

SOUTHSIDE BANCSHARES INC
Form DEF 14A
March 08, 2010

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:
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o

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(3) Filing Party:

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 15, 2010

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 15, 2010 at 4:00 p.m., local time, for the purposes of considering and acting upon the following:

1. the election of four nominees named in this proxy statement as members of the board of directors of the Company ("the Board") to serve until the Annual Meeting of Shareholders in 2013 and the election of one nominee named in this proxy statement as a member of the Board to serve until the Annual Meeting of Shareholders in 2011;
2. 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 ended December 31, 2010; and
3. 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 2, 2010, 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 or you may vote your shares by telephone or Internet. It is important that you sign and return the proxy or vote by telephone or Internet, 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,

/s/ B. G. Hartley
B. G. Hartley
Chairman of the Board

Tyler, Texas
March 12, 2010

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 OR VOTE YOUR SHARES BY TELEPHONE OR INTERNET.

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

PROXY STATEMENT
FOR THE
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 15, 2010

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 15, 2010, 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 nominees named in this proxy statement as members of the Board to serve until the Annual Meeting of Shareholders in 2013 and the election of one nominee named in this proxy statement as a member of the Board to serve until the Annual Meeting of Shareholders in 2011;
2. 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, 2010; and
3. 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, 2009, including financial statements, are first being sent to shareholders on or about March 12, 2010.

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 the nominees named in this proxy statement as directors; 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.

If your shares are registered in your name as the shareholder of record, you may vote by mail, telephone or the Internet by following the instructions below:

- To vote by mail, complete, sign, and return the enclosed proxy card in the envelope provided to: Proxy Services, c/o Computershare Investor Services, P.O. Box 43102, Providence, RI, 02940-5068.

- To vote by telephone, call toll free 1-800-652-VOTE (8683) within the United States on a touch tone telephone and follow the instructions provided by the recorded message.
- To vote using the Internet, access the voting site at www.investorvote.com/SBSI and follow the voting instructions set forth on the secured website.

The telephone and Internet procedures are designed to authenticate the shareholder's identity and to allow shareholders to vote their shares and confirm that their voting instructions have been properly recorded. Shareholders who vote by telephone or Internet do not need to return the proxy card. Proxies submitted by telephone or Internet must be recorded by 1:00 a.m., central time on April 15, 2010.

If you hold your shares in “street name” in a stock brokerage account or through a bank, trust or other nominee, the broker or other nominee is considered the record holder and you are the beneficial owner of the shares. Beneficial owners vote their street name shares by instructing their broker or other nominee how to vote using the voting instruction form provided by the broker or nominee. Brokers have authority to vote in their discretion on “routine” matters if they do not receive voting instructions from the beneficial owner of the shares. Please note that under recent rule changes effective January 1, 2010, the election of directors is no longer considered a routine matter. Consequently, if you do not give your broker or nominee specific voting instructions with respect to the election of directors, your street name shares will not be counted in determining the number of shares necessary for approval of a nominee but will instead be treated as a broker non-vote (see “Quorum, Voting Rights and Procedures” below).

If you hold your shares in street name and want to vote in person at the Annual Meeting, you must obtain from your broker or nominee a legal proxy issued in your name giving you the right to vote the shares directly at the meeting. You will not be entitled to vote at the meeting unless you present such a proxy to the Company at that time.

IMPORTANT NOTICE: Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on April 15, 2010.

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/proxymaterials>

SPECIAL NOTICE: To Shareholders with Shares in Broker Accounts

Due to the stock exchange rules which took effect January 1, 2010, your broker is prohibited from voting your street name shares in elections for directors unless you instruct in writing how you want your shares voted. Consequently, your street name shares will not be voted in connection with the election of directors unless you timely respond to your broker’s request for voting instructions.

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 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 \$6,500, plus expenses.

RECORD DATE AND OUTSTANDING SHARES

The Company’s Board has fixed the close of business on March 2, 2010, 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 March 2, 2010, there were approximately 15,000,459 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 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 2013 Annual Meeting and the election of one director to serve until the 2011 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 five 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 and 3, 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 and represented at the meeting 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 the 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, express 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.

ELECTION OF DIRECTORS (PROPOSAL 1)

The Board is classified into three classes, all of which are comprised of four directors, for a total of 12 directors. One class of directors is elected each year for a three-year term. At the Annual Meeting, five directors are to be elected, four for a term of three years and one for a term of one year. Under NASDAQ listing rules, a majority of the Board must be comprised of independent directors. The Board has determined that each director nominated, except for B. G. Hartley, is independent under NASDAQ listing rules.

The five nominees identified below are nominees for election at the Annual Meeting for a three-year term expiring at the 2013 Annual Meeting with the exception of Preston L. Smith, who will join the class of directors standing for reelection at the 2011 Annual Meeting:

- | Term Expiring 2013 | Term Expiring 2011 |
|--------------------|--------------------|
| · Alton Cade | · Preston L. Smith |
| · B. G. Hartley | |
| · Paul W. Powell | |
| · Don W. Thedford | |

Alton Cade, B. G. Hartley, Paul W. Powell, Preston L. Smith and Don W. Thedford are currently directors of the Company and its subsidiary, Southside Bank. All of the nominees except Mr. Smith and Mr. Thedford were previously elected to the Board by shareholders. In August 2009, the Board was expanded by two members, and, upon the recommendation of the Nominating Committee, Mr. Smith and Mr. Thedford were appointed to fill vacancies created. For biographical information on the nominees, please see “Information about Our Directors, Nominees and Executive Officers.”

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 the Company.

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

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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 is divided among three classes, with members of each class serving three-year terms.

NOMINEES FOR DIRECTOR TERMS TO EXPIRE AT THE 2013 ANNUAL MEETING	INITIAL ELECTION TO BOARD
ALTON CADE (73) – 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. Mr. Cade has served on the Board since 2003 and prior to that on the Southside Bank Board for over ten years. Mr. Cade’s management and business skills combined with his knowledge of real estate and years of experience on the Board, qualify him to be a member of the Board.	2003
B. G. HARTLEY (80) – 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 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. Mr. Hartley has 50 years of banking experience, both in management and as a board member and has served on the Board since 1982, all of which qualify him to be a member of the Board.	1982
PAUL W. POWELL (76) – 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 is a former 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. Mr. Powell’s leadership skills in several capacities, his knowledge of the health care industry, his CEO experience with the Southern Baptist Annuity Board, combined with his years of experience on the Board, qualify him to be a member of the Board.	1999
DON W. THEDFORD (60) – Mr. Thedford has been the President of Don’s TV & Appliance, Inc. since 1979. He is a member of the National Appliance Retail Dealers Association and the Nationwide Marketing Group. Mr. Thedford’s management and leadership skills running his business for over 30 years combined with his overall knowledge of business and finance, qualify him to be a member of the Board.	2009
NOMINEE FOR DIRECTOR TERM TO EXPIRE AT THE 2011 ANNUAL MEETING	
PRESTON L. SMITH (53) – Mr. Smith is the President and owner of PSI Production, Inc. He is an active member of the Independent Petroleum Association of America and	2009

served as its Northeast Texas Representative to the Board of Directors from 1999 to 2005. Mr. Smith serves on the Board of Trustees for All Saints Episcopal School of Tyler, is Chairman of the Board of Trinity Mother Frances Health System, and is past President of the East Texas State Fair Association. Mr. Smith’s management and leadership skills, combined with his knowledge of oil and gas and the health care industry, qualify him to be a member of the Board.

DIRECTORS CONTINUING UNTIL THE 2011 ANNUAL MEETING	INITIAL ELECTION TO BOARD
<p>SAM DAWSON (62) – 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. Mr. Dawson has over 35 years of banking experience and has served on this Board since 1997, all of which qualify him to be a member of the Board.</p>	<p>1997</p>
<p>MELVIN B. LOVELADY (73) – 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. Mr. Lovelady is a CPA, a former partner with two accounting firms and a current or prior member of numerous boards, including serving on this Board since 2005, all of which qualify him to be a member of the Board.</p>	<p>2005</p>

WILLIAM SHEEHY (69) – Mr. Sheehy retired December 31, 2006 as senior partner of the law firm of Wilson, Sheehy, Knowles, Robertson & Cornelius PC. Mr. Sheehy is a former director of the Texas Association of Bank Counsel. Mr. Sheehy brings to our Board an extraordinary understanding of our business, history and organization. He was a senior partner of a law firm prior to his retirement and has served on this Board since 1983, all of which qualify him to be a member of the Board.

1983

DIRECTORS CONTINUING UNTIL THE 2012 ANNUAL MEETING

INITIAL
ELECTION
TO BOARD

HERBERT C. BUIE (79) – 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. Mr. Buie brings to our Board an extraordinary understanding of our business, history and organization, as well as management, leadership and business skills. These skills, combined with his service on numerous boards, including this Board since 1988, qualify him to be a member of the Board.

1988

ROBBIE N. EDMONSON (78) – 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. Mr. Edmonson has over 45 years of banking experience and has served on this Board since 1982, both of which qualify him to be a member of the Board.

1982

JOE NORTON (73) – Mr. Norton owned 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. Mr. Norton brings to our Board an extraordinary understanding of our business, history and organization, as well as management, business and leadership skills. These skills, combined with serving on this Board since 1988, qualify him to be a member of the Board.

1988

JOHN R. (BOB) GARRETT (56) – 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, 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. Mr. Garrett brings to our Board extensive knowledge in the areas of residential and commercial real estate and oil and gas, as well as management, leadership and business skills and experience serving on numerous boards, all of which qualify him to be a member of the Board.

2009

EXECUTIVE OFFICERS

JERYL STORY (58) – Mr. Story currently serves as Senior Executive Vice President of the Company. He has served as an executive of the Company since 2000. He joined Southside Bank in 1979 and is currently Senior Executive Vice President and director of Southside Bank and is responsible for all lending functions.

LEE R. GIBSON, CPA (53) – Mr. Gibson currently serves as Senior Executive Vice President and Chief Financial Officer of the Company and Southside Bank. He has served as an executive of the Company and the 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, Chairman of the Council of Federal Home Loan Banks, President of the East Texas Area Council of Boy Scouts and serves on the Board of the East Texas Boy Scout Foundation and the Board of the Tyler Junior College Foundation.

MICHAEL L. COOGAN, CFA (50) – Mr. Coogan joined Southside Bank as Executive Vice President and Treasurer in early 2009. He has over 25 years experience in investment management. He is responsible for investment portfolio execution as well as sharing in the management duties.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information regarding beneficial ownership of our common stock as of February 12, 2010, 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)	463,902	3.1%
Alton Cade(3)	45,729	*
Sam Dawson(4)	115,528	*
Robbie N. Edmonson(5)	79,568	*
John R. (Bob) Garrett	1,067	*
B. G. Hartley(6)	269,864	1.8%
Melvin B. Lovelady(7)	10,500	*
Joe Norton(8)	175,420	1.2%
Paul W. Powell	45,661	*
William Sheehy(9)	91,868	*
Preston Smith	-	*
Don W. Thedford	2,573	*
Jeryl Story(10)	102,774	*
Lee R. Gibson(11)	32,490	*
Michael L. Coogan	2,931	*

All directors, nominees and executive officers of the company as a group (15 persons).