

MATRIA HEALTHCARE INC

Form DEF 14A

April 17, 2003

Table of Contents

**SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material under Rule 14a-12
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

MATRIA HEALTHCARE, 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):

- x No fee required.
- o 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:

o Fee paid previously with preliminary materials:

o 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:

Table of Contents

(MATRIA HEALTHCARE, INC. LOGO)
1850 Parkway Place
Marietta, Georgia 30067

NOTICE OF 2003 ANNUAL MEETING OF STOCKHOLDERS

To be Held on May 21, 2003

NOTICE IS HEREBY GIVEN THAT the 2003 Annual Meeting of Stockholders of Matria Healthcare, Inc. (the Company or Matria), will be held on Wednesday, May 21, 2003, at 11:00 a.m. local time at 1850 Parkway Place, Suite 320, Marietta, Georgia 30067, for the following purposes:

(1) To elect two Class II directors of the Company for a three-year term expiring at the 2006 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified; and

(2) To transact such other business as properly may come before the Annual Meeting and any adjournment or postponement thereof.

Your vote is important regardless of the number of shares you own. Each stockholder, even though he or she now plans to attend the annual meeting, is requested to sign, date and return the enclosed proxy card without delay in the enclosed postage-paid envelope. You may revoke your proxy at any time prior to its exercise. Any stockholder present at the annual meeting or any adjournment or postponement thereof may revoke his or her proxy and vote personally on each matter brought before the meeting.

I look forward to welcoming you at the meeting.

Very truly yours,

/s/ Roberta L. McCaw

Roberta L. McCaw

Secretary

Marietta, Georgia
April 18, 2003

TABLE OF CONTENTS

PROXY STATEMENT

GENERAL INFORMATION

I. ELECTION OF DIRECTORS

CLASS II NOMINEES FOR THE TERM EXPIRING IN 2006

CLASS I DIRECTORS CONTINUING IN OFFICE UNTIL 2005

CLASS III DIRECTORS CONTINUING IN OFFICE UNTIL 2004

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

BOARD COMMITTEES AND ATTENDANCE

EXECUTIVE COMPENSATION

Summary Compensation Table

STOCK OPTIONS

Option Grants in Last Fiscal Year

STOCK OPTION EXERCISES

Aggregated Option Exercises in Last Fiscal Year and FY -- End Option Values

COMPENSATION COMMITTEE REPORT ON CORPORATE COMPENSATION

CEO COMPENSATION

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

REPORT OF THE AUDIT COMMITTEE AND RELATED MATTERS

PERFORMANCE GRAPH

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

STOCKHOLDER PROPOSALS AT THE COMPANY'S NEXT ANNUAL MEETING OF

STOCKHOLDERS

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

ANNUAL REPORT AND FINANCIAL STATEMENTS

GENERAL

Table of Contents

MATRIA HEALTHCARE, INC.

1850 Parkway Place
Marietta, Georgia 30067

PROXY STATEMENT

**ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 21, 2003**

GENERAL INFORMATION

This proxy statement and the accompanying proxy card are being furnished to stockholders in connection with the solicitation of proxies by the Board of Directors of Matria Healthcare, Inc., a Delaware corporation (the Company), for use at the 2003 Annual Meeting of Stockholders (the Annual Meeting) to be held on Wednesday, May 21, 2003 at 11:00 a.m. local time at 1850 Parkway Place, Suite 320, Marietta, Georgia 30067, and at any adjournment or postponement thereof.

At the Annual Meeting, stockholders will consider and vote upon a proposal to elect two Class II directors and such other matters as properly may come before the Annual Meeting. The Board unanimously urges stockholders to vote FOR the re-election of the Class II directors.

It is anticipated that this proxy statement, the accompanying proxy and the 2002 Annual Report to Stockholders will first be mailed to the Company's stockholders on or about April 18, 2003.

Record Date

The Board of Directors has fixed the close of business on April 4, 2003 as the record date (the Record Date) for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and at any adjournment or postponement thereof. At the close of business on the Record Date, 10,104,100 shares of Common Stock were issued and outstanding.

Proxies

When a proxy card is returned, properly signed and dated, the shares represented thereby will be voted in accordance with the instructions on the proxy card. If a stockholder does not attend the Annual Meeting and does not return the signed proxy card, such stockholder's shares will not be voted. If a stockholder returns a signed proxy card but does not indicate how his or her shares are to be voted, such shares will be voted FOR the election of the two Class II directors named herein. As of the date of this proxy statement, the Board of Directors does not know of any other matters that are to come before the Annual Meeting. If any other matters are properly presented at the Annual Meeting for consideration, the persons named in the enclosed form of proxy and acting thereunder will have discretion to vote on such matters in accordance with their best judgment.

Any proxy given may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing with the Secretary of the Company, at or before the taking of the vote at the Annual Meeting, a written notice of revocation bearing a later date than the proxy, (ii) duly executing a later dated proxy relating to the same shares of Common Stock and delivering it to the Secretary of the Company at or before the taking of the vote at the Annual Meeting or (iii) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute a revocation of a proxy). Any written notice of revocation or subsequent proxy should be sent so as to be delivered to Matria Healthcare, Inc., 1850 Parkway Place, Marietta, Georgia 30067, Attention: Secretary, or hand delivered to the Secretary of the Company at or before the taking of the vote at the Annual Meeting.

The Company will bear the cost of the solicitation of proxies from its stockholders. In addition to solicitation by use of the mails, proxies may be solicited by directors, officers and employees of the Company

Table of Contents

in person or by telephone or other means of communication. Such directors, officers and employees will not be additionally compensated, but may be reimbursed for out-of-pocket expenses incurred in connection with such solicitation. Arrangements also will be made with custodians, nominees and fiduciaries for the forwarding of proxy solicitation materials to beneficial owners of shares held of record by such custodians, nominees and fiduciaries, and the Company will reimburse such custodians, nominees and fiduciaries for reasonable expenses incurred in connection therewith. In addition, D. F. King & Co., Inc. will assist in the solicitation of proxies by the Company for a fee of \$5,500, plus reimbursement of reasonable out-of-pocket expenses.

Quorum

The presence, either in person or by properly executed proxies, of the holders of a majority of the outstanding shares of the Company's Common Stock is necessary to constitute a quorum at the Annual Meeting. Abstentions and shares held by a broker as nominee (i.e., in street name) that are represented by proxies at the Annual Meeting, but that the broker fails to vote on one or more matters as a result of incomplete instructions from the beneficial owner of the shares (broker non-votes), also will be treated as present for quorum purposes.

Vote Required

The Company's stockholders are entitled to one vote at the Annual Meeting for each share of Common Stock held of record by them on the Record Date. The affirmative vote of the holders of a plurality of the shares of Common Stock present in person or represented by proxy at the Annual Meeting is required to elect the Class II directors. Votes may be cast for or withheld from each nominee for Class II director. Under applicable Delaware law, broker non-votes represented at the meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal, and abstentions will have no effect on the vote for the election of Class II directors.

I. ELECTION OF DIRECTORS

Background

Under the Company's Certificate of Incorporation, the Board of Directors is divided into three classes, with approximately one-third of the directors standing for election each year. The two nominees for election this year are Frederick E. Cooper and Frederick P. Zuspan, M.D. Each has consented to serve for an additional term. If any director is unable to stand for election, the board of directors may, by resolution, provide for a lesser number of directors or designated substitute. In the latter event, shares represented by proxies may be voted for a substitute director.

The Board of Directors recommends a vote FOR the Class II nominees set forth below.

CLASS II NOMINEES FOR THE TERM EXPIRING IN 2006

Frederick E. Cooper, age 61, was elected to the Board on October 22, 2002. Since January 1998, Mr. Cooper has been Chairman of Cooper Capital, LLC, a private investment firm that he founded. Prior to joining Cooper Capital, Mr. Cooper was Chairman and Chief Executive Officer of CooperSmith, Inc., a producer and distributor of baked goods, which was sold to The Earthgrains Company in January 1998. Prior thereto, Mr. Cooper served for 16 years with Flowers Industries, Inc., a Fortune 500 food company, holding the positions of President and Vice Chairman and Executive Vice President and General Counsel.

Frederick P. Zuspan, M.D., age 81, has served as a director of the Company since the formation of the Company through the merger (the Merger) of Healthdyne Maternity Management (HMM), a division of Healthdyne, Inc. (Healthdyne) and Tokos Medical Corporation on March 8, 1996 (the Merger Date) and previously served as a director of Healthdyne from 1993 until the Merger. Dr. Zuspan, who has been a physician since 1951, has been Professor and Chairman Emeritus, Department of Obstetrics and Gynecology at the Ohio State University College of Medicine since July 1991 and Editor-in-Chief of the American

Table of Contents

Journal of Obstetrics and Gynecology since 1991 and as an editor since 1969. From 1987 to 1991 Dr. Zuspan was Professor of the Ohio State University College of Medicine and from 1975 to 1987 was Professor and Chairman of the Department of Obstetrics and Gynecology at the Ohio State University College of Medicine at the University of Chicago, Pritzker School of Medicine from 1966 to 1975, and at the Medical College of Georgia from 1960 to 1966.

CLASS I DIRECTORS CONTINUING IN OFFICE UNTIL 2005

Guy W. Millner, age 67, has been a director of the Company since October 4, 2000. Mr. Millner is Chairman of MI Holdings, a private investment firm. Until the fall of 1997, he was Chairman of Norrell Corporation, a staffing services and outsourcing firm, which he founded in 1961. From 1997 until July 1999, he served as a director of Norrell Corporation, at which time Norrell Corporation merged with Spherion Corporation. Mr. Millner is also Chairman of AssuranceAmerica Corporation, an insurance-oriented holding company, that combined with Brainworks Ventures, Inc.

Carl E. Sanders, age 77, has served as a director of the Company since the Merger Date and previously served as a director of Healthdyne from 1986 until the Merger. Mr. Sanders, a former governor of the State of Georgia, is Chairman of Troutman Sanders LLP, an Atlanta based law firm that provides legal services to the Company.

Thomas S. Stribling, age 60, has served as a director of the Company since May 18, 2000. Mr. Stribling has been President and Chief Executive Officer of DermaCo, Inc., a development stage dermatology company since September 1, 2002 and was an entrepreneur and private investor from September 1999 to September 2001. From 1998 to September 1999, he was President, Chief Executive Officer and a board member of Scandipharm, Inc., a privately held pharmaceutical company. From 1997 to 1998, he was Vice Chairman and Chairman of the Advisory Board of Legacy Securities Corporation, an investment banking and securities group, and from 1994 to 1996, he was President of UCB Pharma, Inc., a division of a Belgian-based pharmaceutical company.

CLASS III DIRECTORS CONTINUING IN OFFICE UNTIL 2004

Parker H. Petit, age 63, has served as Chairman of the Board of the Company since the Merger Date and as President and Chief Executive Officer since October 5, 2000. In addition, he served as a member of the three-person Office of the President during a brief period in 1997. Mr. Petit was the founder of Healthdyne and served as its Chairman of the Board of Directors and Chief Executive Officer from 1970 until the Merger. Mr. Petit is also a director of Intelligent Systems Corp. and Logility, Inc.

Donald W. Weber, age 66, has served as a director of the Company since May 18, 2000. Mr. Weber is a private investor. He was President and Chief Executive Officer of Viewstar Entertainment Services, Inc., a distributor of satellite entertainment systems, from August 1993 until November 1997. Prior thereto, from 1987 to 1991, he was President and Chief Executive Officer of Contel Corporation, a telecommunications supplier, which was sold in 1991 to GTE Corp.

Morris S. Weeden, age 83, has served as a director of the Company since the Merger Date and previously served as a director of Healthdyne from 1987 until the Merger. Mr. Weeden, who is retired, was Vice Chairman Board of Directors of Morton Thiokol Inc., a salt, chemical, household and aerospace products manufacturer, from March 1980 to December 1984. Previous positions held by Mr. Weeden include Executive Vice President of Morton Norwich Products, Inc. in charge of pharmaceutical operations, President of Morton International, a pharmaceutical division of Morton Norwich Products, Inc., and President of Bristol Laboratories, a pharmaceutical division of Bristol Myers Corp.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information as to the beneficial ownership of shares of the Company's Common Stock as of April 1, 2003 by (i) all stockholders known by the Company to be the beneficial owners of more than five percent of its Common Stock, (ii) each director of the Company, (iii) each executive officer named in the Executive Compensation section below, and (iv) all executive officers and directors as a group. Unless otherwise indicated, the holders listed below have sole voting and investment power with respect to all shares beneficially owned by them.

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership(1) | Percent of Class(2) |
|--|---|------------------------|
| Safeco Corporation(3) | 842,175 | 8.3% |
| Wellington Management Company, LLP(4) | 894,100 | 8.8% |
| Vanguard Explorer Fund(5) | 601,400 | 6.0% |
| Dimensional Fund Advisors, Inc.(6) | 614,150 | 6.1% |
| Gruber and McBaine Capital Management, LLC(7) | 733,119 | 7.3% |
| Jon D. Gruber(7) | 733,119 | 7.3% |
| J. Patterson McBaine(7) | 733,119 | 7.3% |
| Eric B. Swergold(7) | 733,119 | 7.3% |
| Parker H. Petit(8) | 602,045 | 6.0% |
| Jeffrey D. Koepsell | 3,000 | |
| Roberta L. McCaw(9) | 19,237 | |
| Yvonne V. Scoggins(10) | 21,561 | |
| Thornton A. Kuntz, Jr(11) | 22,958 | |
| Frederick E. Cooper(12) | 520 | |
| Guy W. Millner(13) | 18,928 | |
| Carl E. Sanders(14) | 22,421 | |
| Thomas S. Stribling(15) | 12,535 | |
| Donald W. Weber(16) | 16,091 | |
| Morris S. Weeden(17) | 23,125 | |
| Frederick P. Zuspan(18) | 27,454 | |
| All current executive officers and directors as a group (13 persons) | 786,875 | 7.8% |

Less than 1%

- (1) Under the rules of the Securities and Exchange Commission (the "SEC"), a person is deemed to be a beneficial owner of a security if he or she has or shares the power to vote or to direct the voting of such security ("voting power") or the power to dispose or to direct the disposition of such security ("investment power"). A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days as well as any securities owned by such person's spouse, children or relatives living in the same house. Accordingly, more than one person may be deemed to be a beneficial owner of the same securities.
- (2) Based on 10,104,100 shares of Common Stock outstanding on April 1, 2003. With respect to each person or group in the table, assumes that such person or group has exercised all options, warrants and other rights to purchase Common Stock which he or she beneficially owns and which are exercisable within 60 days and that no other person has exercised any such rights.
- (3) The number of shares owned is based on information contained in a report on Schedule 13G filed with the SEC on February 3, 2003. The address of Safeco Corporation is Safeco Plaza, Seattle, Washington 98185.
- (4) The number of shares owned is based on information contained in a report on Schedule 13G filed with the SEC on February 14, 2003. The address of Wellington Management Company, LLP ("WMC") is

Table of Contents

75 State Street, Boston, Massachusetts 02109. According to its Schedule 13G, WMC, in its capacity as investment adviser, may be deemed to beneficially own 896,100 shares of the Company's Common Stock, which shares are held of record by clients of WMC. WMC reports that it has no power to vote or direct the vote of such shares and shared power to dispose or direct the disposition of such shares, while its clients have the right to receive, or direct the receipt of, dividends from, or proceeds from the sale of, such shares.

- (5) The number of shares owned is based on information contained in a report on Schedule 13G filed with the SEC on February 12, 2003. According to its Schedule 13G, Vanguard Explorer Fund has the sole power to vote or direct the vote of such shares and shared power to dispose or direct the disposition of such shares. The address of Vanguard Explorer Fund is Post Office Box 2600, Valley Forge, Pennsylvania 19482.
- (6) The number of shares owned is based on information contained in a report on Schedule 13G filed with the SEC on January 30, 2002. The address of Dimensional Fund Advisors, Inc. is 1299 Ocean Avenue, 11th Floor, Santa Monica, California 90401.
- (7) The number of shares owned is based on information contained in a report on Schedule 13G filed with the SEC on March 28, 2003. The address of these beneficial owners is 50 Osgood Place, Penthouse, San Francisco, CA 94133. According to the Schedule 13G filed by Gruber and McBaine Capital management, LLC, Jon D. Gruber, J. Patterson McBaine, Eric B. Swergold, and Gruber and McBaine Capital Management, LLC possesses shared voting and investment power with respect to 733,119 shares. John D. Gruber has the sole voting power of 72,150 shares and shared voting and investment power with respect to 733,119 shares. J. Patterson McBaine has sole voting and investment power with respect to 66,212 shares and shared voting and investment power with respect to 733,119 shares. Eric B. Swergold has shared voting and investment power with respect to 733,119 shares.
- (8) Represents 531,814 shares owned by Mr. Petit, 13,125 shares held by Petit Investments Limited Partnership, 2,500 shares held by Petit Grantor Trust, 2,940 shares owned by his spouse, and 51,666 shares which are subject to purchase upon exercise of options exercisable within 60 days.
- (9) Represents 5,385 shares owned by Ms. McCaw, 500 shares held by her minor children and 13,352 shares which are subject to purchase upon exercise of options exercisable within 60 days.
- (10) Represents 4,348 shares owned by Ms. Scoggins and 17,213 shares which are subject to purchase upon exercise of options exercisable within 60 days.
- (11) Represents 4,401 shares owned by Mr. Kuntz and 18,557 shares which are subject to purchase upon exercise of options exercisable within 60 days.
- (12) Represents shares which are subject to purchase upon exercise of options exercisable within 60 days.
- (13) Represents 17,053 shares owned by Mr. Millner and 1,875 shares which are subject to purchase upon exercise of options exercisable within 60 days.
- (14) Represents 3,046 shares owned by Mr. Sanders and 19,375 shares which are subject to purchase upon exercise of options exercisable within 60 days.
- (15) Represents 5,660 shares owned by Mr. Stribling and 6,875 shares which are subject to purchase upon exercise of options exercisable within 60 days.
- (16) Represents 5,000 shares owned by Mr. Weber, 4,216 shares owned by a partnership in which Mr. Weber has an interest and 6,875 shares which are subject to purchase upon exercise of options exercisable within 60 days.
- (17) Represents 3,750 shares owned by Mr. Weeden and 19,375 shares which are subject to purchase upon exercise of options exercisable within 60 days.
- (18) Represents 2,917 shares owned by Dr. Zuspan, 125 shares held by Zuspan & Associates Partnership, 3,787 shares owned by Dr. Zuspan's spouse and 20,625 shares which are subject to purchase upon exercise of options exercisable within 60 days.

Table of Contents

BOARD COMMITTEES AND ATTENDANCE

In addition to an executive committee and other single purpose committees established from time to time to assist the Board of Directors with particular tasks, the Company's Board of Directors has the following standing committees: a Compensation Committee, an Audit Committee and a Corporate Governance and Nominating Committee.

The Compensation Committee is composed of Frederick P. Zuspan, M.D., Frederick E. Cooper and Thomas S. Stribling. The Compensation Committee is responsible for the recommendation and approval of salaries of executive officers and the review and approval of incentive plans, including stock options and related programs. The Compensation Committee held six meetings during the year ended December 31, 2002.

The Audit Committee is composed of Donald W. Weber, Guy W. Millner and Morris S. Weeden. All members of the Audit Committee are independent as defined by the listing standards of the National Association of Securities Dealers. Pursuant to its written charter, the Audit Committee evaluates the independence and performance of the Company's independent accountants, handles relations with the Company's independent accountants and evaluates the integrity of the Company's financial reporting process and its policies and procedures relating to internal accounting functions and controls. The Audit Committee pre-approves audit and non-audit services to be performed by the Company's independent auditors in accordance with the Sarbanes-Oxley Act of 2002 and the regulations thereunder. The Audit Committee held six meetings during the year ended December 31, 2002.

The Corporate Governance and Nominating Committee (the Governance Committee) was established on February 20, 2003 to replace the former Nominating Committee. The Governance Committee is composed of Frederick E. Cooper, Guy W. Millner, Carl E. Sanders and Donald W. Weber. The Governance Committee identifies, screens and recommends candidates for appointment to the Board of Directors for consideration by the full Board of Directors and by the stockholders of the Company, evaluates and makes recommendations to the full Board of Directors concerning the number and accountability of Board committees and assignments to such committees, develops and recommends to the Board of Directors for its approval a set of corporate governance guidelines, periodically reviews and makes recommendations to the full Board of Directors compensation, orientation, continuing education and retirement policies for directors, and reviews issues and developments relating to corporate governance and makes recommendations related thereto to the full Board of Directors. The Governance Committee will consider a candidate for director proposed by a stockholder. A candidate must be highly qualified and be both willing and expressly interested in serving on the Board of Directors. A stockholder wishing to propose a candidate for the Governance Committee's consideration should forward the candidate's name and information about the candidate's qualifications to Matria Healthcare, Inc., 1850 Parkway Place, Marietta, Georgia 30067, Attention: Corporate Secretary. The former Nominating Committee held two meetings during the year ended December 31, 2002.

During the year ended December 31, 2002, the Board of Directors held ten meetings. Each of the incumbent directors who served as directors during 2002 attended more than 75% of the total number of Board meetings and meetings of committees of which he was a member during 2002.

Table of Contents**EXECUTIVE COMPENSATION**

The following table sets forth compensation paid to the Company's Chief Executive Officer and each executive officer named in this section for their services in all capacities to the Company and its subsidiaries in fiscal years 2002, 2001 and 2000:

Summary Compensation Table

| Name and Principal Position | Year | Annual Compensation | | Long-term Compensation Awards | All Other Compensation \$(1) |
|---|------|---------------------|-----------|-------------------------------------|------------------------------------|
| | | Salary(\$) | Bonus(\$) | Securities Underlying Options(#) | |
| Parker H. Petit(2) | 2002 | \$447,861 | 0 | 24,325 | \$203,130 |
| Chairman of the Board, President and Chief Executive Officer | 2001 | 425,038 | 0 | 238,750 | 524,186 |
| | 2000 | 96,924 | 0 | 41,250 | 472,603 |
| Jeffrey D. Koepsell(3) | 2002 | \$334,767 | 0 | 14,130 | \$ 279 |
| Executive Vice President and Chief Operating Officer | 2001 | 320,031 | 0 | 119,935 | 279 |
| | 2000 | 189,231 | 0 | 22,500 | 300 |
| Roberta L. McCaw | 2002 | \$207,870 | \$25,186 | 3,140 | \$ 84,337 |
| Vice President Legal, General Counsel and Secretary | 2001 | 195,023 | 0 | 10,430 | 115,122 |
| | 2000 | 175,108 | 0 | 4,430 | 72,935 |
| Yvonne V. Scoggins | 2002 | \$187,068 | \$22,560 | 2,857 | \$ 96,292 |
| Vice President Financial Planning and Analysis | 2001 | 181,359 | 21,902 | 10,031 | 130,113 |
| | 2000 | 174,208 | 0 | 4,031 | 91,100 |
| Thornton A. Kuntz, Jr. | 2002 | \$183,756 | \$22,160 | 2,857 | \$ 93,965 |
| Vice President Administration | 2001 | 177,875 | 0 | 8,031 | 128,821 |
| | 2000 | 170,075 | 0 | 4,031 | 83,038 |

- (1) Details of amounts reported in All Other Compensation column are provided in the table below.
- (2) Mr. Petit was elected President and Chief Executive Officer on October 4, 2000.
- (3) Mr. Koepsell was elected to this position on May 17, 2000. Mr. Koepsell's employment with the Company terminated effective December 31, 2002.

Table of Contents

| Item | Year | Mr. Petit | Mr. Koepsell | Ms. McCaw | Ms. Scoggins | Mr. Kuntz |
|---|-------------|------------------|---------------------|------------------|---------------------|------------------|
| Officer Term Life Insurance | 2002 | \$ 29,409 | \$ 279 | \$ 195 | \$ 175 | \$ 172 |
| | 2001 | 29,698 | 279 | 167 | 165 | 160 |
| | 2000 | 30,098 | 300 | 144 | 156 | 157 |
| Split Dollar Insurance Premium Value(1) | 2002 | \$173,721 | \$ 0 | \$ 78,142 | \$ 90,117 | \$ 88,278 |
| | 2001 | 280,088 | 0 | 109,855 | 124,848 | 123,561 |
| | 2000 | 330,005 | 0 | 67,691 | 85,844 | 77,781 |
| 401(k) Matching Contributions | 2002 | \$ 0 | \$ 0 | \$ 6,000 | \$ 6,000 | \$ 5,515 |
| | 2001 | 0 | 0 | 5,100 | 5,100 | 5,100 |
| | 2000 | 0 | 0 | 5,100 | 5,100 | 5,100 |
| Non-Employee Board Retainer | 2002 | N/A | N/A | N/A | N/A | N/A |
| | 2001 | N/A | N/A | N/A | N/A | N/A |
| | 2000 | \$112,500 | N/A | N/A | N/A | N/A |
| Loan Forgiveness(2) | 2002 | N/A | N/A | N/A | N/A | N/A |
| | 2001 | \$214,400 | N/A | N/A | N/A | N/A |
| | 2000 | N/A | N/A | N/A | N/A | N/A |
| Total All Other Compensation | 2002 | \$203,130 | \$ 279 | \$ 84,337 | \$ 96,292 | \$ 93,965 |
| | 2001 | 524,186 | 279 | 115,122 | 130,113 | 128,821 |
| | 2000 | 472,603 | 300 | 72,935 | 91,100 | 83,038 |

(1) See Termination of Employment and Change-in-Control Arrangements .

(2) In connection with his appointment as Chief Executive Officer, the Company made a loan to Mr. Petit in the principal sum of \$200,000. The loan bore interest at a rate of 6% per annum and matured on January 1, 2002. By its terms, the principal and interest on the note were to be forgiven at maturity if Mr. Petit was still employed by the Company (or his employment was previously terminated due to his death or disability) and since the date of issuance of the note, the Company's common stock had traded at a price of at least \$24 per share. The applicable criteria for forgiveness were met and the note and accrued interest were forgiven.

STOCK OPTIONS

The following table contains information concerning the grant of stock options to the Chief Executive Officer and each executive officer named in the Executive Compensation table during 2002:

Option Grants in Last Fiscal Year

| Name | Individual Grants | | | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1) | |
|------------------------|---|--|---------------------------------------|------------------------|--|----------------|
| | Number of Securities Underlying Options Granted(#) | % of Total Options/SARs Granted to Employees in Fiscal Year | Exercise or Base Price (\$/Sh) | | 5%(\$) | 10%(\$) |
| Parker H. Petit | 24,335(2) | 5.3% | \$18.55 | 2/19/2112 | \$283,892 | \$719,438 |
| Jeffrey D. Koepsell | 14,130(2) | 3.1% | \$18.55 | 2/19/2112 | 164,841 | 417,738 |
| Roberta L. McCaw | 3,140(2) | 0.6% | \$18.55 | 2/19/2112 | 36,631 | 92,831 |
| Yvonne V. Scoggins | 2,857(2) | 0.6% | \$18.55 | 2/19/2112 | 33,330 | 84,464 |
| Thornton A. Kuntz, Jr. | 2,857(2) | 0.6% | \$18.55 | 2/19/2112 | 33,330 | 84,464 |

Table of Contents

- (1) Based on actual option term and annual compounding. These amounts are calculated pursuant to applicable requirements of the SEC and do not represent a forecast of the future appreciation of the Company's Common Stock.
- (2) These options to purchase the Company's Common Stock were granted on February 19, 2002 as follows: a total of 36,895 shares under the Company's 2001 Stock Incentive Plan (the "2001 Plan") and 10,424 shares under the Company's 2000 Stock Incentive Plan (the "2000 Plan"). Full vesting shall occur not before two years and not later than four years from the date of grant, based on performance vesting thresholds.

STOCK OPTION EXERCISES

The following table sets forth information with respect to the Chief Executive Officer and the executive officers named in the Executive Compensation table concerning the exercise of options in 2002 and unexercised options held as of the end of the fiscal year:

Aggregated Option Exercises in Last Fiscal Year

and FY End Option Values