

COMMUNITY BANK SYSTEM INC  
Form PRE 14A  
March 20, 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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Community Bank System, Inc.

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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(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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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid: \_\_\_\_\_

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

(3) Filing Party: \_\_\_\_\_

(4) Date Filed: \_\_\_\_\_

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COMMUNITY BANK SYSTEM, INC.  
5790 Widewaters Parkway  
DeWitt, New York 13214-1883

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 16, 2009

To the Shareholders of Community Bank System, Inc.:

At the direction of the Board of Directors of Community Bank System, Inc., a Delaware corporation (the "Company"), NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of the Company (the "Meeting") will be held at 1:00 p.m. on Wednesday, May 20, 2009 at Yokum Hall, State University of New York, College at Plattsburgh, Plattsburgh, New York, for the following purposes:

1. To elect four directors to hold office for a term of three years and elect one director to hold office for a term of two years;
2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the 2009 fiscal year;
3. To vote on an amendment to the Company's Certificate of Incorporation and Bylaws to declassify the Board of Directors; and
4. To transact any other business which may properly be brought before the Meeting or any adjournment thereof.

By Order of the Board of  
Directors  
/s/ Donna J. Drengel  
Donna J. Drengel  
Secretary

YOUR VOTE IS IMPORTANT. YOU ARE THEREFORE REQUESTED TO SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE, EVEN IF YOU EXPECT TO BE PRESENT AT THE MEETING. YOU MAY WITHDRAW YOUR PROXY AT ANY TIME PRIOR TO THE MEETING, OR IF YOU DO ATTEND THE MEETING, YOU MAY WITHDRAW YOUR PROXY AT THAT TIME AND VOTE IN PERSON IF YOU WISH.

COMMUNITY BANK SYSTEM, INC.

5790 Widewaters Parkway

DeWitt, New York 13214-1883

PROXY STATEMENT

FOR ANNUAL MEETING OF SHAREHOLDERS, MAY 20, 2009

This Proxy Statement is furnished as part of the solicitation of proxies by the Board of Directors (the "Board") of Community Bank System, Inc. (the "Company"), the holding company for Community Bank, N.A. (the "Bank"), for use at the Annual Meeting of Shareholders of the Company (the "Meeting") to be held at 1:00 p.m. on Wednesday, May 20, 2009, at Yokum Hall, State University of New York, College at Plattsburgh, Plattsburgh, New York. This Proxy Statement and the form of Proxy are first being sent to Shareholders on approximately April 16, 2009.

The proxy materials relating to the 2009 Annual Meeting and the 2008 Annual Report are available on the Internet. Please go to <http://www.sn1.com/irweblinkx/docs.aspx?iid=100185> to view and obtain the materials online.

At the Meeting, the Shareholders will be asked to vote for the election of directors and the ratification of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the 2009 fiscal year. Five of the total of ten directors who currently serve on the Company's Board will stand for election to the Board at the Meeting. Voting will also be conducted on any other matters which are properly brought before the Meeting, including a proposal to amend the Company's Certificate of Incorporation and Bylaws to provide for a single class of directors.

VOTING RIGHTS AND PROXIES

The Board has fixed the close of business on April 2, 2009 as the record date for determining which Shareholders are entitled to notice of and to vote at the Meeting. At the close of business on the record date, [ ] shares of common stock were outstanding and entitled to vote at the Meeting, which is the Company's only class of voting stock. Each share of outstanding common stock is entitled to one vote with respect to each item to come before the Meeting. The Bylaws of the Company provide that one-third of the outstanding shares of the Company, represented in person or by proxy, shall constitute a quorum at a Shareholder meeting.

If the enclosed form of Proxy is properly executed and returned to the Company prior to or at the Meeting, and if the Proxy is not revoked prior to its exercise, all shares represented thereby will be voted at the Meeting and, where instructions have been given by a Shareholder, will be voted in accordance with such instructions.

Any Shareholder executing a Proxy which is solicited hereby has the power to revoke it at any time prior to its exercise. A Proxy may be revoked by giving written notice to the Secretary of the Company at the Company's address set forth above, by attending the Meeting and voting the shares of stock in person, or by executing and delivering to the Secretary a later-dated Proxy.

The Company will bear all costs of soliciting Proxies. The solicitation of Proxies will be by mail, but Proxies may also be solicited by telephone, email, or in person by directors, officers, and other regular employees of the Company or of the Bank. Should the Company, in order to solicit Proxies, request the assistance of other financial institutions, brokerage houses, or other custodians, nominees, or fiduciaries, the Company will reimburse such persons for their reasonable expenses in forwarding proxy materials to Shareholders and obtaining their Proxies.

The Annual Report of the Company for the fiscal year ended December 31, 2008, incorporating the Form 10-K filed by the Company with the Securities and Exchange Commission, is being sent to Shareholders with this Proxy Statement.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table provides information as of December 31, 2008 with respect to any person known by the Company to beneficially own more than 5% of the Company's outstanding stock. The information included in the table is from Schedules 13G filed with the Securities and Exchange Commission by the listed beneficial owners.

Name and Address of Beneficial Owner	Number of Shares of Common Stock	
	Beneficially Owned	Percent of Class
Barclays Global Investors, NA 400 Howard Street San Francisco, CA 94105	3,565,148 (1)	10.93%
Dimensional Fund Advisors LP 1299 Ocean Avenue Santa Monica, CA 90401	2,212,132 (2)	6.78%

(1)Based on information contained in the referenced Schedule 13G filing, Barclays Global Investors, NA and its affiliates have sole voting power with respect to 2,892,214 shares and sole dispositive power with respect to all shares listed.

(2)Based on information contained in the referenced Schedule 13G filing, Dimensional Fund Advisors LP has sole voting power with respect to 2,186,617 shares and sole dispositive power with respect to all shares listed.

**ITEM ONE: ELECTION OF DIRECTORS AND INFORMATION WITH  
RESPECT TO DIRECTORS AND EXECUTIVE OFFICERS**

The first item to be acted upon at the Meeting is the election of five directors, four of whom shall hold office for three years and one who will hold office for two years and until his or her successor shall have been duly elected and qualified. Directors David C. Patterson, Sally A. Steele, and Mark E. Tryniski, whose terms are scheduled to expire as of the date of the Meeting, will stand for re-election. Directors James W. Gibson, Jr. and James A. Wilson, both of whom were appointed to the Board on January 1, 2009, will stand for election at the Meeting. Mr. Gibson is standing for election to a term expiring in 2011 in order to provide for as close to equal number of directors in each class of directors on the Board in accordance with the Company's Certificate of Incorporation and Delaware corporate law. William M. Dempsey retired from the Board of Directors on December 31, 2008 pursuant to the Company's mandatory retirement age policy. The nominees receiving a plurality of the votes represented in person or by proxy at the Meeting will be elected directors.

All Proxies in proper form which are received by the Board prior to the election of directors at the Meeting will be voted "FOR" the nominees listed below, unless authority is withheld in the space provided on the enclosed Proxy. In the event any nominee declines or is unable to serve, it is intended that the Proxies will be voted for a successor nominee designated by the Board. All nominees have indicated a willingness to serve, and the Board knows of no reason to believe that any nominee will decline or be unable to serve if elected. The ten members of the Board whose terms will continue beyond the Meeting (including the nominees for election at the Meeting, if elected) are expected to continue to serve on the Board until their respective terms expire or until they reach the mandatory retirement age in accordance with the Company's Bylaws.

The information set forth below is furnished for each nominee for director to be elected at the Meeting and each director of the Company whose term of office continues after the Meeting. The share ownership numbers for certain directors include shares that would be issuable upon exercise of "Offset Options" granted to these directors in order to reduce the Company's liability under its Stock Balance Plan. The purpose of the Offset Options is explained on page 12. See footnote "(e)" on pages 6-7 for the number of currently exercisable stock options (including, without limitation, Offset Options) held by specific directors.

**NOMINEES FOR DIRECTOR AND DIRECTORS CONTINUING IN OFFICE**

Name and Age (a)	Director of the Company	Business Experience During Past Five Years Since (b)	Number (e)	Percent
Shares of Company Common Stock Beneficially Owned (c) as of April 2, 2009 (d)				
Nominees (for terms to expire at Annual Meeting in 2012):				
David C. Patterson Age 67	1991	President and owner of Wight and Patterson, Inc., manufacturer and seller of livestock feed located in Canton, New York.	[_____] (f)	[___]%
Sally A. Steele Age 53	2003	Attorney, self-employed as general practitioner with concentration in real estate and elder law, Tunkhannock, Pennsylvania.	[_____] (f)	[___]%



Name and Age (a)	Director of the Company Since (b)	Business Experience During Past Five Years (b)	Shares of Company Common Stock Beneficially Owned (c) as of April 2, 2009 (d)	
			Number (e)	Percent
Mark E. Tryniski Age 48	2006	President and Chief Executive Officer of the Company. Prior service with the Company as Executive Vice President and Chief Operating Officer of the Company (March 2004 -July 31, 2006) and Executive Vice President and Chief Financial Officer (July 2003 - February 2004). Prior to 2003, partner at the firm of PricewaterhouseCoopers LLP in Syracuse, New York.	[_____]	[__]%
James A. Wilson Age 63	2009	Retired. Prior to April 2008, principal at the firm of Parente Randolph, LLC in Wilkes-Barre, Pennsylvania.	[_____]	[__]%
Nominee (for term to expire at Annual Meeting in 2011):				
James W. Gibson, Jr. Age 62	2009	Retired. Prior to 2005, partner at the firm of KPMG, LLP in New York, New York.	[_____]	[__]%
Terms expiring at Annual Meeting in 2010:				
Nicholas A. DiCerbo Age 62	1984	Partner, law firm of DiCerbo and Palumbo, Olean, New York.	[_____] (f)	[__]%
James A. Gabriel Age 61	1984	Owner, law firm of Franklin & Gabriel, Ovid, New York.	[_____]	[__]%
Charles E. Parente Age 68	2004	Chief Executive Officer of Pagnotti Enterprises, Inc., a diversified holding company whose primary business includes workers' compensation insurance, real estate, anthracite coal mining preparation and sales; Chairman of CP Media, LLC, owner and operator of broadcast television stations.	[_____] (f)	[__]%



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Terms expiring at Annual Meeting in 2011:

Brian R. Ace Age 54	2003	Owner, Laceyville Hardware, Laceyville, Pennsylvania.	[_____] (f)	[__]%
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Paul M. Cantwell, Jr. Age 67	2001	Owner, law firm of Cantwell & Cantwell, Malone, New York. Prior to January 2001, Chairman and President, The Citizens National Bank of Malone.	[_____] (f)	[__]%
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Name and Age (a)	Business Experience During Past Five Years (b)	Shares of Company Common Stock Beneficially Owned (c) as of April 2, 2009 (d)	
		Number (e)	Percent
Scott A. Kingsley Age 44	Executive Vice President, Chief Financial Officer. Prior to August 2004, Vice President and Chief Financial Officer of Carlisle Engineered Products, Inc.	[_____]	[__]%
Brian D. Donahue Age 53	Executive Vice President and Chief Banking Officer	[_____]	[__]%
George J. Getman Age 52	Executive Vice President and General Counsel. Prior to January 2008, member of Bond, Schoeneck & King, PLLC	[_____]	[__]%
J. David Clark Age 55	Senior Vice President and Chief Credit Officer	[_____]	[__]%
Number of shares of Company common stock beneficially owned by all directors, persons chosen to become directors and executive officers of the Company as a group (14 persons)		[_____]	[__]%

- (a) No family relationships exist between any of the aforementioned directors or executive officers of the Company.
- (b) Other than Mr. Tryniski, who serves as a director of CONMED Corporation, and Mr. Parente, who serves as a director of W.P. Carey & Co. LLC, no nominee or continuing director of the Company holds a directorship with any public company (other than the Company) which is registered under the Securities Exchange Act of 1934, or with any company which is a registered investment company under the Investment Company Act of 1940.
- (c) Represents all shares as to which named the individual possessed sole or shared voting or investment power as of April 2, 2009. Includes shares held by, in the name of, or in trust for, the spouse and dependent children of the named individual and other relatives living in the same household, even if beneficial ownership has been disclaimed as to any of these shares by the nominee or director.
- (d) The listed amounts include shares as to which certain directors and named executive officers are beneficial owners but not the sole beneficial owners as follows: Mr. Ace holds [\_\_\_\_\_] shares jointly with his wife, his wife holds [\_\_\_\_\_] shares, and [\_\_\_\_\_] shares are held in the name of Laceyville Hardware, of which Mr. Ace is owner; Mr. Cantwell's wife holds [\_\_\_\_\_] shares; Mr. Clark holds [\_\_\_\_\_] shares with his wife and is the beneficial owner of [\_\_\_\_\_] shares held by the Company's 401(k) Plan; Mr. DiCerbo holds [\_\_\_\_\_] shares jointly with his wife and [\_\_\_\_\_] shares are held in the name of the law partnership of DiCerbo and Palumbo; Mr. Donahue is the beneficial owner of [\_\_\_\_\_] shares held by the Company's 401(k) Plan; Mr. Getman's wife holds [\_\_\_\_\_] shares and he is the beneficial owner of [\_\_\_\_\_] shares held by the Company's 401(k) Plan; Mr. Kingsley is the beneficial owner of [\_\_\_\_\_] shares held by the Company's 401(k) Plan; Mr. Parente holds [\_\_\_\_\_] shares as Trustee of the C.E. Parente Trust U/A, his wife holds [\_\_\_\_\_] shares, and [\_\_\_\_\_] shares are held by a partnership controlled by Mr. Parente; Mr. Patterson holds [\_\_\_\_\_] shares jointly with his wife and [\_\_\_\_\_] shares as Trustee for the Wight and Patterson Retirement Plan; Ms. Steele holds [\_\_\_\_\_] shares jointly with her husband; and Mr. Tryniski is the beneficial owner of [\_\_\_\_\_] shares held by the Company's 401(k) Plan.
- (e) Includes shares that the following individuals currently have the right to acquire, or will have the right to acquire within 60 days of April 2, 2009, through exercise of stock options issued by the Company: Mr. Ace, [\_\_\_\_\_] shares; Mr. Cantwell, [\_\_\_\_\_] shares; Mr. Clark, [\_\_\_\_\_] shares; Mr. DiCerbo, [\_\_\_\_\_] shares; Mr. Donahue, [\_\_\_\_\_] shares; Mr. Gabriel, [\_\_\_\_\_] shares; Mr. Getman, [\_\_\_\_\_] shares; Mr. Gibson, [\_\_\_\_\_] shares; Mr. Kingsley, [\_\_\_\_\_] shares; Mr. Parente, [\_\_\_\_\_] shares; Mr. Patterson, [\_\_\_\_\_] shares; Ms. Steele, [\_\_\_\_\_] shares; Mr. Tryniski, [\_\_\_\_\_] shares; and Mr. Wilson, [\_\_\_\_\_] shares. These shares are included in the total number of shares outstanding for the purpose of calculating the percentage ownership of the foregoing individuals and of the group as a whole, but not for the purpose of calculating the percentage ownership of other individuals listed in the foregoing table.

(f) In addition to the number of shares of common stock reported as beneficially owned, the following directors have elected to defer cash director fees under the director deferred compensation plan resulting in such directors holding at risk share equivalent units, which are subject to fluctuations in the market price of the Company's stock, in the following amounts: Mr. Ace, 10,431 units; Mr. Cantwell, 5,475 units; Mr. DiCerbo, 38,765 units; Mr. Parente, 2,697 units; Mr. Patterson, 15,486 units; and Ms. Steele, 9,814 units.

## CORPORATE GOVERNANCE

The Company maintains a corporate governance section on its website which contains our principal governance documents including the Company's Corporate Governance Guidelines, Codes of Conduct applicable to directors, executive officers and employees, the Company's Whistleblower Policy, and the Committee Charters for the Audit Committee, Compensation Committee, and the Nominating and Corporate Governance Committee. These corporate governance documents are available on our website at [www.communitybankna.com](http://www.communitybankna.com) under the heading "Investor Relations – Corporate Information," and a copy will be provided to any shareholder who requests a copy from the Company.

### Director Independence

The New York Stock Exchange ("NYSE") listing standards and the Company's Corporate Guidelines require the Board of Directors to be comprised of at least a majority of independent directors. The Board has determined that 8 of the 10 directors nominated to serve on the Board or continuing in office after the Meeting are independent under the NYSE standards and the Company's Corporate Governance Guidelines.

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company. To assist it in determining director independence, the Board uses categorical standards which conform to, or are more exacting than, the independence requirements in the NYSE listing standards. Under these standards, absent other material relationships, transactions or interests, a director will be deemed to be independent unless within the preceding three years: (i) the director was employed by the Company or received more than \$100,000 per year in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation payments for prior service, (ii) the director was a partner of or employed by the Company's independent auditor, (iii) the director is part of an interlocking directorate in which an executive officer of the Company serves on the Compensation Committee of another company that employs the director, (iv) the director is an executive officer or employee of another company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any fiscal year, exceeds the greater of one million dollars or 2% of the other company's consolidated gross revenues, or (v) the director had an immediate family member in any of the categories in (i) – (iv). In determining whether a director is independent, the Board relies on the stated categorical standards but also considers whether a director has any direct or indirect material relationships, transactions or interests with the Company that might be viewed as interfering with the exercise of his or her independent judgment.

Based on these independence standards, the Board of Directors determined that the following individuals who served as directors during all or part of the last fiscal year were independent directors during their service on the Board during such year: Brian R. Ace, Paul M. Cantwell, Jr., William M. Dempsey, James A. Gabriel, Charles E. Parente, David C. Patterson, and Sally A. Steele.

In reviewing the independence of Paul M. Cantwell, Jr., James A. Gabriel, and Sally A. Steele, the Board considered the transactions described in the section entitled "Transactions with Related Parties" on pages 12-13, including the legal services provided by law firms in which the directors have a direct or indirect material interest and determined that the relationships disclosed would not interfere with the exercise of the director's independent judgment.

Pursuant to the Company's Corporate Governance Guidelines, the independent directors meet in executive session at least quarterly, without the Company's management and non-independent directors present. The director who presides over these executive sessions is determined by the Board on the recommendation of the Nominating and Corporate Governance Committee.

#### Board Committees

Among its standing committees, the Company has an Audit Committee, Compensation Committee and a Nominating and Corporate Governance Committee. As described more fully on page 35, the Audit Committee reviews internal and external audits of the Company and the Bank and the adequacy of the Company's and the Bank's accounting, financial, and compliance controls, and selects the Company's independent auditors. The Audit Committee held eight meetings during 2008, and its present members are Directors Charles E. Parente (Chair), Brian R. Ace, James W. Gibson, Jr., and James A. Wilson. William M. Dempsey, who retired on December 31, 2008, was the former Chair of the Audit Committee.

The Company's Compensation Committee reviews and makes recommendations to the Company's and the Bank's Boards regarding compensation adjustments and employee benefits to be instituted. As described more fully on page 14, the Compensation Committee reviews the compensation of nonofficer employees in the aggregate, and the salaries and performance of executive officers are reviewed individually. The Compensation Committee held four meetings in 2008, and its present members are Directors Brian R. Ace (Chair), James A. Gabriel, Charles E. Parente, David C. Patterson, and Sally A. Steele.

The Company's Nominating and Corporate Governance Committee evaluates and maintains corporate governance policies and makes recommendations to the Board for nominees to serve as directors. The Nominating and Corporate Governance Committee held five meetings in 2008, and its present members are Directors Sally A. Steele (Chair), James A. Gabriel, and David C. Patterson. Director Dempsey served on the Nominating and Corporate Governance Committee prior to his retirement. The Board has determined that each of the Nominating and Corporate Governance Committee's members is "independent" as defined by the NYSE Rules.

The Nominating and Corporate Governance Committee will consider written recommendations from Shareholders for nominees to serve on the Board that are sent to the Secretary of the Company at the Company's main office. In considering candidates for the Board, the Nominating and Corporate Governance Committee and the Board consider the entirety of each candidate's credentials and do not have any specific minimum qualifications that must be met by a nominee. Factors considered include, but are not necessarily limited to, outstanding achievement in a candidate's personal career; broad experience; integrity; ability to make independent, analytical inquiries; understanding of the business environment; and willingness to devote adequate time to Board duties. The Board believes that each director should have a basic understanding of (i) the principal operational and financial objectives and plans and strategies of the Company, (ii) the results of operations and financial condition of the Company and of any significant subsidiaries or business segments, and (iii) the relative standing of the Company and its business segments in relation to its competitors. Prior to nominating an existing director for re-election to the Board, the Board and the Nominating and Corporate Governance Committee consider and review, among other relevant factors, the existing director's meeting attendance and performance, length of Board service, ability to meet regulatory independence requirements, and the experience, skills, and contributions that the director brings to the Board. The Nominating and Corporate Governance Committee has adopted a written charter setting forth its composition and responsibilities, a copy of which is available

at the Company's website at [www.communitybankna.com](http://www.communitybankna.com) and in print to any Shareholder who requests it.

The Chair of the Board serves as a non-voting ex officio member of all Board Committees, except the Audit Committee, for the purpose enhancing coordination of Board matters. The President and Chief Executive Officer of the Company serves as a non-voting ex officio member of all Board committees except the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee, and receives no compensation for serving in this capacity.

#### Communication with Directors

Shareholders and any interested parties may communicate directly with the Board of the Company by sending correspondence to the address shown below. The receipt of any such correspondence addressed to the Board and the nature of its content will be reported at the next Board meeting and appropriate action, if any, will be taken. If a Shareholder or an interested party desires to communicate with a specific director, the correspondence should be addressed to that director. Correspondence addressed to a specific director will be delivered to the director promptly after receipt by the Company. The director will review the correspondence received and, if appropriate, report the receipt of the correspondence and the nature of its content to the Board at its next meeting, so that the appropriate action, if any, may be taken.

Correspondence should be addressed to:

Community Bank System, Inc.  
Attention: [Board of Directors or Specific Director]  
5790 Widewaters Parkway  
DeWitt, New York 13214-1883

#### Stock Ownership Guidelines

The Board of Directors has adopted stock ownership guidelines for directors of the Company. The guidelines require each director to own shares of Company common stock and share equivalent units (based on cash fees that directors have deferred in the deferred compensation plan) which have a market value of \$125,000 within six years of becoming a director. In the event of declining stock value after attaining \$125,000 in market value, directors are required to maintain ownership of at least 10,000 shares. In addition, new directors are required to acquire at least 2,000 shares within one year of joining the Board of Directors. All directors are in compliance with the requirements of the stock ownership guidelines.

In addition, the Board of Directors has adopted stock ownership guidelines for senior executives of the Company. The guidelines require (i) the Chief Executive Officer to own shares of Company common stock and share equivalents equal to the lesser of two times his base salary or 45,000 shares, and (ii) the Chief Financial Officer and other Executive Vice Presidents to own shares of common stock or share equivalents equal to the lesser of one times their base salary or 15,000 shares. Senior executive officers have up to six years to meet the ownership requirements and shares held or acquired through the 401(k) Savings Plan or executive Deferred Compensation Plan through the election to defer cash compensation by the executive will be included in shares owned under the guidelines. All executives subject to the requirements are in compliance with the guidelines or are anticipated to achieve the ownership requirements within the required time period.

### Compensation of Directors

As directors of both the Company and the Bank, Board members receive an annual retainer of \$25,000, \$1,250 for each Board meeting they attend, and \$1,000 for each committee meeting they attend. Any executive officer serving on the Board does not receive an annual retainer or compensation for attending Board and committee meetings. The Chair of the Board receives a retainer of \$55,000 for serving in that capacity, as well as Board meeting fees for the meetings he attends. The Chair