

FULLER H B CO
Form 10-K
January 30, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 1, 2007

OR

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

For the transition period from _____ to _____

Commission File No. **001-09225**

H.B. FULLER COMPANY

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

1200 Willow Lake Boulevard, St. Paul, Minnesota
(Address of principal executive offices)

41-0268370
(I.R.S. Employer
Identification No.)

55110-5101
(Zip Code)

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(Registrant's telephone number, including area code) (651) 236-5900

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	(Name of each exchange on which registered)
Common Stock, par value \$1.00 per share	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: none

(Title of class)

(Title of class)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer Accelerated filer Non-accelerated filer

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

The aggregate market value of the Common Stock, par value \$1.00 per share, held by non-affiliates of the registrant as of June 2, 2007 was approximately \$1,650,187,000 (based on the closing price of such stock as quoted on the New York Stock Exchange of \$27.26 on such date).

The number of shares outstanding of the registrant's Common Stock, par value \$1.00 per share, was 57,507,237 as of January 23, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference to portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 3, 2008.

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H.B. FULLER COMPANY

2007 Annual Report on Form 10-K

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PART I

Item 1. Business

H.B. Fuller Company and its subsidiaries manufacture and market adhesives and specialty chemical products globally, with sales operations in 32 countries in North America, Europe, Latin America and the Asia Pacific region. The business is reported in four regional operating segments: North America, Europe, Latin America and Asia Pacific. The North America segment accounted for 48 percent of 2007 net revenue. Europe, Latin America and Asia Pacific accounted for 29 percent, 15 percent and 8 percent, respectively.

Segment Information. The largest business component of each of the operating segments is adhesives. The adhesives business components produce and supply industrial and performance adhesives products for applications in various markets, including assembly (woodworking, appliances, etc.), converting (packaging, corrugated, tape and label, tissue and towel, graphic arts, etc.), nonwoven (disposable diapers, feminine care and adult incontinence products), and footwear.

The North America operating segment also produces and supplies specialty product lines for ceramic tile applications, HVAC insulation, specialty products and consulting for packaging solutions and products used in insulating glass applications.

The Europe operating segment includes adhesives and products used in insulating glass applications. In 2008, the insulating glass business component will be fully integrated with the adhesives component in Europe and therefore, the Europe operating segment will consist of a single business component.

The Latin America operating segment includes adhesives and a liquid paints business component that produces and supplies paint through a variety of distribution channels in Central America.

The Asia Pacific operating segment includes adhesives and a consumer business component that includes adhesives, sealants and coatings for construction, craftsman and do-it-yourself markets.

Management evaluates operating segment performance based on operating income which is defined as gross profit minus selling, general and administrative expenses (SG&A). Corporate expenses are fully allocated to the operating segments, except for \$12.3 million of charges in 2006 related to the Separation Agreement entered into with the former CEO on November 20, 2006. Corporate assets are not allocated to the segments. Inter-segment revenues are recorded at cost plus a markup for administrative costs.

Financial Information with respect to the company's segments and geographic areas is set forth in Note 14 to the Consolidated Financial Statements and is incorporated herein by reference.

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Non-U.S. Operations. The principal markets, products and methods of distribution outside the United States vary with business practices of the country. Non-U.S. operations face varying degrees of economic and political risks. At the end of 2007, the company had sales offices and manufacturing plants in 15 countries outside the United States and satellite sales offices in another 16 countries.

Competition. The company sells a wide variety of products in numerous markets, each of which is highly competitive. Many competitors are part of large multi-national companies and may have more resources than the company. Any increase in competition may result in lost market share or reduced prices, which could result in reduced gross profit. This may impair the company's ability to grow or even to maintain current levels of revenues and earnings.

The principal competitive factors in the sale of adhesives and other specialty chemicals are product performance, customer service, technical service, quality and price.

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Customers. Of the \$1,400.3 million net revenue to unaffiliated customers in 2007, \$663.7 million was sold through North American operations. No single customer accounted for more than 10 percent of consolidated net revenue.

Backlog. Orders for products are generally processed within one week. Therefore, no significant backlog of unfilled orders existed at December 1, 2007, December 2, 2006 or December 3, 2005.

Raw Materials. The principal raw materials used include resins, polymers, synthetic rubbers, vinyl acetate monomer and plasticizers. The company generally avoids sole source supplier arrangements for raw materials. While alternate supplies of most key raw materials are available, supplier production outages may lead to strained supply-demand situations for certain key feedstocks (such as ethylene and propylene), some of their derivatives, several polymers and other petroleum derivatives such as waxes.

The substitution of key raw materials requires the company to identify new supply sources, reformulate, retest and may require seeking re-approval from customers using those products.

The majority of the company's raw materials are petroleum/natural gas based derivatives. Under normal conditions, all of these raw materials are generally available on the open market. Prices and availability are subject to supply and demand market mechanisms. Higher crude oil and natural gas costs usually result in higher prices for raw materials; however, supply and demand pressures also have a significant impact.

The Latin American and Asia Pacific operations import many of their raw materials. Expanding the company's global supply base mandates a higher level of international procurement activity.

Patents, Trademarks and Licenses. Much of the technology used in manufacturing adhesives and other specialty chemicals is in the public domain. For technology not in the public domain, the company relies on trade secrets and patents when appropriate to protect its know-how. The company also licenses some patented technology from other sources. Management does not believe its business is materially dependent upon licenses or similar rights or on any single patent or group of related patents.

There are agreements with many employees to protect rights to technology and intellectual property. Confidentiality commitments also are routinely obtained from customers, suppliers and others to safeguard proprietary information.

The company owns numerous trademarks and service marks in various countries. Trademarks, such as Advantra[®], Adalis[®], Sesame[®], Protecto[®], TEC[®], Plasticola[®], Color Caulk[®], Amco Tool[®], AIM Adhesive, Rakoll[®], Tile Perfect[®] and ChapCo[®] are important in marketing products. Many of the company's trademarks and service marks are registered.

Research and Development. The company continues to offer new and improved products. The primary emphasis has been on developing adhesives with applications across numerous markets. Research and development expenses were \$16.9 million, \$15.9 million and \$15.2 million in 2007, 2006 and 2005 respectively. These costs are included in selling, general and administrative expenses. While the company makes efforts to improve its technology, unexpected technological advances by new or existing competitors could materially affect its business in one or more

markets.

Environmental, Health and Safety. The company undertakes to comply with applicable regulations relating to protection of the environment and workers' safety. Management regularly reviews and upgrades its environmental policies, practices and procedures and seeks improved production methods that minimize waste coming out of its facilities, particularly toxic waste, based on evolving societal standards and increased environmental understanding.

Environmental expenditures to comply with environmental regulations over the next two years are estimated to be approximately \$6.7 million, including approximately \$2.8 million of capital expenditures. See additional disclosure under Item 3. Legal Proceedings.

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Employees. Approximately 3,200 individuals were employed on December 1, 2007, of which approximately 1,200 were in the United States.

Available Information. For more information about the company, visit our website at:

<http://www.hbfuller.com>

The company files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (SEC) via EDGAR. The company's SEC filings are available to the public at our website as soon as reasonably practicable after they have been filed with or furnished to the SEC. You may also request a copy of these filings (other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing) at no cost, by writing to or telephoning the company at the following address: Office of the Corporate Secretary, H.B. Fuller Company, 1200 Willow Lake Boulevard, P.O. Box 64683, St. Paul, Minnesota 55164-0683, (651) 236-5825.

Item 1A. Risk Factors

This Form 10-K contains forward-looking statements concerning our future programs, products, expenses, revenue, liquidity and cash needs as well as our plans and strategies. These forward-looking statements are based on current expectations and the company assumes no obligation to update this information. Numerous factors could cause actual results to differ significantly from the results described in these forward-looking statements, including the following risk factors.

Competition: A wide variety of products are sold in numerous markets, each of which is highly competitive. The company's competitive position in the markets in which it participates is, in part, subject to external factors. For example, supply and demand for certain of the company's products is driven by end-use markets and worldwide capacities which, in turn, impact demand for and pricing of the company's products. Many of the company's direct competitors are part of large multi-national companies and may have more resources than the company. Any increase in competition may result in lost market share or reduced prices, which could result in reduced gross profit margins. This may impair the ability to grow or even to maintain current levels of revenues and earnings. While the company has an extensive customer base, loss of certain top customers could adversely affect the company's financial condition and results of operations until such business is replaced, and no assurances can be made that it would be able to regain or replace any lost customers.

Acquisitions: As part of its growth strategy, the company intends to pursue acquisitions of complementary businesses or products and joint ventures. The ability to grow through acquisitions or joint ventures depends upon the company's ability to identify, negotiate, complete and integrate suitable acquisitions or joint venture arrangements.

International: International operations could be adversely affected by changes in political and economic conditions, trade protection measures, restrictions on repatriation of earnings, differing intellectual property rights and changes in regulatory requirements that restrict the sales of products or increase costs. Also, changes in exchange rates between the U.S. dollar and other currencies could potentially result in increases or decreases in earnings and may adversely affect the value of the company's assets outside the United States. Although the company utilizes risk management tools, including hedging, as appropriate, to mitigate market fluctuations in foreign currencies, any changes in strategy in regard to risk management tools can also affect sales revenue, expenses and results of operations and there can be no assurance that such measures will result in cost savings or that all market fluctuation exposure will be eliminated.

Raw Materials: Raw materials needed to manufacture products are obtained from a number of suppliers. Many of these raw materials are petroleum-based derivatives, minerals and metals. Under normal market conditions, these materials are generally available on the

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open market from a variety of producers. From time to time, however, the prices and availability of these raw materials fluctuate,

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which could impair the ability to procure necessary materials, or increase the cost of manufacturing products. If the prices of raw materials increase, the company may be unable to pass these increases on to its customers and could experience reductions to its profit margins.

Litigation: The company's operations from time to time are parties to or targets of lawsuits, claims, investigations, and proceedings, including product liability, personal injury, asbestos, patent and intellectual property, commercial, contract, environmental, antitrust, health and safety, and employment matters, which are handled and defended in the ordinary course of business. While the company is unable to predict the outcome of these matters, it does not believe, based upon currently available information, that the ultimate resolution of any pending matter will have a material adverse effect on its long-term financial condition. However, adverse developments and/or periodic settlements could negatively impact the company's results of operations or cash flows in one or more future quarters. See Item 3. Legal Proceedings for a discussion of current litigation.

Environmental: The company is subject to numerous environmental laws and regulations that impose various environmental controls on the company or otherwise relate to environmental protection, the sale and export of certain chemicals or hazardous materials, and various health and safety matters. Expenditures related to environmental matters have not had, and, based on currently available information, are not expected to have, a material adverse effect on the company's long-term financial condition. However, adverse developments and/or periodic settlements could negatively impact the company's results of operations or cash flows in one or more future quarters. See Item 3. Legal Proceedings for a discussion of current environmental matters.

Additional factors that could affect future results include: (i) economic matters over which the company has no control, including changes in inflation, tax rates, and interest rates; (ii) changes in fiscal, governmental and other regulatory policies; (iii) the loss or insolvency of a major customer or distributor; (iv) natural or manmade disasters (including material acts of terrorism or hostilities that impact the company's markets); (v) loss of, or changes in, executive management; and (vi) changes in accounting standards that are adverse to the company. In addition, the company notes that its stock price can be affected by fluctuations in quarterly earnings.

Item 1B. Unresolved Staff Comments

None.

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Principal executive offices and central research facilities are located in the St. Paul, Minnesota area. Manufacturing operations are carried out at 16 plants located throughout the United States and at 17 plants located in 15 other countries. In addition, numerous sales and service offices are located throughout the world. Management believes that the properties owned or leased are suitable and adequate for its business. Operating capacity varies by product, but additional production capacity is available for most product lines by increasing the number of shifts worked. The following is a list of the company's manufacturing plants as of December 1, 2007:

U.S. :		Non-U.S. :	
Region	Manufacturing Sq Ft	Region	Manufacturing Sq Ft
United States		Asia Pacific	
California - Roseville	82,202	Australia - Dandenong South, VIC	71,280
Florida - Gainesville	6,800	Republic of China - Huangpu Guangzhou ¹	68,380
Georgia - Covington	73,500	Philippines - Laguna	10,759
- Dalton	72,000	Asia Pacific Total	
- Tucker	69,000	150,419	
Illinois - Aurora	149,000	Europe	
- Palatine	55,000	Austria - Wels	66,500
Kentucky - Paducah	252,500	Germany - Lueneburg	64,249
Michigan - Grand Rapids	65,689	- Nienburg	139,248
Minnesota - Fridley	15,850	Italy - Borgolavezzaro, (No)	24,219
- Vadnais Heights	53,145	Portugal - Porto	90,193
Missouri - St. Louis ²	21,000	United Kingdom - Dukinfield, Cheshire	17,465
New Jersey - Edison ¹	5,000	Europe Total	
- Edison ²	38,500	401,874	
Ohio - Blue Ash	102,000	Latin America	
Texas - Houston	11,000	Argentina - Buenos Aires	10,367
- Mesquite	25,000	Brazil - Sorocaba, SP ²	7,535
Washington - Vancouver	35,768	Chile - Maipu, Santiago	64,099
Total U.S.	1,132,954	Colombia - Itagui, Antioquia ¹	7,800
		Costa Rica - Alajuela	4,993
		Costa Rica - Alto de Ochozogo Cartago	167,199
		Honduras - San Pedro Sula	23,346
		Republic of Panama - Tocumen	
		Panama	30,588
		Latin America Total	
		315,927	
		North America (Non-U.S.)	
		Canada - Boucherville, QC	36,500
		North America (Non-U.S.) Total	
		36,500	
Total U.S. and Non U.S.	2,037,674	Total Non U.S.	904,720

¹ Leased Property

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Item 3. Legal Proceedings

Environmental Matters. From time to time, the company is identified as a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and/or similar state laws that impose liability for costs relating to the clean up of contamination resulting from past spills, disposal or other release of hazardous substances. The company is also subject to similar laws in some of the countries where current and former facilities are located. The company s environmental, health and safety department monitors compliance with all applicable laws on a global basis.

Currently the company is involved in various environmental investigations, clean up activities and administrative proceedings and lawsuits. In particular, the company is currently deemed a PRP in conjunction with numerous other parties, in a number of government enforcement actions associated with hazardous waste sites. As a PRP, the company may be required to pay a share of the costs of investigation and clean up of these sites. In addition, the company is engaged in environmental remediation and monitoring efforts at a number of current and former company operating facilities, including an investigation and remediation of environmental contamination at its Sorocaba, Brazil facility. Soil and water samples were collected on and around the Sorocaba facility, and test results indicated that certain contaminants, including carbon tetrachloride and other solvents, exist in the soil at the Sorocaba facility and in the groundwater at both the Sorocaba facility and some neighboring properties. The company is continuing to work with Brazilian regulatory authorities to implement a remediation system at the site. As of December 1, 2007, \$2.0 million was recorded as a liability for expected investigation and remediation expenses remaining for this site. Depending on the results of the initial remediation actions, the company may be required to record additional liabilities related to remediation costs at the Sorocaba facility.

From time to time, management becomes aware of compliance matters relating to, or receives notices from, federal, state or local entities regarding possible or alleged violations of environmental, health or safety laws and regulations. In some instances, these matters may become the subject of administrative proceedings or lawsuits and may involve monetary sanctions of \$0.1 million or more (exclusive of interest and litigation costs).

The company s management reviews the circumstances of each individual site, considering the number of parties involved, the level of potential liability or contribution of the company relative to the other parties, the nature and magnitude of the hazardous substances involved, the method and extent of remediation, the estimated legal and consulting expense with respect to each site and the time period over which any costs would likely be incurred. To the extent the company can reasonably estimate the amount of its probable liabilities for environmental matters, the company establishes a financial provision if certain criteria are met. As of December 1, 2007, the company had reserved \$3.6 million, which represents its best estimate of probable liabilities with respect to environmental matters, inclusive of the accrual related to the Sorocaba facility as described above. However, the full extent of the company s future liability for environmental matters is difficult to predict because of uncertainty as to the cost of investigation and clean up of the sites, the company s responsibility for such hazardous substances and the number of and financial condition of other potentially responsible parties.

Because of the uncertainties described above, the company cannot accurately estimate the cost of resolving pending and future environmental matters impacting the company. While uncertainties exist with respect to the amounts and timing of the company s ultimate environmental liabilities, based on currently available information, management does not believe that these matters, individually or in aggregate, will have a material adverse effect on the company s long-term financial condition. However, adverse developments and/or periodic settlements could negatively impact the company s results of operations or cash flows in one or more future quarters.

Other Legal Proceedings. From time to time and in the ordinary course of business, the company is a party to, or a target of, lawsuits, claims, investigations and proceedings, including product liability, personal injury, contract, patent and intellectual property, health and safety and employment matters. While the company is unable to predict the outcome of these matters, it does not believe, based upon currently available information, that the ultimate resolution of any pending matter, individually or in aggregate, including the EIFS and asbestos

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litigation described in the following paragraphs, will have a material adverse effect on the company's long-term financial condition. However, adverse developments and/or periodic settlements could negatively impact the company's results of operations or cash flows in one or more future quarters.

A subsidiary of the company is a defendant in a number of exterior insulated finish systems (EIFS) related lawsuits. As of December 1, 2007, the company's subsidiary was a defendant in approximately 15 lawsuits and claims related primarily to single-family homes. The EIFS product was used primarily in the residential construction market in the southeastern United States. Some of the lawsuits and claims involve EIFS in commercial or multi-family structures. Lawsuits and claims related to this product line seek monetary relief for water intrusion-related property damages. The company has insurance coverage for certain years with respect to this product line.

As of December 1, 2007, the company had recorded \$1.1 million for the probable EIFS-related liabilities and \$0.3 million for insurance recoveries, for all remaining EIFS-related liabilities. The company continually reevaluates these amounts.

EIFS-related liabilities include amounts for pending lawsuits and claims as well as unasserted claims. The liabilities are recorded at management's best estimate of the outcome of the lawsuits and claims taking into consideration the facts and circumstances of the individual matters as well as past experience on similar matters. Amounts accrued for the unasserted claims are based primarily on historical experience. Because of the many uncertainties involved with litigation, management has concluded that it is not possible to estimate a range of loss, if any, that would exceed the historical experience-based accrual.

The rollforward of EIFS-related lawsuits and claims is as follows:

	Year Ended December 1, 2007	Year Ended December 2, 2006	Year Ended December 3, 2005
Lawsuits and claims at beginning of year	29	75	94
New lawsuits and claims asserted	5	9	29
Lawsuits and claims settled	(11)	(55)	(40)
Lawsuits and claims dismissed	(8)		(8)
Lawsuits and claims at end of year	15	29	75

A summary of the aggregate costs and settlement amounts for EIFS-related lawsuits and claims is as follows:

(in thousands)	Year Ended December 1, 2007	Year Ended December 2, 2006	Year Ended December 3, 2005
Settlements reached	\$ 283	\$ 5,989	\$ 2,618
Defense costs incurred	\$ 843	\$ 2,507	\$ 3,324
Insurance payments received or expected to be received	\$ 580	\$ 3,492	\$ 2,276

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Plaintiffs in EIFS cases generally seek to have their homes repaired or the EIFS replaced, but a dollar amount for the cost of repair or replacement is not ordinarily specified in the complaint. Although complaints in EIFS cases usually do not contain a specific amount of damages claimed, a complaint may assert that damages exceed a specified amount in order to meet jurisdictional requirements of the court in which the case is filed. Therefore, the company does not believe it is meaningful to disclose the dollar amount of damages asserted in EIFS complaints.

Based on currently available information, management does not believe that the ultimate outcome of any pending legal proceedings and claims related to this product line, individually or in aggregate, will have a material adverse effect on the company's long-term financial condition. However, adverse developments and/or periodic

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settlements could negatively impact the company's results of operations or cash flows in one or more future quarters. Given the numerous uncertainties surrounding litigation and the projection of future events, such as the number of new claims to be filed each year and the average cost of disposing of each such claim, the actual costs could be higher or lower than the current estimated reserves or insurance recoveries.

The company and/or its subsidiaries have been named as defendants in lawsuits in which plaintiffs have alleged injury due to products containing asbestos manufactured more than 25 years ago. The plaintiffs generally bring these lawsuits against multiple defendants and seek damages (both actual and punitive) in very large amounts. In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable injuries or that the injuries suffered were the result of exposure to products manufactured by the company or its subsidiaries. The company is typically dismissed as a defendant in such cases without payment. If the plaintiff establishes that compensable injury occurred as a result of exposure to the company's products, the case is generally settled for an amount that reflects the seriousness of the injury, the number and solvency of other defendants in the case, and the jurisdiction in which the case has been brought.

As a result of bankruptcy filings by numerous defendants in asbestos-related litigation and the prospect of national and state legislative reform relating to such litigation, the rate at which plaintiffs filed asbestos-related lawsuits against various companies (including the company) increased in 2001, 2002 and the first half of 2003. Since the second half of 2003, the rate of these filings has declined. However, the company expects that asbestos-related lawsuits will continue to be filed against the company in the future.

A significant portion of the defense costs and settlements relating to asbestos-related litigation involving the company continues to be paid by third parties, including indemnification pursuant to the provisions of a 1976 agreement under which the company acquired a business from a third party. Historically, this third party routinely defended all cases tendered to it and paid settlement amounts resulting from those cases. In the 1990s, the third party sporadically reserved its rights, but continued to defend and settle all asbestos-related claims tendered to it by the company. In 2002, the third party rejected the tender of certain cases by the company and indicated it would seek contributions from the company for past defense costs, settlements and judgments. However, this third party has continued to defend and pay settlement amounts, under a reservation of rights, in most of the asbestos cases tendered to the third party by the company. As discussed below, during the fourth quarter of 2007, the company and a group of other defendants, including the third party obligated to indemnify the company against certain asbestos-related claims, entered into negotiations with certain law firms to settle a number of asbestos-related lawsuits and claims.

In addition to the indemnification arrangements with third parties, the company has insurance policies that generally provide coverage for asbestos liabilities (including defense costs). Historically, insurers have paid a significant portion of the defense costs and settlements in asbestos-related litigation involving the company. However, certain of the company's insurers are insolvent. During 2005, the company and a number of its insurers entered into a cost-sharing agreement that provides for the allocation of defense costs, settlements and judgments among these insurers and the company in certain asbestos-related lawsuits. Under this agreement, the company is required to fund a share of settlements and judgments allocable to years in which the responsible insurer is insolvent. The cost-sharing agreement applies only to the asbestos litigation involving the company that is not covered by the third-party indemnification arrangements.

During the year ended December 1, 2007, the company settled six asbestos-related lawsuits for \$0.4 million. The company's insurers have paid or are expected to pay \$0.3 million of that amount. In addition, as referenced above, during the fourth quarter of 2007, the company and a group of other defendants entered into negotiations with certain law firms to settle a number of asbestos-related lawsuits and claims. Subject to finalization of the terms and conditions of the settlement, the company expects to contribute up to \$4.6 million towards the settlement amount to be paid to the claimants in exchange for a full release of claims. Of this amount, the company's insurers have committed to pay \$1.5 million based on a probable liability of \$4.6 million. Given that the payouts will occur on certain dates over a four-year period, the company applied a present value approach and has accrued \$4.3 million and recorded a receivable of \$1.4 million.

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The company does not believe that it would be meaningful to disclose the aggregate number of asbestos-related lawsuits filed against the company because relatively few of these lawsuits are known to involve exposure to asbestos-containing products made by the company. Rather, the company believes it is more meaningful to disclose the number of lawsuits that are settled and result in a payment to the plaintiff.

To the extent the company can reasonably estimate the amount of its probable liabilities for pending asbestos-related claims, the company establishes a financial provision and a corresponding receivable for insurance recoveries if certain criteria are met. As of December 1, 2007, the company had \$4.3 million accrued for probable liabilities and \$1.4 million for insurance recoveries related to asbestos claims. However, the company has concluded that it is not possible to reasonably estimate the cost of disposing of other asbestos-related claims (including claims that might be filed in the future) due to its inability to project future events. Future variables include the number of claims filed or dismissed, proof of exposure to company products, seriousness of the alleged injury, the number and solvency of other defendants in each case, the jurisdiction in which the case is brought, the cost of disposing of such claims, the uncertainty of asbestos litigation, insurance coverage and indemnification agreement issues, and the continuing solvency of certain insurance companies.

Because of the uncertainties described above, the company cannot reasonably estimate the cost of resolving pending and future asbestos-related claims against the company. Based on currently available information, the company does not believe that asbestos-related litigation, individually or in aggregate, will have a material adverse effect on the company's long-term financial condition. However, adverse developments and/or periodic settlements in such litigation could negatively impact the company's results of operations or cash flows in one or more future quarters.

In addition to product liability claims discussed above, the company and its subsidiaries are involved in other claims or legal proceedings related to its products, which it believes are not out of the ordinary in a business of the type and size in which it is engaged.

Item 4. Submission of Matters to a Vote of Security Holders

None in the quarter ended December 1, 2007

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The following table shows the name, age and business experience of the executive officers as of January 15, 2008 for the past five years. Unless otherwise noted, the positions described are positions with the company or its subsidiaries.

Name	Age	Positions	Period Served
Michele Volpi	43	President and Chief Executive Officer	December 2006-Present
		Group President, General Manager, Global Adhesives	
		Global SBU Manager, Assembly	December 2004-December 2006
		General Manager, Marketing, General Electric Company	June 2002-December 2004
			1999-2002
Fabrizio Corradini	41	Vice President and Chief Strategy Officer	July 2007-Present
		Venture Capital Officer, European Investment Fund	
		Head of International Corporate Development, Sanpaolo IMI Group	2005-2007
		Director, T.H. Lee Putnam Ventures	2003-2005
			2000-2002
Kevin M. Gilligan	41	Vice President, Asia Pacific	March 2007-Present
		Group Vice President, General Manager, H.B. Fuller Window	
		Operations Director, North America Adhesives	December 2004-March 2007
		E-Business Director	December 2002-December 2004
			May 2001-December 2002
Timothy J. Keenan	50	Vice President, General Counsel and Corporate Secretary	
		General Counsel and Corporate Secretary	December 2006-Present
		Deputy General Counsel, Assistant Corporate Secretary	December 2005-December 2006
		Senior Attorney and Assistant Secretary, International Multifoods Corporation	August 2004-December 2005

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			1991-2004
James C. McCreary, Jr.	51	Vice President, Corporate Controller	
		Interim Chief Financial Officer, Vice President and Corporate Controller	February 2007-Present
			November 2000-February 2007
Monica Moretti	38	Vice President, Chief Marketing Officer	March 2007-Present
		Group Vice President, Global Marketing & Technology	
		Global Business Unit Manager, Assembly	December 2005-March 2007
		Regional Business Unit Manager, Assembly North America	January 2005-December 2005
		Global Marketing Manager, Assembly	
		Emerging Markets Manager, Global High Performance Products, Plastics, General Electric Company	January 2004-December 2004
			January 2003-December 2003
			2002
Johannes BF Muller	47	Vice President, Europe	March 2007-Present
		Group Vice President, Europe	May 2006-March 2007
		Senior Vice President, Business Papers M-real	2003-2006
		Business Director DSM Structure Resins, DSM	
			1999-2002

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Name	Age	Positions	Period Served
Ann B. Parriott	49	Vice President, Human Resources	January 2006-Present
		Vice President, Applied Global Services, Applied Materials, Inc.	2004-2006
		Human Resources Manager, Intel Corporation	2002-2003
		People Systems Manager, Intel Corporation	