

HUMANA INC
Form DEF 14A
March 12, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

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Humana Inc.

(Name of Registrant as Specified In Its Charter)

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

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March 12, 2004

Dear Fellow Stockholders:

We would like to invite you to attend the Annual Meeting of Stockholders of Humana Inc. to be held on Thursday, April 22, 2004, at 10:00 a.m., EDT at the Company's headquarters, 500 West Main Street, 25th Floor Auditorium, Louisville, Kentucky and to be webcast via the Internet at the Investor Relations section of the Company's web site at www.humana.com. The attached Proxy Statement contains information about our Company and the election of individuals for our Board of Directors. Please give this information your careful attention.

Enclosed are:

- The notice of meeting
- The Proxy Statement
- Annual Report on Form 10-K
- A proxy card
- A postage-paid envelope

We hope you can attend the meeting. However, if you are unable to join us, we urge you to exercise your right as a stockholder and vote. The vote of every stockholder is important.

Stockholders that have access to the Internet have the opportunity to receive this Proxy Statement electronically. If you have not already done so for this year, we encourage you to elect this method of receiving the Proxy Statement next year. Not only will you have access to the document as soon as it is available, but you will be helping the Company reduce expenses.

This Proxy Statement is being mailed or transmitted on or about March 12, 2004 to the Company's stockholders of record.

Sincerely,

David A. Jones

Chairman of the Board and

Michael B. McCallister

Director, President,

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Significant Stockholder

Chief Executive Officer

and Significant Stockholder

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Humana Inc.

March 12, 2004

Notice of Annual Meeting of Stockholders

Thursday, April 22, 2004

10:00 a.m., EDT

Humana Building

25th Floor Auditorium

500 West Main Street

Louisville, Kentucky 40202

AGENDA

1. Elect eight (8) directors; and
2. Transact any other business properly brought before the meeting.

Stockholders of record at the close of business on March 1, 2004 will be entitled to vote.

Your vote is important so that as many shares as possible will be represented. Please vote by one of the following methods:

BY INTERNET

BY TELEPHONE

BY RETURNING THE ENCLOSED PROXY CARD

(see instructions on proxy card).

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By Order of the Board of Directors,

Joan O. Lenahan

Secretary

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FREQUENTLY ASKED QUESTIONS

Q: When will this proxy statement be sent to stockholders?

A: This proxy statement is being sent on or about March 12, 2004 to stockholders of record. It will also be available on the Company's web site www.humana.com as of that date.

Q: When and where is the annual meeting?

A: The Annual Meeting will be held on Thursday, April 22, 2004 at 10:00 a.m. EDT at 500 W. Main Street, Louisville, Kentucky 40202 at The Humana Building, 25th Floor Auditorium.

Q: What am I voting on?

A: You are being asked to elect eight (8) individuals to serve on the Board of Directors of the Company.

The Board of Directors is not aware of any other matters to be presented for action at the Annual Meeting. However, if other matters are presented for a vote, the proxies will be voted for these matters in accordance with the judgment of the persons acting under the proxies.

Q: How does the Board recommend I vote on the proposal?

A: The Board recommends that you vote **FOR** each of the nominees.

All Shares of Company common stock that are represented at the Annual Meeting by properly executed proxies received before or at the Annual Meeting and not revoked will be voted at the Annual Meeting in accordance with the instructions indicated in the proxies. If no instructions are indicated, the executed proxies will be voted **FOR** approval of the election of the Board of Directors.

Q: Who is entitled to vote?

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A: Anyone who owns Humana Inc. common stock (Shares) as of the close of business on March 1, 2004 (the Record Date) is entitled to vote at the Annual Meeting or any adjournment or postponement of the Annual Meeting.

Q: What is a quorum ?

A: A quorum is a majority of the outstanding Shares. Shares may be voted at the Annual Meeting or represented by a signed proxy card. There must be a quorum for the Annual Meeting to be held.

Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining whether a quorum exists. A broker non-vote occurs when a nominee holding Shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

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The Company believes that pursuant to current New York Stock Exchange regulations, brokers will have discretionary voting power over director elections, and therefore, there should be no broker non-votes.

Q: How many Shares are eligible to vote?

A: As of the Record Date, March 1, 2004, 162,109,152 Shares of Company common stock were outstanding and entitled to vote. Every stockholder is entitled to one vote for each Share held.

Q: What if my Shares are not registered in my name?

A: If you own your Shares in street name, meaning that your broker is actually the record owner, you should receive proxy materials from your broker. When you own your Shares in street name, you are deemed a beneficial owner or holder for voting purposes.

Q: How do I vote?

A: There are four ways that you can vote your Shares. **PLEASE CHOOSE ONLY ONE OF THE FOLLOWING:**

- 1.) **By Internet.** The web site for voting is at <http://www.ProxyVote.com>.

In order to vote on the Internet, you need the control number on your proxy card. Each stockholder has a unique control number so we can ensure all voting instructions are genuine and prevent duplicate voting. The Internet voting system is available 24 hours a day, seven days a week, until 11:59 p.m. on Wednesday, April 21, 2004.

Once you are logged on the Internet voting system, you can record and confirm (or change) your voting instructions. If you use the Internet voting system, you do not need to return your proxy card.

- 2.) **By telephone.** If you are in the United States or Canada, you may use one of two toll-free numbers. Registered Holders should call 1-800-690-6903 and Beneficial Holders should call 1-800-454-8683. The telephone voting system is available 24 hours a day, seven days a week, until 11:59 p.m. on Wednesday, April 21, 2004.

In order to vote by telephone, you need the control number on your proxy card. Each stockholder has a unique control number so we can ensure all voting instructions are genuine and prevent duplicate voting.

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Once you are logged on the telephone voting system, a series of prompts will tell you how to record and confirm (or change) your voting instructions. If you use the telephone voting system, you do not need to return your proxy card.

- 3.) **By mail.** Mark your voting instructions, sign and date the proxy card and then return it in the postage-paid envelope provided. If you mail your proxy card, we must receive it before 10:00 a.m. EDT on Thursday, April 22, 2004, the day of the Annual Meeting.

If you are returning your proxy card to ADP, they must receive it before 10:00 a.m. EDT on Wednesday, April 21, 2004, the day before the Annual Meeting.

If we receive your signed proxy card, but you do not give voting instructions, our representatives will vote your shares **FOR** approval of the election of all members of the Board of Directors. If any other matters arise during the Annual Meeting that require a vote, the representatives will exercise their discretion.

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- 4.) **In person.** Attend the Annual Meeting. However, you can vote by methods 1, 2 or 3 above and still attend the Annual Meeting.
-

Q: How do I vote the shares held in the Humana Common Stock Fund of the Humana Retirement and Savings Plan (HRSP)?

- A: If you have money in the Humana Common Stock Fund of the HRSP, you may vote. Under the HRSP your voting rights are based on your interest the amount of money you have invested in the Humana Common Stock Fund.

You may exercise these voting rights in almost the same way that stockholders may vote their Shares, but you have an earlier deadline, and you provide your voting instructions to the HRSP Trustee. The Trustee will aggregate the votes of all participants and provide voting information to the Company. If your voting instructions are received by 11:59 p.m. Eastern Time on Tuesday, April 20, 2004, the trustee will submit a proxy that reflects your instructions. If you do not give voting instructions (or give them late), the trustee will vote your interest in the Humana Common Stock Fund in the same proportion as the Shares actually voted.

You may send your instructions to the plan trustee by using the Internet, telephone or mail methods described above. **You cannot vote in person at the Annual Meeting.**

Your voting instructions will be kept confidential under the terms of the HRSP.

Q: How many votes are required to elect each director?

- A: Nominees receiving the greatest number of votes duly cast (called a plurality) will be elected.

Abstentions will be counted for purposes of determining whether a quorum is present at the Annual Meeting, but will not be counted for purposes of calculating a plurality. Therefore, abstentions will have no impact as to the election of directors.

Q: Who will count the votes?

- A: Automatic Data Processing Investor Communication Services (ADP) will tabulate the votes cast by proxy. In addition, the Company s Inspectors of Election will tabulate the votes cast at the Annual Meeting together with the votes cast by proxy.
-

Q: How do I revoke my proxy?

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A: You have the right to revoke your proxy at any time before the meeting.

Your method of doing so, will depend upon how you originally voted:

By Internet simply log in and resubmit your vote ADP will only count the last instructions;

By Telephone simply sign in and resubmit your vote ADP will only count the last instructions;

By Mail you must give written notice of revocation to the Automatic Data Processing, Investor Communication Services, 51 Mercedes Way, Edgewood, NY 11717 or by fax at (515) 254-7733, submit another properly signed proxy with a more recent date, or vote in person at the meeting. For written and fax notices, you must include the control number that is printed on the upper portion of the proxy card.

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Q: What if I received more than one set of materials?

A: The Securities and Exchange Commission recently approved a new rule concerning the delivery of annual disclosure documents. The rule allows us to send a single set of our annual report and proxy statement to any household at which two or more stockholders reside if we believe the stockholders are members of the same family. This rule benefits both you and Humana. It reduces the volume of duplicate information received at your household and helps to reduce Humana's expenses. The rule applies to Humana's annual reports, proxy statements or information statements. Each stockholder will continue to receive a separate proxy card or voting instruction card.

If your household received a single set of disclosure documents for this year, but you would prefer to receive your own copy; or if you share an address with another Humana stockholder and together both of you would like to receive only a single set of Humana's annual disclosure documents for future mailings, follow these instructions:

Please contact ADP and inform them of your request by calling them at (888) 603-5847 or writing them at Householding Department, 51 Mercedes Way, Edgewood, NY 11717. Be sure to identify Humana and include your name, address, the name of your brokerage firm (if applicable) and your account number.

Q: When are the stockholder proposals for the 2005 Annual Meeting due?

A: Stockholder proposals for inclusion in the proxy materials relating to the annual meeting of stockholders to be held in April 2005 must be submitted to the Corporate Secretary in writing no later than November 12, 2004. Proposals should be submitted to Joan O. Lenahan, Secretary, Humana Inc., 500 W. Main Street, Louisville, KY 40202.

Q: How much did this proxy solicitation cost?

A: D. F. King & Co., Inc. was hired to assist in the distribution of proxy materials and solicitation of votes for \$10,000 plus expenses.

The Company has also engaged ADP to assist in the distribution of proxy materials and the accumulation of votes through the Internet, telephone and coordination of mail votes for approximately \$30,000 plus expenses.

The Company will reimburse stockbrokers, other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation material to our stockholders.

Q: How can I obtain additional information about the Company?

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A: Included with this mailing is a copy of our Annual Report on Form 10-K for the year ended December 31, 2003. The Company's Annual Report on Form 10-K and all other filings with the Securities and Exchange Commission may also be accessed via the Investor Relations section on the Company's web site at www.humana.com. We encourage you to visit our web site.

Q: Where can I find voting results for this Annual Meeting?

A: The voting results will be published in the Company's Form 10-Q for the period ending June 30, 2004 which will be filed with the Securities and Exchange Commission on or before August 9, 2004. The voting results will also be published on the Company's web site at www.humana.com within three business days of our Annual Meeting.

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CORPORATE GOVERNANCE

Humana Inc. (also referred to as Humana or the Company) is committed to having sound corporate governance principles and operates within a comprehensive plan of corporate governance for the purpose of defining responsibilities, setting high standards of professional and personal conduct and assuring compliance with such responsibilities and standards. Sound corporate governance is essential to running the Company's business effectively and to maintaining the Company's reputation of integrity in the marketplace. The Company's Corporate Governance Guidelines were adopted by the Board of Directors and are intended to comply with the requirements of Section 303A.09 of the New York Stock Exchange (NYSE) Listed Company Manual. The Guidelines are attached to this proxy statement as Appendix A and can also be viewed on our web site at www.humana.com.

Independent Directors

The Corporate Governance Guidelines adopted by the Board contain guidelines to assist the Board in its determination of director independence. To qualify as independent under these guidelines, the Board of Directors must affirmatively determine that a director has no material relationship with the Company, other than as a director. Pursuant to the guidelines, the Board of Directors undertook a review of director independence. During this review, the Board of Directors considered relationships and transactions during the prior fiscal year between each director, any member of his or her immediate family, and his or her affiliates, and the Company and its subsidiaries and affiliates. As a result of the review, the Board of Directors affirmatively determined that all of the directors, with the exception of Mr. McCallister, who is the Chief Executive Officer of the Company, are independent.

Committee Composition

The Board of Directors has the following committees: Audit, Executive, Investment, Medical Affairs, Nominating & Corporate Governance, and Organization & Compensation. Only directors meeting the Securities and Exchange Commission's and the NYSE's director independence standards may serve on the Audit Committee, the Nominating & Corporate Governance Committee and the Organization & Compensation Committee. Additional information regarding the Audit Committee and the Organization & Compensation Committee is included in this Proxy Statement under the caption Audit Committee Report and Organization & Compensation Committee Report .

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The number of meetings held in 2003 and membership as of the Record Date were as follows:

Current Committee Membership and Meetings Held During 2003

	Audit	Executive	Investment	Medical Affairs	Nominating & Corporate Governance	Organization & Compensation
Number of Meetings Held in 2003	6	1	2	2	3	4
NAME						
David A. Jones		C				
David A. Jones, Jr.		M	C	M	(1)	
Frank A. D. Amelio	(2)					
Michael E. Gellert	C	M	M			M
John R. Hall	M				C	M
Kurt J. Hilzinger			(3)			(3)
Irwin Lerner	(4)			(4)		(4)
Michael B. McCallister		M				
W. Ann Reynolds, Ph.D.			M	C	M	

C = Chair

M = Member

(1) David Jones, Jr. was a member of the Nominating & Corporate Governance Committee during 2003. Mr. Jones, Jr. is no longer a member of that committee.

(2) Frank A. D. Amelio was appointed to the Audit Committee in November 2003.

(3) Kurt J. Hilzinger joined the Investment Committee and the Organization & Compensation Committee in September 2003.

(4) Irwin Lerner was a member of the Audit and Medical Affairs Committees and was the chair of the Organization & Compensation Committee during 2003. Mr. Lerner will not stand for re-election to the Board of Directors.

Audit Committee

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Operates pursuant to a charter, which is attached to this proxy statement as Appendix B. The charter can also be viewed on our web site at www.humana.com.

Assists the Board of Directors with the oversight of the integrity of the Company's financial statements and disclosure and internal controls, the Company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence and the performance of the Company's internal audit function and the independent auditor.

Bears responsibility for the appointment, compensation, retention and oversight of the work of the registered public accounting firm engaged to prepare the audit report or perform other audit, review or attest services.

Reviews with the independent auditors, the Company's Internal Audit Department, and financial and accounting personnel, the effectiveness of the accounting and financial controls of the Company and makes recommendations for the improvement of such internal control procedures.

Reviews the internal audit function of the Company including the independence and authority of its reporting obligations, the proposed audit plans for the coming year, and the coordination of such plans with the independent auditors.

Reviews the financial statements and other information contained in the annual report and other reports to stockholders with management and the independent auditors to determine that the external auditors are satisfied with the disclosure and content of the financial statements to be presented to the stockholders and reviews any changes in accounting principles.

Confers independently with the internal auditors and the independent auditors.

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Determines the appropriateness of and approves the fees for audit and permissible non-audit services performed by the independent auditors.

Annually evaluates the Committee's performance.

The Board of Directors has determined that, with respect to Messrs. D. Amelio, Gellert, and Hall (who together comprise all the members of the Audit Committee), each is independent and each meets the Securities and Exchange Commission criteria for an audit committee financial expert.

The Report of the Audit Committee is set forth beginning on page 26 of this proxy statement.

PricewaterhouseCoopers LLP, the Company's independent auditor, reports directly to the Audit Committee.

The Board adopted the Humana Inc. Pre-Approval of Independent Auditors for Audit and Non-Audit Services Policy. The policy is attached to this proxy statement as Appendix C.

No member of the Board's Audit Committee serves on the audit committees of more than three publicly traded companies.

Organization & Compensation Committee

Operates pursuant to a charter, which is attached to this proxy statement as Appendix D. The charter can also be viewed on our web site at www.humana.com.

Reviews and approves the Company's goals and objectives relevant to the Chief Executive Officer's (CEO) compensation, evaluates the CEO's performance in light of those goals and objectives, and, either as a committee or together with the other independent directors, determines the CEO's compensation level based on this evaluation.

Makes recommendations to the Board with respect to executive officer compensation, incentive-compensation plans and equity-based plans.

Makes regular reports to the Board and proposes any necessary action to the Board.

Annually evaluates the Committee's performance.

The Report of the Organization & Compensation Committee is set forth beginning on page 29 of this proxy statement.

Executive Committee

Exercises all the powers of the Board of Directors except as otherwise provided by Delaware law and the Company's Bylaws during intervals between meetings of the Board.

Investment Committee

Establishes investment objectives and policies for the various investment portfolios of the Company and investment options available under various employee benefit plans.

Reviews investment results.

Medical Affairs Committee

Reviews medical matters which impact the provision of health care coverage.

Oversees the development and evaluates the effectiveness of products and clinical programs.

Supports the development of innovative business designs.

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Nominating & Corporate Governance Committee

Operates pursuant to a charter, which is attached to this proxy statement as Appendix E. The charter can also be viewed on our web site at www.humana.com.

Recommends to the full Board criteria for the selection and qualification of the members of the Board.

Evaluates and recommends for nomination by the Board candidates to be proposed for election by the stockholders at each annual meeting.

Seeks out and assists in the attraction of highly qualified candidates to serve on the Board.

Recommends for Board approval candidates to fill vacancies on the Board which occur between annual meetings.

Develops and recommends to the Board for approval, and periodically reviews, the Company's Corporate Governance Guidelines.

Studies and reviews with management the overall effectiveness of the organization of the Board and the conduct of its business, and makes appropriate recommendations to the Board.

Reviews the overall relationship of the Board and management.

Consideration of Director Nominees

Stockholder Nominees

The policy of the Nominating & Corporate Governance Committee is to consider properly submitted stockholder nominations for candidates for membership on the Board as described below under Identifying and Evaluating Nominees for Directors. In the course of evaluating nominations for Board membership, the Nominating & Corporate Governance Committee will look for individuals who have displayed high ethical standards, integrity, and sound business judgment, taking into account the current make-up of the Board and the specific needs of the Company and the Board. Stockholder nominations for election to the Board of Directors is an area governed by specific provisions in the Company's Bylaws, a copy of which is available on the Company's web site at www.humana.com. The Bylaws require that a stockholder provide written notice of intent to nominate a candidate for director no less than 60 days or more than 90 days prior to the scheduled date of the annual meeting of stockholders. Any stockholder nominations proposed for consideration by the Nominating & Corporate Governance Committee should include the nominee's name and qualifications for Board membership and should be sent to :

Corporate Secretary

Humana Inc.

500 West Main Street, 27th Floor

Louisville, Kentucky 40202

Director Qualifications

The Company's Corporate Governance Guidelines contain Board membership criteria that apply to Nominating & Corporate Governance Committee recommended nominees for a position on the Company's Board. The Board will have a majority of directors who meet the criteria for independence established by the New York Stock Exchange and the Securities and Exchange

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Commission. The Organization & Compensation Committee members must also meet the independence criteria of the Internal Revenue Code. The Nominating & Corporate Governance Committee will review with the Board the requisite skills and characteristics for new Board members. This assessment will include members' qualification as independent as well as consideration of background, board skill needs, diversity and business experience.

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Identifying and Evaluating Nominees for Directors

The Board is responsible for selecting its own members, and delegates the screening process for new directors to the Nominating & Corporate Governance Committee, with counsel from the Chairman of the Board, the Chief Executive Officer and outside consultants as appropriate. The Committee utilizes a number of methods for identifying and evaluating nominees for Board membership. The Committee regularly assesses the appropriate size of the Board, and whether any vacancies are anticipated due to retirement or otherwise. In the event of a vacancy, the Committee considers various potential candidates for director, which may come to the attention of the Committee through current Board members, professional search firms, stockholders or other persons. In connection with the selection and nomination process, the Nominating & Corporate Governance Committee shall review the desired experience, mix of skills and other qualities to assure appropriate Board composition, taking into account the current Board members and the specific needs of the Company and the Board. The Board will look for individuals who have displayed high ethical standards, integrity, and sound business judgment. This process is designed to ensure that the Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to the business of the Company.

The Company has in the past engaged a third party search firm to assist the Board of Directors and the Nominating & Corporate Governance Committee in identifying and recruiting candidates for Board membership.

Director Attendance

The Board has developed a number of specific expectations of directors to define their responsibilities and to promote the efficient conduct of the Board's business. With respect to the level of commitment expected of directors and related attendance protocols, as part of the Corporate Governance Guidelines the Board formally adopted a policy that all directors should make every effort to attend meetings of the Board and the Committees of which they are members, and the Company's Annual Meeting of Stockholders. Attendance by telephone or video conference may be used to facilitate a Director's attendance.

During 2003, the Board of Directors met seven times. All directors attended at least 75% of the scheduled Board of Directors meetings and meetings held by Committees of which they were members. All director nominees who were directors in May 2003 attended the Annual Meeting of Stockholders held May 15, 2003.

Executive Sessions of Non-Management Directors

The Company's non-management directors will hold regularly scheduled, formal executive meetings, separate from management. Additional executive sessions of the Board are held as necessary or appropriate or upon the request of the Nominating & Corporate Governance Committee or any two other non-management directors. To the extent the group of non-management directors includes directors who are not independent within the meaning of the Company's director independence guidelines, then only independent directors shall meet in executive session at least once annually. Executive sessions shall be led by the Presiding Director, who shall be an independent Director. The Presiding Director at such meetings shall be either the Chairman of the Board if he or she so qualifies or the various qualifying committee chairs on a rotating basis. If the designated Director is unavailable to serve as the Presiding Director, the remaining qualifying Directors may designate one of themselves to serve as Presiding Director for that meeting.

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Code of Ethics and Code of Business Conduct

The Company has adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers, violations of which should be reported to the Audit Committee. The code is attached as Exhibit 14 to the Company's Annual Report on Form 10-K and may also be viewed on our web site at www.humana.com. Any amendment to or waiver of the application of the Code of Ethics for the Chief Executive Officer and Senior Financial Officers will be promptly disclosed on the Company's web site at www.humana.com. The Company will provide the Humana Inc. Code of Ethics for the Chief Executive Officer and Senior Financial Officers in print without charge to any stockholder who makes written request to: Joan O. Lenahan, Corporate Secretary, Humana Inc., 500 West Main Street, Louisville, Kentucky 40202.

Since 1995 the Company has operated under an omnibus Code of Ethics and Business Conduct, known as the Humana Inc. Principles of Business Ethics, which includes provisions ranging from restrictions on gifts to conflicts of interest and applies to employees, officers and directors. The Ethics Office is responsible for the architecture, implementation and enforcement of the Company's culture of ethics. The Ethics Office has created an Ethics Plan, the goal of which is to create a workplace climate in which ethics is so integral to day-to-day operations that ethical behavior is virtually self-enforcing. All employees are required to annually affirm in writing their acceptance of the code. The Humana Inc. Principles of Business Ethics may be viewed on our web site at www.humana.com. Any waiver of the application of the Humana Inc. Principles of Business Ethics for directors or executive officers must be made by the Board of Directors, and will be promptly disclosed on our web site at www.humana.com. The Company will provide the Humana Inc. Principles of Business Ethics in print without charge to any stockholder who makes written request to: Joan O. Lenahan, Corporate Secretary, Humana Inc., 500 West Main Street, Louisville, Kentucky 40202.

Communication with Directors

Stockholders and other interested parties may communicate directly with the Company's Chairman, Presiding Director or any other individual director by writing to the special email address published on the Company's web site at www.humana.com. All directors have access to this email address. The Company may use the services of an outside vendor and the staff of its Corporate Secretary to review correspondence received in this manner, to filter advertisements, solicitations, spam and other such items. Concerns related to accounting, internal controls or auditing matters are immediately brought to the attention of the Company's General Counsel and handled in accordance with procedures established by the Audit Committee with respect to such matters.

Organization & Compensation Committee Interlocks and Insider Participation

All members of the Organization & Compensation Committee are non-employee directors and no member has any direct or indirect material interest in or a relationship with the Company other than stockholdings as discussed herein and as related to his position as director. During 2003, no member of the Organization & Compensation Committee had a relationship that would constitute an interlocking relationship with executive officers or directors of another entity.

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The Board of Directors of the Company, in accordance with the provisions of the Company's Articles of Incorporation and Bylaws, has determined that the number of directors to be elected at the Annual Meeting of the Company shall be eight (8). The directors are elected to hold office until the Annual Meeting of Stockholders in 2005 and until a successor is elected and qualified.

If any nominee becomes unable to serve for any reason (which is not anticipated), the Shares of common stock represented by the enclosed proxy may be voted for the substituted nominee as may be designated by the Board of Directors.

The following table shows certain information concerning the nominees at March 1, 2004.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>First Elected Director</u>
David A. Jones	72	Chairman of the Board	08/61
David A. Jones, Jr.	46	Vice Chairman of the Board	05/93
Frank A. D. Amelio	46	Director	09/03
Michael E. Gellert	72	Director	02/68
John R. Hall	71	Director	05/92
Kurt J. Hilzinger	43	Director	07/03