

NATIONWIDE HEALTH PROPERTIES INC
Form DEF 14A
March 14, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant

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))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

NATIONWIDE HEALTH PROPERTIES, INC.

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

- 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:

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

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. 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:

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

(3) Filing Party:

(4) Date Filed:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 2, 2008

To the Stockholders:

The annual meeting of stockholders of Nationwide Health Properties, Inc. will be held at the Conference Center at 610 Newport Center Drive, Newport Beach, California on Friday, May 2, 2008, at 1:00 p.m. local time. At the meeting, stockholders will act on the following matters:

- (1) Election of two directors, each for a term of three years;
- (2) To ratify the appointment of Ernst & Young LLP as independent accountants for 2008; and
- (3) Any other matters that may properly come before the meeting.

Stockholders of record at the close of business on February 29, 2008 are entitled to notice of and to vote at the meeting or any postponement or adjournment of the meeting.

Pursuant to new rules promulgated by the Securities and Exchange Commission, we have elected to provide access to our proxy materials over the Internet. Accordingly, we are mailing, on or about March 14, 2008, a Notice of Internet Availability of Proxy Materials to stockholders of record at the close of business on February 29, 2008.

By Order of the Board of Directors

Douglas M. Pasquale

President and Chief Executive Officer

March 14, 2008

Newport Beach, California

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NATIONWIDE HEALTH PROPERTIES, INC.

610 Newport Center Drive, Suite 1150

Newport Beach, California 92660

PROXY STATEMENT

The Board of Directors (the **Board**) of Nationwide Health Properties, Inc. (the **Company**) is providing these materials for the solicitation of proxies for use at our annual meeting of stockholders to be held on Friday, May 2, 2008 beginning at 1:00 p.m., Pacific time, at the Conference Center, 610 Newport Center Drive, Newport Beach, California, and at any time and date to which the annual meeting may be properly adjourned or postponed. This proxy statement and the accompanying Notice of Annual Meeting of Stockholders describe the purposes of the annual meeting. Distribution of these proxy solicitation materials is scheduled to begin on or about March 14, 2008 to all stockholders entitled to notice of and to vote at the meeting.

ABOUT THE MEETING

What is the purpose of the annual meeting?

At the Company's annual meeting, stockholders will act upon the matters outlined in the accompanying notice of meeting, including the election of directors and the ratification of Ernst & Young LLP as the Company's independent accountants for the calendar year ending December 31, 2008. In addition, the Company's management will report on the performance of the Company during 2007 and respond to questions from the stockholders.

What is the Notice of Internet Availability of Proxy Materials?

In accordance with the new rules and regulations promulgated by the Securities and Exchange Commission, instead of mailing a printed copy of our proxy materials to each stockholder of record or beneficial owner, we are now furnishing proxy materials, which include our proxy statement and annual report, to our stockholders over the Internet. Because you received a Notice of Internet Availability of Proxy Materials, you will not receive a printed copy of the proxy materials, unless you have previously made a permanent election to receive these materials in hard copy. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review all the proxy materials. The Notice of Internet Availability of Proxy Materials also instructs you as to how you may submit your proxy on the Internet. If you received a Notice of Internet Availability of Proxy Materials and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice of Internet Availability of Proxy Materials.

Who is entitled to vote?

Only stockholders of record at the close of business on the record date, February 29, 2008, are entitled to receive notice of the annual meeting and to vote the shares of common stock that they held on that date at the meeting, or at any time and date to which the annual meeting may be properly adjourned or postponed. Each outstanding share of common stock entitles its holder to cast one vote on each matter to be voted upon.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum, permitting the meeting to conduct its business. As of the record date, 95,242,609 shares of common stock of the Company were outstanding. For purposes of determining the existence of a quorum, proxies received but marked as abstentions and broker

non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

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How do I vote my shares?

By Telephone or the Internet Stockholders can simplify their voting by voting their shares via telephone or the Internet. The telephone and Internet procedures are designed to authenticate a stockholder's identity, to allow stockholders to vote their shares and confirm that their instructions have been properly recorded.

The telephone and Internet voting facilities will close at 11:59 p.m., Eastern Standard Time, on May 1, 2007.

By Mail Stockholders who request a paper proxy card by telephone, Internet or e-mail may elect to vote by mail and should complete, sign and date their proxy cards and mail them in the pre-addressed envelopes that accompany the delivery of paper proxy cards. Proxy cards submitted by mail must be received by the time of the meeting in order for your shares to be voted. Stockholders who hold shares beneficially in street name may vote by mail by requesting a paper proxy card according to the instructions contained in the Notice of Internet Availability of Proxy Materials received from your broker or other agent, and then completing, signing and dating the voting instruction card provided by the brokers or other agents and mailing it in the pre-addressed envelope provided.

At the Annual Meeting Shares held in your name as the stockholder of record may be voted by you in person at the annual meeting. Shares held beneficially in street name may be voted by you in person at the annual meeting only if you obtain a legal proxy from the broker or other agent that holds your shares giving you the right to vote the shares and bring such proxy to the annual meeting.

Can I change my vote?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with the Secretary of the Company, either a notice of revocation or a duly executed proxy bearing a later date. If you are a registered stockholder, or if you are a street name stockholder and obtain a proxy form from your broker or other institution holding your shares, the powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

What are the Board's recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board. The Board's recommendations are set forth, together with the description of all proposals, in this proxy statement. In summary, the Board unanimously recommends a vote FOR election of the nominated slate of directors (see page 6) and FOR the ratification of the appointment of the independent accountants (see page 39).

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board or, if no recommendation is given, in their own discretion.

What vote is required to approve the election of the directors and to ratify the appointment of independent accountants?

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.

The affirmative vote of a majority of the votes cast at the meeting is required to ratify the appointment of Ernst & Young LLP as the Company's independent accountants for the calendar year ending December 31, 2008.

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If you hold your shares in street name through a broker or other nominee, the New York Stock Exchange rules permit your broker or nominee to exercise voting discretion with respect to Item 1 and Item 2 without receiving instructions from you, the beneficial owner. Thus, if you do not give your broker or nominee specific instructions, your shares may nevertheless be voted on those matters and will be counted for purposes of determining the outcome of such matters. If, however, your broker or nominee indicates on the proxy that it does not have discretionary power to vote shares on a particular matter, then those shares, while still considered as represented at the meeting for quorum purposes, will not be considered as voting for purposes of determining the outcome of that matter.

Abstentions do not constitute as a vote for or against any matter. Thus, abstentions will be disregarded in the calculation of a plurality for purposes of the election of directors in Item 1 or votes cast for purposes of the ratification of auditors in Item 2.

What is the Company's policy with respect to Board member attendance at annual meetings of stockholders?

Board members are encouraged to attend the Company's annual meeting of stockholders. Seven of the Company's eight Board members attended the 2007 annual meeting of stockholders.

How may I obtain a separate set of proxy materials or request a single set for my household?

If you share an address with another stockholder, you may receive only one set of proxy materials (including our Notice of Internet Availability of Proxy Materials, annual report and proxy statement, as applicable) unless you have provided contrary instructions. If you wish to receive a separate set of proxy materials now, please request the additional copies by writing to us at the address below:

Nationwide Health Properties, Inc.

Attn: Investor Relations

610 Newport Center Drive, Suite 1150

Newport Beach, CA 92660

Similarly, if you share an address with another stockholder and have received multiple copies of our proxy materials, you may write us at the address above to request delivery in the future of a single copy of these materials.

Table of Contents**STOCK OWNERSHIP***Who are the largest owners of the Company's stock?*

The following table sets forth the only stockholders known to the Company to be the beneficial owners of more than 5% of the Company's outstanding common stock at December 31, 2007:

Beneficial Owner	Common Stock Beneficially Owned	Percent of Outstanding Shares
ING Groep N.V. Amstelveenseweg 500 1081 KL Amsterdam P.O. Box 810 1000 AV Amsterdam The Netherlands	10,487,169(1)	11.06%
Deutsche Bank AG Theodor-Heuss-Allee 70 60468 Frankfurt am Main Federal Republic of Germany	7,526,302(2)	7.94%
Cohen & Steers, Inc. 280 Park Avenue, 10 th Floor New York, NY 10017	6,866,990(3)	7.24%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	6,163,035(4)	6.50%
Nomura Asset Management Co., Ltd. 1-12-1, Nihonbashi, Chuo-ku, Tokyo, Japan 103-8260	5,463,589(5)	5.76%
Barclays Global Investors, NA and affiliated entities 45 Fremont Street San Francisco, CA 94105	5,205,632(6)	5.49%

- (1) ING Groep N.V., together with its wholly-owned indirect subsidiary ING Clarion Real Estate Securities, L.P., had sole dispositive power with respect to 10,487,169 shares and sole voting power with respect to 10,487,169 shares. Information is based on a Schedule 13G/A filed by ING Groep N.V. with the Securities and Exchange Commission on February 14, 2008.
- (2) Deutsche Bank AG had sole dispositive power with respect to 7,523,091 shares and sole voting power with respect to 4,384,178 shares. Included in the securities listed above as beneficially owned by Deutsche Bank AG are 7,184,691 shares for which RREEF America, L.L.C. has sole dispositive power, 32,300 shares for which Deutsche Bank Trust Corp. Americas has sole dispositive power, 306,100 shares for which Deutsche Investment Management Americas has sole dispositive and voting power and 3,040 for which Deutsche Bank Trust Company National Association has sole dispositive power. Information is based on a Schedule 13G filed by Deutsche Bank AG with the Securities and Exchange Commission on January 29, 2008.
- (3) Cohen & Steers, Inc., together with its wholly-owned subsidiary Cohen & Steers Capital Management, Inc., had sole dispositive power with respect to 6,866,990 shares and sole voting power with respect to 6,810,290 shares. Information is based on a Schedule 13G/A filed by Cohen & Steers, Inc. with the Securities and Exchange Commission on February 13, 2008.
- (4) The Vanguard Group, Inc. had sole dispositive power with respect to 6,163,035 shares and sole voting power with respect to 86,583 shares. Included in the securities listed above as beneficially owned by The

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Vanguard Group, Inc. are 36,660 shares over which its wholly-owned subsidiary, Vanguard Fiduciary Trust Company, has sole voting power. Information is based on a Schedule 13G/A filed by The Vanguard Group, Inc. with the Securities and Exchange Commission on February 12, 2008.

- (5) Nomura Asset Management Co., Ltd had sole dispositive power with respect to 48,200 shares and sole voting power with respect to 5,463,589 shares. Information is based on a Schedule 13G filed by Nomura Asset Management Co. with the Securities and Exchange Commission on February 8, 2008.
- (6) Barclays Global Investors, NA and affiliated entities had sole dispositive power with respect to 5,205,632 shares and sole voting power with respect to 4,878,653 shares. Information is based on filings with the Securities and Exchange Commission. Information is based on a Form 13F filed by Barclays Global Investors UK Holdings Limited with the Securities and Exchange Commission on February 20, 2008.

How much stock do the Company's directors and executive officers own?

The following table shows the amount of common stock of the Company beneficially owned (unless otherwise indicated) by the Company's directors, the executive officers of the Company named in the Summary Compensation Table below, and all current directors and executive officers of the Company as a group. Except as otherwise indicated, all information is as of February 29, 2008.

Name	Aggregate Number of Shares Beneficially Owned(1)	Acquirable within 60 Days(2)	Percent of Shares Outstanding(3)
R. Bruce Andrews	179,337	286,182	0.5%
David R. Banks	42,500		0.0%
Donald D. Bradley	50,183	64,500	0.1%
William K. Doyle	25,236		0.0%
Abdo H. Khoury	54,164	9,850	0.1%
Charles D. Miller	112,800		0.1%
Douglas M. Pasquale	145,660	85,000	0.2%
Robert D. Paulson	19,858		0.0%
Keith P. Russell	12,000		0.0%
Jack D. Samuelson	91,025		0.1%
David E. Snyder	17,387	10,000	0.0%
All current directors and executive officers as a group (11 persons)	750,150	455,532	1.3%

- (1) The number of shares shown includes shares that are individually or jointly owned, as well as shares over which the individual has either some or shared investment or voting authority. Certain of the Company's directors and executive officers disclaim beneficial ownership of some of the shares included in the table, as follows:

Mr. Doyle 148 shares held by his son and 3,937 shares held by various trusts.

Mr. Pasquale 5,500 shares held by his wife and 3,450 shares held by his two sons.

Mr. Paulson 7,858 shares held by his son's and daughter's trust.

Unvested restricted stock included in the table is 3,000 shares for Messrs. Andrews, Banks, Doyle, Miller, Paulson, Russell and Samuelson, 5,025 shares for Mr. Bradley, 4,858 for Mr. Khoury, 11,679 shares for Mr. Pasquale, 1,793 shares for Mr. Snyder, and 44,355 for all current directors and executive officers as a group.

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- (2) Reflects shares that could be purchased by exercise of options on February 29, 2008 or within 60 days thereafter under the Company's stock option plan.

- (3) Any shares acquirable within 60 days of February 29, 2008 by a person are deemed to be outstanding for the purpose of computing the percentage beneficially owned by that person, but they are not treated as outstanding for the purpose of computing the ownership percentage of any other person.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and the persons who own more than 10% of our common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock of the Company. Officers, directors and greater than 10% stockholders are required by regulation of the Securities and Exchange Commission to furnish the Company with copies of all Section 16(a) forms they file.

Based upon a review of the copies of Forms 3, 4 and 5 and the amendments thereto received by it for the year ended December 31, 2007, the Company believes that all of the Company's directors and executive officers complied during 2007 with the reporting requirements of Section 16(a) of the Securities Act of 1934, except that: Douglass M. Pasquale, Abdo D. Khoury, Donald D. Bradley and David E. Snyder each filed one late report related to 3,814, 996, 1,212 and 291 shares, respectively, withheld by the Company to cover tax withholding due in connection with the vesting of restricted stock previously awarded.

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ITEM 1 ELECTION OF DIRECTORS

The Board of Directors is currently divided into three classes, each having three-year terms that expire in successive years.

The current term of office of the directors in each class expire as follows:

Class III expires at the 2008 annual meeting;

Class I expires at the 2009 annual meeting; and

Class II expires at the 2010 annual meeting.

The Board proposes that the nominees described below under the description Directors Standing for Election, each of whom is currently serving as a Class III director, be elected for a term of three years and until his respective successor is duly elected and qualified.

Each of the nominees has consented to serve a three-year term. If any of them should become unavailable to serve as a director, the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board.

VOTE REQUIRED

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.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS

VOTE FOR APPROVAL OF THE ELECTION OF EACH OF THE DIRECTOR NOMINEES

LISTED BELOW

Directors Standing for Election

Class III Directors

R. Bruce Andrews

Director since 1989

Mr. Andrews, 67, served as President and Chief Executive Officer of the Company from September 1989 until his retirement in April 2004. He had previously served as a Director of American Medical International, Inc., a hospital management company, and served as its Chief Financial Officer from 1970 to 1985 and its Chief Operating Officer in 1985 and 1986. Mr. Andrews is a director of Thomas Properties Group, Inc., a full-service real estate operating company.

Charles D. Miller

Director since 1985

Mr. Miller, 80, is the retired Chairman and Chief Executive Officer, but continues as a Director Emeritus, of Avery Dennison Corporation, a manufacturer of self-adhesive materials, labels, and office products, where he held various executive positions since 1964. He is a member of the Board of Directors of the Amateur Athletic Foundation of Los Angeles, the Los Angeles Sports Council, a Trustee of Southern California Public Radio, KPCC, and a Trustee Emeritus of Johns Hopkins University.

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Directors Continuing in Office

Class I Directors

William K. Doyle Director since 2000
 Mr. Doyle, 61, has been the Managing Partner of Kerlin Capital Group, LLC, a private investment bank based in Los Angeles, California, since he founded it in December 1994. Mr. Doyle has been an investment banker for more than 30 years and has been affiliated with major investment banking firms as a Managing Director, including Lehman Brothers and Smith Barney where he was involved in capital raising transactions for ten different REITs. Mr. Doyle is also a Director of The Air Group, Inc.

Robert D. Paulson Director since 2002
 Mr. Paulson, 62, has been the Chief Executive Officer of Aerostar Capital LLC, a private equity investment firm since he founded it in June 1997. Prior to founding Aerostar Capital, Mr. Paulson retired from McKinsey & Company, Inc., an international management consulting firm. At McKinsey, Mr. Paulson served as the Los Angeles Office Manager, led the Global Aerospace and Defense Practice, and was twice elected to McKinsey's Board of Directors. Mr. Paulson currently serves as a director of Ducommun Inc.; Forgings International, LP; Wesco Aircraft Hardware, Inc.; and the Grand Teton Music Festival.

Keith P. Russell Director since 2002
 Mr. Russell, 62, has been the President of Russell Financial, Inc., a strategic and financial consulting firm serving businesses and high net worth individuals and families, since April 2001. Mr. Russell retired in March 2001 as the Chairman of Mellon West, a fiduciary bank, and Vice Chairman of Mellon Financial Corporation, a fiduciary bank. Prior to his position as Chairman of Mellon West, Mr. Russell was Vice Chairman and Chief Risk Officer of Mellon Bank Corporation from June 1992 to April 1996. Mr. Russell is the former President and Chief Operating Officer, and a Director, of Glenfed/Glendale Federal Bank. Before joining Glendale Federal Bank in 1983, Mr. Russell served as a Senior Vice President and Deputy Administrator of the Subsidiary Group of Security Pacific Corporation. Mr. Russell is a Director of Countrywide Financial Corporation; Countrywide Bank (an independent subsidiary of Countrywide); Forrest Binkley Brown Capital Partners, a venture capital firm; and Sunstone Hotel Investors, Inc., a real estate investment trust.

Class II Directors

David R. Banks Director since 1985
 Mr. Banks, 71, is the retired Chairman and Chief Executive Officer of Beverly Enterprises, Inc., an operator of nursing facilities and rehabilitation clinics. He joined Beverly Enterprises, Inc. as President and Chief Operating Officer in October 1979; was elected President and Chief Executive Officer in May 1989, and was elected Chairman, President and Chief Executive Officer in March 1990; and served as Chairman from March 1990 until his retirement in December 2001. He was a Director of Beverly Enterprises, Inc. from September 1979 through December 2001. Mr. Banks is a director of Ralcorp Holdings.

Douglas M. Pasquale Director since 2003
 Mr. Pasquale, 53, has served as President and Chief Executive Officer of the Company since April, 2004 and as Executive Vice President, Chief Operating Officer and a Director of the Company since November 2003. Mr. Pasquale served as the Chairman and Chief Executive Officer of ARV Assisted Living, an operator of assisted living facilities, from December 1999 to September 2003. From April 2003 to September 2003, Mr. Pasquale concurrently served as President and Chief Executive Officer of Atria Senior Living Group. From March 1999 to December 1999, Mr. Pasquale served as the President and Chief

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Executive Officer at ARV, and he served as the President and Chief Operating Officer at ARV from June 1998 to March 1999. Previously, Mr. Pasquale served as President and Chief Executive Officer of Richfield Hospitality Services, Inc. and Regal Hotels International North America a hotel ownership and hotel management company from 1996 to 1998, and as its Chief Financial Officer from 1994 to 1996. Mr. Pasquale is a member of the Executive Board of the American Seniors Housing Association (ASHA) and is a director of Alexander & Baldwin, Inc.

Jack D. Samuelson

Director since 1994

Mr. Samuelson, 83, co-founded Samuelson Brothers, a real estate developer and contracting firm, in 1946, and has served as its President and Board Chairman since 1957. Mr. Samuelson is also a Director of Weststaff, an international temporary help company. He is a Trustee of the educational institutions Occidental College and Fuller Seminary. He is a past Chairman of Hollywood Medical Center and the Institute of Critical Care Medicine. He serves several non-profit housing companies: Director of Southern California Presbyterian Homes and Beacon Affordable Housing Enterprises.

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The following table presents information regarding the compensation paid during 2007 to members of our Board of Directors who are not also our employees (referred to herein as Non-Employee Directors). The compensation paid to Douglas M. Pasquale, a director who is also our Chief Executive Officer is presented below in the Summary Compensation Table - Calendar 2007 and the related explanatory tables. Mr. Pasquale is not entitled to receive additional compensation for his service as a director.

Name	Fees Earned or Paid in Cash	Stock Awards	Change in Pension Value	Total
	(\$)	(\$)(1)(2)(3)	(\$)(4)	(\$)
(a)	(b)	(c)	(d)	(e)
William K. Doyle	46,333	53,698	1,067	101,098
Robert D. Paulson	59,333	53,698	733	113,764
Keith P. Russell	55,000	53,698	733	109,431
David R. Banks	41,666	53,698	3,005	98,369
Jack D. Samuelson	45,500	53,698	1,952	101,150
R. Bruce Andrews	37,500	53,698	379	91,577
Charles D. Miller	83,333	53,698	3,005	140,036

- (1) The amounts reported in Column (c) above reflect the aggregate dollar amounts recognized for stock awards for financial statement reporting purposes with respect to 2007 (disregarding any estimate of forfeitures related to service-based vesting conditions). No stock awards granted to Non-Employee Directors were forfeited during 2007. For a discussion of the assumptions and methodologies used to calculate the amounts reported in Column (c) above, please see the discussion of stock awards contained in Note 14 (Stock Incentive Plan) to the Company's Consolidated Financial Statements, included as part of the Company's 2007 Annual Report on Form 10-K filed with the SEC, which note is incorporated herein by reference.
- (2) As described below, we granted each of our Non-Employee Directors an award of 3,000 shares of restricted stock during 2007. Each of these restricted stock awards had a value of \$53,698 on the grant date. See footnote (1) above for the assumptions used to value these awards. No option awards were granted to our Non-Employee Directors during 2007.
- (3) The following table presents the number of outstanding and unexercised option awards and the number of unvested stock awards held by each of our Non-Employee Directors as of December 31, 2007. Mr. Andrews' outstanding stock options were granted to him while he was employed as our President and Chief Executive Officer and do not represent compensation to him for services as a director.

Director	Number of Shares Subject to Outstanding Options as of 12/31/07	Number of Unvested Shares of Restricted Stock as of 12/31/07
William K. Doyle		7,000
Robert D. Paulson		7,000
Keith P. Russell		7,000
David R. Banks		7,000
Jack D. Samuelson		7,000
R. Bruce Andrews	325,653	7,000

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Charles D. Miller

7,000

Total Directors	325,653	49,000
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- (4) During 2007, the actuarial present value of each Non-Employee Director's accumulated benefit under the Company's Retirement Plan for Directors increased by the following amounts: Mr. Doyle \$1,067, Mr. Paulson \$733, Mr. Russell \$733, Mr. Banks \$3,005, Mr. Samuelson \$1,952, Mr. Andrews \$379 and Mr. Miller \$3,005.

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Compensation for Non-Employee Directors during 2007 generally consisted of an annual retainer, fees for attending meetings, and an annual equity award. Each Non-Employee Director also participates in the Company's Retirement Plan for Directors.

Annual Retainer and Meeting Fees

The following table sets forth the schedule of meeting fees and annual retainers for each Non-Employee Director in effect during 2007:

Type of Fee	Dollar Amount
Annual Board Retainer	\$25,000
Additional Annual Retainer to Chairman of the Board	\$50,000
Additional Annual Retainer to Audit and Investment Committee Chairman	\$15,000
Additional Annual Retainer to Compensation Committee Chairman	\$10,000
Additional Annual Retainer to Corporate Governance and Nominating Committee Chairman	\$ 5,000
Fee for each Board meeting attended, including adjourned meetings	\$ 1,500
Fee for each Board Committee meeting attended, including adjourned meetings	\$ 1,000

All Non-Employee Directors are reimbursed for out-of-pocket expenses they incur serving as directors.

Annual Equity Awards

Under our Non-Employee Director compensation policy as in effect in 2007, our Non-Employee Directors were granted an annual award of 3,000 shares of restricted stock under the Company's 2005 Performance Incentive Plan in January 2007. Subject to each Non-Employee Director's continued service as a director, each award vests as to one-third of the total shares of restricted stock subject to the award on each of the first, second and third anniversaries of the grant date. Pursuant to the terms of the 2005 Performance Incentive Plan, restricted stock granted to our Non-Employee Directors may vest on an accelerated basis in connection with a change in control of the Company. Prior to the time they become vested, shares of restricted stock generally may not be transferred, sold or otherwise disposed of.

Upon the termination of a Non-Employee Director's services as a director, any then-unvested shares of restricted stock will be forfeited to the Company. Non-Employee Directors are not entitled to any payment with respect to restricted stock that is forfeited to the Company.

Non-Employee Directors are entitled to cash dividends on unvested shares of restricted stock at the same rate that the Company pays dividends on all of its common stock. No future dividends will