Con-way Inc.
Form PRE 14A
March 12, 2009

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 þ
Filed by a Party other than the Registrant o

Check the appropriate box:

þ Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

CON-WAY 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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þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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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):

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1) Amount Previously Paid:

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Table of Contents

Notice of Annual Meeting

and

Proxy Statement

Annual Meeting of Shareholders

MAY 19, 2009

CON-WAY INC.

Table of Contents

PRELIMINARY COPY   SUBJECT TO COMPLETION

CON-WAY INC.

2855 CAMPUS DRIVE, SUITE 300
SAN MATEO, CALIFORNIA 94403

TELEPHONE: 650/378-5200

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
Tuesday, May 19, 2009
9:00 A.M., local time
Sonoma   Mendocino Room, Doubletree Hotel, 835 Airport Boulevard, Burlingame, California

FELLOW SHAREHOLDER:

The Annual Meeting of Shareholders of Con-way Inc. will be held at 9:00 A.M., local time, on Tuesday, May 19, 2009, to:

1. Elect three Class III directors for a one- or three-year term, as described in the attached proxy statement.

2. Approve amendments to the Company s Certificate of Incorporation and Bylaws to eliminate the classification of the Company s Board of Directors.

3. Approve amendments to the Company s Certificate of Incorporation and Bylaws to set the number of directors of the Company at not less than seven nor more than eleven.

4. Ratify the appointment of auditors.

5. Transact any other business properly brought before the meeting.

Shareholders of record at the close of business on March 30, 2009, are entitled to notice of and to vote at the meeting.

Your vote is important. Whether or not you plan to attend, I urge you to **SIGN, DATE AND RETURN THE ENCLOSED WHITE PROXY CARD IN THE ENVELOPE PROVIDED,** in order that as many shares as possible will be represented at the meeting. If you attend the meeting and prefer to vote in person, you will be able to do so and your vote at the meeting will revoke any proxy you may submit.

Sincerely,

JENNIFER W. PILEGGI
Secretary

April   , 2009

TABLE OF CONTENTS

Table of Contents

PRELIMINARY COPY SUBJECT TO COMPLETION

CON-WAY INC.
2855 CAMPUS DRIVE, SUITE 300
SAN MATEO, CALIFORNIA 94403
TELEPHONE: 650/378-5200

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on May 19, 2009

The proxy statement and annual report, including Form 10-K, are available at: *http://investors.con-way.com*

Also available on the Web site are the Company s proxy card, as well as instruction cards and related materials for voting shares of common and preferred stock held in the Company s 401(k) plans.

PROXY STATEMENT

May 19, 2009

The Annual Meeting of Shareholders of Con-way Inc. (the Company) will be held on Tuesday, May 19, 2009. Shareholders of record at the close of business on March 30, 2009 will be entitled to vote at the meeting. This proxy statement and accompanying proxy are first being sent to shareholders on or about April , 2009.

Board of Directors Recommendations

The Board of Directors of the Company is soliciting your proxy for use at the meeting and any adjournment or postponement of the meeting. The Board recommends a vote FOR the election of the nominees for directors described below, FOR the amendment of the Company s Certificate of Incorporation and Bylaws to eliminate the classification of the Company s Board of Directors, FOR the amendment of the Company s Certificate of Incorporation and Bylaws to set the number of directors of the Company at not less than seven nor more than eleven, and FOR ratification of the appointment of KPMG LLP as independent auditors.

Proxy Voting Procedures

To be effective, properly signed proxies must be returned to the Company prior to the meeting. The shares represented by your proxy will be voted in accordance with your instructions. However, if no instructions are given, your shares will be voted in accordance with the recommendations of the Board.

Voting Requirements

A majority of the votes attributable to all voting shares must be represented in person or by proxy at the meeting to establish a quorum for action at the meeting. Directors are elected by a plurality of the votes cast, and the three nominees who receive the greatest number of votes cast for election of directors at the meeting will be elected directors for a one- or three-year term, depending on whether or not shareholders approve the amendment of the Company s Certificate of Incorporation and Bylaws to eliminate the classification of the Company s Board of Directors. Approval of the amendments to the Company s Certificate of Incorporation and Bylaws to eliminate the classification of the Company s Board of Directors, and approval of the amendments to the Company s Certificate of Incorporation and Bylaws to set the number of directors of the Company at not less than seven nor more than eleven, both require the affirmative vote of the holders of at least 80% of the outstanding shares entitled to vote at the meeting.

Table of Contents

The ratification of the appointment of auditors requires a favorable vote of the holders of a majority of the voting power represented at the meeting.

In the election of directors, broker non-votes, if any, will be disregarded and have no effect on the outcome of the vote. With respect to the two proposals to amend the Company s Certificate of Incorporation and Bylaws, abstentions from voting and broker non-votes will have the same effect as voting against each such proposal. With respect to ratification of the appointment of auditors, abstentions from voting will have the same effect as voting against such matter and broker non-votes will be disregarded and have no effect on the outcome of such vote.

Voting Shares Outstanding

At the close of business on March 30, 2009, the record date for the Annual Meeting, there were outstanding and entitled to vote shares of Common Stock and shares of Series B Cumulative Convertible Preferred Stock (Series B Preferred Stock). Each share of Common Stock has the right to one non-cumulative vote and each share of Series B Preferred Stock has the right to 6.1 non-cumulative votes. Therefore, an aggregate of votes are eligible to be cast at the meeting.

Proxy Voting Convenience

You are encouraged to exercise your right to vote by returning to the Company a properly executed **WHITE** proxy in the enclosed envelope, whether or not you plan to attend the meeting. This will ensure that your votes are cast.

You may revoke or change your proxy at any time prior to its use at the meeting. There are three ways you may do so: (1) give the Company a written direction to revoke your proxy; (2) submit a later dated proxy; or (3) attend the meeting and vote in person.

Attendance at the Meeting

All shareholders are invited to attend the meeting. Persons who are not shareholders may attend only if invited by the Board of Directors. **If you are a shareholder but do not own shares in your name, you must bring proof of ownership (e.g., a current broker s statement) in order to be admitted to the meeting**. If you wish to attend the meeting in person, you can obtain driving directions to the Doubletree Hotel in Burlingame, California at www.doubletree.com.

PROPOSAL NUMBER 1: ELECTION OF DIRECTORS

The Board of Directors Recommends a Vote For All Nominees.

The following persons are the nominees of the Board of Directors for election as Class III directors at the 2009 Annual Meeting of Shareholders:

William R. Corbin
Robert Jaunich II
W. Keith Kennedy, Jr.

Unless you withhold authority to vote, your proxy will be voted for election of the nominees named above.

If elected, the term for which the nominees will serve depends on whether the Declassification Amendments (described in the following paragraphs and elsewhere in this Proxy Statement under Proposal No. 2) are approved at the meeting. If the Declassification Amendments are approved by shareholders, the nominees will serve for a one-year term until the 2010 Annual Meeting of Shareholders and until their successors are duly elected and qualified. If the Declassification Amendments are not

2

Table of Contents

approved by shareholders, the nominees will serve for a three-year term until the 2012 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

Margaret G. Gill and Henry H. Mauz, Jr., each of whom currently is serving as a Class III director, will not be standing for re-election. Mrs. Gill, who has served as a director since 1995, informed the Board that she has decided to retire as a director when her term expires in May 2009. Admiral Mauz, who has served as a director since 2005, will be retiring when his term expires in May 2009 after reaching the mandatory retirement age of 72. In addition to Mrs. Gill and Admiral Mauz, Robert D. Rogers, a Class II director who has served as a director since 1990, will be retiring prior to the 2009 Annual Meeting of Shareholders after reaching the mandatory retirement age of 72. The Board wishes to express its gratitude to Mrs. Gill, Admiral Mauz and Mr. Rogers for their keen insights and valuable contributions during their tenures on the Board.

In light of the upcoming departures of Mrs. Gill and Admiral Mauz as Class III directors, and in order that the number of directors in each class be as nearly equal as possible, the Board has nominated Dr. Keith Kennedy, who is currently serving as a Class I director, for election as a Class III director in 2009. If elected as a Class III director, Dr. Kennedy will resign as a Class I director.

The Company currently has three classes of directors, each of which is elected for a three-year term. The Board of Directors of the Company, pursuant to the Bylaws, has determined that the number of directors of the Company shall be thirteen. However, the Company has included in this Proxy Statement its proposal to amend the Certificate of Incorporation and Bylaws to declassify the Board of Directors (the Declassification Amendments) which, if approved at this meeting, will result in the elimination of the classified Board over time, as described below under Proposal No. 2. The Company also has included in this Proxy Statement its proposal to amend the Certificate of Incorporation and Bylaws to reduce the size of the Board of Directors (the Board Size Amendments) from a range of twelve to fifteen to a range of seven to eleven. If the Board Size Amendments are approved at the meeting, the Board has determined that the number of directors of the Company will be ten. If both the Declassification Amendments and the Board Size Amendments are approved by shareholders and the nominees named above are elected to serve as Class III directors, the Board will consist of ten directors made up of four Class I directors, three Class II directors and three Class III directors until the Board becomes fully declassified in 2011. If the Board Size Amendments are not approved by shareholders, the minimum size of the Board will remain at twelve directors and there will be two vacancies on the Board. The Board will take appropriate action to fill the vacancies.

CLASS III DIRECTORS

WILLIAM R. CORBIN Director since 2005

Retired Executive Vice President
Weyerhaeuser Company
a diversified forest products company

Mr. Corbin, age 68, joined Weyerhaeuser in 1992 as Executive Vice President, Wood Products. He retired from Weyerhaeuser in February 2006. His most recent assignment was to oversee Weyerhaeuser Industrial Wood Products and International Business Groups, including Weyerhaeuser Forest Products International, Weyerhaeuser Asia and Europe, Appearance Wood, Composites and BC Coastal Business Groups. From 1995 to 1999 he served as Executive Vice President, Timberlands and Distribution and from 1999 to 2004 again as Executive Vice President, Wood Products. Prior to joining Weyerhaeuser, Mr. Corbin held senior positions at Crown Zellerbach Corporation, International Paper Company and other firms during a 35-year career in wood products manufacturing and timberlands management. Mr. Corbin received his BS degree (forest products) from the University of Washington in 1964. He received a master of forestry degree emphasizing industrial administration from Yale University in 1965. He serves on various boards including Wood Resources, LLC, and University of Washington s College of Fisheries and Oceanography. Mr. Corbin is Chairman of the Finance Committee and a member of the Audit Committee of the Board.

ROBERT JAUNICH II Director since 1992

Founder & Managing Partner
Calera Capital
a private investment corporation

Mr. Jaunich, age 69, is founder and managing partner of Calera Capital, formerly Fremont Partners, which manages $1.8 billion targeted to make and oversee majority equity investments in operating companies representing a broad spectrum of industries. Calera Capital was spun out from Fremont Group, a private investment corporation that manages assets of $4.0 billion, which Mr. Jaunich joined in 1991 and where he served as a member of the Board of Directors. Mr. Jaunich serves as a member of the Board of Directors of Direct General (auto insurance). He is trustee of the non-profit National Recreation Foundation and serves on the President s Advisory Council of Boys and Girls Clubs of the Peninsula as well as the Board of the Palo Alto Medical Foundation (PAMF). He is a life member of the World Presidents Organization and was a member of Young Presidents Organization (1980-1990). Mr. Jaunich received a BA from Wesleyan University, Middletown, Connecticut and an MBA from Wharton Graduate School, University of Pennsylvania. He is Chairman of the Governance and Nominating Committee of the Board.

4

Table of Contents

CLASS I DIRECTOR STANDING FOR ELECTION TO CLASS III

W. KEITH KENNEDY, JR. Director since 1996

Chairman of the Board
Con-way Inc.

Dr. Kennedy, age 65, was named Chairman of Con-way Inc. in January 2004. He served as Interim Chief Executive Officer from July 2004 to April 2005. From April 2002 to January 2004 he was the Vice Chairman of Con-way. In January 2000 he retired as President and Chief Executive Officer of Watkins-Johnson Company, a manufacturer of equipment and electronic products for the telecommunications and defense industries. He had held that position since January of 1988. He joined Watkins-Johnson in 1968 and was a Division Manager, Group Vice President, and Vice President of Planning Coordination and Shareowner Relations prior to becoming President. Dr. Kennedy is a graduate of Cornell University from which he holds BSEE, MS, and PhD degrees. He is the past Chairman of Joint Venture: Silicon Valley Network, a non-profit regional organization. He previously held Board and/or officer positions with Boy Scouts of America (Pacific Skyline Council), California State Chamber of Commerce, and Silicon Valley Leadership Group. Dr. Kennedy is a senior member of the Institute of Electrical and Electronics Engineers.

CLASS I DIRECTORS

JOHN J. (JACK) ANTON Director since 2005

Operating Director
Paine & Partners, LLC
A Private Equity Management Firm

Mr. Anton, age 66, is an operating director with Paine & Partners, LLC, a private equity management firm. From 2005 to 2006, he was a private investor in food, consumer products and specialty ingredient companies. From 2001 through 2004, he was a Senior Advisory Director with Fremont Partners, another private equity management firm, and was instrumental in the acquisition and successful divesture of Specialty Brands Inc. (SBI). Mr. Anton served on the Board of SBI. Prior to Fremont, Mr. Anton was Chairman, CEO and co-owner of Ghirardelli Chocolate Company. He led the acquisition of Ghirardelli in 1992 and was responsible for revitalizing the company s brand, marketing programs and growth prior to transitioning Ghirardelli to its new ownership. Mr. Anton served from 1983 to 1990 as Chairman and co-owner of Carlin Foods Corporation, a food ingredient company serving the dairy, baking and food service industries; and from 1990 to 1992 as Chairman of Carlin Investment Corporation, which was created to invest in food and specialty chemical firms. Prior to forming Carlin Foods, he spent nearly twenty years in management and executive roles at Ralston Purina and Nabisco Brands Corporations. During a leave of absence from Ralston Purina, Mr. Anton served as an Infantry Officer in Vietnam, earning a Bronze Star for valor in a combat situation. Mr.

Anton received a BS degree (chemistry) from the University of Notre Dame. Mr. Anton serves on the Board of Directors of Basic American Inc., the country s largest potato dehydrator and as Chairman of the Board of WireCo World Group, the largest manufacturer and supplier of technically engineered wire rope. He is active on the Advisory Boards of Notre Dame s College of Science and the University of San Francisco s Business School; and, was a past Trustee of the Schools of the Sacred Heart, San Francisco; and a past Trustee of the Allendale Association, a Chicago-based school for abused children. He also is a member of the World Presidents Organization. Mr. Anton is a member of the Audit and Governance and Nominating Committees of the Board.

Table of Contents

JOHN C. POPE Director since 2003

Chairman
PFI Group, LLC
a financial management firm

Mr. Pope, age 60, is Chairman of PFI Group, LLC, a financial management firm that invests primarily in private equity opportunities, and is also Chairman of the Board of Waste Management, Inc., a NYSE-listed waste collection and disposal firm. From December 1995 to November 1999 Mr. Pope was Chairman of the Board of MotivePower Industries, Inc., a NYSE-listed manufacturer and remanufacturer of locomotives and locomotive components until it merged with Westinghouse Air Brake. Prior to joining MotivePower Industries, Mr. Pope spent six and one-half years with United Airlines and UAL Corporation in various roles, including President and Chief Operating Officer and a member of the Board of Directors. Mr. Pope also spent 11 years with American Airlines and its parent, AMR Corporation, serving as Senior Vice President of Finance, Chief Financial Officer and Treasurer. He was employed by General Motors Corporation prior to entering the airline industry. Mr. Pope is a member of the Board of Directors of Dollar Thrifty Automotive Group, Kraft Foods, Inc., R.R. Donnelley & Sons Company and Waste Management, Inc. Mr. Pope holds a master s degree in finance from the Harvard Graduate School of Business Administration and a bachelor s degree in engineering and applied science from Yale University. Mr. Pope is Chairman of the Audit Committee of the Board.

DOUGLAS W. STOTLAR Director since 2005

President and Chief Executive Officer
Con-way Inc.

Mr. Stotlar, age 48, is President and Chief Executive Officer of Con-way Inc. As the company s top executive, Mr. Stotlar is responsible for the overall management and performance of the company. He was named to his current position in April, 2005. Mr. Stotlar previously served as President and Chief Executive Officer of Con-way Freight (formerly Con-Way Transportation Services), Con-way s $2.9 billion regional trucking subsidiary. Before being named head of Con-Way Freight, Mr. Stotlar served as Executive Vice President and Chief Operating Officer of that company, a position he had held since June 2002. From 1999 to 2002, he was Executive Vice President of Operations for Con-Way Freight. Prior to joining Con-way Freight s corporate office, Mr. Stotlar served as Vice President and General Manager of Con-Way NOW after drafting and executing the strategic business plan for the company in 1996. Mr. Stotlar joined the Con-way organization in 1985 as a freight operations supervisor for Con-Way Central Express (CCX), one of the company s regional trucking subsidiaries. He subsequently advanced to management posts in Columbus, Ohio, and Fort Wayne, Indiana, where he was named northwest regional manager for CCX responsible for 12 service centers. A native of Newbury, Ohio, Mr. Stotlar earned his bachelor s degree in transportation and logistics from The Ohio State University. He serves as vice president at large and is a member of the executive committee of the American Trucking Association. Mr. Stotlar is a member of the Board of Directors of the American Transportation Research Institute (ATRI) and URS Corporation, and serves on the Executive Committee of the US section of the North American Competitive Council.

Table of Contents

PETER W. STOTT Director since 2004

Vice Chairman and Principal
ScanlanKemperBard Companies
a real estate private equity company

President
Columbia Investments, Ltd.
an investment company

Mr. Stott, age 64, has been the vice chairman and a principal of ScanlanKemperBard Companies, a real estate private equity company since 2005, and president of Columbia Investments, Ltd. since 2004. He was formerly President and CEO of Crown Pacific from 1988 to 2004. Prior to Crown Pacific, Mr. Stott founded Market Transport, Ltd. in 1969, the largest asset-based transportation and logistics services company headquartered in Oregon. Market Transport, Ltd. was acquired in 2006 by UTI Worldwide, a NASDAQ traded transportation and logistics company. He is a member of the Portland State University *Building Our Future* Campaign Cabinet, a member of the board of directors of the Portland State University Foundation, the Chairman of the Founder s Circle of SOLV, and trustee of the Portland Art Museum. Mr. Stott is a member of the Compensation and Finance Committees of the Board.

CLASS II DIRECTORS

MICHAEL J. MURRAY Director since 1997

Retired President, Global Corporate and Investment Banking
Bank of America Corporation
a financial institution

Mr. Murray, age 64, retired in July 2000 as president of Global Corporate and Investment Banking at Bank of America Corporation and as a member of the corporation s Policy Committee. From March 1997 to the BankAmerica-Nations Bank merger in September 1998, Mr. Murray headed BankAmerica Corporation s Global Wholesale Bank and was responsible for its business with large corporate, international, and government clients around the world. Mr. Murray was named a BankAmerica vice chairman and head of the U.S. and International Groups in September 1995. He had been responsible for BankAmerica s U.S. Corporate Group since BankAmerica s merger with Continental Bank Corporation in September 1994. Prior to the BankAmerica-Continental merger, Mr. Murray was vice chairman and head of Corporate Banking for Continental Bank, which he joined in 1969. Mr. Murray is a member of the Board of Directors of the eLoyalty Corporation in Lake Forest, Illinois. He is past Chairman of the United Way of the Bay Area. Mr. Murray is also on the Board of the California Academy of Sciences in San Francisco and is a member of the Advisory Council for the College of Business of the University of Notre Dame. Mr. Murray received his BBA from the University of Notre

Dame in 1966 and his MBA from the University of Wisconsin in 1968. He serves on the Compensation and Governance and Nominating Committees of the Board.

Table of Contents

WILLIAM J. SCHROEDER Director since 1996

Retired Silicon Valley Entrepreneur

Mr. Schroeder, age 64, served as the Chairman of Oxford Semiconductor from July 2006 and Interim Chief Executive Officer from April 2007 until the sale of the company in January 2009. Prior to joining the Cornice Board, Mr. Schroeder served as President and CEO of Vormetric, Inc., an enterprise data storage security firm, from 2002 through 2004. During 2000, Mr. Schroeder was President and CEO of CyberIQ Systems, Inc., an Internet traffic switch company. Previously, he was employed by: Diamond Multimedia Systems, Inc. as President and CEO (1994-1999); Conner Peripherals, Inc., initially as President and Chief Operating Officer (1986-1989) and later as Vice Chairman (1989-1994); and Priam Corporation as President and CEO (1978-1986). Earlier Mr. Schroeder served in various management or technical positions at Memorex Corporation, McKinsey & Co., and Honeywell, Inc. He currently serves on the Board of Directors of Omneon, Inc. and Xirrus, Inc. Mr. Schroeder holds the MBA degree with High Distinction from the Harvard Business School and MSEE and BEE degrees from Marquette University. He is the Chairman of the Compensation Committee of the Board.

CHELSEA C. WHITE III Director since 2004

H. Milton and Carolyn J. Stewart School Chair
Schneider National Chair of Transportation and Logistics
School of Industrial and Systems Engineering
Georgia Institute of Technology
an institute of higher learning

Professor White, age 63, is the H. Milton and Carolyn J. Stewart School Chair for the School of Industrial and Systems Engineering, the Director of the Trucking Industry Program, and the Schneider National Chair of Transportation and Logistics at the Georgia Institute of Technology. He has served as editor-in-chief of several of the Transactions of the Institute of Electrical and Electronics Engineers (IEEE), was founding editor-in-chief of the IEEE Transactions on Intelligent Transportation Systems (ITS), and has served as the ITS Series book editor for Artech House Publishing Company. Professor White serves on the boards of directors of the ITS World Congress and the Bobby Dodd Institute and is a member of the executive committee for The Logistics Institute Asia Pacific and of the Mobility Project Advisory Board for the Reason Foundation. He is the former chair of the ITS Michigan board of directors and a former member of the ITS America board of directors. His research interests include the impact of real-time information for improved supply chain productivity and risk mitigation, with special focus on international supply chains. Professor White is a member of the Compensation and Finance Committees of the Board.

Table of Contents

PROPOSAL NUMBER 2: APPROVAL OF AMENDMENTS TO THE COMPANY S CERTIFICATE OF INCORPORATION AND BYLAWS TO ELIMINATE THE CLASSIFICATION OF THE COMPANY S BOARD OF DIRECTORS

The Board of Directors is seeking approval of amendments to the first two paragraphs of paragraph B of Article ELEVENTH of the Company s Certificate of Incorporation (the Certificate) and to paragraphs (a) and (b) of Section 2 of Article III of the Company s Bylaws (the Bylaws) to eliminate the classification of the Company s Board of Directors (the Declassification Amendments).

A nonbinding shareholder proposal to declassify the Board of Directors was approved by a vote of shareholders at the Company s 2008 Annual Meeting of Shareholders. While the Board of Directors believes that the classified board structure has provided the Company with certain benefits, it recognizes the sentiment of the Company s shareholders that the annual election of directors would enhance the Company s corporate governance policies. The Board is also aware that a growing number of companies have been eliminating a classified board structure. Therefore, in light of such shareholder sentiment and corporate governance trends, on January 26, 2009, the Board of Directors approved, subject to shareholder approval at the meeting, the Declassification Amendments.

The Board of Directors currently consists of thirteen directors divided into three classes, with the members of each class serving staggered three-year terms. There currently are four Class III directors, whose terms expire at the meeting; five Class I directors, whose terms expire at the 2010 Annual Meeting of Shareholders; and four Class II directors, whose terms expire at the 2011 Annual Meeting of Shareholders. If the Declassification Amendments are approved by shareholders at the meeting:

- the directors elected at the meeting will be elected for a one-year term, and those directors, together with the Class I directors previously elected at the 2007 Annual Meeting of Shareholders, will stand for election at the 2010 Annual Meeting of Shareholders for a one-year term; and

- the Class II directors previously elected at the 2008 Annual Meeting of Shareholders will serve for the remainder of their current three-year term and all directors will stand for election at the 2011 Annual Meeting of Shareholders for a one-year term.

Also, if the Declassification Amendments are approved, any director selected to fill a vacancy will be appointed for an initial term ending at the next annual meeting of shareholders.

If the Declassification Amendments are not approved by shareholders at the meeting, the Board of Directors will remain classified, and the Class III directors elected at the meeting will serve a three-year term expiring at the 2012 Annual Meeting of Shareholders.

As set forth in the Certificate and the Bylaws, approval of the Declassification Amendments requires the affirmative vote of the holders of at least 80% of the outstanding shares entitled to vote at the meeting. As of the record date for the meeting there were an aggregate of votes eligible to be cast, so approval of the Declassification Amendments would require at least affirmative votes.

The Board of Directors has also adopted, and is recommending to shareholders for approval, amendments to the Certificate and the Bylaws that would result in the reduction of the minimum and maximum size of the Board of Directors as set forth in Proposal Number 3, described below (the Board Size Amendments).

The proposed Declassification Amendments and the proposed Board Size Amendments are attached as appendices to this proxy statement, with the proposed amendments to the Certificate attached as Appendix A and the proposed amendments to the Bylaws attached as Appendix B. In each Appendix, deletions are indicated by strikeouts and additions are indicated by brackets.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE DECLASSIFICATION AMENDMENTS

PROPOSAL NUMBER 3: APPROVAL OF AMENDMENTS TO THE COMPANY S CERTIFICATE OF INCORPORATION AND BYLAWS TO PROVIDE THAT THE NUMBER OF DIRECTORS OF THE COMPANY SHALL BE NOT LESS THAN SEVEN NOR MORE THAN ELEVEN

The Board of Directors is also seeking approval of amendments to the Certificate and the Bylaws to reduce the size of the Company s Board of Directors to include not less than seven and not more than eleven directors.

The first sentence of the first paragraph of paragraph B of Article ELEVENTH of the Certificate and the first sentence of paragraph (a) of Section 2 of Article III of the Bylaws currently provide that the Board of Directors shall consist of not less than twelve nor more than fifteen directors, the exact number to be set by the Board of Directors or by shareholders. Presently, the Company has thirteen directors. The Board of Directors believes that reducing the size of the Board will enable it to act in a more efficient and cost effective manner and streamline the corporate decision making process. Accordingly, the Board of Directors has determined that reducing the minimum and maximum number of directors is in the best interests of shareholders. If the Board Size Amendments are approved by shareholders at the meeting, it is currently anticipated that the Board of Directors will set the number of directors at ten.

As set forth in the Certificate and the Bylaws, approval of the Board Size Amendments requires the affirmative vote of the holders of at least 80% of the outstanding shares entitled to vote at the meeting. As of the record date for the meeting there were an aggregate of votes eligible to be cast, so approval of the Board Size Amendments would require at least affirmative votes.

As noted above, the proposed Declassification Amendments and the proposed Board Size Amendments are attached as appendices to this proxy statement, with the proposed amendments to the Certificate attached as Appendix A and the proposed amendments to the Bylaws attached as Appendix B. In each Appendix, deletions are indicated by strikeouts and additions are indicated by brackets.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE BOARD SIZE AMENDMENTS

PROPOSAL NUMBER 4: RATIFICATION OF AUDITORS

At last year s annual meeting, shareholders approved the appointment of KPMG LLP as independent public accountants to audit the consolidated financial statements of the Company for the year ended December 31, 2008. The Board recommends that shareholders vote in favor of ratifying the reappointment of KPMG LLP as the Company s independent auditors for the year ending December 31, 2009. A representative of the firm will be present at the Annual Meeting of Shareholders with the opportunity to make a statement if he or she desires to do so and to respond to appropriate questions from shareholders. The Company has been informed by KPMG LLP that neither the firm nor any of its members or their associates has any direct financial interest or material indirect financial interest in the Company or its affiliates.

Fees

During the Company s fiscal years ended December 31, 2008 and December 31, 2007, the Company was billed the following aggregate fees by KPMG LLP.

Audit Fees. The aggregate fees billed by KPMG LLP to the Company for professional services for the audit of the Company s annual financial statements for the fiscal year, for reviews of the financial statements included in the Company s Forms 10-Q for the fiscal year, and for services provided by KPMG LLP in connection with statutory or regulatory filings for the fiscal year, were $2,006,000 for the fiscal year ended 2008 and $1,925,000 for the fiscal year ended 2007.

Table of Contents

Audit-related Fees. The aggregate fees billed by KPMG LLP to the Company for assurance and related services were $76,000 for the fiscal year ended 2008 and $71,200 for the fiscal year ended 2007. These fees were for the audit of employee benefit plans.

Tax Fees. The aggregate fees billed by KPMG LLP to the Company for professional services rendered for tax compliance, tax advice and tax planning were $113,000 for the fiscal year ended 2008 and $24,925 for the fiscal year ended 2007.

All Other Fees. No fees were billed by KPMG LLP to the Company for products and services rendered for fiscal year 2007 or 2008, other than the Audit Fees, Audit-related Fees, and Tax Fees described in the preceding three paragraphs.

All of the services performed by KPMG LLP during 2008 were pre-approved by the Audit Committee of the Company s Board of Directors, which concluded that the provision of the non-audit services described above is compatible with maintaining KPMG LLP s independence.

Pre-Approval Policies and Procedures

Prior to retaining KPMG LLP to provide services in any fiscal year, the Audit Committee first reviews and approves KPMG s fee proposal and engagement letter. In the fee proposal, each category of services (Audit, Audit Related, Tax and All Other) is broken down into subcategories that describe the nature of the services to be rendered, and the fees for such services. For 2008, the Audit Committee also approved nominal additional fees (beyond those included in the KPMG fee proposal) for services in a limited number of subcategories, based on the Company s experience regarding the unanticipated need for such services during the year. The Company s pre-approval policy provides that the Audit Committee must specifically pre-approve any engagement of KPMG for services outside the scope of the fee proposal and engagement letter.

Table of Contents

STOCK OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information regarding beneficial ownership of the Company s Common Stock and Series B Preferred Stock, as of January 31, 2009, by the directors, the executive officers identified in the Summary Compensation Table below and by the directors and executive officers as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class
John J. Anton	7,511 Common	*
	0 Series B Preferred	
Robert L. Bianco (2)	89,287 Common	*
	220 Series B Preferred	
Stephen L. Bruffett (3)	7,000 Common	*
	0 Series B Preferred	
William R. Corbin	7,091 Common	*
	0 Series B Preferred	
Margaret G. Gill	26,307 Common	*
	0 Series B Preferred	
Robert Jaunich II	38,972 Common	*
	0 Series B Preferred	
W. Keith Kennedy, Jr.	72,479 Common	*
	0 Series B Preferred	
John G. Labrie (4)	95,219 Common	*
	157 Series B Preferred	
Henry H. Mauz, Jr.	5,978 Common	*
	0 Series B Preferred	
Michael J. Murray	40,758 Common	*
	0 Series B Preferred	
John C. Pope	21,841 Common	*
	0 Series B Preferred	
Robert D. Rogers	35,878 Common	*
	0 Series B Preferred	
Kevin C. Schick (5)	110,591 Common	*
	360 Series B Preferred	
Herbert J. Schmidt (6)	18,061 Common	*
	7 Series B Preferred	
William J. Schroeder	32,639 Common	*
	0 Series B Preferred	
Douglas W. Stotlar (7)	409,608 Common	*
	322 Series B Preferred	
Peter W. Stott	24,571 Common	*
	0 Series B Preferred	