OWENS & MINOR INC/VA/
Form DEF 14A
March 12, 2004
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Owens & Minor, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

(4) Date Filed:

Last update: 02/22/2002

Table of Contents

Notice of

2004

Annual Meeting

and

Proxy Statement

WHETHER OR NOT YOU PRESENTLY PLAN TO ATTEND THE MEETING IN

PERSON, THE BOARD OF DIRECTORS URGES YOU TO VOTE.

Owens & Minor, Inc.

4800 Cox Road

Glen Allen, Virginia 23060-6292

Table of Contents

March 12, 2004

Dear Shareholders:

It is a pleasure to invite you to our Annual Meeting of Shareholders on Thursday, April 29, 2004 at 10:00 a.m. The meeting will be held at the Lewis Ginter Botanical Garden, 1800 Lakeside Avenue, Richmond, Virginia. Directions are on the last page of the Proxy Statement. Morning refreshments will be served.

The primary business of the meeting will be to (i) elect four directors, and (ii) ratify the appointment of KPMG LLP as our independent auditors for 2004. In addition to considering these matters, we will review major developments since our last shareholders meeting as well as future opportunities. Our Board of Directors and management team will be there to chat with you and answer any questions.

Our new voting options this year allow you to vote your shares by the Internet, by telephone or by mailing the enclosed proxy card in the postage-paid envelope provided. Whichever method you choose, your vote is important so please vote as soon as possible. All of us at Owens & Minor appreciate your continued interest and support.

Warm regards,

G. GILMER MINOR, III

Chairman and Chief Executive Officer

Table of Contents

Proxy Statement

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the Annual Meeting, please vote your shares promptly by the Internet, by telephone or by completing, signing and mailing your proxy card in the enclosed envelope. Instructions for all three voting options are set forth on your proxy card.

Table of Contents

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held Thursday, April 29, 2004

TO THE SHAREHOLDERS OF OWENS & MINOR, INC.:

The Annual Meeting of Shareholders of Owens & Minor, Inc. (the Company or Owens & Minor) will be held on Thursday, April 29, 2004 at 10:00 a.m. at the Lewis Ginter Botanical Garden, 1800 Lakeside Avenue, Richmond, Virginia.

The purposes of the meeting are:

1. To elect four directors to serve until the Annual Meeting of Shareholders in 2007;
2. To ratify the appointment of KPMG LLP as independent auditors for 2004; and
3. To transact any other business properly before the Annual Meeting.

Shareholders of record as of March 3, 2004 will be entitled to vote at the Annual Meeting.

Your attention is directed to the attached Proxy Statement. This Proxy Statement, proxy card and Owens & Minor s 2003 Annual Report are being distributed on or about March 12, 2004.

BY ORDER OF THE BOARD OF DIRECTORS

GRACE R. DEN HARTOG

Senior Vice President, General Counsel

& Corporate Secretary

Table of Contents

Street Address
4800 Cox Road
Glen Allen, Virginia 23060-6292

Mailing Address
P.O. Box 27626
Richmond, Virginia 23261-7626

PROXY STATEMENT

Annual Meeting of Shareholders

to be held on April 29, 2004

ABOUT THE MEETING

What You Are Voting On

Proxies are being solicited by the Board of Directors for purposes of voting on the following proposals and any other business properly brought before the meeting:

Proposal 1: Election of the following four directors, each for a three-year term:

A. Marshall Acuff, Jr., Henry A. Berling, James B. Farinholt, Jr. and Anne Marie Whittemore.

Proposal 2: Ratification of KPMG LLP as Owens & Minor s independent auditors.

Who is Entitled to Vote

Shareholders as of the close of business on March 3, 2004 (the Record Date) are entitled to vote. Each share of the Company s Common Stock (Common Stock) is entitled to one vote. As of March 3, 2004, 39,207,676 shares of Common Stock were issued and outstanding.

How to Vote

You can vote by the Internet, by telephone or by mail.

By Internet. You may vote by the Internet by following the specific instructions on the enclosed proxy card. If your shares are held in street name (through a broker), please contact your broker to determine whether you will be able to vote electronically.

By Telephone. You may vote by telephone using the toll-free number and following the instructions listed on the enclosed proxy card. If your shares are held in street name , please contact your broker to determine whether you will be able to vote by telephone.

By Mail. You may vote by mail by completing, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided.

However you choose to vote, you may revoke a proxy prior to the meeting by (1) submitting a subsequently dated proxy, (2) giving notice in writing to the Corporate Secretary of the Company or (3) voting in person at the meeting.

What Happens if You Don t Make Selections on Your Proxy Card

If you properly vote your proxy card and do not make a selection on one or more proposals, you give authority to the individuals designated on the proxy card to vote on such proposal(s) and any other matter

Table of Contents

that may arise at the meeting. If no specific instructions are given, it is intended that all proxies that are signed and returned will be voted FOR the election of all nominees for director and FOR the ratification of the appointment of KPMG LLP.

What it Means if You Get More Than One Proxy Card

Your shares are probably registered differently or are held in more than one account. Sign and return or otherwise vote all proxy cards to ensure that all your shares are voted. Please have all of your accounts registered in the same name and address. You may do this by contacting our transfer agent, The Bank of New York, at 1-800-524-4458.

What Constitutes a Quorum

A majority of the outstanding shares, present or represented by proxy, constitutes a quorum. A quorum is required to conduct the Annual Meeting. If you vote your proxy card, you will be considered part of the quorum. Abstentions and shares held by brokers or banks in street name that are voted on any matter are included in the quorum. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

The Vote Required to Approve Each Item

Election of Directors. The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy marked Withhold authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

Ratification of Appointment of KPMG LLP. The ratification of the appointment of KPMG LLP requires that the votes cast in favor of the ratification exceed the number of votes cast opposing the ratification.

Whether Your Shares Will be Voted if You Don t Provide Your Proxy

Whether your shares will be voted if you don t provide your proxy depends on how your ownership of shares of Common Stock is registered. If you own your shares as a registered holder, which means that your shares of Common Stock are registered in your name, your unvoted shares will not be represented at the meeting and will not count toward the quorum requirement, which is explained above. If a quorum is obtained, your unvoted shares will not affect whether a proposal is approved or rejected.

If you own your shares of Common Stock in street name , which means that your shares are registered in the name of your broker, your shares may be voted even if you do not provide your broker with voting instructions. Brokers have the authority under New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain routine matters.

The election of directors and the ratification of the designation of KPMG LLP as independent auditors of the Company are considered routine matters for which brokerage firms may vote unvoted shares. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a broker non-vote.

Abstentions, broker non-votes and, with respect to the election of directors, withheld votes will not be included in the vote totals and will not affect the outcome of the vote.

Costs of Soliciting Proxies

Owens & Minor will pay all costs of this proxy solicitation. The Company has retained Georgeson Shareholder Communications, Inc. to aid in the distribution and solicitation of proxies for approximately $5,000 plus expenses. The Company will reimburse stockbrokers and other custodians, nominees and fiduciaries for their expenses in forwarding proxy and solicitation materials.

Table of Contents

CORPORATE GOVERNANCE

General. The Company is managed under the direction of the Board of Directors, which has adopted Corporate Governance Guidelines to set forth certain corporate governance practices. During 2003, the Company continued to review its corporate governance policies and practices relative to the policies and practices recommended by groups and authorities active in corporate governance as well as the requirements of the Sarbanes-Oxley Act of 2002 and rules promulgated thereunder or proposed by the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE), the exchange on which the Company s common stock is listed. As part of this ongoing effort, the Company revised the charters of each of its Audit Committee, Governance & Nominating Committee and Compensation & Benefits Committee in 2003. The Company also revised its Corporate Governance Guidelines and Code of Honor. For a description of the Governance & Nominating Committee s function with respect to corporate governance, see the Report of the Governance & Nominating Committee below.

Corporate Governance Materials. The Company s Corporate Governance Guidelines, Code of Honor and the charters of the Audit, Compensation & Benefits, and Governance & Nominating Committees are available on the Company s website at www.owens-minor.com/investor relations/corporate governance and are available in print to any shareholder upon request to Corporate Secretary, Owens & Minor, Inc., 4800 Cox Road, Glen Allen, VA 23060.

Code of Honor. The Board of Directors has adopted a Code of Honor that is applicable to all employees of the Company, including the principal executive officer, the principal financial officer and the principal accounting officer, as well as the members of the Board of Directors. The Code of Honor is available on the Company s website at www.owens-minor.com/investor relations/corporate governance. The Company intends to post any amendments to or waivers from its Code of Honor (to the extent applicable to the Company s chief executive officer, principal financial officer, principal accounting officer, any other executive officer or any director) on its website.

Director Independence. The Board of Directors determined in 2003 that the following nine members of its 11-member Board are independent (within the meaning of NYSE listing standards and the Company s Corporate Governance Guidelines): A. Marshall Acuff, Jr., John T. Crotty, James B Farinholt, Jr., Richard E. Fogg, Vernard W. Henley, Peter S. Redding, James E. Rogers, James E. Ukrop and Anne Marie Whittemore. To assist it in making determinations of independence, the Board has adopted categorical standards (which are contained in Section I of the Company s Corporate Governance Guidelines included in this proxy statement as Annex A). The Board has determined that all directors identified as independent in this proxy statement meet these standards.

REPORT OF THE GOVERNANCE & NOMINATING COMMITTEE

The Governance & Nominating Committee was formed by the Board of Directors in 1996 to promote good corporate governance practices. Composed of five independent directors who met five times during 2003, the Governance & Nominating Committee has adopted a charter that sets forth the committee s purpose: (i) to assist the Board by identifying and recommending nominees for election to the Board; (ii) to oversee the governance of the Company including recommending to the Board corporate governance guidelines for the Company; (iii) to lead the Board in its annual review of the Board s performance; and (iv) to recommend to the Board director nominees for each Board committee and each committee chairperson. The Governance & Nominating Committee also reviews the Company s responsibilities and performance as a corporate citizen. The Company s Corporate Governance Guidelines are included in this proxy statement as Annex A, and the Governance & Nominating Committee s charter together with the Corporate Governance Guidelines can be viewed on the Company s website.

Because of its past and continuing activities in studying and implementing good corporate governance practices at Owens & Minor, the Governance & Nominating Committee believes that the Company anticipated many of the requirements of the Sarbanes-Oxley Act of 2002, and rules and proposed rules of the SEC and the

Table of Contents

NYSE, involving corporate governance matters. The Governance & Nominating Committee welcomes these efforts to refine corporate governance practices and will continue to fully cooperate in their implementation at Owens & Minor.

THE GOVERNANCE & NOMINATING

COMMITTEE

Anne Marie Whittemore, Chairperson

A. Marshall Acuff, Jr.

Vernard W. Henley

James E. Rogers

James E. Ukrop

BOARD MEETINGS

The Board of Directors held six meetings during 2003. Each director attended all of the meetings of the Board and committees on which he or she served. The Company has not established a written policy regarding director attendance at its annual meetings of shareholders, but directors are expected to and generally do attend the annual meeting. All directors attended the 2003 Annual Meeting of Shareholders.

Under the Company s Corporate Governance Guidelines, non-management directors meet in executive session following each regularly scheduled Board meeting. These meetings are chaired by a Lead Director who is elected annually by the non-management directors following each Annual Meeting of Shareholders. James E. Rogers currently serves as Lead Director and presides over these executive sessions. As Lead Director, Mr. Rogers is also invited to participate in meetings of all Board committees but is permitted to vote only in the meetings of committees of which he is a member. Shareholders and other interested parties may contact the Lead Director by following the procedures set forth in Communications with the Board of Directors on page 7.

COMMITTEES OF THE BOARD

The Board of Directors has the following committees:

Audit Committee: Oversees (i) the integrity of the Company s financial statements, (ii) the Company s compliance with legal and regulatory requirements, (iii) the qualification and independence of the Company s independent auditors; (iv) the performance of the Company s independent auditors and internal audit functions and (v) issues involving the Company s ethical and legal compliance responsibilities. The Audit Committee has sole authority to appoint, retain, compensate, evaluate and terminate the Company s independent auditor (subject, if applicable, to shareholder ratification). All members of the Audit Committee are independent.

Compensation & Benefits Committee: Administers executive compensation programs, policies and practices. Advises the Board on salaries and compensation of the executive officers and makes other studies and recommendations concerning compensation and compensation policies. All members of the Compensation & Benefits Committee are independent.

Governance & Nominating Committee: Considers and recommends nominees for election as directors and officers and nominees for each Board committee. Reviews and evaluates the procedures, practices and policies of the Board and its members and leads the Board in its annual self-review. Oversees the governance of the Company, including recommending Corporate Governance Guidelines. All members of the Governance & Nominating Committee are independent.

Executive Committee: Exercises limited powers of the Board when the Board is not in session.

Strategic Planning Committee: Reviews and makes recommendations for the strategic direction of the Company.

Table of Contents

BOARD COMMITTEE MEMBERSHIP

Director	Board	Audit	Compensation & Benefits	Executive	Governance & Nominating	Strategic Planning
A. Marshall Acuff, Jr.	X	X			X	X
Henry A. Berling	X			X		X
John T. Crotty	X	X	X			X*
James B. Farinholt, Jr.	X	X*		X		X
Richard E. Fogg	X	X	X			
Vernard W. Henley	X	X	X		X	
G. Gilmer Minor, III	X*			X*		X
Peter S. Redding	X	X	X			X
James E. Rogers	X		X*	X	X	
James E. Ukrop	X		X		X	X
Anne Marie Whittemore	X		X	X	X*	
No. of meetings in 2003	6	8	5	2	4	2

*Chairperson

DIRECTOR COMPENSATION

Employee directors receive no additional compensation other than their normal salary for serving on the Board or any of its committees.

Non-employee directors receive the following annual cash and stock compensation:

DIRECTOR COMPENSATION TABLE

Type of Compensation	Cash	Stock

Annual Retainer	$ 15,000	$15,000
Additional Retainer for Lead Director	$ 10,000	
Additional Retainer for Audit Committee Chair	$ 5,000	
Additional Retainer for Other Committee Chairs	$ 4,000	
Board or Committee Attendance Fee (per meeting, other than Audit Committee)	$ 1,200*	
Audit Committee Attendance Fee (per meeting)	$ 1,500*	
Board or Committee Telephone Conference (per meeting, other than Audit Committee)	$ 800	
Audit Committee Telephone Conference (per meeting)	$ 1,000	
Board Retreat (annual 2-day meeting)	$ 1,800	
Stock Options		Option for 5,000 shares

*The attendance fee for an audit committee meeting on the same day as a Board meeting is $1,000 and for any other committee meeting held on the same day as a Board meeting is $800.

Table of Contents

Directors may defer the receipt of all or part of their director fees. Amounts deferred are invested in bookkeeping accounts that measure earnings and losses based on the performance of a particular investment. Directors may elect to defer their fees into the following two subaccounts: (i) an account based upon the price of the Common Stock and (ii) an account based upon the current interest rate of the Company s fixed income fund in its 401(k) plan. Subject to certain restrictions, a director may take cash distributions from a deferred fee account either prior to or following the termination of his or her service as a director. Directors are also permitted to receive payment of their director fees in Common Stock.

DIRECTOR NOMINATING PROCESS

Director Candidate Nominations and Recommendations by Shareholders. The Company s bylaws provide that any shareholder of record and entitled to vote for the election of directors at the applicable meeting of shareholders may nominate directors by complying with the notice procedures set forth in the bylaws and summarized in Shareholder Proposals on page 23. In addition, although the Governance & Nominating Committee has not adopted a formal policy, it will consider director candidate recommendations by shareholders. Shareholders should submit any such recommendations to the Governance & Nominating Committee through the method described under Communications with the Board of Directors below.

Process for Identifying and Evaluating Director Candidates. The Governance & Nominating Committee evaluates all director candidates in accordance with the director qualification standards described in the Corporate Governance Guidelines. The Governance & Nominating Committee evaluates any candidate s qualifications to serve as a member of the Board based on the skills and characteristics of individual Board members as well as the composition of the Board as a whole. In addition, the Governance & Nominating Committee will evaluate a candidate s independence and diversity, age, skills and experience in the context of the Board s needs. There are no differences in the manner in which the committee evaluates director candidates based on whether the candidate is recommended by a shareholder. The Governance & Nominating Committee did not receive any recommendations from any shareholders in connection with the Annual Meeting.

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

The Board of Directors has approved a process for shareholders to send communications to the Board. Shareholders can send written communications to the Board, any committee of the Board, the Lead Director or any other individual director at the following address: P.O. Box 26383, Richmond, Virginia 23260. All communications will be relayed directly to the applicable director(s), except for communications screened for security purposes.

PROPOSAL 1: ELECTION OF DIRECTORS

The Board of Directors is divided into three classes. One class is elected at each annual meeting to serve for a three-year term. Four directors will be elected at the Annual Meeting to serve for a three-year term expiring at the Company s Annual Meeting in the year 2007. Each nominee has agreed to serve if elected. If any nominee is not able to serve, the Board may designate a substitute or reduce the number of directors serving on the Board. Proxies will be voted for the nominees shown below (or if not able to serve, such substitutes as may be designated by the Board). The Board has no reason to believe that any of the nominees will be unable to serve.

Information on each nominee and each continuing director, including age and principal occupation during the past five years, is set forth below.

7

Table of Contents

NOMINEES FOR ELECTION

For Three-Year Term Expiring in 2007:

A. Marshall Acuff, Jr., 64, retired in 2001 as Senior Vice President and Managing Director of Salomon Smith Barney, Inc. where he was responsible for equity strategy as a member of the firm s Investment Policy Committee. Mr. Acuff is a Chartered Financial Analyst. He is a member of the Board of Directors of Sweet Briar College and a number of other private organizations, including the Virginia Foundation for Independent Colleges, the Community Foundation of Richmond, the Jamestown-Yorktown Foundation, Inc., the Endowment Association of the College of William and Mary, the Virginia Theological Seminary and Lewis Ginter Botanical Garden. Mr. Acuff has been a director since 2001.

Henry A. Berling, 61, is Executive Vice President of Owens & Minor. From 1995 to 2002, he served as Executive Vice President, Partnership Development. Prior to 1995, he served the Company in various positions, including Executive Vice President, Sales and Customer Development and Senior Vice President, Sales and Marketing. Mr. Berling has been a director since 1998.

James B. Farinholt, Jr., 69, is a Managing Director of Tall Oaks Capital Partners, LLC, which manages an investment fund focused on start-up and early stage businesses in information technology and the life sciences fields. Mr. Farinholt retired in 2002 as Special Assistant to the President for Economic Development of Virginia Commonwealth University (VCU). He also serves on the Board of Directors of PharmaNetics, Inc. Mr. Farinholt has been a director since 1974.

Anne Marie Whittemore, 57, is a partner and member of the Executive Committee in the law firm of McGuireWoods LLP. Mrs. Whittemore serves on the Boards of Directors of T. Rowe Price Group, Inc. and Albemarle Corporation. She also serves on the Boards of Trustees of Hampden-Sydney College and the VMI Foundation and on the Board of Directors of the Wilderness Conservancy at Mountain Lake, Inc. Mrs. Whittemore has been a director since 1991.

The Board of Directors recommends a vote FOR the election of each nominee as director.

Table of Contents

DIRECTORS CONTINUING IN OFFICE

Terms expiring in 2006:

John T. Crotty, 66, is Managing Partner of CroBern Management Partnership, a healthcare investment firm, and President of CroBern, Inc., a healthcare consulting and advisory firm. Prior to co-founding these businesses, Mr. Crotty held several senior management positions during 19 years with American Hospital Supply Corporation, including corporate vice president of planning and business development and president of the services operating group. He also serves on the Boards of Directors of five private companies in the healthcare industry (including the board of VHA, Inc., the parent company of Novation, LLC, from which he will retire at the end of his term in April 2004). Mr. Crotty has been a director since 1999.

Richard E. Fogg, 63, retired in 1997 from Price Waterhouse, LLP (now PricewaterhouseCoopers LLP) where he was a partner for 23 years and served in a variety of leadership positions, including Associate Vice Chairman, Tax. Mr. Fogg is a Certified Public Accountant. Since his retirement in 1997, Mr. Fogg has provided strategic consulting services to several non-public companies. Mr. Fogg has been a director since 2003.

James E. Rogers, 58, is President of SCI Investors Inc, a private equity investment firm. Mr. Rogers also serves on the Boards of Directors of Wellman, Inc., Caraustar Industries, Inc., Cadmus Communications Inc. and Ethyl Corp. Mr. Rogers has been a director since 1991.

James E. Ukrop, 66, is Chairman of Ukrop s Super Markets, Inc., a retail grocery chain, and Chairman of First Market Bank. Mr. Ukrop also serves on the Board of Directors of Legg Mason, Inc. Mr. Ukrop has been a director since 1987.

Table of Contents

Terms expiring in 2005:

Vernard W. Henley, 74, retired in 2001 as Chairman of the Board and Chief Executive Officer of Consolidated Bank and Trust Company, Richmond, Virginia. Mr. Henley has been a director since 1993.

G. Gilmer Minor, III, 63, is Chairman and Chief Executive Officer of Owens & Minor. Mr. Minor also serves on the Board of Directors of SunTrust Banks, Inc. Mr. Minor has been a director since 1980.

Peter S. Redding, 65, retired in 2000 as President and Chief Executive Officer of Standard Register Company. He serves on the Board of Directors of Projects Unlimited in Dayton, Ohio and Workflow Management, Inc. in Palm Beach, Florida. Mr. Redding has been a director since 1999.

PROPOSAL 2: APPROVAL OF INDEPENDENT AUDITORS

The Audit Committee has selected KPMG LLP to serve as the Company s independent auditors for 2004, subject to ratification by the shareholders. Representatives of KPMG LLP will be present at the Annual Meeting to answer questions and to make a statement, if they desire to do so.

The Board of Directors recommends a vote FOR the ratification of the appointment of KPMG LLP to serve as Owens & Minor s independent auditors for 2004.

FEES PAID TO INDEPENDENT AUDITORS

For each of the years ended December 31, 2002 and 2003, KPMG LLP billed the Company the fees set forth below in connection with professional services rendered by that firm to the Company:

	Year 2002	Year 2003
Audit Fees	$ 204,500	$ 216,950
Audit-Related Fees	$ 49,975	$ 29,500
Tax Fees	$ 10,025	$ 12,760
All Other Fees	$ 0	$ 0
Total	$ 264,500	$ 259,210

Table of Contents

Audit Fees. These are fees for professional services performed for the audit of the Company s annual financial statements and review of financial statements included in the Company s 10-Q filings as well any services normally provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees. These are fees primarily for the annual audits of the Company s employee benefit plan financial statements and consultations by management related to financial accounting and reporting matters.

Tax Fees. These are fees for non-audit related tax services provided to certain officers who selected KPMG LLP to provide personal tax assistance. The Company adopted a policy, effective beginning in 2004, that officers who receive personal tax services paid for by the Company as part of their compensation package may not select KPMG LLP to provide such services.

All Other Fees. KPMG LLP did not provide any services other than those described above.

The Audit Committee has established policies and procedures for the approval and pre-approval of audit services and permitted non-audit services. The Audit Committee has the responsibility to engage and terminate the Company s independent auditors, to pre-approve their performance of audit services and permitted non-audit services and to review with the Company s independent auditors their fees and plans for all auditing services. All services provided by and fees paid to KPMG LLP in 2003 were pre-approved by the Audit Committee and there were no instances of waiver of approval requirements or guidelines during this period. The Audit Committee s pre-approval policies and procedures for services by independent auditors are appended to the Audit Committee Charter attached hereto as Annex B.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is composed of six directors, each of whom is independent within the meaning of SEC regulations and NYSE listing standards for audit committee members. The Board of Directors has determined that Mr. Farinholt, Chairman of the Audit Committee, is an audit committee financial expert, as defined by SEC regulations. The Audit Committee operates under a written charter adopted by the Board of Directors, a copy of which is included as Annex B to this proxy statement. The Audit Committee reviews its charter at least annually and revises it as necessary to ensure compliance with current regulatory requirements.

The Audit Committee selects the Company s independent auditors, subject to shareholder ratification. Management is responsible for the Company s internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the Company s consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The Audit Committee s responsibility is to monitor and review these processes, acting in an oversight capacity relying on the information provided to it and on the representations made by management and the independent auditors. In this context, the Audit Committee has met and held discussions with management and KPMG LLP, the Company s independent auditors.

Management represented to the Audit Committee that the Company s consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee has reviewed and discussed the consolidated financial statements with management and KPMG LLP, including the scope of the auditors responsibilities, critical accounting policies and practices used and significant financial reporting issues and judgments made in connection with the preparation of such financial statements.

The Audit Committee has discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has also received the written disclosures and the letter from KPMG LLP relating to the independence of that firm as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), has discussed with KPMG LLP that firm s independence from the Company and considered the compatibility of non-audit services with the auditors independence.

Table of Contents

Based upon its discussions with management and KPMG LLP and its review of the representation of management and the report of KPMG LLP to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2003 for filing with the SEC.

THE AUDIT COMMITTEE

James B. Farinholt, Jr., Chairperson

A. Marshall Acuff, Jr.

John T. Crotty

Richard E. Fogg

Vernard W. Henley

Peter S. Redding

STOCK OWNERSHIP INFORMATION

Compliance With Section 16(a) Reporting

Section 16(a) of the Securities Exchange Act of 1934 requires the Company s directors and executive officers to file reports with the SEC of holdings and transactions in the Company s Common Stock. Based on the Company s records and information provided by the directors and officers, the Company believes that the filing requirements were satisfied in 2003.

Stock Ownership Guidelines

Under the Company s Management Equity Ownership Program (MEOP) adopted in 1997, officers are expected, over a five-year period, to achieve the following levels of ownership of Common Stock:

Officer	Value of Common Stock Owned
Chief Executive Officer	4.0 x Base Salary
President	3.0 x Base Salary
Executive Vice Presidents	2.0 x Base Salary

Senior Vice Presidents	1.5 x Base Salary
Vice Presidents, Regional Vice Presidents	1.0 x Base Salary

In addition, the Board of Directors adopted a policy in 1997 that each director achieve, over a five-year period, a level of ownership in Common Stock equal to at least five times the annual retainer fee (including both cash and stock retainer).

Table of Contents

Stock Ownership By Management and the Board of Directors

The following table shows, as of March 3, 2004, the number of shares of Common Stock beneficially owned by each director and nominee, the Named Executive Officers (hereafter defined in the Summary Compensation Table) and all current executive officers and directors of the Company as a group.

Name of Beneficial Owner	Sole Voting and Investment Power (1)	Other(2)	Aggregate Percentage Owned
G. Gilmer Minor, III	652,699	28,796	1.74%
A. Marshall Acuff, Jr.	15,338	0	*
Henry A. Berling	474,159	8,457	1.23%
John T. Crotty	27,374	87	*
James B. Farinholt, Jr.	24,409	0	*
Richard E. Fogg	7,324	0	*
Vernard W. Henley	32,647	0	*
Peter S. Redding	27,597	278	*
James E. Rogers	38,093	0	*
James E. Ukrop	78,028	0	*
Anne Marie Whittemore	48,968	0	*
Craig R. Smith	383,954	90	*
Jeffrey Kaczka	49,180	0	*
David R. Guzmán	47,127	0	*
All Executive Officers and Directors as a group (22 persons)	2,297,407	39,708	5.98%

*Represents less than 1% of the total number of shares outstanding.

(1) Includes 1,011,110 shares which certain officers and directors of the Company have the right to acquire through the exercise of stock options within 60 days following March 3, 2004. Stock options exercisable within 60 days of March 3, 2004 for each of the Named Executive Officers are as follows:

Mr. Minor 109,500; Mr. Smith 304,500; Mr. Berling 146,600; Mr. Kaczka 39,600; Mr. Guzmán 36,800

(2) Includes: (a) shares held by certain relatives or in estates; (b) shares held in various fiduciary capacities; and (c) shares for which the shareholder has shared power to dispose or to direct disposition. These shares may be deemed to be beneficially owned under the rules and regulations of the SEC, but the inclusion of such shares in the table does not constitute an admission of beneficial ownership.

Table of Contents

Stock Ownership By Certain Shareholders

The following table shows, as of March 3, 2004, the organizations deemed by SEC rules to beneficially own more than 5% of the Common Stock (based on the information contained in Schedule 13G filings made by each such organization in February 2004).

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percentage Owned
Wellington Management Company, LLP 75 State Street, Boston, MA 02109	4,310,000(1)(2)	11.02%
Vanguard Specialized Funds Vanguard Health Care Fund 100 Vanguard Blvd., Malvern, PA 19355	2,260,000(2)	5.78%
Westport Asset Management, Inc. 253 Riverside Avenue, Westport, CT 06880	2,643,683(1)	6.76%
T. Rowe Price Associates, Inc. 100 E. Pratt Street, Baltimore, MD 21202	2,170,900(1)	5.55%

(1) According to such organization s Schedule 13G, such shares are owned in its capacity as an investment advisor.

(2) The 2,260,000 shares beneficially owned by Vanguard Specialized Funds Vanguard Health Care Fund are also included in the 4,310,000 shares beneficially owned by Wellington Management Company, LLP in its capacity as an investment advisor.

Equity Compensation Plan Information

The following table shows, as of December 31, 2003, information with respect to compensation plans under which shares of Common Stock are authorized for issuance.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans

			(excluding securities reflected in column (a))
Equity compensation plans approved by shareholders (1)	2,184,000	$14.71	923,566
Equity compensation plans not approved by shareholders (2)	0	0	0
Total	2,184,000	$14.71	923,566

(1) These equity compensation plans are the 1993 Stock Option Plan, 1998 Stock Option and Incentive Plan, 1998 Directors Compensation Plan and the 2003 Directors Compensation Plan.

(2) The Company does not have any equity compensation plans that have not been approved by shareholders.

Table of Contents

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table shows for each of the past three years the compensation paid by the Company to its Chief Executive Officer and four most highly compensated executive officers (Named Executive Officers).

		Annual Compensation			Long-Term Compensation (1) Awards		
Name and Principal Position	**Year**	**Salary ($)****	**Bonus ($)**	**Other Annual Compensation ($)(2)**	**Restricted Stock Awards ($)(3)**	**Securities Underlying Options(#)(4)**	**All Other Compensation ($)(5)**
G. Gilmer Minor, III	2003	$ 751,583	$ 500,000		$ 282,768	50,000	$ 44,709
	2002	693,338	382,417		235,684	45,000	34,129
Chairman & Chief Executive Officer	2001	666,151	333,009		219,252	58,000	37,640
Craig R. Smith	2003	552,635	311,145		232,546	50,000	16,796
	2002	509,808	224,951		141,468	45,000	21,332
President & Chief Operating Officer	2001	482,695	195,887		137,709	58,000	21,854
Henry A. Berling	2003	395,770	177,877		83,074	20,000	17,195
	2002	367,470	132,150		70,158	18,000	20,612
Executive Vice President	2001	353,340	117,662		65,455	18,000	22,018
Jeffrey Kaczka	2003	378,000	163,163		56,404	5,000	13,154
Senior Vice President & Chief	2002	359,358	128,128		38,471	18,000	7,678
Financial Officer (6)	2001	234,231	135,700		61,240	25,000	2,189
David R. Guzmán	2003	373,973	154,033		55,823	7,000	18,393
Senior Vice President & Chief	2002	351,734	117,986		37,239	10,000	7,949
Information Officer	2001	342,201	112,101		32,860	12,000	6,237

**Salaries in 2003 reflect 27 pay periods rather than the normal 26 pay periods per calendar year.

(1) The Company has no Long-Term Incentive Plans as defined by applicable SEC rules.

(2) None of the Named Executive Officers received Other Annual Compensation in excess of the lesser of $50,000 or 10% of combined salary and bonus for fiscal years 2003, 2002 or 2001.

(3) Of the total Restricted Stock awards for 2003, the following amounts were awarded to the Named Executive Officer for achieving his stock ownership requirement under the Management Equity Ownership Program (MEOP):

Mr. Minor	$147,084	Mr. Kaczka	$15,613
Mr. Smith	$154,760	Mr. Guzmán	$17,316
Mr. Berling	$ 38,606		

Aggregate restricted stock holdings and values at December 31, 2003 for the Named Executive Officers are as follows:

Mr. Minor	90,710 shares, $1,987,456	Mr. Kaczka	6,599 shares, $144,584
Mr. Smith	34,594 shares, $ 757,955	Mr. Guzmán	4,812 shares, $105,431
Mr. Berling	25,821 shares, $ 565,738		

Dividends are paid on restricted stock at the same rate as for all shareholders of record.

Table of Contents

(4) No SARs were granted in 2003, 2002 or 2001.

(5) Includes for each officer Company contributions or benefits attributable in 2003 to the following:

	401(k) Plan	Stock Purchase Plan	Life Insurance
Mr. Minor	$ 6,000	$ 720	$ 37,989
Mr. Smith	6,000	720	10,076
Mr. Berling	6,000	0	11,195
Mr. Kaczka	6,000	720	6,434
Mr. Guzmán	6,000	720	11,673

(6) Mr. Kaczka joined the Company as Senior Vice President & Chief Financial Officer on April 17, 2001. Mr. Kaczka s bonus in 2001 included a $50,000 signing bonus.

2003 OPTION GRANTS

This table shows options granted during 2003 to the Named Executive Officers. The Company did not grant any SARs during 2003.

	Individual Grants(1)				Value(2)
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/Share)	Expiration Date	Grant Date Present Value($)
G. Gilmer Minor, III	50,000	15.75%	$ 18.48	4/24/10	$ 237,000
Craig R. Smith	50,000	15.75%	18.48	4/24/10	237,000
Henry A. Berling	20,000	6.30%	18.48	4/24/10	94,800
Jeffrey Kaczka	5,000	1.58%	18.48	4/24/10	23,700
David R. Guzmán	7,000	2.21%	18.48	4/24/10	33,180

(1) The vesting schedule is as follows: 40%, 30% and 30% on first, second and third April 24th after grant date.

(2) Based upon Black Scholes option valuation model. Assumptions include a risk-free interest rate of 2.7%, annual dividend yield of 2.3%, an average period outstanding of four years and expected volatility of approximately 35.2%.

Table of Contents

2003 OPTION EXERCISES AND YEAR-END OPTION VALUES

This table shows for the Named Executive Officers any options exercised during 2003 and unexercised options held on December 31, 2003. There were no SARs exercised during 2003 or outstanding on December 31, 2003. Value of unexercised options is calculated using the difference between the option exercise price and $21.91, the closing price per share of Common Stock on December 31, 2003, multiplied by the number of shares underlying the option.

			Number of Securities Underlying Unexercised Options at Year End		Value of Unexercised In-the-Money Options at Year End	
Name	Shares Acquired Upon Exercise	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
G. Gilmer Minor, III	120,000	$ 1,104,345	145,543	94,400	$ 1,056,939	$ 467,780
Craig R. Smith	33,750	272,801	253,600	94,400	2,325,508	467,780
Henry A. Berling	0	0	165,300	36,200	1,365,355	177,518
Jeffrey Kaczka	0	0	24,700	23,300	143,572	132,758
David R. Guzmán	0	0	27,400	16,600	176,788	88,210

RETIREMENT PLANS

Pension Plan. The Company provides retirement benefits under a defined benefit pension plan to substantially all employees who had earned benefits as of December 31, 1996. Benefits under the pension plan are based upon both length of service and compensation and are determined under a formula based on an individual s earnings and years of credited service. Funding is determined on an actuarial basis. Effective December 31, 1996, participants in the pension plan ceased to accrue additional benefits; provided, however, that participants who had completed at least five years of service as of January 1, 1997 and whose age plus years of service equaled at least 65 continued to earn an accrued benefit until the earlier of (i) December 31, 2001 or (ii) retirement, death or termination of employment (with the exception of certain highly compensated employees if the pension plan did not meet certain coverage requirements of the Internal Revenue Code).

The following table shows estimated annual benefits payable under the pension plan at normal retirement age of 65 years based on the specified remuneration and years of service:

Average Compensation(1)	Average Straight Life Annuity Benefits Based On Years of Credited Service

	15 yrs.	20 yrs.	25 yrs.	30 yrs.	35 yrs.
200,000	32,055	41,674	51,293	60,912	70,531
300,000	39,736	54,315	68,893	83,472	98,050
400,000	46,680	66,218	85,756	105,294	124,832
500,000	53,623	78,121	102,618	127,116	151,613
600,000	60,566	90,023	119,480	148,937	160,000
700,000	67,510	101,926	136,343	160,000	160,000
800,000	74,453	113,829	153,205	160,000	160,000
900,000	81,396	125,732	160,000	160,000	160,000
1,000,000	88,340	137,635	160,000	160,000	160,000
1,100,000	95,283	149,537	160,000	160,000	160,000
1,200,000	102,226	160,000	160,000	160,000	160,000
1,300,000	109,169	160,000	160,000	160,000	160,000
1,400,000	116,113	160,000	160,000	160,000	160,000

Table of Contents

(1) Average compensation represents compensation based upon a benefit formula applied to an employee s career average earnings, which approximates the amount of salary set forth in the Summary Compensation Table. The maximum amount of covered compensation is $170,000, or some other amount as may be determined by the Secretary of Treasury pursuant to Section 401(a)(17) of the Internal Revenue Code.

Benefits are computed on a straight-life annuity basis, and are not subject to offset for Social Security benefits or other amounts. The years of service credited for the Named Executive Officers under the pension plan are presently as follows: Mr. Minor, 36 years; Mr. Smith, 11 years; Mr. Berling, 33 years; Mr. Kaczka, not eligible; and Mr. Guzmán, not eligible.

Supplemental Executive Retirement Plan. The Company provides supplemental retirement benefits to certain employees selected by the Compensation & Benefits Committee under the Supplemental Executive Retirement Plan (SERP). The SERP entitles participants who meet its age and service requirements to receive a specified percentage (in the case of the Named Executive Officers, 65%) of the participant s average base monthly salary (plus bonus for certain participants, including the Named Executive Officers) during the five years preceding his or her retirement reduced by the benefit payable under the pension plan, Social Security and any defined benefit pension plan of a prior employer. The estimated annual benefits payable under the SERP upon retirement at normal retirement age for the Named Executive Officers are:

Mr. Minor $645,624, Mr. Smith $476,864, Mr. Berling $270,887, Mr. Kaczka $309,687, and Mr. Guzmán $296,960.

SEVERANCE AGREEMENTS

The Company has entered into severance agreements with certain officers (including the Named Executive Officers) in order to encourage key management personnel to remain with the Company and to avoid distractions regarding potential or actual changes in control of the Company.

The severance agreements provide for the payment of a severance benefit if the officer s employment with the Company is terminated for any reason (other than as a consequence of death, disability or normal retirement) within two years after a change in control. For the Named Executive Officers, the severance benefit is equal to 2.99 times the officer s annual base salary plus bonus.

Each severance agreement continues in effect through December 31, 2004, and unless notice is given to the contrary, the term is automatically extended for an additional year at the end of each year.

REPORT OF THE COMPENSATION & BENEFITS COMMITTEE

The Compensation & Benefits Committee (the Compensation Committee) is comprised of seven independent directors who are not current or past employees of the Company. The Compensation Committee s primary functions are to:

- oversee the design and competitiveness of the Company s executive compensation program, evaluate the performance of the Company s senior executives and approve related compensation actions, and administer the Company s compensation plans for officers.

The Compensation Committee met five times during 2003.

Executive Compensation Philosophy

The Compensation Committee s philosophy is to:

establish and maintain programs and practices that promote achievement of the Company s strategic objectives,

18

- provide rewards that reflect the Company s performance, and
- align executives financial interests with those of shareholders.

To accomplish this, compensation for executives is based on measures of the Company s financial performance and strategic results that should translate to increased shareholder value.

The Compensation Committee also strives to maintain market competitive compensation levels. To meet this objective, the Compensation Committee evaluates executive compensation levels through comparisons to the peer companies included in the performance graph of this Proxy Statement, and other companies of similar size and operating characteristics. Base salaries are targeted at competitive market median for similarly experienced executives. Annual incentive compensation opportunities, when combined with base salaries, are intended to fully reach competitive median total cash compensation levels as warranted by the Company s and the individual officer s performance. Longer-term incentive compensation opportunities, such as stock options and restricted stock, link executive compensation with achievement of strategic objectives and shareholder value growth. This combination is intended to focus management on the annual and longer-term success of the Company.

The Compensation Committee recognizes that sometimes it is necessary to sacrifice short-term financial performance to obtain longer-term business success. The Compensation Committee regularly monitors the balance between annual and longer-term rewards and acts as needed to encourage meaningful levels of share ownership among executives. The Management Equity Ownership Program (MEOP) adopted in 1997 for the Company s officers (and discussed later in this report) further aligns the interests of executives and shareholders.

Committee Process and Compensation Administration

In deciding base salary levels, incentive payments and granting of stock options and restricted stock, the Compensation Committee looks to the Chief Executive Officer for recommendations on senior executives. The Compensation Committee meets privately, without the presence of management (including the Chief Executive Officer), to determine compensation actions for the Chief Executive Officer. To maintain the desired level of competitiveness and technically sound compensation and benefit programs, the Compensation Committee obtains input from the Company s Human Resources Department and periodically from outside advisors.

Base Salary

Consistent with the Compensation Committee s compensation philosophy, in 2003 base salary increases for the Named Executive Officers were determined based on individual performance and the competitiveness of their current salary. The Chief Executive Officer received an increase in base salary to $735,420.

Annual Incentive

Each year the Compensation Committee meets to review key aspects of the upcoming year s business plan and establish Annual Incentive Plan goals for each corporate officer, including the Chief Executive Officer. Goals under this plan are weighted to reflect their importance and contribution to Company performance and therefore shareholder experience.

The 2003 Annual Incentive Plan goals for the Chief Executive Officer included Company results measured by sales and earnings per share, subject to a minimum net income goal. For the other named executive officers, goals also included individual performance on leadership objectives. The Compensation Committee receives periodic updates during the year on business performance in relation to incentive plan goals.

At the close of each year, the Compensation Committee meets to discuss performance compared to Annual Incentive Plan goals and longer-term strategic business goals. These longer-term business goals center around the Company s strategic objectives to remain customer oriented in everything it does and to actively evolve its business consistent with the service needs of customers and the Company s markets.

Table of Contents

For 2003 the Company reported a 7 percent increase in sales to $4.24 billion from $3.96 billion in 2002. Net income increased to $53.6 million in 2003, compared to $47.3 million in 2002. Net income per diluted common share was $1.42, compared to $1.27 (after unusual items) in 2002.

The target cash award payable under the Company s Annual Incentive Plan to the Chief Executive Officer for meeting targeted Company financial and individual leadership goals was 60% of his base salary. Based on these performance measures and strong Company performance in 2003, the Chief Executive Officer earned an annual incentive award of $500,000. The named executive officers also received bonuses for 2003 performance.

Under the Company s Annual Incentive Plan, executives are also eligible to receive a bonus of Common Stock equivalent to an additional 25% of the cash incentive payment. The shares are restricted and vest provided the officer remains an employee of the Company for the following three years. The restricted stock bonus for Named Executive Officers is dependent on performance against the same goals as for the Annual Incentive Plan. A restricted stock award was made to the Chief Executive Officer in the amount of 6,004 shares. The other Named Executive Officers also received restricted stock awards.

Long-Term Incentive

Each year the Compensation Committee considers granting awards under the Company s stock option plan. The plan provides for the use of non-qualified stock options, incentive stock options, restricted and performance-based awards, and stock appreciation rights. The Compensation Committee s decision to grant stock options is discretionary and largely determined by financial performance and strategic accomplishments, although there are no specific performance targets for this purpose. Option grant decisions may also be based upon outstanding individual performance, job promotions and greater responsibility within the Company.

Stock options are a key component of a competitive total compensation program. The Compensation Committee believes stock option grants have historically been effective in focusing executives on enhancing long-term profitability and shareholder value. The Compensation Committee granted 50,000 stock options to the Chief Executive Officer in 2003 to encourage future growth in shareholder returns. Grants were also provided to the other Named Executive Officers. The Compensation Committee does not specifically consider the number of options currently held by an officer in determining current option grant levels.

Management Equity Ownership Program

As stated earlier, in 1997 the Compensation Committee approved the Management Equity Ownership Program (MEOP) for members of the management team, including each of the Named Executive Officers. This program is intended to strengthen the alignment of management and shareholder interests by creating meaningful levels of stock ownership by management. An ownership target has been determined for each level of the management team. These targets range from four times salary for the Chief Executive Officer to one times salary for Vice Presidents. Eligible holdings in meeting these targets include direct holdings, indirect holdings, shares held through Company plans such as the 401(k) Plan and Stock Purchase Plan and restricted stock holdings. To encourage ownership and help senior management meet their equity investment targets, participants may elect to receive a portion of their annual cash incentive award in restricted stock.

Participants are given a five-year period to reach the full target ownership amount with interim ownership targets to meet each year. As of December 31, 2003, the value of the stock owned by participants, in aggregate, well exceeded the aggregate full target ownership amount. The

Named Executive Officers as a group have beneficial ownership levels (excluding stock options held) of 2.5% of common shares outstanding. This is above the peer group median ownership level of 0.9% of common shares outstanding.

If a participant meets his or her target level of ownership, a 10% annual equity ownership dividend (the dividend is reduced to 5% for the years subsequent to a participant reaching his or her full target ownership

Table of Contents

amount) is paid on all Common Stock owned up to the participant s full target level. The dividend is paid in the form of restricted stock that will vest five years after grant if the desired ownership level is maintained. If a participant s ownership falls below the desired level, a portion of his or her annual bonus and/or salary increase, if earned, will be paid in the form of restricted stock and dividend shares will be forfeited until the target ownership level is met. During 2003, the Chief Executive Officer was granted an annual dividend of 6,658 shares of restricted stock.

Corporate Tax Considerations

Section 16