including MergerCo, for all liabilities arising out of any events, conditions, circumstances, facts,

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activities, practices, actions or omissions with respect to SICO or its subsidiaries or SpinCo or any of their respective business operations which occurred prior to the merger. A. O. Smith and its subsidiaries, including MergerCo, also are indemnified for these liabilities from the escrow of shares of A. O. Smith common stock that otherwise would be issued to the SICO stockholders in the merger. See Agreements Relating to the Merger Escrow Agreement beginning on page 108. SICO historically has been involved in multicolor printing and related services conducted through Berlin Industries, and commercial warehousing, trucking and packaging conducted through Central States. In addition, prior to 1998, SICO through its Belvedere division was engaged in the business of manufacturing and distributing equipment and fixtures for beauty and styling salons and barber shops. On January 19, 2009, SICO completed the Spin-Off. The Spin-Off is described in more detail in The Companies SICO Recent Developments, beginning on page 120. Notwithstanding the completion of the Spin-Off, MergerCo, as successor by merger to SICO, could continue to face possible liabilities with respect to the operations of Central States, Berlin Industries and the Belvedere division for actions, events or circumstances arising or occurring before the Spin-Off and the merger. The areas of potential liability include:

environmental cleanup costs and liabilities for claims made under federal, state or foreign environmental laws;

tax liabilities;

obligations under federal and state pension and retirement benefit laws; and

existing and future litigation, including litigation initiated in connection with the merger.

If SpinCo fails to indemnify A. O. Smith or MergerCo, as required under the Merger Agreement, for any of these liabilities and the value of the escrow fund is insufficient to satisfy these liabilities, A. O. Smith or MergerCo could incur material liabilities that may adversely affect A. O. Smith's business and financial performance.

***In the event SpinCo is unable to satisfy its indemnification obligations under the Merger Agreement, A. O. Smith's and MergerCo's right to indemnification under the Merger Agreement is limited to the escrow fund, which is limited in duration and may be insufficient to satisfy their claims.***

In pursuing claims for indemnification under the Merger Agreement, A. O. Smith and MergerCo have agreed to proceed first against SpinCo and then, in the event SpinCo does not satisfy its indemnification obligations, against the escrow fund pursuant to the terms of the Escrow Agreement. Although SICO has represented to A. O. Smith that SpinCo will be solvent at the time of the merger, SpinCo has substantially smaller net assets than SICO did prior to the Spin-Off, because SICO retained its shares of A. O. Smith Class A common stock and A. O. Smith common stock. If A. O. Smith or MergerCo makes a claim for indemnification under the Merger Agreement, there is a risk that SpinCo may not have the financial capability to satisfy its indemnification obligations. The escrow fund initially will be funded with shares of A. O. Smith common stock with a market value of \$15,000,000 as of the effective time of the merger. A. O. Smith cannot give any assurance that the value of the escrow fund will be sufficient to satisfy any potential indemnification claims of A. O. Smith or MergerCo under the Merger Agreement. The escrow agreement provides for the release of a substantial portion of the shares once certain legal proceedings relating to the transactions contemplated by the Merger Agreement have been resolved. In addition, the escrow fund terminates two years after the effective time, but the indemnification obligations of SpinCo under the Merger Agreement survive for five years after the effective time of the merger. As a result, A. O. Smith and MergerCo will not be able to look to the escrow fund for indemnification with respect to any claim that arises more than two years after the effective time of the merger.

***If the market price of A. O. Smith common stock declines, the value of the escrow fund will also decline.***

Under the terms of the Merger Agreement, shares of A. O. Smith common stock with a market value of \$15,000,000 as of the effective time of the merger will be deposited with the escrow agent to provide a source of payment for the indemnification rights of A. O. Smith and MergerCo. The escrow agreement provides for the

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release of a substantial portion of the shares once certain legal proceedings relating to the transactions contemplated by the Merger Agreement have been resolved. The specific dollar value of the escrow fund, and therefore the amount of security provided to MergerCo and A. O. Smith, will depend on the market value of A. O. Smith common stock, which may decrease after the effective time of the merger. As a publicly traded company, the market price of A. O. Smith common stock is subject to fluctuations based on numerous factors. There is no requirement that additional shares or funds be placed in the escrow fund in the event the market price of A. O. Smith common stock decreases.

In addition, pursuant to the Escrow Agreement, SpinCo will have the right to substitute cash for all or a portion of the Escrow Shares on up to five separate occasions. The market value of any Escrow Shares that are released pursuant to any such cash substitution will be determined as of the effective time of the merger. Therefore, SpinCo will have the ability to substitute cash for the Escrow Shares if the market price of the A. O. Smith common stock increases in order to permit the former SICO stockholders to realize the benefit of the increased value of the shares, with no corresponding obligation to increase the escrow if the share price decreases.

***If SICO stockholders who receive A. O. Smith Class A common stock and A. O. Smith common stock in the merger sell their shares, it could cause a decline in the market price of A. O. Smith common stock.***

All of the shares of A. O. Smith Class A common stock and A. O. Smith common stock to be issued in the merger are being registered with the SEC under the registration statement of which this joint proxy statement/prospectus is a part, and therefore will be immediately available for resale in the public market, except with respect to shares issued in the merger to certain affiliates of A. O. Smith (as that term is defined in Rule 405 of the Securities Act of 1933, as amended (the "Securities Act")). SICO has not sold any of its shares of A. O. Smith Class A common stock or A. O. Smith common stock during the past 16 years. After the merger is completed, each SICO stockholder will have the ability to determine if and when to sell the shares of A. O. Smith Class A common stock and A. O. Smith common stock that the stockholder receives in the merger. If a large number of SICO stockholders elect to sell the shares they receive in connection with the merger, the market price of the A. O. Smith common stock may decline. As a result of future sales of shares, or the perception that these sales could occur, the market price of A. O. Smith common stock may decline before or at the time the merger is completed, or thereafter.

Under the A. O. Smith Amended Charter, which will be in effect after the merger, the transfer of A. O. Smith Class A common stock to any transferee who is not a Permitted Transferee will result in the automatic conversion to A. O. Smith common stock of the shares of A. O. Smith Class A common stock so transferred. As a result of this automatic conversion upon transfer, there is not expected to be any public trading market for the shares of A. O. Smith Class A common stock after the merger, and price quotations for the shares of A. O. Smith Class A common stock will no longer be available on the OBB. This could affect the value of the shares of A. O. Smith Class A common stock after completion of the merger.

***Certain Smith Family members will have the ability to influence all matters requiring A. O. Smith stockholder approval.***

The Merger Agreement contemplates that certain members of the Smith Family may enter into a voting trust agreement following the completion of the merger with respect to the A. O. Smith Class A common stock and A. O. Smith common stock they receive in the merger. After giving effect to the merger, these members of the Smith Family are expected to own approximately 41.4% of the total voting power of the outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, taken together as a single class, and approximately 51.6% of the voting power of the outstanding shares of A. O. Smith Class A common stock, as a separate class. This ownership position may increase if other members of the Smith Family enter into the voting trust agreement, and the voting power relating to this ownership position may increase if shares of A. O. Smith Class A common stock held by stockholders who are not parties to the voting trust agreement are converted into

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shares of A. O. Smith common stock. Accordingly, after the merger, the Smith Family members who enter into the voting trust agreement will collectively have the ability to influence the election of the Class A directors of A. O. Smith and other matters requiring A. O. Smith stockholder approval. The voting trust agreement provides that in the event one of the parties to the voting trust agreement desires to withdraw from the trust or transfer any of its shares of A. O. Smith Class A common stock, such shares of A. O. Smith Class A common stock are automatically exchanged for shares of A. O. Smith common stock held by the trust to the extent available in the trust. In addition, the trust will have the right to purchase the shares of A. O. Smith Class A common stock and A. O. Smith common stock proposed to be withdrawn or transferred from the trust. As a result, the Smith Family members that are parties to the voting trust agreement may have the ability to maintain their collective voting rights in A. O. Smith even if certain members of the Smith Family decide to transfer their shares.

*The A. O. Smith Amended Charter will affect the rights of the stockholders of A. O. Smith Class A common stock.*

The consummation of the merger is conditioned on, among other things, the adoption of the A. O. Smith Amended Charter, which will affect certain rights of the holders of A. O. Smith Class A common stock. The proposed A. O. Smith Amended Charter will provide, among other things, for

an increase in the percentage of members of the A. O. Smith board of directors that holders of A. O. Smith common stock elect;

shares of A. O. Smith Class A common stock to convert automatically into A. O. Smith common stock, subject to certain exceptions, upon transfer to unaffiliated third parties; and

all shares of A. O. Smith Class A common stock to convert automatically into A. O. Smith common stock once the outstanding shares of A. O. Smith Class A common stock falls below 2,397,976 shares, which is approximately 8% of the number of total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock as of the date of the Merger Agreement.

For additional information regarding the proposed changes to the A. O. Smith Existing Charter in connection with the merger, see the section entitled "A. O. Smith Amended Charter" beginning on page 103.

**Risks Relating to the Merger for SICO Stockholders**

*SICO stockholders will receive a smaller number of shares in the merger than the total number of shares of A. O. Smith held by SICO.*

The exchange ratio in the Merger Agreement reflects a discount of 1.5% such that the merger will result in the SICO stockholders receiving, in the aggregate, 98.5% of the total number of shares of each of the A. O. Smith Class A common stock and A. O. Smith common stock held by SICO prior to the effective time of the merger, subject to the treatment of Escrow Shares, fractional shares and dissenting shares described in this joint proxy statement/prospectus. Based on the closing price of \$21.29 of the A. O. Smith common stock on the NYSE on March 9, 2009, the last full trading day for which closing prices were available at the time of the printing of this joint proxy statement/prospectus, and valuing the A. O. Smith Class A common stock at such value as if it had been converted into A. O. Smith common stock, the aggregate value of the shares reflected in this 1.5% discount was \$3.1 million.

*Shares of A. O. Smith common stock deposited in escrow in connection with the merger will be at risk for post-closing indemnification claims by A. O. Smith or the other A. O. Smith indemnified parties.*

At the effective time of the merger, A. O. Smith will deposit with the escrow agent a number of shares of A. O. Smith common stock that would otherwise be deliverable to the holders of SICO common stock pursuant to the Merger Agreement with a market value of \$15,000,000 as of the effective time of the merger. These shares of A. O. Smith common stock may not be transferred as long as they remain in escrow and will be subject to



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release to A. O. Smith or the other A. O. Smith indemnified parties to the extent any of them has a right to indemnification for damages that are not satisfied by SpinCo for a period of two years after the effective time of the merger. For a description of the escrow, please refer to *Agreements Relating to the Merger Escrow Agreement* beginning on page 108.

***If the market price of A. O. Smith common stock declines, SICO and A. O. Smith may be unable to terminate the Merger Agreement and SICO stockholders will receive shares with a lower market value in connection with the merger.***

The consideration to be issued to SICO stockholders in connection with the merger, for each issued and outstanding share of SICO common stock that they own, will consist of a fixed number of shares of A. O. Smith Class A common stock and A. O. Smith common stock calculated in accordance with the Merger Agreement based upon the number of shares of SICO common stock outstanding and the number of shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO immediately prior to the effective time of the merger. See *The Merger Agreement Consideration to be Received in the Merger* beginning on page 87. There will be no adjustment to the number of shares of A. O. Smith Class A common stock or A. O. Smith common stock issued to the SICO stockholders in connection with the merger based upon changes in the market price of A. O. Smith Class A common stock or A. O. Smith common stock prior to the effective time of the merger. In addition, neither SICO nor A. O. Smith may terminate the Merger Agreement or walk away from the merger due to changes in the market price of A. O. Smith common stock. As a result, the specific dollar value of the consideration that the SICO stockholders will receive in connection with the merger will depend on the market value of A. O. Smith Class A common stock and A. O. Smith common stock, and may decrease from the date the SICO stockholders submit their proxies. As a publicly traded company, the market price of A. O. Smith Class A common stock and A. O. Smith common stock is subject to fluctuations based on numerous factors. See *The Merger Agreement Consideration to be Received in the Merger* beginning on page 88 and *Agreements Relating to the Merger Escrow Agreement* beginning on page 108.

A. O. Smith cannot predict or give any assurances as to the market price of the A. O. Smith Class A common stock or the A. O. Smith common stock at any time before or after the completion of the merger. SICO stockholders should obtain recent market quotations for A. O. Smith Class A common stock and A. O. Smith common stock in making a determination on whether to vote in favor of the adoption or approval of the Merger Agreement. In addition, under the A. O. Smith Amended Charter, which will be in effect after the merger, the transfer of A. O. Smith Class A common stock to any transferee who is not a Permitted Transferee will result in the automatic conversion to A. O. Smith common stock of the shares of A. O. Smith Class A common stock so transferred. As a result of this automatic conversion upon transfer, there is not expected to be any public trading market for the shares of A. O. Smith Class A common stock after the merger, and price quotations for the shares of A. O. Smith Class A common stock will no longer be available on the OBB. This could affect the value of the shares of A. O. Smith Class A common stock after completion of the merger.

***The rights of SICO stockholders who become A. O. Smith stockholders in the merger will be governed by the A. O. Smith Amended Charter and A. O. Smith's bylaws.***

SICO stockholders who receive shares of A. O. Smith Class A common stock and A. O. Smith common stock in the merger will become A. O. Smith stockholders. Following the merger, their rights as stockholders will be subject to the Delaware General Corporation Law ( DGCL ), and they will be governed by the A. O. Smith Amended Charter and A. O. Smith's bylaws, rather than SICO's articles of incorporation and bylaws. There may be material differences between the current rights of SICO stockholders, as compared to the rights they will have as A. O. Smith stockholders. For more information, see *Comparative Rights of A. O. Smith and SICO Stockholders Prior to and After the Merger* beginning on page 128 of this joint proxy statement/prospectus.

**Risks Relating to A. O. Smith**

Risks relating to A. O. Smith and its business and operations are described in A. O. Smith's Annual Report on Form 10-K for the year ended December 31, 2008 under Item 1A, *Risk Factors* and are incorporated herein by reference.

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**FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus contains or incorporates by reference a number of forward-looking statements regarding the financial condition, results of operations, earnings outlook and business prospects of A. O. Smith and SICO and may include statements for the period following the completion of the merger. You can find many of these statements by looking for words such as may, will, expect, intend, anticipate, believe, forecast, project, strategy, plan, potential, possible and other similar expressions. estim

These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this joint proxy statement/prospectus. The ability of either A. O. Smith or SICO to predict results or actual effects of its plans and strategies, or those of the combined company after the merger, is inherently uncertain. Accordingly, actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Some of the factors that may cause actual results or earnings to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those discussed under Risk Factors and those discussed in the filings of A. O. Smith that are incorporated herein by reference, as well as the following:

changes in A. O. Smith's businesses during the period between now and the completion of the merger may have an adverse impact on A. O. Smith;

our ability to obtain regulatory approvals of the merger on the proposed terms and schedule;

the risk of an unfavorable judgment or ruling in any transaction-related litigation;

significant volatility in raw material prices;

competitive pressures on A. O. Smith's business;

the inability of A. O. Smith to implement pricing actions;

the negative impact of future pension contributions on A. O. Smith's ability to generate cash flow;

instability in A. O. Smith's electric motor and water products markets;

further weakening in housing construction;

further weakening in commercial construction;

a further slowdown in the Chinese economy;

expected restructuring costs and savings realized;

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further adverse changes in customer liquidity and general economic and capital market conditions; and

other risks detailed in A. O. Smith's filings with the SEC.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this joint proxy statement/prospectus or the date of any document incorporated by reference in this joint proxy statement/prospectus.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this joint proxy statement/prospectus and attributable to A. O. Smith or SICO or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, A. O. Smith and SICO undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this joint proxy statement/prospectus or to reflect the occurrence of unanticipated events.

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**THE SPECIAL MEETING OF A. O. SMITH STOCKHOLDERS**

**General**

This joint proxy statement/prospectus is being furnished to A. O. Smith stockholders in connection with the solicitation of proxies by the A. O. Smith board of directors to be used at the special meeting of A. O. Smith stockholders to be held on Tuesday, April 14, 2009 at 11:30 a.m., Eastern Daylight Saving Time, at A. O. Smith Corporation, 855 North Third Street, Tipp City, Ohio, and at any adjournment or postponement of that meeting. This joint proxy statement/prospectus and the enclosed proxy cards are being mailed to A. O. Smith stockholders on or about March 13, 2009.

**Purpose of the Special Meeting of A. O. Smith Stockholders**

At the special meeting of A. O. Smith stockholders, holders of A. O. Smith Class A common stock and A. O. Smith common stock will be asked to consider and vote on the following proposals to:

adopt the Merger Agreement and thereby approve the merger;

adopt the A. O. Smith Amended Charter;

approve the Stock Issuance; and

transact any other business as may properly be brought before the special meeting of A. O. Smith stockholders.

**The approval of each of the first three proposals listed above is required for completion of the merger.** The A. O. Smith Amended Charter and the Stock Issuance will become effective only if each proposal is approved by the A. O. Smith stockholders, all of the other conditions to the merger are satisfied, in the case of the A. O. Smith Amended Charter, and the merger is completed, in the case of the Stock Issuance. See A. O. Smith Proposal 1 Adoption of the Merger Agreement on page 43, A. O. Smith Proposal 2 Adoption of the A. O. Smith Amended Charter on page 44 and A. O. Smith Proposal 3 Approval of the Stock Issuance on page 45. A copy of the Merger Agreement is attached to this joint proxy statement/prospectus as Annex A and is made part of this joint proxy statement/prospectus.

**Record Date and Voting**

The A. O. Smith board of directors has fixed March 4, 2009 as the record date for determining the holders of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock entitled to receive notice of and to vote at the special meeting of A. O. Smith stockholders or any adjournment or postponement of the special meeting. Only holders of record of A. O. Smith Class A common stock and A. O. Smith common stock as of the close of business on that date will be entitled to vote at the special meeting of A. O. Smith stockholders and at any adjournment or postponement of that meeting. As of the close of business on March 4, 2009, there were 8,239,267 shares of A. O. Smith Class A common stock and 21,949,691 shares of A. O. Smith common stock outstanding, held by approximately 283 and 1,283 holders of record, respectively.

Each holder of shares of A. O. Smith Class A common stock will be entitled to one vote for each share held of record upon each matter properly submitted at the special meeting of A. O. Smith stockholders and at any adjournment or postponement of that meeting. Each holder of shares of A. O. Smith common stock outstanding on the record date will be entitled to 1/10th of a vote for each share held of record upon each matter properly submitted at the special meeting of A. O. Smith stockholders and at any adjournment or postponement of that meeting. In order for A. O. Smith to satisfy its quorum requirements, the holders of at least a majority of the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock entitled to vote at the special meeting of A. O. Smith stockholders must be present. You will be deemed to be present at the special meeting of A. O. Smith stockholders if you attend the meeting or if you submit a proxy (including through the Internet or telephone) that is received at or prior to the special meeting of A. O. Smith stockholders



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(and not revoked as described below). **IF YOU ARE A SICO STOCKHOLDER AS WELL AS AN A. O. SMITH STOCKHOLDER, YOU MUST VOTE SEPARATELY AT THE SPECIAL MEETING OF SICO STOCKHOLDERS IN YOUR CAPACITY AS A SICO STOCKHOLDER AND AT THE SPECIAL MEETING OF A. O. SMITH STOCKHOLDERS IN YOUR CAPACITY AS AN A. O. SMITH STOCKHOLDER.**

If your proxy is properly executed and received by A. O. Smith in time to be voted at the special meeting of A. O. Smith stockholders, the shares represented by your proxy (including those given through the Internet or by telephone) will be voted in accordance with the instructions that you mark on your proxy. If you execute your proxy but do not provide A. O. Smith with any instructions, your shares will be voted **FOR** the adoption of the Merger Agreement, **FOR** the adoption of the A. O. Smith Amended Charter and **FOR** the approval of the Stock Issuance.

**Vote Required**

Adoption of the Merger Agreement requires the affirmative vote of the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing at least  $66\frac{2}{3}\%$  of the votes represented by the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock.

Adoption of the A. O. Smith Amended Charter requires the affirmative vote of the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing a majority of the votes represented by the total number of the outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock.

Adoption of the A. O. Smith Amended Charter also requires the affirmative vote of the holders of a majority of the outstanding shares of A. O. Smith Class A common stock voting as a separate class.

Approval of the Stock Issuance requires the affirmative vote of the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing a majority of the votes cast by such holders at the special meeting.

Shares of A. O. Smith common stock as to which the  abstain  box is selected on a proxy card will be counted as present for purposes of determining whether a quorum is present.

**The required vote of A. O. Smith stockholders to adopt the Merger Agreement is based upon the votes represented by the number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, and not the number of shares that are actually voted. Accordingly, the failure to submit a proxy card or to vote by Internet, telephone or in person at the special meeting of A. O. Smith stockholders or the abstention from voting by A. O. Smith stockholders, or the failure of any A. O. Smith stockholder who holds shares in street name through a bank or broker to give voting instructions to such bank or broker, will have the same effect as a vote AGAINST the proposal to adopt the Merger Agreement.**

**The required vote of A. O. Smith stockholders to adopt the A. O. Smith Amended Charter is based upon the votes represented by the number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, and not the number of shares that are actually voted. Accordingly, the failure to submit a proxy card or to vote by Internet, telephone or in person at the special meeting of A. O. Smith stockholders or the abstention from voting by A. O. Smith stockholders, or the failure of any A. O. Smith stockholder who holds shares in street name through a bank or broker to give voting instructions to such bank or broker, will have the same effect as a vote AGAINST the proposal to adopt the A. O. Smith Amended Charter.**

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**The required vote of A. O. Smith stockholders to approve the Stock Issuance is based on the number of shares that are actually voted, not on the number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock. Accordingly, the failure to submit a proxy card or to vote by Internet, telephone or in person at the special meeting of A. O. Smith stockholders or the abstention from voting by A. O. Smith stockholders, or the failure of any A. O. Smith stockholder who holds shares in street name through a bank or broker to give voting instructions to such bank or broker, will have no effect on the result of the vote to approve the Stock Issuance.**

As of the record date, A. O. Smith directors and executive officers and their affiliates, other than Bruce M. Smith and Mark D. Smith, had or shared the power to vote in the aggregate approximately 520,796 shares of A. O. Smith common stock, representing approximately 2.37% of the outstanding shares of A. O. Smith common stock, and no shares of outstanding A. O. Smith Class A common stock.

We have been advised that A. O. Smith's directors and executive officers will vote their shares of A. O. Smith common stock **FOR** the adoption of the Merger Agreement, **FOR** the adoption of the A. O. Smith Amended Charter and **FOR** the approval of the Stock Issuance.

Because the shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO represent approximately 78.8% of the voting power of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, and approximately 97.9% of the voting power of the total outstanding shares of A. O. Smith Class A common stock, voting as a separate class, stockholders of A. O. Smith holding voting power sufficient to approve the proposals to adopt the Merger Agreement, to adopt the A. O. Smith Amended Charter and to approve the Stock Issuance have agreed to vote in favor of these proposals at the A. O. Smith special meeting.

### **Recommendations of the A. O. Smith Special Committee and A. O. Smith Board of Directors**

As discussed elsewhere in this joint proxy statement/prospectus, the A. O. Smith Special Committee unanimously determined that the Merger Agreement is advisable and substantively and procedurally fair to, and in the best interests of, A. O. Smith and the A. O. Smith Unaffiliated Stockholders and the A. O. Smith board of directors has determined that the merger, the Merger Agreement and the transactions contemplated thereby are advisable and substantively and procedurally fair to, and in the best interests of, A. O. Smith and the A. O. Smith stockholders, including the A. O. Smith Unaffiliated Stockholders, and has adopted and approved the merger, the Merger Agreement and the transactions contemplated thereby, the A. O. Smith Amended Charter and the Stock Issuance. The A. O. Smith Special Committee recommends that the A. O. Smith Unaffiliated Stockholders vote **FOR** the adoption of the Merger Agreement. The A. O. Smith board of directors recommends that A. O. Smith stockholders vote **FOR** the adoption of the Merger Agreement, **FOR** the adoption of the A. O. Smith Amended Charter and **FOR** the approval of the Stock Issuance.

**The matters to be considered at the special meeting are of great importance to the stockholders of A. O. Smith. Accordingly, you are urged to read and carefully consider the information presented in this joint proxy statement/prospectus, and to promptly respond. In particular, A. O. Smith stockholders are directed to the Merger Agreement and the A. O. Smith Amended Charter, which are attached as Annex A and Annex B, respectively, to this joint proxy statement/prospectus.**

### **Attending the Special Meeting**

All holders of A. O. Smith Class A common stock and A. O. Smith common stock at the close of business on March 4, 2009, the record date for the A. O. Smith special meeting, are invited to attend the special meeting. If you attend, you will be asked to present valid picture identification, such as a driver's license or passport, and, if

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you are not a stockholder of record, evidence from your broker or bank that you are a stockholder and are eligible to attend the meeting, such as a letter or account statement from your broker or bank. Stockholders will not be allowed to use cameras, recording devices and other electronic devices at the meeting.

### **Voting by Proxy**

Stockholders who elect to vote by submitting a proxy card are asked to mark the box on the proxy card, following the instructions on your proxy card, to indicate how to vote your shares. You must also sign, date and return the enclosed proxy card using the postage-paid envelope provided. All shares represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted **FOR** the adoption of the Merger Agreement, **FOR** the adoption of the A. O. Smith Amended Charter and **FOR** the approval of the Stock Issuance.

In addition to voting by submitting your proxy card by mail, A. O. Smith stockholders of record and many stockholders who hold their shares of A. O. Smith common stock through a broker or bank will have the option to submit their proxy electronically through the Internet or by telephone. Please note that there are separate arrangements for using the Internet and telephone depending on whether your shares are registered in A. O. Smith's stock records in your name or in the name of a broker, bank or other holder of record. If you hold your shares through a broker, bank or other holder of record, you should check the A. O. Smith proxy card and voting instructions forwarded by your broker, bank or other holder of record to see which options are available.

A. O. Smith stockholders of record may submit their proxies:

through the Internet by visiting <http://www.eproxy.com/aos/> and following the instructions; or

by telephone by calling the toll-free number 1-800-560-1965 on a touch-tone phone and following the recorded instructions.

If you vote your proxy over the Internet or by telephone, you must do so before 12:00 p.m., Central Daylight Saving Time, on April 13, 2009. If you hold your shares through a bank, broker, custodian or other record holder, you may be subject to additional timing requirements. Please refer to the information forwarded by your bank, broker, custodian or other record holder.

### **Revocation of Proxies**

The presence of an A. O. Smith stockholder at the special meeting of A. O. Smith stockholders will not automatically revoke such A. O. Smith stockholder's proxy. However, an A. O. Smith stockholder may revoke his or her proxy at any time prior to its exercise by:

delivering a written notice of revocation to the Corporate Secretary of A. O. Smith that is received prior to the A. O. Smith special meeting;

submitting another proxy via the Internet, by telephone or by mail that is dated later than the original proxy and that is received prior to the A. O. Smith special meeting;

attending the special meeting of A. O. Smith stockholders and voting in person if your shares of A. O. Smith common stock and/or A. O. Smith Class A common stock are registered in your name rather than in the name of a broker, bank or other nominee; or

following the instructions on the form you receive from your broker or bank with respect to changing or revoking your proxy if your shares of A. O. Smith common stock and/or A. O. Smith Class A common stock are held by a broker or bank.

In the absence of a revocation, shares represented by proxies submitted in response to this solicitation will be voted at the special meeting in accordance with the instructions indicated on such proxies.





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**Solicitation of Proxies**

In addition to solicitation by mail, directors, officers and employees of A. O. Smith may solicit proxies for the special meeting of A. O. Smith stockholders from A. O. Smith stockholders personally or by telephone and other electronic means. However, they will not be paid for soliciting such proxies. A. O. Smith also will provide persons, firms, banks and corporations holding shares in their names or in the names of nominees, which in either case are beneficially owned by others, proxy material for transmittal to such beneficial owners and will reimburse such record owners for their expenses in taking such actions. A. O. Smith has not retained a proxy soliciting firm in connection with the solicitation of proxies. SICO will pay all fees, costs and expenses, including A. O. Smith's fees, costs and expenses, incurred in connection with the printing and mailing of this joint proxy statement/prospectus.

Questions concerning the proposals to be acted upon at the special meeting and requests for additional copies of this joint proxy statement/prospectus or the proxy cards should be directed to A. O. Smith's Corporate Secretary in writing at A. O. Smith Corporation, Attention: Corporate Secretary, 11270 West Park Place, Milwaukee, Wisconsin 53224-9508 or by telephone at (414) 359-4000. For a period of at least ten days prior to the special meeting, a complete list of stockholders entitled to vote at the special meeting will be available for inspection during ordinary business hours at A. O. Smith Corporation, 11270 West Park Place, Milwaukee, Wisconsin 53224-9508 by stockholders of record for proper purposes and will be on file at a registered office and subject to inspection by any stockholder for a proper purpose.

**Other Matters to Come Before the Special Meeting of A. O. Smith Stockholders**

The A. O. Smith board of directors does not intend to bring any other business before the special meeting and, so far as is known to the A. O. Smith board of directors, no other matters are to be brought before the special meeting. As to any business that may properly come before the special meeting, however, it is intended that proxies, in the form enclosed, will be voted in respect of such business in accordance with the judgment of the persons voting such proxies.

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**A. O. SMITH PROPOSAL 1 ADOPTION OF THE MERGER AGREEMENT**

As discussed elsewhere in this joint proxy statement/prospectus, A. O. Smith is asking its stockholders to approve the proposal to adopt the Merger Agreement. A. O. Smith stockholders should read carefully this joint proxy statement/prospectus in its entirety for more detailed information concerning the Merger Agreement. In particular, A. O. Smith stockholders are directed to the Merger Agreement, which is attached as Annex A to this joint proxy statement/prospectus. Additionally, please refer to the section entitled "The Merger Agreement" beginning on page 88 for a summary of the material terms of the Merger Agreement.

**THE A. O. SMITH BOARD OF DIRECTORS RECOMMENDS A VOTE FOR  
THE ADOPTION OF THE MERGER AGREEMENT.**

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**A. O. SMITH PROPOSAL 2 ADOPTION OF THE A. O. SMITH AMENDED CHARTER**

It is a condition to completion of the merger that the A. O. Smith Existing Charter be amended and restated in the form of the A. O. Smith Amended Charter attached to this joint proxy statement/prospectus as Annex B to this joint proxy statement/prospectus.

The A. O. Smith Amended Charter amends and restates the A. O. Smith Existing Charter to provide for:

an increase, solely for purposes of completing the merger, in the total number of authorized shares of A. O. Smith Class A common stock that A. O. Smith can issue from 14,000,000 shares to 22,067,252 shares;

an increase in the percentage of members of the A. O. Smith board of directors that holders of A. O. Smith common stock, voting as a separate class, elect from 25% to  $33\frac{1}{3}\%$  of the members of the board of directors (if the  $33\frac{1}{3}\%$  is not a whole number, then rounding up to the nearest higher whole number of directors (or four of the ten directors));

shares of A. O. Smith Class A common stock to convert automatically into A. O. Smith common stock, subject to certain exceptions, upon transfer to transferees that are not designated Permitted Transferees (as defined in the section entitled "A. O. Smith Amended Charter" on page 102); and

all shares of A. O. Smith Class A common stock to convert automatically into A. O. Smith common stock once the outstanding shares of A. O. Smith Class A common stock fall below 2,397,976 shares, which is approximately 8% of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock as of the date of the Merger Agreement.

Please refer to the section entitled "A. O. Smith Amended Charter" beginning on page 103 for additional information about the A. O. Smith Amended Charter. You are urged to read the proposed A. O. Smith Amended Charter included as Annex B to this joint proxy statement/prospectus carefully before voting on this proposal.

**THE A. O. SMITH BOARD OF DIRECTORS RECOMMENDS A VOTE FOR  
THE ADOPTION OF THE A. O. SMITH AMENDED CHARTER.**

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**A. O. SMITH PROPOSAL 3 APPROVAL OF THE STOCK ISSUANCE**

It is a condition to completion of the merger that the stockholders of A. O. Smith approve the issuance of A. O. Smith Class A common stock and A. O. Smith common stock, which will be issued to holders of SICO common stock as consideration for the merger. If the merger is completed, assuming SICO holds 8,067,252 shares of A. O. Smith Class A common stock and 1,559,076 shares of A. O. Smith common stock at the completion of the merger, A. O. Smith will issue to holders of SICO common stock approximately (subject to the treatment of Escrow Shares, fractional shares and dissenting shares):

7,947,690 shares of A. O. Smith Class A common stock; and

1,535,801 shares of A. O. Smith common stock.

Please refer to the sections entitled The Merger Appraisal Rights; Dissenter's Rights, The Merger Agreement Consideration to be Received in the Merger, The Merger Agreement Fractional Shares and The Merger Agreement A. O. Smith Common Stock in Escrow beginning on pages 84, 88, 90 and 90, respectively, for additional information. A copy of the Merger Agreement is also attached as Annex A to this joint proxy statement/prospectus. You are urged to read the entire Merger Agreement included as Annex A carefully before voting on this proposal.

**THE A. O. SMITH BOARD OF DIRECTORS RECOMMENDS A VOTE FOR  
THE APPROVAL OF THE STOCK ISSUANCE.**

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**THE SPECIAL MEETING OF SICO STOCKHOLDERS**

**General**

This joint proxy statement/prospectus is being furnished to SICO stockholders in connection with the solicitation of proxies by the SICO board of directors to be used at the special meeting of SICO stockholders to be held on Thursday, April 16, 2009 at 9:30 a.m., Central Daylight Saving Time, at Smith Investment Company, 11270 West Park Place, Milwaukee, Wisconsin, and at any adjournment or postponement of that meeting. This joint proxy statement/prospectus and the enclosed proxy card are being mailed to SICO's stockholders on or about March 13, 2009.

**Purpose of the Special Meeting of SICO Stockholders**

At the special meeting of SICO stockholders, holders of SICO common stock will be asked to consider and vote on the following proposals to:

approve the Merger Agreement; and

transact any other business as may be properly brought before the special meeting of SICO stockholders.

**The approval of the first proposal listed above is required for completion of the merger.** See SICO Proposal 1 Approval of the Merger Agreement on page 50. A copy of the Merger Agreement is attached as Annex A to this joint proxy statement/prospectus and made part of this joint proxy statement/prospectus.

**Record Date and Voting**

The SICO board of directors has fixed March 4, 2009 as the record date for determining holders of outstanding shares of SICO common stock entitled to receive notice of and to vote at the special meeting of SICO stockholders or any adjournment or postponement of the special meeting. Only holders of record of SICO common stock as of the close of business on that date will be entitled to vote at the special meeting of SICO stockholders and at any adjournment or postponement of that meeting. As of the close of business on March 4, 2009, there were 3,317,066 shares of SICO common stock outstanding, held by approximately 40 holders of record. SICO's common stock is the only class of outstanding securities entitled to notice of, and to vote at, the SICO special meeting.

Each holder of shares of SICO common stock will be entitled to one vote for each share held of record upon any matter properly submitted at the special meeting of SICO stockholders and at any adjournment or postponement of that meeting. In order for SICO to satisfy its quorum requirements, the holders of at least a majority of the total number of outstanding shares of SICO common stock entitled to vote at the special meeting of SICO stockholders must be present. You will be deemed to be present at the special meeting of SICO stockholders if you attend the meeting or if you submit a proxy card that is received at or prior to the special meeting of SICO stockholders (and not revoked as described below). **IF YOU ARE AN A. O. SMITH STOCKHOLDER AS WELL AS A SICO STOCKHOLDER, YOU MUST VOTE SEPARATELY AT THE SPECIAL MEETING OF A. O. SMITH STOCKHOLDERS IN YOUR CAPACITY AS AN A. O. SMITH STOCKHOLDER AND AT THE SPECIAL MEETING OF SICO STOCKHOLDERS IN YOUR CAPACITY AS A SICO STOCKHOLDER.**

If your proxy card is properly executed and received by SICO in time to be voted at the special meeting of SICO stockholders, the shares represented by your proxy card will be voted in accordance with the instructions that you mark on your proxy card. If you execute your proxy card but do not provide SICO with any instructions, your shares will be voted **FOR** the approval of the Merger Agreement.

**Vote Required**

Approval of the Merger Agreement requires the affirmative vote of the holders of a majority of the shares of SICO common stock outstanding on the record date and entitled to vote at the special meeting.

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**Shares of SICO common stock as to which the abstain box is selected in a proxy card will be counted as present for purposes of determining whether a quorum is present. The required vote of SICO stockholders to approve the Merger Agreement is based upon the number of outstanding shares of SICO common stock, and not the number of shares that are actually voted. Accordingly, the failure to submit a proxy card or to vote in person at the special meeting of SICO stockholders or the abstention from voting by SICO stockholders, or the failure of any SICO stockholder who holds shares in street name through a bank or broker to give voting instructions to such bank or broker, will have the same effect as a vote AGAINST the proposal to approve the Merger Agreement.**

As of the record date, SICO directors and executive officers and their affiliates had or shared the power to vote in the aggregate approximately 1,500 shares of SICO common stock, which is less than 0.1% of the aggregate outstanding shares of SICO common stock. This calculation excludes shares that may be deemed to be beneficially owned by Bruce M. Smith, Arthur O. Smith and Arthur O. Smith, III, which are subject to the Smith Family support agreement and included below.

We have been advised that SICO's directors and executive officers will vote their shares of SICO common stock **FOR** the approval of the Merger Agreement.

Because the shares of SICO common stock held by the Smith Family stockholders who signed the Smith Family support agreement represent approximately 52.7% of the voting power of the total outstanding shares of SICO common stock, stockholders of SICO holding voting power sufficient to approve the Merger Agreement have agreed to vote in favor of the proposal to approve the Merger Agreement at the SICO special meeting.

### **Recommendations of the SICO Special Committee and SICO Board of Directors**

The SICO Special Committee unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the merger, are advisable and substantively and procedurally fair to, and in the best interests of, SICO and the SICO Unaffiliated Stockholders and recommended that the SICO board of directors authorize, adopt and approve the Merger Agreement and the transactions contemplated thereby, including the merger. The SICO Special Committee unanimously recommends that the SICO Unaffiliated Stockholders vote **FOR** the approval of the Merger Agreement at the special meeting of the SICO stockholders.

The SICO board of directors approved the Merger Agreement and determined that the Merger Agreement and the transactions contemplated thereby, including the merger, are advisable and substantively and procedurally fair to, and in the best interests of, SICO and the SICO stockholders, including the SICO Unaffiliated Stockholders. The SICO board of directors unanimously recommends that SICO's stockholders vote **FOR** the approval of the Merger Agreement at the special meeting of the SICO stockholders.

**The matters to be considered at the SICO special meeting are of great importance to the stockholders of SICO. Accordingly, you are urged to read and carefully consider the information presented in this joint proxy statement/prospectus, and to complete, date, sign and promptly return the enclosed proxy in the enclosed postage-paid envelope. In particular, SICO stockholders are directed to the Merger Agreement, which is attached as Annex A to this joint proxy statement/prospectus.**

**Stockholders should not send any stock certificates at this time. A transmittal form with instructions for the surrender of stock certificates for SICO common stock will be mailed to you promptly after completion of the merger.**

### **Attending the Special Meeting**

All holders of SICO common stock at the close of business on March 4, 2009, the record date for the SICO special meeting, are invited to attend the special meeting. If you attend, you will be asked to present valid picture

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identification, such as a driver's license or passport, and, if you are not a stockholder of record, evidence from your broker or bank that you are a stockholder and are eligible to attend the meeting, such as a letter or account statement from your broker or bank. Stockholders will not be allowed to use cameras, recording devices and other electronic devices at the meeting.

### **Voting by Proxy**

Stockholders who elect to vote by proxy are asked to mark the box on the proxy card, following the instructions on your proxy card, to indicate how to vote your shares. You must also sign, date and return the enclosed proxy card using the postage-paid envelope provided. All shares represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted **FOR** the approval of the Merger Agreement.

Stockholders of record will not be permitted to submit proxies electronically or by telephone. If your shares are held in the name of a bank or broker, the availability of electronic or telephone voting will depend upon the voting processes of the bank or broker. Accordingly, stockholders should follow the voting instructions on the form they receive from their bank or broker.

### **Revocation of Proxies**

The presence of a SICO stockholder at the special meeting of SICO stockholders will not automatically revoke the SICO stockholder's proxy. However, a SICO stockholder may revoke his or her proxy at any time prior to its exercise by:

delivering a written notice of revocation to SICO's Corporate Secretary that is received prior to the SICO special meeting;

submitting another proxy that is dated later than the original proxy and that is received prior to the SICO special meeting;

attending the special meeting of SICO stockholders and voting in person if your shares of SICO common stock are registered in your name rather than in the name of a broker or bank; or

following the instructions on the form you receive from your broker or bank with respect to changing or revoking your proxy if your shares of SICO common stock are held by a broker or bank.

In the absence of a revocation, shares represented by proxies submitted in response to this solicitation will be voted at the special meeting in accordance with the instructions indicated on such proxies.

### **Solicitation of Proxies**

In addition to solicitation by mail, directors, officers and employees of SICO may solicit proxies for the special meeting of SICO stockholders from SICO stockholders personally or by telephone and other electronic means. However, they will not be paid for soliciting proxies. SICO also will provide persons, firms, banks and corporations holding shares in their names or in the names of nominees, which in either case are beneficially owned by others, proxy material for transmittal to beneficial owners and will reimburse the record owners for their expenses in taking such actions. SICO has not retained any proxy soliciting firm in connection with the solicitation of proxies.

Questions concerning the proposal to be acted upon at the special meeting and requests for additional copies of this joint proxy statement/prospectus or the proxy card should be directed to SICO's Corporate Secretary in writing at Smith Investment Company, Attention: Corporate Secretary, 11270 West Park Place, Milwaukee, Wisconsin 53224-9508 or by telephone at (414) 359-4030. For a period of at least ten days prior to the special



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meeting, a complete list of stockholders entitled to vote at the special meeting will be available for inspection during ordinary business hours at Smith Investment Company, 11270 West Park Place, Milwaukee, Wisconsin 53224-9508 by stockholders of record for proper purposes and will be on file at a registered office and subject to inspection by any stockholder for a proper purpose.

**Other Matters to Come Before the Special Meeting of SICO Stockholders**

The SICO board of directors does not intend to bring any other business before the special meeting and, so far as is known to the SICO board of directors, no other matters are to be brought before the special meeting. As to any business that may properly come before the special meeting, however, it is intended that proxies, in the form enclosed, will be voted in respect of such business in accordance with the judgment of the persons voting such proxies.

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**SICO PROPOSAL 1 APPROVAL OF THE MERGER AGREEMENT**

As discussed elsewhere in this joint proxy statement/prospectus, SICO is asking its stockholders to approve the Merger Agreement. SICO stockholders should read carefully this joint proxy statement/prospectus in its entirety for more detailed information concerning the Merger Agreement. In particular, SICO stockholders are directed to the Merger Agreement, which is attached as Annex A to this joint proxy statement/prospectus. Additionally, please refer to the section entitled "The Merger Agreement" beginning on page 88 for a summary of the material terms of the Merger Agreement.

**THE SICO BOARD OF DIRECTORS RECOMMENDS A VOTE FOR  
THE APPROVAL OF THE MERGER AGREEMENT.**

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**THE MERGER**

**Background of the Merger**

From time to time, SICO has reviewed alternatives to address its concern that the SICO common stock historically has traded at a significant discount to the underlying value of SICO's most significant asset—the shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO.

In August 2007, SICO engaged Latham as its outside legal advisor to assist SICO and the SICO board of directors in a review of possible transactions involving SICO's holdings in A. O. Smith. SICO articulated the following objectives for a possible transaction:

providing the stockholders of SICO with direct ownership of A. O. Smith shares, which would allow SICO's stockholders to realize more fully the underlying value of SICO's holdings in A. O. Smith, provide enhanced liquidity to SICO's stockholders and provide SICO's stockholders with direct payment of the full amount of any dividends paid by A. O. Smith;

utilizing a transaction structure that would constitute a tax-free reorganization under the Code; and

providing flexibility for SICO to enhance the value of its other businesses.

During the fall of 2007, SICO's management and representatives of Latham reviewed and evaluated various possible transactions, in light of these stated objectives.

On October 30, 2007, the SICO board of directors met with members of SICO's management to discuss the status of SICO's review of possible transactions. The SICO board of directors discussed the potential interests of the SICO directors who are trustees or beneficiaries of certain trusts for members of the Smith Family, or who otherwise have relationships with A. O. Smith or members of the Smith Family, that could be deemed to conflict with the interests of the SICO Unaffiliated Stockholders. Because of these interests, Latham recommended that the SICO board of directors form a special committee to act in the interests of the SICO Unaffiliated Stockholders with respect to any potential transaction. Edward E. Barr and Harold M. Stratton II were discussed as possible members of the SICO Special Committee. The SICO board of directors determined to continue the review process, and SICO's management was instructed to work with Latham to evaluate further the potential mandate and scope of authority for the SICO Special Committee, and to confirm the eligibility of Messrs. Barr and Stratton to serve on the SICO Special Committee.

On December 18, 2007, the SICO board of directors met to consider transaction alternatives. Latham reviewed two transaction alternatives with the SICO board of directors: a merger of SICO into a newly formed limited liability company subsidiary of A. O. Smith and a transfer of assets of SICO to A. O. Smith. Both of these transaction alternatives could qualify as a tax-free reorganization, although the asset transfer structure had additional restrictions to qualify as a tax-free reorganization. The SICO board of directors established the SICO Special Committee and designated Messrs. Barr and Stratton as the members of the SICO Special Committee. Mr. Barr was later designated as the Chairman of the SICO Special Committee. The SICO Special Committee was delegated the authority to (a) determine the advisability of a potential transaction, (b) consider alternatives to a potential transaction, including not pursuing any transaction, (c) review, evaluate and establish the terms and conditions of a potential transaction or any alternative, (d) negotiate with members of the Smith Family, A. O. Smith and any other party regarding the terms and conditions of a potential transaction or any alternative, and (e) determine whether a potential transaction or any alternative was advisable, fair to and in the best interests of the SICO Unaffiliated Stockholders. The SICO board of directors further provided that it would not recommend any potential transaction or alternative for approval by SICO's stockholders without a prior favorable recommendation of the SICO Special Committee. The SICO Special Committee determined to engage Reinhart as its independent legal counsel.

The SICO Special Committee held a telephonic meeting with Reinhart on December 21, 2007, to discuss various alternatives for a potential transaction and related issues. The SICO Special Committee also discussed

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potential candidates to serve as independent financial advisor to the committee and the criteria for the selection of an investment banking firm to serve as independent financial advisor to the committee. On January 4, 2008, the SICO Special Committee and its legal counsel interviewed candidates to serve as independent financial advisor to the committee, and the SICO Special Committee determined to engage Duff & Phelps.

On January 21, 2008, the SICO Special Committee met at Reinhart's offices with representatives of Duff & Phelps and Reinhart. Reinhart made a presentation to the SICO Special Committee addressing the role and authority of the committee, the two potential transaction structures that had been identified and the considerations and objectives for a potential transaction. The SICO Special Committee discussed the issues and risks with satisfying the test for an asset transfer to qualify as a tax-free reorganization, and decided against further consideration of an asset transfer given the additional restrictions for that transaction structure. The SICO Special Committee also discussed alternatives for SICO's two operating subsidiaries, including distributing them to the SICO stockholders in a spin-off transaction.

Duff & Phelps next made a presentation to the SICO Special Committee. Duff & Phelps addressed two possible alternative transactions: (a) a recapitalization of A. O. Smith that would eliminate the A. O. Smith Class A common stock and (b) a sale of SICO to a third party. During the ensuing discussion, the SICO Special Committee recognized that, if members of the Smith Family did not support either of these transaction alternatives, pursuing one or both of these alternatives would be futile because members of the Smith Family control a majority of the outstanding shares of SICO common stock. The SICO Special Committee instructed its legal and financial advisors to continue to explore these alternatives.

On January 22, 2008, the SICO Special Committee reported on its progress during a meeting of the full SICO board of directors. The SICO Special Committee indicated that it believed it would be in a position to make a recommendation by February 1, 2008.

Between January 22, 2008 and February 1, 2008, the SICO Special Committee's legal and financial advisors continued to explore transaction alternatives and related issues. During this period, it was decided that the members of the SICO Special Committee would consult with members of the Smith Family holding a majority of the outstanding shares of SICO common stock to determine which transaction alternatives they would support. Separate meetings with these members of the Smith Family were scheduled for February 1, 2008. On January 30, 2008, the SICO Special Committee held a telephonic meeting with its legal counsel to discuss the process and objectives for the meetings with members of the Smith Family.

On February 1, 2008, the SICO Special Committee and its legal counsel held separate meetings with certain members of the Smith Family, including the trustees of various trusts. These members of the Smith Family collectively owned and continue to own more than 50% of the outstanding shares of SICO common stock. During these meetings, these members of the Smith Family separately indicated that they would support the proposed transaction with A. O. Smith and also separately indicated that they would not support any alternative transaction that resulted in a sale of SICO or eliminated or limited the dual class voting structure of A. O. Smith.

After the meetings with members of the Smith Family, the SICO Special Committee met on February 1, 2008, to discuss its recommendation with respect to a potential transaction. The SICO Special Committee recognized that a merger transaction with A. O. Smith resulting in the issuance directly to the SICO stockholders of the same aggregate number and type of shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO would provide significant benefits to the SICO Unaffiliated Stockholders, including increased liquidity, the expected elimination of the discount between the market capitalization of SICO and the value of its holdings of A. O. Smith Class A common stock and A. O. Smith common stock and qualification as a tax-free reorganization under the Code. The members of the SICO Special Committee unanimously resolved to recommend to the SICO board of directors a proposal for a merger transaction with A. O. Smith, in which SICO's stockholders would receive the same type and number of A. O. Smith shares held by SICO.

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After the meeting of the SICO Special Committee, the SICO board of directors held a telephonic meeting on February 1, 2008. The SICO Special Committee presented its recommendation to the SICO board of directors, after which the SICO board of directors unanimously approved making a proposal to A. O. Smith for a merger transaction, with SICO's stockholders receiving the same type and number of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO.

On February 2, 2008, Bruce M. Smith, SICO's President and Chief Executive Officer, and Mr. Barr met with Paul W. Jones, Chairman of the board of directors and Chief Executive Officer of A. O. Smith, to present SICO's proposal. SICO proposed that SICO be merged into a newly formed subsidiary of A. O. Smith and that, in the merger, SICO's outstanding common stock be exchanged for newly issued shares of A. O. Smith Class A common stock and A. O. Smith common stock. The proposed total number and type of A. O. Smith shares to be issued in the proposed transaction equaled the number and type of A. O. Smith shares held by SICO, so that there would be no net change in the total number and type of shares of A. O. Smith stock. The merger was intended to qualify as a tax-free reorganization under Section 368(a) of the Code. Prior to the merger, SICO would distribute in a taxable transaction substantially all of its assets, other than its holdings of A. O. Smith shares, to SICO's stockholders. SICO's liabilities would be discharged or otherwise assumed by the entity or entities in which the other SICO assets were to be held.

On the following Monday, February 4, 2008, before the markets opened, SICO and A. O. Smith each issued a press release to announce that A. O. Smith had received the proposal from SICO and to provide details of the proposal. SICO also filed an amendment to its Schedule 13D.

At a meeting held on February 10, 2008, the A. O. Smith board of directors (other than Bruce M. Smith and Mark D. Smith who recused themselves) discussed the proposal received from SICO. At this meeting, James F. Stern, Executive Vice President, General Counsel and Secretary of A. O. Smith, recommended that the A. O. Smith board of directors appoint a special committee of independent and disinterested directors to consider the SICO proposal, among other reasons, because SICO is the controlling stockholder of A. O. Smith and certain members of the A. O. Smith board of directors are affiliated with SICO. At a meeting of the A. O. Smith board of directors (other than Bruce M. Smith and Mark D. Smith who recused themselves) on February 12, 2008, the A. O. Smith board of directors determined that it was appropriate to form and authorized the creation of a special committee of independent and disinterested directors, consisting of William Greubel, Idelle Wolf and Ronald Brown. Mr. Stern confirmed the eligibility of Messrs. Greubel and Brown and Ms. Wolf to serve on the A. O. Smith Special Committee. The A. O. Smith Special Committee was authorized to, among other things, review and evaluate SICO's proposed transaction, negotiate the terms and conditions of any transaction, determine whether the proposed transaction (as it may be amended or modified by the A. O. Smith Special Committee) was fair to, and in the best interests of, A. O. Smith and the A. O. Smith Unaffiliated Stockholders and provide a recommendation to the A. O. Smith board of directors as to whether it should approve the proposed transaction. The A. O. Smith board of directors also authorized the A. O. Smith Special Committee to retain independent legal and financial advisors selected by the A. O. Smith Special Committee. At a subsequent meeting of the A. O. Smith board of directors held on April 15, 2008, the A. O. Smith board of directors affirmed that it would not recommend any potential transaction with SICO without a prior favorable recommendation of the A. O. Smith Special Committee.

On February 12, 2008, the A. O. Smith Special Committee held its initial meeting following a meeting of the A. O. Smith board of directors. At this meeting, the A. O. Smith Special Committee discussed the proposed transaction in general terms and the retention of legal counsel. Mr. Greubel was designated as Chairman of the A. O. Smith Special Committee.

On February 20, 2008, the A. O. Smith Special Committee interviewed potential legal advisors, and at a meeting held on February 24, 2008, selected Winston as its independent legal advisor. The A. O. Smith Special Committee subsequently engaged Abrams & Laster LLP as its Delaware counsel.

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On February 26, 2008 a purported class action was filed against SICO, certain SICO officers and directors, and A. O. Smith in the Milwaukee County Circuit Court in the State of Wisconsin, alleging, among other things, that those officers and directors breached their fiduciary duties in connection with the proposed transaction. The complaint further alleges that A. O. Smith and SICO aided and abetted those alleged breaches of fiduciary duties.

On March 5, 2008, the A. O. Smith Special Committee met with Winston to discuss the proposed transaction with SICO. The A. O. Smith Special Committee expressed its belief that SICO should be responsible for any costs A. O. Smith incurs in considering the proposed transaction. At the meeting, Winston also discussed with the members of the A. O. Smith Special Committee their fiduciary duties as members thereof. Winston subsequently contacted Reinhart, on behalf of the A. O. Smith Special Committee, to request that SICO reimburse A. O. Smith for its expenses in connection with the transaction.

On March 13, 2008, after discussion among the SICO Special Committee and Reinhart, as well as SICO's management, Reinhart contacted Winston on behalf of the SICO Special Committee and indicated that SICO would be willing to reimburse A. O. Smith for its expenses incurred in connection with the transaction up to \$250,000.

On March 18, 2008, the A. O. Smith Special Committee met with and interviewed potential financial advisors to the A. O. Smith Special Committee, and at a meeting held on March 21, 2008, the A. O. Smith Special Committee decided to engage Morgan Stanley as its financial advisor with respect to the proposed transaction, subject to the negotiation of satisfactory engagement terms. After a period of negotiation, the A. O. Smith Special Committee entered into an engagement letter with Morgan Stanley on April 14, 2008.

On March 20, 2008, the A. O. Smith Special Committee proposed that SICO fully reimburse A. O. Smith for all of its reasonable expenses in connection with the transaction proposed by SICO. After a period of negotiation, SICO and A. O. Smith entered into a reimbursement agreement on April 11, 2008, whereby SICO agreed to reimburse A. O. Smith for all of its reasonable out-of-pocket fees, costs and expenses incurred in connection with the proposed transaction up to the time of the execution of a definitive agreement (with any reimbursement of expenses after the execution of a definitive agreement to be addressed in the definitive agreement).

On April 3, 2008, the A. O. Smith Special Committee met with Winston and Morgan Stanley to discuss the proposed transaction process. During the meeting, the A. O. Smith Special Committee reviewed and discussed a proposed timeline for the transaction. The A. O. Smith Special Committee also agreed that Mr. Greubel should set up an initial meeting with Bruce M. Smith, in his capacity as an individual stockholder of SICO, to discuss Mr. Smith's perspective on the proposed transaction. During the meeting, the A. O. Smith Special Committee discussed with Winston and Morgan Stanley the legal, financial and accounting due diligence to be conducted by A. O. Smith on SICO, including the importance of understanding the potential liabilities of SICO and insulating A. O. Smith both structurally and contractually from such liabilities in any transaction.

Also at this meeting, Morgan Stanley discussed potential improvements in deal terms for A. O. Smith that the A. O. Smith Special Committee could pursue when negotiating with the SICO Special Committee the terms of the proposed transaction. The A. O. Smith Special Committee discussed in detail with Morgan Stanley and Winston these proposed transaction terms. The A. O. Smith Special Committee concluded that it would not adopt any formal position or negotiate with SICO at that time. Instead, the A. O. Smith Special Committee concluded that it should determine its negotiating position once additional due diligence had been conducted.

On April 10, 2008, Winston and Morgan Stanley participated in a conference call with Mr. Stern to discuss SICO and the legal due diligence process.

On April 15, 2008, at a meeting of the A. O. Smith board of directors (other than Bruce M. Smith and Mark D. Smith who recused themselves), Mr. Greubel provided a report to the board on the activities of the A. O. Smith Special Committee.

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On April 15, 2008, Mr. Greubel, Winston and Morgan Stanley met with Bruce M. Smith and Latham to discuss the proposed transaction. Mr. Smith attended this meeting solely in his capacity as an individual stockholder of SICO to provide background for his views on the proposed transaction.

On April 23, 2008, SICO and the SICO Special Committee requested that the A. O. Smith Special Committee pass resolutions regarding DGCL Section 203 and the proposed transaction.

On April 24, 2008, A. O. Smith and SICO entered into a confidentiality agreement to facilitate A. O. Smith's due diligence review of SICO. Shortly thereafter, A. O. Smith, in consultation with the advisors to the A. O. Smith Special Committee began conducting a due diligence review of SICO.

On May 5, 2008, as part of the due diligence process, Winston and Morgan Stanley met with Messrs. Jones and Stern and Terry M. Murphy, Executive Vice President and Chief Financial Officer of A. O. Smith, to discuss the perspective of A. O. Smith management on the proposed transaction and A. O. Smith's business strategy.

On May 8, 2008, the A. O. Smith Special Committee engaged Crowe Chizek and Company LLC, which we refer to as Crowe Chizek, to conduct tax and financial due diligence on SICO and its subsidiaries.

Mr. Greubel and advisors to the A. O. Smith Special Committee met with Mr. Barr and advisors to the SICO Special Committee on May 20, 2008. The parties discussed the status of the due diligence review of SICO and the timing of a potential transaction. The parties did not negotiate the terms of any potential transaction at this time.

On May 30, 2008, the A. O. Smith Special Committee held a telephonic meeting to discuss the status of the due diligence process. Winston summarized the status of its legal due diligence review of SICO and Crowe Chizek's tax and financial due diligence review of SICO. Winston also summarized for the A. O. Smith Special Committee the request by SICO and certain members of the Smith Family regarding the DGCL Section 203 resolutions. The A. O. Smith Special Committee agreed to consider the resolutions at its next meeting. The A. O. Smith Special Committee discussed with Morgan Stanley and Winston the timing for formulating a response to SICO's proposal. The A. O. Smith Special Committee concluded that it would not respond to the SICO proposal until A. O. Smith had substantially completed its due diligence review of SICO. The A. O. Smith Special Committee instructed Morgan Stanley and Winston to further refine their analysis of potential improvements in deal terms for A. O. Smith discussed at the April 3, 2008 meeting.

On June 10, 2008, Winston and Morgan Stanley met with Bruce M. Smith and Wesley A. Ulrich, Vice President, Chief Financial Officer, Secretary and Treasurer of SICO, as part of the due diligence process to discuss the business operations of SICO and its subsidiaries.

On June 13, 2008, the A. O. Smith Special Committee held a telephonic meeting to discuss the due diligence status and findings, the DGCL Section 203 resolutions and a proposed response to SICO's proposal. Winston summarized the status of its legal due diligence review of SICO and gave a brief summary of potential issues that were a focus of the due diligence. The A. O. Smith Special Committee approved the DGCL Section 203 resolutions. The A. O. Smith Special Committee discussed with its advisors potential deal term improvements for A. O. Smith and a proposed response to SICO's proposal.

On July 14, 2008, at a meeting of the A. O. Smith board of directors (other than Bruce M. Smith and Mark D. Smith, who recused themselves), Mr. Greubel provided a report to the board on the activities of the A. O. Smith Special Committee.

On July 18, 2008, the A. O. Smith Special Committee held a telephonic meeting. At the meeting, Winston discussed with the A. O. Smith Special Committee its fiduciary duties in connection with the proposed transaction with SICO. Winston then discussed with the A. O. Smith Special Committee the legal due diligence

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review of SICO, which included a detailed explanation of the scope of the due diligence conducted and potential liabilities of SICO and its subsidiaries, including liabilities related to potential litigation and environmental issues. Crowe Chizek also reported its tax and financial due diligence findings to the A. O. Smith Special Committee. Next, Winston and Morgan Stanley discussed with the A. O. Smith Special Committee a proposed response to SICO's proposal, including the potential improvements for A. O. Smith in deal terms that the A. O. Smith Special Committee could pursue based on the due diligence completed to date. The A. O. Smith Special Committee instructed Morgan Stanley and Winston to finalize the proposed response to SICO, consistent with the discussions at the meeting, which Mr. Greubel would deliver to the SICO Special Committee.

On July 23, 2008, Mr. Greubel, Winston and Morgan Stanley met with the SICO Special Committee and Reinhart in Milwaukee, Wisconsin to present the response of the A. O. Smith Special Committee to the SICO proposal made on February 2, 2008. The response of the A. O. Smith Special Committee included, among other things, that the transaction terms provide for the following:

a 5% discount to reduce the exchange ratio in the merger to 0.95 new shares of A. O. Smith Class A common stock and A. O. Smith common stock for each share of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO;

an amendment to the A. O. Smith Existing Charter to provide for the automatic conversion to A. O. Smith common stock of any shares of A. O. Smith Class A common stock that are transferred to an unaffiliated third party;

an amendment to the A. O. Smith Existing Charter to add a provision for all of the outstanding A. O. Smith Class A common stock to convert automatically to A. O. Smith common stock if the outstanding A. O. Smith Class A common stock represents less than 15% of the total outstanding A. O. Smith Class A common stock and A. O. Smith common stock;

an amendment to the A. O. Smith Existing Charter to provide the holders of A. O. Smith common stock with the right to elect one additional member of the A. O. Smith board of directors;

a right of first refusal to A. O. Smith if members of the Smith Family propose to transfer 33% or more of their A. O. Smith Class A common stock in a single transaction;

a requirement that members of the Smith Family agree for a period of five-years not to enter into agreements or arrangements relating to the shares of A. O. Smith Class A common stock and A. O. Smith common stock to be issued in the merger to such members of the Smith Family without the advance approval of the independent members of the A. O. Smith board of directors;

indemnification of A. O. Smith for liabilities related to the historical operation of SICO and any litigation or transaction expenses, with such indemnification to be supported by an escrow of 10% of the new shares of A. O. Smith Class A common stock and A. O. Smith common stock to be issued to SICO's stockholders in the merger and by personal indemnification from certain members of the Smith Family; and

that the merger be approved by a majority of the A. O. Smith Unaffiliated Stockholders, voting separately on the merger.

During the presentation, the parties discussed each issue raised in the A. O. Smith Special Committee's response. The meeting concluded with Mr. Barr indicating that the SICO Special Committee would need to further review and discuss the A. O. Smith Special Committee's requests before providing a response.

In the morning of July 24, 2008, Morgan Stanley and Mr. Barr held a conference call to further discuss the A. O. Smith Special Committee's response to the SICO proposal. Later that day, the A. O. Smith Special Committee met telephonically with representatives of Winston, Morgan Stanley and Abrams & Laster to discuss the previous day's meeting with the SICO Special Committee.





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On August 19, 2008, certain members of the Smith Family filed a Schedule 13D with the SEC to report that they had determined to jointly engage in discussions with other stockholders of SICO, the SICO Special Committee and potentially A. O. Smith and the A. O. Smith Special Committee regarding the proposed transaction. These members of the Smith Family appointed Arthur O. Smith and Bruce M. Smith as their representatives and Quarles as their legal counsel.

During the period from July 24, 2008 through September 3, 2008, Reinhart consulted with the members of the SICO Special Committee regarding the A. O. Smith Special Committee's July 23, 2008 requests and the terms of a response to the A. O. Smith Special Committee. Reinhart also consulted with Quarles to discuss the position of the representatives of the members of the Smith Family represented by Quarles, particularly with respect to the requests made by the A. O. Smith Special Committee that were directed to the Smith Family.

On September 3, 2008, the SICO Special Committee provided the following response to the A. O. Smith Special Committee's July 23, 2008 requests:

the SICO Special Committee was unwilling to accept a discount in the exchange ratio;

the SICO Special Committee was willing to accept an amendment to the A. O. Smith Existing Charter to provide for the automatic conversion to A. O. Smith common stock of any shares of A. O. Smith Class A common stock that are transferred to an unaffiliated third party;

the SICO Special Committee was willing to accept an amendment to the A. O. Smith Existing Charter to add a provision for all of the outstanding A. O. Smith Class A common stock to convert automatically to A. O. Smith common stock provided that the threshold was 7% of the total outstanding A. O. Smith Class A common stock and A. O. Smith common stock rather than the 15% requested by the A. O. Smith Special Committee;

the SICO Special Committee was willing to accept an amendment to the A. O. Smith Existing Charter to provide the holders of the A. O. Smith common stock with the right to elect one additional member of the A. O. Smith board of directors;

representatives of certain members of the Smith Family were unwilling to accept granting a right of first refusal to A. O. Smith if members of the Smith Family propose to transfer 33% or more of their A. O. Smith Class A common stock in a single transaction;

representatives of certain members of the Smith Family were unwilling to agree for a period of five-years not to enter into agreements or arrangements relating to shares of A. O. Smith stock to be issued in the merger to members of the Smith Family, but they may be willing to discuss more limited restrictions on arrangements with third parties unrelated to SICO stockholders;

the SICO Special Committee was willing to provide for indemnification of A. O. Smith for liabilities related to the historical operation of SICO and any litigation or transaction expenses, with such indemnification to be limited to a two year survival period and a \$10 million cap, but with no escrow of shares;

representatives of members of the Smith Family holding a majority of the outstanding shares of SICO common stock were unwilling to accept the request for personal indemnification from members of the Smith Family; and

the SICO Special Committee believed the requirement that the merger be approved by a majority of the A. O. Smith Unaffiliated Stockholders, voting separately on the merger, was unnecessary.

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At a telephonic meeting of the A. O. Smith Special Committee held on September 4, 2008, Winston and Morgan Stanley summarized the response received on September 3, 2008 from the SICO Special Committee. The A. O. Smith Special Committee expressed its general acceptance of the provisions regarding the conversion of A. O. Smith Class A common stock into A. O. Smith common stock upon transfer to unaffiliated third parties

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and agreed that it would not continue to insist that certain SICO stockholders grant A. O. Smith a right of first refusal with respect to certain transfers of their shares of A. O. Smith. The A. O. Smith Special Committee and its advisors then discussed the SICO Special Committee's response that a discount in the exchange ratio was not acceptable. The A. O. Smith Special Committee and its advisors articulated numerous reasons why they believed a discount in the exchange ratio was appropriate and the A. O. Smith Special Committee concluded that it was not willing to recommend a transaction that did not include a discount in the exchange ratio. However, the A. O. Smith Special Committee indicated that it was willing to consider a discount of less than 5%. The A. O. Smith Special Committee also continued to believe that the merger should be approved by a majority of the A. O. Smith Unaffiliated Stockholders, voting separately on the merger.

The A. O. Smith Special Committee also stated that it believed the threshold at which all A. O. Smith Class A common stock should automatically convert into A. O. Smith common stock should be increased from SICO's proposed 7% of the total outstanding A. O. Smith Class A common stock and A. O. Smith common stock to somewhere in the range of 10% and 12%. Finally, the A. O. Smith Special Committee concluded that it was important to have an escrow of shares to provide a source of recourse for any indemnification claims. The A. O. Smith Special Committee determined that it would not continue to insist upon direct indemnification from certain members of the Smith Family.

On September 15, 2008, the A. O. Smith Special Committee held a telephonic meeting with Winston and Morgan Stanley to discuss a response to the SICO Special Committee. The A. O. Smith Special Committee authorized Winston and Morgan and Stanley to negotiate open transaction issues with the advisors to SICO and the SICO Special Committee consistent with the positions articulated at the September 4th meeting.

The advisors to the A. O. Smith Special Committee, including representatives from Winston, Morgan Stanley and Abrams & Laster, and advisors to SICO and the SICO Special Committee, including representatives from Reinhart and Latham, met at the offices of Winston on October 2, 2008 to discuss the open transaction issues. The parties discussed the exchange ratio discount and Reinhart indicated that the SICO Special Committee would be willing to consider a discount in the exchange ratio of approximately 1%, but not a 5% discount, and that the SICO Special Committee would not be willing to accept a separate vote on the merger by the A. O. Smith Unaffiliated Stockholders. The advisors to the A. O. Smith Special Committee, as authorized by the A. O. Smith Special Committee, responded that a 3% discount would be acceptable to the A. O. Smith Special Committee. However, the advisors to the A. O. Smith Special Committee did not agree to withdraw its request for a separate vote on the merger by the A. O. Smith Unaffiliated Stockholders. Reinhart agreed to take this response to the SICO Special Committee for its review. Latham then conveyed its understanding that certain members of the Smith Family were willing to consider certain restrictions relating to the shares of A. O. Smith Class A common stock and A. O. Smith common stock that they would receive in the merger, and Winston conveyed that the A. O. Smith Special Committee was withdrawing its proposals for members of the Smith Family to be subject to a right of first refusal and to provide personal indemnification for liabilities relating to SICO's historical operations. After discussing the other remaining issues, the advisors to SICO and the SICO Special Committee agreed to an escrow of shares with a value of \$15,000,000 to provide a source of recourse for any indemnification claims, including for any liabilities associated with SICO's spun-off operating subsidiaries. The advisors to SICO and the SICO Special Committee also agreed that SpinCo would provide indemnification from any such liabilities. The advisors to the A. O. Smith Special Committee agreed that a portion of the A. O. Smith shares would be released from escrow upon the resolution of any transaction litigation. Reinhart informed Winston and Morgan Stanley that the SICO Special Committee was willing to accept a threshold for the automatic conversion of all A. O. Smith Class A common stock of 7.5%.

The A. O. Smith Special Committee held a telephonic meeting on October 7, 2008 to discuss the October 2nd meeting. Morgan Stanley reported that the advisors had made progress on the outstanding issues but they were still unable to reach agreement on a number of key issues, including the exchange ratio discount, the percentage threshold below which all A. O. Smith Class A common stock would convert into A. O. Smith common stock and the separate vote on the merger by the A. O. Smith Unaffiliated Stockholders.

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On October 8, 2008, the members of the SICO Special Committee participated in a teleconference with Reinhart, Latham and Quarles to review the October 2nd meeting and the status of the outstanding issues. The members of the SICO Special Committee subsequently authorized Reinhart to offer a 1% exchange ratio discount and to continue to request a threshold of 7.5% for the conversion of the A. O. Smith Class A common stock and that the A. O. Smith Special Committee withdraw its request for a separate vote of the A. O. Smith Unaffiliated Stockholders.

On October 13, 2008, at a meeting of the A. O. Smith board of directors (other than Bruce M. Smith and Mark D. Smith who recused themselves), Mr. Greubel provided a report to the board on the activities of the A. O. Smith Special Committee regarding the ongoing negotiations with SICO.

During the next week, the advisors to the A. O. Smith Special Committee and the SICO Special Committee participated in a series of telephone calls regarding the remaining issues. Following these discussions, Winston and Morgan Stanley participated in a telephonic meeting with the A. O. Smith Special Committee on October 15, 2008, to update the A. O. Smith Special Committee on the status of their discussions with the advisors to the SICO Special Committee. Morgan Stanley reported that the SICO Special Committee had offered an exchange ratio discount of 1%, continued to request an A. O. Smith Class A common stock conversion threshold of 7.5% and continued to ask that the A. O. Smith Special Committee withdraw its request for a separate vote of the A. O. Smith Unaffiliated Stockholders. The A. O. Smith Special Committee discussed the terms in detail with its advisors and stressed the importance to A. O. Smith of obtaining a larger exchange ratio discount. The A. O. Smith Special Committee then authorized Winston and Morgan Stanley to contact the advisors to the SICO Special Committee and offer an exchange ratio discount of 2.25% and a conversion threshold of 8%. This offer was conveyed to the SICO Special Committee on October 22, 2008.

On October 22, 2008 and again on October 27, 2008, Reinhart consulted with the members of the SICO Special Committee regarding the A. O. Smith Special Committee's October 22, 2008 offer.

On October 27, 2008, Reinhart called Winston to inform them that the SICO Special Committee was willing to accept an exchange ratio discount of 1.25% provided that A. O. Smith withdraw its request for a separate vote on the merger by a majority of the A. O. Smith Unaffiliated Stockholders. Reinhart also conveyed that the SICO Special Committee was agreeable to an A. O. Smith Class A common stock conversion threshold of 8%. The A. O. Smith Special Committee met telephonically on October 30, 2008 to discuss the status of the negotiations, including the suggested exchange ratio discount of 1.25%. The A. O. Smith Special Committee did not agree to the SICO Special Committee's offer of a 1.25% exchange ratio discount. However, the A. O. Smith Special Committee authorized Winston to begin negotiating the Merger Agreement and related transaction documents with Reinhart and Latham, in order to assess any other issues that might exist.

The parties held a meeting at the offices of A. O. Smith on November 5, 2008 to discuss a proposed timetable for negotiating the Merger Agreement and related transaction documents. On November 7, 2008, Reinhart distributed a draft of the Merger Agreement and Winston, Latham and Quarles distributed drafts of other transaction documents, including the support agreements, the escrow agreement, the A. O. Smith Amended Charter and the stockholder agreement for certain members of the Smith Family. Between November 7, 2008 and December 8, 2008, the parties negotiated the terms of the definitive agreements for the transaction.

On November 21, 2008, the A. O. Smith Special Committee held a telephonic meeting with Winston and Morgan Stanley to discuss the status of the transaction and the remaining open issues and to review the transaction documents.

On November 26, 2008, Winston distributed drafts of the Merger Agreement and the related transaction documents to the A. O. Smith board of directors.

On December 1, 2008, Winston and Morgan Stanley met with Messrs. Jones, Murphy and Stern in Milwaukee, Wisconsin to discuss their due diligence findings and the status of the negotiations with SICO and the SICO Special Committee.

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On December 1, 2008, the SICO Special Committee held a telephonic meeting with Reinhart and Duff & Phelps to discuss the status of the transaction and the remaining open issues.

On December 5, 2008, the SICO Special Committee held a meeting at Reinhart's offices with its legal and financial advisors. The SICO Special Committee reviewed the open issues in the Merger Agreement and other transaction documents. Reinhart reviewed with the SICO Special Committee its role and authority in connection with the proposed transaction. Duff & Phelps made a presentation regarding its analysis and form of opinion regarding the fairness, from a financial point of view, of the merger consideration to the SICO Unaffiliated Stockholders, assuming an exchange ratio discount of 1.25%, and responded to questions from members of the SICO Special Committee with respect to the information reviewed and the transaction. After the conclusion of the SICO Special Committee meeting, the SICO board of directors held a meeting at Reinhart's offices to review the terms of the proposed transaction and the Merger Agreement and other transaction documents. Latham also reviewed with the SICO board of directors its fiduciary duties in connection with the transaction, the terms and structure of the proposed transaction and the Merger Agreement and other transaction documents.

On December 5, 2008, representatives from Winston and Reinhart discussed telephonically a possible resolution to the issues of the exchange ratio discount and the separate vote of the A. O. Smith Unaffiliated Stockholders. Winston and Reinhart each agreed to discuss a possible compromise with the respective special committees that in exchange for an exchange ratio discount of 1.5%, the A. O. Smith Special Committee would not require that the merger be approved by a separate vote of the A. O. Smith Unaffiliated Stockholders.

Later that day, the A. O. Smith Special Committee held a telephonic meeting with its legal and financial advisors to discuss and review in detail the negotiated terms of the Merger Agreement and other transaction documents. Winston described to the A. O. Smith Special Committee the suggested compromise on the exchange ratio discount and the separate vote of the A. O. Smith Unaffiliated Stockholders. After discussion the A. O. Smith Special Committee concluded that it was in the best interests of the A. O. Smith Unaffiliated Stockholders to forego a separate vote on the merger by the A. O. Smith Unaffiliated Stockholders in exchange for a 1.5% discount in the exchange ratio.

At this meeting, Morgan Stanley made a presentation regarding its preliminary analysis of the merger and responded to questions from members of the A. O. Smith Special Committee with respect to its presentation. During this discussion Morgan Stanley communicated that, assuming a 1.5% discount in the exchange ratio and the other financial terms of the merger that were discussed by the A. O. Smith Special Committee, Morgan Stanley would expect to be able to deliver an opinion that the exchange ratio was fair from a financial point of view to A. O. Smith.

After considering, among other things, the factors described below under "A. O. Smith's Reasons for the Merger; Recommendations of the A. O. Smith Special Committee and the A. O. Smith Board of Directors," and the financial analyses and presentation of Morgan Stanley, the A. O. Smith Special Committee determined that the Merger Agreement, reflecting a 1.5% discount in the exchange ratio, and the other transaction documents are advisable, substantively and procedurally fair to, and in the best interests of A. O. Smith and the A. O. Smith Unaffiliated Stockholders and unanimously recommended that the board of directors of A. O. Smith adopt, authorize and declare advisable the Merger Agreement, the merger and the transactions contemplated thereby.

On December 5, 2008, Winston and Morgan Stanley had a call with Mr. Ulrich and Reinhart to update due diligence regarding the operations of SICO and its subsidiaries since July 2008.

Between December 5, 2008 and December 8, 2008, the advisors to the A. O. Smith Special Committee, the SICO Special Committee and SICO finalized the Merger Agreement and other transaction documents.

On December 8, 2008, Reinhart held a teleconference with Bruce M. Smith and Arthur O. Smith, the representatives of the members of the Smith Family, who collectively own more than 50% of the outstanding shares of SICO common stock, and Quarles. During this call, the representatives confirmed on behalf of these

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members of the Smith Family that they would support the proposed transaction with A. O. Smith and that they would not support any alternative transaction that resulted in a sale of SICO or eliminated or limited A. O. Smith's dual class voting structure.

In the afternoon of December 8, 2008, the A. O. Smith board of directors held a meeting in Milwaukee, Wisconsin. Directors Bruce M. Smith and Mark D. Smith, being members of the Smith Family, recused themselves and did not attend the meeting. Mr. Jones requested that Mr. Greubel, Chairman of the A. O. Smith Special Committee, provide the report of the A. O. Smith Special Committee to the board for its consideration. Mr. Greubel discussed the objectives of the negotiations and the extensive process that the A. O. Smith Special Committee went through. He also provided the A. O. Smith board of directors with a history of the negotiations. Mr. Greubel then discussed the reasons for the transaction from the perspective of A. O. Smith. Mr. Greubel stated that he would provide the recommendation of the A. O. Smith Special Committee after a representative from Winston summarized the proposed transaction and reviewed the agreements with the board.

Winston discussed with the A. O. Smith board of directors the legal standards for the transaction under Delaware law and the fiduciary duties of the directors in considering the proposed transaction. Winston also discussed with the A. O. Smith board of directors the lawsuit that had been filed against SICO and its directors and officers, and A. O. Smith. Winston reviewed in detail the terms of the Merger Agreement and related documents and responded to questions from the directors. Winston also discussed its due diligence findings with the A. O. Smith board of directors and responded to questions about potential liabilities of SICO.

Morgan Stanley next made a presentation regarding its analysis of the transaction and responded to questions from directors with respect to its presentation. Morgan Stanley then subsequently rendered its oral opinion to the A. O. Smith Special Committee and the A. O. Smith board of directors, which opinion subsequently was confirmed in a written opinion dated December 9, 2008, to the effect that as of such date and based upon and subject to the various considerations set forth in the written opinion, the exchange ratio pursuant to the Merger Agreement was fair from a financial point of view to A. O. Smith. Following Morgan Stanley's presentation, the A. O. Smith board of directors discussed the proposed transaction. Mr. Greubel then reported to the board of directors that the A. O. Smith Special Committee unanimously (a) determined that the Merger Agreement, the ancillary agreements and the transactions contemplated by those agreements, including the merger, are advisable and substantively and procedurally fair to, and in the best interests of, A. O. Smith and the A. O. Smith Unaffiliated Stockholders, (b) recommended that the A. O. Smith board of directors approve and adopt the Merger Agreement, the ancillary agreements and the related transactions, including the merger and (c) recommended that the A. O. Smith Unaffiliated Stockholders approve the Merger Agreement. The A. O. Smith Special Committee then reaffirmed these recommendations. Mr. Jones then requested that the A. O. Smith board of directors consider the proposed transaction and reflect on the presentations, and he adjourned the meeting until the morning of December 9, 2008.

On the morning of December 9, 2008, the A. O. Smith board of directors held a meeting in Milwaukee, Wisconsin. Bruce M. Smith and Mark D. Smith recused themselves and did not attend the portion of the meeting dealing with the SICO proposal. After considering, among other things, the factors described below under Reasons for the Merger; Recommendation of the A. O. Smith Special Committee and the A. O. Smith Board of Directors, the advice of their legal advisor, Winston, the financial analyses and opinion of Morgan Stanley to the A. O. Smith Special Committee and the A. O. Smith board of directors to the effect that as of December 9, 2008 and based upon and subject to the various considerations set forth in its written opinion, the exchange ratio pursuant to the Merger Agreement was fair from a financial point of view to A. O. Smith, and the recommendation of the A. O. Smith Special Committee, the A. O. Smith directors (other than Bruce M. Smith and Mark D. Smith who recused themselves and did not attend the meeting) determined that the Merger Agreement and merger are advisable and substantively and procedurally fair to, and in the best interests of, A. O. Smith and its stockholders (including the A. O. Smith Unaffiliated Stockholders) and adopted resolutions approving the Merger Agreement and the transactions contemplated thereby and recommending that the A. O. Smith stockholders adopt the Merger Agreement, adopt the A. O. Smith Amended Charter and approve the Stock Issuance.

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On December 9, 2008, the SICO Special Committee held a meeting by teleconference with representatives of Reinhart and Duff & Phelps attending. Reinhart updated the SICO Special Committee on the proposed resolution of the open issues on the transaction, including the compromise for a discount of 1.5% in the exchange ratio. Representatives from Duff & Phelps made a presentation to the SICO Special Committee to cover the changes from its December 5 presentation, including the effect of the discount of 1.5% in the exchange ratio. At the conclusion of its presentation, Duff & Phelps delivered an oral opinion, confirmed in writing by an opinion dated December 9, 2008, that the consideration to be received by the SICO Unaffiliated Stockholders pursuant to the Merger Agreement, as of the date of the opinion and based upon and subject to the assumptions, limitations, qualifications and factors contained therein, is fair, from a financial point of view, to the SICO Unaffiliated Stockholders. The full text of this written opinion, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with this opinion, is attached as Annex I to this joint proxy statement/prospectus. After further discussion and evaluation of the terms and conditions of the Merger Agreement, and after considering, among other things, the factors described below under SICO's Reasons for the Merger; Recommendations of the SICO Special Committee and the SICO Board of Directors, the SICO Special Committee unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the merger, are advisable and procedurally and substantively fair to, and in the best interests of, SICO and the SICO Unaffiliated Stockholders, and unanimously recommended that SICO board of directors authorize, adopt and approve the Merger Agreement and the transactions contemplated thereby, including the merger.

Following the meeting of the SICO Special Committee, the SICO board of directors held a meeting on December 9, 2008 by teleconference with representatives of Duff & Phelps, Latham and Reinhart attending. Latham updated the SICO board of directors on the resolution of the open issues on the transaction and corresponding changes to the Merger Agreement. Representatives from Duff & Phelps made a presentation to the SICO board of directors, and responded to questions from members of the SICO board of directors with respect to the information reviewed and the transaction. Duff & Phelps informed the SICO board of directors that it had previously delivered its opinion to the SICO Special Committee and that the members of the SICO board of directors are entitled to rely on that opinion. The SICO Special Committee then reported to the SICO board of directors as to the SICO Special Committee's recommendation in favor of the Merger Agreement and the transactions contemplated thereby, including the merger. After further discussion and evaluation of the terms and conditions of the Merger Agreement, and after considering, among other things, the factors described below under SICO's Reasons for the Merger; Recommendations of the SICO Special Committee and the SICO Board of Directors, the SICO board of directors unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the merger, are advisable and procedurally and substantively fair to, and in the best interests of, the stockholders of SICO, and unanimously approved the Merger Agreement and the transactions contemplated thereby, including the merger.

Later in the day on December 9, 2008, A. O. Smith, MergerCo, SICO and SpinCo executed and delivered the Merger Agreement, SICO and A. O. Smith executed a support agreement, and SICO, A. O. Smith and certain members of the Smith Family executed a support agreement. A. O. Smith and certain members of the Smith Family also executed the stockholder agreement. On December 9, 2008, A. O. Smith and SICO issued a joint press release publicly announcing the signing of the Merger Agreement and related transaction documents.

**A. O. Smith's Reasons for the Merger; Recommendations of the A. O. Smith Special Committee and A. O. Smith Board of Directors**

The A. O. Smith Special Committee, consisting solely of independent and disinterested directors, and acting with the advice and assistance of its independent financial and legal advisors, evaluated and negotiated the terms of the merger, including the terms and conditions of the Merger Agreement. On December 5, 2008, the A. O. Smith Special Committee unanimously determined that the merger, the terms of the Merger Agreement and the transactions contemplated thereby are advisable and substantively and procedurally fair to, and in the best interests of A. O. Smith and the A. O. Smith Unaffiliated Stockholders, recommended that the A. O. Smith board



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of directors adopt, authorize and declare advisable the merger, Merger Agreement and the other transactions contemplated by the Merger Agreement and recommended that the A. O. Smith Unaffiliated Stockholders adopt the Merger Agreement. The A. O. Smith Special Committee reaffirmed its recommendations on December 8, 2008. On December 9, 2008, at a meeting of the A. O. Smith board of directors, after hearing and considering the A. O. Smith Special Committee's recommendation, the A. O. Smith board of directors (other than Mr. Bruce M. Smith and Mr. Mark D. Smith who recused themselves and did not attend the meeting) determined that the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement are advisable and substantively and procedurally fair to, and in the best interests of, A. O. Smith and its stockholders (including the A. O. Smith Unaffiliated Stockholders) and approved the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement.

**The A. O. Smith Special Committee recommends that the A. O. Smith Unaffiliated Stockholders vote FOR the proposal to adopt the Merger Agreement. The A. O. Smith board of directors recommends that A. O. Smith stockholders vote FOR the proposal to adopt the Merger Agreement, FOR the proposal to adopt the A. O. Smith Amended Charter and FOR the proposal to approve the Stock Issuance.**

In the course of reaching their determination, the A. O. Smith Special Committee and the A. O. Smith board of directors considered the following factors and potential benefits of the merger, each of which they believed supported their decision and provided assurance of the substantive fairness of the merger to A. O. Smith's stockholders (including the A. O. Smith Unaffiliated Stockholders):

the fact that the exchange ratio in the Merger Agreement reflects a discount of 1.5%, such that the merger will result in the SICO stockholders receiving, in the aggregate, 98.5% of the total number of shares of each of the A. O. Smith Class A common stock and A. O. Smith common stock held by SICO prior to the effective time of the merger, subject to the treatment of Escrow Shares, fractional shares and dissenting shares described in this joint proxy statement/prospectus;

the fact that the value of the shares of A. O. Smith Class A common stock and A. O. Smith common stock reflected in this discount (assuming a one for one conversion of the A. O. Smith Class A common stock into A. O. Smith common stock) was \$4.6 million, based on the closing price of \$31.81 of the A. O. Smith common stock on the NYSE on December 8, 2008, the last full trading day prior to the execution of the Merger Agreement;

the fact that the discount reflected in the exchange ratio is fixed at 1.5% of the total number of A. O. Smith shares held by SICO, such that if the price of A. O. Smith Class A common stock and A. O. Smith common stock increases, the dollar amount of benefit from this discount to the A. O. Smith Unaffiliated Stockholders also increases;

the fact that SICO stockholders will have a more efficient tax position, will own A. O. Smith shares directly and can sell the shares as needed, all of which will enable them to act in the interests of the other long-term A. O. Smith stockholders;

the fact that the ability of SICO stockholders to sell their A. O. Smith shares could provide greater long-term liquidity for the A. O. Smith common stock since the A. O. Smith Class A common stock will convert into A. O. Smith common stock upon any public sale of A. O. Smith Class A common stock;

the fact that amendments to the A. O. Smith Existing Charter contemplated by the transaction reduces substantially the possibility that holders of A. O. Smith Class A common stock could obtain a theoretical control premium on a sale of those shares, and may ultimately result in the elimination of the dual class voting structure at A. O. Smith;

the fact that A. O. Smith Class A common stock will automatically convert into A. O. Smith common stock if the total number of outstanding shares of A. O. Smith Class A common stock falls below

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2,397,976 shares, which is approximately 8% of the combined outstanding A. O. Smith Class A common stock and A. O. Smith common stock as of the date of the Merger Agreement, which may ultimately prevent holders of shares representing a disproportionately small economic interest in A. O. Smith from controlling A. O. Smith;

the fact that holders of A. O. Smith Class A common stock may no longer transfer their stock to non-Smith Family unaffiliated third parties without the shares automatically converting to A. O. Smith common stock, which is expected to disperse voting control to the holders of A. O. Smith common stock over time;

the belief that the revised and improved corporate governance structure reaffirms the A. O. Smith board of directors' commitment to making decisions in the best interests of all stockholders, which is expected to increase the confidence of public stockholders in A. O. Smith;

the belief that the revised corporate governance structure allows the Smith Family to continue its long-standing and strong commitment to A. O. Smith and enables A. O. Smith's management to continue making decisions for the long-term best interests of A. O. Smith and all of its stockholders;

the fact that holders of A. O. Smith common stock will be entitled to elect 33- $\frac{1}{3}$ % of the members of the A. O. Smith board of directors, which is an increase from their current right to elect 25% of the members;

the fact that certain members of the Smith Family will agree to certain restrictions in the stockholder agreement which provide the A. O. Smith board of directors the right to approve certain actions these members of the Smith Family could take or propose to the possible disadvantage of the other stockholders, such as a going-private transaction;

the fact that the A. O. Smith Special Committee and its legal and financial advisors conducted arm's length negotiations with the SICO Special Committee and its legal and financial advisors regarding the terms of the merger, and the belief of the A. O. Smith Special Committee and the A. O. Smith board of directors that the terms of the merger are as favorable to A. O. Smith and the A. O. Smith Unaffiliated Stockholders as could reasonably be attained under the circumstances;

the results of business, legal and financial due diligence investigations of SICO and its subsidiaries conducted by A. O. Smith's management and legal and financial advisors, and the resulting conclusions by the parties conducting the due diligence investigations;

the fact that A. O. Smith and its subsidiaries are indemnified by SpinCo and from the escrow, for substantially all liabilities relating to or arising from the operation of SICO's operating businesses prior to the merger;

the fact that A. O. Smith will be reimbursed by SICO for substantially all of its fees and expenses incurred in connection with the transaction;

the financial analysis presented by Morgan Stanley, independent financial advisor to the A. O. Smith Special Committee, and its oral opinion, rendered on December 8, 2008, which opinion subsequently was confirmed in a written opinion dated December 9, 2008, to the A. O. Smith Special Committee and the A. O. Smith board of directors, to the effect that as of such date and based upon and subject to the various considerations set forth in the written opinion, the exchange ratio pursuant to the Merger Agreement was fair from a financial point of view to A. O. Smith (see the sections entitled "Opinion of Morgan Stanley, Financial Advisor to the A. O. Smith Special Committee," beginning on page 69);

the fact that shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO representing approximately 78.8% of the voting power of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, and 97.9% of the voting power of the total outstanding shares of A. O. Smith Class A common stock, voting as a separate class, have agreed to vote in favor of the adoption of the Merger Agreement and the transactions contemplated by the Merger Agreement (see Agreements Relating to the Merger SICO Support Agreement beginning on page 106);

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the fact that shares of SICO common stock representing approximately 52.7% of the voting power of the total outstanding shares of SICO common stock have agreed to vote in favor of the approval of the Merger Agreement (see Agreements Relating to the Merger Smith Family Support Agreement beginning on page 106); and

the belief that the terms of the Merger Agreement, including the parties' respective representations, warranties and covenants, are reasonable.

The A. O. Smith Special Committee and the A. O. Smith board of directors also considered a number of factors relating to the procedural safeguards involved in the negotiation of the merger, including those discussed below, each of which they believed supported their decision and provided assurance of the substantive and procedural fairness of the merger to A. O. Smith's stockholders (including the A. O. Smith Unaffiliated Stockholders):

the fact that A. O. Smith's board of directors established a special committee of independent and disinterested directors, consisting solely of directors who are not officers, employees or affiliated in any way (other than in their capacities as directors of A. O. Smith) with A. O. Smith, SICO or the Smith Family to review, evaluate and negotiate proposals made by SICO with respect to a potential transaction;

the fact that the terms and conditions of the Merger Agreement resulted from extensive negotiations between the A. O. Smith Special Committee and its advisors and the SICO Special Committee, SICO and their respective advisors;

the fact that, subject to compliance with the terms and conditions of the Merger Agreement, if there is a material intervening event, the A. O. Smith board of directors is permitted, prior to the adoption of the Merger Agreement by its stockholders, to change its recommendation; and

receipt of the written opinion of Morgan Stanley delivered on December 9, 2008 to the A. O. Smith Special Committee and the A. O. Smith board of directors to the effect that as of the date of such opinion and based upon and subject to the various considerations set forth in the written opinion, the exchange ratio pursuant to the Merger Agreement was fair from a financial point of view to A. O. Smith.

In addition to the factors described above, the A. O. Smith Special Committee and the A. O. Smith board of directors identified and considered a variety of risks and potentially negative factors in its deliberations concerning the merger, including:

the fact that the discount reflected in the exchange ratio is fixed at 1.5% of the total number of A. O. Smith shares held by SICO, such that if the price of A. O. Smith Class A common stock and A. O. Smith common stock decreases, the dollar amount of benefit from this discount to the A. O. Smith Unaffiliated Stockholders also decreases;

the possibility that the merger might not be completed as a result of the failure of one or more conditions to the merger, or that completion of the merger might be unduly delayed or subject to adverse conditions that may be imposed by governmental authorities;

the risk that the potential benefits sought in the merger might not be fully realized;

the fact that the Smith Family members who enter into the voting trust agreement may have significant influence over the management of A. O. Smith;

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the fact that A. O. Smith is required to submit the approval of the merger to a vote of its stockholders even if the A. O. Smith board of directors withdraws or modifies its recommendation to vote in favor of the merger;

the interests that certain directors of A. O. Smith may have with respect to the merger in addition to their interests as A. O. Smith stockholders generally, as described in the section entitled Interests of A. O. Smith Executive Officers and Directors in the Merger beginning on page 79;

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the fact that non-SICO holders of A. O. Smith Class A common stock will lose the right they currently have to freely transfer their A. O. Smith Class A common stock without the shares converting to A. O. Smith common stock upon transfer;

the fact that non-SICO holders of A. O. Smith Class A common stock will have the right to elect fewer directors than they were able to elect prior to the transaction;

the fact that the price of A. O. Smith Class A common stock and A. O. Smith common stock may decline if SICO stockholders sell the shares they receive in the merger;

the fact that the approval of the merger will not be submitted to a separate vote of the A. O. Smith Unaffiliated Stockholders;

the litigation proceedings filed in the Milwaukee County Circuit Court in the State of Wisconsin in connection with the Merger and related transactions, as described in the section entitled "Legal Proceedings Regarding the Merger" beginning on page 84;

the risk that SpinCo could become unable to satisfy its indemnification obligations under the Merger Agreement;

the risk that the escrow fund may be insufficient to satisfy all indemnification claims of A. O. Smith and other indemnified parties; and

the various other risks associated with the merger set forth under the section entitled "Risk Factors" beginning on page 30.

After considering these factors, the A. O. Smith Special Committee and the A. O. Smith board of directors concluded that on balance the potential benefits of the merger to A. O. Smith and its stockholders outweighed the potential negative factors. In light of the number and wide variety of factors considered in connection with its evaluation of the transaction, the A. O. Smith Special Committee and the A. O. Smith board of directors did not consider it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weights to the specific factors they considered in reaching their determination. Rather, the A. O. Smith Special Committee and the A. O. Smith board of directors made their recommendations based on the totality of information presented to, and the investigation conducted by or at the direction of, the A. O. Smith Special Committee and the A. O. Smith board of directors. In addition, individual directors may have given different weight to different information and factors. This explanation of A. O. Smith's reasons for recommending the merger and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under "Forward-Looking Statements" beginning on page 37.

In considering the recommendation of the A. O. Smith board of directors with respect to the merger, you should be aware that certain members of the A. O. Smith board of directors have certain interests in the merger that are different from, or are in addition to, the interests of A. O. Smith's stockholders generally and which create conflicts of interest. In addition, certain of the directors of A. O. Smith will receive benefits in connection with the merger that are not available to A. O. Smith stockholders generally. For a more complete description of these interests and benefits, see "Interests of A. O. Smith Executive Officers and Directors in the Merger" beginning on page 79 of this joint proxy statement/prospectus.

**SICO's Reasons for the Merger; Recommendations of the SICO Special Committee and SICO Board of Directors**

On December 9, 2008, the SICO Special Committee unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the merger, are advisable and procedurally and substantively fair to, and in the best interests of, SICO and the SICO Unaffiliated Stockholders, and recommended that the SICO board of directors authorize, adopt and approve the Merger Agreement and the transactions contemplated thereby, including the merger. The SICO Special Committee unanimously recommends that the SICO Unaffiliated Stockholders vote **FOR** the approval the Merger Agreement at the special meeting of the SICO stockholders.



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On December 9, 2008, the SICO board of directors unanimously approved the Merger Agreement and the transactions contemplated thereby, including the merger, and determined that the Merger Agreement and the transactions contemplated thereby, including the merger, are advisable and procedurally and substantively fair to, and in the best interests of, SICO and the SICO stockholders, including the SICO Unaffiliated Stockholders. The SICO board of directors unanimously recommends that the SICO stockholders vote **FOR** the approval of the Merger Agreement at the special meeting of the SICO stockholders.

The SICO Special Committee and the SICO board of directors, in reaching their respective recommendations with respect to the Merger Agreement, considered a number of factors, including the material factors discussed in the following paragraphs. In light of the number and wide variety of factors considered in connection with their evaluation of the Merger Agreement and the transactions contemplated thereby, including the Merger, neither the SICO Special Committee nor the SICO board of directors considered it practicable to, and did not attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its recommendation. The SICO Special Committee and the SICO board of directors viewed their respective recommendations as being based on the totality of the information presented, and the factors they considered. In addition, individual members of the SICO Special Committee or the SICO board of directors, in making their decisions, may have given different weight to different information and factors. This explanation of SICO's reasons for the Merger and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Forward Looking Statements" beginning on page 37.

In arriving at its determination, the SICO Special Committee consulted with the independent legal and financial advisors to the SICO Special Committee, as well as SICO's management, legal advisors and other representatives. In arriving at its determination, the SICO board of directors separately consulted with the SICO Special Committee, SICO's management, legal advisors and other representatives, as well as the independent financial advisor to the SICO Special Committee. In addition, the SICO Special Committee and the SICO board of directors considered the following factors as generally supporting their respective recommendations to approve the Merger Agreement:

that the SICO common stock has historically traded at a significant discount to the underlying value of the A. O. Smith shares held by SICO, and direct ownership by the SICO stockholders of A. O. Smith shares should eliminate the discount to the value of the A. O. Smith shares caused by in SICO's holding company structure and the tax inefficiencies associated therewith and allow the SICO stockholders to realize the underlying value of the A. O. Smith shares held by SICO;

that direct ownership by the SICO stockholders of A. O. Smith shares will provide enhanced liquidity for the SICO stockholders due to the greater public float and trading volumes for A. O. Smith shares and its NYSE listing, as compared to the SICO common stock, which is thinly traded on the Pink Sheets;

that direct ownership by the SICO stockholders of A. O. Smith shares will permit the SICO stockholders to receive direct payment of the full amount of any dividends paid by A. O. Smith with respect to the A. O. Smith shares;

that the likelihood of the merger qualifying as a tax-free reorganization under the Code so as to be non-taxable to the SICO stockholders, and the condition to the obligations of the parties to complete the merger that the IRS Letter Ruling be received;

that the amendments to the A. O. Smith Existing Charter contemplated by the Merger Agreement could improve the corporate governance structure of A. O. Smith for the benefit of all the A. O. Smith stockholders, including the SICO stockholders entitled to receive A. O. Smith shares in the merger;

with respect to the SICO board of directors, the SICO Special Committee's determination that the Merger Agreement and the transactions contemplated thereby, including the merger, are advisable, procedurally and substantively fair to, and in the best interests of SICO and the SICO Unaffiliated



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Stockholders, and its recommendation that the SICO board of directors approve the Merger Agreement, and the transactions contemplated thereby, including the merger, which the SICO board of directors noted was arrived at by independent and disinterested directors, with assistance of independent financial and legal advisors and following vigorous negotiation of the transaction terms and conditions by the SICO Special Committee and its advisors;

that A. O. Smith agreed to pay SICO stockholders for the value of tax benefits, refunds and credits of SICO if and when actually realized by A. O. Smith, as more fully described below under *The Merger Agreement Payment for Tax Benefit Items* beginning on page 101;

the financial analyses presented by Duff & Phelps and discussed with the SICO Special Committee and the SICO board of directors and the related opinion of Duff & Phelps, dated December 9, 2008, and subject to the assumptions and qualifications stated therein, to the effect that the consideration to be received in the merger by the SICO Unaffiliated Stockholders was fair, from a financial point of view, to the SICO Unaffiliated Stockholders, as more fully described below under *Opinion of the Financial Advisor to the SICO Special Committee* ;

the support of certain members of the Smith Family for the merger, and the statements made by certain members of the Smith Family to the SICO Special Committee and its advisors that alternative transactions would not be supported by such holders, rendering pursuit of such alternative transactions futile because such members of the Smith Family hold in excess of a majority of the outstanding SICO common stock; and

that all SICO stockholders would have the right to dissent from the merger and obtain payment of the fair value of their shares of SICO common stock under Nevada law, as more fully described below under *Appraisal Rights; Dissenter's Rights* beginning on page 84.

The SICO board of directors also identified and considered the following factors relating to potential adverse consequences of the proposed transaction to SICO:

the aggregate number of A. O. Smith shares to be received by the holders of SICO common stock in the merger reflects a discount of 1.5% to the aggregate number of A. O. Smith shares currently held by SICO;

the fact that the value of the shares of A. O. Smith Class A common stock and A. O. Smith common stock reflected in this discount (assuming a one for one conversion of the A. O. Smith Class A common stock into A. O. Smith common stock) was \$4.6 million, based on the closing price of \$31.81 of the A. O. Smith common stock on the NYSE on December 8, 2008, the last full trading day prior to the execution of the Merger Agreement;

that the fees and expenses of SICO and A. O. Smith associated with the completion of the merger, including that SICO has agreed to reimburse A. O. Smith for substantially all of its fees and expenses incurred in connection with the transaction;

that the amendments to the A. O. Smith Existing Charter contemplated by the transaction may, among other things, have a negative impact on the transferability of A. O. Smith Class A common stock, eliminate the ability for holders of A. O. Smith Class A common stock to obtain a theoretical control premium on a sale of those shares, and ultimately result in the elimination of the dual class voting structure at A. O. Smith;

that an amendment to the A. O. Smith Existing Charter contemplated by the transaction will result in a reduction in the number of directors elected by the holders of A. O. Smith Class A common stock;

that the indemnification obligations to A. O. Smith under the Merger Agreement, and that shares of A. O. Smith common stock that otherwise would be delivered to the holders of SICO common stock in the merger are required to be placed in escrow and may be used as a source of indemnification payments to A. O. Smith;

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the risk that the merger may not be completed and the potential impact on SICO, including the fact that the Spin-Off has been completed and cannot be undone;

the diversion of management focus and resources from other strategic opportunities and from operational matters while working to implement the merger;

the interests that certain executive officers and directors of SICO may have with respect to the merger, in addition to their interests as SICO stockholders generally, as described in the section entitled "Interests of SICO Executive Officers and Directors in the Merger" beginning on page 80;

the litigation proceedings filed in the Milwaukee County Circuit Court in the State of Wisconsin in connection with the merger and related transactions, as described in the section entitled "Legal Proceedings Regarding the Merger" beginning on page 84; and

various other applicable risks associated with the merger, including those described under the section entitled "Risk Factors" beginning on page 30.

The SICO Special Committee and the SICO board of directors weighed the benefits, advantages and opportunities against the risks of entering into the Merger Agreement and completing the merger and the other transactions contemplated by the Merger Agreement. Although the SICO Special Committee and the SICO board of directors realized that there can be no assurance about future results or outcomes, including results expected or considered in the factors listed above, the SICO Special Committee and the SICO board of directors concluded that the potential benefits outweighed the potential risks of completing the merger and the other transactions contemplated by the Merger Agreement.

The foregoing discussion of the material factors considered by the SICO Special Committee and the SICO board of directors is not intended to be exhaustive, but does set forth the principal factors considered by the SICO Special Committee and the SICO board of directors.

In considering the recommendation of SICO's board of directors with respect to the merger, you should be aware that certain members of SICO's board of directors and certain SICO officers have interests in the merger that are different from, or are in addition to, the interests of SICO's stockholders generally and which create conflicts of interest. In addition, certain of the directors and officers of SICO will receive benefits in connection with the merger that are not available to other SICO stockholders. For a more complete description of these interests and benefits, see "Interests of SICO Executive Officers and Directors in the Merger" beginning on page 80 of this joint proxy statement/prospectus.

**Opinion of Morgan Stanley, Financial Advisor to the A. O. Smith Special Committee**

The A. O. Smith Special Committee retained Morgan Stanley to provide it with financial advisory services and to provide it and the A. O. Smith board of directors a financial opinion in connection with the proposed merger. The A. O. Smith Special Committee selected Morgan Stanley to act as its financial advisor based on Morgan Stanley's qualifications, expertise and reputation. On December 8, 2008, Morgan Stanley rendered its oral opinion, which opinion subsequently was confirmed in a written opinion dated December 9, 2008, to the A. O. Smith Special Committee and the A. O. Smith board of directors to the effect that as of such date and based upon and subject to the various considerations set forth in the opinion, the exchange ratio pursuant to the Merger Agreement was fair from a financial point of view to A. O. Smith.

**The full text of the written opinion of Morgan Stanley, dated as of December 9, 2008, is attached to this proxy statement as Annex H. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion. We encourage you to read the entire opinion carefully. The opinion, and the other views and analysis of Morgan Stanley referenced throughout this proxy statement, do not constitute a recommendation to any holder of A. O. Smith Class A common stock or A. O. Smith common**

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**stock as to how to vote at the meeting of stockholders to be held in connection with this transaction. In addition, the opinion does not in any manner address the prices at which the A. O. Smith Class A common stock or A. O. Smith common stock will trade following consummation of the merger. Morgan Stanley provided its opinion for the information and assistance of the A. O. Smith Special Committee and the A. O. Smith board of directors in connection with the directors' consideration of the merger, and the opinion addresses only whether the exchange ratio pursuant to the Merger Agreement was fair from a financial point of view to A. O. Smith as of the date of the opinion. The summary of the opinion of Morgan Stanley set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion.**

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of A. O. Smith and SICO, respectively;

reviewed certain internal historical financial statements and other financial and operating data concerning A. O. Smith and SICO, respectively;

discussed the past and current operations and financial condition and the prospects of A. O. Smith with senior executives of A. O. Smith;

discussed the past and current operations and financial condition and the prospects of SICO with senior executives of SICO;

reviewed the reported prices and trading activity for the A. O. Smith common stock, A. O. Smith Class A common stock and SICO common stock;

compared the financial performance of A. O. Smith and the prices and trading activity of A. O. Smith common stock with that of certain other publicly-traded companies comparable with A. O. Smith and its securities;

reviewed the financial terms, to the extent publicly available, of certain comparable merger transactions;

participated in certain discussions and negotiations among representatives of A. O. Smith and SICO and their financial and legal advisors;

reviewed the Merger Agreement and certain related documents; and

performed such other analyses and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to Morgan Stanley by A. O. Smith and SICO, and formed a substantial basis for the opinion. Morgan Stanley assumed that the Spin-Off and the merger will be consummated in accordance with the terms set forth in the Merger Agreement without any waiver, amendment or delay of any terms or conditions, including, among other things, that the merger will be treated as a tax-free reorganization and/or exchange, each pursuant to the Code. For the avoidance of doubt, and without limiting the foregoing, Morgan Stanley assumed that A. O. Smith will not assume any tax liability in respect of the Spin-Off. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed Spin-Off and merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the

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contemplated benefits expected to be derived in the proposed Spin-Off and merger. Morgan Stanley is not a legal, tax or regulatory advisor. Morgan Stanley is a financial advisor only and has relied upon, without independent verification, the assessment of A. O. Smith and SICO and its legal, tax or regulatory advisors with respect to such matters. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of A. O. Smith or SICO, nor was it furnished with any such appraisals. Morgan Stanley s

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opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, the date of the opinion. Events occurring after such date may affect the opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm the opinion.

The following is a summary of the material analyses performed by Morgan Stanley in connection with its opinion. One of the summaries of financial analysis includes information presented in tabular format. In order to fully understand the financial analysis used by Morgan Stanley, the table must be read together with the text of the summary. The table alone does not constitute a complete description of the financial analysis.

### ***Historical Stock Price Trading Analysis***

Morgan Stanley performed a historical stock price trading analysis to provide background and perspective on the historical share price performance of A. O. Smith common stock and SICO common stock prior to and following the public announcement on February 4, 2008 of SICO's proposal. A. O. Smith announced that it had received SICO's proposal prior to the open of the United States stock markets on February 4, 2008. The proposal noted, among other terms, that SICO's stockholders would receive newly issued shares of A. O. Smith Class A common stock and A. O. Smith common stock equal to the A. O. Smith Class A common stock and A. O. Smith common stock shares currently held by SICO. As a result, SICO's proposal assumed neither a share exchange premium nor discount.

Morgan Stanley noted that A. O. Smith's common stock share price decreased approximately 2.6% upon announcement of SICO's proposal, from \$36.28, the closing price on Friday, February 1, 2008, to \$35.33, the closing price on Monday, February 4, 2008. In contrast, Morgan Stanley noted that the S&P 500 index price had decreased approximately 1.0%, from 1,395.42, the closing price on Friday, February 1, 2008, to 1380.82, the closing price on Monday, February 4, 2008. In addition, Morgan Stanley noted that SICO's share price increased approximately 49.3% upon announcement of SICO's proposal, from \$63.63, the closing price on Friday, February 1, 2008, to \$95.00, the closing price on Monday, February 4, 2008.

The shares of SICO common stock are thinly traded in an over-the-counter market that is relatively illiquid, and on certain trading days may not trade at all, which may affect the quoted market prices for shares of SICO common stock.

### ***Precedent Transactions Analysis***

Morgan Stanley also performed a precedent transactions analysis, which attempted to provide a basis for the consideration to be provided in connection with the transaction, in particular with regard to the exchange ratio. Morgan Stanley identified four transactions which in its view were substantially similar in structure and predicated on a comparable motivation to complete the transaction. The following is a list of these transactions:

Selected Precedent Transactions (Parent / Subsidiary)

Petrie Stores Corporation / Toys "R" Us, Inc.

Seagate Technology, Inc. / VERITAS Software Corporation

American BioScience, Inc. / American Pharmaceutical Partners, Inc.

Fidelity National Financial, Inc. / Fidelity National Information Services, Inc.

For each transaction listed above, Morgan Stanley analyzed the structure of the transaction to determine their applicability. Morgan Stanley determined that all of the transactions noted above were applicable because they all were mergers of a parent company into a subsidiary in a tax-free exchange of shares. Morgan Stanley reviewed each transaction to determine (i) whether the parent had voting control of the subsidiary through owning shares that provided greater than 50% of the total voting rights of the subsidiary, (ii) whether the parent



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had economic control of the subsidiary through owning shares that provided greater than 50% of the total ownership of the subsidiary and (iii) the amount, if any, of the discount the parent company received in the exchange of shares. In analyzing the proposed exchange ratio and resultant share exchange discount the SICO stockholders would receive, Morgan Stanley specifically focused on whether having greater than 50% of the voting control, but less than 50% economic control would cause the parent company to receive a share exchange discount to the subsidiary company shares held by the parent company prior to the merger. The following table provides a summary of the precedent transactions noted above compared to the merger contemplated between SICO and A. O. Smith, including the parent company voting control and economic ownership percentages prior to the merger and the share exchange discount received by the parent.

Date Completed	Parent	Subsidiary	Parent % Voting Control / Ownership Prior to Merger		Parent		Share Exchange Discount Received by Parent
			Voting Control	Economic Ownership	Voting Control	Economic Control	
12/9/1994	Petrie Stores Corporation	Toys R Us, Inc.	14%	14%	No	No	8%
11/22/2000	Seagate Technology, Inc.	VERITAS Software Corporation	32%	32%	No	No	15%
4/18/2006	American BioScience, Inc.	American Pharmaceutical Partners, Inc.	66%	66%	Yes	Yes	0%
11/9/2006	Fidelity National Financial, Inc.	Fidelity Information Services	51%	51%	Yes	Yes	0%
TBD	Smith Investment Company	A. O. Smith	79%	32%	Yes	No	1.5%

Morgan Stanley noted that in the Petrie Stores and Seagate Technology transactions, Petrie Stores and Seagate Technology neither had voting nor economic control of Toys R Us and VERITAS, respectively, and they received share exchange discounts of approximately 8% and 15%, respectively. Morgan Stanley noted that in the American BioScience and Fidelity National Financial transactions, American BioScience and Fidelity National Financial had both voting and economic control of American Pharmaceutical Partners and Fidelity Information Services, respectively, and did not receive a share exchange discount.

Morgan Stanley noted SICO had voting control, but not economic control of A. O. Smith. In addition, Morgan Stanley noted that pursuant to the Merger Agreement, the SICO stockholders are to receive their *pro rata* portion of 7,947,690 shares of A. O. Smith Class A common stock and 1,535,801 shares of A. O. Smith common stock, which represents a share exchange discount of 1.5% to the 8,067,252 and 1,559,076 shares of A. O. Smith Class A common stock and A. O. Smith common stock, respectively, currently held by SICO.

In connection with the review of the merger by the A. O. Smith Special Committee and the A. O. Smith board of directors, Morgan Stanley performed financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic



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conditions and other matters. Many of these assumptions are beyond the control of A. O. Smith and SICO. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted these analyses described above solely as part of their analysis of the fairness of the exchange ratio pursuant to the Merger Agreement from a financial point of view to A. O. Smith and in connection with the delivery of its opinion to the A. O. Smith Special Committee and the A. O. Smith board of directors. The analyses described above do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold or at which shares of A. O. Smith Class A common stock and A. O. Smith common stock might actually trade. The exchange ratio was determined through arm's-length negotiations between A. O. Smith and SICO and was approved by the A. O. Smith Special Committee and the A. O. Smith board of directors. Morgan Stanley provided advice to the A. O. Smith Special Committee during these negotiations. Morgan Stanley did not, however, recommend any specific exchange ratio to the A. O. Smith Special Committee or the A. O. Smith board of directors or that any specific exchange ratio constituted the only appropriate exchange ratio for the merger. As described above, Morgan Stanley's opinion to the A. O. Smith Special Committee and the A. O. Smith board of directors was one of many factors taken into consideration by the A. O. Smith Special Committee and the A. O. Smith board of directors in making their determination to approve the Merger Agreement. The analyses as described above should not be viewed as determinative of the opinion of the A. O. Smith Special Committee and the A. O. Smith board of directors with respect to the exchange ratio or whether the A. O. Smith Special Committee and the A. O. Smith board of directors would have been willing to agree to a different exchange ratio.

Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in performing financial analysis with respect to businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for corporate, estate and other purposes. In the ordinary course of its trading, brokerage, investment management and financing activities, Morgan Stanley or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of customers, in debt or equity securities or loans of A. O. Smith, SICO or any other company or any currency or commodity that may be involved in this transaction. Morgan Stanley's opinion was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with its customary practice.

Pursuant to a letter agreement, the A. O. Smith Special Committee engaged Morgan Stanley to act as its financial advisor in connection with the contemplated transaction. Pursuant to the terms of the letter agreement, the A. O. Smith Special Committee agreed to pay Morgan Stanley an aggregate fee of \$1.75 million. A. O. Smith paid Morgan Stanley a \$250,000 fee upon execution of the engagement letter and a \$1,250,000 fee upon delivery of Morgan Stanley's opinion in December 2008. An additional fee of \$250,000 will be payable to Morgan Stanley only upon completion of the merger. The A. O. Smith Special Committee has also agreed to reimburse Morgan Stanley for its reasonable expenses, including attorneys' fees and disbursements. Finally, A. O. Smith has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against various liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of the engagement of Morgan Stanley. The terms of the fee arrangement with Morgan Stanley were negotiated at arm's length between the A. O. Smith Special Committee and Morgan Stanley.

Other than this engagement, during the two years preceding that date of the opinion, Morgan Stanley has not provided any material financial advisory or financing services to any party to the merger for which compensation has been received or is intended to be received.

**Opinion of Duff & Phelps, Financial Advisor to the SICO Special Committee**

On January 5, 2008, Duff & Phelps was engaged to provide independent financial advisory services to the SICO Special Committee and, as part of the engagement, the SICO Special Committee requested that

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Duff & Phelps provide an opinion to the SICO Special Committee as to the fairness, from a financial point of view, to the SICO Unaffiliated Stockholders of the consideration to be received by such holders in the merger. Duff & Phelps was not requested to, and did not in its opinion, address or otherwise provide any opinion with respect to the Spin-Off. The opinion provided by Duff & Phelps was only given with respect to the merger.

On December 9, 2008, Duff & Phelps rendered its oral opinion to the SICO Special Committee, which was subsequently confirmed in a written opinion dated December 9, 2008, that, subject to the limitations, exceptions, assumptions and qualifications set forth therein, as of such date, the consideration to be received by the SICO Unaffiliated Stockholders in the merger was fair from a financial point of view to such holders. The written opinion of Duff & Phelps states that it may also be relied upon by the SICO board of directors. The full text of the written opinion of Duff & Phelps is attached as Annex I to this joint proxy statement/prospectus and is incorporated herein by reference.

The full text of the written opinion should be read carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and qualifications and limitations of the review undertaken in rendering the opinion. The opinion of Duff & Phelps was addressed to the SICO Special Committee and may also be relied upon by the SICO board of directors, but is not intended to, and does not, confer any rights or remedies upon any other person, and is not intended to be used, and may not be used, for any other purpose without Duff & Phelps' prior written consent, except to the extent specifically permitted by the opinion.

Duff & Phelps has not been requested to, and did not, initiate any discussions with, or solicit any indications of interest from, third parties with respect to the merger, the assets, businesses or operations of SICO, or any alternatives to the merger, or negotiate the terms of the merger. In addition, Duff & Phelps is not expressing any opinion as to the market price or value of the SICO common stock or the A. O. Smith Class A common stock or the A. O. Smith common stock following the public announcement of the merger.

Duff & Phelps' opinion does not address the merits of the underlying business decision to enter into the merger versus any alternative strategy or transaction, is not a recommendation as to how the SICO Special Committee, the SICO board of directors or any holder of SICO common stock should vote or act with respect to any matters relating to the merger, or whether to proceed with the merger or any related transaction, and does not indicate whether the consideration received is the best possibly attainable under any circumstances.

In connection with its opinion, Duff & Phelps made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. SICO, the SICO Special Committee and the SICO board of directors placed no limits on the information to which Duff & Phelps had access or the matters it could consider. Duff & Phelps' due diligence with respect to the merger included, but was not limited to, the following:

discussed the merger with the SICO Special Committee and its representatives and SICO and its management and representatives;

reviewed certain publicly available business and financial information of SICO and A. O. Smith, respectively;

reviewed certain internally prepared financial and operating data concerning SICO, which SICO had identified as being the most current financial statements available;

reviewed drafts of the following documents related to the merger: the Merger Agreement and a form of each of the SICO support agreement, the Smith Family support agreement, the A. O. Smith Existing Charter, the A. O. Smith Amended Charter, the escrow agreement, the stockholder agreement and the voting trust agreement;

reviewed the historical trading prices and trading volumes of the SICO common stock, A. O. Smith Class A common stock and A. O. Smith common stock; and

conducted such other analyses and considered such other factors as Duff & Phelps deemed appropriate.



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In performing its analyses and rendering its opinion, Duff & Phelps, with the SICO Special Committee's consent:

assumed that the merger will be treated as a tax-free reorganization for United States Federal income tax purposes;

did not address the impact of the merger on any particular SICO stockholder other than in such stockholder's capacity as a stockholder;

relied upon the accuracy, completeness, and fair presentation of all information, data, advice, opinions and representations obtained from public sources or provided to it from private sources, including SICO and its management and representatives and the SICO Special Committee and its representatives, and did not independently verify such information;

assumed that the final versions of all documents reviewed by Duff & Phelps in draft form conform in all material respects to the drafts reviewed;

assumed that information supplied to Duff & Phelps and representations and warranties made in the Merger Agreement are accurate in all material respects;

assumed that all of the conditions required to implement the merger will be satisfied and that the merger will be completed in accordance with the Merger Agreement without any amendments thereto or any waivers of any terms or conditions thereof;

relied upon the fact that the SICO Special Committee and SICO have engaged such tax, accounting and legal advisors as they have deemed necessary, and is giving no opinion with respect to any tax, accounting or legal matters;

assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect (including any delay, limitation, condition or restriction) on SICO, A. O. Smith or the contemplated benefits expected to be derived in the merger;

assumed that each member or descendant of the Smith Family and each trust for the benefit of members or descendants of the Smith Family that is, was or will be required by applicable law or regulation to be a signatory to the Schedule 13D (as defined in the Merger Agreement) has signed or will sign such Schedule 13D;

has not taken into account the effect, positive or negative, that any tax attribute of SICO being assumed (including by operation of law) by or transferred to A. O. Smith in the merger would have on the merger; and

assumed, based on the direction of the SICO Special Committee, that any alternative to the merger involving a sale of SICO to a third party or a recapitalization of A. O. Smith to eliminate its dual class equity structure would be futile and therefore not available.

In its analysis and in connection with the preparation of its opinion, Duff & Phelps made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the merger. To the extent that any of the foregoing assumptions insofar as they affect the merger or any of the facts on which the Duff & Phelps opinion was based prove to be untrue in any material respect, Duff & Phelps has advised the SICO Special Committee that the Duff & Phelps opinion cannot and should not be relied upon.

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Duff & Phelps did not make any independent evaluation of SICO s, SpinCo s or A. O. Smith s solvency or any appraisal or physical inspection of any specific assets or liabilities (contingent or otherwise), nor has Duff & Phelps been furnished with any such evaluations or appraisals. Duff & Phelps is not a legal, tax, accounting or regulatory advisor and has relied upon, without independent verification, the assessment of SICO and its legal,

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tax, accounting and regulatory advisors with respect to such matters, and Duff & Phelps has made no assessment as to the impact or timing implications, if any, of any ongoing legal or regulatory investigations. Duff & Phelps has undertaken no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which SICO is or may be a party or is or may be subject, or of any governmental investigation of any possible unasserted claims or other contingent liabilities to which SICO is or may be a party or is or may be subject and, at the SICO Special Committee's direction and with the SICO Special Committee's consent, Duff & Phelps' opinion makes no assumption concerning, and therefore does not consider, the potential effects of such litigation, claims or investigations or possible assertions of claims, outcomes or damages arising out of any such matters. The opinion should not be construed as a valuation opinion, credit rating, solvency opinion, analyses of SICO's, SpinCo's or A. O. Smith's credit worthiness, tax advice, or accounting advice.

Set forth below is a summary of the material financial analyses performed by Duff & Phelps in reaching its fairness conclusions as of December 9, 2008. Although Duff & Phelps reviewed a number of other transactions in connection with the merger, Duff & Phelps did not identify any transaction it believed was comparable to the merger, and, accordingly, in rendering its opinion, Duff & Phelps has relied solely on an analysis designed specifically for the merger. Although developments following the date of the Duff & Phelps opinion may affect the opinion, Duff & Phelps assumed no obligation to update, revise, or reaffirm its opinion. The Duff & Phelps opinion is necessarily based upon market, economic and other conditions that were in effect on, and information made available to Duff & Phelps as of, the date of the opinion. You should understand that developments subsequent to December 9, 2008 may affect the conclusion expressed in the Duff & Phelps opinion, and that Duff & Phelps disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting its opinion. The Duff & Phelps opinion is limited to the fairness as of December 9, 2008, from a financial point of view, to SICO Unaffiliated Stockholders of the consideration to be received by such holders in the merger.

The Duff & Phelps opinion was based on the totality of the various analyses that it performed, and no particular portion of the analysis has any merit standing alone. This summary is qualified in its entirety by reference to the full text of the opinion, attached as Annex I to this joint proxy statement/prospectus. While this summary describes the analysis and factors that Duff & Phelps deemed material in its presentation to the SICO Special Committee, it is not a comprehensive description of all analyses and factors considered by Duff & Phelps. The preparation of a fairness opinion is a complex process that involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or a summary description. In arriving at its opinion, Duff & Phelps did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Duff & Phelps believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, could create a misleading or incomplete view of the evaluation process underlying its opinion. The conclusion reached by Duff & Phelps was based on all analyses and factors taken, as a whole, and also on the application of Duff & Phelps' own experience and judgment. This conclusion involved significant elements of subjective judgment and qualitative analysis. Duff & Phelps gives no opinion as to the value or merit standing alone of any one or more parts of the analyses it performed.

***Historical Trading Analysis***

Duff & Phelps reviewed the historical trading ranges of SICO common stock and A. O. Smith common stock, and the aggregate discount implied by the market capitalization of SICO and the aggregate market value of SICO's holdings of A. O. Smith shares (assuming one for one conversion of A. O. Smith Class A common stock into A. O. Smith common stock), for various periods before and after February 4, 2008, the date of the public announcement of SICO's merger proposal to A. O. Smith, to provide Duff & Phelps with background and perspective for how shares of SICO common stock and A. O. Smith common stock have historically traded on a

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standalone basis and relative to each other. Duff & Phelps noted that the per share price of SICO common stock includes the value of other assets and liabilities held by SICO, including those related to Berlin Industries and Central States.

Duff & Phelps noted that for the five-year period prior to February 4, 2008, the aggregate discount ranged between a low of \$68.4 million and a high of \$273.4 million. Duff & Phelps also noted that for the period February 4, 2008 to December 8, 2008, the aggregate discount ranged between a low of negative \$8.0 million and high of \$140.6 million. Duff & Phelps noted that on January 31, 2008, the last trading day on which the SICO common stock traded prior to the February 4, 2008 public announcement of SICO's merger proposal to A. O. Smith, the value of a share of SICO common stock was \$64.00. Duff & Phelps also noted that on February 1, 2008, the last trading day on which A. O. Smith common stock traded prior to the February 4, 2008 public announcement of SICO's merger proposal to A. O. Smith, the value of a share of A. O. Smith common stock was \$36.28. The trading values for SICO common stock on January 31, 2008 and A. O. Smith common stock on February 1, 2008 imply an aggregate discount of \$136.9 million.

The shares of SICO common stock are thinly traded in an over-the-counter market that is relatively illiquid, and on certain trading days may not trade at all, which may affect the quoted market prices for shares of SICO common stock.

***SICO Stockholder Benefit Analysis***

In addition to analyzing the aggregate discount, Duff & Phelps compared the aggregate discount immediately prior to the February 4, 2008 public announcement of SICO's merger proposal to A. O. Smith with the estimated costs related to the merger (the Net Benefit). Duff & Phelps noted that the Net Benefit only considers the value of SICO's holdings of A. O. Smith Class A common stock and A. O. Smith common stock, and does not consider SICO's other assets and liabilities, including Berlin Industries, Central States and tax attributes arising out of the Spin-Off.

Duff & Phelps noted that on January 31, 2008, the last trading day on which the SICO common stock traded prior to the February 4, 2008 public announcement of SICO's merger proposal to A. O. Smith, the value of a share of SICO common stock was \$64.00. Duff & Phelps also noted that on February 1, 2008, the last trading day on which A. O. Smith common stock traded prior to the February 4, 2008 public announcement of SICO's merger proposal to A. O. Smith, the value of a share of A. O. Smith common stock was \$36.28. The trading values for the SICO common stock on January 31, 2008 and A. O. Smith common stock on February 1, 2008 imply a benefit to the SICO stockholders of \$136.9 million, prior to consideration of costs related to the merger. The costs related to the merger include costs of the exchange ratio discount and cumulative transaction expenses (both those already incurred by the SICO and by A. O. Smith and those estimated to be incurred by SICO and by A. O. Smith) in excess of \$200,000 related to the merger. Based on an exchange ratio discount of 1.5%, the estimated cost of this discount was \$5.2 million. Based on an estimate provided by SICO's management, cumulative transaction expenses in excess of \$200,000 were estimated to be approximately \$6.6 million. After considering the benefits to the SICO stockholders and the costs related to the merger, the Net Benefit prior to February 4, 2008 is estimated at \$125.1 million (\$136.9 million - \$5.2 million - \$6.6 million).

***Net Valuation Difference Subsequent to February 4, 2008 Announcement***

In addition to the above analyses, Duff & Phelps calculated the estimated net valuation difference as the value of SICO's holdings of A. O. Smith common stock, less the market capitalization of SICO and costs to effect the merger, including the exchange ratio discount of 1.5% and cumulative transaction expenses in excess of \$200,000. Duff & Phelps noted that the net valuation difference only considers the value of SICO's holdings of A. O. Smith Class A common stock and A. O. Smith common stock, and does not consider SICO's other assets and liabilities, including Berlin Industries, Central States and tax attributes arising out of the Spin-Off.

As of December 8, 2008, Duff & Phelps noted that the value of a share of SICO common stock was \$60.00 and the value of a share of A. O. Smith common stock was \$31.81. Based on the December 8, 2008 trading

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values, the valuation difference before consideration of expenses related to the merger was \$107.2 million. After consideration of exchange ratio discount expense of \$4.6 million and estimated transaction expenses in excess of \$200,000 of \$6.6 million, the implied net valuation difference as of December 8, 2008 was \$96.0 million (\$107.2 million \$4.6 million \$6.6 million).

***Miscellaneous***

Based on the foregoing analysis, Duff & Phelps concluded that the consideration to be received by the SICO Unaffiliated Stockholders in the merger was fair, from a financial point of view, to such holders as of the date of its fairness opinion.

In its review and analysis, and in arriving at its opinion, Duff & Phelps assumed and relied upon the accuracy and completeness of all the financial and other information provided to it or publicly available and neither attempted independently to verify, nor assumed responsibility for verifying, any of such information.

The material analyses performed by Duff & Phelps have been summarized above. Nonetheless, the summary set forth above does not purport to be a complete description of the analyses performed by Duff & Phelps. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances. Therefore, such an opinion is not readily susceptible to a summary description. Duff & Phelps did not form a conclusion as to whether any individual analysis, considered in isolation, supported or failed to support an opinion as to fairness. Rather, in reaching its conclusion, Duff & Phelps considered the results of the analyses in light of each other and ultimately reached its opinion based on the results of all analyses taken as a whole. Duff & Phelps did not place a particular reliance or weight on any particular analysis, but instead concluded that its analyses, taken as whole, supported its determination.

The SICO Special Committee selected Duff & Phelps because Duff & Phelps is a leading independent financial advisory firm, offering a broad range of valuation and investment banking services, including fairness and solvency opinions, mergers and acquisitions advisory services, mergers and acquisitions due diligence services, financial reporting and tax valuation, fixed asset and real estate consulting, ESOP and ERISA advisory services, legal business solutions and dispute consulting. Duff & Phelps is regularly engaged in the valuation of businesses and securities in the preparation of fairness opinions in connection with mergers, acquisitions and other strategic transactions.

***Fees and Expenses***

SICO's engagement letter with Duff & Phelps provides that, for its services, Duff & Phelps is entitled to receive \$400,000 due and payable as follows: \$200,000 in cash upon execution of the engagement letter to serve as financial advisor to the SICO Special Committee in its review of possible alternative transactions for SICO; and the remaining \$200,000 in cash upon the SICO Special Committee's request to Duff & Phelps to issue its opinion. No portion of Duff & Phelps' fee is contingent upon either the conclusion expressed in the opinion or whether the merger is successfully consummated. Furthermore, Duff & Phelps is entitled to be paid additional fees at Duff & Phelps' standard hourly rates for any time incurred reviewing or assisting in the preparation of any proxy materials or other SEC filings or documents associated with the merger. SICO has also agreed to reimburse Duff & Phelps for its out-of-pocket expenses and reasonable fees and expenses of counsel, consultants, and advisors retained by Duff & Phelps, incurred in connection with the engagement, and to indemnify and hold harmless Duff & Phelps and its affiliates and any other person, director, employee or agent of Duff & Phelps or any of its affiliates, or any person controlling Duff & Phelps or its affiliates, for certain losses, claims, damages, expenses and liabilities relating to or arising out of services provided by Duff & Phelps as financial advisor to the SICO Special Committee. The terms of the fee arrangement with Duff & Phelps, which the SICO Special Committee and Duff & Phelps believe are customary in transactions of this nature, were negotiated at arm's length between the SICO Special Committee and Duff & Phelps.



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Other than this engagement, during the two years preceding the date of the opinion, Duff & Phelps has not had any material relationship with any party to the merger for which compensation has been received or is intended to be received.

**Interests of A. O. Smith Executive Officers and Directors in the Merger**

A. O. Smith stockholders considering the recommendation of A. O. Smith's board of directors regarding the merger should be aware that certain directors of A. O. Smith may have certain interests in the merger that are different from, or in addition to, the interests of A. O. Smith stockholders generally. Executive officers of A. O. Smith do not have interests in the merger that are different from, or in addition to, the interests of A. O. Smith stockholders generally. The A. O. Smith Special Committee and the A. O. Smith board of directors were aware of these interests and considered them when (a) in the case of the A. O. Smith Special Committee, they voted to recommend that the A. O. Smith board of directors adopt, authorize and declare advisable the Merger Agreement, the merger and the related transactions and recommend to the A. O. Smith Unaffiliated Stockholders that they vote to adopt the Merger Agreement and (b) in the case of the A. O. Smith board of directors, they voted to adopt, authorize and declare advisable the Merger Agreement, the merger and the related transactions and recommend to A. O. Smith's stockholders that they vote in favor of the adoption of the Merger Agreement, the merger and the related transactions.

***Interests of Bruce M. Smith***

Bruce M. Smith is a director of A. O. Smith and is Chairman and Chief Executive Officer of SICO. Bruce M. Smith is also a manager of SpinCo and is the President and Chief Executive Officer of SpinCo. He, along with others, also acts as a representative of certain members of the Smith Family, which collectively beneficially own 52.7% of the outstanding shares of SICO common stock and may be deemed to be controlling stockholders of SICO. These Smith Family members may be deemed to have indirect beneficial ownership of the shares of A. O. Smith beneficially owned by SICO and have reported their indirect beneficial ownership on a Schedule 13D/A filed with the SEC on December 10, 2008.

Bruce M. Smith has a beneficial interest in 75,426 shares of the outstanding SICO common stock, which are held in trusts for the benefit of Bruce M. Smith, and 102,642 shares of the outstanding SICO common stock are held in various trusts for the benefit of the wife and children of Bruce M. Smith. In addition, Bruce M. Smith is the trustee of various trusts for the benefit of persons other than himself, his wife and children, which hold shares of SICO common stock. For a more complete description of Bruce M. Smith's role as a trustee and his interests in SICO, see *Interests of SICO Executive Officers and Directors in the Merger* *Interests of Bruce M. Smith and Arthur O. Smith* beginning on page 80 of this joint proxy statement/prospectus.

***Interests of Mark D. Smith***

Mark D. Smith is a director of A. O. Smith. His brother, Arthur O. Smith III, is a director of SICO and is also employed by A. O. Smith in a non-executive capacity. Arthur O. Smith III's employment with A. O. Smith precedes his brother's election to the A. O. Smith board of directors by more than ten years, and is subject to the same terms and conditions of employment as other A. O. Smith salaried employees. For more information on Mark D. Smith's relationship with Arthur O. Smith III, see *Interests of SICO Executive Officers and Directors in the Merger* *Interests of Arthur O. Smith, III* beginning on page 81 of this joint proxy statement/prospectus.

***A. O. Smith Special Committee Compensation***

The A. O. Special Committee consists of three disinterested and independent directors, Messrs. Ronald D. Brown and William P. Greubel and Ms. Idelle K. Wolf. A. O. Smith's board of directors authorized the compensation for the members of the A. O. Smith Special Committee, in addition to the reimbursement of expenses and payment of all other fees that they receive as members of the A. O. Smith board of directors. The

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A. O. Smith board of directors determined that Mr. Greubel will receive \$40,000 for his services as Chairman of the A. O. Smith Special Committee and Ms. Wolf and Mr. Brown will each receive \$30,000 as a member of the A. O. Smith Special Committee. In addition, the A. O. Smith board of directors determined that each member of the special committee will receive remuneration in the amount of \$1,500 per meeting attended in consideration of his or her acting in such capacity. The approved compensation for the members of the A. O. Smith Special Committee was not, and is not, contingent upon the adoption of the Merger Agreement and completion of the merger or any other transaction involving A. O. Smith.

**Interests of SICO Executive Officers and Directors in the Merger**

SICO stockholders considering the recommendation of SICO's board of directors regarding the merger should be aware that the directors and executive officers of SICO may have certain interests in the merger that are different from, or in addition to, the interests of SICO stockholders generally. The SICO Special Committee and the SICO board of directors were aware of these interests and considered them when (a) in the case of the SICO Special Committee, they voted to recommend that the SICO board of directors authorize and approve the Merger Agreement and the transactions contemplated thereby, including the merger, and recommend to the SICO Unaffiliated Stockholders that they vote to approve the Merger Agreement and (b) in the case of the SICO board of directors, they voted to approve the Merger Agreement and the transactions contemplated thereby, including the merger, and to recommend that the SICO stockholders vote to approve the Merger Agreement.

***Interests of Bruce M. Smith and Arthur O. Smith***

Bruce M. Smith is Chairman and Chief Executive Officer of SICO and is a director of A. O. Smith. Bruce M. Smith is also a manager of SpinCo and is the President and Chief Executive Officer of SpinCo. Arthur O. Smith is a director of SICO. He retired as Chairman and Chief Executive Officer of SICO in January 1999. Bruce M. Smith and Arthur O. Smith also act as representatives of certain members of the Smith Family, which collectively own 52.7% of the outstanding shares of SICO common stock and may be deemed to be controlling stockholders of SICO. These Smith Family members may be deemed to have indirect beneficial ownership of the share of A. O. Smith beneficially owned by SICO and have reported their indirect beneficial ownership on a Schedule 13D/A filed with the SEC on December 10, 2008.

Bruce M. Smith has a beneficial interest in 75,426 shares of the outstanding SICO common stock, which are held in trusts for the benefit of Bruce M. Smith, and 102,642 shares of the outstanding SICO common stock are held in various trusts for the benefit of the wife and children of Bruce M. Smith. Of such shares, Bruce M. Smith may be deemed to beneficially own 31,212 shares as a result of his shared investment and voting power with respect to one of the trusts. Arthur O. Smith has a beneficial interest in 167,173 shares of the outstanding SICO common stock, including shares held in a trust for the benefit of Arthur O. Smith; his wife, Margaret B. Smith, beneficially owns 6,970 shares of the outstanding SICO common stock; and 467,209 shares of the outstanding SICO common stock are held in various trusts for the benefit of the wife and children of Arthur O. Smith. Arthur O. Smith disclaims beneficial ownership of the shares held in various trusts for the benefit of his wife and children. In addition, Messrs. Smith are trustees of various trusts for the benefit of persons other than themselves, their wives and children, which trusts hold an aggregate of 823,153 shares of SICO common stock. With respect to the shares of SICO common stock included above which are held in trust, Bruce M. Smith is sole trustee of a trust holding 11,100 shares of SICO common stock and holds all investment and voting power with respect to such trust. In addition, with respect to the SICO shares held in trust, Arthur O. Smith is one of two trustees with respect to trusts holding 485,497 shares, and Bruce M. Smith is one of two trustees with respect to trusts holding 741,834 shares; Messrs. Smith each share investment and voting power with respect to the shares held in the trusts in which they are one of two trustees. Two other trusts which are part of the Smith Family but not otherwise included above own 106,271 shares of SICO common stock. The shares of SICO common stock held beneficially by Messrs. Smith and their wives, together with shares held by Messrs. Smith in trust for the benefit of others and in the other trusts included in the Smith Family, comprised 52.7% of the 3,317,066 outstanding shares of SICO common stock as of March 4, 2009. As beneficial owners of outstanding shares of SICO

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common stock, Bruce M. Smith and Arthur O. Smith, as well as other members of the Smith Family, will participate in the benefits of the merger.

Certain members of the Smith Family have entered into certain agreements, arrangements and understandings in connection with the merger. In connection with the execution of the Merger Agreement, certain members of the Smith Family have entered into a support agreement, dated December 9, 2008, whereby these members of the Smith Family have agreed to take certain actions which are generally supportive of the merger, including voting their shares of SICO common stock in favor of the Merger Agreement and the other transactions contemplated thereby, including the merger. See *Agreements Relating to the Merger Smith Family Support Agreement* for additional information. Certain members of the Smith Family have also entered into a stockholder agreement, dated December 9, 2008, with A. O. Smith whereby they generally have agreed that, for a period of up to three years after the merger, they will not engage in certain actions relating to A. O. Smith or its securities, including solicitations of proxies or stockholder consents, specific acquisition transactions, or certain transfers of their shares of A. O. Smith Class A common stock, without consent of the A. O. Smith board of directors. See *Agreements Relating to the Merger Stockholder Agreement* for additional information. The Merger Agreement also contemplates that certain Smith Family members may form a voting trust to hold their A. O. Smith shares after the merger. The trustees of the voting trust would be responsible for the voting of the shares held in the trust. This agreement also contemplates restrictions on certain withdrawals from the voting trust. See *Agreements Relating to the Merger Voting Trust Agreement* for additional information.

Excluding the A. O. Smith shares beneficially owned by SICO, Bruce M. Smith beneficially owns 2,649 shares of A. O. Smith common stock, which represents less than 0.1% of the outstanding shares of A. O. Smith common stock. Bruce M. Smith also has deferred receipt of stock awards representing a total of 7,160 shares of A. O. Smith common stock under A. O. Smith's Corporate Directors' Deferred Compensation Plan. A. O. Smith treats these deferred stock awards as restricted stock units.

Excluding the A. O. Smith shares beneficially owned by SICO, Arthur O. Smith also beneficially owns 4,734 shares of A. O. Smith common stock, which represents less than 0.1% of the outstanding shares of A. O. Smith common stock.

Bruce M. Smith's brother, Roger S. Smith, is employed by A. O. Smith in a non-executive capacity. Roger S. Smith is a long-service employee of A. O. Smith whose employment precedes his brother's election to the A. O. Smith board of directors by more than ten years and is subject to the same terms and conditions of employment as other A. O. Smith salaried employees.

***Interests of Arthur O. Smith, III***

Arthur O. Smith, III, who is the son of Arthur O. Smith, is a director of SICO, is a manager of SpinCo, and is employed by A. O. Smith in a non-executive capacity. Arthur O. Smith, III's brother, Mark D. Smith, is a director of A. O. Smith. Arthur O. Smith, III is a long-service employee of A. O. Smith whose employment precedes his brother's election to the A. O. Smith board of directors by more than ten years, and is subject to the same terms and conditions of employment as other A. O. Smith salaried employees.

Arthur O. Smith, III beneficially owns 124,716 shares of the outstanding common stock of SICO, 95,985 shares of which are held in trusts for the benefit of persons other than himself, his wife and children. With respect to such trusts, Mr. Smith is a co-trustee with at least one other person and holds shared investment and voting power. Mr. Smith disclaims beneficial ownership of the 95,985 shares. Mr. Smith, and his wife and children, are beneficiaries of certain of the trusts which are part of the Smith Family, but Mr. Smith is not considered to be the beneficial owner of shares of SICO common stock held by those trusts. As a beneficiary of trusts that hold SICO common stock, Mr. Smith will participate in the benefits of the Merger.

Arthur O. Smith, III may be deemed to have beneficial ownership of 844.9 shares of A. O. Smith common stock that he holds indirectly through the A. O. Smith Profit Sharing Retirement Plan. This represents less than 0.1% of the outstanding shares of A. O. Smith common stock.

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### ***Interests of Other Directors and Executive Officers of SICO***

Glen R. Bomberger, a director of SICO does not beneficially own any shares of SICO common stock. Mr. Bomberger beneficially owns 33,000 shares of the A. O. Smith common stock, which represents approximately 0.2% of the outstanding A. O. Smith common stock. Mr. Bomberger is also the former Chief Financial Officer of A. O. Smith.

Jere D. McGaffey, a director of SICO, does not beneficially own any shares of SICO common stock, and beneficially owns 450 shares of A. O. Smith common stock, which represents less than 0.1% of the outstanding A. O. Smith common stock. Mr. McGaffey is a former partner of Foley & Lardner LLP, which is an outside legal advisor to A. O. Smith.

Harold M. Stratton, II, a director of SICO and a member of the SICO Special Committee, beneficially owns an aggregate of 500 shares of the SICO common stock, which represents less than 0.1% of the outstanding SICO common stock, and is co-trustee of a trust that holds 1,000 shares of A. O. Smith common stock, which represents less than 0.1% of the outstanding A. O. Smith common stock. Mr. Stratton has shared voting and dispositive power with respect to these shares.

Wesley A. Ulrich, an executive officer of SICO and also an executive officer of SpinCo, beneficially owns an aggregate of 1,000 shares of SICO common stock, which represents less than 0.1% of the outstanding SICO common stock, and beneficially owns an aggregate of 1,000 shares of A. O. Smith common stock, which represents less than 0.1% of the outstanding A. O. Smith common stock.

### ***Employment and Severance Agreements***

SpinCo entered into employment and severance agreements with Bruce M. Smith and Wesley A. Ulrich. Pursuant to the agreements, upon termination of employment, SpinCo provides the executive with a severance payment of two times base salary and agrees to pay for health insurance premiums for the earlier of one year or until other employment is obtained. SpinCo also provides outplacement services.

### ***Termination of SICO Supplemental Benefit Plan***

Pursuant to the Merger Agreement, SICO agreed to terminate its Supplemental Benefit Plan prior to the Spin-Off. SICO subsequently terminated its Supplemental Benefit Plan effective December 31, 2008. SpinCo assumed SICO's obligation to make a lump sum distribution to each participant with an account balance in the Supplemental Benefit Plan and SpinCo has paid such lump sum distribution to each participant. Each of Bruce M. Smith and Wesley A. Ulrich participated in SICO's Supplemental Benefit Plan. Mr. Smith received a payment from SpinCo of approximately \$424,000 and Mr. Ulrich received a payment from SpinCo of approximately \$396,000 due to the termination of the Supplemental Benefit Plan.

### ***SICO Special Committee Compensation***

The SICO Special Committee consists of two disinterested and independent directors, Messrs. Edward E. Barr and Harold M. Stratton II. SICO's board of directors authorized the compensation for the members of the SICO Special Committee, in addition to the reimbursement of expenses and payment of all other fees that they receive as members of the SICO board of directors. The SICO board of directors determined that Mr. Barr will receive remuneration for his services on the SICO Special Committee in the amount of \$30,000 plus \$750 per meeting attended and Mr. Stratton will receive remuneration for his services on the SICO Special Committee of \$1,500 per day worked (with a minimum half day payment for any day worked) plus \$500 per meeting attended. The approved compensation for the members of the SICO Special Committee was not, and is not, contingent upon the approval of the Merger Agreement and completion of the merger or any other transaction involving SICO.

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**Material Agreements Between the Parties**

Except for the Merger Agreement, the other agreements relating to the merger and the transactions contemplated thereby, which are described throughout this joint proxy statement/prospectus, and the matters described below, there are no, and there has not been during the past two years any, material contracts, arrangements, understandings, relationships, negotiations or transactions between A. O. Smith or its affiliates and SICO or its affiliates.

Mr. Bruce M. Smith serves as a director of A. O. Smith and as the Chairman, President, Chief Executive Officer of SICO. He participates in A. O. Smith's Corporate Directors' Deferred Compensation Plan, as amended, in his capacity as a director of A. O. Smith.

Mr. Bruce M. Smith's brother, Roger S. Smith, and A. O. Smith director Mark D. Smith's brother, Arthur O. Smith, III, are both employed by A. O. Smith in non-executive capacities. Each is a long-service employee whose employment precedes his respective brother's election to the A. O. Smith board of directors by more than ten years. Furthermore, each is subject to the same terms and conditions of employment as other salaried employees of A. O. Smith, and the compensation for each is below the threshold for a related party transaction under SEC rules.

A. O. Smith provides SICO with consulting services, office space and group insurance coverage and other miscellaneous services. SICO reimburses A. O. Smith for the costs relating to these services. A. O. Smith and SICO are also covered by the same directors' and officers' insurance policy.

**A. O. Smith Board of Directors after Completion of the Merger**

Upon the completion of the merger, A. O. Smith's board of directors will continue to be composed of 10 members. In addition, the A. O. Smith Amended Charter and the A. O. Smith bylaws will continue to provide that the board of directors consist of at least five members, with the fixed number of directors being established from time to time by resolution of A. O. Smith's board of directors. Currently, holders of A. O. Smith common stock are entitled to elect 25% of the authorized number of members of the board of directors and, if such 25% is not a whole number, then the nearest higher whole number of directors (or three of the ten directors). Holders of A. O. Smith Class A common stock are entitled to elect the remaining number of authorized directors that the holders of A. O. Smith common stock are not entitled to elect (or seven of the ten directors). Following the merger, the holders of A. O. Smith common stock, voting as a separate class, will be entitled to elect  $33\frac{1}{3}\%$  of the authorized number of members of the A. O. Smith board of directors and, if such  $33\frac{1}{3}\%$  is not a whole number, then rounding up to the nearest higher whole number of directors (or four of the ten directors). Holders of A. O. Smith Class A common stock will be entitled to elect the remaining number of authorized directors that the holders of A. O. Smith common stock are not entitled to elect (or six of the ten directors). Effective upon consummation of the merger, the A. O. Smith board of directors has designated Mr. Ronald D. Brown, who is currently a director elected by holders of A. O. Smith Class A common stock, as a director elected by the holders of the A. O. Smith common stock to serve until the next annual meeting of A. O. Smith's stockholders. Additional information regarding A. O. Smith's directors is provided in A. O. Smith's Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 5, 2009, which is incorporated herein by reference.

**Management of MergerCo after Completion of the Merger**

MergerCo will continue to be a wholly-owned subsidiary of A. O. Smith upon completion of the merger. As a member managed limited liability company, MergerCo will not have a board of managers. Instead, MergerCo will be managed by A. O. Smith, as its sole member. Therefore, following the merger, the directors of A. O. Smith, as discussed immediately above in the section "A. O. Smith Board of Directors after Completion of the Merger," will have the power to direct decisions made by A. O. Smith, the managing member of MergerCo.

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**Legal Proceedings Regarding the Merger**

On February 26, 2008 Buttonwood Tree Value Partners, LP filed a purported class action complaint against SICO, A. O. Smith and certain directors and officers of SICO and A. O. Smith in the Milwaukee County Circuit Court in Wisconsin. The initial complaint alleged that the defendants breached their fiduciary duties to plaintiffs in connection with SICO's proposed transaction. The lawsuit sought, among other things, an injunction requiring that defendants provide plaintiff with all documents relevant to the terms and conditions of the proposed transaction and permit the plaintiff to participate in negotiations regarding the potential transaction between SICO and A. O. Smith.

On February 19, 2009, Buttonwood Tree Value Partners, LP filed an amended complaint alleging, among other things, that the individual defendants breached their fiduciary duties in connection with the proposed transaction, and that A. O. Smith, through its officers and directors, aided and abetted this purported breach of fiduciary duty. The amended complaint added certain members of the Smith family and the CEO of A. O. Smith. The amended complaint seeks, among other things, an injunction enjoining the proposed transaction and requiring defendants to make certain disclosures to SICO's stockholders.

Counsel for the parties have agreed in principle to settle the lawsuit and have executed a Memorandum of Understanding dated March 10, 2009. A stipulation of settlement is expected to follow. As part of the settlement, and in exchange for a dismissal of the lawsuit and release, A. O. Smith has agreed to add certain corporate governance measures to its policies and SICO and A. O. Smith have agreed to make certain additional disclosures (that plaintiffs' counsel has reviewed) to its stockholders in this joint proxy statement/prospectus.

The corporate governance measures would include the following: (1) A. O. Smith's Nominating and Governance Committee would need to approve any transaction or arrangement with A. O. Smith reportable under Item 404 of Regulation S-K under the Securities Exchange Act of 1934, involving a potential conflict of interest of an A. O. Smith director, CEO or any of their respective family members; (2) A. O. Smith's Nominating and Governance Committee would evaluate the independence of A. O. Smith directors under previously established and publicly available guidelines; (3) A. O. Smith's Nominating and Corporate Governance Committee would review on an annual basis and report to the board compliance with A. O. Smith's publicly available policy regarding conflicts of interest/affiliations involving directors and their immediate family members.

The settlement would resolve the claims in the currently pending lawsuit. It is subject to customary conditions, including preliminary and final approval by the Court, after appropriate notice and a hearing to consider the fairness of the settlement. The settlement is also subject to completion of the merger. The defendants continue to deny any liability or responsibility for the claims made in the pending lawsuit and make no admission of any wrongdoing. There can be no assurance that the parties will ultimately enter into a stipulation of settlement or that the Court will approve the settlement even if the parties enter into a stipulation. If the Court approves the settlement, SICO stockholders from February 2, 2008 through the completion of the merger (other than the SICO directors, SICO and A. O. Smith) will release all claims, excluding valid exercises of dissenters' rights, relating to the merger that were or could be brought against SICO, A. O. Smith, the other defendants and in each case, their respective directors, officers, affiliates and agents. See Risk Factors beginning on page 30.

**Appraisal Rights; Dissenters' Rights**

***A. O. Smith Stockholders***

Under the General Corporation Law of the State of Delaware, A. O. Smith stockholders do not have appraisal rights in connection with the merger.

***SICO Stockholders***

Under NRS Chapter 92A, SICO stockholders will have dissenters' rights in connection with the merger. In general, shares of SICO common stock issued and outstanding immediately prior to the effective time of the

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merger that are held by a holder who (a) has not voted such shares in favor of the approval of the Merger Agreement, (b) is entitled to, and who has, properly demanded and perfected dissenter's rights for such shares of SICO common stock in accordance with NRS 92A.420, and (c) has not effectively withdrawn or forfeited such dissenter's rights prior to the effective time of the merger, will not be converted into a right to receive Merger Consideration at the effective time of the merger. SICO stockholders who properly demand and perfect their dissenter's rights are entitled to obtain payment of the fair value of their shares immediately before the effective time of the merger, excluding any appreciation or depreciation in anticipation of the merger.

The following discussion is not a complete statement of the law pertaining to dissenter's rights under the NRS, and is qualified in its entirety by the full text of NRS 92A.300 to 92A.500, inclusive, as it exists as of the date of this joint proxy statement/prospectus, which provisions are provided in their entirety as Annex J to this joint proxy statement/prospectus. A person having a beneficial interest in shares of capital stock held of record in the name of another person, such as a broker or nominee, who seeks to elect dissenter's rights must act promptly to cause the record holder to act in accordance with the steps summarized below properly and in a timely manner to prevent such record holder from acting in a manner that may result in a loss of such person's dissenter's rights.

Under NRS 92A.410(1), when a proposed merger is to be submitted for approval at a meeting of stockholders of a corporation, as in the case of the SICO special meeting contemplated hereby, the subject corporation must notify each of its stockholders entitled to dissenter's rights that dissenter's rights are applicable and include in that notice a copy of NRS 92A.300 to 92A.500 as it then exists. This joint proxy statement/prospectus constitutes such notice to the holders of SICO common stock, and the applicable statutory provisions of the NRS are attached as Annex J to this joint proxy statement/prospectus. Any SICO stockholder who wishes to assert dissenter's rights should review carefully the following discussion and Annex J to this joint proxy statement/prospectus. Moreover, because of the complexity of the procedures for asserting dissenter's rights in respect of SICO common stock, we believe that the SICO stockholders who are considering asserting such dissenter's rights should seek the advice of counsel, which counsel will not be compensated by us. The failure by a SICO stockholder to comply with the procedures specified in NRS 92A.300 to 92A.500 in a timely and proper manner may result in the loss of such stockholder's dissenter's rights, and such stockholder instead will receive payment of the Merger Consideration contemplated by the Merger Agreement on the same basis as other SICO stockholders.

*Filing Written Objection*

Any SICO stockholder who wishes to assert dissenter's rights under NRS 92A.300 to 92A.500 must satisfy each of the following conditions:

as more fully described below, before the vote on the approval of the Merger Agreement at the SICO special meeting, the stockholder must deliver to SICO at Smith Investment Company, 11270 West Park Place, Milwaukee, Wisconsin, 53224-9508, Attention Corporate Secretary, written notice of the holder's intent to demand payment for the holder's shares if the merger is completed; and

the stockholder must either not vote on the approval of the Merger Agreement, or must vote his or her shares **AGAINST** the approval of the Merger Agreement either by proxy or in person pursuant to Section 92A.420 of the NRS. A vote **FOR** the approval of the Merger Agreement will constitute a waiver of a stockholder's dissenter's rights.

The written notice to SICO of the stockholder's intent to demand payment for the stockholder's shares must be in addition to and separate from any proxy or vote. Neither voting (in person or by proxy) against, abstaining from voting, nor failing to vote on the approval of the Merger Agreement will constitute a written notice of intent to demand payment within the meaning of NRS 92A.420.

*Notice by MergerCo*

Within 10 days after the merger is completed, MergerCo, as the entity surviving the merger, must send a written dissenter's notice to all SICO stockholders entitled to assert dissenter's rights.

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The dissenter's notice will specify where stockholders should send their demand for payment, and where and when stockholders must deposit their stock certificates, if any. The dissenter's notice will also inform stockholders of shares not represented by stock certificates of the extent to which the transfer of their shares will be restricted after their demand for payment is received. The dissenter's notice will also include a form for demanding payment that references the date the merger was first publicly announced. The stockholder asserting dissenter's rights must certify on this form whether or not the stockholder acquired beneficial ownership of the shares before the date the merger was first publicly announced. The dissenter's notice will also set a date by when MergerCo must receive the demand for payment, which may not be less than 30 days nor more than 60 days after the date the dissenter's notice is delivered. Along with the dissenter's notice, MergerCo will provide stockholders a copy of NRS 92A.300 through 92A.500.

If, after receiving a dissenter's notice, the stockholder wishes to assert dissenter's rights, the stockholder must timely demand payment, certify whether the stockholder acquired beneficial ownership of the shares before the date set forth in the dissenter's notice, and deposit the stockholder's certificates, if any, in accordance with the terms of the dissenter's notice. The failure by the stockholder to demand payment timely and properly or failure to deposit certificates as described in the dissenter's notice may terminate the stockholder's right to receive payment pursuant to NRS Chapter 92A.

A stockholder who demands payment and deposits his, her or its certificates, if any, before the effective time of the merger, retains all other rights of a stockholder until those rights are cancelled or modified by the consummation of the merger.

### *Payment for Shares*

Except as described below, within 30 days after the stockholder's properly executed demand for payment is received by MergerCo, the stockholder will receive what MergerCo has estimated to be the fair value of the stockholder's shares of SICO common stock, plus accrued interest. The payment will be accompanied by SICO's balance sheet as of the end of a fiscal year not more than 16 months before the date of payment, an income statement for that year, a statement of changes in the stockholders' equity for that year, and the latest available interim financial statements, if any. MergerCo will also include an explanation of how it estimated the fair value of the shares and how the accrued interest was calculated, along with information regarding the stockholder's right to challenge the fair value determined by MergerCo and a copy of NRS 92A.300 to 92A.500.

MergerCo may elect to withhold payment from a dissenting stockholder that became the beneficial owner of the shares on or after the date of the first public announcement of the merger as stated in the dissenter's notice. To the extent MergerCo withholds payment, after the merger, MergerCo will estimate the fair value of the shares, plus accrued interest, and offer to pay this amount to the stockholder as full satisfaction of the stockholder's demand of payment. The offer will contain a statement of MergerCo's estimation of the fair value for shares of SICO's common stock, an explanation of how the accrued interest was calculated, and a statement of dissenter's right to demand payment under NRS 92A.480.

### *Determination of Fair Value*

If the dissenting stockholder believes that the consideration paid in exchange for the stockholder's shares is less than their fair value, or that the interest is not correctly determined, the stockholder may demand an additional payment of the difference between the stockholder's estimate and MergerCo's estimate of the fair value per SICO share. The stockholder must make such demand in writing and within 30 days after MergerCo has made or offered payment for the stockholder's shares.

If a demand for payment remains unsettled, MergerCo, within 60 days after MergerCo receives the stockholder's demand, will petition the district court of the appropriate county within Nevada to determine the fair value of the shares of SICO common stock and the accrued interest. If MergerCo does not commence such



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legal proceeding within the 60-day period, MergerCo will be required to pay each dissenting stockholder whose demand remains unsettled the amount demanded.

All dissenters whose demands remain unsettled will be made parties to the proceeding, and are entitled to a judgment for either (a) the amount, if any, by which the court finds the fair value of the stockholder's shares, plus interest, exceeds the amount paid by MergerCo; or (b) the fair value, plus accrued interest, of the stockholder's after-acquired shares for which MergerCo withheld payment, plus accrued interest, pursuant to NRS 92A.470.

MergerCo will be required to pay the costs and expenses of the court proceeding unless the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith, in which case the costs will be equitably distributed as and against MergerCo and the dissenters and not necessarily in equal manner. Attorneys' fees will be divided as the court considers equitable.

SICO stockholders should be aware that the fair value of their shares as determined in a legal proceeding in accordance with NRS 92A.490 could be more than, the same as or less than the Merger Consideration the stockholder would receive under the Merger Agreement.

Any SICO stockholder wishing to exercise dissenter's rights is urged to consult legal counsel before attempting to exercise dissenter's rights. The failure of a SICO stockholder to comply strictly with all of the procedures set forth in NRS 92A.300 to 92A.500, inclusive, may result in the loss of such stockholder's statutory dissenter's rights.

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**THE MERGER AGREEMENT**

*The following summary describes the material terms of the Merger Agreement. The provisions of the Merger Agreement are complicated and not easily summarized. This summary may not contain all of the information about the Merger Agreement that is important to you. The Merger Agreement is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference in this joint proxy statement/prospectus, and A. O. Smith and SICO encourage you to read it carefully in its entirety for a more complete understanding of the Merger Agreement.*

*The Merger Agreement has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about A. O. Smith or SICO. Such information can be found elsewhere in this document and in the public filings that A. O. Smith makes with the SEC, which are available without charge through the SEC's website at <http://www.sec.gov>.*

*The representations and warranties described below and included in the Merger Agreement were made by each of A. O. Smith and SICO to the other. These representations and warranties were made as of specific dates and are subject to important exceptions, limitations and supplemental information contained in the confidential disclosure schedules provided by each of A. O. Smith and SICO to the other in connection with the signing of the Merger Agreement. In addition, the representations and warranties may have been included in the Merger Agreement for the purpose of allocating risk between A. O. Smith and SICO rather than to establish matters as facts. The Merger Agreement is described in this joint proxy statement/prospectus and included as Annex A only to provide you with information regarding its terms and conditions, and not to provide any other factual information regarding A. O. Smith, SICO or their respective businesses. Accordingly, you should not rely on the representations and warranties in the Merger Agreement as characterizations of the actual state of facts about A. O. Smith or SICO, and you should read the information provided elsewhere in this joint proxy statement/prospectus and in the documents incorporated by reference in this joint proxy statement/prospectus for information regarding A. O. Smith and SICO and their respective businesses. See *Where You Can Find More Information* beginning on page 139 of this joint proxy statement/prospectus.*

**The Merger**

Each of the A. O. Smith board of directors, the SICO board of directors and the sole member of MergerCo has approved the Merger Agreement, which provides for the merger of SICO with and into MergerCo, with MergerCo surviving the merger as a wholly-owned subsidiary of A. O. Smith.

**Effective Time**

A. O. Smith and SICO will complete the merger when all of the conditions to completion of the merger contained in the Merger Agreement, which are described in the Section entitled *Conditions to Obligations to Complete the Merger* beginning on page 97, are satisfied or waived, including the A. O. Smith stockholders' adoption of the Merger Agreement, adoption of the A. O. Smith Amended Charter and approval of the Stock Issuance and the approval by the SICO stockholders of the Merger Agreement. The merger will become effective upon the filing of articles of merger with the Secretary of the State of the State of Nevada and a certificate of merger with the Secretary of State of the State of Delaware.

**Consideration to be Received in the Merger**

Upon completion of the merger, each share of SICO common stock outstanding immediately prior to the effective time of the merger will be canceled and automatically converted into the right to receive consideration in the merger, as described below in *A. O. Smith Class A Common Stock*, *A. O. Smith Common Stock*, *A. O. Smith Common Stock in Escrow*, and the cash payable in lieu of any fractional shares, as described below in *Fractional Shares* beginning on page 89, (collectively, the *Merger Consideration*).

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Thereafter, each SICO stock certificate will represent only the right to receive the Merger Consideration. Each share of SICO common stock held or owned by SICO, A. O. Smith, MergerCo or any of their direct or indirect wholly owned subsidiaries immediately prior to the effective time of the merger will be automatically canceled and retired and cease to exist, and none of SICO, A. O. Smith or any of their direct or indirect subsidiaries will receive any securities of SICO or other consideration in exchange for those shares.

SICO has agreed that it will not, without the approval of the board of directors of A. O. Smith, issue new shares of SICO common stock, complete any stock splits with respect to the outstanding shares of SICO common stock or repurchase any shares of SICO common stock. As a result, we do not expect the number of outstanding shares of SICO common stock to change prior to the effective time of the merger. SICO also has agreed that it will not, without the approval of the A. O. Smith board of directors, acquire shares of A. O. Smith Class A common stock or A. O. Smith common stock or sell any of the shares of A. O. Smith Class A common stock or A. O. Smith common stock that it currently holds. In addition, A. O. Smith, currently does not intend to complete any stock splits, declare any stock dividends or take any other corporate action that would result in a change in the number of shares of A. O. Smith Class A common stock or A. O. Smith common stock held by SICO. As a result, we do not expect the number of outstanding shares of A. O. Smith Class A common stock or A. O. Smith common stock held by SICO to change prior to the effective time of the merger.

***A. O. Smith Class A Common Stock***

Each share of SICO common stock outstanding immediately prior to the effective time of the merger will be converted into the right to receive the number of shares of A. O. Smith Class A common stock equal to (a) 0.9850 multiplied by the number of shares of A. O. Smith Class A common stock held by SICO immediately prior to the effective time of the merger divided by (b) the number of outstanding shares of SICO common stock, rounding to the nearest one one-thousandth (.001) of a share (rounding upward in the case of any .0005 of a share), issued and outstanding immediately prior to the effective time of the merger (excluding dissenting shares) (the Class A Exchange Ratio ).

For example, assuming there are no dissenting shares, if you currently own 1,000 shares of SICO common stock, absent the treatment of the fractional shares described below, and assuming there is no change in the number of outstanding shares of SICO common stock or the number of shares of A. O. Smith Class A common stock held by SICO, you would be entitled to receive 2,396 shares of A. O. Smith Class A common stock, which is calculated as follows: (a) 0.9850 multiplied by 8,067,252 shares of A. O. Smith Class A common stock held by SICO divided by (b) 3,317,066 shares of SICO common stock issued and outstanding immediately prior to the effective time of the merger rounding to the nearest one one-thousandth (.001) of a share (rounding upward in the case of any .0005 of a share), and then multiplied by (c) 1,000 shares of SICO common stock held by you.

***A. O. Smith Common Stock***

Each share of SICO common stock outstanding immediately prior to the effective time of the merger will be converted into the right to receive the number of shares of A. O. Smith common stock equal to (a)(i) 0.9850 multiplied by the number of shares of A. O. Smith common stock held by SICO immediately prior to the effective time minus (ii) the number of Escrow Shares (as described below), divided by (b) the number of outstanding shares of SICO common stock, rounding to the nearest one one-thousandth (.001) of a share (rounding upward in the case of any .0005 of a share), issued and outstanding immediately prior to the effective time of the merger (excluding dissenting shares) (the Closing Common Exchange Ratio ).

For example, assuming there are no dissenting shares, if you currently own 1,000 shares of SICO common stock, absent the treatment of the fractional shares described below, assuming there are 500,000 Escrow Shares and that there is no change in the number of outstanding shares of SICO common stock or the number of shares of A. O. Smith common stock held by SICO, you would be entitled to receive 312 shares of A. O. Smith common stock, which is calculated as follows: (a)(i) 0.9850 multiplied by 1,559,076 shares of A. O. Smith common stock

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held by SICO minus (ii) 500,000 Escrow Shares divided by (b) 3,317,066 shares of SICO common stock issued and outstanding immediately prior to the effective time of the merger rounding to the nearest one one-thousandth (.001) of a share (rounding upward in the case of any .0005 of a share), and then multiplied by (c) 1,000 shares of SICO common stock held by you.

***A. O. Smith Common Stock in Escrow***

Immediately prior to the effective time of the merger, the Shareholders Representative (as defined below in Indemnification Shareholders Representative) and A. O. Smith will enter into an escrow agreement with an escrow agent reasonably acceptable to both SICO and A. O. Smith. At the effective time of the merger, A. O. Smith will deposit with the escrow agent stock certificates representing shares of A. O. Smith common stock equal to (a) \$15,000,000 divided by (b) the average of the volume-weighted average price of trades for A. O. Smith common stock on the NYSE for the ten trading days ending on the last trading day immediately preceding the closing date (the Escrow Shares ). The Escrow Shares will be held in escrow and distributed pursuant to the escrow agreement. The form of escrow agreement is attached as Annex F to this joint proxy statement/prospectus and is described in greater detail under Agreements Relating to the Merger Escrow Agreement beginning on page 108. Each share of SICO common stock will be converted into the right to receive the number of shares of A. O. Smith common stock equal to the (a) number of Escrow Shares released from the escrow account divided by (b) the number of shares of SICO common stock, rounding to the nearest one-one thousandth (.001) of a share (rounding upward in the case of any .0005 of the share), issued and outstanding immediately prior to the merger (excluding dissenting shares) (the Per Share Escrow Release Number ).

For example, assuming there are no dissenting shares, 500,000 Escrow Shares and 100% of such Escrow Shares are released from escrow to the former SICO stockholders, if you currently own 1,000 shares of SICO common stock, absent the treatment of the fractional shares described below and assuming there is no change in the number of outstanding shares of SICO common stock or the number of shares of A. O. Smith common stock held by SICO, you would be entitled to receive 150 shares of A. O. Smith common stock, which is calculated as follows: (a) 500,000 Escrow Shares divided by (b) 3,317,066 shares of SICO common stock and outstanding immediately prior to the effective time of the merger rounding to the nearest one-one thousandth (.001) of a share (rounding upward in the case of any .0005 of the share), and then multiplied by (c) 1,000 shares of SICO common stock held by you.

**Fractional Shares**

A. O. Smith will not issue any fractional shares of A. O. Smith Class A common stock or A. O. Smith common stock in connection with the merger. Instead, each record holder of SICO common stock who would otherwise be entitled to receive a fraction of a share of A. O. Smith Class A common stock or A. O. Smith common stock (after taking into account and aggregating shares of A. O. Smith Class A common stock represented by all SICO stock certificates surrendered by each record holder of SICO common stock and separately taking into account and aggregating shares of A. O. Smith common stock represented by all SICO stock certificates surrendered by each record holder of SICO common stock) will receive cash, without interest, in an amount equal to the fraction multiplied by the volume-weighted average price of trades of shares of A. O. Smith common stock on the NYSE on the last trading day immediately preceding the closing date of the merger.

In addition, in lieu of the release of any fractional Escrow Shares pursuant to the escrow agreement, each record holder of SICO common stock who would otherwise be entitled to a fraction of an Escrow Share (after taking into account and aggregating any fractional Escrow Shares to which such holder would otherwise be entitled) will receive cash, without interest, in an amount equal to the fraction multiplied by the volume-weighted average price of trades for shares of A. O. Smith common stock on the NYSE on the last trading day immediately preceding the closing date of the merger. Upon payment by A. O. Smith for any fractional Escrow Shares, such fractional Escrow Share will be canceled and retired and will cease to exist.

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### **Exchange of Certificates; Letter of Transmittal**

Prior to the completion of the merger, A. O. Smith will select an exchange agent reasonably satisfactory to SICO to hold the shares of A. O. Smith Class A common stock and A. O. Smith common stock to be issued to SICO stockholders in connection with the merger (excluding Escrow Shares). At the effective time of the merger, A. O. Smith will deposit such shares with the exchange agent. From time to time after the effective time of the merger, as necessary, A. O. Smith shall also make available cash in an amount sufficient to pay cash payable in lieu of fractional shares of A. O. Smith Class A common stock and A. O. Smith common stock, and, if required pursuant to the Merger Agreement, any dividends or other distributions on A. O. Smith Class A common stock and A. O. Smith common stock with a record date after the completion of the merger.

### ***Letter of Transmittal***

Promptly following the effective time of the merger, the exchange agent will mail to each record holder of SICO common stock a letter of transmittal and instructions for surrendering the record holder's stock certificates in exchange for certificates representing the shares of A. O. Smith Class A common stock and A. O. Smith common stock issuable to each such holder pursuant to the merger. SICO stockholders who hold their shares in book entry form also will receive instructions for the exchange of their shares for the Merger Consideration from the exchange agent. Those holders of SICO common stock who properly surrender their SICO stock certificates (or uncertificated shares) in accordance with the exchange agent's instructions will receive (a) the shares of A. O. Smith Class A common stock and A. O. Smith common stock issuable to each such holder pursuant to the merger, (b) cash, without interest, in lieu of any fractional share of A. O. Smith Class A common stock or A. O. Smith common stock issuable to any such holders and (c) dividends or other distributions, if any, to which they are entitled under the terms of the Merger Agreement. Following the completion of the merger, SICO will not register any transfers of SICO common stock on its stock transfer books.

**Holders of SICO common stock should not send in their SICO stock certificates until they receive a letter of transmittal from the exchange agent with instructions for the surrender of SICO stock certificates.**

### ***Withholding***

The exchange agent will be entitled to deduct and withhold from the Merger Consideration and from any cash dividends or other distributions, if any, to which a holder is entitled under the terms of the Merger Agreement the amounts it is required to deduct or withhold under any United States federal, state, local or foreign tax law. If the exchange agent withholds any amounts, these amounts will be treated for all purposes of the merger as having been paid to the stockholders from whom they were withheld.

### ***Dividends and Distributions***

Until SICO stock certificates are surrendered for exchange, any dividends or other distributions declared after the effective time of the merger with respect to A. O. Smith Class A common stock or A. O. Smith common stock into which shares of SICO common stock may have been converted will accrue but will not be paid. A. O. Smith will pay to former SICO stockholders any unpaid dividends or other distributions, without interest, only after such stockholders have duly surrendered their SICO stock certificates.

### **Representations and Warranties**

The Merger Agreement contains general representations and warranties made by each of A. O. Smith and MergerCo, on the one hand, and SICO on the other, regarding aspects of their, and their respective subsidiaries, respective businesses, financial condition and structure, as well as other facts pertinent to the merger. These representations and warranties are subject to materiality, knowledge and other similar qualifications in many respects.

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The following representations and warranties of A. O. Smith and MergerCo expire five years after the effective time of the merger and relate to:

corporate organization, corporate standing and corporate power;

corporate authorization, including board approval, to enter into and carry out the obligations contained in the Merger Agreement;

enforceability of the Merger Agreement;

inapplicability of state takeover laws;

absence of any conflict or violation of the corporate charter, bylaws or similar organizational documents or any agreements with third parties, as a result of entering into and carrying out the obligations contained in the Merger Agreement;

capitalization of A. O. Smith;

brokers used and fees payable in connection with the merger;

litigation;

vote of stockholders required to complete the merger;

opinion of financial advisor; and

organization and liabilities of MergerCo.

In addition to the foregoing, the Merger Agreement also contains the following representations and warranties of A. O. Smith which expire at the effective time of the merger:

the absence of any violation of any legal requirements applicable to A. O. Smith or its subsidiaries of any of their properties of assets as a result of entering into and carrying out the obligations contained in the Merger Agreement; and

the accuracy of information supplied for inclusion in this joint proxy statement/prospectus and other similar documents.

The following representations and warranties of SICO expire five years after the effective time of the merger and relate to:

corporate organization, corporate standing and corporate power, including subsidiaries;

corporate authorization, including board approval, to enter into and carry out the obligations contained in the Merger Agreement;

enforceability of the Merger Agreement;

inapplicability of state takeover laws;

absence of any conflict or violation of the corporate charter, bylaws or similar organizational documents, any applicable legal requirements or any agreements with third parties, as a result of entering into and carrying out the obligations contained in the Merger Agreement;

capitalization of SICO;

organization and liabilities of SpinCo and other subsidiaries of SICO;

compliance with laws and permits;

accuracy of financial statements;

absence of undisclosed liabilities;

brokers used and fees payable in connection with the merger;

absence of certain changes since December 31, 2007;

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employee benefit plans and labor matters;

litigation;

real estate matters;

environmental matters;

tax matters;

intellectual property matters;

vote of stockholders required to complete the merger;

opinion of financial advisor;

accuracy of information supplied for inclusion in this joint proxy statement/prospectus, the information statement distributed by SICO in connection with the Spin-Off and other similar documents;

material contracts; and

solvency.

**Conduct of Business Pending the Merger**

SICO has undertaken certain covenants that place restrictions on it and its subsidiaries until the effective time of the merger. In general, SICO has agreed to conduct its business in all material respects only in the ordinary course of business consistent with past practice unless required by law, specifically permitted by the Merger Agreement or any ancillary agreement or to the extent that A. O. Smith otherwise consents in writing (such consent not to be unreasonably withheld or delayed). In addition, SICO has agreed to certain restrictions limiting its and its subsidiaries ability to, among other things:

split, combine or reclassify any shares of capital stock of SICO or its subsidiaries;

authorize for issuance, issue or sell or agree or commit to issue or sell any stock of any class or any other securities or equity equivalents of SICO or its subsidiaries;

amend the organizational documents of SICO or any of its subsidiaries;



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other than in connection with the Spin-Off, acquire any equity interest in any person or any division or other assets or form any subsidiary;

make any material tax election, enter into any settlement or compromise of any material tax liability, or file a material amendment to a tax return or for a material refund of taxes;

establish, adopt, amend in any material respect or terminate any SICO benefit plan, other than to comply with applicable law or in accordance with the Merger Agreement;

commence any material litigation or settle any material claim, litigation, action or proceeding;

incur or guarantee any indebtedness for money borrowed;

take any action that is intended to result in any of SICO's representations and warranties set forth in the Merger Agreement becoming untrue; or

enter into an agreement to take any of the foregoing actions.

The Merger Agreement also contains covenants relating to the preparation of this document and the stockholders meetings, access to information of the other company and public announcements with respect to the transactions contemplated by the Merger Agreement.

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### **Reasonable Best Efforts**

Each party to the Merger Agreement agrees to use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by the Merger Agreement and the ancillary agreements.

### **Fees and Expenses**

SICO will pay for all of its transaction expenses as well as all reasonable out of pocket fees, costs and expenses in excess of \$200,000 incurred by A. O. Smith in connection with the transactions contemplated by the Merger Agreement, whether or not the merger is consummated.

### **Spin-Off**

SICO agreed in the Merger Agreement to complete the Spin-Off prior to the effective time of the merger. SICO completed the Spin-Off effective January 19, 2009. For additional information regarding the Spin-Off, please see The Companies SICO Recent Developments. In connection with the Spin-Off, all intercompany obligations of SICO to Berlin Industries and Central States were transferred to SpinCo and SICO's existing obligations to M&I Marshall & Ilsey Bank were either terminated or transferred to SpinCo.

### **Obligations of each of the A. O. Smith and SICO Boards of Directors with Respect to its Recommendation and Holding a Meeting of its Stockholders**

Prior to the vote of the SICO stockholders and solely in response to a material event relating to SICO's business that was unknown to SICO's board of directors, the SICO Special Committee or the SICO board of directors may withdraw or modify its recommendation in a manner that adversely affects the transaction if the SICO board of directors or a duly constituted committee thereof determines in good faith, after consultation with financial advisors and legal counsel, that it must withdraw or modify the recommendation to comply with its fiduciary duties to SICO and its stockholders. If such recommendation is withdrawn, SICO may cancel its stockholders' meeting without submitting the Merger Agreement to a vote.

Prior to the vote of the A. O. Smith stockholders and solely in response to a material event relating to A. O. Smith's business that was unknown to A. O. Smith's board of directors, the A. O. Smith's Special Committee or the A. O. Smith board of directors may withdraw or modify its recommendation in a manner that adversely affects the transaction if the A. O. Smith board of directors or a duly constituted committee thereof determines in good faith, after consultation with financial advisors and legal counsel, that it must withdraw or modify the recommendation to comply with its fiduciary duties to A. O. Smith and its stockholders. If such recommendation is withdrawn, A. O. Smith may not cancel its stockholders' meeting without submitting the Merger Agreement, the A. O. Smith Amended Charter and the Stock Issuance to a vote of its stockholders.

The support agreement that A. O. Smith and SICO entered into with members of the Smith Family includes a provision that restricts, for a period of one year after the termination of the Merger Agreement, the ability of such Smith Family members to support any alternative transaction that results in the termination of the Merger Agreement (as described below in Agreements Relating to the Merger Smith Family Support Agreement ).

### **Employee Benefit Matters**

SICO has agreed to take the following actions prior to the effective time of the merger:

to terminate the Smith Investment Company Supplemental Benefit Plan and cause SpinCo to assume the obligation to make a lump sum distribution to each participant with an account balance in the Supplemental Benefit Plan;

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to cause Berlin Industries to agree in writing to terminate and release SICO from all obligations to provide medical stop loss coverage to Berlin Industries;

to assign to SpinCo all obligations to pay post-retirement health benefits to former employees of SICO's Belvedere division; provided, that upon the liquidation or dissolution of SpinCo or the distribution of substantially all of its assets, SpinCo will either terminate such post-retirement benefits or reserve an amount sufficient to satisfy any future obligations; and

to assign to SpinCo or a subsidiary of SpinCo sponsorship of all SICO benefit plans and SpinCo or a subsidiary of SpinCo to retain responsibility for all liability for any healthcare continuation coverage required by law.

### **Belvidere Environmental Matters**

Pursuant to the Spin-Off, SICO transferred and assigned its ownership of the Belvidere real property, located at 725 Columbia Avenue, Belvidere, Illinois to SpinCo. SICO and SpinCo have agreed to take certain actions with respect to hazardous substances that existed, exist or shall exist in the future on, at, under or from the Belvidere property.

#### ***Assumption of Belvidere Environmental Liabilities by SpinCo***

Pursuant to the Spin-Off, SpinCo assumed, and will indemnify SICO and A. O. Smith for, all liabilities related to the remediation, investigation, monitoring, claims, penalties, fines or other obligations relating to hazardous substances on the Belvidere property. SpinCo agreed to take the following steps in regard to such hazardous substances on the Belvidere property.

#### ***Closure Letter Regarding Groundwater and Regulated RCRA Units***

There have been ongoing efforts to resolve certain identified issues relating to hazardous substances on the Belvidere property under the Resource Conservation and Recovery Act ( RCRA ). SpinCo agreed to take the following steps in regard to such RCRA issues on the Belvidere property:

pay all costs and use commercially reasonable efforts to obtain a closure letter from the Illinois Environmental Protection Agency ( IEPA ) for soil and groundwater impacts that no further investigation, remediation, monitoring or response/corrective action is required (the Closure Letter );

provide A. O. Smith with reasonable access to the Belvidere property upon request; and

remain solely responsible for addressing all matters that may arise in the event that the IEPA or any other governmental authority reopens or requests additional work be performed with respect to such RCRA matters after issuance of the Closure Letter.

If, upon termination of the escrow agreement, neither SpinCo nor SICO has obtained the Closure Letter, then SpinCo must reserve an amount equal to 110% of the amount deemed sufficient in the reasonable opinion of a third party environmental consultant to fund the actions necessary to obtain the Closure Letter.

#### ***Investigation of Environmental Law Violations on Belvidere Property***

If SpinCo becomes aware of any violation of environmental laws related to a release or threatened release of hazardous substances on the Belvidere property which was present on the Belvidere property prior to the effective time of the merger, other than the RCRA issues described in the previous section, SpinCo will take the following steps regarding such violations:

enroll the Belvidere property into the Illinois Site Remediation Program to the extent reasonably required to comply with environmental laws;

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conduct such actions that are required to obtain a focused No Further Remediation Letter ( NFR ) in regard to the violation in question to the extent reasonably required by environmental law;

provide A. O. Smith with reasonable access to the Belvidere property upon request; and

remain solely responsible for all matters raised in the event the IEPA or any other governmental authority reopens or requests any additional work to be performed on the Belvidere property in connection with such violation after issuance of an NFR.

If, upon termination of the escrow agreement, a violation triggering the need to obtain an NFR has been discovered and SpinCo has not obtained the NFR, then SpinCo must reserve an amount equal to 110% of the amount deemed sufficient in the reasonable opinion of a third party environmental consultant to fund the actions necessary to obtain the NFR.

**Directors and Officers Exculpation and Insurance**

For at least six years after the effective time of the merger, MergerCo s certificate of formation and operating agreement will contain provisions that are not less favorable to SICO s directors and officers than SICO s current organizational documents with respect to exculpation of such directors and officers for periods at or prior to the effective time of the merger.

For at least six years after the effective time of the merger, A. O. Smith will maintain for the benefit of SICO s directors and officers, as of the date of the Merger Agreement and as of the effective time, an insurance policy covering events prior to the effective time of the merger that is not less favorable in the aggregate than any policy of A. O. Smith for its directors and officers.

**A. O. Smith Insiders**

The A. O. Smith board of directors has adopted a resolution consistent with Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act ) so that the disposition or acquisition by an officer or director of A. O. Smith of shares of A. O. Smith common stock pursuant to this Merger Agreement, the merger and other transactions contemplated thereby, will be an exempt transaction under Rule 16b-3 under the Exchange Act.

**Notice of Breach**

Each of A. O. Smith and SICO shall give each other prompt written notice if its executive officers have knowledge of any breach or violation of any of its respective representations and warranties, covenants or agreements contained in the Merger Agreement.

**Litigation**

Each party shall promptly notify each other party if it has knowledge of any claim arising out of the Merger Agreement or the transactions contemplated thereby, which notice shall describe such claim in reasonable detail. SICO will control the defense of any transaction-related claim to the extent it involves SICO, SpinCo, Berlin Industries, Central States or any of their respective affiliates, directors, officers or employees (other than A. O. Smith and its directors, officers and employees). A. O. Smith will control the defense of any transaction-related claim to the extent it involves A. O. Smith, MergerCo or any of their respective affiliates, directors, officers or employees. If A. O. Smith controls the defense, SICO has the right to approve A. O. Smith s selection of legal counsel, which approval may not be unreasonably withheld or delayed, and SICO has the right at its expense to participate in the defense with counsel it chooses. A. O. Smith may only settle a transaction-related claim with SICO s prior written consent, which consent may not be unreasonably withheld or delayed. After the merger, the Shareholders Representative will take the place of SICO in connection with such procedures relating to transaction-related claims.

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### **Cancellation of Stock**

As soon as possible after the effective time of the merger, A. O. Smith will cause MergerCo to transfer to A. O. Smith all of the A. O. Smith Class A common stock and A. O. Smith common stock MergerCo holds and A. O. Smith shall cancel such shares.

### **Restrictions on SpinCo**

From the date of the Merger Agreement until five years after the effective time of the merger, SpinCo will not repurchase or otherwise acquire any of its equity interests or make or pay any dividend or distribution on any of its equity interests other than (a) distributions for income taxes permitted by SpinCo's operating agreement or (b) other dividends, distributions, repurchases or acquisitions if prior to the date of such dividend, distribution, repurchase or acquisition, SpinCo deposits \$4,000,000 into escrow to secure SpinCo's indemnification obligations. If SpinCo deposits \$4,000,000 in escrow prior to the release of all of the Escrow Shares pursuant to the escrow agreement, A. O. Smith will cause an amount of Escrow Shares with an aggregate value of \$4,000,000 to be released from escrow in accordance with the escrow agreement.

### **Resignation of Officers and Directors**

SICO's officers and directors will resign prior to the effective time of the merger and SICO will provide evidence of such resignations to A. O. Smith.

### **Taxes**

SICO will pay all SICO taxes due on or prior to the closing date including any estimated tax payments due on or prior to the closing date in accordance with applicable law.

### **Conditions to Obligations to Complete the Merger**

Each of A. O. Smith's, MergerCo's and SICO's obligation to complete the merger is subject to the fulfillment or waiver of mutual conditions, including:

the approval of the Merger Agreement by the requisite vote of stockholders of SICO;

the adoption of the Merger Agreement, the adoption of the A. O. Smith Amended Charter and the approval of Stock Issuance by the requisite vote of stockholders of A. O. Smith;

the effectiveness of the registration statement of which this joint proxy statement/prospectus forms a part under the Securities Act, and the absence of any stop order of proceedings initiated or threatened by the SEC for that purpose;

the filing of the A. O. Smith Amended Charter (as described below in A. O. Smith Charter Amendment ) with the Secretary of State of the State of Delaware;

if applicable, the approval of the listing on the NYSE of A. O. Smith common stock to be issued in the merger and such other shares to be reserved for issuance in connection with the merger;

the receipt of all material approvals, authorizations and consents of any governmental authority required to consummate the merger;

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the receipt by SICO and A. O. Smith of the IRS Letter Ruling from the IRS;

the absence of a preliminary or permanent injunction or other order, decree or ruling issued by a court or other governmental authority or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority that has the effect of making the consummation of the merger illegal or otherwise prohibiting the consummation of the merger; and

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the acceptance of the filing of the Articles of Merger with the Secretary of State of the State of Nevada and the Certificate of Merger with the Secretary of State of the State of Delaware.

Each of A. O. Smith's and MergerCo's obligation to effect the merger is further subject to the satisfaction of the following conditions, which may be waived by A. O. Smith prior to the effective time of the merger:

the representations and warranties of SICO in the Merger Agreement being true and correct (without regard to qualifications such as materiality or material adverse effect) as of the date of the Merger Agreement and as of the closing date of the merger (except for representations and warranties made only as of a specified date), except to the extent that any inaccuracies would not, in the aggregate, reasonably be expected to have a material adverse effect on SICO (which includes effects that would reasonably be expected to result in A. O. Smith or MergerCo being subject to indemnifiable damages in excess of \$3,000,000 or that would prevent or materially delay completion of the merger);

the performance in all material respects by SICO and SpinCo of their obligations under the Merger Agreement;

the delivery by SICO of certificates of its Chief Executive Officer or Chief Financial Officer and its Secretary, dated as of the closing date of the merger; and

the execution of the escrow agreement as described below in Agreements Relating to the Merger Escrow Agreement beginning on page 108.

SICO's obligation to effect the merger is further subject to the satisfaction of the following conditions, which may be waived in writing by SICO prior to the effective time of the merger:

the representations and warranties of A. O. Smith in the Merger Agreement being true and correct (without regard to qualifications such as materiality or material adverse effect) as of the date of the Merger Agreement and as of the closing date (except for representations and warranties made only as of a specified date), except to the extent that any inaccuracies would not, in the aggregate, reasonably be expected to have a material adverse effect on A. O. Smith (which includes effects that would reasonably be expected to prevent or materially delay completion of the merger);

the performance in all material respects by A. O. Smith and MergerCo of their obligations under the Merger Agreement;

the delivery by A. O. Smith of certificates of its Chief Executive Officer or Chief Financial Officer and its Secretary, dated as of the closing date of the merger;

the execution of the escrow agreement as described below in Agreements Relating to the Merger Escrow Agreement beginning on page 108;

the absence of any condition, event, fact or circumstance that has or would reasonably be expected to have a material adverse effect on the transaction (which includes effects that would reasonably be expected to result in SpinCo or the former SICO stockholders (by recourse to the Escrow Shares) being subject to indemnifiable damages in excess of \$3,000,000 or that would reasonably be expected to adversely affect the rights, privileges or preferences of the A. O. Smith Class A common stock or the A. O. Smith common stock); and



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the absence of a number of dissenting shares that represent more than 5% of the number of shares of SICO common stock issued and outstanding immediately prior to the completion of the merger.

### **Indemnification**

Beginning at the effective time of the merger, indemnification pursuant to the following indemnification provisions of the Merger Agreement will be the exclusive remedy for any breach of the Merger Agreement, including any representation, warranty, covenant and agreement contained in the agreement.

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*Indemnification by SpinCo and from the Escrow Shares*

A. O. Smith and its subsidiaries and their respective officers, directors, employees, owners, agents, affiliates and their respective successors and assigns are indemnified by SpinCo and out of the Escrow Shares from and against losses, costs, obligations, liabilities, settlement payments, fines, penalties, damages, expenses, taxes or other charges, directly or indirectly resulting from or arising out of the following:

any inaccuracy in or breach of any representation or warranty of SICO in the Merger Agreement or any ancillary agreement to which SICO is a party;

any breach of any covenant or agreement on the part of SICO in the Merger Agreement;

any transaction expenses of SICO not paid by SICO prior to the effective time of the merger;

any A. O. Smith transaction expenses in excess of \$200,000 not reimbursed by SICO prior to the effective time of the merger;

any costs, expenses or other amounts (including expenses) incurred, paid or payable by A. O. Smith in connection with any litigation or other claim related to the merger or the other transactions contemplated by the Merger Agreement;

any liabilities of any nature, whether accrued, absolute, contingent or otherwise incurred by SICO, SpinCo or any SICO subsidiary prior to the effective time of the merger, or to the extent arising out of any circumstances with respect to SICO, SpinCo, any SICO subsidiary or any of their respective business operations which occurred prior to the effective time of the merger;

the exercise by any stockholder of SICO of dissenters' rights pursuant to the Merger Agreement (taking into account the benefit of A. O. Smith not having to pay any such stockholders any Merger Consideration that such stockholder would have been entitled to);

any rights to indemnification, reimbursement or compensation from SICO asserted by any individual who served as director or officer of SICO prior to the effective time of the merger, whether pursuant to any of SICO's organizational documents, contracts or otherwise and whether or not related to claims pending on, or asserted after, the closing date;

any taxes of SICO for any pre-closing tax period;

certain reductions or denials of certain tax benefits and tax refunds;

any liabilities relating to any SICO benefit plan; or

the Spin-Off.

SpinCo also indemnifies A. O. Smith and its subsidiaries and their respective officers, directors, employees, owners, agents, affiliates and their respective successors and assigns from and against losses, costs, obligations, liabilities, settlement payments, fines, penalties, damages, expenses, taxes or other charges, related to any breach of any covenant or agreement on the part of SpinCo in the Merger Agreement.

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The representations, warranties, covenants and agreements given or made by SICO in the Merger Agreement or any ancillary agreement shall survive the closing for a period of five years after the closing date with respect to indemnification claims against SpinCo and for a period of two years after the closing date with respect to indemnification claims from the Escrow Shares.

### ***Indemnification by A. O. Smith***

SICO's former stockholders and each of their respective officers, directors, employees, owners, agents, affiliates and their successors and assigns are indemnified by A. O. Smith from and against losses, costs, obligations, liabilities, settlement payments, fines, penalties, damages, expenses or other charges, related to:

any inaccuracy in or breach of any representation or warranty of A. O. Smith or MergerCo in the Merger Agreement or any ancillary agreement to which A. O. Smith or MergerCo is a party; or

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any breach of any covenant or agreement on the part of A. O. Smith or MergerCo in the Merger Agreement; The representations, warranties, covenants and agreements given or made by A. O. Smith or MergerCo in the Merger Agreement or any ancillary agreement shall survive the closing for a period of 5 years after the closing date except for the representations and warranties regarding (a) the absence of any violation of, any legal requirements applicable to A. O. Smith or its subsidiaries or their properties or assets as a result of entering into and carrying out the obligations contained in the Merger Agreement and (b) the accuracy of information supplied for inclusion in this joint proxy statement/prospectus and other similar documents, which expire at the effective time of the merger.

***Shareholders Representative***

Upon the approval of the Merger Agreement, each former SICO stockholder will be deemed to have irrevocably appointed SpinCo, as its, his or her true and lawful attorney-in-fact and agent (the Shareholders Representative ). The Shareholders Representative will act solely and exclusively on behalf of the former SICO stockholders with regard to matters pertaining to the indemnification by the former SICO stockholders and all matters under the escrow agreement or relating to Escrow Shares. A. O. Smith and any other person may absolutely rely upon the actions of the Shareholders Representative. The Shareholders Representative will pay all expenses incurred by the Shareholders Representative in performing its duties.

***Indemnification Procedures***

As soon as reasonably practicable after becoming aware of any claim that may give rise to indemnification obligations, A. O. Smith or SICO, as applicable, shall give written notice ( Claim Notice ) to the party or parties from which indemnification is sought. The Claim Notice shall describe the claim in reasonable detail and indicate the amount of damages that have been suffered by the indemnified party.

If a third party makes a claim against an indemnified party, the indemnifying party will have the right upon written notice (a Control Notice ) to conduct the defense against such a third party claim in its own name or, if necessary, in the name of the indemnified party, subject to the following requirements:

the indemnifying party must acknowledge in writing that any damages that may be assessed against the indemnified party constitute damages for which the indemnified party may be indemnified under the Merger Agreement;

the indemnifying party may not control the defense of a suit or proceeding involving criminal liability or in which any relief other than monetary damages is sought against the indemnified party;

the indemnified party must cooperate with the indemnifying party and shall have the right, at its own expense, to participate in the defense;

the indemnifying party will not enter into any settlement of any third party claim or stop defending any third party claim without the prior written consent of the indemnified party, provided that the indemnified party may withhold its consent if injunctive or other equitable relief would be imposed against the indemnified party or such settlement or cessation would lead to material liability or financial obligation for the indemnified party, for which the indemnified party is not entitled to indemnification;

the indemnified party may employ a separate counsel to be paid by the indemnifying party if the indemnified party is named in the third party claim and it is determined that the indemnified party and indemnifying party have conflicting interests or different defenses in connection with the third party claim; and

the indemnifying party consents to the nonexclusive jurisdiction of any court in which a claim or cause of action in respect to a third party claim is brought against any indemnified party.



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Furthermore, the Shareholders Representative shall act as nominee for the former SICO stockholders with respect to any claim for indemnification against the Escrow Shares.

***Limits on Indemnification; Calculation of Damages***

When pursuing the collection of damages pursuant to the indemnification provisions, the A. O. Smith indemnified parties must first proceed against SpinCo before pursuing any claim against the Escrow Shares. If SpinCo does not satisfy all damages for which payment is due with respect to a claim within 15 days after agreement that payment is due or a final judgment, the A. O. Smith indemnified parties may proceed against the Escrow Shares, which represent the sole and exclusive source of satisfaction and payment for any indemnification claims against the former SICO stockholders.

Damages will be calculated after giving effect to any amount received by the indemnified party under any insurance coverage or any contribution from any third party for the claim and after giving effect to any tax benefit resulting from the claim when realized by the indemnified party. For this purpose, tax benefits with respect to A. O. Smith and its subsidiaries are treated as realized only to the extent that by the due date (including extensions) of the tax return for the last period from which losses or credits can be carried back, A. O. Smith and its subsidiaries have not otherwise generated a loss or credit to offset the income or tax that would have been reduced by the potential tax benefit. If a tax benefit will not be realized until after the indemnification payment is due, the indemnifying party is required to pay the full indemnification amount and the indemnified party will be obligated to pay the amount of the tax benefit to the indemnifying party when realized. The right to receive payment for these tax benefits shall survive indefinitely.

The A. O. Smith indemnified parties do not have any rights to indemnification for damages pursuant to the Merger Agreement to the extent that any such damages result from or arise out of any information of A. O. Smith that is incorporated by reference in this joint proxy statement/prospectus.

Furthermore, SpinCo waives any right to:

seek contribution or other payment from SICO with respect to damages for which SpinCo is required to indemnify A. O. Smith indemnified parties; or

bring a claim against current or former directors of A. O. Smith as a result of damages for which SpinCo is required to indemnify A. O. Smith indemnified parties.

**Payment for Tax Benefit Items**

A. O. Smith is required to pay to the Shareholders Representative for the account of the former SICO stockholders the amount of any tax refunds relating to SICO received by A. O. Smith or its subsidiaries after the effective time with respect to any pre-closing tax period and any tax benefits relating to SICO (including SICO's net operating loss carryforwards) actually realized by A. O. Smith or its subsidiaries after the effective time of the merger. For this purpose, tax benefits with respect to A. O. Smith and its subsidiaries are treated as realized to the extent that, by the due date (including extensions) of the tax return for the last period from which losses or credits can be carried back, A. O. Smith and its subsidiaries have not otherwise generated a loss or credit to offset the income or tax that would have been reduced by the potential tax benefits. The right to receive payment for these tax benefits shall survive indefinitely.

**Termination**

Under the terms of the Merger Agreement, the Merger Agreement may be terminated at any time prior to the effective time of the merger:

by mutual written consent of A. O. Smith, MergerCo and SICO;

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by either of SICO, on one hand, or A. O. Smith or MergerCo, on the other hand:

if the required SICO stockholder vote is not obtained at the SICO stockholder meeting or the required A. O. Smith stockholder votes are not obtained at the A. O. Smith stockholder meeting;

if any governmental authority of competent jurisdiction has issued an injunction or taken any other action, which permanently restrains, enjoins or otherwise prohibits the consummation of the merger; or

if the consummation of the merger does not occur on or before September 30, 2009;

by A. O. Smith or MergerCo, on one hand, or SICO, on the other hand, if there has been a breach of any representation, warranty, covenant or agreement of the other party contained in the Merger Agreement, which would result in a failure of any of the closing conditions of the non-breaching party, that cannot reasonably be cured prior to September 30, 2009; provided, however, that the non-breaching party shall have given the breaching party written notice of such breach, delivered at least 20 days prior to such termination; or

by A. O. Smith or MergerCo, on one hand, or SICO, on the other hand, if the board of directors of the other party has withdrawn or modified its recommendation to consummate the merger in a manner that adversely affects the transactions contemplated by the Merger Agreement.

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**A. O. SMITH AMENDED CHARTER**

*The following summary describes proposed changes to the A. O. Smith Existing Charter by the A. O. Smith Amended Charter. This summary may not contain all of the information about the A. O. Smith Amended Charter that is important to you. The A. O. Smith Amended Charter is attached as Annex B to this joint proxy statement/prospectus and is incorporated by reference in this joint proxy statement/prospectus, and A. O. Smith encourages you to read it carefully in its entirety for a more complete understanding.*

**General**

The Merger Agreement provides that, as a condition to the merger, the A. O. Smith Existing Charter be amended and restated and filed with the Secretary of State for the State of Delaware. The proposed A. O. Smith Amended Charter will provide for:

an increase, solely for purposes of completing the merger, in the total number of authorized shares of A. O. Smith Class A common stock that A. O. Smith can issue from 14,000,000 shares to 22,067,252 shares;

an increase in the percentage of members of the A. O. Smith board of directors that holders of A. O. Smith common stock, voting as a separate class, elect from 25% to  $33\frac{1}{3}\%$  of the members of the board of directors (if such  $33\frac{1}{3}\%$  is not a whole number, then rounding up to the nearest whole number of directors (or four of the ten directors));

shares of A. O. Smith Class A common stock to convert automatically into A. O. Smith common stock, subject to certain exceptions, upon transfer to unaffiliated third parties; and

all shares of A. O. Smith Class A common stock to convert automatically into A. O. Smith common stock once the outstanding shares of A. O. Smith Class A common stock fall below 2,397,976 shares, which is approximately 8% of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock as of the date of the Merger Agreement.

**Increase in the Number of Authorized Shares of A. O. Smith Class A Common Stock**

Pursuant to the merger, A. O. Smith will issue new shares of A. O. Smith Class A common stock and A. O. Smith common stock to the former SICO stockholders. The A. O. Smith Existing Charter does have a sufficient number of authorized but unissued shares of A. O. Smith Class A common stock for A. O. Smith to issue the requisite number of shares of A. O. Smith Class A common stock included in the Merger Consideration. The A. O. Smith Amended Charter will increase, solely for purposes of completing the merger, the authorized number of shares of A. O. Smith Class A common stock from 14,000,000 shares to 22,067,252 shares. Following the effective time of the merger, A. O. Smith will cancel the shares of A. O. Smith Class A common stock currently held by SICO, as described above in *The Merger Agreement Consideration to be Received in the Merger* beginning on page 88. Under the A. O. Smith Amended Charter, A. O. Smith will be prohibited from reissuing such shares of A. O. Smith Class A common stock after they are cancelled, so that the total number of shares of A. O. Smith Class A common stock that A. O. Smith is authorized to issue will return to 14,000,000.

**Increase in the Number of Directors the Holders of A. O. Smith Common Stock are Entitled to Elect**

Currently, the A. O. Smith Existing Charter provides that the holders of A. O. Smith common stock, voting as a class, elect 25% of the members of A. O. Smith's board of directors. The A. O. Smith Amended Charter will increase this percentage to  $33\frac{1}{3}\%$ . If  $33\frac{1}{3}\%$  of the authorized number of directors is not a whole number, then the holders of A. O. Smith common stock will be entitled to elect the nearest higher whole number of directors that is at least  $33\frac{1}{3}\%$  of the board of directors. Holders of A. O. Smith Class A common stock, voting as a separate class, will elect the remaining directors. The A. O. Smith Board currently consists of ten directors, with three elected by the A. O. Smith common stock. If A. O. Smith Proposal 2 passes and the A. O. Smith Amended



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Charter takes effect, the holders of A. O. Smith common stock will elect four of the ten directors. Effective upon consummation of the merger, the A. O. Smith board of directors has designated Mr. Ronald D. Brown, who is currently a director elected by holders of A. O. Smith Class A common stock as a director elected by the holders of the A. O. Smith common stock to serve until the next annual meeting of the A. O. Smith stockholders.

**Conversion of A. O. Smith Class A Common Stock Upon Transfer**

The A. O. Smith Amended Charter provides for the automatic conversion to A. O. Smith common stock of any shares of A. O. Smith Class A common stock that are transferred to transferees that are not Permitted Transferees (as defined below in this section). If, after the effective time of the merger, a beneficial owner of shares of A. O. Smith Class A common stock as of the effective time of the merger (an Existing Class A Holder ) transfers the beneficial ownership of shares of A. O. Smith Class A common stock, whether by sale, assignment, gift, bequest, appointment or otherwise, to a transferee who is not a Permitted Transferee, then each share of A. O. Smith Class A common stock that is transferred shall automatically be converted into one share of A. O. Smith common stock. The A. O. Smith Amended Charter contains a provision providing a holder of A. O. Smith Class A common stock 30 days to cure an inadvertent non-permitted transfer or a non-permitted transfer made with a bona fide belief that it was a not a non-permitted transfer. When determining whether this automatic conversion applies, Permitted Transferee shall mean:

with respect to any Existing Class A Holder that is a natural person (each of the following will be referred to as a Related Party ):

the parents, grandparents, siblings, spouses, ex-spouses and issue (either natural or adoptive), spouses and ex-spouses of issue (either natural or adoptive) of such Existing Class A Holder;

any trust for the benefit of, the estate of or the legal representative of, any of such Existing Class A Holder or such persons, provided, that any such trust shall qualify as a Related Party notwithstanding that a remainder interest in such trust is for the benefit of any other person;

any partnership the partners of which are any such Existing Class A Holder or one or more of such persons; or

any limited liability company, corporation or other entity the ownership interests of which are held by any such Existing Class A Holder or one or more of such persons; or

with respect to any Existing Class A Holder that is a trust, partnership, limited liability company, corporation or other entity:

the beneficiaries of such trust;

the partners, members, stockholders or other equity owners of such partnership, limited liability company, corporation or other entity; and

the Related Parties of such persons;

any lineal descendant of Lloyd R. Smith and any such lineal descendant's parents, grandparents, siblings, spouses, ex-spouses and issue (either natural or adoptive), spouses and ex-spouses of issue (either natural or adoptive) and:

any trust for the benefit of, the estate of or the legal representative of, any such persons, provided, that any such trust shall qualify notwithstanding that a remainder interest in such trust is for the benefit of any other person;

any partnership the partners of which are one or more of such persons; or

any limited liability company, corporation or other entity the ownership interests of which are held by one or more of such persons.

The A. O. Smith Existing Charter does not include a provision providing for the automatic conversion of A. O. Smith Class A common stock upon its transfer.

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**Automatic Class A Common Stock Conversion Trigger**

The A. O. Smith Amended Charter also includes a provision which provides that once the outstanding shares of A. O. Smith Class A common stock fall below 2,397,976, which is approximately 8% of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock as of the date of the Merger Agreement, each outstanding share of A. O. Smith Class A common stock will convert into a share of A. O. Smith common stock. The A. O. Smith Existing Charter does not include such a provision.

**Mechanics of Conversion**

In the event of an automatic conversion of shares of A. O. Smith Class A common stock, the certificates formerly representing outstanding shares of A. O. Smith Class A common stock subject to automatic conversion will be deemed to represent a like number of shares of A. O. Smith common stock.

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**AGREEMENTS RELATING TO THE MERGER**

*The following is a summary of the material provisions of various agreements entered or to be entered into by the parties in connection with or related to the merger. This summary may not contain all of the information that is important to you. You should refer to the full text of the agreements which are attached hereto and are incorporated by reference in this joint proxy statement/prospectus. We encourage you to read them carefully in their entirety for a complete understanding.*

**SICO Support Agreement**

As a condition to the willingness of A. O. Smith to enter into the Merger Agreement, SICO entered into a support agreement with A. O. Smith. The full text of this support agreement is attached as Annex C to this joint proxy statement/prospectus and is incorporated herein by reference. Pursuant to this agreement, SICO agreed to vote its shares of A. O. Smith Class A common stock and A. O. Smith common stock (including shares of A. O. Smith Class A common stock and A. O. Smith common stock acquired during the term of the support agreement) (a) in favor of the merger and the other transactions contemplated thereby, including the Merger Agreement and any other matter that is on the ballot that facilitates the merger, and (b) against any proposal that would reasonably be expected to prevent or materially delay the consummation of the merger. These shares represent approximately 78.8% of the voting power of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, and approximately 97.9% of the voting power of the total outstanding shares of A. O. Smith Class A common stock, voting as a separate class.

Further, while the agreement is in effect and only with respect to SICO's shares of A. O. Smith Class A common stock and A. O. Smith common stock, SICO has agreed not to:

sell, transfer, pledge, encumber, assign or otherwise dispose of any shares, or any interest therein;

enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, encumbrance or other disposition of, or limitation on the voting rights of, any of the shares; or

commence or participate in any class action with respect to any claim against A. O. Smith and MergerCo relating to the negotiation, execution and delivery of the support agreement, the Merger Agreement or the consummation of the merger.

The support agreement will terminate upon the earlier of the termination of the Merger Agreement, the withdrawal of the A. O. Smith board of directors recommendation and the effective time of the merger.

Because the shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO represent approximately 78.8% of the voting power of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, and 97.9% of the voting power of the total outstanding shares of A. O. Smith Class A common stock, voting as a separate class, stockholders of A. O. Smith holding voting power sufficient to approve the proposals to adopt the Merger Agreement, to adopt the A. O. Smith Amended Charter and to approve the Stock Issuance have agreed to vote in favor of these proposals at the A. O. Smith special meeting.

**Smith Family Support Agreement**

As a condition to the willingness of A. O. Smith and SICO to enter into the Merger Agreement, certain members of the Smith Family entered into a support agreement. The full text of this support agreement is attached as Annex D to this joint proxy statement/prospectus and is incorporated herein by reference. Pursuant to this agreement, such members of the Smith Family agreed to vote their shares of SICO common stock (including any shares of SICO common stock acquired during the term of the support agreement) (a) in favor of the merger and the other transactions contemplated thereby, including the Merger Agreement and any other matter that is on the ballot that facilitates the merger, and (b) against any proposal that would reasonably be expected to prevent or

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materially delay the consummation of the merger. These shares represent approximately 52.7% of the voting power of the total outstanding shares of SICO common stock. If the Merger Agreement terminates because the SICO board of directors modifies or withdraws its recommendation, these members of the Smith Family have agreed for a period of one year after the termination of the Merger Agreement not to vote in favor of any proposal that resulted in or is related to the change of the SICO board recommendation.

Further, while the agreement is in effect and only with respect to the shares of SICO that each such member of the Smith Family owns, each such member of the Smith Family has agreed not to:

sell, transfer, pledge, encumber, assign or otherwise dispose of any shares, or any interest therein;

enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, encumbrance or other disposition of, or limitation on the voting rights of, any of the shares;

seek dissenter's rights from the merger under Nevada law; or

commence or participate in any class action with respect to any claim against A. O. Smith and MergerCo relating to the negotiation, execution and delivery of the support agreement, the merger Agreement or the consummation of the merger.

The support agreement will terminate upon the earlier of the termination of the Merger Agreement, the withdrawal of the A. O. Smith board recommendation and the effective time of the merger.

Because the shares of SICO common stock held by the members of the Smith Family who signed the Smith Family support agreement represent approximately 52.7% of the voting power of the total outstanding shares of SICO common stock, stockholders of SICO holding voting power sufficient to approve the proposal to approve the Merger Agreement have agreed to vote in favor of the proposal to approve the Merger Agreement at the SICO special meeting.

**Stockholder Agreement**

As a condition to the willingness of A. O. Smith to enter into the Merger Agreement and to the formation of the voting trust contemplated by the voting trust agreement described below, certain members of the Smith Family entered into a stockholder agreement with A. O. Smith relating to the shares of A. O. Smith Class A common stock and A. O. Smith common stock they will own following the consummation of the merger. The full text of this stockholder agreement is attached as Annex E to this joint proxy statement/prospectus and is incorporated herein by reference. Pursuant to this agreement, such stockholders agreed to certain standstill and other obligations with respect to the affairs of A. O. Smith during the term of the agreement.

Specifically, such members of the Smith Family agreed, while the stockholder agreement is in effect, that they will not, without prior written approval of the A. O. Smith board of directors:

directly or indirectly participate in or publicly announce an intention to participate in any solicitation of proxies other than in response to a proxy contest initiated by an unrelated third party;

knowingly participate in, or consent to the taking of any stockholder action by consent without a meeting other than in response to a proxy contest initiated by an unrelated third party or otherwise initiated or not opposed by A. O. Smith;

submit or solicit stockholder approval for any proposal for consideration at any A. O. Smith annual or special meeting;

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solicit or commence an alternative acquisition transaction (a transaction where any person acquires more than 50% of the assets or beneficial ownership of more than 50% of any class of stock of A. O. Smith); or

agree with any other person to take any of the actions described above.

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Holders of A. O. Smith Class A common stock are permitted under the stockholder agreement, without approval of the board of directors of A. O. Smith, (a) to solicit proxies or consents and take action by written consent, solely regarding matters affecting the rights, preferences or privileges of the A. O. Smith Class A common stock and not shared with the holders of A. O. Smith common stock and (b) to elect directors with respect to the A. O. Smith Class A common stock in accordance with the A. O. Smith Amended Charter.

The stockholder agreement will take effect upon the effective time of the merger and will terminate upon the earlier of (a) any termination of the Merger Agreement, (b) three years after the effective time of the merger, (c) the date that all outstanding A. O. Smith Class A common stock automatically converts into A. O. Smith common stock in accordance with the A. O. Smith Amended Charter (described above in A. O. Smith Amended Charter ), (d) A. O. Smith publicly announces it is being acquired or (e) ten days after a solicitation to acquire A. O. Smith if A. O. Smith does not publicly reject the offer.

### **Escrow Agreement**

Pursuant to the Merger Agreement, A. O. Smith, SpinCo (both in its individual capacity and as the Shareholders Representative) and an escrow agent will enter into an escrow agreement for the purpose of providing a source of payment for a period of two years to reimburse A. O. Smith for the payment of any losses for which A. O. Smith is entitled to indemnification pursuant to the Merger Agreement (as discussed above under The Merger Agreement Indemnification ). The full text of the form of escrow agreement is attached hereto as Annex F to this joint proxy statement/prospectus and is incorporated herein by reference.

### ***Establishment of Escrow Fund***

A. O. Smith will deposit with the escrow agent a number of shares of A. O. Smith common stock that would otherwise be deliverable to holders of SICO common stock pursuant to the Merger Agreement with a market value as of the effective time of the merger that is equal to \$15,000,000. In addition, SpinCo may deposit cash with the escrow agent up to five times during the term of the escrow agreement to obtain the release of Escrow Shares. The market value of any Escrow Shares that are released pursuant to any such cash substitution will be determined as of the effective time of the merger.

At the effective time of the merger, A. O. Smith, on behalf of SICO s stockholders, will deposit with the escrow agent stock certificates representing the Escrow Shares or a book-entry with respect to the Escrow Shares in the escrow agent s account. Until delivered to A. O. Smith, the Escrow Shares equal to each SICO stockholder s *pro rata* percentage of the Escrow Shares shall be registered in the name of such SICO stockholder. Each SICO stockholder s *pro rata* percentage will be equal to the number of shares of SICO common stock held by such SICO stockholder divided by the total number of shares of SICO common stock held by all SICO stockholders (other than shares cancelled in accordance with the Merger Agreement or dissenting shares).

Further, the SICO stockholders are entitled to receive any dividends, interest or other earnings earned on the Escrow Shares while in escrow and SpinCo is entitled to receive any interest or other earnings on the escrow cash. Any such earnings will be the sole and exclusive property of the SICO stockholders with respect to earnings on the Escrow Shares and SpinCo with respect to the earnings on the escrow cash. Each SICO stockholder will have the right to vote and grant consents with respect to its Escrow Shares.

If any portion of the escrow fund consists of cash, the escrow agent will invest such cash at the joint written instructions of A. O. Smith and the Shareholders Representative.

### ***Indemnification Claims***

To make an indemnification claim pursuant to the Merger Agreement (such claims are described above under The Merger Agreement Indemnification ) to be paid from the escrow fund, A. O. Smith must provide the Shareholders Representative a Claim Notice by the deadline provided in the Merger Agreement.

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### ***Undisputed Claims***

If the Shareholders' Representative does not provide a Counter Notice disputing either A. O. Smith's indemnification claims or estimate within 30 days following receipt by the Shareholders' Representative of the Claim Notice, then the claim will be deemed established under the escrow agreement, and the escrow agent will promptly deliver to A. O. Smith from the escrow fund:

cash in an amount equal to the indemnification amount claimed; and

if the cash is not sufficient to satisfy the indemnification amount, shares in an amount equal to the unsatisfied indemnification amount, with the market value of such Escrow Shares to be determined as of the date of the delivery of the Escrow Shares.

### ***Disputed Claims***

If the Shareholders' Representative provides a Counter Notice within 30 days following the receipt by the Shareholders' Representative of the Claim Notice, the escrow agent will deliver within 3 business days the appropriate amount of cash and/or shares only in accordance with

joint written instructions of A. O. Smith and the Shareholders' Representative; or

a final judgment with no further right to appeal, upon an award rendered by a court of competent jurisdiction.

### ***Termination of Escrow***

The escrow agent shall release the escrowed cash in the escrow fund to SpinCo and the Escrow Shares in the escrow fund to the former SICO stockholders in accordance with their respective *pro rata* percentage, 24 months after the effective time of the merger. However, the escrow fund is to retain 110% of the aggregate amount of any indemnification claims outstanding on the escrow release date until all such claims have been resolved.

### ***Early Release of Shares***

If, prior to the termination of the escrow, all legal proceedings related to the merger have been settled by the parties thereto or there has been a final judgment with respect to such legal proceedings, A. O. Smith and the Shareholders' Representative will provide joint written instructions to the escrow agent authorizing the escrow agent to distribute a portion of the escrow fund to the former SICO stockholders. After such distribution, the escrow fund must retain an aggregate value of \$7,500,000 of escrowed cash and Escrow Shares, plus an amount equal to the amount by which aggregate indemnification amount of all pending claims exceeds \$3,000,000. Each former SICO stockholder will receive a portion of the escrow fund distributed to SICO stockholders in accordance with such stockholder's respective *pro rata* percentages.

### ***Voting Trust Agreement***

In connection with the Merger Agreement, certain members of the Smith Family may enter into a voting trust agreement. After giving effect to the merger, these members of the Smith Family are expected to own approximately 41.4% of the total voting power of the outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, taken together as a single class, and approximately 51.6% of the voting power of the outstanding shares of A. O. Smith Class A common stock, as a separate class. The full text of the form of voting trust agreement is attached as Annex G to this joint proxy statement/prospectus and is incorporated herein by reference. Pursuant to this agreement, each such member of the Smith Family will agree to deposit his, her or its shares of A. O. Smith Class A common stock and A. O. Smith common stock with the trustees and, in effect, assign all rights and powers incident to the ownership of those shares to the trustees. Such members of the Smith Family may withdraw part or all of their shares held in trust upon the trustees' unanimous consent, which shall not be withheld without good cause.





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### ***Rights and Duties of Trustees***

Among others specified in the voting trust agreement, each trustee will have the following duties and rights with respect to the shares held in trust:

vote the shares either in person or by proxy;

make *pro rata* distributions to the beneficiaries of any cash or property received by reason of the shares;

give the beneficiaries prompt notice of the issuance or granting of any warrants or rights to subscribe to any security issued by A. O. Smith;

unless directed otherwise, use and/or exchange A. O. Smith common stock held by the trust as consideration for the purchase of A. O. Smith Class A common stock available to the trust from time to time;

become parties to or participate in proceedings affecting the shares, A. O. Smith or the powers and duties of the trustees;

exchange shares of A. O. Smith common stock held in trust for shares of A. O. Smith Class A common stock;

borrow or arrange for borrowing for the purpose of purchasing additional shares;

vote for himself or herself as a director of A. O. Smith;

take action with the approval of a majority of the trustees then qualified as trustees;

keep proper records with respect to the trust assets and beneficiaries; and

hold office until he or she resigns, dies, becomes incapacitated, or refuses to act or is removed by the beneficiaries possessing trust interests representing at least  $66\frac{2}{3}\%$  of the voting power of all shares held by the trustees.

### ***Transfers and Withdrawals***

The shares held in trust are transferable only on the books of the trustees, where the transferee will be substituted for the previously registered owner. The transferee, however, must be a member of the Smith Family. Additionally, if the transferee is not a depositor under the voting trust agreement, then the transferee will not become a depositor simply as a result of the transfer.

Whenever a beneficiary wishes to withdraw from the trust, or sell or otherwise transfer or dispose of any or all of his, her or its shares deposited in the trust, or whenever such beneficiary ceases to be eligible to be a party to the voting trust agreement, the following procedures must be observed:

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if the beneficiary is no longer an eligible party to the voting trust agreement, the trustees must give notice to the stockholder of the termination of eligibility;

if the beneficiary intends to withdraw or transfer his, her or its shares, the trustees must give notice of the intended withdrawal and/or transfer to the trustees secretary;

if shares of A. O. Smith Class A common stock are being transferred or withdrawn, they shall automatically be exchanged for shares of A. O. Smith common stock held by the trust to the extent available in the trust;

if a beneficiary provides a notice of withdrawal, it will constitute an offer to sell his, her or its shares to the trust at a price per share equal to the average closing sales price per share of A. O. Smith common stock as traded on the NYSE for the ten trading days prior to the proposed withdrawal;

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if sufficient interest has been expressed by the beneficiaries upon their deposit with the trust, trustees may do any of the following: (a) purchase A. O. Smith common stock from other sources for the purpose of exchanging shares of the common stock for shares of A. O. Smith Class A common stock pursuant to the point above; (b) purchase for cash some or all of the shares that are A. O. Smith Class A common stock; or (c) subject to the prior written consent of the beneficiaries, purchase for cash some or all of the shares that are A. O. Smith common stock;

a beneficiary is permitted to withdraw his, her or its offer of sale at any time prior to the time of transfer or withdrawal; and

if the trust does not purchase any or all of the shares, the withdrawing beneficiary may withdraw the shares that were not purchased and the trustees will cause A. O. Smith to promptly deliver to that withdrawing beneficiary certificates or other evidence of ownership as may be provided by A. O. Smith for such shares.

The voting trust agreement may be terminated at any time by vote of the beneficiaries having trust interests representing at least 75% of the voting power of the shares held in trust. Otherwise, the agreement will remain in effect for 30 years, and will automatically renew for additional 30 year renewal periods thereafter.

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**ACCOUNTING TREATMENT**

The pending transaction between A. O. Smith and SICO will be accounted for as a reverse acquisition with SICO as the accounting acquirer and A. O. Smith as the accounting acquiree (which is the surviving entity for legal purposes). As this is a common control transaction under FAS 141(R) *Business Combinations*, the transaction will be accounted for as an equity transaction under FAS 160 *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* as the acquisition of a noncontrolling interest and will not require purchase accounting.

Furthermore, because SICO is treated as the continuing reporting entity for accounting purposes, the reports filed by A. O. Smith, as the surviving corporation in the transaction, after the date of the transaction will parallel the financial reporting required under United States generally accepted accounting principles and SEC reporting rules as if SICO were the legal successor to its reporting obligation as of the date of the transaction. Accordingly, prior period financial information presented in the A. O. Smith financial statements will reflect the historical activity of SICO.

**REGULATORY APPROVALS**

To complete the merger, A. O. Smith and SICO are required to obtain approvals or consents from, or make filings with, various regulatory authorities. These regulatory approvals and filings include the IRS Letter Ruling, which is described in *Material United States Federal Income Tax Consequences of the Merger*. On February 10, 2009, A. O. Smith received confirmation from the NYSE that no supplemental listing application is required with respect to the Stock Issuance. A. O. Smith and SICO currently are not aware of additional material governmental consents, approvals or filings that are required prior to the parties' consummation of the merger, and the merger and transactions contemplated by the Merger Agreement are not subject to the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. In the event additional material consents, approvals or filings are required to complete the merger, it is presently contemplated that such consents, approvals or filings will be sought or made. The parties' obligations to complete the merger are conditioned upon receipt of required regulatory approvals and the absence of any pending action by a court or the government to enjoin the merger, make the consummation of the merger illegal or otherwise prohibit the merger. See *The Merger Agreement Conditions to Obligations to Complete the Merger* beginning on page 97.

A. O. Smith and SICO will seek to complete the merger in the second quarter of 2009. While A. O. Smith and SICO currently do not expect any action by a regulatory authority to enjoin or prohibit the merger or otherwise impose conditions upon or changes to the merger, there can be no assurance that there will not be any such actions, conditions or changes, and any such actions, conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on the parties or limiting revenues following the merger, any of which might have a material adverse effect on A. O. Smith or MergerCo following the merger. Neither A. O. Smith nor SICO is obligated to complete the merger if any such conditions, individually or in the aggregate, would result in a material adverse change under the terms of the Merger Agreement. See *Risk Factors* beginning on page 30.

For information relating to existing or potential future legal proceedings seeking to enjoin the merger, among other things, see *The Merger Legal Proceedings Regarding the Merger* beginning on page 84 and *Risk Factors* beginning on page 30.

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**MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER**

**A. O. Smith Stockholders**

There are no United States federal income tax consequences of the merger to A O. Smith stockholders with respect to their shares of A. O. Smith Class A common stock or A. O. Smith common stock.

**SICO Stockholders**

The following discussion summarizes the material United States federal income tax consequences of the merger to SICO's stockholders. This discussion is not a complete analysis of all the potential United States federal income tax consequences of the merger to SICO stockholders, nor does it address any tax consequences arising under any state, local or foreign tax laws, the federal estate tax or gift tax laws, or any other United States federal tax laws. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS, all as in effect on the date hereof. These authorities may change, possibly retroactively, resulting in United States federal income tax consequences different from those discussed below.

This discussion is limited to SICO stockholders who receive shares of A. O. Smith Class A common stock and A. O. Smith common stock in the merger and who hold SICO common stock as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all United States federal income tax considerations that may be relevant to a particular holder in light of that holder's particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the United States federal income tax laws, including, without limitation, holders who are not United States persons, United States expatriates or former long-term residents, holders whose functional currency is not the United States dollar, partnerships and other pass-through entities, real estate investment trusts, regulated investment companies, controlled foreign corporations, passive foreign investment companies, foreign personal holding companies, corporations that accumulate earnings to avoid United States federal income tax, banks, financial institutions, insurance companies, brokers, dealers or traders in securities, commodities or currencies, tax-exempt organizations, tax-qualified retirement plans, persons subject to the alternative minimum tax, persons holding SICO common stock, A. O. Smith Class A common stock or A. O. Smith common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment, persons who hold SICO common stock, or receive A. O. Smith Class A common stock or A. O. Smith common stock in compensatory transactions, or persons deemed to sell the units under the constructive sale provisions of the Code.

THIS DISCUSSION IS A GENERAL SUMMARY AND DOES NOT PURPORT TO BE A COMPREHENSIVE ANALYSIS OR DESCRIPTION OF ALL POTENTIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER. SICO STOCKHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE MERGER, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS, THE FEDERAL ESTATE OR GIFT TAX LAWS, AND ANY OTHER UNITED STATES FEDERAL TAX LAWS.

***Definition of United States Person***

This discussion is limited to SICO stockholders who are United States persons. A United States person is any of the following:

an individual citizen or resident of the United States;

a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia;

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an estate the income of which is subject to United States federal income tax regardless of its source; or

a trust that (a) is subject to the primary supervision of a United States court and in which one or more United States persons has the authority to control all substantial decisions or (b) has validly elected to be treated as a United States person for United States federal income tax purposes.

If a partnership (or other entity taxed as a partnership for United States federal income tax purposes) holds SICO common stock or will hold shares of A. O. Smith Class A common stock or A. O. Smith common stock, the tax treatment of a partner in the partnership generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, such partnerships and partners in such partnerships are urged to consult their tax advisors regarding the specific United States federal income tax consequences to them.

***Material Tax Consequences of Merger***

A. O. Smith and SICO intend that the merger will qualify as a tax-free reorganization for United States federal income tax purposes. Pursuant to the Merger Agreement, A. O. Smith's and SICO's obligations to effect the merger are conditioned on the receipt of the IRS Letter Ruling to the effect that for United States federal income tax purposes, the merger will constitute a reorganization within the meaning of Section 368(a) of the Code.

Assuming the merger is treated as a reorganization within the meaning of Section 368(a) of the Code, the merger will have the following United States federal income tax consequences:

A SICO stockholder will not recognize any gain or loss upon the receipt of shares of A. O. Smith Class A common stock and A. O. Smith common stock in exchange for the stockholder's SICO common stock, except that gain or loss will be recognized on the receipt of cash instead of a fractional share of A. O. Smith Class A common stock or A. O. Smith common stock. In addition, payments to SICO stockholders for SICO tax benefits, as described below, will be taxable when paid. If a SICO stockholder receives cash instead of a fractional share of A. O. Smith Class A common stock or A. O. Smith common stock, the stockholder will be required to recognize gain or loss, measured by the difference between the amount of cash received and the portion of such SICO stockholder's tax basis in his SICO common stock allocable to that fractional share of A. O. Smith Class A common stock or A. O. Smith common stock. This gain or loss will be a capital gain or loss and will be a long-term capital gain or loss if the holding period for the SICO common stock so exchanged is more than one year as of the effective time of the merger;

A SICO stockholder will have a tax basis in the A. O. Smith Class A common stock and A. O. Smith common stock received in the merger equal to (a) the tax basis of the SICO common stock surrendered by that stockholder in the merger, reduced by (b) any tax basis of the SICO common stock surrendered that is allocable to a fractional share of A. O. Smith Class A common stock or A. O. Smith common stock for which cash is received;

The holding period of the shares of A. O. Smith Class A common stock and A. O. Smith common stock received by a SICO stockholder in the merger will include the holding period of the shares of SICO common stock exchanged therefor, assuming the SICO common stock is held as a capital asset; and

In the case of a SICO stockholder that holds shares of SICO common stock with differing tax bases, or differing holding periods, Treasury Regulations provide guidance on how such stockholder may allocate his or her tax basis to shares of A. O. Smith Class A common stock and A. O. Smith common stock received in the merger. SICO stockholders that hold multiple blocks of SICO common stock are urged to consult their tax advisors regarding the proper allocation of their basis among and holding periods to shares of A. O. Smith Class A common stock and A. O. Smith common stock received in the merger.

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Pursuant to the Merger Agreement, A. O. Smith will pay to the SICO stockholders an amount equal to the benefit derived by A. O. Smith from (a) carry-forwards of losses, deductions and other items of SICO and (b) amounts credited against tax of A. O. Smith or any of its subsidiaries attributable to SICO for periods before the closing date. A. O. Smith will also pay to the SICO stockholders any tax refunds of MergerCo that are received by A. O. Smith or its subsidiaries that relate to periods before the closing date. Payments, if any, to the SICO stockholders by A. O. Smith from such credits, refunds, carry forwards of losses, deductions and the other items of SICO will be taxable when paid to the SICO stockholders.

The IRS Letter Ruling will be based on certain representations as to factual matters made by SICO, A. O. Smith and MergerCo as of the time the transactions are consummated. If any such representations are inaccurate, incomplete or untrue in any material respect as of the effective time of the merger, the tax consequences of the merger and related transactions could differ materially from those described above.

***Reporting Requirements***

A significant holder of SICO stock will be required to retain records pertaining to the merger and will be required to file with such holder's United States federal income tax return for the year in which the merger takes place a statement setting forth facts relating to the merger, including:

the names and employer identification numbers of all of the parties to the merger;

the date of the merger; and

the fair market value, determined immediately before the exchange of all of the SICO common stock held by such significant holder that is transferred in the transaction and such significant holder's basis, determined immediately before the exchange, in the SICO common stock.

A significant holder is a SICO stockholder if, immediately prior to the exchange, such holder:

owned at least 5% (by vote or value) of the total outstanding stock of SICO; or

owned securities in SICO with a basis of \$1,000,000 or more.

***Information Reporting and Backup Withholding***

A SICO stockholder may be subject to information reporting and backup withholding in connection with any cash payments made in connection with the merger, unless such stockholder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with the applicable requirements of the backup withholding rules. The amounts withheld under the backup withholding rules are not an additional tax and may be refunded or credited against the stockholder's United States federal income tax liability, provided the required information is timely furnished to the IRS.

**The foregoing discussion of the material United States federal income tax consequences of the merger is not intended to be legal or tax advice to any particular SICO stockholder. Tax matters regarding the merger are complicated, and the tax consequences of the merger to any particular SICO stockholder will depend on that stockholder's particular circumstances. SICO stockholders should consult their own tax advisors regarding the specific tax consequences of the merger, including tax return reporting requirements, the applicability of federal, state, local and foreign tax laws and the effect of any proposed change in the tax laws.**



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**THE COMPANIES**

**A. O. Smith**

A. O. Smith is a leading manufacturer of water heating equipment and electric motors, serving a diverse mix of residential, commercial and industrial end markets principally in North America with a growing global presence. A. O. Smith is comprised of two reporting segments: Water Products and Electrical Products. The Water Products business manufactures and markets a comprehensive line of residential gas and electric water heaters, standard and specialty commercial water heating equipment, high-efficiency copper-tube boilers, and water systems tanks and offers its water heating products in North America, Europe, India and China. The Electrical Products business manufactures and markets a comprehensive line of hermetic motors, fractional horsepower alternating current (AC) and direct current (DC) motors. A. O. Smith is also one of the largest manufacturers of electric motors for residential and commercial applications in North America.

A. O. Smith is a reporting company with the SEC. A. O. Smith common stock trades on the NYSE under the symbol AOS, and A. O. Smith Class A common stock is quoted on the OBB under the symbol SAOSA. Its executive offices are located at 11270 West Park Place, Milwaukee, Wisconsin 53224-9508, Telephone: (414) 359-4000.

For a detailed description of A. O. Smith's business, the latest financial statements of A. O. Smith, management's discussion and analysis of A. O. Smith's financial condition and results of operations, a description of the A. O. Smith common stock and other important information concerning A. O. Smith, see A. O. Smith's Annual Report on Form 10-K for the year ended December 31, 2008 and all other documents filed with the SEC pursuant to Section 13(a) and 15(d) of the Exchange Act since December 31, 2008, which are incorporated by reference in this joint proxy statement/prospectus. See *Where You Can Find More Information* beginning on page 139.

***Description of A. O. Smith Class A Common Stock to be Registered***

The following summary of the material terms of A. O. Smith Class A common stock is not intended to be a complete summary of all the rights and preferences of A. O. Smith Class A common stock. A. O. Smith urges you to read the A. O. Smith Amended Charter for a complete description of the rights and preferences of A. O. Smith Class A common stock. A copy of the A. O. Smith Amended Charter is attached to this joint proxy statement/prospectus and is incorporated by reference. See *Where You Can Find More Information* beginning on page 139. Additionally, the DGCL may affect the terms of the A. O. Smith Class A common stock. The following summary assumes that the proposals presented in this joint proxy statement/prospectus, including the proposal to adopt the A. O. Smith Amended Charter, are adopted and approved and that the A. O. Smith Amended Charter becomes effective.

***General***

The A. O. Smith Amended Charter authorizes the issuance of 22,067,252 shares of A. O. Smith Class A common stock, par value \$5.00 per share. Under the terms of the A. O. Smith Amended Charter, A. O. Smith is prohibited from reissuing any of the shares of A. O. Smith Class A common stock held by SICO after such shares are cancelled in accordance with the terms of the Merger Agreement.

Except as described below, shares of A. O. Smith Class A common stock and A. O. Smith common stock have the same rights and privileges, rank equally, share ratably and are in all respects identical. The rights, preferences and privileges of holders of A. O. Smith Class A common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of A. O. Smith preferred stock which A. O. Smith may issue in the future.

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A. O. Smith Class A common stock is currently quoted on the OBB under the symbol SAOSA. Under the A. O. Smith Amended Charter, which will be in effect after the merger, the transfer of A. O. Smith Class A common stock to any transferee who is not a Permitted Transferee will result in the automatic conversion to A. O. Smith common stock of the shares of A. O. Smith Class A common stock so transferred. As a result of this automatic conversion upon transfer, there is not expected to be any public trading market for the shares of A. O. Smith Class A common stock after the merger, and price quotations for the shares of A. O. Smith Class A common stock will no longer be available on the OBB.

As of March 4, 2009, A. O. Smith had outstanding 8,239,267 shares of Class A common stock, 21,949,691 shares of A. O. Smith common stock and no shares of preferred stock.

*Dividend Rights*

Holders of A. O. Smith Class A common stock shall be entitled to receive dividends, including share distributions, when and as declared by the board of directors. However, before A. O. Smith pays or sets apart for payment any dividends, other than share distributions, to the holders of A. O. Smith Class A common stock or A. O. Smith common stock, the holders of the A. O. Smith preferred stock, if any, shall be entitled to receive dividends at the applicable rate specified for such series of preferred stock. All dividends on A. O. Smith's preferred stock, if any, are cumulative.

Whenever A. O. Smith pays a dividend, other than a share distribution, to the holders of A. O. Smith Class A common stock, it must also pay to the holders of A. O. Smith common stock a dividend per share at least equal to the dividend per share paid to the holders of the A. O. Smith Class A common stock. A. O. Smith may pay dividends, other than share distributions, to holders of A. O. Smith common stock in excess of dividends paid, or without paying any dividends, to holders of A. O. Smith Class A common stock.

If at any time A. O. Smith pays a distribution of shares of A. O. Smith Class A common stock or A. O. Smith common stock, such share distribution may be declared and distributed only as follows:

Shares of either the A. O. Smith Class A common stock or the A. O. Smith common stock may be distributed on shares of that class (the first class), provided that there is declared and paid a simultaneous distribution of shares of the other class of stock (the second class) to the holders of the second class, which simultaneous distribution shall consist of a number of shares of the second class equal, on a per share basis, to the number of shares of the first class which are distributed to holders of the first class.

Subject to any limitations under the laws of the State of Delaware, shares of the first class may be distributed on shares of the second class; provided that A. O. Smith declares and pays a simultaneous distribution of shares of the first class to holders of shares of the first class, which simultaneous distribution shall consist of a number of shares of the first class equal, on a per share basis, to the number of shares of the first class which are distributed to holders of the second class.

A. O. Smith shall not combine or subdivide shares of the first class without making a simultaneous combination or subdivision of shares of the second class which is equal, on a per share basis, to the combination or subdivision of the shares of the first class.

*Voting Rights*

Voting power for A. O. Smith is divided between the A. O. Smith Class A common stock and the A. O. Smith common stock. Holders of A. O. Smith Class A common stock are entitled to one vote for each share held of record on all matters to be voted on by A. O. Smith stockholders, and holders of A. O. Smith common stock are entitled to 1/10th vote per share held of record on all matters to be voted on by A. O. Smith stockholders. Generally, on all matters other than those specified in this description and the A. O. Smith Amended Charter, the holders of A. O. Smith Class A common stock and A. O. Smith common stock shall vote together as a single class (subject to any voting rights which may be granted to holders of A. O. Smith preferred stock).

Holders of A. O. Smith Class A common stock, voting as a class, are entitled to elect the remaining number of directors after the holders of the A. O. Smith common stock, voting as a separate class (subject to any voting

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rights which may be granted to holders of A. O. Smith preferred stock), elect the number of directors which constitutes  $33\frac{1}{3}\%$  of the A. O. Smith board of directors (if such  $33\frac{1}{3}\%$  is not a whole number, then rounding up to the nearest whole number of directors (or four of the ten directors)).

If the number of issued and outstanding shares of A. O. Smith Class A common stock falls below 12.5% of the aggregate number of issued and outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, the holders of A. O. Smith common stock, voting as a separate class, will continue to elect the number of directors which constitutes  $33\frac{1}{3}\%$  of the A. O. Smith board of directors, but all classes of A. O. Smith stock will vote together on the election of the remaining directors, with holders of A. O. Smith Class A common stock having one vote per share, and holders of A. O. Smith Common Stock having 1/10th vote per share. If the number of issued and outstanding shares of A. O. Smith Class A common stock falls below 2,397,976 shares, which is approximately 8% of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock as of December 9, 2008, the shares of A. O. Smith Class A common stock automatically convert to A. O. Smith common stock, as described below, and the holders of A. O. Smith common stock will elect all of the directors.

If the number of issued and outstanding shares of A. O. Smith common stock falls below 10% of the aggregate number of issued and outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, all classes of A. O. Smith common stock will vote together on the election of all directors, with holders of A. O. Smith Class A common stock having one vote per share and holders of A. O. Smith common stock having 1/10th vote per share.

Holders of A. O. Smith Class A common stock are entitled to vote as a separate class (subject to any voting rights which may be granted to holders of A. O. Smith preferred stock) on the removal, with or without cause, of any director elected by the holders of A. O. Smith Class A common stock.

At the discretion of the A. O. Smith board of directors, (a) holders of A. O. Smith Class A common stock, voting as a separate class (subject to any voting rights which may be granted to holders of A. O. Smith preferred stock), may fill any vacancy in the office of a director elected by the holders of A. O. Smith Class A common stock, or (b) in the case of a vacancy in the office of a director elected by either the holders of A. O. Smith Class A common stock or A. O. Smith common stock, such vacancy may be filled by the remaining members of the A. O. Smith board of directors.

Holders of A. O. Smith Class A common stock have exclusive voting power on all matters at any time when no A. O. Smith common stock is issued and outstanding, and holders of A. O. Smith common stock shall have exclusive voting power on all matters at any time when no A. O. Smith Class A common stock is issued and outstanding (subject, in each case, to any voting rights which may be granted to holders of A. O. Smith preferred stock).

The authorization of (a) the holders of A. O. Smith Class A common stock and A. O. Smith common stock, voting together as a single class, representing a majority of the votes represented by the total number of outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock and (b) the holders of A. O. Smith Class A common stock, voting as a separate class, representing a majority of the outstanding shares of A. O. Smith Class A common stock is required for any amendment to the A. O. Smith Amended Charter that (i) excludes or limits the rights of holders of A. O. Smith Class A common stock to vote on any matter, subject to certain exceptions, (ii) with respect to A. O. Smith Class A common stock, reduces the par value of such shares, changes such shares into a different number of shares of the same class or into the same or a different number of shares of any one or more classes or any series thereof, fixes, changes or abolishes the designation or any of the relative rights, preferences and limitations of such shares, the redemption of any such shares or any sinking fund for the redemption or purchase of such shares or any preemptive right to acquire such shares or other securities or alters the terms or conditions upon which such shares are convertible or changes the shares of A. O. Smith Class A common stock issuable upon conversion of such shares, in each case, if any such action would adversely affect the holders of A. O. Smith Class A common stock or (iii) subordinates the rights of the holders of A. O. Smith Class A common stock by authorizing shares having preferences which would be superior, in any respect, to their rights.

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The affirmative vote of the holders of all outstanding shares of A. O. Smith stock, voting together as a single class, representing at least  $66\frac{2}{3}\%$  of the votes represented by the total number of all outstanding shares of A. O. Smith stock is required for the adoption or approval of (a) any plan of merger or consolidation (in addition to any approval rights described in the previous paragraph), (b) any sale, lease, exchange or other disposition of all or substantially all of the assets of A. O. Smith, which is not made in the usual course of business of A. O. Smith and (c) any amendment to the A. O. Smith Amended Charter which changes or strikes out any provision specifying that (i) the holders of the proportion of shares of A. O. Smith stock, or the proportion of shares of any class or series thereof, required to be present in person or by proxy at any meeting of stockholders of A. O. Smith in order to constitute a quorum shall be greater than the proportion prescribed by law in the absence of such provision or (ii) that the proportion of votes of the holders of shares of A. O. Smith stock, or of the holders of shares of any class or series thereof, required at any meeting of stockholders be greater than such proportion prescribed by law in the absence of such provision.

The affirmative vote of the holders of all outstanding shares of A. O. Smith stock, voting together as a single class, representing at least a majority of the votes represented by the total number of all outstanding shares of A. O. Smith stock is required for the adoption or approval of any amendment to the A. O. Smith Amended Charter that adds a provision (i) specifying that any stockholders, the holders of any specified number or proportion of shares of A. O. Smith stock, or of any specified number or proportion of shares of any class or series thereof, may require the dissolution of A. O. Smith at will or upon the occurrence of a specified event or (ii) which changes or strikes out such a provision contained in the A. O. Smith Amended Charter.

### *Voluntary Conversion Rights*

At any time, the holder of any A. O. Smith Class A common stock is entitled to convert each share of A. O. Smith Class A common stock that it holds into one share of A. O. Smith common stock.

### *Automatic Conversion*

Each share of A. O. Smith Class A common stock will convert automatically into one share of A. O. Smith common stock if the total number of issued and outstanding shares of A. O. Smith Class A common stock falls below 2,397,976 shares, which is approximately 8% of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock as of December 9, 2008.

Additionally, each share of A. O. Smith Class A common stock transferred to any person other than a Permitted Transferee will convert automatically into one share of A. O. Smith common stock. Pursuant to the A. O. Smith Amended Charter, such transfer restrictions apply to any Existing Class A Holder and any Permitted Transferee of such Existing Class A Holder to whom A. O. Smith Class A common stock has been transferred. A holder of A. O. Smith Class A common stock has a period of 30 days to cure an inadvertent non-permitted transfer or a non-permitted transfer made with a bona fide belief that it was a not a non-permitted transfer. The terms Existing Class A Holder and Permitted Transferee are described in more detail under A. O. Smith Amended Charter Conversion of A. O. Smith Class A Common Stock Upon Transfer.

### *Liquidation Rights*

In the case of a voluntary or involuntary liquidation, the holders of shares of A. O. Smith Class A common stock are not entitled to receive assets, including unpaid dividends, until the holders of any outstanding shares of A. O. Smith preferred stock receive the amounts to which they are entitled.

### *Preemptive Rights*

Holders of A. O. Smith Class A common stock are not entitled to preemptive rights with respect to any class of A. O. Smith stock that may be issued.

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### *Transfer Restrictions*

A. O. Smith Class A common stock is subject to the transfer restrictions described above under Automatic Conversion.

### *Transfer Agent*

The transfer agent and registrar for the A. O. Smith Class A common stock is Wells Fargo Bank Minnesota, N.A.

## **MergerCo**

MergerCo, a Delaware limited liability company and a direct, wholly-owned subsidiary of A. O. Smith, was formed solely for the purpose of facilitating the merger. MergerCo has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the Merger Agreement.

MergerCo's executive offices are located at 11270 West Park Place, Milwaukee, Wisconsin 53224-9508, Telephone: (414) 359-4000.

## **SICO**

SICO, a Nevada corporation, is a holding company with headquarters in Milwaukee, Wisconsin. Shares of A. O. Smith Class A common stock and A. O. Smith common stock are SICO's principal asset, representing a control position in A. O. Smith.

SICO common stock is quoted on the Pink Sheets under the symbol SMIC.

The executive offices of SICO are located at 11270 West Park Place, Milwaukee, Wisconsin 53224-9508, Telephone: (414) 359-4030.

### *Recent Developments*

On January 19, 2009, SICO completed the distribution of all of SICO's ownership interests in SpinCo in a taxable transaction to the SICO stockholders on a *pro rata* basis (the Spin-Off). SpinCo's assets and liabilities, which it received as a contribution from SICO prior to the Spin-Off, primarily related to the multicolor printing and related services business conducted through Berlin Industries, and the commercial warehousing, trucking and packaging business conducted through Central States. Pursuant to the Merger Agreement, SpinCo has agreed to indemnify A. O. Smith for certain liabilities. See SpinCo, beginning on page 120.

## **SpinCo**

SpinCo is a Delaware limited liability company formed by SICO in connection with the Spin-Off and to facilitate the merger. On January 19, 2009, SICO completed the Spin-Off. Prior to the Spin-Off, SpinCo received a contribution from SICO of substantially all of SICO's assets and liabilities, other than the shares of A. O. Smith Class A common stock and A. O. Smith common stock held by SICO. These assets and liabilities primarily related to the multicolor printing and related services business conducted through Berlin Industries, and the commercial warehousing, trucking and packaging business conducted through Central States.

As of November 1, 2008, Central States entered into an agreement to sell substantially all of the assets of its commercial warehousing, trucking and packaging business to a third party. The transaction was completed on January 21, 2009.

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All of the membership units in SpinCo are held by the SICO stockholders as of December 22, 2008, which was the record date for the Spin-Off.

SpinCo is a party to and has certain obligations under the Merger Agreement, which include the obligations to:

indemnify A. O. Smith against substantially all of A. O. Smith's expenses incurred in connection with the merger, any merger-related litigation, and any liabilities of SICO or any of its subsidiaries incurred prior to completion of the merger; and

remediate and bring closure to certain outstanding environmental issues relating to a property owned by SICO in Belvidere, Illinois. The executive offices of SpinCo are located at 11270 West Park Place, Milwaukee, Wisconsin 53224-9508, Telephone: (414) 359-4030.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS OF SICO**

After the Spin-Off, SICO's only significant asset is its shares of A. O. Smith Class A common stock and A. O. Smith common stock, which in the aggregate represent a control position in A. O. Smith. SICO does not have any other assets or liabilities, except for certain SICO tax benefit items and SICO's rights and obligations under the Merger Agreement. A. O. Smith management's discussion and analysis of financial condition and results of operation for A. O. Smith is set forth in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the A. O. Smith Annual Report on Form 10-K, which section is incorporated herein by reference. The differences between the consolidated financial data for A. O. Smith and the consolidated financial data for SICO arise principally as a result of the minority interest in A. O. Smith held by the A. O. Smith stockholders other than SICO. The SICO balance sheet includes the consolidated assets and liabilities of A. O. Smith and a minority interest representing the proportionate interest of the non-SICO stockholders of A. O. Smith in the stockholders' equity of A. O. Smith. The SICO statement of earnings includes the A. O. Smith consolidated statement of earnings with a deduction of a minority interest equal to the pro rata share of the earnings allocable to the non-SICO stockholders of A. O. Smith. The minority interest included in the SICO balance sheet is \$436.6 million and \$515.0 million as of December 31, 2008 and December 31, 2007, respectively. The minority interest included in the SICO statement of earnings is \$55.6 million, \$60.4 million and \$52.3 million for the years ended December 31, 2008, 2007 and 2006, respectively. Earnings related to the Spin-Off entities were \$(300), \$5,068 and \$1,141 for the years ended December 31, 2008, 2007 and 2006, respectively.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS****AND MANAGEMENT OF A. O. SMITH****Security Ownership of Directors and Management**

The following table shows, as of March 4, 2009, the A. O. Smith common stock and A. O. Smith common stock options exercisable on or before May 3, 2009, beneficially owned by each director, each named executive officer and by all directors and executive officers as a group. None of the directors and executive officers have beneficial ownership of A. O. Smith Class A common stock.

<b>Name</b>	<b>Common Stock (1)</b>	<b>Phantom Stock Units</b>	<b>Options Exercisable Within 60 Days</b>	<b>Percent of Class</b>
Ronald D. Brown	8,730	0	0	*
William F. Buehler	10,227	0	0	*
Gloster B. Current, Jr.	4,687	0	0	*
William P. Greubel	0	4,921	0	*
Paul W. Jones	64,544	74,700	157,667	1.35%
Christopher L. Mapes	14,403	15,500	52,100	*
Ronald E. Massa	26,778	9,400	129,300	*
Terry M. Murphy	12,505	18,200	33,700	*
Robert J. O Toole	301,154	0	295,400	2.72%
Ajita G. Rajendra	20,958	15,500	48,100	*
Bruce M. Smith (2)	2,649 (3)	7,160	0	*
Mark D. Smith (2)	8,065	0	0	*
James F. Stern	375	15,000	11,733	*
Idelle K. Wolf	5,563	0	0	*
Gene C. Wulf	7,008	0	0	*
All 20 Directors and Executive Officers as a Group (2)	531,510	187,500	962,200	7.66%

\* Represents less than one percent.

(1) Except as otherwise noted, all securities are held with sole voting and sole dispositive power.

(2) Excludes shares beneficially owned by SICO.

(3) Included in this total are 2,649 shares that have been deferred.



**Table of Contents****Security Ownership of 5% Stockholders**

The following table shows persons who may be deemed to be beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of more than 5% of any class of A. O. Smith stock. Unless otherwise noted, the table reflects beneficial ownership as of December 31, 2008.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Class A Common Stock	Smith Investment Company*	8,067,252	97.9%
	11270 West Park Place Milwaukee, WI 53224 (1)		
Class A Common Stock	Smith Family Trusts	4,253,266	51.6%
	11270 West Park Place Milwaukee, WI 53224 (2)		
Common Stock	T. Rowe Price Associates, Inc.	1,776,410 (3)	8.1%
	100 East Pratt Street Baltimore, MD 21202		
Common Stock	Smith Investment Company	1,559,076 (4)	7.1%
	11270 West Park Place Milwaukee, WI 53224 (1)		
Common Stock	Barclays Global Investors, NA.	1,376,639 (5)	6.3%
	400 Howard Street San Francisco, CA 94105		
Common Stock	Franklin Resources, Inc.	1,292,300 (6)	5.9%
	One Franklin Parkway San Mateo, CA 94403 1906		
Common Stock	Dimensional Fund Advisors LP	1,135,307 (7)	5.2%
	1299 Ocean Avenue Santa Monica, CA 90401		

\* Throughout the balance of this joint proxy statement/prospectus, Smith Investment Company is referred to as SICO.

(1)

## Edgar Filing: SMITH A O CORP - Form S-4/A

Arthur O. Smith and Bruce M. Smith are co-filers with SICO on the Schedule 13D/A that SICO has filed with the SEC. 4,253,266 shares of A. O. Smith Class A common stock reported as beneficially owned by SICO in this table are also reported as beneficially owned by the Smith Family Trusts in this table as described in note (2) below.

- (2) The Smith Family Trusts are those certain individual members of the founding family of A. O. Smith Corporation and trusts for the benefit of certain members of the Smith Family who filed a Schedule 13D/A with the SEC. Each of the trusts has between one and three individual trustees, which include Arthur O. Smith, Bruce M. Smith and other individuals. Decisions of the trustees with respect to the voting and disposition of the shares are made by a vote of a majority of the trustees and, as a result, no single trustee has voting or investment authority over the shares held by any trust with more than one trustee. As of December 31, 2008, the Smith Family Trusts have shared voting and dispositive power with respect to all of the 4,253,266 shares of Class A common stock listed in the table above. Pursuant to the A. O. Smith Existing Charter, A. O. Smith Class A common stock is convertible at any time at the option of the holder into A. O. Smith common stock on a share-for-share basis. The Smith Family Trusts collectively own 52.7% of the outstanding shares of SICO and may be deemed to be the controlling shareholders of SICO and have indirect beneficial ownership of the A. O. Smith common stock reported as owned by SICO. Although the Schedule 13D/A reports shares of A. O. Smith common stock to the extent they represent the proportionate indirect interest of the Smith Family Trusts in SICO, the Smith Family Trusts disclaim beneficial ownership of the A. O. Smith common stock owned by SICO.

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- (3) These securities are owned by various individual and institutional investors, including T. Rowe Price Small-Cap Stock Fund, Inc. (which owns 1,232,700 shares, representing 5.6% of the Common Stock outstanding), for which T. Rowe Price Associates, Inc. ( Price Associates ) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (4) Pursuant to A. O. Smith Existing Charter, A. O. Smith Class A common stock is convertible at any time at the option of the holder into A. O. Smith common stock on a share-for-share basis. For purposes of computing beneficial ownership of SICO s common stock, assuming that all A. O. Smith Class A common stock held by SICO was converted into A. O. Smith common stock, SICO s beneficial ownership of A. O. Smith common stock is 9,626,328 shares, which represents 32.1% of the class of A. O. Smith common stock.
- (5) Based on the Schedule 13G it filed with the SEC on February 5, 2009, Barclays Global Investors, N.A, holds 433,913 shares. With respect to those shares, Barclays Global Investors, N.A, has sole voting power over 378,797 shares and sole dispositive power over 433,913 shares. Barclays Global Fund Advisors holds 927,616 shares. With respect to those shares, Barclays Global Fund Advisors has sole voting power over 670,471 shares and sole dispositive power over 927,616 shares. Barclays Global Investors Ltd. holds 15,110 shares. With respect to those shares, Barclays Global Investors Ltd. has sole voting power over 625 shares and sole dispositive power over 115,110 shares.
- (6) These securities are beneficially owned by one or more open- or closed-end investment companies or other managed accounts that are investment management clients of investment managers that are direct and indirect subsidiaries of Franklin Resources, Inc. ( FRI ). Franklin Advisory Services, LLC, an investment management subsidiary of FRI, holds 1,275,000 shares with respect to which it has sole voting power and 1,292,300 shares with respect to which it has sole dispositive power. FRI and its subsidiaries disclaim beneficial ownership of such securities.
- (7) Dimensional Fund Advisors LP ( Dimensional ), an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other comingled group trusts and separate accounts. These investment companies, trusts and accounts are the Funds. In its role as investment advisor or manager, Dimensional possesses sole voting power with respect to 1,079,679 shares and sole dispositive power with respect to 1,135,307 shares. For purposes of the reporting requirements of the Exchange Act, Dimensional may be deemed to be the beneficial owner of the shares held by the Funds. However, Dimensional disclaims beneficial ownership of such securities.

Information on beneficial ownership is based upon Schedules 13D or 13G filed with the SEC and any additional information that any beneficial owners may have provided to A. O. Smith.

**Table of Contents****SECURITY OWNERSHIP OF****CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF SICO**

The following table sets forth the number of shares of common stock beneficially owned as of March 4, 2009 by (a) each person or group who beneficially owns more than 5% of the outstanding shares of SICO common stock, (b) each member of SICO's board of directors, (c) each executive officer and (d) all of SICO's board of directors and executive officers as a group.

Name of Beneficial Owner (1)	Number of Shares of SICO Common Stock Beneficially Owned	Percent of SICO Common Stock (2)
<u>5% Stockholders</u>		
Smith Family Trusts (3)	1,748,844	52.7%
<u>Board of Directors</u>		
Edward E. Barr		*
Glen R. Bomberger		*
Jere D. McGaffey		*
Arthur O. Smith (4)	559,824	16.9%
Arthur O. Smith III (5)	124,716	3.8%
Bruce M. Smith (6)	784,146	23.6%
Harold M. Stratton II	500	*
<u>Executive Officers</u>		
Wesley A. Ulrich	1,000	*
Directors and executive officers as a group (8 persons)	1,470,186	44.3%

\* Less than 1%.

- (1) Except as otherwise indicated, the persons named in this table have sole voting and investment power with respect to all shares of SICO common stock beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table.
- (2) Calculated on the basis of 3,317,066 shares of SICO common stock outstanding as of March 4, 2009, which is the record date for determining the holders of outstanding shares of SICO common stock eligible to vote to approve the Merger Agreement.
- (3) The Smith Family Trusts are those certain individual members of the Smith Family and trusts for the benefit of certain members of the Smith Family who filed a Schedule 13D/A with the Securities and Exchange Commission on December 10, 2008, and these figures are based solely on the information in such Schedule 13D/A, as updated by representatives of the Smith Family Trusts. Each of the trusts has between one and three individual trustees, which include Arthur O. Smith, Bruce M. Smith and other individuals. Decisions of the trustees with respect to the voting and disposition of the shares are made by a vote of a majority of the trustees and, as a result, no single trustee has voting or investment authority over the shares held by any trust with more than one trustee. The address of the Smith Family Trusts is in care of Arthur O. Smith and Bruce M. Smith at 11270 West Park Place, Milwaukee, Wisconsin 53224.
- (4) Arthur O. Smith beneficially owns 559,824 shares of SICO Common Stock, 6,930 shares of which are held by his wife and 385,681 shares of which are held in trusts of which he or his wife is a trustee for the benefit of persons other than himself, his wife and his children. Mr. Smith disclaims beneficial ownership of the 385,681 shares held by his wife or those trusts. The address of Arthur O. Smith is 11270 West Park Place, Milwaukee, Wisconsin 53224. Also, see The Merger Interests of SICO Executive Officers and Directors in the

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Merger Interests of Bruce M. Smith and Arthur O. Smith for further information and certain other interests of Mr. Smith in SICO shares.

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- (5) Arthur O. Smith, III disclaims beneficial ownership of 95,985 shares of SICO common stock that are held by trusts for the benefit of persons other than himself, his wife and his children, of which he is a trustee. See [Interests of SICO Executive Officers and Directors in the Merger](#) [Interests of Arthur O. Smith, III](#) for further information and certain other interests of Mr. Smith in SICO shares.
- (6) Bruce M. Smith beneficially owns 784,146 shares of SICO common stock, 752,934 shares of which are held in trusts for the benefit of persons other than himself, his wife and his children. Mr. Smith disclaims beneficial ownership of the 752,934 shares of SICO common stock held by those trusts. The address of Bruce M. Smith is 11270 West Park Place, Milwaukee, Wisconsin 53224. Also, see [Interests of SICO Executive Officers and Directors in the Merger](#) [Interests of Bruce M. Smith and Arthur O. Smith](#) for further information and certain other interests of Mr. Smith in SICO shares.

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**COMPARATIVE RIGHTS OF A. O. SMITH AND SICO STOCKHOLDERS**

**PRIOR TO AND AFTER THE MERGER**

SICO is incorporated under the laws of the State of Nevada and its stockholders' rights are currently governed by NRS Chapter 78 and the Articles of Incorporation and Bylaws of SICO. In comparison, the rights of A. O. Smith's stockholders are currently governed by the DGCL, the A. O. Smith Existing Charter and the bylaws of A. O. Smith. If the merger is completed, the SICO stockholders will receive shares of A. O. Smith Class A common stock and A. O. Smith common stock pursuant to the Merger Agreement and will become stockholders of A. O. Smith. Their rights will then be governed by the DGCL, the A. O. Smith Amended Charter, which will be adopted in connection with the merger, and the bylaws of A. O. Smith, which are not being amended in connection with the merger. The material differences between the rights of stockholders of SICO and A. O. Smith, resulting from the differences in their governing documents, are summarized below.

The following summary does not purport to be a complete statement of the rights of SICO stockholders or the rights of A. O. Smith stockholders. This summary contains a list of the material differences but is not meant to be relied upon as an exhaustive list or a detailed description of the provisions discussed and is qualified in its entirety by reference to the NRS Chapter 78 and the DGCL, and the governing corporate documents of A. O. Smith and SICO, to which the stockholders of SICO and A. O. Smith are referred. Copies of such governing corporate documents of SICO and A. O. Smith are available, without charge, to any person, including any beneficial owner to whom this joint proxy statement/prospectus is delivered, by following the instructions listed under "Where You Can Find More Information" beginning on page 139 of this joint proxy statement/prospectus. The information provided in the table with regard to A. O. Smith refers to A. O. Smith's capital structure and formation immediately following the effective time of the merger and assumes that the proposals presented in this joint proxy statement/prospectus, including the proposal to adopt the A. O. Smith Amended Charter, will be adopted and approved.

	<b>SICO</b>	<b>A. O. Smith</b>
<b>Authorized Capital</b>	SICO's authorized capital stock consists of 10,000,000 shares of common stock, \$0.10 par value per share.	A. O. Smith's authorized capital stock consists of 22,067,252 shares of A. O. Smith Class A common stock, \$5.00 par value per share; 60,000,000 shares of A. O. Smith common stock, \$1.00 par value per share; and 3,000,000 shares of preferred stock, \$1.00 par value per share (the A. O. Smith preferred stock).
<b>Payment of Dividends</b>	Dividends on SICO common stock may be paid when declared by the SICO board of directors out of funds legally available therefor.	The A. O. Smith board of directors may declare and pay cash dividends to the holders of the A. O. Smith Class A common stock and the A. O. Smith common stock, such dividends are subject to any limitations applicable by the law of the State of Delaware and to the rights of the holders of the A. O. Smith preferred stock. In addition, whenever a cash dividend is paid to the holders of A. O. Smith Class A common stock, A. O. Smith must also pay

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		to the holders of A. O. Smith common stock a dividend per share at least equal to the dividend per share paid to the holders of the A. O. Smith Class A common stock. A. O. Smith may pay cash dividends to holders of A. O. Smith common stock in excess of dividends paid, or without paying dividends, to holders of A. O. Smith Class A common stock.
		A. O. Smith has no preferred stock issued and outstanding, but its board of directors has the authority to fix the rights, preferences and limitations of such stock to the fullest extent now or hereafter permitted by applicable law of the State of Delaware, including the rate of dividends thereon.
<b>Voting Rights</b>	Each share of SICO common stock entitles the holder to one vote for all matters upon which SICO stockholders have the right to vote.	Generally, on all matters other than those specified herein, all classes of A. O. Smith stock will vote together as a class, provided that holders of A. O. Smith Class A common stock shall have one vote per share and the holders of A. O. Smith common stock will have 1/10th vote per share.
	A majority of the SICO common stock entitled to vote shall constitute a quorum. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the stockholders.	Holders of A. O. Smith common stock, voting as a class, are entitled to elect the number of directors which constitutes 33- 1/3% of the A. O. Smith board of directors (if such 33- 1/3% is not a whole number, then rounding up to the nearest whole number of directors (or four of the ten directors)). The holders of A. O. Smith Class A common stock, voting as a class, are entitled to elect the remaining directors.
		Once the A. O. Smith Class A common stock falls below 12.5% of the aggregate number of issued and outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, the holders of the A. O. Smith



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common stock, voting as a class, will continue to elect the number of directors which constitutes 33- 1/3% of the A. O. Smith board of directors and all classes of A. O. Smith stock will vote together on the election of the remaining directors; provided that holders of A. O. Smith Class A common stock will have one vote per share and holders of A. O. Smith common stock will have 1/10th vote per share.

Once the number of issued and outstanding shares of A. O. Smith common stock falls below 10% of the aggregate number of issued and outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, all classes of A. O. Smith stock vote together on the election of directors, provided that holders of A. O. Smith Class A common stock will have one vote per share and holders of A. O. Smith common stock will have 1/10th vote per share.

**Liquidation Rights**

SICO does not have any authorized shares with a liquidation preference to the SICO common stock.

In the case of liquidation, the holders of shares of A. O. Smith preferred stock will be entitled to receive assets, including unpaid dividends, before any of such assets will be paid to holders of A. O. Smith Class A common stock or A. O. Smith common stock.

**Transfer Restrictions**

None.

The A. O. Smith Amended Charter provides for the automatic conversion of any shares of A. O. Smith Class A common stock to A. O. Smith common stock that are transferred to transferees that are not Permitted Transferees. See A. O. Smith Amended Charter beginning on page 103 of this joint proxy statement/prospectus.

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**Size of Board of Directors**

The bylaws of SICO provide that SICO's board of directors shall be comprised of seven members. SICO currently has seven directors.

The A. O. Smith Amended Charter and bylaws provides that its board of directors shall consist of at least five members with the fixed number of directors being established from time to time by resolution of its board of directors. A. O. Smith currently has ten directors.

**Removal of Directors**

A director may resign at anytime upon filing his or her written resignation with the secretary of SICO. A director may be removed, with or without cause, by a vote of the stockholders representing not less than 66-<sup>2</sup>/<sub>3</sub>% of the voting power of the issued and outstanding stock entitled to vote.

A director's resignation is deemed to be effective upon its receipt by the secretary of A. O. Smith unless some other time is specified therein. A director may be removed at any time, with or without cause, by an affirmative vote of a majority of the shares of A. O. Smith entitled to vote upon such removal. Each of the holders of the A. O. Smith Class A common stock and the A. O. Smith common stock is entitled to vote as a separate class on the removal of a director elected by such holders (subject to, in the case of the A. O. Smith Class A common stock, any rights granted to the holders of the A. O. Smith preferred stock).

**Vacancies**

Any vacancy in the SICO board of directors may be filled by the vote of a majority of the remaining directors, even if less than a quorum, or by the sole remaining director.

In the discretion of A. O. Smith's board of directors, (a) any vacancy in the office of a director elected by the holders of the A. O. Smith Class A common stock may be filled by a vote of such holders, voting as a separate class but subject to any voting rights which may be granted to holders of A. O. Smith preferred stock or by the remaining directors, and (b) any vacancy in the office of a director elected by the holders of the A. O. Smith common stock may be filled by a vote of such holders, voting as a separate class, or by the remaining directors.

**Appraisal Rights; Dissenter's Rights**

In Nevada, if (a) the securities of the class entitled to vote on the merger are listed on a national securities exchange or are included

In Delaware, no appraisal rights are available for the shares of any class or series of stock in connection with a merger or

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in the NASDAQ Capital Market or (b) there are more than 2,000 stockholders of record, there are no dissenter's rights if the merger is (i) with another company listed on a national securities exchange or the NASDAQ Capital Market or (ii) where such company has 2,000 stockholders and nothing other than cash or stock or a combination of cash and stock is being tendered in the merger. These exceptions do not apply to SICO and, accordingly, the SICO stockholders are entitled to dissenters' rights in connection with the merger. See Appraisal Rights; Dissenter's Rights.

consolidation if securities of the class entitled to vote are (a) listed on a national securities exchange or (b) held of record by more than 2,000 stockholders. Furthermore, no appraisal rights are available for any shares of stock of a constituent corporation surviving a merger if the merger did not require for its approval the votes of the stockholders of the surviving corporation.

**Preemptive Rights**

Under Nevada law and the Articles of Incorporation of SICO, the SICO stockholders do not have a preemptive right to acquire SICO's unissued shares or SICO's treasury shares, other than as SICO's board of directors in its discretion may from time to time determine.

Under Delaware law and the A. O. Smith Amended Charter, no holder of A. O. Smith preferred stock, A. O. Smith Class A common stock or A. O. Smith common stock is entitled to preemptive rights to subscribe for, purchase or receive any part of any new or additional issue of stock, whether A. O. Smith preferred stock, A. O. Smith Class A common stock or A. O. Smith common stock, or of bonds, debentures or other securities convertible into stock, or any part of any reacquired shares or convertible securities held in treasury.

**Special Meetings of Stockholders and Directors**

*Stockholders:* Special meetings of the stockholders of SICO may be held for any purpose and may be called by the chairman of the board, the president or the board of directors and shall be called by the secretary upon the written request of the holders of a majority of the outstanding shares of SICO entitled to vote at the meeting.

*Stockholders:* Special meetings of the stockholders of A. O. Smith may be called upon the written request of the chairman of the board, the chief executive officer, the president or any three directors.

*Directors:* Special meetings of the board of directors may be called by or at the request of the chairman of the board, the president, the secretary or any two directors.

*Directors:* Special meetings of the board of directors may be called by the secretary and held at the request of the chairman of the board, the chief executive officer, the president or any two directors.

The authority of the board of directors of A. O. Smith may be

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<p><b>Amendment of Articles or Certificate of Incorporation</b></p>	<p>The authority of the board of directors of SICO may be exercised without a meeting if consent in writing, setting forth the action taken, is signed by all of the directors and filed with the minutes of proceedings of the board of directors.</p>	<p>exercised without a meeting if consent in writing, setting forth the action taken, is signed by all of the directors and filed with the minutes of proceedings of the board of directors.</p>
<p><b>Amendment of Bylaws</b></p>	<p>SICO reserves the right to amend its Articles of Incorporation in the manner now or hereafter prescribed by the laws of the State of Nevada.</p>	<p>Subject to the voting rights of holders of the A. O. Smith preferred stock, as may be established from time to time, the holders of A. O. Smith Class A common stock and the holders of A. O. Smith common stock are entitled to vote, and to vote as separate classes, upon the authorization of any amendment to the A. O. Smith Amended Charter, and, in addition to the authorization of any such amendment by vote of a majority of the total number of votes represented by all outstanding shares entitled to vote thereon, the amendment shall be authorized by vote of a majority of the total number of votes represented by all outstanding shares of the A. O. Smith Class A common stock and/or the A. O. Smith common stock if such amendment, among other things, would exclude or limit their right to vote on any matter, reduce the par value of their shares or subordinate their rights.</p>
	<p>The bylaws of SICO provide that they may be altered, amended or modified and new bylaws may be adopted by (a) the stockholders by affirmative vote of not less than a majority of the shares present or represented at any annual or special meeting of the stockholders at which a quorum is in attendance or (b) the board of directors by affirmative vote of a majority of the directors present at which a quorum is in attendance.</p>	<p>Subject to the laws of the State of Delaware, the bylaws of A. O. Smith may be amended and new bylaws may be enacted by the board of directors as in their judgment they deem advisable for the regulation of the conduct of the affairs of A. O. Smith; provided that Article VII of A. O. Smith's bylaws relating to the indemnification of directors and officers cannot be altered, amended or repealed without the</p>

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		affirmative vote of not less than 66- <sup>2</sup> / <sub>3</sub> % of the stockholders entitled to vote, subject to certain limited exceptions.
<b>Indemnification</b>	The bylaws of SICO provide for the indemnification of SICO's directors and officers against liabilities and expenses that they may incur in such capacities if such persons acted in good faith and reasonably believe their actions are in, or not opposed to, SICO's best interests and, with respect to any criminal action or proceeding, have no reasonable cause to believe their conduct was unlawful.	A. O. Smith's bylaws, subject to the conditions and limitations contained therein, require that A. O. Smith indemnify its directors and officers to the fullest extent permitted by Delaware law against liabilities and expenses that they may incur in such capacities.
<b>Annual Meetings of Stockholders</b>	The annual meeting of the stockholders shall be held at such time in April or May of each year as shall be designated by SICO's board of directors.	The annual meeting of the stockholders of A. O. Smith shall be held at such location, date and time as the board of directors determines by resolution.
<b>Consent of Stockholders in Lieu of Meeting</b>	Any action required or permitted to be taken at a meeting of the stockholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by the holders of a majority of the shares of stock entitled to vote upon the action if such meeting were held; provided that in no case shall the written consent be by the holders of stock having less than the minimum percentage of the vote required by the statute for the proposed corporate action and provided that prompt notice must be given to all stockholders of the taking of the corporate action without a meeting and by less than unanimous written consent.	The A. O. Smith Amended Charter and the bylaws of A. O. Smith neither provide for nor prohibit stockholder action without a meeting.

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**COMPARATIVE RIGHTS OF HOLDERS OF A. O. SMITH CLASS A COMMON STOCK PRIOR TO AND AFTER THE MERGER**

This section describes the material differences between the rights of the holders of A. O. Smith Class A common stock prior to the merger, on the one hand, and the rights of the holders of A. O. Smith Class A common stock after the merger, on the other hand.

Upon completion of the merger, the A. O. Smith Existing Charter will be amended and restated. The form of the A. O. Smith Amended Charter is attached as Annex B to this joint proxy statement/prospectus. The bylaws of A. O. Smith will not be amended or otherwise modified in connection with the merger. This summary contains a list of the material differences but is not meant to be relied upon as an exhaustive list or a detailed description of the provisions discussed and is qualified in its entirety by reference to the DGCL, the A. O. Smith Existing Charter, the A. O. Smith Amended Charter and A. O. Smith's bylaws. The governing instruments are subject to amendment in accordance with their terms. Copies of these governing corporate instruments are available, without charge, to any person, including any holder of A. O. Smith Class A common stock to whom this joint proxy statement/prospectus is delivered, by following the instructions listed under "Where You Can Find More Information" beginning on page 139.

	<b>Before the Merger</b>	<b>After the Merger</b>
<b>Authorized shares of A. O. Smith Class A common stock</b>	There are 14,000,000 authorized shares of A. O. Smith Class A common stock.	There will be 22,067,252 authorized shares of A. O. Smith Class A common stock. Following the effective time of the merger, A. O. Smith will cancel the shares of A. O. Smith Class A common stock currently held by SICO, and A. O. Smith will be prohibited from reissuing any of those shares of Class A common stock, so that the total number of shares of A. O. Smith Class A common stock that A. O. Smith can issue will return to 14,000,000 shares.
<b>Election of Board of Directors</b>	<p>Holders of the A. O. Smith Class A common stock, voting as a class, are entitled to elect the remaining number of directors after the holders of the A. O. Smith common stock, voting as a class, elect the number of directors which constitutes 25% of the A. O. Smith board of directors, subject to rounding as described in "Comparative Rights of A. O. Smith and SICO Stockholders Prior to and After the Merger - Voting Rights" .</p> <p>Once the number of issued and outstanding shares of A. O. Smith Class A common stock falls below</p>	<p>Holders of the A. O. Smith Class A common stock, voting as a class, are entitled to elect the remaining number of directors after the holders of the A. O. Smith common stock, voting as a class, elect the number of directors which constitutes 33- 1/3% of the A. O. Smith board of directors, subject to rounding as described in "Comparative Rights of A. O. Smith and SICO Stockholders Prior to and After the Merger - Voting Rights" .</p> <p>Once the number of issued and outstanding shares of Class A common stock falls below 12.5%</p>

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	<p>12.5% of the aggregate number of issued and outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, the holders of the A. O. Smith common stock, voting as a class, will continue to elect the number of directors which constitutes 25% of the A. O. Smith board of directors and all classes of A. O. Smith stock will vote together on the election of the remaining directors, provided that holders of A. O. Smith Class A common stock will have one vote per share and holders of A. O. Smith Common Stock will have 1/10th vote per share.</p>	<p>of the aggregate number of issued and outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock, the holders of the A. O. Smith common stock, voting as a class, will continue to elect the number of directors which constitutes 33- 1/3% of the A. O. Smith board of directors and all classes of A. O. Smith stock vote together on the election of the remaining directors, provided that holders of A. O. Smith Class A common stock will have one vote per share and holders of A. O. Smith Common Stock will have 1/10th vote per share.</p>
<p><b>Removal of Directors</b></p>	<p>A director may be removed at any time, with or without cause, by an affirmative vote of a majority of the shares of A. O. Smith stock entitled to vote upon such removal. The holders of the A. O. Smith Class A common stock are entitled to vote as a separate class on the removal of a director elected by such holders, subject to any rights granted to the holders of the A. O. Smith preferred stock.</p>	<p>No change.</p>
<p><b>Vacancies</b></p>	<p>In the discretion of A. O. Smith s board of directors, any vacancy in the office of a director elected by the holders of the A. O. Smith Class A common stock may be filled by a vote of such holders, voting as a separate class but subject to any voting rights which may be granted to holders of the A. O. Smith preferred stock or by the remaining directors.</p>	<p>No change.</p>
<p><b>Voting Rights</b></p>	<p>Generally, on all matters other than those specified herein, all classes of A. O. Smith stock will vote together as a class, provided that holders of A. O. Smith Class A common stock will have one vote per share and the holders of A. O. Smith common stock will have 1/10th vote per share.</p>	<p>No change.</p>

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<b>Transfer Restrictions</b>	None.	If a holder of A. O. Smith Class A common stock transfers the beneficial ownership of such shares to any person other than a Permitted Transferee, then each share of A. O. Smith Class A common stock that is transferred shall automatically be converted into one share of A. O. Smith common stock. As of the effective time of the merger, trading of shares of A. O. Smith Class A common stock on the OBB will cease. See A. O. Smith Amended Charter Conversion of A. O. Smith Class A Common Stock Upon Transfer beginning on page 104 for a detailed description of Permitted Transferees.
<b>Automatic Conversion to A. O. Smith Common Stock</b>	None.	The A. O. Smith Amended Charter includes a provision whereby each share of A. O. Smith Class A common stock will automatically convert into a share of A. O. Smith common stock if the total number of issued and outstanding shares of A. O. Smith Class A common stock is less than 2,397,976 shares (approximately 8% of the total outstanding shares of A. O. Smith Class A common stock and A. O. Smith common stock as of the date of the Merger Agreement).
<b>Voluntary Conversion to A. O. Smith Common Stock</b>	At any time, a holder of any shares of A. O. Smith Class A common stock is entitled to convert each of such holder's shares of A. O. Smith Class A common stock into one share of A. O. Smith common stock.	No change.
<b>Dividend Rights</b>	Holders of A. O. Smith Class A common stock are entitled to receive dividends, including share distributions, when and as declared by the board of directors.	No change.



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A. O. Smith may pay dividends, which are not share distributions, to holders of A. O. Smith common stock in excess of dividends paid, or without paying dividends, to holders of Class A common stock.

Whenever A. O. Smith pays a dividend, other than a share distribution, to the holders of A. O. Smith Class A common stock, it must also pay to the holders of A. O. Smith common stock a dividend per share at least equal to the dividend per share paid to the holders of A. O. Smith Class A common stock.

**Preemptive Rights**

No holder of A. O. Smith Class A common stock is entitled to preemptive rights to subscribe for, purchase or receive any part of any new or additional issue of stock, whether A. O. Smith preferred stock, A. O. Smith Class A common stock or A. O. Smith common stock, or of bonds, debentures or other securities convertible into stock, or any part of any reacquired shares or convertible securities held in treasury. No change.

**Liquidation Rights**

In the case of liquidation, the holders of shares of A. O. Smith preferred stock are entitled to receive assets, including unpaid dividends, before any of such assets are paid to holders of A. O. Smith Class A common stock or holders of A. O. Smith common stock. No change.

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**LEGAL MATTERS**

Winston & Strawn LLP, Chicago, Illinois, will pass upon certain legal matters relating to the issuance of the shares of A. O. Smith Class A common stock and A. O. Smith common stock to be offered by this joint proxy statement/prospectus.

**EXPERTS**

The consolidated financial statements of A. O. Smith appearing in A. O. Smith's Annual Report on Form 10-K for the year ended December 31, 2008 (including the schedule appearing therein) have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of SICO at December 31, 2008 and 2007, and for each of the three years in the period ended December 31, 2008, appearing in this joint proxy statement/prospectus have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

**SUBMISSION OF FUTURE STOCKHOLDER PROPOSALS**

**A. O. Smith**

Proposals of A. O. Smith stockholders intended to be presented at the 2009 Annual Meeting of A. O. Smith Stockholders, including recommendations of candidates to be elected to the A. O. Smith board of directors, were required to be received by A. O. Smith no later than November 7, 2008, to be considered for inclusion in A. O. Smith's proxy materials for the 2009 meeting. If an A. O. Smith stockholder who otherwise desires to bring a proposal before the 2009 Annual Meeting of A. O. Smith stockholders did not notify A. O. Smith of its intent to do so on or before January 22, 2009, then the proposal is untimely, and the proxies will be able to vote on the proposal in their discretion.

**SICO**

SICO will not hold an annual meeting in 2009 if the merger is completed. If a 2009 meeting is held, proposals of stockholders intended to be presented at SICO's 2009 Annual Meeting, including recommendations of candidates to be elected to the SICO board of directors, may be received by SICO at any time before or during the 2009 meeting. There is no deadline for notification of a stockholder's intent to bring a proposal or nomination before SICO's 2009 Annual Meeting.

**WHERE YOU CAN FIND MORE INFORMATION**

A. O. Smith files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information on file with the SEC at the SEC's public reference room located at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the public reference room. The SEC filings are also available to the public from commercial document retrieval services. The A. O. Smith filings are also available at the Internet website maintained by the SEC at [www.sec.gov](http://www.sec.gov). You may also obtain certain of these documents at A. O. Smith's website at [www.aosmith.com](http://www.aosmith.com). Information contained on the A. O. Smith website is expressly not incorporated by reference in this joint proxy statement/prospectus.

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A. O. Smith has filed a registration statement on Form S-4 to register with the SEC the A. O. Smith Class A common stock and A. O. Smith common stock that SICO stockholders will receive in connection with the merger. This joint proxy statement/prospectus is a part of the registration statement of A. O. Smith on Form S-4 and is a prospectus of A. O. Smith and a joint proxy statement of A. O. Smith and SICO for the special meeting of A. O. Smith stockholders and the special meeting of SICO stockholders, respectively.

The SEC permits A. O. Smith to incorporate by reference information into this joint proxy statement/prospectus. This means that it can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this joint proxy statement/prospectus, except for any information superseded by information contained directly in this joint proxy statement/prospectus or by information contained in documents filed with or furnished to the SEC after the date of this joint proxy statement/prospectus that is incorporated by reference in this joint proxy statement/prospectus.

This joint proxy statement/prospectus incorporates by reference the documents set forth below that have been previously filed with the SEC by A. O. Smith. These documents contain important information about A. O. Smith and its financial condition.

<b>A. O. Smith SEC Filings (File No. 001-00475)</b>	<b>Period or Filing Date</b>
Annual Report on Form 10-K	Year ended December 31, 2008
Current Reports on Form 8-K	Filed on January 23, 2009 and January 22, 2009
Definitive Proxy Statement on Schedule 14A	Filed on March 5, 2009
The description of A. O. Smith common stock contained in Item 4 of the A. O. Smith's Registration Statement on Form 8-A including any amendment or report filed with the SEC for the purpose of updating that description	Filed on December 5, 1994
The description of A. O. Smith Class A common stock contained in Item 1 of the A. O. Smith's Registration Statement on Form 8-A including any amendment or report filed with the SEC for the purpose of updating that description	Filed on September 9, 1983
A. O. Smith also incorporates by reference in this joint proxy statement/prospectus additional documents that A. O. Smith may file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, between the date of this joint proxy statement/prospectus and the date of the special meeting of A. O. Smith stockholders and the special meeting of SICO stockholders. These documents include an Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as well as proxy statements.	

You may not have been sent some of the documents incorporated by reference by A. O. Smith, but you can obtain any of them through A. O. Smith as described below or through the SEC or the SEC's Internet website as described above. Documents incorporated by reference are available without charge, excluding all exhibits unless an exhibit has been specifically incorporated by reference in this joint proxy statement/prospectus. Stockholders may obtain documents incorporated by reference in this joint proxy statement/prospectus by requesting them in writing or by telephone from A. O. Smith at 11270 West Park Place, Milwaukee, Wisconsin 53224-9508, Telephone: (414) 359-4000, Attention: Corporate Secretary.

If you would like to request documents from A. O. Smith, please do so by April 4, 2009, to receive them before the special meeting of A. O. Smith stockholders and the special meeting of SICO stockholders.

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**You should rely only on the information contained or incorporated by reference in this joint proxy statement/prospectus to vote on the proposals. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference in, this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated March 11, 2009. You should not assume that the information contained in, or incorporated by reference in, this joint proxy statement/prospectus is accurate as of any date other than that date. Neither our mailing of this joint proxy statement/prospectus to A. O. Smith stockholders or SICO stockholders nor the issuance by A. O. Smith of A. O. Smith Class A common stock or A. O. Smith common stock in connection with the merger will create any implication to the contrary.**

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**HISTORICAL CONSOLIDATED FINANCIAL INFORMATION FOR SICO**

<u>Report of Independent Public Registered Accounting Firm</u>	F-2
<u>Audited Consolidated Balance Sheets as of December 31, 2008 and 2007</u>	F-3
<u>Audited Consolidated Statements of Earnings for the years ended December 31, 2008, 2007 and 2006</u>	F-4
<u>Audited Consolidated Statements of Comprehensive Earnings for the years ended December 31, 2008, 2007 and 2006</u>	F-5
<u>Audited Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006</u>	F-6
<u>Audited Consolidated Statements of Stockholders' Equity for the years ended December 31, 2008, 2007 and 2006</u>	F-7
<u>Notes to Audited Consolidated Financial Statements</u>	F-8

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Smith Investment Company

We have audited the accompanying consolidated balance sheets of Smith Investment Company as of December 31, 2008 and 2007, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Smith Investment Company at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Milwaukee, Wisconsin

March 10, 2009

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**SMITH INVESTMENT COMPANY**  
**CONSOLIDATED BALANCE SHEETS**

December 31

(dollars in millions)

	2008	2007
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 35.3	\$ 55.0
Trade receivables	370.3	424.2
Inventories	285.1	266.3
Deferred income taxes	64.6	34.4
Other current assets	49.2	22.8
<b>Total Current Assets</b>	<b>804.5</b>	<b>802.7</b>
Net property, plant and equipment	437.3	440.3
Goodwill	505.1	512.9
Other intangibles	78.3	86.6
Deferred income taxes	52.9	
Other assets	50.6	67.9
<b>Total Assets</b>	<b>\$ 1,928.7</b>	<b>\$ 1,910.4</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Trade payables	\$ 276.5	\$ 309.4
Accrued payroll and benefits	45.4	50.8
Derivative contracts liability	73.0	1.4
Accrued liabilities	56.2	66.6
Product warranties	40.2	35.9
Income taxes	6.0	3.4
Long-term debt due within one year	17.5	17.6
<b>Total Current Liabilities</b>	<b>514.8</b>	<b>485.1</b>
Long-term debt	317.3	387.6
Product warranties	71.6	69.6
Deferred income taxes		31.1
Post-retirement benefit obligation	15.7	16.1
Pension liabilities	264.0	39.7
Other liabilities	69.5	87.5
<b>Total Liabilities</b>	<b>1,252.9</b>	<b>1,116.7</b>
<b>Minority Interest in Consolidated Subsidiary</b>	<b>436.6</b>	<b>515.0</b>
<b>Redeemable Stock</b>	<b>12.6</b>	
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>Stockholders Equity</b>		
Common Stock (shares issued 3,317,066)	0.3	0.3
Retained earnings	316.1	310.1
Accumulated other comprehensive loss	(89.8)	(31.7)

<b>Total Stockholders Equity</b>	226.6	278.7
<b>Total Liabilities and Stockholders Equity</b>	\$ 1,928.7	\$ 1,910.4

*See accompanying notes which are an integral part of these statements*

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**SMITH INVESTMENT COMPANY**  
**CONSOLIDATED STATEMENTS OF EARNINGS**

Years ended December 31

(dollars in millions)

	2008	2007	2006
<b>Continuing Operations:</b>			
Net sales	\$ 2,358.1	\$ 2,386.5	\$ 2,232.4
Cost of products sold	1,856.3	1,863.0	1,760.4
Gross profit	501.8	523.5	472.0
Selling, general and administrative expenses	367.1	372.1	332.2
Gain from sale of assets held for sale		(3.7)	
Restructuring and other charges	9.2	24.9	10.1
Interest expense	19.8	27.6	26.3
Other (income) expense net	1.7	(1.1)	0.4
Earnings before provision for income taxes	104.0	103.7	103.0
Provision for income taxes	27.1	13.4	28.8
Minority interest in continuing earnings of consolidated subsidiary	55.6	60.4	52.1
<b>Earnings from Continuing Operations</b>	<b>21.3</b>	<b>29.9</b>	<b>22.1</b>
<b>Discontinued Operations:</b>			
Earnings from discontinued operations, less provision for income taxes of \$0.2, \$0.3 and \$0.5 in 2008, 2007 and 2006, respectively	0.4	0.5	0.7
Minority interest in discontinued operations of consolidated subsidiary			0.2
<b>Earnings from Discontinued Operations</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>
<b>Net Earnings</b>	<b>\$ 21.7</b>	<b>\$ 30.4</b>	<b>\$ 22.6</b>
<b>Net Earnings Per Share of Common Stock:</b>			
Continuing Operations	\$ 6.43	\$ 9.02	\$ 6.68
Discontinued Operations	0.12	0.14	0.14
<b>Net Earnings</b>	<b>\$ 6.55</b>	<b>\$ 9.16</b>	<b>\$ 6.82</b>

*See accompanying notes which are an integral part of these statements*

**Table of Contents****SMITH INVESTMENT COMPANY****CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**

Years ended December 31

(dollars in millions)

	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net Earnings	\$ 21.7	\$ 30.4	\$ 22.6
<b>Other comprehensive earnings (loss):</b>			
Foreign currency translation adjustments	5.6	7.9	(2.4)
Unrealized net loss on cash flow derivative instruments, less related income tax effect of \$27.6 in 2008, \$7.4 in 2007 and \$3.6 in 2006	(43.1)	(11.5)	(5.7)
Change in pension liability less related income tax effect of \$92.7 in 2008, \$(21.5) in 2007 and \$(10.1) in 2006	(145.0)	33.8	15.0
Minority interest in other comprehensive earnings (loss)	124.3	(20.5)	(4.7)
<b>Comprehensive Earnings (Loss)</b>	<b>\$ (36.5)</b>	<b>\$ 40.1</b>	<b>\$ 24.8</b>

*See accompanying notes which are an integral part of these statements*

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**SMITH INVESTMENT COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended December 31

(dollars in millions)

	2008	2007	2006
<b>Continuing</b>			
<b>Operating Activities:</b>			
Earnings from continuing operations	\$ 21.3	\$ 29.9	\$ 22.1
Minority interest in continuing earnings of consolidated subsidiary	55.6	60.4	52.1
Adjustments to reconcile earnings from continuing operations to cash provided by operating activities:			
Depreciation and amortization	69.5	71.5	65.5
Net changes in operating assets and liabilities, net of acquisitions:			
Current assets and liabilities	(35.4)	30.8	(19.7)
Noncurrent assets and liabilities	(12.7)	5.5	9.5
Gain on assets held for sale		(3.7)	
Other	4.4	4.7	3.1
Distributions by subsidiary to minority shareholders	(15.2)	(14.8)	(13.7)
<b>Cash Provided by Operating Activities</b>	<b>87.5</b>	<b>184.3</b>	<b>118.9</b>
<b>Investing Activities:</b>			
Acquisition of businesses			(340.7)
Proceeds from sale of investments	12.0		53.2
Purchases of investments			(41.0)
Capital expenditures	(69.0)	(72.4)	(68.3)
Proceeds from sale of assets held for sale		11.6	
Other investing activities	0.7	0.1	0.1
<b>Cash Used in Investing Activities</b>	<b>(56.3)</b>	<b>(60.7)</b>	<b>(396.7)</b>
<b>Financing Activities:</b>			
Net repayments under notes payable		(4.7)	(5.8)
Long-term debt incurred			275.8
Long-term debt repaid	(50.1)	(63.0)	(8.9)
Purchases of treasury stock by subsidiary		(36.6)	
Net proceeds from exercise of subsidiary stock options	2.1	11.4	8.3
Dividends paid to Company Stockholders	(3.8)	(3.4)	(2.9)
<b>Cash (Used in) Provided by Financing Activities</b>	<b>(51.8)</b>	<b>(96.3)</b>	<b>266.5</b>
<b>Discontinued Operations</b>			
Cash provided by operating activities	0.9	1.0	2.2
Proceeds from disposition of business			11.4
<b>Cash Provided by Discontinued Operations</b>	<b>0.9</b>	<b>1.0</b>	<b>13.6</b>
Net increase (decrease) in cash and cash equivalents	(19.7)	28.3	2.3
Cash and cash equivalents-beginning of year	55.0	26.7	24.4
<b>Cash and Cash Equivalents-End of Year</b>	<b>\$ 35.3</b>	<b>\$ 55.0</b>	<b>\$ 26.7</b>

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*See accompanying notes which are an integral part of these statements*

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**Table of Contents****SMITH INVESTMENT COMPANY****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

Years ended December 31

(dollars in millions)

	2008	2007	2006
<b>Common Stock:</b>			
Balance at beginning and end of year	\$ 0.3	\$ 0.3	\$ 0.3
<b>Retained Earnings:</b>			
Balance at beginning of year	\$ 310.1	\$ 285.0	\$ 264.9
Net earnings	21.7	30.4	22.6
Effects of A. O. Smith Corporation stock option, stock compensation and stock repurchase activities	0.7	(1.9)	0.4
Change in redeemable stock	(12.6)		
Cash dividends on Common Stock	(3.8)	(3.4)	(2.9)
<b>Balance at end of year</b>	<b>\$ 316.1</b>	<b>\$ 310.1</b>	<b>\$ 285.0</b>
<b>Accumulated Other Comprehensive Loss:</b>			
Balance at beginning of year	\$ (31.7)	\$ (40.6)	\$ (43.2)
Foreign currency translation adjustments	5.6	7.9	(2.4)
Unrealized net loss on cash flow derivative instruments, less related income tax effect of \$27.6 in 2008, \$7.4 in 2007 and \$3.6 in 2006	(43.1)	(11.5)	(5.7)
Change in pension liability less related income tax effect of \$92.7 in 2008, \$(21.5) in 2007 and \$(10.1) in 2006	(145.0)	33.8	15.0
Effects of A. O. Smith Corporation stock option, stock compensation and stock repurchase activities	0.1	(0.8)	0.4
Minority interest in other comprehensive earnings (loss)	124.3	(20.5)	(4.7)
<b>Balance at end of year</b>	<b>\$ (89.8)</b>	<b>\$ (31.7)</b>	<b>\$ (40.6)</b>
<b>Total Stockholders Equity</b>	<b>\$ 226.6</b>	<b>\$ 278.7</b>	<b>\$ 244.7</b>

*See accompanying notes which are an integral part of these statements*

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization and Significant Accounting Policies**

**Organization.** Smith Investment Company (the company) is a holding company for its ownership of A. O. Smith Corporation (A. O. Smith) and its wholly-owned subsidiaries, Berlin Industries, Inc. (Berlin) and Central States Distribution Service, Inc. (CSDS). A. O. Smith is a manufacturer serving customers worldwide. A. O. Smith's major product lines include residential and commercial gas and electric water heating equipment, fractional horsepower alternating current, direct current, and hermetic electric motors and multicolor printing. Products are manufactured and marketed primarily in North America and China. Water heaters are sold through both wholesale and retail channels to plumbing wholesalers and retail outlets. Electric motors are sold principally to original equipment manufacturers and distributors. Berlin sells multicolor printing principally to direct mail and other advertisers, and CSDS provides warehousing and distribution services primarily to consumer product manufacturers. Throughout these consolidated financial statements, the company refers to the operations of its wholly-owned subsidiaries, Berlin and CSDS, and its controlled subsidiary, A. O. Smith.

**Consolidation.** The consolidated financial statements include the accounts of the company, its wholly-owned subsidiaries, and its controlled subsidiaries after elimination of intercompany transactions.

**Use of estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements and notes. Actual results could differ from those estimates.

**Fair value of financial instruments.** The carrying amounts of cash and cash equivalents, trade receivables, trade payables and floating rate debt approximated fair value as of December 31, 2008 and 2007, due to the short maturities or frequent rate resets of these instruments. The fair value of term notes with insurance companies was approximately \$140.7 million as of December 31, 2008 compared with the carrying amount of \$150.1 million for the same period. The carrying amount of term notes with insurance companies approximated fair value as of December 31, 2007. The fair value is estimated based on current rates offered for debt with similar maturities.

**Foreign currency translation.** For all subsidiaries outside the United States, with the exception of all Mexican operations and two of the Chinese operations of A. O. Smith's Electrical Products segment, the company uses the local currency as the functional currency. For those operations using a functional currency other than the U.S. dollar, assets and liabilities are translated into U.S. dollars at year-end exchange rates, and revenues and expenses are translated at weighted-average exchange rates. The resulting translation adjustments are recorded as a separate component of stockholders' equity. The Mexican operations and two of the Chinese operations of the company's Electrical Products segment use the U.S. dollar as the functional currency as such operations are a direct and integral component of the company's U.S. operations. Gains and losses from foreign currency transactions are included in net earnings.

**Cash and cash equivalents.** The company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Trade receivables and allowance for doubtful accounts.** The company carries its trade receivables at their face amount less an allowance for doubtful accounts. On a periodic basis, the company evaluates its trade receivables and establishes the allowance for doubtful accounts based on a combination of specific customer circumstances, credit conditions, and its history of write-offs and collections. Trade receivables are written off after all collection efforts have been exhausted. The company does not require collateral as security for trade receivables.

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**Inventory valuation.** Inventories are carried at lower of cost or market. Cost is determined on the last-in, first-out (LIFO) method for substantially all domestic inventories, which comprise 82 percent of the company's total inventory at December 31, 2008 and 2007. Inventories of foreign and certain domestic subsidiaries and supplies are determined using the first-in, first-out (FIFO) method.

**Property, plant and equipment.** Property, plant and equipment are stated at cost. Depreciation is computed primarily by the straight-line method. The estimated service lives used to compute depreciation are generally 25 to 50 years for buildings and improvements, 3 to 20 years for equipment and 3 to 7 years for software. Maintenance and repair costs are expensed as incurred.

**Goodwill and other intangibles.** Goodwill and indefinite-lived intangible assets are not amortized but are reviewed for impairment on an annual basis. Intangible assets of \$78.8 million including \$32.1 million with an indefinite life were recorded as part of the GSW Inc (GSW) acquisition (see Note 2) by A. O. Smith. Indefinite-lived assets totaled \$34.6 million and \$38.0 million at December 31, 2008 and 2007, respectively. The decrease in 2008 was due to currency translation adjustment. Separable intangible assets primarily comprised of customer relationships that are not deemed to have an indefinite life are amortized on a straight-line basis over their estimated useful lives which range from 10 to 25 years. Amortization of \$4.3 million, \$4.5 million and \$2.9 million was recorded in 2008, 2007 and 2006, respectively. In the future, amortization should approximate \$4.1 million annually and the intangible assets will be amortized over a weighted average period of 16 years. Total accumulated amortization at December 31, 2008 and 2007 was \$12.5 million and \$9.3 million, respectively.

**Impairment of long-lived and amortizable intangible assets.** Property, plant and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. Such analyses necessarily involve significant judgment.

**Derivative instruments.** Statement of Financial Accounting Standards (SFAS) No. 133, as amended, requires that all derivative instruments be recorded on the balance sheet at fair value and establishes criteria for designation and effectiveness of the hedging relationships. Any fair value changes are recorded in net earnings or other comprehensive earnings.

A. O. Smith utilizes certain derivative instruments to enhance its ability to manage currency and interest rate exposures as well as raw materials price risks. Derivative instruments are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. A. O. Smith does not enter into contracts for speculative purposes. The contracts are executed with major financial institutions with no credit loss anticipated for failure of the counterparties to perform.

*Commodity Futures Contracts*

In addition to entering into supply arrangements in the normal course of business, A. O. Smith also enters into futures contracts to fix the cost of certain raw material purchases, principally copper and aluminum, with the objective of minimizing changes in cost due to market price fluctuations.

The commodity futures contracts are designated and accounted for as cash flow hedges of a forecasted transaction. Derivative commodity liabilities of \$52.1 million and \$3.5 million are recorded in accrued liabilities as of December 31, 2008 and 2007, respectively. The value of the effective portion of the contracts of \$(31.0) million and \$(2.0) million as of December 31, 2008 and 2007, respectively, was recorded in accumulated other comprehensive loss, net of tax, and reclassified into cost of products sold in the period in which the underlying transaction was recorded in earnings. Ineffective portions of the commodity hedges are recorded in earnings in the period in which the ineffectiveness occurs. The impact of hedge ineffectiveness on earnings was not material in 2008, 2007 and 2006.

**Table of Contents***Foreign Currency Forward Contracts*

A. O. Smith is exposed to foreign currency exchange risk as a result of transactions in currencies other than the functional currency of certain subsidiaries. A. O. Smith utilizes foreign currency forward purchase and sale contracts to manage the volatility associated with foreign currency purchases, sales and certain intercompany transactions in the normal course of business. Contracts typically have maturities of one year or less. Principal currencies include the Mexican peso, Chinese renminbi, Canadian dollar and Euro.

Forward contracts are designated and accounted for as cash flow hedges of a forecasted transaction. Derivative currency liabilities of \$19.1 million and assets of \$2.9 million as of December 31, 2008 and 2007, respectively, were recorded in other current liabilities and assets. Gains and losses on these instruments are recorded in accumulated other comprehensive loss, net of tax, until the underlying transaction is recorded in earnings. When the hedged item is realized, gains or losses are reclassified from accumulated other comprehensive loss to the statement of earnings. The assessment of effectiveness for forward contracts is based on changes in the forward rates. These hedges have been determined to be perfectly effective.

The majority of the amounts in accumulated other comprehensive loss for cash flow hedges is expected to be reclassified into earnings within one year.

The following table summarizes, by currency, the contractual amounts of A. O. Smith's foreign currency forward contracts.

December 31 (dollars in millions)	2008		2007	
	Buy	Sell	Buy	Sell
Euro	\$ 6.1	\$ 1.9	\$ 5.5	\$ 2.2
Canadian dollar		17.1		24.1
Hungarian forint			1.5	
Chinese renminbi	64.8		32.5	
Mexican peso	110.3		85.5	
Total	\$ 181.2	\$ 19.0	\$ 125.0	\$ 26.3

The forward contracts in place at December 31, 2008 and 2007, amounted to approximately 69 percent and 60 percent, respectively, of A. O. Smith's anticipated subsequent year exposure for those currencies hedged.

*Interest Rate Swap Agreement*

A. O. Smith is exposed to interest rate risk as a result of its floating rate borrowings under its revolving credit facility. The company uses interest rate swaps to manage this risk. As of December 31, 2008, A. O. Smith had one interest rate swap outstanding in the amount of \$25 million that expires in November 2010.

The interest rate swap is designated and accounted for as a cash flow hedge of floating rate debt. A derivative interest rate liability of \$1.8 million and \$0.7 million as of December 31, 2008 and 2007, respectively, was recorded in accrued liabilities. Gains and losses on this instrument are recorded in accumulated other comprehensive loss, net of tax, until the underlying transaction is recorded in earnings. When the hedged item is realized, gains or losses are reclassified from accumulated other comprehensive loss to the statement of earnings. The assessment of effectiveness for the interest rate swap is based on changes in floating rate interest rates. This swap has been determined to be perfectly effective.

**Fair Value Measurements.** The company adopted SFAS No. 157, Fair Value Measurements (SFAS 157) on January 1, 2008. SFAS 157, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring basis or nonrecurring basis. SFAS 157 clarifies that fair value is an exit price, representing



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the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on the market approach which is prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Liabilities measured at fair value on a recurring basis are as follows (dollars in millions):

Description	Total December 31, 2008	Fair Value Measurement Using Quoted Prices In Active Markets for Identical Contracts (Level 1)		Significant Other Observable Inputs (Level 2)
Net derivative contracts	\$ (73.0)	\$ (52.1)	\$ (20.9)	

**Revenue recognition.** The company recognizes revenue upon transfer of title, which occurs upon shipment of the product to the customer except for certain export sales where transfer of title occurs when the product reaches the customer destination.

Contracts and customer purchase orders are used to determine the existence of a sales arrangement. Shipping documents are used to verify shipment. The company assesses whether the selling price is fixed or determinable based upon the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. The company assesses collectibility based on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history, and does not require collateral on sales. The allowance for doubtful accounts was \$6.3 million and \$7.3 million at December 31, 2008 and 2007, respectively.

Accruals for customer returns for defective product are based on historical experience with similar types of sales. Accruals for rebates and incentives are based on pricing agreements and are tied to sales volume. Changes in such accruals may be required if future returns differ from historical experience or if actual sales volume differs from estimated sales volume. Rebates and incentives are recognized as a reduction of sales.

Shipping and handling costs billed to customers are included in net sales and the related costs are included in cost of products sold.

**Minority interest.** The company owns 8,067,252 shares of Class A common stock and 1,559,076 shares of common stock of A. O. Smith, representing approximately 98% and 7%, respectively, of the outstanding shares. As of December 31, 2008, the shares owned by the company represented a 31.9% economic ownership and a 78.8% voting control of A. O. Smith. The company's minority interest in the consolidated statements of earnings represents the minority stockholders' share of the net earnings of A. O. Smith. The minority interests in the consolidated balance sheets reflect the ownership by the minority stockholders of the total stockholders' equity of A. O. Smith.

The effects of A. O. Smith's issuance and repurchase of shares on the company's proportionate share of A. O. Smith earnings is not recorded through earnings. Such impacts are shown on the Statement of Stockholders' Equity as Effects of A. O. Smith Corporation stock option, stock compensation and stock repurchase activities.

**Advertising.** Advertising costs are charged to operations as incurred and amounted to \$40.3, \$38.0, and \$30.5 million during 2008, 2007 and 2006, respectively.

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**Research and development.** Research and development costs are charged to operations as incurred and amounted to \$48.5, \$47.8 and \$42.3 million during 2008, 2007 and 2006, respectively.

**Transaction costs.** The company capitalizes transaction costs once an acquisition becomes probable. For the year ended December 31, 2008 the company capitalized costs of \$3.2 million, which is classified in other current assets. No costs were capitalized for the year ended December 31, 2007. Costs prior to an acquisition becoming probable are expensed as incurred.

**Product warranties.** Most of A. O. Smith's products carry warranties that generally range from one to ten years and are based on terms that are generally accepted in the market. A. O. Smith records a liability for the expected cost of warranty-related claims at the time of sale. The allocation of our warranty liability between current and long-term is based on expected warranty claims to be paid in the next year as determined by historical product failure rates.

The following table presents A. O. Smith's product warranty liability activity in 2008 and 2007:

Years ended December 31 (dollars in millions)	2008	2007
Balance at beginning of year	\$ 105.5	\$ 98.7
GSW acquisition		5.0
Expense	73.0	54.8
Claims settled	(66.7)	(53.0)
Balance at end of year	\$ 111.8	\$ 105.5

**Environmental costs.** The company accrues for losses associated with environmental obligations when such losses are probable and reasonably estimable. Costs of estimated future expenditures are not discounted to their present value. Recoveries of environmental costs from other parties are recorded as assets when their receipt is considered probable. The accruals are adjusted as facts and circumstances change.

**Stock-based compensation.** Effective January 1, 2006, A. O. Smith adopted SFAS No. 123(R), Share-Based Payment (SFAS 123(R)), using the modified-prospective transition method. Under that method compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123(R) that remain unvested on the effective date. SFAS 123(R) had no impact on A. O. Smith's financial position, statement of operations or cash flows at the date of adoption. SFAS 123(R) requires measurement of the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award at the date of grant. Compensation cost is recognized using the straight-line method over the vesting period of the award. SFAS 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under prior literature. Excess tax deductions of \$1.1 million, 4.8 million and \$4.2 million were recognized as a financing cash flow in 2008, 2007 and 2006, respectively. This requirement reduced net operating cash flows and increased net financing cash flows in periods after adoption. A. O. Smith cannot estimate what those amounts will be in the future because they depend on, among other things, when employees exercise stock options.

**Earnings per share of common stock.** The numerator for the calculation of basic and diluted earnings per share is net earnings. The denominator for basic and diluted earnings per share is the weighted average shares outstanding. The company has no dilutive stock options, restricted stock or other share equivalents; therefore, basic and diluted earnings per share are equal. Earnings per share is calculated based on net earnings rounded to the nearest thousand, which was \$21.740 million, \$30.370 million and \$22.628 million for the years ended December 31, 2008, 2007 and 2006, respectively.

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**Restricted marketable securities.** As described in Note 2, A. O. Smith acquired GSW in 2006. GSW operated a captive insurance company to provide product liability and general liability insurance to its subsidiary American Water Heater Co. (American). A. O. Smith decided to cover American's prospective liability exposures with its existing insurance programs and all product liability claims for events which occurred prior to July 1, 2006 will be financed by the captive. The reinsurance company restricts the amount of capital which must be maintained by the captive, and this restricted amount is \$26.3 million and \$38.9 million at December 31, 2008 and 2007, respectively. The \$26.3 million and \$38.9 million of restricted money market instruments are included in other assets on the company's balance sheet at December 31, 2008 and 2007, respectively. The cost of the money market instruments approximates fair value.

**Recent accounting pronouncements.** In March 2008, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB No. 133, ( SFAS 161 ). SFAS 161 is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS 161 applies to all derivative instruments within the scope of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, ( SFAS 133 ). SFAS 161 also applies to non-derivative hedging instruments and all hedged items designated and qualifying under SFAS 133. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS 161 encourages, but does not require, comparative disclosures for periods prior to its initial adoption. A. O. Smith will adopt SFAS 161 on January 1, 2009, and the company is currently evaluating the potential impact on its financial statements when implemented.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations, ( SFAS 141(R) ). SFAS 141(R) requires the company to continue to follow the guidance in SFAS 141 for certain aspects of business combinations, with additional guidance provided defining the acquirer, recognizing and measuring the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, assets and liabilities arising from contingencies, defining a bargain purchase and recognizing and measuring goodwill or a gain from a bargain purchase. In addition, certain transaction costs previously capitalized as part of the purchase price will be expensed as incurred. Also, under SFAS 141(R) adjustments associated with changes in tax contingencies that occur after the one year measurement period are recorded as adjustments to income. This statement will apply to any business combinations made by the company after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements ( SFAS 160 ), which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement is effective for the company as of January 1, 2009. The adoption of this standard will result in the reclassification of minority interest from mezzanine equity to a component of stockholders' equity titled noncontrolling interest. In addition the presentation of the statement of earnings will no longer include a separate line item for minority interest; rather, the statement of earnings will present net income for the consolidated company segregated between attributable to noncontrolling and controlling interest. SFAS 141(R) and SFAS 160 would impact the company's accounting for its proposed transaction with A. O. Smith (see Note 18).

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115 ( SFAS 159 ), which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities without having to apply complex hedge accounting provisions. Adoption of this statement, which occurred effective January 1, 2008, did not have an effect on the company's consolidated financial condition, results of operations or cash flows.

**Reclassifications.** Certain reclassifications have been made to the prior years' financial statements to conform to the current year's presentation of discontinued operations.

**Table of Contents****2. Acquisitions**

On April 3, 2006, A. O. Smith acquired GSW, a publicly traded Canadian-based manufacturer which operated in two business segments: water heaters and building products. The water heating segment manufactures and markets water heaters sold in the U.S. and Canada through its American and GSW Water Heater subsidiaries. The addition of GSW to A. O. Smith's existing water heater operations expands its share of the growing retail channel of the U.S. residential water heater market segment as well as increases its presence in the Canadian residential water heater market segment. On December 19, 2006, the company sold the building products business for \$11.4 million and in 2007, recorded a reduction in sales proceeds of \$0.4 million associated with a working capital adjustment. For accounting purposes, the operations of the building products business are reported as a discontinued operation.

The aggregate purchase price, net of \$39.3 million of cash acquired, was \$307.7 million. This was comprised of \$339.3 million for the outstanding stock and \$7.7 million of acquisition costs principally incurred in 2005. In addition, \$36.9 million of payments were made for change in control provisions and tax liabilities assumed.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition as finalized in 2007. The non-deductible goodwill has been recorded within the Water Products segment. Of the \$78.8 million of acquired intangible assets, \$32.1 million was assigned to indefinite-lived trademarks that are not subject to amortization and \$46.7 million was assigned primarily to customer relationships which have amortization periods ranging from 10 to 25 years.

**April 3, 2006 (dollars in millions)**

Current assets, net of cash acquired	\$ 157.2
Current assets held for sale	16.6
Property, plant and equipment	60.8
Intangible assets	78.8
Goodwill	193.8
Other assets	36.8
<b>Total assets acquired</b>	<b>544.0</b>
Current liabilities	143.5
Current liabilities held for sale	4.4
Long-term liabilities	88.4
<b>Total liabilities assumed</b>	<b>236.3</b>
<b>Net assets acquired</b>	<b>\$ 307.7</b>

The acquisition was accounted for using the purchase method of accounting, and accordingly, the results of operations have been included in the company's financial statements from the April 3, 2006 date of acquisition.

The pro forma unaudited results of operations for the year ended December 31, 2006 assuming consummation of the purchase as of January 1, 2006, would result in earnings per share of \$7.18 compared to stated earnings per share of \$6.82.

**3. Discontinued Operations**

On January 21, 2009, the company sold substantially all of the assets of CSDS for a purchase price of \$6 million, subject to working capital adjustments. The company anticipates recording a gain of \$3.3 million related to the sale in 2009. The assets sold consisted of plant, property and equipment, trade receivables and certain prepaid assets. In accordance with FASB No. 144, Accounting for the Impairment or Disposal of Long Lived Assets, the results of CSDS are reported as discontinued operations in the consolidated statements of earnings.

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for all periods presented. The assets held for sale of CSDS of \$2.6 million and \$2.9 million at December 31, 2008 and 2007, respectively, are included in other current assets. The liabilities held for sale of CSDS of \$0.3 million at December 31, 2008 and 2007 are included in other accrued liabilities. CSDS revenues for the years ended December 31, 2008, 2007 and 2006 were \$5.1, \$5.2 and \$4.9 million, respectively. CSDS earnings from operations for the years ended December 31, 2008, 2007 and 2006 were \$0.6, \$0.8 and \$0.7 million, respectively.

**4. Restructuring and Other Charges***Electrical Products Restructuring and Related Charges*

In 2006, \$7.3 million of expense was recognized for the continuation of domestic repositioning activities. The majority of the charge is related to the closure of our McMinnville, TN, motor fabrication plant which was completed in the first quarter of 2007. Additionally, a pretax charge of \$1.6 million was recognized for the closure of the Taizhou, China plant which was closed in the fourth quarter of 2006.

In 2007, \$13.6 million of expense was recognized for the continuation of domestic repositioning activities. Included in this amount is an asset impairment charge of \$10.6 million. The majority of the domestic repositioning charges relate to the closure of the Scottsville, KY and Mebane, NC production facilities resulting in the consolidation of the hermetic motor assembly operations in Acuna, Mexico and Suzhou, China. The closures were completed in the fourth quarter of 2008.

Additionally, in 2007, Electrical Products recognized \$9.2 million of expense (of which \$7.5 million is an asset impairment charge), and a \$9.9 million tax benefit related to the closure of its Budapest, Hungary facility. The closure of its Budapest Hungary facility resulted in the remaining operations being transferred to China. The plant closed in the second quarter of 2008.

In 2008, \$8.7 million of expense was recognized for severance and asset impairment and moving costs associated with the completion of Electrical Products restructuring programs. Included in this amount was a nontaxable \$2.9 million favorable translation adjustment recognized upon closure of the Budapest, Hungary facility.

The following table presents an analysis of the company's Electrical Products restructuring reserve as of and for the years ended December 31, 2008, 2007 and 2006 (dollars in millions):

	Severance Costs	Lease Cancellation Costs	Asset Impairment	Other	Total
Balance at December 31, 2005	\$ 1.2	\$ 1.5	\$ 0.5	\$	\$ 3.2
Expense recognized	3.6	(0.1)	5.4		8.9
Cash payments	(3.3)	(1.4)			(4.7)
Asset disposal			(0.4)		(0.4)
Balance at December 31, 2006	\$ 1.5	\$	\$ 5.5	\$	\$ 7.0
Expense recognized	3.7		18.1	1.0	22.8
Cash payments	(2.2)			(0.1)	(2.3)
Asset disposal/write-down			(23.6)		(23.6)
Balance at December 31, 2007	\$ 3.0	\$	\$	\$ 0.9	\$ 3.9
Expense recognized	4.2		2.9	1.6	8.7
Cash payments	(5.6)			(4.8)	(10.4)
Asset disposal/write-down			(2.9)		(2.9)
Cumulative translation adjustment				2.9	2.9
Balance at December 31, 2008	\$ 1.6	\$	\$	\$ 0.6	\$ 2.2



**Table of Contents***Other Charges Berlin Industries, Inc. restructuring*

In August 2005, the company announced its intention to close its Las Vegas, Nevada printing facility due to continuing operating losses. Except for the sale of the building, the closure was complete as of December 31, 2005. The building, which was classified as held for sale at December 31, 2006, was sold during 2007, resulting in a pretax gain of \$3.7 million.

In addition, the company severed certain other employees during 2006 as part of other business improvement initiatives. The components of the restructuring and other charges for Berlin for the years ended December 31, 2007 and 2006, respectively, are as follows:

<b>Years ended December 31, (dollars in millions)</b>	<b>2007</b>	<b>2006</b>
Severance costs	\$	\$ 0.2
Occupancy	0.2	0.3
	\$ 0.2	\$ 0.5

Cash payments equaled expense recognized for all periods presented. At December 31, 2008 and 2007, there were no reserves for restructuring and other charges included in the balance sheets related to Berlin restructuring activities.

*Other Charges Tower Automotive, Inc.*

A. O. Smith was the primary lessee on a facility lease in Corydon, Indiana related to a business sold to Tower Automotive, Inc. (Tower) in 1997. A. O. Smith entered into a sublease arrangement with Tower in 1997 with the same terms and conditions as the company lease. Tower filed for bankruptcy on February 2, 2005 and subsequently notified A. O. Smith that it would reject the sublease arrangement effective October 1, 2005. In order to minimize costs, A. O. Smith purchased the Corydon facility for \$4.5 million on October 11, 2005. A. O. Smith recognized \$0.5, \$0.5 and \$0.4 million expense in 2008, 2007 and 2006, respectively, related to facility maintenance and A. O. Smith's estimate of its ultimate net loss upon disposition of this facility.

*Other Charges Previously Owned Businesses*

In 2007, A. O. Smith recognized \$1.4 million of expense associated with retained liabilities of previously owned businesses which were sold by the company between 1997 and 2001. The majority of the \$1.4 million expense is related to certain costs associated with previously owned real estate. A. O. Smith recognized expense of \$0.3 million in 2006 related to the settlement of an environmental liability.

**5. Statement of Cash Flows**

Supplemental cash flow information is as follows:

<b>Years ended December 31 (dollars in millions)</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net change in current assets and liabilities, net of acquisitions:			
Trade receivables	\$ 53.9	\$ (34.9)	\$ (15.3)
Inventories	(18.8)	33.1	(28.8)
Other current assets	(27.3)	0.4	2.0
Trade payables	(32.9)	19.7	30.8
Accrued liabilities, including payroll and benefits	(11.2)	19.5	3.0
Income taxes	0.9	(7.0)	(11.4)
	\$ (35.4)	\$ 30.8	\$ (19.7)





**Table of Contents****6. Inventories**

<b>December 31 (dollars in millions)</b>	<b>2008</b>	<b>2007</b>
Finished products	\$ 221.6	\$ 177.8
Work in process	57.2	52.7
Raw materials	126.7	114.7
Inventories, at FIFO cost	405.5	345.2
LIFO reserve	120.4	78.9
	\$ 285.1	\$ 266.3

A. O. Smith recognized after-tax LIFO income of \$2.3, \$4.3 and \$0.6 million in 2008, 2007 and 2006, respectively.

**7. Property, Plant and Equipment**

<b>December 31 (dollars in millions)</b>	<b>2008</b>	<b>2007</b>
Land and improvements	\$ 13.4	\$ 14.3
Buildings and improvements	202.2	207.0
Equipment	799.4	770.8
Software	46.0	43.6
	1,061.0	1,035.7
Less accumulated depreciation and amortization	623.7	595.4
	\$ 437.3	\$ 440.3

**8. Goodwill**

A. O. Smith concluded that no impairment existed at the time of the annual impairment tests which were performed in the fourth quarters of 2008, 2007 and 2006. The two reporting units used to test goodwill for impairment are Water Products and Electrical Products.

Changes in the carrying amount of goodwill during the years ended December 31, 2008 and 2007 consisted of the following:

<b>(dollars in millions)</b>	<b>Water Products</b>	<b>Electrical Products</b>	<b>Total</b>
Balance at December 31, 2006	\$ 253.9	\$ 245.8	\$ 499.7
Finalization of purchase price allocation related to 2006 acquisition of business (see note 2)	6.4		6.4
Adjustment to 2002 acquisition (see note 12)	(1.3)		(1.3)
Currency translation adjustment	8.1		8.1
Balance at December 31, 2007	267.1	245.8	512.9
Currency translation adjustment	(10.0)	2.2	(7.8)
Balance at December 31, 2008	\$ 257.1	\$ 248.0	\$ 505.1



**Table of Contents****9. Debt and Lease Commitments**

<b>December 31 (dollars in millions)</b>	<b>2008</b>	<b>2007</b>
Bank credit lines, average year-end interest rate of 1.0% for 2008	\$ 23.6	\$
Revolving credit agreement borrowings, average year-end interest rate of 1.6% for 2008 and 5.5% for 2007	90.0	40.0
Commercial paper, average year-end interest rate of 2.4% for 2008 and 5.1% for 2007	20.7	116.9
Term notes with insurance companies, expiring through 2018, average year-end interest rate of 6.0% for 2008 and 6.2% for 2007	125.4	145.1
Other notes, expiring through 2012, average year-end interest rate of 3.0% for 2008 and 3.6% for 2007	6.5	12.5
Canadian revolving credit agreement borrowings, average year-end interest rate of 2.0% for 2008 and 5.0% for 2007	43.9	60.5
Canadian term notes with insurance companies, expiring through 2018, average year-end interest rate of 5.3% for 2008 and 2007	24.7	30.2
	334.8	405.2
Less long-term debt due within one year	17.5	17.6
Long-term debt	\$ 317.3	\$ 387.6

A. O. Smith has a \$425 million multi-year multi-currency revolving credit agreement with a group of eight banks, which expires on February 17, 2011. In addition, the company has an \$8 million revolving credit agreement which was terminated by the company on January 14, 2009. Borrowings under the company's bank credit lines and commercial paper borrowings are supported by the revolving credit agreements. As a result of the long-term nature of the \$425 million credit facility, the commercial paper and credit line borrowings supported by this facility are classified as long-term debt at December 31, 2008 and 2007. At its option, the company maintains either cash balances or pays fees for bank credit and services.

Scheduled maturities of long-term debt within each of the five years subsequent to December 31, 2008, are as follows: 2009-\$17.5; 2010-\$21.1; 2011-\$196.7; 2012-\$25.1; 2013-\$18.6 million.

Future minimum payments under non-cancelable operating leases relating mostly to office, manufacturing and warehouse facilities total \$53.4 million and are due as follows: 2009-\$15.3; 2010-\$11.6; 2011-\$8.1; 2012-\$5.0; 2013-\$2.7, and thereafter-\$10.7 million. Rent expense, including payments under operating leases, was \$26.4, \$28.0 and \$27.0 million in 2008, 2007 and 2006, respectively.

Interest paid by the company was \$19.9, \$27.7 and \$26.3 million in 2008, 2007 and 2006, respectively.

**10. Redeemable Stock**

The company has an agreement with a stockholder to redeem common stock tendered by the estate of the stockholder, when deceased, sufficient to provide funds for estate taxes and expenses. The redemption price is based on the valuation used for federal estate tax purposes and can be satisfied in either cash or an equivalent amount of A. O. Smith common stock based on the market value at the date of redemption. The redemption agreement includes a provision whereby the company is not obligated to make a redemption if it would cause a violation of any provision of the company's credit agreements or term loans. A debt agreement in place through October 30, 2008 included a covenant that limited the company's cumulative redemptions to \$0.2 million.

At December 31, 2008, the aggregate number of outstanding shares covered by the redemption agreement was 167,173. In accordance with EITF Topic D-98, "Classification and Measurement of Redeemable Securities", the redeemable common stock has been recorded outside of stockholders' equity at December 31, 2008 based on

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the closing stock price of the company's common stock. The amount redeemable at December 31, 2007 was deemed immaterial to the consolidated financial statements.

**11. Stockholders Equity**

The company's authorized capital consists of 10 million shares of Common Stock \$.10 par value.

Regular dividends paid on the Common Stock amounted to \$1.16, \$1.02 and \$.86 per share in 2008, 2007 and 2006, respectively.

The company's subsidiary, A. O. Smith, has authorized capital consisting of 3 million shares of Preferred Stock \$1 par value, 14 million shares of Class A Common Stock \$5 par value, and 60 million shares of Common Stock \$1 par value. The A. O. Smith Corporation Common Stock has equal dividend rights with A. O. Smith Corporation Class A Common Stock and is entitled, as a class, to elect 25 percent of the Board of Directors and has 1/10th vote per share on all other matters. A. O. Smith Corporation Class A Common Stock is convertible to A. O. Smith Corporation Common Stock on a one for one basis.

During 2008, 2007 and 2006, 11,079, 23,450 and 193,975 shares, respectively, of A. O. Smith Corporation Class A Common Stock were converted into A. O. Smith Corporation Common Stock. Regular dividends paid on the A. O. Smith Corporation Class A Common Stock and A. O. Smith Corporation Common Stock amounted to \$.74, \$.70 and \$.66 per share in 2008, 2007 and 2006, respectively.

In February 2007, the A. O. Smith Board of Directors authorized the purchase of up to 1,000,000 shares of its outstanding A. O. Smith Corporation Common Stock. As of December 31, 2007, the company has completed the purchase of 1,000,000 shares at a total cost of \$36.6 million. In December 2007, the Board of Directors authorized the purchase of an additional 1,000,000 shares of its outstanding A. O. Smith Corporation Common Stock. No shares were purchased in 2008.

At December 31, 2008, 32,595 and 2,339,033 shares of A. O. Smith Corporation Class A Common Stock and A. O. Smith Corporation Common Stock, respectively, were held as treasury stock by A. O. Smith. At December 31, 2007, 32,595 and 2,463,745 shares of A. O. Smith Corporation Class A Common Stock and A. O. Smith Corporation Common Stock, respectively, were held as treasury stock by A. O. Smith.

Accumulated other comprehensive loss is as follows:

December 31 (dollars in millions)	2008	2007
Cumulative foreign currency translation adjustments	\$ 4.3	\$ 2.5
Unrealized net loss on cash flow derivative instruments	(14.0)	(0.2)
Pension liability	(80.1)	(34.0)
	\$ (89.8)	\$ (31.7)

**12. Stock Based Compensation**

A. O. Smith adopted the A. O. Smith Combined Incentive Compensation Plan (the "plan") effective January 1, 2007. The plan is a continuation of the A. O. Smith Combined Executive Incentive Compensation Plan which was originally approved by shareholders in 2002. The plan provides for the issuance of 1,250,000 stock options, restricted stock or share units. Stock options are issued at exercise prices equal to the fair value of A. O. Smith common stock on the date of grant. Additionally, any shares that would have been available for stock options, restricted stock or share units under the predecessor plan, if that plan was in effect, will be available for granting of share based awards under the plan. The number of shares available for granting of options or share units at December 31, 2008, was 893,124. Upon stock option exercise, restricted stock grant, or share unit vesting, shares are issued from Treasury stock.

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Total stock based compensation cost recognized in 2008, 2007, and 2006 was \$5.0, \$4.6 and \$2.8 million, respectively.

*Stock options*

The stock options granted in 2008, 2007 and 2006 have a three year pro rata vesting from the date of grant. For active employees, all options granted in 2008, 2007 and 2006 expire ten years after date of grant. Stock option compensation recognized in 2008, 2007 and 2006 was \$1.9 million, \$1.7 million and \$0.7 million, respectively. Included in the stock option expense recognized in 2008 and 2007 is expense associated with the accelerated vesting of stock option awards for certain employees who either are retirement eligible or become retirement eligible during the vesting period.

Changes in option shares, all of which are common stock of A. O. Smith, were as follows:

	Weighted-Avg. Per Share Exercise Price	Years Ended December 31			Aggregate Intrinsic Value
		2008	2007	2006	
Outstanding at beginning of year	\$ 27.01	1,117,434	1,443,900	1,920,850	
Granted					
2008 \$32.01 to \$35.64 per share	34.94	212,500			
2007 \$38.76 to \$40.27 per share			164,800		
2006 \$36.03 per share				18,000	
Exercised					
2008 \$18.31 to \$29.20 per share	19.04	(40,067)			\$ 0.6
2007 \$13.56 to \$29.20 per share			(488,066)		12.4
2006 \$13.56 to \$29.83 per share				(494,950)	10.8
Terminated					
2008 \$35.64 per share		(800)			
2007 \$29.20 to \$38.76 per share			(3,200)		
Outstanding at end of year (2008 \$13.56 to \$40.27 per share)	28.40	1,289,067	1,117,434	1,443,900	
Exercisable at end of year	25.74	963,034	845,601	1,274,567	

The aggregate intrinsic value for the outstanding and exercisable options as of December 31, 2008 is \$4.5 million and \$4.5 million, respectively. The average remaining contractual life for outstanding and exercisable options is 6 years and 5 years, respectively.

The following table summarizes weighted-average information by range of exercise prices for stock options outstanding and exercisable at December 31, 2008:

Range of Exercise Prices	Options Outstanding at December 31, 2008	Weighted-Average Exercise Price	Options Exercisable at December 31, 2008	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life
\$13.56	76,300	\$ 13.56	76,300	\$ 13.56	2 years
\$15.14	128,300	15.14	128,300	15.14	3 years
\$23.98 to \$40.27	1,084,467	31.01	758,434	28.76	7 years
	1,289,067		963,034		



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The weighted-average fair value per option at the date of grant during 2008, 2007 and 2006, using the Black-Scholes option-pricing model, was \$11.59, \$14.43 and \$12.94, respectively. Assumptions were as follows:

	2008	2007	2006
Expected life (years)	6.4	6.5	6.4
Risk-free interest rate	3.7%	4.7%	4.4%
Dividend yield	2.0%	1.8%	2.2%
Expected volatility	35.1%	36.0%	38.0%

The expected life is based on historical exercise behavior and the projected exercise of unexercised stock options. The risk free interest rate is based on the U.S. Treasury yield curve in effect on the date of grant for the respective expected life of the option. The expected dividend yield is based on the expected annual dividends divided by the grant date market value of the common stock of A. O. Smith. The expected volatility is based on the historical volatility of the common stock of A. O. Smith.

*Restricted stock and share units*

Participants may also be awarded shares of restricted stock or share units under the plan. The company granted 144,008, 68,600 and 21,000 share units under the plan in 2008, 2007 and 2006, respectively. Included in the 2008 grant are share units granted on April 30, 2008 which are subject to performance conditions and which vest on December 31, 2010. The ultimate number of share units that will vest will range from zero to 96,000 based on the company's annual return on equity for the eleven quarters ending December 31, 2010. Compensation expense will be recognized ratably over the vesting period as long as achievement of the performance conditions is considered probable.

The restricted stock and share units were valued at \$4.9, \$2.7 and \$0.8 million at the date of issuance in 2008, 2007 and 2006, respectively, and will be recognized as compensation expense ratably over the three-year vesting period. Compensation expense of \$3.1, \$2.9 and \$2.3 million was recognized in 2008, 2007 and 2006, respectively. Included in share based compensation expense recognized in 2008 and 2007 is expense associated with the accelerated vesting of restricted share unit awards for certain employees who either are retirement eligible or become retirement eligible during the vesting period.

A summary of restricted stock and share unit activity under the plan is as follows:

	Number of Units	Weighted-Average Grant Date Value
Outstanding at January 1, 2008	212,500	\$ 32.91
Granted	144,008	33.69
Vested	(123,900)	28.54
Terminated	(626)	35.64
Outstanding at December 31, 2008	231,982	\$ 35.40

Total compensation expense for restricted stock and share units not yet recognized is \$3.5 million at December 31, 2008. The weighted average period over which the expense is expected to be recognized is one year.

**13. Pension and Other Post-retirement Benefits**

A. O. Smith provides retirement benefits for all United States employees including benefits for employees of previously owned businesses which were earned up to the date of sale. The company also has several foreign pension plans, none of which are material to the company's financial position.

The company has defined-contribution profit sharing and retirement plans covering the majority of its salaried nonunion employees and certain nonunion hourly employees which provides for annual company contributions of 35 percent to 140 percent of qualifying contributions made by

participating employees. The

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amount of the company's contribution in excess of 30 percent is dependent upon the company's individual operating unit profitability. The company also has defined-contribution plans for certain hourly employees which provide for annual matching company contributions.

The company has several unfunded defined-benefit post-retirement plans covering certain hourly and salaried employees that provide medical and life insurance benefits from retirement to death. Certain hourly employees retiring after January 1, 1996, are subject to a maximum annual benefit and salaried employees hired after December 31, 1993, are not eligible for post-retirement medical benefits.

On December 31, 2006, the company adopted SFAS No. 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R). SFAS 158 requires that the company recognize the overfunded or underfunded status of its defined benefit and retiree medical plans as an asset or liability in the balance sheet with changes in the funded status recognized through comprehensive income in the year in which they occur. The impact of adoption was a one-time-before-tax charge to accumulated other comprehensive loss of \$28.2 million.

**Obligations and Funded Status****Pension and Post-Retirement Disclosure Information Under FASB Statements 132 and 158**

The following tables present the changes in benefit obligations, plan assets and funded status for domestic pension and post-retirement plans and the components of net periodic benefit costs.

Years ended December 31 (dollars in millions)	Pension Benefits		Post-retirement Benefits	
	2008	2007	2008	2007
<b>Accumulated Benefit Obligation (ABO) at December 31</b>	\$ 760.4	\$ 754.1	N/A	N/A
<b>Change in benefit obligations (PBO)</b>				
PBO at beginning of year	\$ (777.1)	\$ (821.4)	\$ (17.6)	\$ (18.0)
Service cost	(8.9)	(10.4)	(0.2)	(0.2)
Interest cost	(49.1)	(47.6)	(1.0)	(1.0)
Participant contributions			(0.4)	(0.6)
Plan amendments	(0.1)	(0.9)		
Actuarial (loss)/gain including assumption changes	(8.0)	42.6	0.7	0.8
Benefits paid	60.4	58.2	1.3	1.4
Curtailement		2.4		
PBO at end of year	\$ (782.8)	\$ (777.1)	\$ (17.2)	\$ (17.6)
<b>Change in fair value of plan assets</b>				
Plan assets at beginning of year	\$ 737.9	\$ 723.5	\$	\$
Actual return on plan assets	(175.7)	56.6		
Contribution by the company	17.3	16.0	0.9	0.9
Participant contributions			0.4	0.6
Benefits paid	(60.4)	(58.2)	(1.3)	(1.5)
Plan assets at end of year	\$ 519.1	\$ 737.9	\$	\$
<b>Funded status</b>	\$ (263.7)	\$ (39.2)	\$ (17.2)	\$ (17.6)
<b>Amount recognized in the balance sheet</b>				
Current liabilities	\$	\$	\$ (1.5)	\$ (1.5)
Non-current liabilities	(263.7)	(39.2)	(15.7)	(16.1)
Net pension liability at end of year	\$ (263.7)*	\$ (39.2)*	\$ (17.2)	\$ (17.6)
<b>Amounts recognized in Accumulated Other Comprehensive Loss Before Tax</b>				
Net actuarial loss/(gain)	\$ 414.5	\$ 176.2	\$ (1.9)	\$ (1.0)
Prior service cost	(0.2)	0.3	0.1	0.1
Total recognized in accumulated other comprehensive loss	\$ 414.3	\$ 176.5	\$ (1.8)	\$ (0.9)

\* In addition the company has recorded a liability for a foreign pension plan of \$0.3 million and \$0.5 million at December 31, 2008 and 2007, respectively and an accumulated other comprehensive loss of \$0.5 million at December 31, 2008 and 2007.

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Years ended December 31 (dollars in millions)	Pension Benefits			Post-retirement Benefits		
	2008	2007	2006	2008	2007	2006
<b>Net periodic benefit cost</b>						
Service cost	\$ 8.9	\$ 10.4	\$ 10.3	\$ 0.2	\$ 0.2	\$ 0.2
Interest cost	49.1	47.6	46.6	1.0	1.0	1.0
Expected return on plan assets	(62.4)	(60.1)	(60.2)			
Amortization of unrecognized:						
Net actuarial loss	7.8	12.7	14.7	(0.1)	0.2	
Prior service cost	0.6	0.5	0.5			
Curtailement and other one-time charges		1.1				
<b>Defined-benefit plan cost</b>	<b>4.0</b>	<b>12.2</b>	<b>11.9</b>	<b>\$ 1.1</b>	<b>\$ 1.4</b>	<b>\$ 1.2</b>
Various U.S. defined contribution plans cost	5.7	7.4	4.9			
	<b>\$ 9.7</b>	<b>\$ 19.6</b>	<b>\$ 16.8</b>			

**Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Earnings**

Net actuarial (gain) loss	\$ 246.1	\$ (41.3)	N/A	\$ (0.7)	\$ (0.8)	N/A
Amortization of net actuarial loss	(7.8)	(13.4)	N/A	0.1	(0.1)	N/A
Prior service cost	0.1	0.4	N/A			N/A
Amortization of prior service cost	(0.7)	(0.5)	N/A			N/A
<b>Total recognized in other comprehensive earnings</b>	<b>237.7</b>	<b>(54.8)</b>	<b>N/A</b>	<b>(0.6)</b>	<b>(0.9)</b>	<b>N/A</b>
<b>Total Recognized in Net Periodic Cost and Other Comprehensive Earnings</b>	<b>\$ 241.7</b>	<b>\$ (42.6)</b>	<b>N/A</b>	<b>\$ 0.5</b>	<b>\$ 0.5</b>	<b>N/A</b>

The estimated net actuarial loss and prior service cost for the pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2009 are \$11.9 million and \$0.3 million, respectively. The estimated net actuarial loss and prior year service cost for the post-retirement benefit plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2009 are each less than \$0.1 million. As permitted under paragraph 26 of FASB Statement No. 87 and paragraph 53 of Statement No. 106, the amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.

The 2008 and 2007 after tax adjustments for pension liability resulted in other comprehensive gain (loss) of \$(145.0) million and \$33.8 million, respectively.

**Assumptions**

Actuarial assumptions used to determine benefit obligations at December 31 are as follows:

	Pension Benefits		Post-retirement Benefits	
	2008	2007	2008	2007
Discount rate	6.6%	6.5%	6.6%	6.5%
Average salary increases	4.0%	4.0%	4.0%	4.0%

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Actuarial assumptions used to determine net periodic benefit cost for the year ended December 31 are as follows:

Years ended December 31	Pension Benefits			Post-retirement Benefits		
	2008	2007	2006	2008	2007	2006
Discount rate	6.50%	5.90%	5.75%	6.50%	5.90%	5.75%
Expected long-term return on plan assets	8.75%	8.75%	8.75%	n/a	n/a	n/a
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

In developing the expected long-term rate of return assumption, the company evaluated its pension plan's target and actual asset allocation and historical long-term rates of return of equity and bond indices. The company also considered its pension plan's historical 10- and 25-year compounded annualized returns of 4.0 percent and 10.3 percent, respectively.

**Assumed health care cost trend rates**

Assumed health care cost trend rates as of December 31 are as follows:

	2008	2007
<b>For participants under age 66:</b>		
Health care cost trend rate assumed for next year	10.00%	10.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2014	2013

**For participants over age 65:**

Health care cost trend rate	6.00%	6.00%
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A one-percentage-point change in the assumed health care cost trend rates would not result in a material impact on the company's consolidated financial statements.

**Plan Assets**

Plan assets relate to the those plans sponsored by A. O. Smith. A. O. Smith's pension plan weighted asset allocations as of December 31 by asset category are as follows:

Asset Category	2008	2007
Equity securities	55%	71%
Debt securities	36	24
Private equity	6	4
Other	3	1
	100%	100%

A. O. Smith's target allocation to equity managers is between 60 to 70 percent with the remainder allocated primarily to bond managers and a small allocation to private equity managers. The company regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocation when considered appropriate.

There is no A. O. Smith stock included in plan assets at December 31, 2008 and 2007.

**Table of Contents****Cash Flows**

In 2008, A. O. Smith made contributions of \$17.3 million and will be required to make a contribution of \$18 million during 2009. A. O. Smith is anticipating making a contribution in 2009 in the range of \$18 to \$35 million.

**Estimated Future Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ended December 31 (dollars in millions)	Pension Benefits	Post-retirement Benefits
2009	\$ 59.3	\$ 1.5
2010	59.1	1.7
2011	58.8	1.6
2012	58.6	1.5
2013	58.8	1.6
Years 2014 - 2018	294.3	6.9

**14. Income Taxes**

The components of the provision for income taxes from continuing operations consisted of the following:

Years ended December 31 (dollars in millions)	2008	2007	2006
Current:			
Federal	\$ 2.0	\$ 6.5	\$ 18.0
State	2.9	4.2	3.4
International	14.4	3.9	3.8
Deferred:			
Federal	8.2	(1.3)	1.0
State	0.4	(2.1)	0.1
International	(0.8)	2.2	2.5
	\$ 27.1	\$ 13.4	\$ 28.8

The provision for income taxes differs from the U.S. federal statutory rate due to the following items:

Years ended December 31 (dollars in millions)	2008	2007	2006
Provision at U.S. federal statutory rate	35.0%	35.0%	35.0%
U.S. tax benefit for closure of Budapest, Hungary facility		(9.6)	
State income and franchise taxes, net of federal benefit	1.8	1.2	2.8
International income tax rate differential	(12.2)	(11.3)	(10.3)
Research tax credits	(0.7)	(0.6)	
U.S. manufacturing deduction	(0.2)		