

DIMON INC  
Form DEF 14A  
September 12, 2002

**DIMON INCORPORATED  
512 BRIDGE STREET  
P. O. BOX 681  
DANVILLE, VIRGINIA 24543**

**NOTICE OF ANNUAL MEETING**

**AND PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**OCTOBER 30, 2002**

**DIMON INCORPORATED  
512 Bridge Street  
P. O. Box 681  
Danville, Virginia 24543**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
to be held on October 30, 2002**

TO OUR SHAREHOLDERS:

The annual meeting of shareholders of DIMON Incorporated will be held at the offices of the Company, 512 Bridge Street, Danville, Virginia, the 30th day of October, 2002, at 10:00 A.M., for the following purposes:

1. To elect four directors to serve until the 2005 annual meeting or until the election of their successors; and
2. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only record holders of common stock at the close of business on September 3, 2002, are entitled to vote at the meeting.

By Order of the Board of Directors

/s/ T. C. Parrish

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T. C. Parrish

*Secretary*

Danville, Virginia

September 23, 2002

**You are cordially invited to attend the meeting. However, it is important that your stock be represented if you do not attend and the Board of Directors of the Company requests that you date, sign and return the accompanying proxy. A return envelope, which requires no postage if mailed in the United States, is enclosed for your convenience. You may revoke a prior proxy at any time by submitting a newly dated proxy or by attending the meeting and voting in person.**

**DIMON INCORPORATED**

**512 Bridge Street  
P. O. Box 681  
Danville, Virginia 24543**

**PROXY STATEMENT  
for the  
2002 ANNUAL MEETING OF SHAREHOLDERS  
to be held on October 30, 2002**

**GENERAL**

This statement is furnished in connection with the Board of Directors' solicitation of proxies in the accompanying form to be voted at the annual meeting of shareholders of DIMON Incorporated (the Company) to be held on October 30, 2002, or any adjournment thereof.

Record holders of common stock of the Company at the close of business on September 3, 2002, are entitled to notice of, to vote at, and to participate in the meeting. On September 3, 2002, there were 44,724,504 shares of common stock outstanding. Each share of common stock is entitled to one vote. A majority of votes entitled to be cast on any matter will constitute a quorum on that matter. If a quorum is not present at the meeting, the meeting may be adjourned from time to time by vote of a majority of the shares present without notice other than announcement at the meeting.

Proxies received in the accompanying form may be revoked at any time before exercise by written notice addressed to the Secretary at the office of the Company, by a later dated proxy, or by attending the meeting and voting in person, but proxies that are properly executed and unrevoked will be voted.

The cost of soliciting proxies will be borne by the Company. In addition to the use of the mails, proxies may be solicited personally or by telephone. The Company will reimburse banks, brokerage firms, and other custodians, nominees and fiduciaries for expenses reasonably incurred by them in sending proxy material to the beneficial owners of stock. The date of mailing of this statement and the accompanying proxy was on or about September 23, 2002.

**PROPOSAL 1 --- ELECTION OF DIRECTORS**

The Company's bylaws provide that the Board of Directors shall consist of eleven directors, divided into three classes as nearly equal in number as possible, with terms expiring at successive annual meetings of the shareholders. Accordingly, four Class II directors will be elected at the 2002 annual meeting, each of whom will be elected to serve until the 2005 annual meeting or until his successor is elected.

Votes pursuant to the accompanying proxy will be cast for the election of the following nominees, all of whom are currently directors of DIMON and have indicated their willingness to serve if elected: Mr. Hans B. Amell, Mr. Brian J. Harker, Mr. James E. Johnson, Jr., and Mr. Joseph L. Lanier, Jr.

Should a nominee become unavailable for any reason, which the Board of Directors has no reason to expect, it is intended that the individuals named in the proxy will vote for an appropriately designated substitute.

The election of each nominee for director requires a plurality of the votes cast by record holders of common stock entitled to vote in the election of directors. Shares for which voting authority is withheld and shares held in street name that are not voted in the election of directors ( broker non-votes ) will not be included in determining the number of votes cast.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ALL OF THE NOMINEES.**

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The following information is furnished with respect to the Company's directors and nominees. Each director has served since April 1995, with the exception of Messrs. Dickson, Harker, Wade, and Amell, who have served since November 1995, March 1999, February 2001, and May 2002, respectively.

Name	Age	Business Experience During Past Five Years	Other Public Company Directorships Held
<i>Class I Directors (term expiring at the 2004 annual meeting of shareholders)</i>			
R. Stuart Dickson	73	Chairman of the Executive Committee of Ruddick Corporation, a holding company, since 1994.	Ruddick Corporation; Textron, Inc.
Albert C. Monk III	63	Retired consultant to DIMON. Consultant to DIMON from January 2000 to December 2000. Vice Chairman of the Board of DIMON from March 1999 to December 1999. President of DIMON from 1995 to 1999.	
Norman A. Scher	64	President and Chief Executive Officer of Tredegar Corporation, a manufacturer of plastic films and aluminum extrusions. Executive Vice President and Chief Financial Officer of Tredegar from 1989 to 2001.	Tredegar Corporation

Martin R. Wade III	53	Chief Executive Officer of International Microcomputer Software Inc., a developer and publisher of productivity software in precision design, graphic design and other related business applications. Director, President and Chief Executive Officer of Digital Creative Development Corporation (DC2) from May 2001 to August 2001. Director and Executive Vice President of DC2 from June 2000 to April 2001. Managing Director of Prudential Securities Inc. from 1998 to 2000. Managing Director of Salomon Brothers, Inc. from 1996 to 1998.	International Microcomputer Software Inc.
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*Class II Directors (nominated for election to serve for a term expiring at the 2005 annual meeting of shareholders)*

Hans B. Amell	50	Chairman and Chief Executive Officer of Catalyst LLC, a professional services company, since 1987.
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Brian J. Harker	52	President and Chief Executive Officer of DIMON. President and Chief Operating Officer from March 1999 to April 1999. Executive Vice President and Chief Financial Officer from October 1996 to February 1999.
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James E. Johnson, Jr.	72	Retired Partner of Womble Carlyle Sandridge & Rice, PLLC, a law firm. Partner of Womble Carlyle Sandridge & Rice, PLLC, from 1989 to 2002.
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Joseph L. Lanier, Jr.	70	Chairman of the Board of DIMON. Chairman of the Board and Chief Executive Officer of Dan River, Inc., a textile manufacturer, since 1989.	Dan River, Inc.; Flowers Foods, Inc.; Torchmark Corporation
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<b>Name</b>	<b>Age</b>	<b>Business Experience During Past Five Years</b>	<b>Other Public Company Directorships Held</b>
<i>Class III Directors (term expiring at the 2003 annual meeting of shareholders)</i>			
Henry F. Frigon	67	Private investor and consultant. Chairman of the Board of CARSTAR, Inc., a collision repair service company, since 1995. Chairman and Chief Executive Officer of CARSTAR from 1998 to 2000.	Buckeye Technologies Inc.; H&R Block, Inc.; Packaging Corporation of America; Sypress Solutions, Inc.; Tuesday Morning
John M. Hines	62	Private investor and consultant. Director of Glen Raven, Inc., a private company. Consultant to DIMON from 1996 to 1998. Executive Vice President of DIMON from 1995 to 1996.	
Thomas F. Keller	71	R. J. Reynolds Professor of Business Administration, Fuqua School of Business, Duke University, since 1974. Dean, Fuqua School of Business Europe from 1999 to 2001.	Biogen, Inc.; Hatteras Income Securities; Nations Balanced Target Maturity Fund; Nations Funds; Nations Government Income Trust, Series 2003 and 2004; Nations Life Goal Fund; Wendy s International, Inc.

## **BOARD OF DIRECTORS**

### *Meeting Attendance*

Four regular meetings of the Company's Board of Directors were held during fiscal year 2002. Each director attended at least 75 percent of the aggregate of all meetings held by (1) the full board of directors and (2) each committee of the board on which the director served, with the exception of Mr. Frigon who attended 67 percent of such meetings.

*Committees of the Board*

The board has standing Audit, Executive, Executive Compensation, Finance and Nominating Committees.

*Audit Committee*

The Audit Committee is composed of Dr. Keller (Chairman), and Messrs. Johnson and Wade. Each of the members of the Audit Committee is independent, as defined in the New York Stock Exchange listing standards. Mr. Wade replaced Mr. Frigon as a member of the Audit Committee as of October 31, 2001.

The Audit Committee operates pursuant to a written charter approved by the Board of Directors in October 1999 and subsequently amended in August 2000. As required by the New York Stock Exchange, the Committee reviews and reassesses the adequacy of the charter annually. The charter was last reviewed in August 2002. The charter was published in its entirety as Appendix A to the 2001 Proxy Statement.

The Audit Committee is authorized to consult with the Company's outside auditors and recommend the selection of such auditors for each fiscal year. The Audit Committee's basic functions are to assist the Board of Directors in preserving the integrity of the financial information published by the Company through the review of financial and accounting controls and policies, financial reporting requirements, alternative accounting principles that could be applied, and the quality and effectiveness of the independent accountants and the Company's internal auditors. The Audit Committee met six times during fiscal year 2002.

*Audit Committee Report*

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards, including Statement on Auditing Standards No. 61.

The Committee has discussed with the independent auditors the auditors' independence from management and the Company, including the matters in the written disclosures required by the Independence Standards Board, including Board Standard No. 1, and considered whether the provision of non-audit services (as described below under Independent Public Accountants) is compatible with maintaining the auditors' independence.

The Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended June 30, 2002 for filing with the Securities and Exchange Commission.

**Audit Committee:**

Thomas F. Keller, Chairman  
James E. Johnson, Jr.  
Martin R. Wade, III

*Executive Committee*

The Executive Committee is composed of Messrs. Lanier (Chairman), Harker and Monk. The business of the Company is under the general management of a board of directors as provided by the laws of Virginia, the Company's state of incorporation. DIMON's articles of incorporation and bylaws provide that the Executive Committee has authority to act in all matters that the full board may act upon when the board is not in session. The Executive Committee reports all of its actions to the full board of directors at its next meeting. The Executive Committee met once during fiscal year 2002.

*Executive Compensation Committee*

The Executive Compensation Committee is composed of Messrs. Scher (Chairman), Dickson and Lanier. The Executive Compensation Committee's basic functions are to: review the effectiveness of the management compensation plans of the Company; set the compensation of the Chief Executive Officer and the officers reporting to the Chief Executive Officer; review and approve the management incentive systems of the Company and the awards granted thereunder; and administer the Company's stock option plans. The Executive Compensation Committee met twice during fiscal year 2002.

*Finance Committee*

The Finance Committee, a new committee of the Board established in October 2001, is composed of Messrs. Wade (Chairman), Frigon, Hines and Scher. The Finance Committee operates pursuant to a written charter approved by the Board of Directors and is responsible for monitoring the Company's financial policies, financial strategy, financial planning, financial structure, and financial condition to ensure conformance with the Company's requirements for continued growth and fiscally sound operation. The Finance Committee met once in fiscal year 2002.



*Nominating Committee*

The Nominating Committee is composed of Messrs. Frigon (Chairman), Dickson and Lanier. The Nominating Committee recommends to the full board of directors persons to serve as directors of the Company and establishes such procedures as it deems proper to receive and review information concerning potential candidates for election or re-election to the board of directors. Shareholders entitled to vote in the election of directors may nominate candidates for consideration by the Nominating Committee (see Shareholders Proposals and Nominations ). The Nominating Committee met twice during fiscal year 2002.

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**STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table provides information as of August 15, 2002, with respect to the direct and indirect ownership of common stock by (1) each person or group known to the Company to beneficially own more than 5% of the outstanding shares; (2) each director and nominee for director; (3) each executive officer named in the Summary Compensation Table; and (4) all directors, nominees and executive officers of the Company as a group.

Name of Beneficial Owner	Number of Shares with Sole Voting and Investment Power (1)	Number of Shares with Shared Voting and Investment Power (2)	Total Number of Shares (1)	Percent of Class (if more than 1%) (1)
Dimensional Fund Advisors Inc. (3) 1299 Ocean Avenue, 11 <sup>th</sup> Floor, Santa Monica, CA 90401	3,292,100	0	3,292,100	7.37
FMR Corp. (4)	0	2,362,720	2,362,720	5.29
Edward C. Johnson III (4)				
Abigail P. Johnson (4)				

Fidelity Management &  
Research Company (4)

82 Devonshire Street,  
Boston, MA 02109

Franklin Resources, Inc. (5)	0	3,263,000	3,263,000	7.31
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Charles B. Johnson (5)  
Rupert H. Johnson, Jr.  
(5)  
One Franklin Parkway,

San Mateo, CA 94403

Franklin Advisory  
Services, LLC (5)  
One Parker Plaza,  
Sixteenth Floor, Fort  
Lee, NJ 07024

Merrill Lynch Investment Managers (6)	0	2,624,200	2,624,200	5.88
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World Financial Center,  
North Tower  
250 Vesey Street  
New York, NY 10381

ML Global Allocation  
Fund, Inc. (6)  
800 Scudders Mill Road  
Plainsboro, NJ 08536

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Name of Beneficial Owner	Number of Shares with Sole Voting and Investment Power  (1)	Number of Shares with Shared Voting and Investment Power  (2)	Total Number of Shares  (1)	Percent of Class (if more than 1%)  (1)
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Hans B. Amell	0	0	0	
James A. Cooley	58,499	10,066	68,565	
Larry R. Corbett	127,683	10,000	137,683	
Steven B. Daniels	112,646	10,300	122,946	
R. Stuart Dickson	16,641	0	16,641	
Henry F. Frigon	19,000	0	19,000	
H. Peyton Green III	243,167	12,241	255,408	
Brian J. Harker	158,601	52,583	211,184	
John M. Hines	80,400	0	80,400	
James E. Johnson, Jr.	16,000	0	16,000	
Thomas F. Keller	17,000	0	17,000	
Joseph L. Lanier, Jr.	48,141	0	48,141	
Albert C. Monk III	572,235	234,091	806,326	1.80
Norman A. Scher	25,763	0	25,763	
Gustav R. Stangl	33,900	10,000	43,900	
Martin R. Wade III	10,000	0	10,000	
All Executive Officers, Directors and Nominees For Director as a group (16 persons)	1,539,676	339,281	1,878,957	4.14

(1) Includes shares of common stock that may be acquired upon exercise of options that are currently exercisable or will become exercisable within sixty days of August 15, 2002, as follows: Messrs. Cooley, 58,488 shares; Corbett, 74,000 shares; Daniels, 86,319 shares; Dickson, 14,000 shares; Frigon, 14,000 shares; Green, 90,980; Harker, 148,000 shares; Hines, 70,400 shares; Johnson, 14,000 shares; Keller, 14,000 shares; Lanier, 39,000 shares; Monk, 120,500 shares; Scher, 14,000 shares; Stangl, 33,600 shares; Wade, 5,000 shares; and the officers, directors and nominees as a group, 796,287 shares.

- (2) Includes restricted shares of common stock held by: Mr. Harker, 50,000 shares; and Messrs. Cooley, Corbett, Daniels, Green, and Stangl, 10,000 shares each. The shares are restricted for three years from the date of the award, provided the recipient remains in the employ of the Company. Each of the recipients retains the right to vote the shares and receive any dividends on the shares until the shares are forfeited. The restricted shares cannot be transferred or assigned before they vest.
- (3) According to an amended Form 13G filed on January 30, 2002, and reporting information as of December 31, 2001, Dimensional Fund Advisors Inc. is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940 that furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts (collectively, the DFA Funds ). In its role as investment adviser or manager, Dimensional possesses voting and/or investment power over shares owned by the DFA Funds. Dimensional disclaims beneficial ownership of such shares.
- (4) According to a Form 13G filed on February 14, 2002, and reporting information as of December 31, 2001, Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp. and an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, is the beneficial owner of 2,362,720 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940 (collectively, the FMR Funds ).

Edward C. Johnson III, FMR Corp. (through its control of Fidelity), and the FMR Funds each has sole power to dispose of shares owned by the FMR Funds. Neither FMR Corp. nor Edward C. Johnson III, Chairman of FMR Corp., has the sole power to vote or direct the voting of the shares owned directly by the FMR Funds, which power resides with the FMR Funds Boards of Trustees.

Members of the Edward C. Johnson III family are the predominant owners of Class B shares of common stock of FMR Corp., representing approximately 49% of the voting power of FMR Corp. Mr. Johnson III owns 12.0% and Abigail Johnson owns 24.5% of the aggregate outstanding voting stock of FMR Corp. Through their ownership of voting common stock and the execution of a shareholders voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR Corp.

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- (5) According to an amended Form 13G, filed February 1, 2002, and reporting information as of December 31, 2001, these shares are beneficially owned by one or more open or closed-end investment companies or other managed accounts which are advised by direct and indirect investment advisory subsidiaries (the Adviser Subsidiaries ) of Franklin Resources, Inc. ( FRI ). The advisory contracts grant the Adviser Subsidiaries all investment and/or voting power over the securities owned by the advisory clients. Therefore, the Adviser Subsidiaries may be deemed to be the beneficial owner of these shares.

Charles B. Johnson and Rupert H. Johnson, Jr. (the Principal Shareholders ) each own in excess of 10% of the outstanding common stock of FRI and are the principal shareholders of FRI. Therefore, FRI and the Principal Shareholders may be deemed to be the beneficial owner of these shares.

FRI, the Principal Shareholders and the Adviser Subsidiaries disclaim any beneficial ownership of these shares and are of the view that they are not acting as a group for purposes of Section 13(d) under the 1934 Act. The amended Form 13G reports that Franklin Advisory Services, LLC has the sole power to vote and the sole power to dispose of 3,258,800 shares and that Franklin Private Client Group, Inc. has the sole power to dispose of 4,200 shares.

- (6) According to an amended Form 13G filed on January 30, 2002, and reporting information as of December 31, 2001, by Merrill Lynch & Co., Inc. ( ML&Co. ), Merrill Lynch Investment Managers is an operating division of ML&Co. consisting of ML&Co.'s indirectly-owned asset management subsidiaries. The amended Form 13G reports that Merrill Lynch Investment Managers shares the power to vote and dispose of 2,624,200 shares and that ML Global Allocation Fund shares the power to vote and dispose of 2,327,600 shares.

## COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The following table presents information relating to total compensation for the three fiscal years ended June 30, 2002, 2001 and 2000, of the Chief Executive Officer and the five other most highly compensated executive officers of the Company during fiscal year 2002.

### *Summary Compensation Table*

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation			All Other Compensation (2)
		Salary \$	Bonus \$	Other Annual Compensation \$	Restricted Stock (1) \$	Options/SARs #	
Brian J. Harker	2002	443,750	416,681	0	223,200	70,000	133,175
President and	2001	418,750	244,035	0	56,250	70,000	133,490

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Chief Executive Officer and Director	2000	400,000	0	0	0	0	126,711
James A. Cooley	2002	215,000	141,320	0	37,200	40,000	80,871
Senior Vice President - Chief Financial Officer	2001	197,500	68,920	0	14,063	40,000	79,337
	2000	190,000	0	0	0	0	76,251
Larry R. Corbett	2002	233,750	153,644	0	37,200	35,000	76,712
Senior Vice President - Regional Director	2001	228,750	79,258	0	14,063	40,000	78,518
	2000	225,000	0	0	0	0	75,046
Steven B. Daniels	2002	258,750	170,076	0	37,200	45,000	76,835
Senior Vice President - Operations Director	2001	236,250	82,704	0	14,063	40,000	75,303
	2000	225,000	0	0	0	0	54,463
H. Peyton Green	2002	214,500	140,991	0	37,200	25,000	106,905
Senior Vice President - Sales Director	2001	208,750	72,366	0	14,063	30,000	106,114
	2000	205,000	0	0	0	0	103,436
Gustav R. Stangl	2002	227,825	106,934	0	37,200	30,000	36,436
Senior Vice President - Regional Director	2001	216,511	49,387	0	14,063	30,000	38,488
	2000	225,600	0	0	0	0	36,756

(1)

The value shown is the number of restricted shares times the market price of DIMON stock on the date of grant. As of June 30, 2002, the total number and value of restricted shares held by these executives were: Mr. Harker, 50,000 shares (\$346,000); Messrs. Cooley, Corbett, Daniels, Green and Stangl, 10,000 shares (\$69,200) each. The values given do not reflect the fact that the shares are restricted for three years from the date of the award, provided the recipient remains in the employ of the Company. Each of the recipients retains the right to vote the shares and receive any dividends on the shares until the shares are forfeited. The restricted shares cannot be transferred or assigned before they vest.

- (2) Includes contributions to the Company's 401(k) Plan, accruals in the Dibrell Deferred Compensation Plan, premiums to fund the Pension Equalization Plan ( PEP ) and Supplemental Executive Retirement Plan ( SERP ), and premiums for Split Dollar Life Insurance and the SERP Disability Insurance for fiscal years 2002, 2001 and 2000 as follows:

<b>Name</b>	<b>Fiscal Year</b>	<b>Corporate Match 401(k) Plan \$</b>	<b>Deferred Compensation Plan \$</b>	<b>PEP/SERP Premiums \$</b>	<b>Split Dollar Life Premium \$</b>	<b>SERP Disability Premium \$</b>	<b>Total \$</b>
Brian J. Harker	2002	4,000	0	71,473	49,994	7,708	133,175
	2001	3,400	0	72,218	50,164	7,708	133,490
	2000	3,400	0	65,245	50,358	7,708	126,711
James A. Cooley	2002	3,460	0	50,768	23,804	2,839	80,871
	2001	3,500	0	49,112	23,886	2,839	79,337
	2000	3,400	0	46,817	23,982	2,052	76,251
Larry R. Corbett	2002	3,450	0	37,325	30,638	5,299	76,712
	2001	3,400	0	39,083	30,736	5,299	