

COMMUNITY HEALTH SYSTEMS INC

Form DEF 14A

April 17, 2006

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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
- 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 HEALTH SYSTEMS, INC.**  
(Name of Registrant as Specified in its Charter)

(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)(4) and 0-11.

1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4. Proposed maximum aggregate value of transaction:
5. Total fee paid:

- Fee paid previously with preliminary materials.

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
    1. Amount previously paid:
    2. Form, Schedule or Registration Statement No.:
    3. Filing Party:
    4. Date Filed:
-

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**COMMUNITY HEALTH SYSTEMS, INC.  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held on May 23, 2006**

To Our Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders of Community Health Systems, Inc. will be held on Tuesday, May 23, 2006 at 8:00 a.m. (Eastern Daylight Time) at The St. Regis Hotel, 5th Avenue at 55th Street, New York, New York 10022, to consider and act upon the following matters:

1. To elect three (3) Class III Directors;
2. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for our fiscal year ending December 31, 2006; and
3. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The close of business on March 31, 2006, has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the meeting and any adjournment or postponement thereof.

**YOU ARE REQUESTED, WHETHER OR NOT YOU PLAN TO BE PRESENT AT THE ANNUAL MEETING, TO MARK, DATE, SIGN AND RETURN PROMPTLY THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE. IF YOU ATTEND THE MEETING AND WISH TO VOTE YOUR SHARES PERSONALLY, YOU MAY DO SO AT ANY TIME BEFORE THE PROXY IS EXERCISED.**

By Order of the Board of Directors,

Rachel A. Seifert  
Senior Vice President, Secretary and  
General Counsel

Brentwood, Tennessee  
April 12, 2006

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**ANNUAL MEETING OF STOCKHOLDERS  
OF  
COMMUNITY HEALTH SYSTEMS, INC.**

**PROXY STATEMENT**

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**ANNUAL MEETING OF STOCKHOLDERS  
OF  
COMMUNITY HEALTH SYSTEMS, INC.  
7100 Commerce Way Suite 100  
Brentwood, TN 37027**

**PROXY STATEMENT  
April 12, 2005**

**INTRODUCTION**

The enclosed proxy is being solicited by the Board of Directors of Community Health Systems, Inc. (the Company) for use in connection with the Annual Meeting of Stockholders to be held Tuesday, May 23, 2006, or any adjournment or postponement thereof.

The record date with respect to this solicitation is March 31, 2006. All holders of record of our common stock as of the close of business on that date are entitled to vote at the meeting. As of that date the Company had 98,412,772 shares of common stock outstanding. Each share of our common stock is entitled to one vote. A proxy may be revoked by the stockholder at any time prior to its being voted at the meeting by giving written notification to the Company's Secretary, submitting another proxy with a more recent date, or voting in person at the meeting. Attendance at the Annual Meeting by a stockholder who has executed a proxy does not alone revoke the proxy. When a proxy in the form enclosed with this Proxy Statement is returned properly executed, the shares represented thereby will be voted at the meeting in accordance with the directions indicated thereon. If the proxy is properly executed and returned without specifying choices, the shares will be voted in accordance with the recommendations of the Board of Directors. The presence, in person or by proxy, of the holders of a majority of the shares of outstanding common stock entitled to vote at the meeting is necessary to constitute a quorum for the transaction of business at the meeting.

The Company's 2005 Annual Report to Stockholders, which includes our 2005 Form 10-K and contains consolidated financial statements reflecting the financial position as of December 31, 2005 and results of the operations of the Company for 2005, and this Proxy Statement are being mailed to stockholders on or about April 14, 2006. The Annual Report does not form part of the material for the solicitation of proxies.

**GENERAL INFORMATION**

***Proxy Statement Proposals***

Each year the Board of Directors submits to the stockholders at the Annual Meeting its nominations for election of directors. In addition, the stockholders are requested to ratify the selection of our independent registered public accounting firm. Other proposals may be submitted by the Board of Directors or stockholders for inclusion in the Proxy Statement for action at the Annual Meeting. Any proposal submitted by a stockholder for inclusion in the 2007 Annual Meeting Proxy Statement must be received by the Company in the manner and by the deadline set forth under Stockholder Proposals and Nominations for Directors as summarized later in this Proxy Statement.

***Corporate Governance Guidelines and Board Matters***

Following the passage of the Sarbanes-Oxley Act of 2002, our Board of Directors undertook a review of director independence, director qualifications, committee duties and governance, committee composition and qualification, our code of conduct, our policy regarding trading and reporting of trading in our stock, our policy regarding reporting of complaints involving accounting matters, our practices and policies on making loans to executive officers and

directors, and our hiring practices with respect to the employees of our

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independent auditors. As a result of these reviews, our Board of Directors has taken the following actions, which have been reviewed and are updated at least annually:

Adopted Governance Guidelines for the Board of Directors, including independence standards for our directors.

Determined that our Board of Directors is comprised of a majority of directors who meet the independence standards of our Governance Guidelines. Our Board of Directors has affirmatively determined that of the eight current members of our Board of Directors, John A. Clerico, Dale F. Frey, John A. Fry, Harvey Klein, M.D., Julia B. North, and H. Mitchell Watson, Jr., are independent and meet the categorical independence standards set forth in our Independence Standards for Directors as set forth in Annex A attached to this Proxy Statement. Messrs. Smith and Cash, who are employee-officers of the Company, are not independent.

Adopted procedures for non-management directors to meet in executive session. The Board of Directors has appointed Dale F. Frey as the lead director (the Lead Director ) to preside over these executive sessions and to take a leadership role in certain limited circumstances when leadership by the Chairman, who is also our President and Chief Executive Officer, would not be appropriate. Our Lead Director also provides significant input into Board meeting agendas and presentation topics.

Adopted a Code of Conduct that is applicable to all directors, officers, and employees of the organization. A variation of this Code of Conduct has been in effect at our Company since 1997.

Amended and restated the Audit and Compliance Committee Charter, incorporating all of the requirements of Sarbanes-Oxley and the regulations that have been published to date. Our Audit and Compliance Committee is comprised solely of independent directors, who also meet specific qualifications for service on this committee. All three of the members of our Audit and Compliance Committee are audit committee financial experts as defined by the Securities Exchange Act of 1934 (the Exchange Act ) John A. Clerico, John A. Fry, and H. Mitchell Watson, Jr.

Adopted a policy requiring the pre-approval of all non-audit services to be performed by our independent registered public accounting firm.

Adopted a policy that prohibits us from employing individuals who were engaged in our audit during the most recent two years.

Created a dual reporting relationship for our internal audit department so that it separately reports to our Chief Financial Officer and our Audit and Compliance Committee and adopted a charter for our Internal Audit Department.

Adopted a procedure for handling complaints regarding accounting matters.

Adopted a Compensation Committee Charter and strengthened the duties of this committee. The Compensation Committee is comprised solely of independent directors, who also meet specific qualifications for service on this committee.

Adopted a revised statement of policy regarding securities trading to ensure that all persons subject to the reporting requirements of Section 16 of the Exchange Act will be able to comply with all applicable filing requirements in a timely manner.



Adopted a policy, in accordance with the Sarbanes-Oxley Act, prohibiting us from making any loans to our directors or executive officers (no such loans were outstanding at the date the policy was adopted). Our policy does not allow directors or executive officers to participate in the cashless exercise option available to other employee participants in our stock option plan.

Adopted a Governance and Nominating Committee Charter. The Governance and Nominating Committee is comprised solely of independent directors.

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Adopted procedures for the annual review of our Governance Guidelines, committee charters, and board and committee performance.

Adopted procedures for stockholders and other persons who wish to communicate directly with our Lead Director, non-employee directors and/or members of our Audit and Compliance Committee. These procedures are set forth in our Governance Guidelines.

A copy of the current version of our Board of Directors Governance Guidelines, including our Independence Standards, along with current versions of our Code of Conduct, the Board of Directors Governance Guidelines and committees' charters are posted on the Investor Relations section of our Internet Website [www.chs.net](http://www.chs.net). These items are also available in print to any shareholder who requests them by writing to Community Health Systems, Inc., Investor Relations, at 7100 Commerce Way Suite 100, Brentwood, TN 37027. In addition, attached to this Proxy Statement are current versions of our Independence Standards for Directors as Annex A and our Audit and Compliance Committee Charter as Annex B.

*Operation and Meetings.* The Board of Directors is responsible for broad corporate policy and the overall performance of the Company. Members of the Board are kept informed of the Company's business by various documents sent to them before each meeting and oral reports made to them during these meetings by the Company's Chairman, President and Chief Executive Officer and other corporate executives. They are advised of actions taken by the various committees of the Board of Directors. Directors have access to all our books, records and reports, and members of management are available at all times to answer their questions.

Directors are encouraged to attend our annual meeting of stockholders; eight (8) of our then serving directors were present at our 2005 annual meeting of stockholders.

In 2005, the Board of Directors held four (4) regular meetings and three (3) special meetings. The Board of Directors also acted one (1) time by consent action. Each then incumbent director attended at least 75% of the Board meetings and meetings of the Board Committees on which he/she served which took place at the time he/she was an incumbent director.

The Audit and Compliance Committee is currently comprised of three (3) independent directors (as independence is defined in Section 303.01 (B) of the New York Stock Exchange ( NYSE ) Listed Company Manual and Section 10A-3 of the Exchange Act). These directors are John A. Clerico (Chair), John A. Fry, and H. Mitchell Watson, Jr. This committee held seven (7) regular meetings during 2005. The Audit and Compliance Committee's responsibility is to provide advice and counsel to management regarding, and to assist the Board of Directors in its oversight of, (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the independent registered public accounting firm's qualifications and independence; and (iv) the performance of the Company's internal audit function and independent registered public accounting firm. The Audit and Compliance Committee report is set forth later in this Proxy Statement.

The Compensation Committee is comprised of three (3) independent directors, none of whom has ever been an employee of the Company; H. Mitchell Watson, Jr. (Chair), Dale F. Frey, and Julia B. North. The Compensation Committee held three (3) regular meetings and one (1) special meeting and executed three (3) consent actions during 2005. The primary purpose of the Compensation Committee is to (i) assist the Board of Directors in discharging its responsibilities relating to compensation of the Company's executives; (ii) approve awards and grants of equity-based compensation arrangements to directors, employees, and others pursuant to the Community Health Systems, Inc. Amended and Restated 2000 Stock Option and Award Plan; (iii) administer the Community Health Systems, Inc. 2004 Employee Performance Incentive Plan with regard to the employees to whom Section 162(m) of the Internal

Revenue Code applies; (iv) assist the Board of Directors by making recommendations regarding compensation programs for directors; and (v) produce an annual report on executive compensation for inclusion in the Company's proxy statement in accordance with applicable rules and regulations of the Exchange Act. The Compensation Committee's report is set forth later in this Proxy Statement.

The Governance and Nominating Committee, whose members are Dale F. Frey (Chair), John A. Fry, Harvey Klein, M.D., and Julia B. North, met two (2) times during 2005. All of these members are

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independent, within the meaning of the Company's Governance Guidelines Independence Standards, which standards meet or exceed the standards contained in the NYSE Listing Standards. The primary purpose of the Governance and Nominating Committee is to (i) recommend to the Board of Directors a set of corporate governance guidelines applicable to the Company; (ii) review at least annually the Company's corporate Governance Guidelines and make any recommended changes, additions or modifications; and (iii) identify individuals qualified to become Board members and to select, or recommend that the Board of Directors select, the director nominees for the next annual meeting of stockholders.

### ***Director Compensation***

Our Board of Directors has approved a compensation program for directors who are not members of management (eligible directors), which consists of both cash and equity-based compensation. In 2005, eligible directors received an annual stipend of \$40,000, and an additional \$5,000 for each committee chair appointment. Our Lead Director also received an additional stipend of \$5,000. Effective January 1, 2006, the program was modified such that our Lead Director's stipend is \$10,000, the Audit and Compliance Committee chair's stipend is \$15,000, the Governance and Nominating Committee chair's stipend is \$7,500 and the Compensation Committee chair's stipend is \$10,000. Eligible directors also receive \$1,500 for each Board meeting attended and \$1,000 for each committee meeting attended. On December 15, 2005, the program was modified by our Board of Directors effective January 1, 2006 for eligible directors to receive 6,000 shares of restricted stock upon their initial appointment to the Board (as compared to 10,000 stock options prior to the modification) and 3,000 shares of restricted stock on the first business day after January 1 of each calendar year, provided the eligible director is a director on such date (as compared to 5,000 stock options prior to the modification). These awards are made under our Amended and Restated 2000 Stock Option and Award Plan. The restrictions on these shares lapse in equal one-third increments on each of the first three anniversaries of the award date. All directors are reimbursed for their out-of-pocket expenses arising from attendance at meetings of the Board and its committees. Prior to establishing this program in December 2002, some of our directors were granted stock options upon joining our Board of Directors, but received no other compensation other than reimbursement of expenses for attending meetings.

### ***Director Nomination Process***

The Governance and Nominating Committee has responsibility for the Director Nomination process. Its charter from the Board may be found in the Investor Relations section of our Internet Website, [www.chs.net](http://www.chs.net).

All of the members of the Governance and Nominating Committee are independent within the meaning of the Company's Governance Guidelines Independence Standards, which standards meet or exceed those contained in the New York Stock Exchange Listing Standards. The members of the Governance and Nominating Committee are Dale F. Frey (Chair), John A. Fry, Harvey Klein, M.D., and Julia B. North.

The Governance and Nominating Committee believes that the minimum qualifications that must be met by any Director nominee include (i) a reputation for the highest ethical and moral standards, (ii) good judgment, (iii) a positive record of achievement, (iv) if on other boards, an excellent reputation for preparation, attendance, participation, interest and initiative, (v) business knowledge and experience relevant to the Company and (vi) a willingness to devote sufficient time to carrying out his or her duties and responsibilities effectively.

The qualities and skills necessary in a director nominee are governed by the specific needs of the Board at the time the Governance and Nominating Committee determines to add a director to the Board. The specific requirements of the Board will be determined by the Governance and Nominating Committee and will be based on, among other things, the Company's then existing strategies and business, market, regulatory environments, and the mix of perspectives, experience and competencies then represented by the other Board members. The Governance and Nominating

Committee will also take into account the Chairman, President and Chief Executive Officer's views as to areas in which management desires additional advice and counsel.

When the need to recruit a director arises, the Governance and Nominating Committee will consult the other directors, including the Chairman, President and Chief Executive Officer and, when deemed appropriate,

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utilize fee-paid third party recruiting firms to identify potential candidates. The candidate evaluation process may include inquiries as to the candidate's reputation and background, examination of the candidate's experiences and skills in relation to the Board's requirements at the time, consideration of the candidate's independence as measured by the Company's Independence Standards, and other considerations as the Governance and Nominating Committee deems appropriate at the time. Prior to formal consideration by the Governance and Nominating Committee, any candidate who passes such screening would be interviewed by the Chair of the Governance and Nominating Committee and the Chairman, President and Chief Executive Officer.

The nominees at the Annual Meeting for the three (3) Class III Directors are as follows: John A. Clerico, Julia B. North and Wayne T. Smith, who are incumbents.

***Stockholder Proposals and Nominations for Directors***

The Governance and Nominating Committee will consider candidate nominees for election as director who are recommended by stockholders. Recommendations should be sent to the Secretary of the Company and should include the candidate's name and qualifications and a statement from the candidate that he or she consents to being named in the Proxy Statement and will serve as a director if elected. For any candidate to be considered by the Governance and Nominating Committee and, if nominated, to be included in the Proxy Statement, such recommendation must be received by the Secretary at our offices (Secretary, Community Health Systems, Inc., 7100 Commerce Way, Suite 100, Brentwood, Tennessee 37027) not less than 45 or more than 75 days prior to the first anniversary of the date on which we first mailed our proxy materials for the preceding year's annual meeting of stockholders. This same time requirement applies to any business a stockholder seeks to bring before an annual meeting of our stockholders. However, if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, to be timely, notice by the stockholder must be delivered no later than the close of business on the later of the 90th day prior to the annual meeting or the 10th day following the day on which the public announcement of the meeting is first made. The by-laws specify certain requirements as to the form and content of a stockholder's notice.

Under Securities and Exchange Commission (the SEC) regulations, any stockholder wishing to submit a proposal to be included in the proxy materials relating to the 2007 Annual Meeting of Stockholders must submit the proposal in writing no later than December 12, 2006.

**MEMBERS OF THE BOARD OF DIRECTORS**

Our certificate of incorporation provides for a classified Board of Directors consisting of three classes. Each class consists, as nearly as possible, of one-third of the total number of directors constituting the entire Board. At each Annual Meeting of stockholders, successors to the class of directors whose term expires at that Annual Meeting will be elected for a three-year term and until their respective successors are elected and qualified. A director may only be removed with cause by the affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote in the election of directors.

Class III directors' terms expire at our 2006 Annual Meeting. Upon the recommendation of the Governance and Nominating Committee, the three (3) persons listed in the table below who are incumbent directors, are nominated for election to serve as Class III Directors for a term of three (3) years and until their respective successors are elected and qualify.

<b>Name</b>	<b>Age</b>	<b>Position</b>
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John A. Clerico	64	Director (Class III)
Julia B. North	58	Director (Class III)
Wayne T. Smith	60	Chairman of the Board, President and Chief Executive Officer (Class III)

**Table of Contents****John A. Clerico****Director Since 2003***Audit and Compliance Committee Chair*

Since 2000, when Mr. Clerico co-founded ChartMark Investments, Inc., he has served as its chairman and as a registered financial advisor. From 1992 to 2000, he served as an executive vice president and the Chief Financial Officer and a Director of Praxair, Inc. From 1983 until its spin-off of Praxair, Inc. in 1992, he served as an executive officer in various financial and accounting areas of Union Carbide Corporation.

**Julia B. North****Director Since 2004***Compensation Committee Member**Governance and Nominating Committee Member*

Julia B. North was appointed to our Board of Directors in December 2004. She is presently retired. Over the course of her career, Ms. North has served in many senior executive positions, including as president of consumer services for BellSouth Telecommunications from 1994 to 1997. After leaving BellSouth Telecommunications in 1997, she served as the President and CEO of VSI Enterprises, Inc. She currently serves on the Board of Directors of Acuity Brands, Inc., Simtrol Inc. and Winn-Dixie, Inc. On February 21, 2005, Winn-Dixie, Inc. filed for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code.

**Wayne T. Smith****Director Since 1997***Chairman of the Board*

Mr. Smith is the Chairman, President and Chief Executive Officer. Mr. Smith joined us in January 1997 as President. In April 1997, we also named him our Chief Executive Officer and a member of the Board of Directors. In February 2001, he was elected Chairman of our Board of Directors. Prior to joining us, Mr. Smith spent 23 years at Humana Inc., most recently as President and Chief Operating Officer, and as a director, from 1993 to mid-1996. He is also a director of Almost Family and Praxair, Inc. Mr. Smith is a member of the board of directors and a past chairman of the Federation of American Hospitals.

The remaining incumbent directors, whose terms of office have not expired (Class I directors terms will expire in 2007, and Class II directors terms will expire in 2008), are set forth below.

<b>Name</b>	<b>Age</b>	<b>Position</b>
W. Larry Cash	57	Executive Vice President, Chief Financial Officer and Director (Class I)
Dale F. Frey	73	Director (Class II)
Harvey Klein, M.D.	68	Director (Class I)
John A. Fry	45	Director (Class II)
H. Mitchell Watson, Jr.	68	Director (Class I)

**W. Larry Cash****Director Since 2001**

Mr. Cash serves as the Executive Vice President and Chief Financial Officer. Prior to joining Community Health Systems, he served as Vice President and Group Chief Financial Officer of Columbia/HCA Healthcare Corporation from September 1996 to August 1997. Prior to Columbia/HCA, Mr. Cash spent 23 years at Humana, Inc., most recently as Senior Vice President of Finance and Operations from 1993 to 1996. He is also a director of Cross Country Healthcare, Inc.



**Dale F. Frey**

**Director Since 1997**

*Lead Director*

*Governance and Nominating Committee Chair*

*Compensation Committee Member*

Mr. Frey was elected as our Lead Director in February 2004. Mr. Frey is currently retired. From 1984 until 1997, Mr. Frey was the Chairman of the Board and President of General Electric Investment Corp. From 1980 to 1997, he was also Vice President of General Electric Company. Mr. Frey is also a director and the chairman of the audit committee of The Yankee Candle Company, Inc., Aftermarket Technology Corp., Ambassadors Group, Inc., and K&F Industries Holdings, Inc. (and serves as a member of its audit committee).

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**Harvey Klein, M.D.**

**Director Since 2001**

*Governance and Nominating Committee Member*

Dr. Klein has been an Attending Physician at the New York Hospital since 1992. Dr. Klein serves as the William S. Paley Professor of Clinical Medicine at Cornell University Medical College, a position he has held since 1992. He also has been a Member of the Board of Overseers of Weill Medical College of Cornell University since 1997. Dr. Klein is a member of the American Board of Internal Medicine and American Board of Internal Medicine, Gastroenterology.

**John A. Fry**

**Director Since 2004**

*Audit and Compliance Committee Member*

*Governance and Nominating Committee Member*

Mr. Fry presently serves as President of Franklin & Marshall College. From 1995-2002, he was Executive Vice President of the University of Pennsylvania and served as the chief operating officer of the University and as a member of the executive committee of the University of Pennsylvania Health System. Mr. Fry is a member of the Board of Directors of Allied Security Holdings, LLC and the Board of Trustees of Delaware Investments, with oversight responsibility for all of the portfolios in that mutual fund family.

**H. Mitchell Watson, Jr.**

**Director Since 2004**

*Compensation Committee Chair*

*Audit and Compliance Committee Member*

Mr. Watson is currently retired. From 1982 to 1989, Mr. Watson was a Vice President of IBM, serving from 1982 to 1986 as President, Systems Product Division, and from 1986 to 1989 as Vice President, Marketing. From 1989 to 1992, Mr. Watson was President and Chief Executive Officer of ROLM Company. Mr. Watson is a director and the chairman of the audit committee of Praxair, Inc. Mr. Watson is chairman emeritus of Helen Keller International.

***Compensation Committee Interlocks and Insider Participation***

The current members of the Compensation Committee of our Board of Directors are H. Mitchell Watson, Jr. (chair), Dale F. Frey, and Julia B. North. None of the members of the Compensation Committee are a current or former executive officer or employee of our Company or any of our subsidiaries.

**PROPOSALS SUBMITTED FOR A VOTE OF STOCKHOLDERS**

***PROPOSAL 1 ELECTION OF CLASS III DIRECTORS***

Upon the recommendation of the Governance and Nominating Committee, the following three (3) persons listed below are nominated for election to serve as Class III Directors for a term of three (3) years and until their respective successors are elected and qualify.

The nominees for directors are John A. Clerico, Julia B. North and Wayne T. Smith. All nominees are currently serving terms as directors that expire at the Annual Meeting. Each of the nominees has agreed to serve for the three-year term to which they have been nominated. If any of the nominees are unable to serve or refuse to serve as directors, an event which the Board does not anticipate, the proxies will be voted in favor of such other person(s), if any, as the Board of Directors may designate.

***Required Vote***

The affirmative vote of a plurality of the shares of our common stock present in person or by proxy at the Annual Meeting is required to elect each of the Class III directors. Abstentions and broker non-votes in connection with the election of directors have no effect on such election since directors are elected by a plurality of the votes cast at the meeting.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE NOMINEES FOR ELECTION AS CLASS III DIRECTORS.**

**Table of Contents*****PROPOSAL 2 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM***

The Board of Directors proposes that the stockholders ratify the appointment by the Board of Directors of Deloitte & Touche LLP as our independent registered public accounting firm for 2006. We expect that a representative of Deloitte & Touche LLP will be present at the Annual Meeting and will be available to respond to appropriate questions submitted by stockholders at the Annual Meeting. Deloitte & Touche LLP will have the opportunity to make a statement if it desires to do so.

*Fees*

The following table summarizes the aggregate fees billed to the Company by Deloitte & Touche LLP:

	<b>2005</b>	<b>2004</b>
	<b>(In thousands)</b>	
Audit Fees(a)	\$ 2,602	\$ 2,698
Audit-Related Fees(b)	477	618
Tax Fees(c)	404	597
All Other Fees(d)	38	117
Total	\$ 3,521	\$ 4,030

(a) Fees for audit services billed in 2005 and 2004 consisted of:

Audit of the Company's annual consolidated financial statements (2005 and 2004 amount include an attestation report on management's assessment of internal control over financial reporting);

Reviews of the Company's quarterly consolidated financial statements; and

Statutory and regulatory audits, consents and other services related to SEC matters.

(b) Fees for audit-related services billed in 2005 and 2004 consisted of:

Due diligence associated with acquisitions;

Financial accounting and reporting consultations;

Sarbanes-Oxley Act, Section 404 advisory services;

Employee benefit plan audits; and

Agreed-upon procedures engagements.

(c) Fees for tax services billed in 2005 and 2004 consisted of:

Fees for tax compliance services totaled \$404,000 and \$571,000 in 2005 and 2004, respectively. Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and obtain government approval for amounts to be included in tax filings and consisted of:

- (i) Federal, state and local income tax return assistance;
- (ii) Sales and use, property and other tax return assistance; and
- (iii) Assistance with tax audits and appeals.

Fees for tax planning and advice services totaled \$0 and \$26,000 in 2005 and 2004, respectively. Tax planning and advice are services rendered with respect to proposed transactions or that alter a transaction to obtain a particular tax result. Such services consisted of tax advice related to structuring certain proposed mergers, acquisitions and disposals and other transactions.

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(d) Fees for all other services billed in 2005 and 2004 consisted of permitted non-audit services, such as:

Valuation, or other services permitted under transition rules in effect at May 6, 2003; and

Any other consulting or advisory service.

In considering the nature of the services provided by the independent registered public accounting firm, the Audit and Compliance Committee determined that such services are compatible with the provision of independent audit services. The Audit and Compliance Committee discussed these services with the independent registered public accounting firm and Company management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the rules and regulations of the American Institute of Certified Public Accountants.

*Pre-Approval of Audit and Non-Audit Services*

On December 10, 2002, the Board of Directors delegated to the Audit and Compliance Committee the sole authority to engage and discharge the Company's independent registered public accounting firm, to oversee the conduct of the audit of the Company's consolidated financial statements, and to approve the provision of all auditing and non-audit services. All audit and non-audit services performed by the independent registered public accounting firm during 2005 were pre-approved by the Audit and Compliance Committee prior to the commencement of such services. The Company's policy does not permit the retroactive approval for de minimus non-audit services.

***Required Vote***

Approval by the stockholders of the appointment of our independent registered public accounting firm is not required, but the Board believes that it is desirable to submit this matter to the stockholders. If holders of a majority of our common stock present and entitled to vote on the matter do not approve the selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2006 at the Annual Meeting, the selection of our independent registered public accounting firm will be reconsidered by the Audit and Compliance Committee. Abstentions will be considered a vote against this proposal and broker non-votes will have no effect on such matter since these votes will not be considered present and entitled to vote for this purpose.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2006.**

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

The following table sets forth information as of March 31, 2006, except as otherwise footnoted, with respect to ownership of our common stock by:

each person known by us to be a beneficial owner of more than 5% of our Company's common stock;

each of our directors;

each of our executive officers named in the Summary Compensation Table on page 13; and

all of our directors and executive officers as a group.



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Except as otherwise indicated, the persons or entities listed below have sole voting and investment power with respect to all shares of common stock beneficially owned by them, except to the extent such power may be shared with a spouse.

Name	Shares Beneficially Owned(1)	
	Number	Percent
<b>5% Stockholders:</b>		
FMR Corp.(2)	8,414,856(2)	8.6%
T. Rowe Price Associates, Inc.(3)	5,421,042(3)	5.5%
<b>Directors:</b>		
John A. Clerico	31,500(4)	*
Dale F. Frey	47,181(5)	*
John A. Fry	16,500(6)	*
Harvey Klein	26,500(7)	*
Julia B. North	10,000(8)	*
H. Mitchell Watson, Jr.	18,500(9)	*
Wayne T. Smith	1,719,404(10)	1.7%
W. Larry Cash	879,038(11)	0.9%