

COMMUNITY TRUST BANCORP INC /KY/
Form DEF 14A
March 25, 2005

COMMUNITY TRUST BANCORP, INC.

**346 North Mayo Trail
Pikeville, Kentucky 41501**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 26, 2005**

The Annual Meeting of Shareholders of Community Trust Bancorp, Inc. (the "Corporation") will be held at Community Trust Bank, Inc., 346 North Mayo Trail, Pikeville, Kentucky, on Tuesday, April 26, 2005 at 10:00 a.m. EDT for the following purposes:

1. To elect a Board of eight Directors to hold office until the next Annual Meeting of Shareholders and until their successors are elected and qualify.
2. To ratify and approve the appointment of Deloitte & Touche LLP as the Corporation's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2005.
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only those holders of stock of record at the close of business on February 28, 2005 are entitled to notice of and to vote at the Annual Meeting and any adjournment thereof.

The Proxy Statement describing matters to be considered at the Annual Meeting is attached to this notice.

We hope you will attend the meeting and vote your shares in person.

By Order of the Board of Directors

/s/ Jean R. Hale
Jean R. Hale
Chairman, President and CEO

Pikeville, Kentucky
March 31, 2005

IMPORTANT

WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING, PLEASE MARK, DATE, AND SIGN THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE, WHICH DOES NOT REQUIRE ANY POSTAGE IF MAILED IN THE U.S. IN THE EVENT YOU ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON AT ANY TIME BEFORE YOUR PROXY IS EXERCISED.

**Community Trust Bancorp, Inc.
346 North Mayo Trail
Pikeville, Kentucky 41501**

PROXY STATEMENT

**Annual Meeting of Shareholders
to be held April 26, 2005**

INTRODUCTION

This Proxy Statement and accompanying proxy are furnished in connection with the solicitation of proxies by the Board of Directors of Community Trust Bancorp, Inc. (the "Corporation") for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on Tuesday, April 26, 2005, at 10:00 a.m. (EDT), at Community Trust Bank, Inc., 346 North Mayo Trail, Pikeville, Kentucky, and any adjournments thereof. A copy of the Corporation's 2004 Annual Report to Shareholders accompanies this Proxy Statement.

The cost of solicitation of proxies will be borne by the Corporation. In addition to the use of the mail, proxies may be solicited in person, by telephone and other means of communication by directors, officers, and other employees of the Corporation, none of whom will receive additional compensation for such services. The Corporation will also request brokerage houses, custodians and nominees to forward soliciting materials to the beneficial owners of stock held of record by them, and will pay the reasonable expenses of such persons for forwarding such materials. This Proxy Statement and the accompanying proxy are first being mailed or given to shareholders of the Corporation on or about March 31, 2005.

RECORD DATE AND VOTING SECURITIES

The Common Stock of the Corporation ("Common Stock") is the only class of outstanding voting securities. Only holders of Common Stock of record at the close of business on February 28, 2005 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting. At the Record Date, there were 14,855,584 shares of Common Stock outstanding. With respect to the election of directors, shareholders have cumulative voting rights. Accordingly, each shareholder will have the right to cast as many votes in the aggregate as equals the number of shares of Common Stock held by the shareholder multiplied by the number of directors to be elected at the Annual Meeting. Each shareholder may cast all of his or her votes for one candidate, or distribute such votes among two or more candidates. Shareholders will be entitled to one vote for each share of Common Stock held of record on the Record Date with regard to any other matters that properly come before the Annual Meeting or any adjournment thereof.

Each proxy, unless the shareholder otherwise specifies, will be voted in favor of the election of the eight nominees for director named herein and the appointment of Deloitte & Touche LLP as the Corporation's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2005. Where a shareholder has appropriately specified how the proxy is to be voted, it will be voted accordingly. As to any other matter which may properly be brought before the Annual Meeting or any adjournment thereof, a vote may be cast pursuant to the accompanying proxy in accordance with the judgment of the person or persons voting the proxy. A shareholder may revoke his or her proxy at any time prior to its exercise. Revocation may be effected by written notice to the Corporation, by a subsequently dated proxy received by the Corporation, by oral revocation in person at the Annual Meeting or any adjournment thereof, or by voting in person at the Annual Meeting or any adjournment thereof.

A majority of the outstanding shares present in person or by proxy is required to constitute a quorum to transact business at the Annual Meeting. Abstentions will be treated as present for purposes of determining a quorum, but as unvoted shares for purposes of determining the approval of any matter submitted to the shareholders for a vote. If a broker indicates that it does not have discretionary authority as to certain shares to vote on a particular matter, such shares will not be considered as present and entitled to vote with respect to such matter.

PRINCIPAL SHAREHOLDERS

The following table sets forth information as to each shareholder known by the Corporation to beneficially own more than five percent of the Common Stock as of the Record Date.

Beneficial Owners Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class
Community Trust and Investment Company As Fiduciary 100 East Vine St., Suite 400 Lexington, Kentucky 40507	1,454,972 (1)	9.8%

(1) The shares indicated are held by Community Trust and Investment Company, a subsidiary of the Corporation, in fiduciary capacities as trustee, executor, agent, or otherwise. Of the shares indicated, Community Trust and Investment Company has sole voting rights with respect to 1,307,775 shares and no voting rights with respect to 147,197 shares. Community Trust and Investment Company has shared investment power with respect to 84,478 shares and sole investment power with respect to 204,810 shares.

ELECTION OF DIRECTORS

The Corporation's directors are elected at each annual meeting of the shareholders and hold office until the next election of directors or until their successors are duly elected and qualify. The persons named below, all of whom currently serve as directors of the Corporation, have been nominated for election to serve until the 2006 Annual Meeting of Shareholders, excluding Ernest M. Rogers. Mr. Rogers is retiring as a member of the Board of Directors of the Corporation effective April 26, 2005. The following table sets forth certain information respecting the persons nominated to be directors of the Corporation and Mr. Rogers as of the Record Date:

Name and Age (1)	Positions And Offices*	Director Since	Principal Occupation (2)	Amount and Nature of Beneficial Ownership(3)	Percent of Class
Charles J. Baird; 55	Director	1987	Shareholder, Baird and Baird, P.S.C.	315,151(5)	2.1%
Nick A. Cooley; 71	Director	1980	President, Unit Coal Corporation	59,644	(4)
William A. Graham, Jr.; 68	Director	1990	Chairman of the Advisory Board, Flemingsburg	132,760	(4)

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			Market, Community Trust Bank, Inc.		
Jean R. Hale; 58	Chairman, President and CEO	1993	Chairman, President and CEO, Community Trust Bancorp, Inc.	211,541(6)	1.4%
M. Lynn Parrish; 55	Director	1993	Chairman, Knott Floyd Land Co., Inc.	103,451(7)	(4)
Paul E. Patton; 67	Director	2004	Former Governor of Kentucky	7,173(8)	(4)
Dr. James R. Ramsey; 56	Director	2003	President, University of Louisville	770	(4)
Ernest M. Rogers; 77	Director	1980	President and General Manager, Rogers Petroleum Services, Inc.	86,752(9)	(4)
James E. McGhee, II; 47	Director	2005	Vice President, Mountain-Valley Explosives	3,542(10)	(4)
	All directors and executive officers as a group (20 in number including the above named individuals)			1,051,065(11)	7.1%

*Jean R. Hale is also a director of Community Trust Bank, Inc. and Community Trust and Investment Company.

(1) The ages listed are as of February 28, 2005.

(2) Each of the nominees has been engaged in the principal occupation specified above for five years or more, except Jean R. Hale, Dr. James R. Ramsey, and Governor Paul E. Patton. Ms. Hale was promoted from President and CEO of Community Trust Bancorp, Inc. to Vice Chairman of the Board in April 2001 and to Chairman of the Board on December 31, 2004. Dr. Ramsey has been President of the University of Louisville since November 2002. From August 1999 until November 2002, Dr. Ramsey served as Senior Executive of the University of Louisville, and from August 1999 through November 2002, Dr. Ramsey served in various positions with the Commonwealth of Kentucky, including State Budget Director, Senior Policy Advisor, and Interim Commissioner of the Office of New Economy. Governor Patton was elected as Kentucky's 59th governor in 1995. After serving eight years as Governor, he is now retired from public office and volunteers his time as a fund-raiser at Pikeville College.

(3) Under the rules of the Securities and Exchange Commission, a person is deemed to beneficially own a security if the person has or shares the power to vote or direct the voting of such security, or the power to dispose or to direct the disposition of such security. A person is also deemed to beneficially own any shares which that person has the right to

acquire beneficial ownership within sixty days. Shares of Common Stock subject to options exercisable within sixty days are deemed outstanding for computing the percentage of class of the person holding such options but are not deemed outstanding for computing the percentage of class for any other person. Unless otherwise indicated, the named persons have sole voting and investment power with respect to shares held by them.

(4) Less than 1 percent.

(5) Includes 16,540 shares held as trustee under various trust agreements established by Mr. Baird's mother, Florane J. Baird, for her grandchildren and 234,191 shares held as executor for the estate of Bryan Johnson.

(6) Includes 93,217 shares which Ms. Hale may acquire pursuant to options exercisable within sixty days of the Record Date and 45,655 shares held in the KSOP (the Corporation's combination of Employee Stock Ownership and 401K Plans) which Ms. Hale has the power to vote.

(7) Includes 103,451 shares beneficially owned by Mr. Parrish held in MLP Limited Partnership over which Mr. Parrish has sole voting and investment power.

(8) Excludes 9,961 shares held by Governor Patton's wife, over which Governor Patton has no voting or investment power.

(9) Excludes 16,669 shares held by Mr. Rogers' wife, over which Mr. Rogers has no voting or investment power.

(10) Mr. McGhee was elected to the Board on March 4, 2005.

(11) Includes 176,233 shares which may be acquired by all directors and executive officers as a group pursuant to options exercisable within sixty days of the Record Date.

Unless authority to do so is withheld, it is the intention of the persons named in the proxy to vote for the election of each of the nominees listed above. All nominees have indicated a willingness to serve and the Corporation does not anticipate that any of the above nominees will decline or be unable to serve if elected as a director. However, in the event that one or more of such nominees is unable, unwilling or unavailable to serve, the persons named in the proxy shall have authority, according to their judgment, to vote for such substitute nominees as they, after consultation with the Corporation's Board of Directors, shall determine. If considered desirable, cumulative voting will be exercised by the persons named in the proxy to elect as many of such nominees as possible.

The Nominating and Corporate Governance Committee assists the Board in identifying qualified persons to serve as directors of the Corporation. The Committee will evaluate proposed director nominees, including incumbent directors prior to recommending renomination. The Nominating and Corporate Governance Committee selects as candidates for nomination individuals of high personal and professional integrity and ability who can contribute to the Board's collective effectiveness in serving the interests of the Corporation's shareholders.

The Nominating and Corporate Governance Committee will consider candidates nominated by shareholders. The Nominating and Corporate Governance Committee will evaluate candidates recommended by shareholders on the same basis as it evaluates any other properly recommended nominee. Shareholders who desire to recommend a candidate for election at the next annual meeting of stockholders should submit the name of the candidate and information concerning the qualifications of the candidate by mail to the Nominating and Corporate Governance Committee at the Corporation's address on or before December 31, 2005.

Governor Paul E. Patton was appointed to the Board in December 2004 for a term expiring at the 2005 Annual Meeting. Governor Patton was brought to the attention of the Nominating and Corporate Governance Committee by Ms. Jean R. Hale, Chairman, President and CEO of the Corporation. The Nominating and Corporate Governance

Committee recommended the appointment of Governor Patton as a director to the Board.

Mr. James E. McGhee, II was appointed to the Board on March 4, 2005 for a term expiring at the 2005 Annual Meeting. Mr. McGhee was brought to the attention of the Nominating and Corporate Governance Committee by Mr. Lynn Parrish, a director of the Corporation. The Nominating and Corporate Governance Committee recommended the appointment of Mr. McGhee as a director to the Board.

The following persons are executive officers of Community Trust Bancorp, Inc. as of the Record Date. They are not nominated to serve as directors. Their security ownership as of the Record Date is as follows:

Name	Position	Amount and Nature of Beneficial Ownership	Percent of Class
James B. Draughn	Executive Vice President	9,744(2)	(1)
James J. Gartner	Executive Vice President	1,577(3)	(1)
Mark A. Gooch	Executive Vice President and Treasurer	76,190(4)	(1)
William Hickman III	Executive Vice President and Secretary	8,527(5)	(1)
Larry W. Jones	Executive Vice President	1,561(6)	(1)
Tracy E. Little	Executive Vice President	334(7)	(1)
Richard W. Newsom	Executive Vice President	13,382(8)	(1)
Ricky D. Sparkman	Executive Vice President	6,941(9)	(1)
Kevin J. Stumbo	Executive Vice President	6,287(10)	(1)
Michael S. Wasson	Executive Vice President	5,738(11)	(1)

(1) Less than 1 percent.

(2) Includes 2,811 shares which Mr. Draughn may acquire pursuant to options exercisable within sixty days of the Record Date and 6,933 shares held in KSOP which Mr. Draughn has the power to vote.

(3) Includes 1,145 shares which Mr. Gartner may acquire pursuant to options exercisable within sixty days of the Record Date and 432 shares held in KSOP which Mr. Gartner has the power to vote.

(4) Includes 63,219 shares which Mr. Gooch may acquire pursuant to options exercisable within sixty days of the Record Date and 12,547 shares held in KSOP which Mr. Gooch has the power to vote.

(5) Includes 4,050 shares which Mr. Hickman may acquire pursuant to options exercisable within sixty days of the Record Date and 4,256 shares held in KSOP which Mr. Hickman has the power to vote.

(6) Includes 885 shares which Mr. Jones may acquire pursuant to options exercisable within sixty days of the Record Date and 313 shares held in KSOP which Mr. Jones has the power to vote.

(7) Includes 224 shares held in KSOP which Mr. Little has the power to vote.

(8) Includes 2,943 shares which Mr. Newsom may acquire pursuant to options exercisable within sixty days of the Record Date and 10,439 shares held in KSOP which Mr. Newsom has the power to vote.

(9) Includes 3,305 shares which Mr. Sparkman may acquire pursuant to options exercisable within sixty days of the Record Date and 3,636 shares held in KSOP which Mr. Sparkman has the power to vote.

(10)

Includes 1,156 shares which Mr. Stumbo may acquire pursuant to options exercisable within sixty days of the Record Date and 5,131 shares held in KSOP which Mr. Stumbo has the power to vote.

(11) Includes 3,502 shares which Mr. Wasson may acquire pursuant to options exercisable within sixty days of the Record Date and 2,103 shares held in KSOP which Mr. Wasson has the power to vote.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

Directors of the Corporation, excluding the Chairman of the Audit Committee, who are not also officers of the Corporation, were paid \$5,000 per quarter for 2004, plus \$600 for any Committee or special-called Board meeting other than those held on the same day as the regularly scheduled quarterly Board meeting. The Chairman of the Audit Committee was paid \$6,850 per quarter for 2004 plus \$600 for any special-called Board meeting other than those held on the same day as the regularly scheduled quarterly Board meeting. Directors who are also officers of the Corporation did not receive additional compensation for serving as a director. Fees paid to Directors of the Corporation for 2004 totaled \$157,000.

The Board of Directors has determined that the following seven of the Corporation's nine directors are "independent" as defined by applicable law and NASDAQ listing standards: Nick A. Cooley, William A. Graham, Jr., M. Lynn Parrish, Ernest M. Rogers, Dr. James R. Ramsey, Governor Paul E. Patton, and James E. McGhee, II.

During 2004, the Board held two executive sessions of those members of the Board who met current standards of independence.

Corporate Governance Guidelines and the Code of Business Conduct and Ethics adopted by the Board may be found on the Corporation's website at www.ctbi.com.

Shareholders may communicate directly with the Board of Directors by sending a written communication addressed to the Chairman of the Board of Directors at the Corporation's address.

The Board of Directors held ten meetings during the 2004 fiscal year, including the annual organizational meeting. Each director attended at least 75% of the aggregate number of Board meetings and meetings of Board committees on which such director served in 2004, except Nick Cooley, Dr. James Ramsey, and Ernest Rogers who each attended 60% of the meetings. It is the Board's policy that directors should attend each annual meeting of shareholders subject to a substantial personal or business conflict. All of the Corporation's directors who were serving at the time attended the 2004 annual meeting of shareholders. The Board has the following committees: Audit and Asset Quality Committee, Compensation Committee, Executive Committee, Nominating and Corporate Governance Committee, and Risk and Compliance Committee.

The Board of Directors has a written charter for the Audit and Asset Quality Committee (the "Audit Committee") which was amended in 2004 and is included herein as Appendix A. The Audit Committee Charter may be found on the Corporation's website at www.ctbi.com. The Audit Committee consists of Dr. James R. Ramsey, Ernest M. Rogers, William A. Graham, Jr., Nick Cooley, M. Lynn Parrish, Governor Paul E. Patton, and James E. McGhee, II, all of whom meet the independence standards of Rule 4200(a)(15) and the audit committee qualifications of Rule 4350(d)(2) of the NASD listing standards. The Board has determined that Dr. James R. Ramsey is an audit committee financial expert for the Corporation and is independent as described above. The Audit Committee met twelve times during 2004. The Audit Committee monitors the integrity of the Corporation's financial statements, the independent registered public accounting firm's qualifications and independence, the performance of the Corporation's internal audit function, the Corporation's system of internal controls, the Corporation's financial reporting and system of disclosure controls, and compliance with the Corporate Governance Guidelines and Code of Business Conduct and Ethics. The Audit Committee has established procedures for the confidential, anonymous submission of concerns about accounting matters, internal controls, and auditing matters.

The Compensation Committee consists of Ernest M. Rogers, Nick Cooley, and M. Lynn Parrish, all of whom meet the applicable independence standards. The Board has a Compensation Committee Charter which may be found on the Corporation's website at www.ctbi.com. The Compensation Committee: (i) oversees and recommends to the Board executive officer compensation; and (ii) evaluates and approves benefit and incentive compensation policies and programs for the Corporation. This committee met one time during 2004.

The Nominating and Corporate Governance Committee consists of Ernest M. Rogers, M. Lynn Parrish, and Nick Cooley, all of whom meet the applicable independence standards. The Board has a written charter for the Nominating and Corporate Governance Committee which can also be found on the Corporation's website at www.ctbi.com. The Nominating and Corporate Governance Committee: (i) evaluates and recommends nominee directors for election to the Board; and (ii) develops and recommends to the Board policies and guidelines relating to corporate governance and the identification and nomination of directors and committee members. This committee met twice during 2004.

Governor Paul E. Patton was named to the Audit Committee upon his election as director on December 14, 2004.

James E. McGhee, II was named to the Audit Committee upon his election as director on March 4, 2005.

Burlin Coleman retired effective December 31, 2004, as Chairman of the Board of Directors. Mr. Coleman served on the Compensation Committee and the Nominating and Corporate Governance Committee during 2004.

Ernest M. Rogers will be retiring from the Corporation's Board of Directors effective April 26, 2005. The Board of Directors will be holding its annual organizational meeting on April 26, 2005, and at that time, the Board will select an "independent" director or director(s) to fill the vacancies for each of its committees so the Corporation's committees will continue to satisfy the applicable independence standards.

REPORT OF THE AUDIT AND ASSET QUALITY COMMITTEE

The Audit and Asset Quality Committee oversees the Corporation's financial reporting process on behalf of the Board of Directors. Management has the responsibility for the preparation of the Corporation's consolidated financial statements and management's assertion on the design and effectiveness of the Corporation's internal control over financial reporting, and the independent registered public accounting firm has the responsibility for the examination of those consolidated financial statements. In fulfilling its oversight responsibilities, the Committee reviewed the audited consolidated financial statements of the Corporation as of and for the year ended December 31, 2004 and management's assertion on the design and effectiveness of the Corporation's internal control over financial reporting as of December 31, 2004 with management and the independent registered public accounting firm.

All directors who serve on the Committee are "independent" for purposes of the NASD listing standards. The Board of Directors has determined that none of the Committee members has a relationship to the Corporation that may interfere with his independence from the Corporation and its management.

The Committee reviewed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States of America, their judgments as to the quality, not just the acceptability, of the Corporation's accounting principles and such other matters as are required to be discussed with the Committee under auditing standards generally accepted in the United States of America. Additionally, the Committee's review included discussion with the Corporation's independent registered public accounting firm of matters required to be discussed pursuant to Statement on Auditing Standards No. 61 ("SAS 61") (Communication with Audit Committees). SAS 61 requires the Corporation's independent registered public accounting firm to provide the Committee with additional information regarding the scope and results of their audit of the Corporation's financial statements, including with

respect to (i) their responsibility under audit standards generally accepted in the United States of America, (ii) significant accounting policies, (iii) management judgments and estimates, (iv) any significant audit adjustments, (v) any disagreements with management, and (vi) any difficulties encountered in performing the audit.

The Committee received from Deloitte & Touche LLP a letter providing the disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) with respect to any relationships between Deloitte & Touche LLP and the Corporation that, in their professional judgment, may reasonably be thought to bear on independence. Deloitte & Touche has discussed its independence with the Committee and has confirmed in such letter that, in its professional judgment, it is independent of the Corporation within the meaning of the federal securities laws.

The Committee discussed with the Corporation's internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. The Committee met with its internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Corporation's internal controls, and the overall quality of the Corporation's financial reporting. The Committee held twelve meetings during fiscal year 2004.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2004 for filing with the Securities and Exchange Commission. The Committee has also recommended, subject to shareholder ratification, the selection of Deloitte & Touche LLP as the Corporation's independent registered public accounting firm.

Dr. James R. Ramsey, Chairman
M. Lynn Parrish, Vice Chairman
William A. Graham, Jr., Member
Ernest M. Rogers, Member
Nick Cooley, Member
Governor Paul E. Patton, Member

March 25, 2005

INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

In the ordinary course of business, the Corporation, through its wholly-owned commercial bank subsidiary, Community Trust Bank, Inc. (the "Bank"), has had in the past and expects to have in the future banking transactions, including lending to its directors, officers, principal shareholders, and their associates. When these banking transactions are credit transactions, they are made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. In the opinion of the Corporation's Board of Directors, such transactions do not involve more than the normal risk of collectability or present any other unfavorable features.

Mr. Charles Baird, a director of the Corporation, is a shareholder in Baird and Baird, P.S.C., a law firm that provided services to the Corporation and its subsidiaries during 2004 and will be retained by the Corporation and its subsidiaries during the current fiscal year 2005. Approximately \$744,000 in legal fees and \$175,588 in expenses paid on behalf of the Corporation, \$919,588 in total, were paid to Baird and Baird, P.S.C. during 2004.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "Act") requires the Corporation's executive officers and directors and persons who own more than ten percent (10%) of the Common Stock to file initial reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"), as well as to furnish the Corporation with a copy of such report. Additionally, SEC regulations require the Corporation to identify in its Proxy Statement those individuals for whom one of the referenced reports was not filed on a timely basis during the most recent fiscal year. Based upon a review of Forms 3, 4, and 5 furnished to the Corporation, the Corporation believes that there was one late filing during 2004. Due to an administrative error at the Corporation, a Form 4, "Statement of Changes in Beneficial Ownership of Securities," was inadvertently filed past the due date with regard to one transaction on behalf of Mr. Tracy E. Little, Executive Vice President of the Corporation.

EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

As of December 31, 2004, the Corporation had executed certain termination of employment and change-in-control agreements ("Severance Agreements") with Jean R. Hale, Mark Gooch, William Hickman III, Michael S. Wasson, James B. Draughn, Kevin J. Stumbo, Richard Newsom, Ricky Sparkman, James J. Gartner, Larry W. Jones, and Tracy E. Little. Ms. Hale's Severance Agreement was executed on January 23, 1999, Mr. Gooch's was executed on January 1, 2000, Mr. Hickman's was executed on December 12, 2000, Mr. Wasson's was executed on October 24, 2000, Mr. Draughn's was executed on July 24, 2001, Messrs. Stumbo, Newsom, and Sparkman's were executed on April 23, 2002, Messrs. Gartner and Jones' were executed on January 28, 2003, and Mr. Little's was executed on March 6, 2004. The Severance Agreements are effective for a term equal to the longer of three years or the covered period should a change-in-control of the Corporation occur during such three-year period. These agreements are automatically renewable, and the covered period during which the terms and conditions of the Severance Agreements are effective is the period of time following a change-in-control equal to (i) two years following the occurrence of the change-in-control in the event of an involuntary termination or a voluntary termination following a change in duties, or (ii) the thirteenth month following the change-in-control in the event of a voluntary termination not preceded by a change in duties.

The Severance Agreements require the payment to the applicable named executive officer of a severance amount in the event of an involuntary or voluntary termination of employment after a change-in-control of the Corporation during the covered period. The severance amount payable under the Severance Agreement is equal to (i) 2.99 times the named executive officer's base annual salary in the event of involuntary termination or in the event of a voluntary termination of employment preceded by a change in duties subsequent to a change-in-control of the Corporation, or (ii) 2.00 times the named executive officer's annual base salary in the event of a voluntary termination of employment not preceded by a change in duties subsequent to a change-in-control of the Corporation.

A change-in-control has occurred, for purposes of the Severance Agreements, when (i) any person, including a group under Section 13(d)(3) of the Securities Exchange Act of 1934, is or becomes the owner of 30% or more of the combined voting power of the Corporation's outstanding securities; (ii) as a result of, or in connection with, any tender offer, exchange offer, merger or other combination, sale of assets or contested election, the persons who were directors of the Corporation before such transaction(s) shall cease to constitute a majority of the Board of Directors of the Corporation or successor of the Corporation; (iii) a tender or exchange offer is made and consummated for the ownership of 30% or more of the combined voting power of the Corporation's outstanding voting securities; or (iv) the Corporation transfers substantially all of its assets to another corporation that is not a wholly-owned subsidiary of the Corporation.

EXECUTIVE COMPENSATION

The following table sets forth the total annual compensation paid or accrued by the Corporation to or for the account of the Chief Executive Officer and each of the other four most highly compensated executive officers of the Corporation for the fiscal year ended December 31, 2004.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation	
		Salary (\$)	Bonus (1) (\$)	Options (2) (#)	All Other Compensation (3) (\$)
Jean R. Hale (4)	2004	296,104	29,500	8,250	17,566
Chairman, President and Chief Executive Officer	2003	275,000	0	12,390	17,341
	2002	260,537	26,000	13,310	15,246
Mark A. Gooch	2004	224,480	22,500	5,500	15,454
Executive Vice President And Treasurer	2003	209,218	0	9,293	15,134
	2002	194,377	19,500	9,983	13,254
William Hickman III	2004	190,837	19,000	2,750	13,262
Executive Vice President And Secretary	2003	183,368	0	8,101	13,181
	2002	170,261	17,000	9,983	9,295
Tracy E. Little (5)	2004	153,046	15,000	19,250	20,378
Executive Vice President	2003	61,917	0	0	18,136
	2002	N/A	N/A	N/A	N/A
Michael S. Wasson	2004	161,337	16,110	2,750	9,903
Executive Vice President	2003	153,917	0	7,005	9,950
	2002	146,882	14,700	6,655	11,343

(1) Bonuses are paid under the Senior Management Incentive Compensation Plan, which is open to all executive officers, market presidents, and consolidated division heads and certain senior vice presidents of consolidated functions who are selected for participation by the Compensation Committee. Individuals below senior vice president level may be recommended and approved by the Compensation Committee for special awards of options for extraordinary perform