

AMERICAN HEALTHWAYS INC

Form DEF 14A

December 20, 2004

**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 Rule 14a-11(c) or Rule 14a-12

AMERICAN HEALTHWAYS, INC.

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(Name of Registrant as Specified In Its Charter)

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(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:

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

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(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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3841 Green Hills Village Drive

Nashville, Tennessee 37215

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Stockholders of American Healthways, Inc.:

The Annual Meeting of Stockholders of American Healthways, Inc., a Delaware corporation (the Company), will be held at the Franklin Marriott Cool Springs, Cool Springs Conference Center, 700 Cool Springs Boulevard, Franklin, Tennessee 37067, at 9:00 a.m., local time, on Thursday, January 20, 2005 for the following purposes:

- (1) To elect three (3) directors to hold office for a term of three (3) years or until their successors have been elected and qualified;
- (2) To consider and act upon a proposal to amend the Company's 1996 Stock Incentive Plan (the 1996 Plan) to increase the number of shares of the Company's common stock available for issuance under the 1996 Plan by 1,300,000 shares;
- (3) To consider and act upon a proposal to amend the 1996 Plan to provide for performance awards under the 1996 Plan which are payable in cash or shares of the Company's common stock and are based solely upon the attainment of performance targets related to one or more performance goals; and
- (4) To transact such other business as may properly come before the meeting, or any adjournment or postponement thereof.

The proxy statement and form of proxy accompanying this notice are being mailed to stockholders on or about December 20, 2004. Only stockholders of record at the close of business on December 1, 2004 are entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

Your attention is directed to the proxy statement accompanying this notice for a more complete statement regarding the matters to be acted upon at the meeting.

We hope very much that you will be able to be with us. If you do not plan to attend the meeting in person, you are requested to complete, sign and date the enclosed proxy and return it promptly in the enclosed addressed envelope, which requires no postage if mailed in the United States.

By Order of the Board of Directors

Thomas G. Cigarran  
Chairman

December 20, 2004

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## **AMERICAN HEALTHWAYS, INC.**

3841 Green Hills Village Drive  
Nashville, Tennessee 37215

### **PROXY STATEMENT**

### **FOR ANNUAL MEETING OF STOCKHOLDERS**

**Thursday, January 20, 2005**

The enclosed proxy is solicited by the Board of Directors on behalf of American Healthways, Inc. for use at the Annual Meeting of Stockholders to be held on Thursday, January 20, 2005, at 9:00 a.m., local time, at the Franklin Marriott Cool Springs, Cool Springs Conference Center, 700 Cool Springs Boulevard, Franklin, Tennessee 37067, and at all adjournments or postponements thereof, for the purposes set forth in the foregoing Notice of Annual Meeting of Stockholders. Copies of the proxy, this proxy statement and the attached notice are being sent to stockholders on or about December 20, 2004.

The Company's officers and employees may solicit proxies personally or by mail, telephone or facsimile. All costs of this solicitation will be borne by the Company, including expenses in connection with preparing, assembling and mailing this proxy statement. The Company does not anticipate paying any compensation to any party other than its regular employees for the solicitation of proxies but may reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to beneficial owners.

Shares represented by such proxies will be voted in accordance with the choices specified thereon. If no choice is specified, the shares represented by such proxies will be voted FOR the election of the director nominees set forth under Proposal No. 1 and FOR the approval of the amendments to the 1996 Plan set forth under Proposals No. 2 and 3. The Board of Directors does not know of any other matters which will be presented for action at the meeting, but the persons named in the proxy intend to vote or act with respect to any other proposal which may be properly presented for action according to their best judgment in light of the conditions then prevailing.

A proxy may be revoked by a stockholder at any time before its exercise by attending the meeting and electing to vote in person, by filing with the Secretary of the Company a written revocation or by duly executing a proxy bearing a later date.

Each share of the Company's common stock, \$.001 par value (the Common Stock), issued and outstanding on the record date, December 1, 2004, will be entitled to one vote on all matters to come before the meeting. Cumulative voting is not permitted. As of December 1, 2004, there were outstanding 32,993,993 shares of Common Stock.

A two-for-one stock split in the form of a stock dividend was paid on December 19, 2003 to stockholders of record on December 5, 2003. Unless otherwise specified herein, the number of shares of Common Stock referenced in this proxy statement have been adjusted to reflect the December 19, 2003 stock split.

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

The following table sets forth certain information with respect to those persons known to the Company to be the beneficial owners (as defined by certain rules of the Securities and Exchange Commission (the "Commission")) of more than five percent (5%) of the Company's Common Stock, its only voting security, and with respect to the beneficial ownership of the Company's Common Stock by all directors and nominees, each of the executive officers named in the Summary Compensation Table and all executive officers and directors of the Company as a group. The information set forth below is based on ownership information received by the Company as of December 1, 2004. Unless specified otherwise, the shares indicated are presently outstanding, and each of the stockholders listed below has sole voting and investment power with respect to the shares beneficially owned.

Name of Beneficial Owner	Amount of Shares Beneficially Owned(1)	Percent of Class(1)
FMR Corp. 82 Devonshire Street Boston, MA 02109	3,906,904(2)	11.84%
Wasatch Advisors, Inc. 150 Social Hall Avenue, Suite 400 Salt Lake City, UT 84111	3,789,241(2)	11.48%
Waddell & Reed Financial, Inc. 6300 Lamar Avenue Overland Park, KS 66202	1,853,365(2)	5.62%
Thomas G. Cigarran****	863,957(3)	2.60%
Henry D. Herr**	670,183(4)	2.02%
Robert E. Stone***	586,548(5)	1.76%
William C. O'Neil, Jr.**	494,271(6)	1.50%
Ben R. Leedle, Jr.****	405,459(7)	1.21%
Donald B. Taylor***	115,737(8)	*
Martin J. Koldyke**	58,220(9)	*
C. Warren Neel **	57,229(10)	*
Frank A. Ehmann**	45,431(11)	*
John W. Ballantine**	30,000(12)	*
J. Cris Bisgard, M.D.**	25,000(13)	*
Matthew E. Kelliher***	10,078(14)	*
Mary Jane England, M.D.**	5,000(15)	*
All directors and executive officers as a group (16 persons)	3,684,739(16)	10.67%

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- \* Indicates ownership of less than one percent of the Company's outstanding Common Stock.
  - \*\* Director of the Company
  - \*\*\* Named Executive Officer
  - \*\*\*\* Director and Named Executive Officer

- (1) Pursuant to the rules of the Commission, certain shares of the Company's Common Stock which an individual owner set forth in this table has a right to acquire within 60 days after the record date hereof pursuant to the exercise of stock options are deemed to be outstanding for the purpose of computing the ownership of that owner, but are not deemed outstanding for the purpose of computing the ownership of any other individual owner shown in the table. Likewise, the shares subject to options held by the other directors and executive officers of the Company which are exercisable within 60 days of the record date hereof, are all deemed outstanding for the purpose of computing the percentage ownership of all executive officers and directors as a group.
- (2) Information with respect to stock ownership is based upon a Form 13F, dated September 30, 2004 filed with the Commission.
- (3) Includes 203,750 shares issuable upon the exercise of outstanding options.
- (4) Includes 30,674 shares owned by Mr. Herr's wife, 60,000 shares held in trust, and 165,001 shares issuable upon the exercise of outstanding options.
- (5) Includes 261,433 shares issuable upon the exercise of outstanding options.
- (6) Includes 16,195 shares issuable upon the exercise of outstanding options.
- (7) Includes 403,376 shares issuable upon the exercise of outstanding options.
- (8) Includes 7,080 shares owned by Mr. Taylor's wife, 920 shares held in trust, and 107,500 shares issuable upon the exercise of outstanding options.
- (9) Includes 47,119 shares held in trust and 9,999 shares issuable upon the exercise of outstanding options.
- (10) Includes 16,195 shares issuable upon the exercise of outstanding options.
- (11) Includes 9,999 shares issuable upon the exercise of outstanding options.
- (12) Includes 10,000 shares held in trust and 20,000 shares issuable upon the exercise of outstanding options.
- (13) Includes 20,000 shares issuable upon the exercise of outstanding options.
- (14) Includes 10,000 shares issuable upon the exercise of outstanding options.
- (15) Includes 5,000 shares issuable upon the exercise of outstanding options.
- (16) Includes 1,553,948 shares issuable upon the exercise of outstanding options.

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

The Company's Certificate of Incorporation provides for a staggered Board of Directors. Each director serves a three year term until his/her successor is elected and qualified. The three directors to be elected at the 2005 Annual Meeting of Stockholders will serve until the Annual Meeting of Stockholders in 2008 (the Class II directors), four directors currently serving on the Board of Directors will continue to serve until the Annual Meeting of Stockholders in 2006 (the Class III directors), and three directors currently serving on the Board of Directors will continue to serve until the Annual Meeting of Stockholders in 2007 (the Class I directors).

In September 2004, the Board of Directors increased the size of the Board of Directors from nine to ten and appointed Mary Jane England, M.D. as a Class III director to fill the vacancy created thereby. In December 2004, Martin J. Koldyke, a Class III director, notified the Company of his intent to resign from the Board of Directors effective December 31, 2004.

Unless contrary instructions are received, shares of Common Stock of the Company represented by duly executed proxies will be voted in favor of the election of the nominees named below. If for any reason a nominee is unable to serve as a director, it is intended that the proxies solicited hereby will be voted for such substitute nominee as the Board of Directors of the Company may propose. The Board of Directors has no reason to expect that the nominees will be unable to serve, and therefore, at this time does not have any substitute nominees under consideration.

A nominee for election must receive a plurality of the votes cast to be elected as a director. Stockholders have no right to vote cumulatively for directors, but rather each stockholder shall have one vote for each share of Common Stock held by such stockholder for each director.

The following persons are the nominees for election to serve as Class II directors. All nominees are presently directors of the Company. Messrs. Cigarran and Neel were previously elected by the stockholders, and Mr. Ballantine was appointed to the Board of Directors in June 2003. Certain information relating to the nominees, which has been furnished to the Company by the individuals named, is set forth below.

Name of Director	Class of Director; Annual Meeting at Which Term Will Expire	Background Information
Thomas G. Cigarran	II; 2005	Mr. Cigarran, 62, has served as Chairman of the Company since August 1988 and as a director since 1981. Mr. Cigarran served as Chief Executive Officer of the Company from August 1988 to September 2003. Mr. Cigarran served as President of the Company from September 1981 to June 2001. Mr. Cigarran also is Chairman and a director of AmSurg Corp.



Name of Director	Class of Director; Annual Meeting at Which Term Will Expire	Background Information
Dr. C. Warren Neel	II; 2005	Dr. Neel, 66, has been a director of the Company since October 1991. Dr. Neel is currently Director of the Center for Corporate Governance at the University of Tennessee. He served as the Commissioner of Finance and Administration for the State of Tennessee from July 2000 until February 2003. He served as Dean of the College of Business Administration at The University of Tennessee in Knoxville from 1977 to 2003. Dr. Neel is also a director of Saks, Inc. where he serves as Chair of the Audit Committee.
John W. Ballantine	II; 2005	Mr. Ballantine, 58, has been a director of the Company since June 2003. Mr. Ballantine served as Executive Vice President and Chief Risk Management Officer of First Chicago NBD Corporation from 1996 until 1998. Mr. Ballantine currently serves as Chairman of the financial services advisory group for Glencoe Capital, a private equity firm, and a member of the Board of Trustees of Window to the World Communications, Inc. He also serves as a director of Scudder Funds, First Oak Brook Bancshares, the Oak Brook Bank (a wholly-owned subsidiary of First Oak Brook Bancshares), Tokheim Corporation, and Portland General Electric and Prisma Energy International (wholly-owned subsidiaries of Enron Corp.).

The following seven persons currently are members of the Board of Directors and will continue in their present positions after the Annual Meeting. The following persons are not nominees, and stockholders are not being asked to vote for them. Certain information relating to the following persons has been furnished to the Company by the individuals named.

Name of Director	Class of Director; Annual Meeting at Which Term Will Expire	Background Information
Henry D. Herr	III; 2006	Mr. Herr, 58, has been a director of the Company since 1988. Mr. Herr served as Executive Vice President of Finance and Administration and Chief Financial Officer of the Company from September 1981 to October 2001. Mr. Herr is currently employed by the Company as an advisor on a part-time basis. Mr. Herr also is a director of AmSurg Corp.

Name of Director	Class of Director; Annual Meeting at Which Term Will Expire	Background Information
Martin J. Koldyke	III; 2006	Mr. Koldyke, 72, has been a director of the Company since 1981. Mr. Koldyke is the retired Chairman of Frontenac Company, a venture capital management partnership that he founded in 1971. Mr. Koldyke is the Founder and Chairman of the Academy for Urban School Leadership, Founder and Chairman Emeritus of The Golden Apple Foundation, Trustee of the Chicago Public Education Fund, Trustee of the Chicago Community Trust, past Chairman of the Chicago School Finance Authority, past Chairman and current Trustee of Window to the World Communications, Inc., and a Life Trustee of Northwestern University.
Jay Cris Bisgard, M.D., M.P.H	III; 2006	Dr. Bisgard, 62, has been a director of the Company since June 2003. Dr. Bisgard served as Director of Health Services at Delta Air Lines, Inc. from January 1994 to April 2001. Prior to that, he served as the corporate medical director at Pacific Bell, GTE and ARCO. He retired from the U.S. Air Force in 1986 with the rank of colonel. He served as acting Deputy Assistant Secretary of Defense (Health Affairs) from 1981 to 1984. He is a fellow of the Aerospace Medical Association, the American College of Preventive Medicine, and the American College of Physician Executives.
Mary Jane England, M.D.	III; 2006	Dr. England, 66, has been a director of the Company since September 2004. Dr. England has served as President of Regis College in Weston, Massachusetts since July 2001. From 1990 to 2001, she served as President of the Washington Business Group on Health. Prior to 1990, she served as Vice President of Prudential Insurance Co., Associate Dean at the John F. Kennedy School of Government at Harvard, Commissioner of Social Services, and Associate Commissioner of Mental Health in Massachusetts. She serves on the boards of directors of NSF International, Boston University School of Medicine, Boston University School of Public Health, and the NAS/IOM Board of Children and Families.

Name of Director	Class of Director; Annual Meeting at Which Term Will Expire	Background Information
Frank A. Ehmann	I; 2007	Mr. Ehmann, 70, has been a director of the Company since 1991. Mr. Ehmann was a partner of RCS Health Care Partners Ltd., an affiliate of Robertson Stephens Co., from 1990 to 1994. From 1987 to 1989, he was President and Chief Operating Officer of United Stationers, Inc. He served as President and Co-Chief Operating Officer of Baxter Travenol Laboratories, Inc. from 1986 to 1987, and as President and Chief Operating Officer of American Hospital Supply Corporation in 1985, when it merged with Baxter Travenol.
William C. O Neil, Jr.	I; 2007	Mr. O Neil, 70, has served as a director of the Company since 1985. From 1989 to 1999, Mr. O Neil was the Chairman, President and Chief Executive Officer of ClinTrials Research, Inc., a pharmaceutical research services company. Prior thereto, Mr. O Neil was Chairman, President and Chief Executive Officer of International Clinical Laboratories, Inc., a national laboratory testing company. Mr. O Neil is also a director of Advocat, Inc., Sigma Aldrich Corporation and American HomePatient, Inc.
Ben R. Leedle, Jr.	I; 2007	Mr. Leedle, 43, has served as director of the Company since August 2003, and as Chief Executive Officer of the Company since September 2003. Mr. Leedle has served as President of the Company from May 2002 to present. Mr. Leedle served as Chief Operating Officer of the Company from September 1999 to August 2003, as Executive Vice President of the Company from September 1999 to May 2002, and as Senior Vice President of Operations from September 1997 to September 1999.

#### Board of Directors Information

The Board of Directors of the Company held seven meetings during the fiscal year ended August 31, 2004. All of the members of the Board of Directors, except Messrs. Cigarran, Herr and Leedle, are independent, as defined by applicable law and NASDAQ listing standards. The independent directors of the Board of Directors have regularly scheduled meetings at which only independent directors are present. The Board of Directors has a Nominating and Corporate Governance Committee, an Audit Committee and a Compensation Committee.

Each of the incumbent directors of the Company attended at least 75% of the aggregate of the total number of meetings held during fiscal 2004 by the Board of Directors and each committee of which such director was a member.

## Committees of the Board of Directors

### *Compensation Committee*

The Compensation Committee is responsible for the periodic review of management's compensation and administration of the Company's compensation plans. The Compensation Committee consists of Messrs. Ehmann and Ballantine, Dr. Bisgard, and Dr. Neel. The Compensation Committee held five meetings during fiscal 2004. The Compensation Committee has adopted Compensation Committee Guidelines that provide a detailed description of the Compensation Committee's responsibilities.

### *Nominating and Corporate Governance Committee*

During fiscal 2004, the Nominating and Corporate Governance Committee consisted of Messrs. O'Neil and Koldyke and Dr. Neel. Dr. England was appointed to the Committee in September 2004. All of the directors on the Nominating and Corporate Governance Committee are independent directors as defined under applicable law and NASDAQ listing standards. The Nominating and Corporate Governance Committee recommends to the Board of Directors nominees for election to the Board of Directors. The Nominating and Corporate Governance Guidelines provide a detailed description of the Nominating and Corporate Governance Committee's responsibilities and set forth the director nomination process. The Nominating and Corporate Governance Committee held three meetings during fiscal 2004.

### *Audit Committee*

The Audit Committee is comprised of Messrs. Ehmann, O'Neil, Ballantine, Koldyke, and Dr. Bisgard. The Company has, and will continue to have, at least one member of the Audit Committee who has past employment experience in finance or accounting and requisite professional certification in accounting or other comparable experience which results in the individual's financial sophistication. The Audit Committee meets with the Company's independent auditors and management to review the Company's consolidated financial statements. The Board of Directors has determined that the Audit Committee has three audit committee financial experts, as defined by the regulations of the Commission. These persons are Messrs. O'Neil, Ehmann and Ballantine. The Audit Committee held 13 meetings during fiscal 2004.

## Corporate Governance

### *Code of Conduct*

The Company has a code of conduct that applies to all colleagues (including officers) and directors. The purpose of the code is to provide written standards that are reasonably designed to deter wrongdoing and to promote: honest and ethical conduct; full, fair, accurate, timely, and understandable disclosure in reports and documents filed with the Commission and other public communications by the Company; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of violations of the code; and accountability for adherence to the code. A copy of the Company's code of conduct can be obtained from the Company's website at [www.americanhealthways.com](http://www.americanhealthways.com).

### *Stockholder Nominees*

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted stockholder nominations for director candidates as described below under "Identifying and Evaluating Nominees for Directors." Any stockholder nominations proposed for consideration by the Nominating and

Corporate Governance Committee should be addressed to: Secretary, American Healthways, Inc., 3841 Green Hills Village Drive, Nashville, Tennessee 37215. To be timely, director nominations for the 2006 Annual Meeting of Stockholders must be submitted within the time limits for stockholder proposals as set forth on page 32 of this Proxy Statement.

*Director Qualifications*

Under the Company's Board of Directors' Corporate Governance Guidelines, the Nominating and Corporate Governance Committee is responsible for determining the criteria for membership on the Company's Board of Directors. Under such criteria, members of the Board of Directors should be independent and have the highest professional and personal ethics and values consistent with the Company's values and standards. Other criteria that will be considered are prior experience as a director, knowledge of the Company's business and industry and broad experience at the operational, financial or policy making level in business. Diversity, age and skills in the context of the needs of the Board of Directors are also a consideration. The members should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform all director duties responsibly.

*Identifying and Evaluating Nominees for Directors*

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Nominating and Corporate Governance Committee regularly assesses the appropriate size of the Board of Directors, and whether any vacancies on the Board of Directors are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Corporate Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current members of the Board of Directors, professional search firms, stockholders or other persons. These candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee and may be considered at any point during the year. As described above, the Nominating and Corporate Governance Committee considers properly submitted stockholder nominations for candidates for the Board of Directors. In evaluating the nominations, the Nominating and Corporate Governance Committee uses the same criteria for all nominees, and the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and expertise on the Board of Directors.

There is one nominee for election to the Board of Directors, Mr. John Ballantine, who has not previously been elected by the stockholders. Mr. Koldyke, a member of the Company's Nominating and Corporate Governance Committee, identified Mr. Ballantine as a director nominee. The Nominating and Corporate Governance Committee recommended Mr. Ballantine to the Board of Directors, who approved the recommendation. The members of the Nominating and Corporate Governance Committee identified, evaluated and conducted due diligence of all potential nominees. A professional search firm was not engaged to assist the Nominating and Corporate Governance Committee in its efforts.

*Directors' Attendance at Annual Meetings of Stockholders*

Although directors are invited and are always welcome to attend the annual stockholder meetings, the Company does not require their attendance. All of the directors attended the 2004 Annual Meeting of Stockholders held on January 21, 2004.

*Communications With the Board of Directors*

Stockholders may communicate with the Board of Directors by submitting a letter in writing addressed to: Chairman of the Board of Directors, American Healthways, Inc., 3841 Green Hills Village Drive, Nashville, Tennessee 37215. If the communication relates to the Company's ethics or conduct, financial statements, accounting practices or internal controls, the communication may be submitted in writing addressed to: Audit Committee Chairman, American Healthways, Inc., 3841 Green Hills Village Drive, Nashville, Tennessee 37215. Stockholder communications may be submitted confidentially or anonymously.

## EXECUTIVE COMPENSATION

The following table provides information as to annual, long term and other compensation during fiscal years 2004, 2003 and 2002 for the Company's Chief Executive Officer and each of the four most highly compensated executive officers other than the Chief Executive Officer who were serving as executive officers on August 31, 2004 (collectively, the Named Executive Officers).

## Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Awards	All Other
		Salary(\$)	Bonus(\$)	Options(#)	Compensation(2)
Thomas G. Cigarran	2004	\$425,000	\$		\$102,012(3)
Chairman of the	2003	435,000	154,561	120,000	94,637
Board of Directors	2002	400,000	461,500	260,000	73,291
Ben R. Leedle, Jr.	2004	425,000	\$	300,000	84,242(4)
President and	2003	347,000	122,945	300,000	72,282
Chief Executive Officer	2002	330,000	298,238	350,000	48,655
Matthew E. Kelliher	2004	311,987	\$	65,000	42,553(5)
Executive Vice President	2003				
	2002				
Donald B. Taylor(1)	2004	288,117	\$	125,000	58,936(6)
Executive Vice President	2003	245,619	86,624	50,000	50,565
and Chief Operating Officer	2002	132,923	120,129	140,000	2,549
Robert E. Stone	2004	265,000	\$	25,000	60,849(7)
Executive Vice President	2003	250,000	88,521	40,000	62,470
	2002	240,000	216,900	60,002	50,835

- (1) On November 5, 2003, Mr. Taylor was named Chief Operating Officer of the Company effective December 1, 2003.
- (2) Includes \$3,600 per year automobile allowance for each Named Executive Officer other than Mr. Taylor, whose allowance was \$2,100 in fiscal 2002.
- (3) Includes \$87,963 contributed by the Company to the Company's Corporate and Subsidiary Officer Capital Accumulation Plan (the Capital Accumulation Plan), \$6,929 contributed by the Company to the Company's Retirement Savings Plan (the 401(k) Plan) and \$3,520 of life insurance premiums paid by the Company on behalf of Mr. Cigarran.
- (4) Includes \$74,055 contributed by the Company to the Capital Accumulation Plan and \$6,587 contributed by the Company to the 401(k) Plan on behalf of Mr. Leedle.
- (5) Includes \$4,503 contributed by the Company to the 401(k) Plan on behalf of Mr. Kelliher and \$34,450 of apartment rent reimbursement paid to Mr. Kelliher by the Company.
- (6) Includes \$48,749 contributed by the Company to the Capital Accumulation Plan and \$6,587 contributed by the Company to the 401(k) Plan on behalf of Mr. Taylor.
- (7) Includes \$50,354 contributed by the Company to the Capital Accumulation Plan and \$6,895 contributed by the Company to the 401(k) Plan on behalf of Mr. Stone.

### Option Grants Table

The following table provides information as to options granted to the Named Executive Officers during fiscal 2004. No separate stock appreciation rights ( SARs ) were granted during fiscal 2004.

#### Option Grants in Last Fiscal Year

Name	Number of Securities Underlying Options Granted(1)(#)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%(\$)	10%(\$)
Thomas G. Cigarran		%	\$		\$	\$
Ben R. Leedle, Jr.	300,000	20.43	26.33	8/24/2014	4,967,639	12,588,972
Matthew E. Kelliher	40,000	2.72	17.89	9/1/2013	450,037	1,140,482
	25,000	1.70	26.33	8/24/2014	413,970	1,049,081
Donald B. Taylor	100,000	6.81	20.91	11/17/2013	1,315,019	3,332,515
	25,000	1.70	26.33	8/24/2014	413,970	1,049,081
Robert E. Stone	25,000	1.70	26.33	8/24/2014	413,970	1,049,081

- (1) All options granted to the Named Executive Officers during fiscal 2004 vest 100% on the fourth anniversary of the date of grant with the exception of the 100,000 options granted to Mr. Taylor and the 40,000 options granted to Mr. Kelliher, all of which vest at the rate of 25% per year over a four year period beginning on the date of the grant. If there is a change in control or a potential change in control (as defined in the 1996 Plan or the Amended and Restated 2001 Stock Option Plan (the 2001 Plan )), any stock options which are not then exercisable, in the discretion of the Board of Directors, may become fully exercisable and vested, and stock options will, unless otherwise determined by the Compensation Committee in its sole discretion, be cashed out on the basis of the change in control price, as defined in the 1996 Plan or 2001 Plan, as applicable.



**Aggregate Option Exercises in Last Fiscal Year and Year End Option Values**

The following table provides information as to options exercised by the Named Executive Officers during fiscal 2004. None of the Named Executive Officers has held or exercised separate SARs. In addition, this table includes the number of shares covered by both exercisable and unexercisable stock options as of the record date. Also reported are the values for in the money options, which represent the positive spread between the exercise price of existing stock options and the fiscal year end price of the Company's Common Stock.

Name	Number of Shares		Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year End\$(1)	
	Acquired on Exercise(#)	Value Realized(\$)	Exercisable	Unexercisable	Exercisable	Unexercisable
Thomas G. Cigarran	431,250	\$9,188,010	160,000	238,750	\$2,758,600	\$4,043,013
Ben R. Leedle, Jr.			350,876	715,000	6,356,955	5,845,400
Matthew E. Kelliher				65,000		381,150
Donald B. Taylor			82,500	232,500	1,235,325	2,098,325
Robert E. Stone	32,808	635,819	241,433	100,001	5,737,658	1,227,515

(1) Based upon the 4:00 p.m. closing bid price of the Company's Common Stock on The Nasdaq Stock Market on August 31, 2004 of \$27.00 per share.

**Directors Compensation**

Directors who are officers or employees of the Company receive no compensation, as such, for serving as members of the Board of Directors.