

OLD DOMINION FREIGHT LINE INC/VA
Form DEF 14A
April 07, 2004

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
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

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OLD DOMINION FREIGHT LINE, INC.

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(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

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

OLD DOMINION FREIGHT LINE, INC.

500 Old Dominion Way

Thomasville, North Carolina 27360

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Old Dominion Freight Line, Inc. (the Company) will be held Monday, May 17, 2004, at 10:00 a.m. local time, in the Company's executive offices, 500 Old Dominion Way, Thomasville, North Carolina 27360, for the following purposes:

1. To elect a board of nine directors of the Company.
2. To amend the articles of incorporation to eliminate director and officer liability under certain circumstances.
3. To amend the articles of incorporation to increase the number of authorized shares of common stock.
4. To transact such other business as may be brought before the meeting.

Shareholders of record at the close of business on March 29, 2004, are entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

Joel B. McCarty, Jr.

Secretary

Thomasville, North Carolina

April 12, 2004

If you do not intend to be present at the meeting, please sign, date and return the accompanying proxy promptly so that your shares of Common Stock may be represented and voted at the Annual Meeting. A return envelope is enclosed for your convenience.

OLD DOMINION FREIGHT LINE, INC.

Executive Offices: 500 Old Dominion Way

Thomasville, North Carolina 27360

PROXY STATEMENT

This Proxy Statement is being sent to shareholders on or about April 12, 2004, in connection with the solicitation of proxies by the Board of Directors of Old Dominion Freight Line, Inc. (the Company) for use at the Annual Meeting of Shareholders to be held at the Company's executive offices on Monday, May 17, 2004, at 10:00 a.m. local time, and at any adjournment thereof (the Annual Meeting).

GENERAL

The accompanying Proxy is solicited by and on behalf of our Board of Directors, and the entire cost of such solicitation will be borne by us. In addition to solicitation by mail, arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to send proxy material to their principals, and we will reimburse them for their reasonable expenses in so doing.

The Board of Directors has fixed March 29, 2004, as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting. On March 29, 2004, there were 16,059,352 outstanding shares of common stock (the Common Stock), each entitled to one vote.

The presence in person or by proxy of a majority of the shares of Common Stock outstanding on the record date constitutes a quorum for purposes of conducting business at the meeting. Shareholders do not have cumulative voting rights in the election of directors. Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. With regard to the election of directors, votes may be cast in favor or withheld. Votes that are withheld will be excluded entirely from the vote and will have no effect, although they will be counted for purposes of establishing the presence of a quorum. Under the rules of the New York Stock Exchange, Inc., brokers who hold shares in street name for customers have authority to vote on certain items when they have not received instructions from beneficial owners. Brokers that do not receive instructions are entitled to vote on the election of directors.

Where a choice is specified on any Proxy as to the vote on any matter to come before the meeting, the Proxy will be voted in accordance with such specification. If no specification is made but the Proxy is properly signed, the shares represented thereby will be voted in favor of each proposal. Such Proxies, whether submitted by shareholders of record or by brokers holding shares in street name for their customers (broker non-votes), will be voted in favor of nominees for directors. Broker non-votes will not be counted either way in voting on other matters (where direction of beneficial owners is required) and, therefore, will have the effect of negative votes.

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Any shareholder submitting the accompanying Proxy has the right to revoke it by notifying the Secretary of the Company in writing at any time prior to the voting of the Proxy. A Proxy is suspended if the person giving the Proxy attends the meeting and elects to vote in person.

Management is not aware of any matters, other than those specified above, that will be presented for action at the meeting, but, if any other matters do properly come before the meeting, the persons named as agents in the Proxy will vote upon such matters in accordance with the recommendations of management.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information with respect to the beneficial ownership of our Common Stock, \$.10 par value, the only class of voting security, as of March 29, 2004, or such other date as indicated in the footnotes to the table, for (i) each person known by us to own beneficially more than five percent of our Common Stock; (ii) each director; (iii) each executive officer; and (iv) all current directors and executive officers as a group. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the "SEC"). In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares subject to options or warrants held by that person that are currently exercisable or that are or may become exercisable within 60 days of March 29, 2004 are deemed to be outstanding. These shares, however, are not deemed to be outstanding for purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table and under applicable community property laws, each shareholder named in the table has sole voting and dispositive power with respect to the shares set forth opposite the shareholder's name.

Name of Beneficial Owner	Shares Beneficially Owned (1)	Percent
David S. Congdon 500 Old Dominion Way Thomasville, NC 27360	1,934,774(2)	12.0%
Earl E. Congdon 20 Harborage Isle Fort Lauderdale, FL 33316	1,360,469(3)	8.5%
John R. Congdon 7511 Whitepine Road Richmond, VA 23237	1,289,516(4)	8.0%
Fidelity Management & Research Company 82 Devonshire Street Boston, MA 02109	1,097,315(5)	6.8%
Jeffrey W. Congdon 7511 Whitepine Road Richmond, VA 23237	1,032,726(6)	6.4%
John R. Congdon, Jr. 7511 Whitepine Road Richmond, VA 23237	945,997(7)	5.9%

Name of Beneficial Owner	Shares Beneficially Owned (1)	Percent
John B. Yowell	780,098(8)	4.9%
J. Wes Frye	8,036(9)	*
John A. Ebeling	7,500	*
Joel B. McCarty, Jr.	7,200(10)	*
J. Paul Breitbach	2,500	*
Harold G. Hoak	1,500	*
Franz F. Holscher	1,500	*
Robert G. Culp, III	300(11)	*
All Directors and Executive Officers as a Group (12 persons)	5,081,230(12)	31.6%

* Less than 1%.

- (1) Except as described below, each person or group identified possesses sole voting and investment power with respect to the shares shown opposite the name of such person or group.
- (2) Includes (i) 8,646 shares owned of record by the named shareholder; (ii) 4,500 shares obtainable upon exercise of stock options exercisable within 60 days; (iii) 405,397 shares held as trustee by the David S. Congdon Revocable Trust; (iv) 137,424 shares held as custodian for minor children of the shareholder; (v) 14,854 shares held as trustee by an Irrevocable Trust, dated December 18, 1998, f/b/o Marilyn Congdon; (vi) 14,854 shares held as trustee by an Irrevocable Trust, dated December 18, 1998, f/b/o Kathryn Congdon; (vii) 14,854 shares held as trustee by an Irrevocable Trust, dated December 18, 1998, f/b/o Ashlyn Congdon; (viii) 1,041,160 shares held through shared voting and investment rights as trustee under the Earl E. Congdon Intangibles Trust; (ix) 154,500 shares held through shared voting and investment rights as trustee under the Kathryn W. Congdon Intangibles Trust; (x) 122,585 shares held through shared voting and investment rights with the shareholder's spouse as trustee under the David S. Congdon Irrevocable Trust #1; and (xi) 16,000 shares owned by the shareholder's spouse.
- (3) Includes (i) 1,041,160 shares held through shared voting and investment rights as grantor of the Earl E. Congdon Intangibles Trust; (ii) 102,309 shares owned through the Earl E. Congdon Grantor Retained Annuity Trust 2003; (iii) 62,500 shares held through shared voting and investment rights as grantor of the Earl E. Congdon Family Trust; and (iv) 154,500 shares owned beneficially by the shareholder's spouse through shared voting and investment rights under the Kathryn W. Congdon Intangibles Trust, with respect to which Earl E. Congdon disclaims beneficial ownership.

- (4) Includes (i) 1,224,418 shares held as trustee by the John R. Congdon Revocable Trust; (ii) 62,500 shares held through shared voting and investment rights as trustee of the Earl E. Congdon Family Trust; and (iii) 2,598 shares owned by the shareholder's spouse as trustee of the Natalie Congdon Revocable Trust, with respect to which John R. Congdon disclaims beneficial ownership.
- (5) Based on information obtained from a Schedule 13G dated February 16, 2004 and filed with the SEC by Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp. (Fidelity) and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. Fidelity is the beneficial owner of 1,097,315 shares of the Company's common stock as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. The ownership of one investment company, Fidelity Low Priced Stock Fund, amounted to 1,097,215 shares, or 6.8%, of the Company's outstanding Common Stock.
- (6) Includes (i) 445,920 shares held as trustee by the Jeffrey W. Congdon Revocable Trust; (ii) 96,100 shares held as trustee of the John R. Congdon Trust for Michael Davis Congdon; (iii) 96,100 shares held as trustee of the John R. Congdon Trust for Peter Whitefield Congdon; (iv) 96,100 shares held as trustee of the John R. Congdon Trust for Mary Evelyn Congdon; (v) 99,502 shares held as co-trustee of the John R. Congdon Trust for Hunter Andrew Terry; (vi) 99,502 shares held as co-trustee of the John R. Congdon Trust for Nathaniel Everett Terry; and (vii) 99,502 shares held as co-trustee of the John R. Congdon Trust for Kathryn Lawson Terry.
- (7) Includes (i) 3,375 shares owned of record by the named shareholder; (ii) 439,537 shares held as trustee by the John R. Congdon, Jr. Revocable Trust; (iii) 102,252 shares held as trustee of the John R. Congdon Trust for Jeffrey Whitefield Congdon; (iv) 102,327 shares held as trustee of the John R. Congdon Trust for Mark Ross Congdon; (v) 99,502 shares held as co-trustee of the John R. Congdon Trust for Hunter Andrew Terry; (vi) 99,502 shares held as co-trustee of the John R. Congdon Trust for Nathaniel Everett Terry; and (vii) 99,502 shares held as co-trustee of the John R. Congdon Trust for Kathryn Lawson Terry.
- (8) Includes (i) 21,754 shares owned of record by the named shareholder; (ii) 74,813 shares held as trustee of the Audrey L. Congdon Irrevocable Trust #1; (iii) 4,500 shares obtainable upon exercise of stock options exercisable within 60 days; (iv) 2,646 shares owned of record by the shareholder's spouse; (v) 445,241 shares held by the shareholder's spouse as trustee of the Audrey L. Congdon Revocable Trust; (vi) 91,616 shares held by the shareholder's spouse as custodian for minor children; (vii) 14,854 shares held by the shareholder's spouse as trustee of an Irrevocable Trust, dated December 18, 1998, f/b/o Megan Yowell; (viii) 14,854 shares held by the shareholder's spouse as trustee of an Irrevocable Trust, dated December 18, 1998, f/b/o Seth Congdon; and (ix) 109,820 shares held by the shareholder's spouse through shared voting rights as trustee of the Karen C. Pigman Irrevocable Trust.
- (9) Includes (i) 1,461 shares owned of record by the named shareholder; (ii) 425 shares owned in the named shareholder's 401(k) retirement plan; (iii) 6,000 shares obtainable upon exercise of stock options exercisable within 60 days; and (iv) 150 shares owned jointly by the named shareholder and his spouse.
- (10) Includes (i) 1,200 shares owned of record by the named shareholder and (ii) 6,000 shares obtainable upon exercise of stock options exercisable within 60 days.

- (11) Consists of 300 shares owned jointly by the named shareholder and his spouse.
- (12) Includes 1,210,469 shares for which certain directors and executive officers share voting power with other directors and executive officers; however, these shares are counted only once in the total for the group. Also includes 21,000 shares issuable upon exercise of stock options within 60 days held by certain executive officers.

PROPOSAL 1 ELECTION OF DIRECTORS

Our bylaws provide that the number of directors shall be not less than five nor more than nine. The Board of Directors has determined that the number of directors should remain at nine in 2004. Unless authority is withheld, it is intended that Proxies received in response to this solicitation will be voted in favor of the nominees. A majority of the independent directors has recommended, and the entire Board of Directors has approved, the nine individuals named below to serve as directors until the next Annual Meeting and until their successors shall have been elected and shall qualify. The age and a brief biographical description of each director nominee are set forth below. This information and certain information regarding beneficial ownership of securities by such nominees contained in this proxy statement has been furnished to us by the nominees or obtained from filings with the SEC. All of the nominees have consented to serve as directors if elected. Nominees for election as directors are:

Earl E. Congdon (73) joined our company in 1950 and has served as Chairman of the Board of Directors and Chief Executive Officer since 1985 and as a director since 1952. He is a son of E. E. Congdon, one of our founders, the brother of John R. Congdon, the father of David S. Congdon and the father-in-law of John B. Yowell.

John R. Congdon (71) joined us in 1953 and has served as Vice Chairman of the Board of Directors since 1985 and as a director since 1955. He is also the Chairman of the Board of Directors of Old Dominion Truck Leasing, Inc., a North Carolina corporation that is engaged in the full-service leasing of tractors, trailers and other equipment, to which he devotes more than half of his time. He is a son of E. E. Congdon, one of our founders, the brother of Earl E. Congdon and the father of John R. Congdon, Jr.

John A. Ebeling (66) has been a director since August 1985. He formerly served as Vice Chairman from May 1997 to May 1999 and as President and Chief Operating Officer from August 1985 to May 1997. Mr. Ebeling was previously employed by ANR Freight Systems from 1978 to 1985, holding the positions of Chairman and Chief Executive Officer.

Harold G. Hoak (74) was elected a director in August 1991. Now retired, he serves on the Board of Directors of the Charlotte Merchants Foundation, Inc. He was President and General Manager of the Charlotte Merchants Association, Inc. from 1989 to 1994. Mr. Hoak was formerly employed by Wachovia Bank of North Carolina, N.A. from 1956 to 1989 and served as Regional Vice President for the Southern Region from 1976 to 1989.

Franz F. Holscher (82) was elected a director in August 1991. He served in a number of executive positions from 1970 to 1987 with Thurston Motor Lines, Inc. and was its Chairman of the Board of Directors from July 1984 through December 1987, when he retired.

David S. Congdon (47) has been employed by us since 1978 and, since May 1997, has served as our President and Chief Operating Officer. He has held various positions with us including Vice

President Quality and Field Services, Vice President Quality, Vice President Transportation and other positions in operations and engineering. Mr. Congdon became a director in May 1998. He is the son of Earl E. Congdon.

John R. Congdon, Jr. (47) was elected a director in 1998. He currently serves as the Vice Chairman of the Board of Directors of Old Dominion Truck Leasing, Inc., where he has been employed since May 1979. He is the son of John R. Congdon.

J. Paul Breitbach (66) was elected a director in 2003 and is the President of Krispy Kreme Foundation, a non-profit organization established by Krispy Kreme Doughnuts, Inc. From November 1992 to January 2002, Mr. Breitbach was employed by Krispy Kreme Doughnuts, Inc. where he held Executive Vice President positions in Finance and Administration as well as Support Operations. Mr. Breitbach is a Certified Public Accountant.

Robert G. Culp, III (57) is the Chairman of the Board of Directors of Culp, Inc., a High Point, North Carolina-based producer of upholstery and mattress fabrics, which he co-founded in 1972. Mr. Culp was elected a director in 2003 and also serves on the Board of Directors of Stanley Furniture Company, Inc.

The Board of Directors recommends a vote FOR the election of each of the nominees identified above.

EXECUTIVE OFFICERS

The following provides certain information concerning the executive officers of the Company who are not directors:

John B. Yowell (52) joined us in February 1983 and has served as Executive Vice President since May 1997. He has also served the Company as a Vice President in many functional areas including Corporate Services, Operations and Information Systems. He is a son-in-law of Earl E. Congdon.

J. Wes Frye (56) has served as Senior Vice President Finance since May 1997. He has also served as Chief Financial Officer and Treasurer since joining us in February 1985 and has held the position of Assistant Secretary since December 1987. Mr. Frye is a Certified Public Accountant.

Joel B. McCarty, Jr. (66) was appointed Senior Vice President in May 1997 and has served as General Counsel and Secretary since joining us in June 1987. He was formerly the Assistant General Counsel of McLean Trucking Company and was in private law practice prior to 1985.

CORPORATE GOVERNANCE

Independent Directors

In accordance with the listing standards of The Nasdaq Stock Market, Inc. (the "Nasdaq"), the Company's Board of Directors must consist of a majority of independent directors, as determined in accordance with Nasdaq Rule 4200(a)(15). The Board has determined that Messrs. Ebeling, Hoak, Holscher, Breitbach and Culp are independent (collectively, the "independent directors"). Pursuant to the Company's Corporate Governance Guidelines, the independent directors of the Board will meet in executive session at least twice each year. Shareholders may communicate with the independent

directors by following the procedures set forth in Shareholder Communications with the Board, below.

Attendance and Committees of the Board

Pursuant to the Company's Corporate Governance Guidelines, directors are expected to attend the annual meeting of shareholders and all meetings of the Board, including all meetings of Board committees of which they are members. All directors were present at the previous annual meeting of shareholders that was held on May 19, 2003. Our Board of Directors held four meetings during 2003, at which all members were present. The Board of Directors has five standing committees: the Executive Committee, the Audit Committee, the Compensation Committee, the Governance and Nomination Committee and the Stock Option Plan Committee. Each member of the Audit Committee, the Compensation Committee and the Governance and Nomination Committee is independent as defined under current Nasdaq listing standards. All directors attended more than 75% of the Board meetings and assigned committee meetings held in 2003.

Executive Committee

The Executive Committee consists of Earl E. Congdon (Chairman), John R. Congdon and David S. Congdon. The Executive Committee is empowered to act between meetings of the Board of Directors with powers of the full Board, to the extent permitted by our bylaws and applicable law. This committee did not meet in 2003.

Audit Committee

The Audit Committee currently consists of J. Paul Breitbach (Chairman), John A. Ebeling and Harold G. Hoak, each of whom the Board of Directors has determined is independent pursuant to applicable SEC rules and regulations and Nasdaq listing standards. The Board of Directors has determined that all Audit Committee members are financially literate and that J. Paul Breitbach qualifies as an audit committee financial expert as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act). The Audit Committee is governed by a written charter approved by the Board of Directors, which is included in this proxy statement as Appendix A and is available on our website at <http://www.odfl.com/Company/corpGovernance.jsp>. Information regarding the functions performed by this committee is set forth in the Report of Audit Committee, which is included in this proxy statement. The Audit Committee met five times in 2003 and held two telephone conferences, at which all members were present.

Compensation Committee

The Compensation Committee consists of Franz F. Holscher (Chairman), Robert G. Culp, III and John A. Ebeling, each of whom the Board of Directors has determined is independent pursuant to Nasdaq listing standards. The Compensation Committee meets periodically to review and approve the salaries and classifications of our executive officers, other significant employees and its personnel policies. The Compensation Committee met twice in 2003, and all members were present at each meeting. The charter for this committee is available on our website at <http://www.odfl.com/Company/corpGovernance.jsp>.

Governance and Nomination Committee

The Governance and Nomination Committee consists of John A. Ebeling (Chairman), J. Paul Breitbach and Robert G. Culp, III, each of whom the Board of Directors has determined is independent pursuant to Nasdaq listing standards. This committee was formed to make recommendations concerning the size and composition of the Board of Directors, evaluate and recommend candidates for election as directors (including nominees recommended by shareholders), coordinate the orientation and educational requirements of new and existing directors, develop and implement the Company's corporate governance policies and assess the effectiveness of the Board of Directors and its committees. The charter for this committee is available on our website at <http://www.odfl.com/Company/corpGovernance.jsp>.

The Governance and Nomination Committee was formed in January 2004 and thus did not meet in 2003. The Governance and Nomination Committee will be responsible for evaluating and recommending to the full Board of Directors individuals for election as a director immediately following the 2004 Annual Meeting. Nominees for election to the Board of Directors at the 2004 Annual Meeting of Shareholders were evaluated and recommended by a majority of the independent directors of the Board for approval by the full Board of Directors.

Stock Option Plan Committee

The Stock Option Plan Committee consists of Earl E. Congdon (Chairman), John R. Congdon and Franz F. Holscher. The Committee has authority to administer our 1991 Employee Stock Option Plan. The Stock Option Plan Committee met once in 2003.

Corporate Governance Guidelines

The Board has adopted written Corporate Governance Guidelines, which provide the framework for fulfillment of the Board's duties and responsibilities in light of the best practices in corporate governance and applicable laws and regulations. The Corporate Governance Guidelines address a number of matters applicable to directors, including director qualification standards, meeting requirements and responsibilities of the Board and its committees. The Corporate Governance Guidelines are available on our website at <http://www.odfl.com/Company/corpGovernance.jsp>.

Code of Conduct

We have adopted a Code of Business Conduct that applies to all of our directors, officers (including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and any person performing similar functions) and employees. Our Code of Business Conduct is available on our website at <http://www.odfl.com/Company/corpGovernance.jsp>. Any waivers or substantive amendments to our Code of Business Conduct applicable to the Company's directors or executive officers will be disclosed and filed with the SEC on a Form 8-K. Any waiver or substantive amendment of the Code of Business Conduct for directors or executive officers may be made only by the Board or a Board committee.

Shareholder Communications with the Board

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Any shareholder desiring to contact the Board or any individual director serving on the Board may do so by written communication mailed to:
Board of Directors (Attention: (name of director(s), as

applicable), care of the Corporate Secretary, Old Dominion Freight Line, Inc., 500 Old Dominion Way, Thomasville, North Carolina 27360. Any communication so received will be processed by the Corporate Secretary and be promptly delivered to each member of the Board, or, as appropriate, to the member(s) of the Board named in the communication.

Director Nominations

In evaluating prospective nominees, the Board considers the criteria outlined in our Corporate Governance Guidelines, which include but are not limited to high personal and professional ethics and values; relevant educational and business experience; willingness to devote the time required to evaluate the effectiveness of management; and a commitment to represent the best interests of the Company and its shareholders.

Immediately following the 2004 Annual Meeting, any director nominees will be recommended to the Board by the Governance and Nomination Committee. The Governance and Nomination Committee will consider qualified director nominees recommended by shareholders when such recommendations are submitted in accordance with our bylaws and policies regarding director nominations. Shareholders may submit in writing the names and qualifications of potential director nominees to the Secretary of the Company (500 Old Dominion Way, Thomasville, North Carolina 27360) for delivery to the Chairman of the Governance and Nomination Committee for consideration. When submitting a nomination to the Company for consideration, a shareholder must provide the following minimum information for each director nominee: full name and address, age, principal occupation during the past five years, current directorships on publicly held companies and investment companies, number of Company shares owned, if any, and a signed statement by the nominee consenting to serve as a director if elected. Shareholder nominations for director must also be made in a timely manner and otherwise in accordance with the Company's bylaws (please refer to Article 3, Section 6 of the company's bylaws to determine the precise requirements for any shareholder nomination.) If the Governance and Nomination Committee receives a director nomination from a shareholder or group of shareholders who (individually or in the aggregate) have beneficially owned greater than 5% of the Company's outstanding stock for at least one year as of the date of such recommendation, the Company, to the extent required by applicable securities law, will identify the candidate and shareholder or group of shareholders recommending the candidate and will disclose in its proxy statement whether the Governance and Nomination Committee chose to nominate the candidate, as well as certain other information required by SEC rules and regulations.

In addition to potential director nominees submitted by shareholders, the Governance and Nomination Committee will consider candidates submitted by directors, as well as self-nominations by directors, and, from time to time, it may consider candidates submitted by a third-party search firm hired for the purpose of identifying director candidates. The Governance and Nomination Committee will investigate potential director candidates and their individual qualifications, and all such candidates, including those submitted by shareholders, will be similarly evaluated by the Governance and Nomination Committee using the board membership criteria described above.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee has adopted a written policy that requires advance approval of all audit services, audit-related services, tax services and other services performed by the independent auditors. The policy provides for pre-approval by the Audit Committee of specifically defined audit and permissible non-audit services. Unless the specific service has been pre-approved with

respect to that year, the Audit Committee must approve the permitted service before the independent auditors are engaged to perform it. The Audit Committee has delegated to the Chairman of the Audit Committee authority to pre-approve permitted services under \$10,000 provided that the Chairman reports any decisions to all members of the Committee at the earliest convenience. In the event the Chairman is unavailable, the remaining members must unanimously approve the request for permitted services, not to exceed \$10,000, and notify the Chairman at the earliest convenience.

Policy for Accounting Complaints

The Audit Committee of the Board of Directors has established procedures for (i) the receipt, retention and treatment of complaints related to accounting, internal accounting controls and auditing matters and (ii) the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters, in compliance with section 301 of the Sarbanes-Oxley Act and related SEC rules and regulations. The Audit Committee has contracted with a third party to provide a toll-free telephone service that is staffed 24 hours a day, seven days a week. This service documents the complaint, assigns a reference number to the complaint for tracking purposes and forwards that information, through email, to the Audit Committee Chairman and the Director of Internal Audit. In the event the complaint concerns an internal audit matter, only the Audit Committee Chairman is notified. The Audit Committee Chairman, using whatever resources are required, investigates the complaint and initiates corrective action when appropriate. The identity of the caller and the details of the complaint remain anonymous throughout this process. The Company periodically tests this process to ensure that complaints are handled in accordance with these procedures.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires certain of our officers, directors and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Such officers, directors and shareholders are required by the SEC regulations to furnish us with copies of all such reports that they file. Based solely on a review of copies of the reports filed with the SEC since January 1, 2003 and on representations by certain officers and directors, all persons subject to the reporting requirements of Section 16(a) filed the reports required to be filed in 2003 on a timely basis except for (i) John R. Congdon, Jr., who failed to timely report the disposition of shares held as trustee for three separate trusts on his Form 5 for the fiscal year 2002, (ii) Robert G. Culp, III, who failed to timely file a Form 3 after becoming a director, and (iii) J. Paul Breitbach, who failed to timely file a Form 3 after becoming a director and failed to timely report on Form 4 the aggregate purchase of 1,000 shares of the Company's common stock on July 30, 2003 and August 4, 2003.

REPORT OF AUDIT COMMITTEE

The Audit Committee oversees our financial reporting process on behalf of the Board of Directors and operates under a written charter adopted on April 24, 2000, and most recently revised on March 24, 2004. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report on Form 10-K with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of our accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards and under Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as currently in effect. In addition, the Audit Committee has discussed with the independent auditors their independence from management and the Company, including the written disclosures and the letter from the independent auditors required by Independence Standards Board No. 1, *Independence Discussions with Audit Committees*, as currently in effect, and has considered the compatibility of nonaudit services with the auditors' independence.

The Audit Committee discussed with our internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the internal and independent auditors to discuss the results of their examinations, their evaluations of our internal controls and the overall quality of our financial reporting.

The Audit Committee has also reviewed transactions between the Company and entities in which our officers or directors or their affiliates have material interests and has determined that such existing transactions are fair to the Company. Any new transactions with officers, directors or their affiliates, and any extensions, modifications or renewals of existing transactions with such persons must be approved in advance by the Audit Committee as being on terms no less favorable to the Company than the terms that could be obtained in a similar transaction with an unaffiliated party.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2003, for filing with the Securities and Exchange Commission.

The Audit Committee,

J. Paul Breitbach, Chairman

John A. Ebeling

Harold G. Hoak

EXECUTIVE COMPENSATION
Summary Compensation Table

The following table provides a three-year overview of the compensation paid to our five most highly compensated executive officers (the Named Executive Officers):

(a)	(b)	Annual Compensation		
		(c)	(d)	(e)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	All Other Compensation (\$)(2)
Earl E. Congdon Chairman of the Board and Chief Executive Officer	2003	\$420,900	\$768,284	\$29,040 (3)
	2002	\$349,210	\$567,436	\$10,324
	2001	\$315,260	\$367,856	\$ 9,948
David S. Congdon President and Chief Operating Officer	2003	\$220,560	\$465,014	\$17,077 (3)
	2002	\$212,760	\$343,448	\$ 6,537
	2001	\$210,585	\$222,650	\$ 6,092
John B. Yowell Executive Vice President	2003	\$174,420	\$202,180	\$ 8,877 (3)
	2002	\$168,180	\$149,325	\$ 6,963
	2001	\$166,380	\$ 96,804	\$ 6,351
John R. Congdon Vice Chairman of the Board of Directors	2003	\$290,900	\$	\$25,244 (3)
	2002	\$219,210	\$	\$15,629
	2001	\$182,760	\$	\$15,346
J. Wes Frye Senior Vice President Finance, Treasurer, Chief Financial Officer and Assistant Secretary	2003	\$164,600	\$141,526	\$ 3,617 (3)
	2002	\$160,740	\$104,528	\$ 1,962
	2001	\$160,125	\$ 67,763	\$ 2,010

- (1) Pursuant to an executive profit-sharing bonus program, we pay incentive cash bonuses to the Named Executive Officers based upon our income before taxes during the fiscal year.
- (2) Includes pre-tax contributions made to the Old Dominion 401(k) retirement plan, personal use of Company assets, excess premiums paid on group life insurance and the compensation element of premiums paid on split-dollar life insurance policies.

(3) Allocation of 2003 All Other Compensation:

Name	Company	Split-Dollar	Personal Use of	Excess Life
	Contribution To 401k Plan	Life Insurance	Company Assets	Insurance Premiums
Earl E. Congdon	\$ 1,517	\$ 8,646	\$ 12,109	\$ 6,768
David S. Congdon	\$ 2,374	\$	\$ 14,181	\$ 522
John B. Yowell	\$ 2,598	\$	\$ 5,415	\$ 864
John R. Congdon	\$ 1,548	\$ 16,928	\$	\$ 6,768
J. Wes Frye	\$ 2,267	\$	\$	\$ 1,350

Stock Options

Our Board of Directors and shareholders approved and adopted the 1991 Employee Stock Option Plan of Old Dominion Freight Line, Inc. (the Option Plan) for the benefit of key employees. The Option Plan covers 375,000 shares of our common stock after adjusting for the three-for-two stock split on June 16, 2003. The Option Plan provides for the granting of stock options that qualify as incentive stock options pursuant to Section 422 of the Internal Revenue Code as well as nonqualified options. Earl E. Congdon and John R. Congdon are not eligible to participate in the Option Plan.

The Option Plan does not allow any options to be granted after August 31, 2001; therefore, no options were granted in 2003.

After giving effect to the June 16, 2003 stock split, options to purchase 336,000 shares have been granted. As of March 29, 2004, there are options outstanding covering 13,500 shares of common stock at an exercise price of \$12.6667 per share and 7,500 shares at an exercise price of \$6.6667. All of the options have been granted as incentive options.

The following table reflects cumulative information for the last fiscal year regarding exercises under the Option Plan:

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

(a) Name	(b) Shares Acquired on Exercise (#)	(c) Value Realized (\$ (1))	(d) Number of Securities Underlying Unexercised Options at FY-End		(e) Value of Unexercised In-The-Money Options at FY-End	
			Exercisable/Unexercisable (#)	Exercisable/Unexercisable (\$ (2))		
Earl E. Congdon (3)						
David S. Congdon	4,500	\$ 88,365	4,500 0	Exercisable Unexercisable	\$ 105,360 \$ 0	Exercisable Unexercisable
John B. Yowell	4,500	\$ 85,374				

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			4,500	Exercisable	\$ 105,360	Exercisable
			0	Unexercisable	\$ 0	Unexercisable
John R. Congdon (3)						
J. Wes Frye	5,250	\$ 101,570	6,000	Exercisable	\$ 141,980	Exercisable
			0	Unexercisable	\$ 0	Unexercisable

- (1) Value realized is calculated by subtracting the exercise price from the closing price of our stock on the exercise date.
- (2) Value is calculated by subtracting the exercise price from \$34.080, the closing price of our stock on December 31, 2003.
- (3) Not eligible to participate in the Option Plan.

Equity Compensation Plan Information

The following table sets forth information as of March 29, 2004 with respect to the Option Plan, the only compensation plan that authorizes the issuance of our equity securities:

Plan Category	(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	(b)		(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
		Weighted-Average Exercise Price of Outstanding Warrants and Rights		
Equity Compensation Plans Approved by Security Holders	21,000	\$ 10.5238		
Equity Compensation Plans Not Approved by Security Holders				

Finally, the Business Combination would be completed with the merger of PT with and into CorpCo (the PT Merger). This international merger would involve the incorporation of PT into CorpCo, as a result of which Portugal Telecom would cease to exist after the definitive commercial registration of the Merger. As a result of this merger, the former shareholders of PT would become direct shareholders of CorpCo.

With the approval of the Definitive Agreements (the Exchange Agreement and Other Covenants and the Call Option Agreement and Other Covenants), an alternative structure is under analysis that would uphold all the principles of the initial agreements with respect to the CorpCo shares held by PT after the consummation of the Exchange. Accordingly, subject to the approval of the Board of Directors and shareholders of PT at a general shareholders meeting to be convened specifically for such purpose, this alternative structure to the Merger of PT would permit the achievement of the objective of unifying the shareholder bases of

the two companies in the most prompt and efficient manner possible, whereby PT shareholders would receive, as soon as possible after the Merger of Shares and the migration of CorpCo to the *Novo Mercado* segment of the BM&FBOVESPA, the CorpCo shares that PT will hold upon consummation of the Exchange and before the exercise of PT's Call Option for Oi's shares.

D. Evolution of PT's interest in Oi and Oi's interest in PT resulting from the steps of the Business Combination (assuming the consummation of the Exchange Agreement and Other Covenants)

The simplification of the control structure of CorpCo—the Corporate Reorganization—does not have any impact on PT's interest in Oi or Oi's interest in PT. The only relevant impact is the elimination of the holding companies AG Telecom and LF Tel, as well as PT's wholly owned holding companies (Bratel Brasil, PTB2 and Bratel BV), as a result of which all of PT's interest in Oi will be held directly by PT. This step would be executed simultaneously with the Merger of Shares.

The Merger of Shares will result in the conversion of PT's interest in Oi into an interest in CorpCo, with CorpCo's share capital represented by only one category of shares. For the purposes of meeting the announced exchange ratios for the Merger of Shares (i.e. 1 CorpCo common share for each Oi common share and 0.9211 CorpCo common share for each Oi preferred share), the number of shares constituting CorpCo's share capital, at the date of the merger, will be equal to the sum of (i) the number of common shares held by CorpCo in Oi and (ii) the product of 0.9211 and the number of preferred shares held by CorpCo in Oi. The number of shares held at the end of this step corresponds to the application of the announced ratios with regard to Oi's common and preferred shares.

The table below illustrates PT's interests in CorpCo and Oi's interest (as a wholly-owned subsidiary of CorpCo) in PT following the

consummation of the Merger of Shares.

Corpco (#000)	ON	%
PT SGPS	1,836,623	27.69%
Others	4,797,032	72.31%
Total (ex-treasury shares)	6,633,654	100.00%

Interests of Oi in PT (#000)

Oi	89,651	10.24%
Total (ex-treasury shares)	875,873	100.00%

The alternative structure under analysis, subject to the approval of PT's Board of Directors and shareholders at a general shareholders meeting to be convened specifically for such purpose, would allow PT shareholders to receive the CorpCo shares that PT would hold after consummation of the Exchange.

After the unification of the shareholder bases, PT would hold only the Rioforte Investments and a Call Option for shares of Oi.

The unification of the shareholder bases would imply that PT would no longer hold any interest in CorpCo. In addition, taking into account Oi's interest in PT, a portion of CorpCo's shares would be considered treasury shares after the unification of the shareholder bases because CorpCo will own 100% of Oi.

The table below illustrates the interests of the shareholders of PT in CorpCo and of Oi (a wholly-owned subsidiary of CorpCo) in PT, following the consummation of the Merger of Shares:

Corpco (#000)	ON	%
PT SGPS	0	0.00%
Acionistas		
PT	1,648,632	25.58%
Others	4,797,032	74.42%
Total (ex-treasury shares)	6,445,664	100.00%

Interests of Oi in PT (#000)		%
Oi	89,651	10.24%
Total (ex-treasury shares)	875,873	100.00%

Additional notes:

- The percentages of the voting rights of Oi correspond to the common shares (subject to the shareholders' agreements and statutory limitations described in the Information Statement).

- The tables of interests do not contemplate the full or partial exercise of PT's Call Option with respect to OI's shares.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 22, 2014

PORTUGAL
TELECOM,
SGPS, S.A.

By: /s/ Nuno
Vieira
**Nuno
Vieira
Investor
Relations
Director**

**FORWARD-LOOKING
STATEMENTS**

This document may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words anticipates, believes, estimates, expects, plans and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition,

liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.