

SCP POOL CORP
Form DEF 14A
March 26, 2004

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:

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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | |
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SCP Pool Corporation

(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):

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1. Title of each class of securities to which transaction applies:
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1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No:

3. Filing Party:

4. Date Filed:

SCP POOL CORPORATION

109 Northpark Boulevard, Suite 400

Covington, Louisiana 70433-5001

March 26, 2004

Dear Stockholder:

You are cordially invited to attend the 2004 annual meeting of stockholders of SCP Pool Corporation (the "Company") to be held at the office of Jones, Walker, Waechter, Poitevent, Carrere & Denegre L.L.P., 201 St. Charles Avenue, New Orleans, Louisiana 70170-5100, on Thursday, May 6, 2004, at 9:00 a.m., Central Standard Time.

At this year's meeting, you will vote on the election of the directors, approval of an amendment to the Company's Amended Certificate of Incorporation to increase the number of authorized shares of the Company's Common Stock from 40,000,000 to 100,000,000, approval of an amendment to the Company's 2002 Long-Term Incentive Plan (the "2002 LTIP") to increase the maximum number of shares of the Company's Common Stock authorized for issuance thereunder from 1,050,000 to 1,800,000 shares, and the ratification of Ernst & Young LLP's appointment as independent auditors. You will also consider and act upon such other matters as may properly come before the meeting.

Whether or not you expect to attend the meeting, it is very important that your shares are represented and it would therefore be helpful if you would return your signed and dated proxy in the envelope provided as soon as possible. This will ensure that your vote is counted.

This proxy statement and the accompanying proxy card are first being mailed on or about March 26, 2004, to stockholders of record as of March 12, 2004.

Sincerely,

/s/ Wilson B. Sexton

Wilson B. Sexton
Chairman of the Board

SCP POOL CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Stockholders of SCP Pool Corporation:

The annual meeting of stockholders of SCP Pool Corporation (the Company) will be held at the office of Jones, Walker, Waechter, Poitevent, Carrere & Denegre L.L.P., at 201 St. Charles Avenue, New Orleans, Louisiana 70170-5100, on Thursday, May 6, 2004, at 9:00 a.m., Central Standard Time, for the following purposes:

1. To elect eight persons to serve as directors on the Company's Board of Directors for a one-year term or until their successors have been elected and qualified;
2. To approve an amendment to the Company's Amended Certificate of Incorporation to increase the number of authorized shares of the Company's Common Stock from 40,000,000 to 100,000,000;
3. To approve an amendment to the Company's 2002 Long-Term Incentive Plan (the 2002 LTIP) to increase the maximum number of shares of the Company's Common Stock authorized for issuance thereunder from 1,050,000 to 1,800,000 shares;
4. To ratify the retention of Ernst & Young LLP, certified public accountants, as the Company's independent auditors for the 2004 fiscal year; and
5. To act upon such other matters as may properly come before the meeting or any reconvened meeting following any adjournment thereof.

The foregoing items are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has set March 12, 2004, as the record date for the meeting. This means that only record owners of the Company's Common Stock at the close of business on that date are entitled to notice of, and to vote at, the annual meeting and at any adjournment or postponement thereof.

By Order of the Board of Directors,
/s/ Craig K. Hubbard
Craig K. Hubbard, Secretary

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Covington, Louisiana

March 26, 2004

WE URGE EACH STOCKHOLDER TO PROMPTLY SIGN AND RETURN THE ENCLOSED PROXY CARD OR IF APPLICABLE, TO USE TELEPHONE OR INTERNET VOTING. SEE VOTING PROCEDURES FOR INFORMATION ABOUT VOTING BY TELEPHONE OR INTERNET.

SCP POOL CORPORATION

109 Northpark Boulevard, Suite 400

Covington, Louisiana 70433-5001

PROXY STATEMENT

We are furnishing this Proxy Statement to our stockholders in connection with the solicitation of proxies by and on behalf of the Board of Directors (the Board of Directors or the Board) of SCP Pool Corporation (the Company) for use at the 2004 annual meeting of our stockholders to be held on May 6, 2004, at 9:00 a.m., Central Standard Time, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting (the Meeting). The Meeting will be held at the office of Jones, Walker, Waechter, Poitevent, Carrere & Denegre L.L.P., 201 St. Charles Avenue, New Orleans, Louisiana 70170-5100. This Proxy Statement is first being mailed to stockholders on or about March 26, 2004.

Voting Procedures

Only holders of record of the Company's common stock, \$0.001 par value per share (Common Stock), at the close of business on March 12, 2004, are entitled to notice of and to vote at the Meeting. On March 12, 2004, we had outstanding 35,501,829 shares of Common Stock, each of which is entitled to one vote.

The holders of a majority of the shares of Common Stock issued and outstanding, present in person or represented by proxy, will constitute a quorum at the Meeting. If a quorum is present, (1) directors will be elected by a plurality vote; (2) the proposed amendment to the Company's Amended Certificate of Incorporation will require the affirmative vote of the holders of a majority of the outstanding shares of Common Stock; and (3) the proposed amendment to the Company's 2002 Long-Term Incentive Plan (the 2002 LTIP) and the ratification of the retention of the independent auditors will require the affirmative vote of the holders of a majority of the shares of Common Stock present in person or by proxy at the Meeting.

Management does not know of any items, other than those referred to in the accompanying Notice of Annual Meeting of Stockholders, which may properly come before the Meeting or other matters incident to the conduct of the Meeting. If, however, any other matters properly come before the Meeting, the persons named as proxies in the enclosed form of proxy intend to vote in accordance with their judgment on the matters presented.

Abstentions will be treated as present both for purposes of determining a quorum and with respect to each proposal other than the election of directors. If brokers do not receive instructions from beneficial owners as to the granting or withholding of proxies, and may not or do not exercise discretionary power to grant a proxy with respect to such shares (a broker non-vote), then shares not voted on such proposal, other than the election of directors, will be counted as not present and not cast with respect to such proposal. Accordingly, abstentions will have no effect on the election of directors, but will have the effect of a vote against the other proposals, and broker non-votes will have no effect on the election of directors, the ratification of the independent auditors, or the amendment to the Company's 2002 LTIP, but will have the effect of a vote against the amendment to the Company's Amended Certificate of Incorporation.

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If you come to the Meeting, you can, of course, vote in person. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Meeting, you must obtain from the record holder a proxy issued in your name. If you do not come to the Meeting, your shares can be voted only if you have returned a properly executed proxy. If you hold your shares through a bank, broker, or other nominee, you must provide voting instructions to the bank, broker, or nominee; obtain a proxy issued in your name from such record holder; or if your bank, broker, or nominee makes telephone or Internet voting available, follow the instructions the bank, broker or nominee will enclose with the proxy statement. If you execute and return your proxy, but do not give voting instructions, the shares represented by that proxy will be voted as recommended by the Board of Directors. You can revoke your authorization at any time before the shares are voted at the Meeting by filing with the Secretary of the Company a written revocation or duly executed proxy bearing a later date. The proxy will also be deemed revoked with respect to any matter on which you vote in person at the Meeting. Attendance at the Meeting will not in and of itself constitute a revocation of a proxy. Unless otherwise marked, properly executed proxies in the form of the accompanying proxy card will be voted in favor of the election of each of the nominees, approval of the proposed amendment to the Company's Amended Certificate of Incorporation, approval of the proposed amendment to the Company's 2002 LTIP, and the ratification of the independent auditors.

Solicitation

The Company will bear the entire cost of soliciting proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. Banks, brokerage houses and other nominees or fiduciaries will be requested to forward the soliciting materials to their principals and to obtain authorization for the execution of proxies. The Company will, upon request, reimburse them for their expenses in so acting. Certain employees of the Company, who will receive no additional compensation for their services, may also solicit proxies by telephone, facsimile or electronic mail.

ELECTION OF DIRECTORS

(Proposal 1)

General

The Company's By-laws, as amended, provide that the size of the Board shall be fixed from time to time by resolution of the Board and vacancies on the Board may be filled by a majority of the directors then in office. On February 10, 2004, the Board unanimously approved a resolution authorizing an increase in the number of directors from seven to eight. Presently, seven directors serve on the Board.

At the Meeting, eight directors are to be elected to one-year terms, each to hold office until his successor is elected and qualified. Unless authority to vote for the election of directors is withheld by appropriate designation on the proxy, the proxies solicited hereby will be voted FOR the election of each nominee. If any nominee should decline or be unable to serve for any reason, votes will instead be cast for a substitute nominee designated by the Board. The Board has no reason to believe that any nominee will decline to be a candidate or, if elected, will be unable or unwilling to serve. Under the Company's By-laws, as amended, directors are elected by plurality vote.

Information about the Company's Directors and Nominees

The following information sets forth, as of February 20, 2004, certain information about the Company's directors and nominees all of whom have been nominated for election to the Board. Unless otherwise indicated, each person has been engaged in the principal occupation shown for the past five years.

WILSON B. SEXTON
Covington, Louisiana

Director since 1993
Age 67

Mr. Sexton has been the Chairman of the Board and a director of the Company since 1993. From May 2001 to the present, Mr. Sexton has remained employed by the Company primarily in the area of investor relations. From January 1999 to May 2001, Mr. Sexton served as Chief Executive Officer of the Company.

ANDREW W. CODE
Chicago, Illinois

Director since 1993
Age 45

Mr. Code has been a general partner of CHS Management Limited Partnership (CHS Management) and a general partner of Code, Hennessy & Simmons Limited Partnership (CHS) since August 1988.

Chairman of the Compensation Committee of the Board of Directors of the Company.

JAMES J. GAFFNEY
Los Angeles, California

Director since 1998
Age 63

From 1997 through 2003, Mr. Gaffney served as Vice Chairman of the Board of Viking Pacific Holdings, Ltd. and Chairman of the Board of Vermont Investments, Ltd., a New Zealand-based conglomerate, and provided consulting services to GS Capital Partners II, L.P. (a private investment fund affiliated with Water Street Corporate Recovery Fund I, L.P. and Goldman, Sachs & Co.), and other affiliated investment funds. Mr. Gaffney presently serves as Chairman of the Board of Directors of Imperial Sugar Company and as a director of Hexcel Incorporated.

Chairman of the Nominating and Corporate Governance Committee and member of the Audit and Compensation Committees of the Board of Directors of the Company.

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MANUEL J. PEREZ DE LA MESA
Covington, Louisiana

Director since 2001
Age 47

Mr. Perez de la Mesa has been Chief Executive Officer of the Company since May 2001 and has also been the President of the Company since February 1999. Mr. Perez de la Mesa served as Chief Operating Officer of the Company from February 1999 to May 2001. Prior to joining the Company, Mr. Perez de la Mesa served as Vice President, Distribution Operations for Watsco, Inc., a HVAC/R distribution company, from 1996 to January 1999.

ROBERT C. SLEDD
Richmond, Virginia

Director since 1996
Age 51

Mr. Sledd has served as Chairman of the Board of Directors of Performance Food Group Company (PFG) since February 1995 and has served as a director of that company since 1987. Mr. Sledd served as Chief Executive Officer of PFG from 1987 to 2001. Mr. Sledd is also a director of Union Bankshares Holding Co.

Member of the Audit Committee and the Compensation Committee of the Board of Directors of the Company.

JOHN E. STOKELY
Glen Allen, Virginia

Director since 2000
Age 51

Mr. Stokely has served as President of JES, Inc., an investment and consulting firm, since August 1999. From January 1997 to August 1999, Mr. Stokely was the President, Chief Executive Officer and Chairman of the Board of Directors of Richfood Holdings, Inc., a food retailer and wholesale grocery distributor that merged with Supervalu, Inc. in August 1999. Mr. Stokely is also a director of PFG, Nash Finch Company, and Transaction Systems Architects, Inc.

Chairman of the Audit Committee and member of the Nominating and Corporate Governance Committee of the Board of Directors of the Company.

HARLAN F. SEYMOUR
Glen Allen, Virginia

Director since 2003
Age 54

Mr. Seymour has conducted personal investments and business advisory services through HFS LLC, of which he serves as sole executive officer, since March 31, 2001. From June 2000 through March 2001, he served as Executive Vice President of ENVOY Corporation, which became a wholly-owned subsidiary of Quintiles Transnational Corp. in March 1999. From March 1999 to June 2000, he served as an independent consultant to ENVOY Corporation. From July 1997 to March 1999, he served as Senior Vice President of ENVOY Corporation and

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also served on that company's Board of Directors. Mr. Seymour also presently serves as Chairman of the Board of Transaction Systems Architects, Inc.

Member of the Audit Committee and the Nominating and Corporate Governance Committee of the Board of Directors of the Company.

GEORGE T. HAYMAKER, JR.
San Francisco, California

Director Nominee
Age 66

Mr. Haymaker is Chairman of the Board of Kaiser Aluminum Corporation (Kaiser), having served in that position since October 2001. He was also Chief Executive Officer of Kaiser from January 1994 until his retirement in December 1999. Mr. Haymaker also presently serves as a director of Flowserve Corporation and Hayes Lemmerz International, Inc.

The Board of Directors unanimously recommends that the stockholders vote FOR the election of the nominees.

Information about Executive Officers

The following information sets forth, as of February 20, 2004, certain information about the Company's 2003 executive officers, all of whom are expected to remain in their current positions following the Meeting.

A. DAVID COOK

Age 48

Mr. Cook has served as Vice President of the Company since February 1997. From December 1993 until February 1997, he served as the Director of National Sales Development for the Company's principal operating subsidiary.

CRAIG K. HUBBARD

Age 52

Mr. Hubbard has served as Chief Financial Officer, Treasurer and Secretary of the Company since February 1997. From December 1993 until February 1997, he served as Controller for the Company's principal operating subsidiary.

DONALD L. MEYER

Age 48

Mr. Meyer has served as Corporate Controller, Assistant Secretary and Assistant Treasurer since February 2002. Prior to that, he served as Controller from December 1997 until February 2002 and Assistant Controller from August 1995 until December 1997.

JOHN M. MURPHY

Age 43

Mr. Murphy has served as Vice President of the Company since February 1997. From December 1993 until February 1997, Mr. Murphy served as Director of Marketing for the Company's principal operating subsidiary.

STEPHEN C. NELSON

Age 57

Mr. Nelson has served as Vice President of the Company since May 2002. He has also served as a General Manager since June 1998. From 1996 until 1998, Mr. Nelson was the Senior Business Consultant Supply Chain Management for General Electric Information Services.

RICHARD P. POLIZZOTTO

Age 62

Mr. Polizzotto has served as Vice President of the Company since May 1995. He has also served as Vice President of the Company's principal operating subsidiary since December 1993.

CHRISTOPHER W. WILSON

Age 49

Mr. Wilson has served as Vice President of the Company since May 2002. He has also served as a General Manager since March 1998. From 1976 until 1998, Mr. Wilson was the General Manager for Genuine Parts Company - Los Angeles, California.

Other Information About The Board Of Directors And Its Committees

The Board of Directors met five times during 2003. During the last full fiscal year each director attended 75% or more of the total number of meetings of the Board, and 75% or more of the total number of meetings held by all committees of the Board on which he served. The Board has determined that each member of the Board, other than Messrs. Perez de la Mesa and Sexton, meets the definition of independent director as defined by Rule 4200(a)(15) of the National Association of Securities Dealers, Inc. (NASD). Mr Stokely has been designated by the Board as its lead independent director and as such, Mr. Stokely will preside at any meetings of the Board s independent directors and perform such other functions as the Board may direct, including recommending agenda items for Board meetings.

In 2003, each non-employee director was paid an annual retainer of \$8,000. Prior to August 6, 2003, each non-employee director also received an attendance fee of \$2,000 for each Board meeting attended, \$1,000 for each committee meeting attended, except that the chairman of the audit committee received an attendance fee of \$2,000 for each committee meeting attended, and \$500 for each scheduled telephone meeting attended. Commencing on August 6, 2003, the Board authorized and approved the payment to each non-employee director an attendance fee of \$4,000 for each Board meeting attended, \$2,000 for each committee meeting attended, except that the chair of each committee receives an attendance fee of \$4,000 for each committee meeting attended, and \$1,000 for each scheduled telephone meeting attended. All directors are reimbursed for reasonable out-of-pocket expenses incurred in attending Board and committee meetings.

Under the SCP Pool Corporation 1996 Non-Employee Directors Equity Incentive Plan, as amended and restated (the Director s Plan), upon election and each year thereafter, each non-employee director is granted an option to purchase 8,500 shares of Common Stock. Options granted pursuant to the Director s Plan become exercisable after completion of one year of service as a director. The option price per share of Common Stock under the Director s Plan is equal to 100% of the fair market value of the Common Stock at the date of grant. Each option granted under the Director s Plan is exercisable for ten years after the date of grant. Non-employee directors may elect to receive additional shares of Common Stock under the Director s Plan in lieu of the cash compensation otherwise due them.

Stockholders may communicate with members of the Company s Board by mail addressed to the full Board, a specific member of the Board or to a particular committee of the Board at 109 Northpark Boulevard, Suite 400, Covington, Louisiana 70433.

The Company has adopted a Code of Business Conduct and Ethics that applies to the Company s employees, officers (including the Company s principal executive officer and principal financial officer) and directors. The Company s Code of Business Conduct and Ethics is posted on the Company s website at www.scppool.com and can also be obtained free of charge by sending a request to the Company s Corporate Secretary at 109 Northpark Boulevard, Suite 400, Covington, Louisiana 70433.

The Board presently has an Audit committee, a Compensation committee, and a Nominating and Corporate Governance Committee described as follows:

Audit Committee. The Audit Committee assists the Board in monitoring (1) management s process for ensuring the integrity of the financial statements of the Company, (2) the independent auditor s qualifications and independence, (3) the performance of the Company s internal audit function and independent auditors, and (4) management s process for ensuring the Company s compliance with legal and regulatory requirements. The Audit Committee s specific responsibilities are set forth in its written charter, a copy of which is included as Appendix A. The Board of Directors has determined that each member of the Audit Committee meets the definition of an independent director as defined by the Securities and Exchange Commission (SEC) and NASD Rules 4200(a)(15) and 4350(d)(2)(A), and that Messrs. Stokely, Gaffney and Sledd qualify as financial experts as defined by the SEC and NASD Rule 4350(d)(2)(A). During 2003, the Audit Committee held five meetings in person and three meetings via telephone conference.

Compensation Committee. The Compensation Committee makes recommendations to the Board regarding the compensation of officers of the Company, the awards under the Company's compensation and benefit plans and the Company's compensation policies and practices. The Compensation Committee's specific responsibilities are set forth in its written charter, a copy of which is included as Appendix B. The Board of Directors has determined that each member of the Compensation Committee meets the definition of an independent director as defined by NASD Rule 4200(a)(15). The Compensation Committee met one time during 2003.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee's primary purpose is to provide oversight on a broad range of issues surrounding the composition of the Board, including identifying individuals qualified to become Board members, recommending to the Board director nominees for the next annual meeting of stockholders, and assisting the Board in the areas of committee member selection, evaluation of the overall effectiveness of the Board and committees of the Board, and review and consideration of corporate governance practices. The Nominating and Corporate Governance Committee has the authority to recommend to the Board candidates for Board membership. Stockholders may also make recommendations for director nominations by sending a letter to the

Nominating and Corporate Governance Committee, or may make a nomination by complying with the notice procedures set forth in the Company's By-laws, as amended. The specific responsibilities of the Nominating and Corporate Governance Committee are set forth in its written charter, a copy of which is included as Appendix C. The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee meets the definition of an independent director as defined by NASD Rule 4200(a)(15). The Nominating and Corporate Governance Committee met one time during 2003.

When identifying, evaluating and considering potential candidates for membership on the Company's Board, including those recommended or nominated by stockholders, the Nominating and Corporate Governance Committee considers relevant educational, business and industry experience and demonstrated character and judgment.

PRINCIPAL STOCKHOLDERS

The following table sets forth, as of February 20, 2004, certain information regarding beneficial ownership of Common Stock by (i) each of the Named Executive Officers (as defined below in Executive Compensation), (ii) each director and nominee of the Company, (iii) all of the Company's directors and executive officers as a group and (iv) each stockholder known by the Company to be the beneficial owner of more than 5% of the outstanding Common Stock, all as in accordance with Rule 13d-3 under the Securities Exchange Act of 1934 (the Exchange Act). Based on information furnished to the Company by such stockholders, unless otherwise indicated, all shares indicated as beneficially owned are held with sole voting and investment power.

Name of Beneficial Owner	Number of Shares Beneficially Owned ⁽¹⁾	Percentage of Outstanding Common Stock
Wilson B. Sexton	854,409 ⁽²⁾	2.4%
Andrew W. Code	263,650 ⁽³⁾	*
James J. Gaffney	46,500 ⁽⁴⁾	*
Manuel J. Perez de la Mesa	443,348 ⁽⁵⁾	1.2%
Robert C. Sledd	251,099 ⁽⁶⁾	*
John E. Stokely	53,108 ⁽⁷⁾	*
Harlan F. Seymour	0	*
George T. Haymaker, Jr.	0	*
A. David Cook	123,156 ⁽⁸⁾	*
John M. Murphy	160,292 ⁽⁹⁾	*
Richard P. Polizzotto	180,656 ⁽¹⁰⁾	*
Christopher W. Wilson	10,164	*
Wasatch Advisors, Inc.	2,351,285 ⁽¹¹⁾	6.6%
Kayne Anderson Rudnick Investment Management, LLC	2,154,361 ⁽¹²⁾	6.1%
T. Rowe Price	3,210,662 ⁽¹³⁾	9.0%
TimesSquare Capital Management, Inc.	2,726,882 ⁽¹⁴⁾	7.7%
FMR Corp.	2,098,720 ⁽¹⁵⁾	5.9%
All executive officers and directors as a group (14 persons)	2,494,600 ⁽¹⁶⁾	7.0%

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- * Less than one percent.
 - 1. Shares reflect the 3-for-2 split effected in September 2003.
 - 2. Includes (i) 614,250 shares that may be acquired upon the exercise of presently exercisable options all of which are held by a trust for which Mr. Sexton serves as trustee for the benefit of his adult children, and (ii) 18,000 shares held directly by a charitable foundation over which Mr. Sexton has voting and investment power with respect to such shares.

3. Includes (i) 101,430 shares that Mr. Code has the right to acquire upon the exercise of presently exercisable options, (ii) 50,548 shares held directly by a charitable foundation of which Mr. Code is a director, President and the sole member (although neither Mr. Code nor any members of his immediate family have a pecuniary interest in such shares), (iii) 4,554 shares held by Mr. Code as custodian for his minor children under the Uniform Gifts to Minors Act, and (iv) 5,118 shares held by Code, Hennessy & Simmons Limited Partnership, a partnership of which Mr. Code is a general partner.
4. Includes 12,750 shares that Mr. Gaffney has the right to acquire upon the exercise of presently exercisable options.
5. Includes 168,750 shares that Mr. Perez de la Mesa has the right to acquire upon the exercise of presently exercisable options. Also includes 4,749 shares beneficially owned by Mr. Perez de la Mesa's children.
6. Includes 126,802 shares that Mr. Sledd has the right to acquire upon the exercise of presently exercisable options. Also includes 68,625 shares that are held in three trusts for the benefit of Mr. Sledd's minor children, for which Mr. Sledd serves as the trustee.
7. Includes 50,858 shares that Mr. Stokely has the right to acquire upon the exercise of presently exercisable options.
8. Includes 68,345 shares that Mr. Cook has the right to acquire upon the exercise of presently exercisable options.
9. Includes 34,595 shares that Mr. Murphy has the right to acquire upon the exercise of presently exercisable options.
10. Includes 108,700 shares that Mr. Polizzotto has the right to acquire upon the exercise of presently exercisable options, and 22,500 shares beneficially owned by Mr. Polizzotto's wife.
11. Based upon such holder's Schedule 13G/A filed with the SEC on February 18, 2004. The business address of such holder is 150 Social Hall Avenue, Salt Lake City, Utah 84111.
12. Based upon such holder's Schedule 13G filed with the SEC on February 10, 2004. The business address of such holder is 1800 Avenue of the Stars, Second Floor, Los Angeles, California 90067.
13. Based upon such holder's Schedule 13G/A filed with the SEC on February 11, 2004. These securities are owned by various individual and institutional investors (including T. Rowe Price Small-Cap Stock Fund, Inc., which holds sole voting power with respect to 1,252,919 shares), for which T. Rowe Price Associates, Inc. (Price Associates) serves as an investment adviser with sole power to direct investments. Price Associates also holds sole voting power with respect to 1,003,308 of such shares. The business address of such holders is 100 E. Pratt Street, Baltimore, Maryland 21202. For purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
14. Based upon such holder's Schedule 13G/A filed with the SEC on February 13, 2004. All of the shares reported are owned by investment advisory clients of TimesSquare Capital Management, Inc. (TimesSquare). In its role as investment adviser, TimesSquare has dispositive power with respect to these shares and voting power with respect to certain of these shares. TimesSquare shares dispositive power with certain clients as to 454,700 of these shares. As the ultimate parent company of TimesSquare, CIGNA Corporation (CIGNA) may be deemed to beneficially own, and to share voting and dispositive power with respect to, the 2,726,882 shares that may be deemed to be beneficially owned by TimesSquare. The business address of TimesSquare is Four Times Square, 25th Floor, New York, New York 10036 and the business address of CIGNA is One Liberty Place, Philadelphia, Pennsylvania 19192.
15. Based upon such holder's Schedule 13G/A filed with the SEC on February 17, 2004. Fidelity Management & Research Company (Fidelity), a wholly-owned subsidiary of FMR Corp. and an investment adviser, is the beneficial owner of 1,384,800 of these shares as a result of acting as investment adviser to various investment companies. Edward C. Johnson, Chairman of FMR Corp., and FMR Corp., through its control of Fidelity, and the funds each has sole power to dispose of these 1,384,800 shares. Neither FMR Corp. nor Edward C. Johnson, has the power to vote or direct the voting of shares owned directly by Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' Boards of Trustees. Fidelity Management Trust Company, a wholly-owned subsidiary of FMR Corp. and a bank, is the beneficial owner of 713,920 of these shares as a result of its serving as investment manager of institutional accounts. Edward C. Johnson and FMR Corp., through its control of Fidelity Management Trust Company, each has sole dispositive power over these 713,920 shares and sole power to vote or to direct the voting of these 713,920 shares. Members of the Edward C. Johnson family are the predominant owners of Class B shares of common stock of FMR Corp., representing approximately 49% of the voting power of FMR Corp. Mr. Johnson owns 12% and Abigail Johnson owns 24.5% of the aggregate outstanding voting stock of FMR Corp. The Johnson family group and all other Class B shareholders have entered into a shareholders' voting agreement under which all Class B shares will be voted in accordance with the majority vote of Class B shares. Accordingly, through their ownership of voting common stock and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR Corp. The business address of FMR Corp., Fidelity, and Fidelity Management Trust Company is 82 Devonshire Street, Boston, Massachusetts 02109.
16. Includes 1,442,049 shares that such persons have the right to receive upon the exercise of presently exercisable options.

EXECUTIVE COMPENSATION

The following table sets forth all cash compensation and options granted for each of the three years ended December 31, 2003, December 31, 2002, and December 31, 2001, to the Company's Chief Executive Officer and each of its four other most highly compensated executive officers (collectively, the Named Executive Officers).

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation
		Salary	Bonus	No. of Shares Underlying Options Granted ⁽¹⁾	
Manuel J. Perez de la Mesa President and Chief Executive Officer	2003	304,596	255,000	60,000	8,113 ⁽²⁾
	2002	289,654	246,500	60,000	7,405
	2001	270,096	206,250	168,750	9,037
A. David Cook Vice President	2003	179,731	169,200	22,500	7,453 ⁽³⁾
	2002	169,769	133,450	22,500	7,405
	2001	159,615	120,000	33,750	9,037
John M. Murphy Vice President	2003	179,731	168,300	22,500	8,113 ⁽²⁾
	2002	169,769	144,500	22,500	7,405
	2001	159,615	124,800	33,750	9,037
Richard P. Polizzotto Vice President	2003	149,811	114,300	18,000	7,453 ⁽³⁾
	2002	142,838	94,237	18,000	7,051
	2001	135,881	103,360	20,250	8,812
Christopher W. Wilson Vice President	2003	159,508	142,450	9,000	7,453 ⁽³⁾
	2002	146,994	135,828	9,000	6,540
	2001	139,852	120,000	13,500	7,649

- All shares have been adjusted for a 3-for-2 stock split in September 2003.
- Consists of the following contributions: \$2,113 life, health and long-term disability insurance premiums and \$6,000 contributed under the Company's 401(k) plan.
- Consists of the following contributions: \$1,453 life, health and long-term disability insurance premiums and \$6,000 contributed under the Company's 401(k) plan.

The following table sets forth information with respect to the Named Executive Officers concerning options granted during 2003.

OPTION GRANTS IN LAST FISCAL YEAR

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Individual Grants (1)

Name	No. of Shares Underlying Options Granted	% of Total Options Granted to Employees In 2003	(\$) Exercise or Base Price	Expiration Date	(\$ Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
Manuel J. Perez de la Mesa	60,000 ⁽²⁾	10.1%	17.97	2/11/13	678,418	1,720,866
A. David Cook	22,500 ⁽³⁾	3.8%	17.97	2/11/13	254,407	645,325
John M. Murphy	22,500 ⁽³⁾	3.8%	17.97	2/11/13	254,407	645,325
Richard P. Polizzotto	18,000 ⁽³⁾	3.0%	17.97	2/11/13	203,525	516,260
Christopher W. Wilson	9,000 ⁽²⁾	1.5%	17.97	2/11/13	101,763	