

SOUTHSIDE BANCSHARES INC
Form PRE 14A
February 10, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

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

Southside Bancshares, 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)(1) 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.
- 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:
-

SOUTHSIDE BANCSHARES, INC.
1201 South Beckham Avenue
Tyler, Texas 75701

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 16, 2009

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Southside Bancshares, Inc. (the "Company") to be held at Willow Brook Country Club, 3205 West Erwin Street, Tyler, Texas, on Thursday, April 16, 2009 at 4:00 p.m., local time, for the purposes of considering and acting upon the following:

1. the election of four members of the board of directors to serve until the Annual Meeting of Shareholders in 2012;
2. the amendment of our articles of incorporation to increase the number of authorized shares of common stock;
3. the amendment of our articles of incorporation to authorize a class of preferred stock;
4. the approval of the Southside Bancshares, Inc. 2009 Incentive Plan;
5. a shareholder proposal, which the Board of Directors and management oppose, to recommend the annual election of all directors rather than their election for staggered three-year terms;
6. the ratification of the appointment by our Audit Committee of PricewaterhouseCoopers LLP ("PwC") to serve as the independent registered public accounting firm for the Company for the year ending December 31, 2009; and
7. the transaction of such other business that may properly come before the Annual Meeting or any adjournment thereof.

Management will also report on operations and other matters affecting the Company. After the meeting, the Company's officers and directors will be available to answer your questions. Representatives from PwC, the Company's independent registered public accounting firm are expected to be in attendance and available to answer your questions or make a statement if they so desire.

Only holders of common stock registered on the Company's books as owners of shares at the close of business on March 3, 2009 are entitled to vote at the Annual Meeting.

Your attendance and vote are important. Please sign, date and return the enclosed proxy immediately in the envelope provided. It is important that you sign and return the proxy, even if you actually plan to attend the meeting in person. Your proxy may be revoked prior to the Annual Meeting by notice in writing to the Corporate Secretary at the Company's principal office at any time, or by advising the Corporate Secretary at the Annual Meeting that you wish to revoke your proxy and vote your shares in person.

By Order of the Board of Directors,

B. G. Hartley
Chairman of the Board

Tyler, Texas
March 13, 2009

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, IT IS REQUESTED THAT YOU PROPERLY EXECUTE AND PROMPTLY RETURN THE ENCLOSED FORM OF PROXY TO OUR TRANSFER AGENT, COMPUTERSHARE INVESTOR SERVICES, IN THE ENCLOSED ADDRESSED ENVELOPE.

IMPORTANT NOTICE: Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on April 16, 2009.

The enclosed proxy materials are also available to you on the Internet. You are encouraged to review all of the information contained in the proxy materials before voting.

The Company's Proxy Statement and Annual Report are available at: <http://www.southside.com/investor/documents>

SOUTHSIDE BANCSHARES, INC.
1201 South Beckham Avenue
Tyler, Texas 75701

PROXY STATEMENT
FOR THE
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 16, 2009

TO OUR SHAREHOLDERS:

This proxy statement is being furnished to holders of the common stock of Southside Bancshares, Inc. (the "Company") in connection with the Company's Annual Meeting of Shareholders (the "Annual Meeting") to be held on Thursday, April 16, 2009, at 4:00 p.m. at Willow Brook Country Club, 3205 West Erwin Street, Tyler, Texas, and at any adjournments thereof, for the purposes of considering and acting upon the following:

1. the election of four members of the board of directors to serve until the Annual Meeting of Shareholders in 2012;
2. the amendment of our articles of incorporation to increase the number of authorized shares of common stock;
3. the amendment of our articles of incorporation to authorize a class of preferred stock;
4. the approval of the Southside Bancshares, Inc. 2009 Incentive Plan;
5. a shareholder proposal, which the Board of Directors and management oppose, to recommend the annual election of all directors rather than their election for staggered three-year terms;
6. the ratification of the appointment by our Audit Committee of PricewaterhouseCoopers LLP ("PwC") to serve as the independent registered public accounting firm for the Company for the year ending December 31, 2009; and
7. the transaction of such other business that may properly come before the Annual Meeting or any adjournment thereof.

This Proxy Statement and applicable form of proxy, as well as, the Annual Report and Form 10-K of the Company for the year ended December 31, 2008, including financial statements, are first being sent to shareholders on or about March 13, 2009.

VOTING OF PROXY

If your proxy is executed and returned, it will be voted as you direct. If no direction is provided, the proxy will be voted as follows:

- FOR the election of all directors;
- FOR both of the amendments to our articles of incorporation;
 - FOR the Southside Bancshares, Inc. 2009 Incentive Plan;
 - AGAINST the shareholder proposal; and
- FOR the ratification of the appointment of PwC.

The proxies will use their discretion with respect to voting on any other matters presented for a vote. Additionally, if your proxy is executed and returned, it will be voted to approve the minutes of the last Annual Meeting. This vote will not amount to a ratification of the action taken at that meeting nor will it indicate approval or disapproval of that action.

REVOCABILITY OF PROXY

Your proxy may be revoked prior to the Annual Meeting by notice in writing, to the Corporate Secretary at the Company's principal office, located at 1201 South Beckham Avenue, Tyler, Texas 75701, at any time, or by advising the Corporate Secretary at the Annual Meeting that you wish to revoke your proxy and vote your shares in person. Your attendance at the Annual Meeting will not constitute automatic revocation of the proxy.

PERSONS MAKING THE SOLICITATION

The Company's board of directors is soliciting the proxy. The expense of soliciting your proxy will be borne entirely by the Company and no other person or persons will bear such costs either directly or indirectly. Proxies will be solicited principally by mail, but may also be solicited by personal interview, telephone and email by directors, officers and employees of the Company who will receive no additional compensation. The Altman Group, Inc. has been retained by the Company to assist in the solicitation of proxies for a fee of \$12,500, plus expenses.

RECORD DATE AND OUTSTANDING SHARES

The Company's board of directors has fixed the close of business on March 3, 2009 as the record date for determining the holders of common stock of the Company entitled to notice of and to vote at the Annual Meeting. At the close of business on January 14, 2009, there were approximately 14,024,526 shares of common stock outstanding and eligible to be voted on each matter. Each share of common stock carries one vote.

QUORUM, VOTING RIGHTS AND PROCEDURES

The approval of all proposals brought before the Annual Meeting requires that a quorum be present at the Annual Meeting. The presence, in person or by properly executed proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum. In the event that a quorum is not represented in person or by proxy at the Annual Meeting, a majority of shares represented at that time may adjourn the Annual Meeting to allow the solicitation of additional proxies or other measures to obtain a quorum.

Each shareholder is entitled to one vote on each proposal per share of common stock held as of the record date.

Proposal 1, the election of four directors to serve until the 2012 Annual Meeting requires approval by a "plurality" of the votes cast by the shares of common stock entitled to vote in the election. This means that the four nominees for director who receive the highest number of properly cast votes will be elected as directors even if those nominees do not receive a majority of the votes cast. Shares represented by proxies that are marked "withhold" for the election of one or more director nominees or that are not voted (whether by abstention, broker non-vote or otherwise) will not be counted in determining the number of votes cast for those persons.

Proposal 2, the amendment of our articles of incorporation to increase the authorized shares of common stock, and Proposal 3, the amendment of our articles of incorporation to authorize a class of preferred stock, require approval by two-thirds of the outstanding shares of common stock entitled to vote in person or by proxy.

Proposal 4, the approval of the Southside Bancshares, Inc. 2009 Incentive Plan, Proposal 5, approval of a shareholder proposal to declassify the board of directors, Proposal 6, the ratification of PwC as the Company's independent registered public accounting firm, or any other matter that may properly come before the Annual Meeting, require approval by a majority of the shares of common stock entitled to vote on the proposals in person or by proxy.

EFFECT OF WITHHOLD VOTES, ABSTENTIONS AND BROKER NON-VOTES

Shares represented at the Annual Meeting that are withheld or abstained from voting and broker non-votes will be considered present for purposes of determining a quorum at the Annual Meeting. Shares represented by proxies that are marked “withhold” for the election of one or more director nominees or that are not voted (whether by abstention, broker non-vote or otherwise) will not be counted in determining the number of votes cast for those persons. For all other proposals, abstentions will be included in vote totals and, as such, will have the same effect on proposals as a vote against such proposals. Broker non-votes (i.e., the submission of a proxy by a broker or nominee specifically indicating the lack of discretionary authority to vote on the matter), if any, will not be included in vote totals and, as such, will have no effect on any proposal other than the proposals to amend our articles of incorporation, Proposals 3 and 4. Because Proposals 3 and 4 require approval by two-thirds of the outstanding shares of common stock entitled to vote on the proposals, broker non-votes will have the effect of a vote against such proposals.

ELECTION OF DIRECTORS (PROPOSAL 1)

The board of directors is classified into three classes, two of which are comprised of three directors and one that is comprised of four directors, for a total of 10 directors. One class of directors is elected each year for a three-year term. At the Annual Meeting, four directors are to be elected, each for a term of three years. Under NASDAQ rules, a majority of the board of directors must be comprised of independent directors. The board of directors has determined that each director nominated, except Mr. Edmonson, is independent under NASDAQ rules.

The four nominees identified below are nominees for election at the Annual Meeting for a three-year term expiring at the 2012 Annual Meeting:

- Herbert C. Buie
- Robbie N. Edmonson
 - Joe Norton
- John R. (Bob) Garrett

Herbert C. Buie, Robbie N. Edmonson and Joe Norton are currently directors of the Company and its subsidiary Southside Bank. Nominee John R. (Bob) Garrett is currently a director of Southside Bank. For biographical information on the nominees, please see “Information About Our Executive Officers, Directors and Nominees.”

Unless otherwise instructed, proxies received in response to this solicitation will be voted in favor of the election of the persons nominated by the Nominating Committee for directors of the Company. While it is not expected that any of the nominees will be unable to qualify or accept office, if for any reason one or more shall be unable to do so, the proxies will be voted for the substitute nominee(s) selected by the board of directors of the Company.

The board of directors recommends a vote FOR the election of each of the individuals nominated for election as a director.

INFORMATION ABOUT OUR DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS

The following table sets forth information regarding our nominees for director, our continuing directors and our executive officers. Our board of directors is divided among three classes, with members of each class serving three-year terms.

NOMINEES FOR DIRECTORS TERMS TO EXPIRE AT THE 2012 ANNUAL MEETING	INITIAL ELECTION TO BOARD						
<p>HERBERT C. BUIE (78) - Mr. Buie has been Chief Executive Officer of Tyler Packing Corporation, Inc., a meat-processing firm, since 1955. He serves on the Boards of Directors of the University of Texas Health Center at Tyler, the Development Board of Directors of the University of Texas at Tyler, the East Texas Regional Food Bank, the Salvation Army, Tyler Economic Development Council, Texas Chest Foundation and East Texas Communities Foundation.</p>	1988						
<p>ROBBIE N. EDMONSON (77) - Mr. Edmonson is Vice Chairman of the Board of the Company, having served in that capacity since 1998. He joined Southside Bank as Vice President in 1968 and currently is Vice Chairman of the board of directors of Southside Bank and Chief Administrative Officer of Southside Bank.</p>	1982						
<p>JOE NORTON (72) - Mr. Norton owns Norton Equipment Company and is a general partner in Norton Leasing Ltd., LLP. Mr. Norton served as President and was a principal shareholder of Norton Companies of Texas, Inc. for 25 years. He also owned W. D. Norton, Inc. d/b/a Overhead Door, for 16 years.</p>	1988						
<p>JOHN R. (BOB) GARRETT (55) - Mr. Garrett is a residential and commercial Real Estate Developer and President of Fair Oil Company, a Tyler based oil and gas exploration and production company. Mr. Garrett is also Vice President of the R. W. Fair Foundation, a member of the Board of Regents of Stephen F. Austin State University and currently serves as a member of the University of Texas Health Science Center at Tyler development board and serves as a director of the Tyler Economic Development Council. He is a past president of both the Tyler Area Builders Association and the Texas Association of Builders and former Texas Representative on the executive committee of the National Association of Homebuilders. He is a former member of the board of the Tyler Area Chamber of Commerce and former director of the Texas National Housing Research Center.</p>							
<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">DIRECTORS CONTINUING UNTIL THE 2010 ANNUAL MEETING</th> <th style="text-align: right;">INITIAL ELECTION TO BOARD</th> </tr> </thead> <tbody> <tr> <td> <p>ALTON CADE (72) - Mr. Cade was the co-owner and President of Cade's Building Materials from 1975 until his retirement on January 1, 2007. He is the President and owner of Cochise Company, Inc., a real estate and investment company he formed in 1960. In addition, he is the managing partner of a family ranch and investment company. He has served as an Elder/Trustee of Glenwood Church of Christ since 1977.</p> </td> <td style="text-align: right; vertical-align: top;">2003</td> </tr> <tr> <td> <p>B. G. HARTLEY (79) - Mr. Hartley became Chairman of the Board of the Company in 1983. He is also the Chief Executive Officer of the Company and Chairman of the Board and Chief Executive Officer of Southside Bank, having served as Southside</p> </td> <td style="text-align: right; vertical-align: top;">1982</td> </tr> </tbody> </table>		DIRECTORS CONTINUING UNTIL THE 2010 ANNUAL MEETING	INITIAL ELECTION TO BOARD	<p>ALTON CADE (72) - Mr. Cade was the co-owner and President of Cade's Building Materials from 1975 until his retirement on January 1, 2007. He is the President and owner of Cochise Company, Inc., a real estate and investment company he formed in 1960. In addition, he is the managing partner of a family ranch and investment company. He has served as an Elder/Trustee of Glenwood Church of Christ since 1977.</p>	2003	<p>B. G. HARTLEY (79) - Mr. Hartley became Chairman of the Board of the Company in 1983. He is also the Chief Executive Officer of the Company and Chairman of the Board and Chief Executive Officer of Southside Bank, having served as Southside</p>	1982
DIRECTORS CONTINUING UNTIL THE 2010 ANNUAL MEETING	INITIAL ELECTION TO BOARD						
<p>ALTON CADE (72) - Mr. Cade was the co-owner and President of Cade's Building Materials from 1975 until his retirement on January 1, 2007. He is the President and owner of Cochise Company, Inc., a real estate and investment company he formed in 1960. In addition, he is the managing partner of a family ranch and investment company. He has served as an Elder/Trustee of Glenwood Church of Christ since 1977.</p>	2003						
<p>B. G. HARTLEY (79) - Mr. Hartley became Chairman of the Board of the Company in 1983. He is also the Chief Executive Officer of the Company and Chairman of the Board and Chief Executive Officer of Southside Bank, having served as Southside</p>	1982						

Bank's Chief Executive Officer since its opening in 1960. He is a former member of the American Bankers Association ("ABA") Board of Directors, past Chairman of the ABA National BankPac Committee and a past member of the Administrative Committee of the ABA Government Relations Council. He is currently a member of the board of directors of East Texas Medical Center Regional Healthcare Systems and past Chairman of the Texas Taxpayers and Research Association. He is also a member of the Development Boards of the University of Texas at Tyler and the University of Texas Health Center at Tyler.

PAUL W. POWELL (75) - Mr. Powell is Dean Emeritus of the Truett Theological Seminary at Baylor University, where he also served as Dean and Special Assistant to the University President. He serves as an Officer of the Robert M. Rogers Foundation and has also served as Chairman of the Board of Trinity Mother Frances Health System. In addition, he served as President and Chief Executive Officer of the Southern Baptist Annuity Board and was also pastor of Green Acres Baptist Church, Tyler.

1999

DIRECTORS CONTINUING UNTIL THE 2011 ANNUAL MEETING	INITIAL ELECTION TO BOARD
SAM DAWSON (61) - Mr. Dawson is President and Secretary of the Company, having served in that capacity since 1998. He joined Southside Bank in 1974 and is currently President, Chief Operating Officer and a director of Southside Bank. He is a director of East Texas Medical Center (“ETMC”) Hospital, Cancer Institute and ETMC Rehabilitation Hospital.	1997
MELVIN B. LOVELADY (72) - Mr. Lovelady is a CPA. He is a member of the American Institute of Certified Public Accountants, the Texas Society of Certified Public Accountants and the East Texas Chapter of the Texas Society of Certified Public Accountants. He was a founding member of Henry & Peters Financial Services, LLC, organized in 2000 (now Bridge-Wealth Management, LLC). He was an officer and shareholder of the accounting firm, Henry & Peters, PC from November 1987 through December 31, 2004. Prior to joining Henry & Peters, PC, he was a partner in the accounting firm of Squyres Johnson Squyres & Co. He is a member of the Development Board of the University of Texas at Tyler, the board of directors of the Tyler Junior College Foundation, the University of Texas at Tyler Foundation, the A. W. Riter, Jr. Family Foundation, the board of directors of the Hospice of East Texas, and a Trustee of the R. W. Fair Foundation.	2005
WILLIAM SHEEHY (68) - Mr. Sheehy retired December 31, 2006 as senior partner of the law firm of Wilson, Sheehy, Knowles, Robertson & Cornelius PC. Mr. Sheehy formerly served as outside general counsel to the Company and Southside Bank and is a former director of the Texas Association of Bank Counsel.	1983

NAMED EXECUTIVE OFFICERS	INITIAL ELECTION TO BOARD
JERYL STORY (57) - Mr. Story has served as Executive Vice President of the Company since 2000. He joined Southside Bank in 1979 and is currently Senior Executive Vice President and a director of Southside Bank and is responsible for all lending functions.	N/A
LEE R. GIBSON, CPA (52) - Mr. Gibson has served as Executive Vice President and Chief Financial Officer of the Company and Southside Bank since 2000. He is also a director of Southside Bank. He joined Southside Bank in 1984 and in addition to being the Chief Financial Officer is responsible for management of the investment portfolio and asset-liability management for the Company. He is Chairman of the board of directors of the Federal Home Loan Bank of Dallas, serves on the Executive Board of the East Texas Area Council of Boy Scouts and the Board of the East Texas Boy Scout Foundation.	N/A

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information regarding beneficial ownership of our common stock as of January 14, 2009 for the following persons:

- each person known by us to beneficially own more than 5% of our outstanding common stock;
 - each of our directors;
- each of our executive officers included in our Summary Compensation Table; and
 - all of our directors and executive officers as a group.

Unless otherwise indicated, the address of each of the named individuals is 1201 South Beckham Avenue, Tyler, Texas 75701.

Name Of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent Of Class
Herbert C. Buie(2)	460,761	3.3%
Alton Cade(3)	42,067	*
Sam Dawson(4)	133,554	1.0%
Robbie N. Edmonson(5)	88,128	*
Michael D. Gollob(6)	103,084	*
B. G. Hartley(7)	285,266	2.0%
Melvin B. Lovelady(8)	8,975	*
Joe Norton(9)	166,820	1.2%
Paul W. Powell	42,849	*
William Sheehy(10)	85,232	*
Jeryl Story(11)	118,446	*
Lee R. Gibson(12)	44,588	*
All directors, nominees and executive officers of the company as a group (12 persons).	1,579,770	11.3%

* Less than 1% of total outstanding shares (14,024,526) as of January 14, 2009.

(1) Unless otherwise indicated, each person has sole voting and investment power with respect to the shares of common stock set forth opposite his name. In addition, shares beneficially owned include stock acquirable by exercise of stock options exercisable within 60 days of January 14, 2009.

(2) Mr. Buie has sole voting and investment power with respect to 420,163 shares owned individually. Mr. Buie owns 24,267 shares in individual retirement accounts and has sole voting and investment power in these shares. Also included in the total are 10,834 shares owned by Mr. Buie's wife, 2,870 shares owned by Mrs. Buie as trustee for their son and 2,627 shares owned by Mrs. Buie as trustee for their daughter. Mr. Buie disclaims beneficial ownership of these 16,331 shares, which are included in the total.

(3) Mr. Cade has joint voting and investment power with his wife with respect to 20,869 shares and also owns 18,098 shares as President of Cochise Company, Inc. Mr. Cade has voting and investment power, as trustee of the Cade Residuary Trust, which owns 3,100 shares.

(4) Mr. Dawson holds sole voting and investment power with respect to 76,971 shares and has sole voting power, but not investment power, with respect to 10,362 shares owned in the Company's ESOP Plan, in which he is 100%

vested. Also included in the total are 43,729 shares subject to incentive stock options that are exercisable within 60 days of the record date. Included in the total are 2,492 shares owned by Mr. Dawson's wife, of which he disclaims all beneficial interest.

- (5) Mr. Edmonson has sole voting and investment power with respect to 74,210 shares and has voting power, but not investment power, with respect to 13,918 shares, owned in the Company's ESOP Plan, in which he is 100% vested.
- (6) Mr. Gollob has sole voting and investment power with respect to 83,539 shares owned individually. Mr. Gollob also owns 18,787 shares in an individual retirement account and has sole voting and investment power in these shares. Mr. Gollob's wife has 758 shares in an individual retirement account and Mr. Gollob disclaims beneficial ownership of these shares, which are included in the total.
- (7) Mr. Hartley has sole voting and investment power with respect to 164,079 shares. He also has sole voting power, but not investment power, with respect to 18,751 shares owned in the Company's ESOP Plan, in which he is 100% vested. Also included in the total are 23,696 shares owned by Mr. Hartley's wife (3,348 of those shares are owned in the Company's ESOP Plan) of which Mr. Hartley disclaims beneficial interest. Also included in the total are 78,740 shares subject to incentive stock options that are exercisable within 60 days of the record date.
- (8) Mr. Lovelady has joint voting and investment power with his wife with respect to 8,975 shares owned jointly.
- (9) Mr. Norton has sole voting and investment power with respect to 160,033 shares. Mr. Norton is custodian for his granddaughter for 4,340 shares and his grandson for 2,447 shares, which are included in the total. Mr. Norton disclaims beneficial interest to these 6,787 shares.
- (10) Mr. Sheehy has sole voting and investment power with respect to 73,176 shares owned individually and 12,056 shares in an individual retirement account.
- (11) Mr. Story owns 87,992 shares and has sole voting and investment power for these shares. In addition, he has joint voting and investment power with his wife with respect to 79 shares and sole voting, but not investment power, with respect to 10,511 shares owned in the Company's ESOP plan, in which he is 100% vested. Also included in the total are 19,864 shares subject to incentive stock options that are exercisable within 60 days of the record date.
- (12) Mr. Gibson has sole voting power and investment power with respect to 561 shares owned individually. He also has sole voting power, but not investment power, with respect to 9,509 shares owned in the Company's ESOP plan, in which he is 100% vested. Also included in the total are 34,518 shares subject to incentive stock options that are exercisable within 60 days of the record date.

CORPORATE GOVERNANCE

Board of Directors Meeting Attendance

The board of directors of the Company met 13 times during the fiscal year. No member of the board of directors of the Company attended less than 75% of the aggregate meetings of the board of directors and all committees on which such director served during 2008. All of the Company's directors were in attendance at the Company's 2008 Annual Meeting. Although the Company has not adopted a formal written policy with respect to director attendance at meetings, we encourage our directors to attend each annual meeting of shareholders and all meetings of the board of directors and committees on which the directors serve.

Independent Directors