HIGHWOODS PROPERTIES INC
Form DEF 14A
June 05, 2006

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

HIGHWOODS PROPERTIES, INC.

(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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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):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On August 3, 2006

You are cordially invited to attend the annual meeting of stockholders of Highwoods Properties, Inc. to be held on Thursday, August 3, 2006, at 11:00 a.m., at the Raleigh Marriott Crabtree Valley, 4500 Marriott Drive, Raleigh, North Carolina 27612. The principal purpose of this meeting is to elect six directors, ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2006 and transact such other business as may properly come before such meeting or any adjournments.

Only stockholders of record at the close of business on June 1, 2006 will be entitled to vote at the meeting or any adjournments.

Whether or not you expect to attend the meeting, please complete, date and sign the enclosed proxy and mail it promptly in the enclosed envelope in order to ensure representation of your shares. No postage is necessary if the proxy is mailed in the United States. Alternatively, you may vote over the Internet or by telephone by following the instructions on the enclosed proxy card.

BY ORDER OF THE BOARD OF DIRECTORS

MACK D. PRIDGEN, III

Vice President, General Counsel and Secretary

HIGHWOODS PROPERTIES, INC.

3100 Smoketree Court, Suite 600

Raleigh, North Carolina 27604

PROXY STATEMENT

FOR

ANNUAL MEETING OF STOCKHOLDERS

To Be Held On August 3, 2006

This proxy statement is being furnished to stockholders of Highwoods Properties, Inc. in connection with the solicitation of proxies for use at our annual meeting of stockholders to be held on Thursday, August 3, 2006, at 11:00 a.m., at the Raleigh Marriott Crabtree Valley, 4500 Marriott Drive, Raleigh, North Carolina 27612. The purposes of the meeting are set forth in the notice of meeting. This solicitation is made on behalf of our Board of Directors.

Holders of record of shares of our common stock as of the close of business on the record date, June 1, 2006, are entitled to receive notice of, and to vote at, the meeting. The outstanding common stock constitutes the only class of securities entitled to vote at the meeting and each share of common stock entitles the holder to one vote. At the close of business on the record date, there were 54,136,934 shares of common stock issued and outstanding.

This proxy statement, the form of proxy and the 2005 Annual Report were mailed to stockholders on or about June 16, 2006.

Proposal One, the election of directors, requires the vote of a plurality of all of the votes cast at the meeting, provided that a quorum is present. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count toward the presence of a quorum.

Proposal Two, the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2006, requires the affirmative vote of a majority of the votes cast on the proposal, provided that a quorum is present. For purposes of the vote on Proposal Two, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count toward the presence of a quorum.

Shares represented by proxies in the form enclosed, if such proxies are properly executed, returned and not revoked, will be voted as specified. Where no specification is made on a properly executed and returned form of proxy, the shares will be voted FOR the election of all nominees for director, FOR the proposal to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2006 and FOR authorization of the proxy to vote upon such other business as may properly come before the meeting or any adjournments. You may vote by mail, by telephone (toll-free), over the Internet or in person at the meeting.

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To vote by mail, sign, date and complete the enclosed proxy card and return it in the enclosed self-addressed stamped envelope. No postage is necessary if the proxy is mailed in the United States. Instructions for voting by using a toll-free telephone number or over the Internet can be found on your proxy card. If you hold your shares through a bank, broker or other nominee, they will give you separate instructions on voting your shares.

PROPOSAL ONE:

ELECTION OF DIRECTORS

Our directors are divided into three classes, with approximately one-third of the directors elected by the stockholders annually. The Board of Directors consists of nine members. Since this is our first annual meeting of stockholders since May 18, 2004, the three-year terms of office for current directors who were elected in 2002 and 2003 will expire at this meeting. These directors include Thomas W. Adler, Kay N. Callison, Gene H. Anderson, O. Temple Sloan, Jr. and F. William Vandiver, Jr. Since Sherry A. Kellett was elected by our Board of Directors in November 2005, her term of office will also expire at this meeting.

Thomas W. Adler, Kay N. Callison and Sherry A. Kellett have been nominated for election at the meeting as directors to hold office until the 2008 annual meeting of stockholders and until their successors are elected and qualified. Gene H. Anderson, O. Temple Sloan, Jr. and F. William Vandiver, Jr. have been nominated for election at the meeting as directors to hold office until the 2009 annual meeting of stockholders and until their successors are elected and qualified. The Board of Directors recommends a vote FOR each of the nominees as directors to hold office until the expiration of the term for which they have been nominated and until their successors are elected and qualified. Should any one or more of these nominees become unable to serve for any reason, the Board of Directors may designate substitute nominees, in which event the person named in the enclosed proxy will vote for the election of such substitute nominee or nominees, or reduce the number of directors on the Board of Directors.

Nominees for Election to Term Expiring 2008

Thomas W. Adler, 65, has been a director since June 1994. Mr. Adler is chairman of PSF Management Co. in Cleveland, Ohio. Mr. Adler formerly served on the board of directors of the National Association of Realtors and the boards of governors of the American Society of Real Estate Counselors and the National Association of Real Estate Investment Trusts. He is a past national president of the Society of Industrial and Office Realtors. Mr. Adler is currently active in the Urban Land Institute.

Kay N. Callison, 62, has been a director since our merger with J.C. Nichols Company in July 1998. Ms. Callison had served as a director of J.C. Nichols Company since 1982. Ms. Callison is active in charitable activities in the Kansas City metropolitan area.

Sherry A. Kellett, 61, has been a director since November 2005. Ms. Kellett is a certified public accountant. Ms. Kellett served as senior executive vice president and controller of BB&T Corporation from 1995 until her retirement on August 1, 2003. Ms. Kellett had served as corporate controller of Southern National Corporation from 1991 until 1995 when it merged with BB&T Corporation. Ms. Kellett previously served in several positions at Arthur Andersen & Co. Ms. Kellett is a director of MidCountry Financial Corp., a private financial services holding company based in Macon, GA, and is also a board member of the North Carolina School of the Arts Foundation.

Nominees for Election to Term Expiring 2009

Gene H. Anderson, 60, has been a director and senior vice president since our combination with Anderson Properties, Inc. in February 1997. Mr. Anderson manages our Atlanta regional operations and oversees our Piedmont Triad operations. Mr. Anderson served as president of Anderson Properties, Inc. from 1978 to February 1997. Mr. Anderson was past president of the Georgia chapter of the National Association of Industrial and Office Properties and is a national board member of the National Association of Industrial and Office Properties.

L. Glenn Orr, Jr., 66, has been a director since February 1995. Mr. Orr has been president and chief executive officer of The Orr Group since 1995. Mr. Orr was chairman of the board of directors, president and chief executive officer of Southern National Corporation from 1990 until its merger with BB&T Corporation in 1995. He previously served as president and chief executive officer of Forsyth Bank and Trust Co., president of Community Bank in Greenville, S.C. and president of the North Carolina Bankers Association. Mr. Orr is a member of the boards of directors of Medical Properties Trust, Inc., The International Group, Inc., Village Tavern, Inc. and Broyhill Management Fund, and he is chairman of the Wake Forest University board of trustees.

O. Temple Sloan, Jr., 67, is chairman of the Board of Directors, a position he has held since March 1994. Mr. Sloan is chairman and chief executive officer of The International Group, Inc. He is also the lead outside director of Bank of America Corporation and is a director of Lowe s Companies, Inc.

Incumbent Directors Term Expiring 2007

Edward J. Fritsch, 47, has been a director since January 2001. Mr. Fritsch became our chief executive officer on July 1, 2004 and our president in December 2003. Prior to that, Mr. Fritsch was our chief operating officer from January 1998 to July 2004 and was a vice president and secretary from June 1994 to January 1998. Mr. Fritsch joined our predecessor in 1982 and was a partner of that entity at the time of our initial public offering in June 1994. Mr. Fritsch serves on the University of North Carolina s Board of Visitors, the Board of Trustees of St. Timothy s Episcopal School and the Board of Directors of the Triangle Chapter of the YMCA.

Lawrence S. Kaplan, 63, has been a director since November 2000. Mr. Kaplan is a certified public accountant and retired in 2000 as a partner from Ernst & Young LLP where he was the national director of that firm s REIT Advisory Services group. Mr. Kaplan has served on the board of governors of the National Association of Real Estate Investment Trusts and has been actively involved in REIT legislative and regulatory matters for over 20 years. Mr. Kaplan is a director of Maguire Properties, Inc., a publicly traded office REIT based in California, and Feldman Mall Properties, Inc., a publicly traded mall REIT based in Arizona.

F. William Vandiver, Jr., 64, has been a director since July 2002. Mr. Vandiver served as corporate risk management executive at Bank of America from 1998 until his retirement in 2002. Mr. Vandiver is Chairman of the Board of Trustees of Queens University of Charlotte. He also serves on the Presidents Advisory Council of Clemson University, the Board of Trustees of Presbyterian Hospital in Charlotte and the Board of Directors of The International Group, Inc. and as a Senior Advisor to McColl Partners.

Independence of Directors

Under New York Stock Exchange rules, at least a majority of our directors and all of the members of the audit committee and the compensation and governance committee must be independent. The New York Stock Exchange standards provide that to qualify as an independent director, in addition to satisfying certain bright-line criteria, the Board of Directors must affirmatively determine that a director has no material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us). The Board of Directors has determined that any relationship or arrangement between us and one or more affiliates of a director that does not require disclosure pursuant to Item 404 of SEC Regulation S-K does not, by itself, preclude a determination of independence (except with respect to members of the audit committee). The Board of Directors has determined that each of Messrs. Adler, Kaplan, Orr, Sloan and Vandiver and Ms. Callison and Ms. Kellett satisfies the bright-line criteria and that none has a relationship with us that would interfere with such person s ability to exercise independent judgment as a member of the Board. In addition, none of these directors has ever served as (or is related to) an employee of our company or any of our predecessors or acquired companies or received any compensation from us or any such other entities except for compensation directly related to service as a director. Therefore, we believe that all of these directors, or more than three-fourths of the Board, are independent directors.

Committees of the Board of Directors

Audit Committee. Our audit committee currently consists of Messrs. Kaplan and Vandiver and Ms. Kellett. Mr. Kaplan serves as chairman of the audit committee. The audit committee approves the engagement of our independent registered public accounting firm, reviews the plans and results of the audit engagement with such firm, approves professional services provided by such firm, reviews the independence of such firm, approves audit and non-audit fees and reviews the adequacy of our internal control over financing reporting. Each member is an independent director and none has accepted any consulting, advisory or other compensatory fee from us other than as set forth below under Non-Employee Director Compensation. Further, the Board has determined that each member is financially literate and at least two members, Mr. Kaplan and Ms. Kellett, both of whom are certified public accountants, are financial experts. During 2005, the audit committee held four in-person meetings and 11 conference calls.

Compensation and Governance Committee. Our compensation and governance committee currently consists of Messrs. Orr and Sloan and Ms. Callison. Mr. Orr serves as chairman of the compensation and governance committee. Each member is an independent director. The compensation and governance committee determines compensation for our executive officers and implements our long-term incentive plans, including the Amended and Restated 1994 Stock Option Plan (the Stock Option Plan). The committee also makes recommendations concerning board member qualification standards, director nominees, board responsibilities and compensation, board access to management and independent advisors and management succession. On an annual basis, the compensation and governance committee assesses the appropriate skills and characteristics of existing and new board members. This assessment includes consideration as to the members independence, diversity, age, skills and experience in the context of the needs of the Board. The same criteria are used by the compensation and governance committee in evaluating nominees for directorship. See also Director Qualifications, Nominations and Evaluations. During 2005, the compensation and governance committee held four in-person meetings and one conference call.

Investment Committee. Our investment committee currently consists of Messrs. Adler, Anderson, Fritsch and Sloan. The investment committee oversees the acquisition, new development, redevelopment and asset disposition process. The investment committee generally meets on call to review new opportunities and to make recommendations to the Board of Directors concerning such opportunities.

Executive Committee. Our executive committee currently consists of Messrs. Adler, Orr, Sloan and Vandiver. In addition, our Chief Executive Officer serves as an ex-officio member of the committee. The executive committee meets on call by the Chairman of the Board of Directors and may exercise all of the powers of the Board of Directors, subject to the limitations imposed by applicable law, the bylaws or the Board of Directors. Each member (other than the Chief Executive Officer) is independent. During 2005, the executive committee held four in-person meetings and seven conference calls.

Meetings of the Board of Directors; Independent Director Executive Sessions

The Board of Directors held four in-person meetings and three conference calls in 2005. At each in-person meeting of the Board of Directors, our independent directors meet in executive session without the presence of any current or former members of management. The Chairman of the Board of Directors (or, in the Chairman s absence, another independent director designated by the Chairman) has been appointed to preside over such executive sessions. Each of the directors attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of all committees of the Board of Directors on which the director served. The Board of Directors encourages its members to attend each annual meeting of stockholders. Three members of the Board of Directors attended our last annual meeting.

Director Qualifications, Nominations and Evaluations

In making any nominee recommendations to the Board, the compensation and governance committee will typically consider persons recommended by our stockholders so long as the recommendation is submitted to the committee prior to the date that is 120 days before the anniversary of the mailing of the prior year s proxy statement. Nominee recommendations, together with appropriate biographical information, should be submitted to the Chairman of the Compensation and Governance Committee, Highwoods Properties, Inc., 3100 Smoketree Court, Suite 600, Raleigh, North Carolina 27604. The compensation and governance committee may, in its sole discretion, reject any such recommendation for any reason. Since this annual meeting is being held more than 30 days after the anniversary of our last annual meeting on May 18, 2004, the deadline for the submission by stockholders of nominee recommendations for this meeting was January 16, 2006.

According to our corporate governance guidelines, it is the sense of the Board of Directors that directors who change the responsibilities and/or positions they held when they were elected should volunteer to resign from the Board of Directors. It is not the sense of the Board of Directors that in every instance directors who retire or change from the positions they held when they were elected to the Board of Directors should necessarily leave the Board. There should, however, be an opportunity for the Board of Directors through the compensation and governance committee to review the continued appropriateness of director membership under the circumstances. The Board of Directors also believes that it is in our best interests that a director offer to resign as of the end of the three-year term after such director s 70th birthday. Upon receipt of any such offer to resign, the compensation and governance committee will evaluate whether to accept such offer at its next regularly-scheduled meeting and provide its recommendation to the full Board of Directors, together with its recommendation for a potential replacement, if applicable. The Board of Directors further believes that each director should be generally available to respond to reasonable requests and commitments related to our company and that there is a limit to the number of public company boards of directors upon which a director may serve and meet such an availability requirement. As a result, our corporate governance guidelines provide that none of our directors may serve on more than four other public company boards of directors while serving on our Board.

The Board of Directors conducts an annual self-evaluation to determine whether it and its committees are functioning effectively. As part of this process, the compensation and governance committee receives comments from all directors and reports annually to the Board with an assessment of the Board s performance. This is discussed with the full Board following the end of each fiscal year. The assessment focuses on the Board s contribution to our overall success and specifically focuses on areas in which the Board or management believes that the Board could improve.

For information about our director and executive officer stock ownership guidelines, see Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters Stock Ownership Guidelines.

Other Corporate Governance Matters

The Board of Directors, in its role as primary governing body, provides oversight of our affairs and strives to maintain and improve our strong corporate governance practices. To this end, we have adopted corporate governance guidelines and a code of business conduct and ethics applicable to directors, officers and employees. We have also adopted a separate code of ethics for our chief executive officer and our senior financial officers. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or any waiver from, a provision of these codes of ethics by posting such information on our website at www.highwoods.com.

The Board of Directors has also established a process for interested parties, including employees and stockholders, to communicate directly with the independent directors. Written communications may be addressed to the Chairman of the Board of Directors, Highwoods Properties, Inc., 3100 Smoketree Court, Suite 600, Raleigh, North Carolina 27604.

The audit committee has adopted a process for interested parties, including employees and stockholders, to send communications to the audit committee with concerns or complaints concerning our regulatory compliance, accounting, audit or internal controls issues. Written communications may be addressed to the Chairman of the Audit Committee, Highwoods Properties, Inc., 3100 Smoketree Court, Suite 600, Raleigh, North Carolina 27604.

The Investor Relations/Governance Documents section of our website includes online versions of our corporate governance guidelines, code of business conduct and ethics, code of ethics, audit committee charter and compensation and governance committee charter. This information is also available in print to any stockholder who requests it by writing Investor Relations, Highwoods Properties, Inc., 3100 Smoketree Court, Suite 600, Raleigh, North Carolina 27604.

During 2005, we filed unqualified Section 303A certifications with the New York Stock Exchange. We have also filed the CEO and CFO certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 as exhibits to our 2005 Annual Report.

Non-Employee Director Compensation

The following table sets forth information concerning the compensation of persons serving as non-employee directors during 2005:

Non-Employee Director	Board/Committee Retainer and Meeting Fees	Other Compensation (1)	Restricted Stock
Thomas W. Adler	$ 48,000		$ 18,375
Kay N. Callison	$ 37,500		$ 18,375
Ronald P. Gibson (2)	$ 43,750		$ 18,375
William E. Graham, Jr. (3)	$ 37,500	$ 7,834	$ 9,188
Lawrence S. Kaplan	$ 51,250	$ 129	$ 18,375
Sherry A. Kellett (4)	$ 6,685		
L. Glenn Orr, Jr.	$ 45,500		$ 18,375
O. Temple Sloan, Jr.	$ 68,000	$ 2,215	$ 36,750
Willard H. Smith, Jr. (3)	$ 37,500		$ 9,188
John L. Turner (3)	$ 43,750	$ 558	$ 18,375
F. William Vandiver, Jr.	$ 41,750	$ 7,136	$ 18,375

(1) The amounts include the value attributable to the deferral, if any, of board or committee fees for phantom stock at a 15% discount and the value attributable to the assumed issuance of additional phantom stock at a 15% discount upon the declaration of a dividend, but such amounts do not take into account fluctuations in the implied value of such phantom stock based on changes in the value of our common stock.

(2) Mr. Gibson retired as a director effective March 16, 2006.

(3) Messrs. Graham, Smith and Turner retired effective as of December 31, 2005.

(4) Upon becoming a director, Ms. Kellett received options to purchase 10,000 shares of common stock at an exercise price equal to the fair market value on the date of grant.

During the first quarter of 2005, the Chairman of the Board of Directors received a base retainer at an annual rate of $41,000 and other non-employee directors received base retainers at an annual rate of $23,000. In addition, each non-employee director received a fee of $1,250 (plus out-of-pocket expenses) for attendance in person at each meeting of the Board of Directors, $500 for each committee meeting attended, $250 for each telephonic meeting of the Board of Directors and between $250 and $400 for each telephonic meeting of a committee. The non-employee directors on the investment committee each received an additional retainer at an annual rate of $12,000 and $500 per day for property visits. The chairman of the audit committee received an additional retainer at an annual rate of $10,000 and $1,000 per day for non-scheduled audit committee activities.

Beginning in the second quarter of 2005, the Chairman of the Board of Directors now receives a base retainer at an annual rate of $50,000 and other non-employee directors now receive base retainers at an annual rate of $35,000, but non-employee directors no longer receive additional fees for attendance at meetings or participation in conference calls of the Board or its committees. Members of the audit, executive and compensation and governance committees now receive additional retainers at an annual rate of $5,000 for each committee, except that the additional annual retainer rate is $10,000 for the chairman of the compensation and governance committee and $20,000 for the chairman of the audit committee. Non-employee directors on the investment committee now receive additional retainers at an annual rate of $10,000 plus $500 per day for property visits.

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During 2005, non-employee directors could elect to defer a portion of their fees for investment in stock options or units of phantom stock. At the end of each calendar quarter, any director that deferred fees for phantom stock was credited with units of phantom stock at a 15% discount or with stock options. Dividends on the phantom stock were assumed to be issued in additional units of phantom stock at a 15% discount. In July 2005, we modified the plan to preclude any fee deferrals into phantom stock after December 31, 2005.

SEC rules have prohibited us from issuing shares of common stock upon the exercise of stock options under our Form S-8 registration statement since the beginning of 2005 because of the delay in filing our SEC reports. As a result, upon the recommendation of our compensation and governance committee, the expiration dates of the following stock options previously granted to current and retired directors have been tolled as follows:

Name	Number of Options Outstanding	Exercise Price Per Share	Original Grant Date	Original Expiration Date	Tolled Expiration Date
William E. Graham, Jr. (1)	10,000	$ 22.44	June 8, 2004	June 7, 2005	(3)
O. Temple Sloan, Jr.	10,000	22.44	June 8, 2004	June 7, 2005	(3)
L. Glenn Orr, Jr.	10,000	20.75	February 23, 1995	September 30, 2005	(3)
John L. Turner (1)	25,885	20.69	March 1, 2000	September 30, 2005	(3)
John L. Turner (1)	45,000	20.75	February 23, 1995	September 30, 2005	(3)
John L. Turner (1)	45,972	22.19	March 25, 1999	September 30, 2005	(3)
Ronald P. Gibson (2)	20,000	27.75	January 2, 1996	January 2, 2006	December 31, 2006
Willard H. Smith Jr. (1)	10,000	28.75	April 30, 1996	June 30, 2006	December 31, 2006
Willard H. Smith Jr. (1)	10,000	21.94	April 24, 2000	June 30, 2006	December 31, 2006
Willard H. Smith Jr. (1)	10,000	22.18	March 25, 1999	June 30, 2006	December 31, 2006
Willard H. Smith Jr. (1)	2,000	22.75	January 31, 2000	June 30, 2006	December 31, 2006
Willard H. Smith Jr. (1)	2,000	24.75	January 25, 1999	June 30, 2006	December 31, 2006
Willard H. Smith Jr. (1)	2,000	25.73	January 29, 2001	June 30, 2006	December 31, 2006
William E. Graham, Jr. (1)	10,000	22.18	March 25, 1999	June 30, 2006	December 31, 2006
William E. Graham, Jr. (1)	2,000	22.75	January 31, 2000	June 30, 2006	December 31, 2006
William E. Graham, Jr. (1)	2,000	24.75	January 25, 1999	June 30, 2006	December 31, 2006
William E. Graham, Jr. (1)	2,000	25.73	January 29, 2001	June 30, 2006	December 31, 2006

(1) Messrs. Graham, Smith and Turner retired effective as of December 31, 2005.

(2) Mr. Gibson retired as a director effective March 16, 2006.

(3) Such options will now expire 30 calendar days after the date in 2006 on which both we have become current on all of our SEC reporting obligations and our blackout policy does not prevent such options from being exercised on a cashless basis.

Executive Compensation

The following table sets forth information concerning the compensation of our President and Chief Executive Officer and our four other most highly compensated executive officers (the Named Executive Officers) in 2005:

Summary Compensation Table

		Annual Compensation			Long-Term Compensation		
Name and Principal Position	**Year**	**Salary**	**Bonus (1)**	**Other Annual Compensation (2)**	**Restricted Stock Awards (3)**	**Securities Underlying Options (4)**	**All Other Compensation (5)**
Edward J. Fritsch (6)	2005	$ 413,822	$ 430,272	$ 514	$ 864,663	195,555	$ 20,849
President and CEO	2004	$ 380,085	$ 302,104	$ 475	$ 485,831	171,775	$ 20,624
	2003	$ 325,219	$ 171,885	$ 5,048	$ 235,732	112,198	$ 20,399
Michael E. Harris (7)	2005	$ 312,801	$ 220,276	$ 3,746	$ 398,814	90,193	$ 9,450
Executive Vice	2004	$ 280,385	$ 201,491	$ 83,540	$ 202,349	77,369	$ 9,225
President and COO	2003	$ 223,492	$ 102,375	$ 3,736	$ 90,007	42,837	$ 9,000
Terry L. Stevens	2005	$ 248,461	$ 253,876	$ 13,710	$ 315,843	71,429	$ 9,450
Vice President and CFO	2004	$ 240,000	$ 158,550	$ 56,729	$ 134,411	51,396	$ 9,225
	2003	$ 18,462	$ 9,988	$ 2,006	$		$
Mack D. Pridgen, III	2005	$ 232,395	$ 163,654	$ 23,665	$ 296,299	67,009	$ 24,861
Vice President, General	2004	$ 226,600	$ 149,698	$ 22,092	$ 209,146	62,391	$ 24,636
Counsel and Secretary	2003	$ 225,092	$ 118,965	$ 15,957	$ 163,143	77,654	$ 24,411
Gene H. Anderson	2005	$ 230,755	$ 100,249	$ 2,738	$ 163,440	36,964	$ 9,450
Senior Vice President	2004	$ 225,000	$ 100,000	$ 7,473	$ 90,008	34,417	$ 9,225
	2003	$ 223,492	$ 102,375	$ 6,953	$ 90,007	42,837	$ 9,000

(1) Includes any amounts earned in the indicated period that were paid in the following year.

(2) The amounts include the value of the phantom stock discount related to the deferral, if any, of the officer s base salary and/or annual bonus for phantom stock at a 15% discount during the period in which the cash deferral was actually made (regardless of when the salary and/or bonus had been earned) and the value attributable to the assumed issuance of additional phantom stock at a 15% discount upon the declaration of a dividend, but such amounts do not take into account fluctuations in the implied value of such phantom stock based on changes in the value of our common stock. If an officer that deferred compensation under this plan leaves our employ voluntarily or for cause within two years after the end of the year in which such officer deferred compensation for units of phantom stock, at a minimum, the 15% discount and any deemed dividends are forfeited. For Mr. Harris, the amount in 2004 also includes $63,386 in relocation and travel costs related to his move to Raleigh in connection with becoming Executive Vice President and COO on July 1, 2004 and $16,873 of additional perquisites earned during 2004. For Mr. Stevens, the amount in 2004 also includes $47,311 in relocation and travel costs related to his move to Raleigh in connection with becoming Vice President and CFO on December 1, 2003 and $9,417 of additional perquisites earned during 2004.

(3) Represents the dollar value of restricted stock awards calculated by multiplying the closing market price of our common stock on the date of grant by the number of shares of restricted stock awarded. Such shares are subject to varying vesting criteria and include time-based restricted stock, performance-based restricted stock and total return-based restricted stock. The values assume all shares of restricted stock will vest and therefore do not reflect any diminution of value attributable to these vesting criteria and restrictions.

(4) Options are incentive stock options or nonqualified stock options. Options vest ratably on an annual basis over a four-year period. Options granted prior to 2005 have a 10-year term and options granted in 2005 have a seven-year term.

(5) Consists of amounts contributed by us under the Salary Deferral and Profit Sharing Plan and, if applicable, for term life insurance premiums.

(6) Mr. Fritsch became our CEO effective July 1, 2004 after having served as our COO.

(7) Mr. Harris became our COO effective July 1, 2004 after having served as Senior Vice President responsible for our operations in Tennessee, Missouri, Kansas and Charlotte.

Restricted Stock Holdings

The total restricted stock holdings of our Named Executive Officers and their fair market value based on the per share closing price of $28.45 as of December 31, 2005 are set forth below. Such shares are subject to varying vesting criteria and include time-based restricted stock, performance-based restricted stock and total return-based restricted stock. The values set forth below assume all shares of restricted stock will vest and therefore do not reflect any diminution of value attributable to these vesting criteria and restrictions. Dividends are paid on all restricted stock, whether or not vested, at the same rate and on the same date as on shares of common stock, and such dividends are non-forfeitable.

Name	Total Shares of Restricted Stock	Value at December 31, 2005
Edward J. Fritsch	71,509	$ 2,034,431
Michael E. Harris	30,489	$ 867,412
Terry L. Stevens	17,131	$ 487,377
Mack D. Pridgen, III	33,253	$ 946,048
Gene H. Anderson	17,257	$ 490,962

Option Grants in 2005

The following table sets forth information with respect to options granted in 2005 to the Named Executive Officers:

Name	Number of Securities Underlying Options (1)	Percent of Total Options Granted to Employees in 2005	Exercise Price Per Share	Expiration Date	Grant Date Present Value (2)
Edward J. Fritsch	195,555	30%	$ 26.34	February 29, 2012	$ 369,325
Michael E. Harris	90,193	14%	$ 26.34	February 29, 2012	$ 170,338
Terry L. Stevens	71,429	11%	$ 26.34	February 29, 2012	$ 134,901
Mack D. Pridgen, III	67,009	10%	$ 26.34	February 29, 2012	$ 126,553
Gene H. Anderson	36,964	6%	$ 26.34	February 29, 2012	$