

WEBSTER FINANCIAL CORP

Form DEF 14A

March 09, 2007

**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
  - 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 Rule 14a-11(c) or Rule 14a-12

Webster Financial Corporation

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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- No fee required.
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(3) Filing party:

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(4) Date filed:

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March 9, 2007

**To the Shareholders of  
Webster Financial Corporation:**

You are cordially invited to attend the Webster Financial Corporation Annual Meeting of Shareholders to be held on Thursday, April 26, 2007 at 4:00 p.m., Eastern Time, at the Courtyard by Marriott, 63 Grand Street, Waterbury, Connecticut 06702.

At the Annual Meeting, you will be asked: (i) to elect three directors to serve for three-year terms; (ii) to amend Webster's 1992 Stock Option Plan; (iii) to ratify the appointment of KPMG LLP as the independent registered public accounting firm of Webster for the year ending December 31, 2007; and (iv) to transact any other business that properly comes before the Annual Meeting or any adjournments of the meeting.

The Board of Directors unanimously recommends that you vote FOR the election of all the Board's nominees for election as directors and FOR each of the other proposals listed above. We encourage you to read the accompanying Proxy Statement, which provides information regarding Webster and the matters to be voted on at the Annual Meeting. Also enclosed is our 2006 Annual Report.

It is important that your shares be represented at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, you may vote your common shares via a toll-free telephone number or on the Internet or you may complete, date, sign and return the enclosed proxy card in the enclosed postage paid envelope. If you attend the meeting and prefer to vote in person, you may do so.

Sincerely,  
James C. Smith  
*Chairman and Chief Executive Officer*

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**WEBSTER FINANCIAL CORPORATION**

**145 Bank Street**

**Waterbury, Connecticut 06702**

**800-325-2424**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON APRIL 26, 2007**

**To the Shareholders of  
Webster Financial Corporation:**

**NOTICE IS HEREBY GIVEN** that the annual meeting of shareholders (the Annual Meeting ) of Webster Financial Corporation ( Webster ) will be held on Thursday, April 26, 2007 at 4:00 p.m., Eastern Time, at the Courtyard by Marriott, 63 Grand Street, Waterbury, Connecticut 06702, for the following purposes:

1. *Election of Directors.* To elect three directors to serve for three-year terms (Proposal 1);
2. *Amendment of 1992 Stock Option Plan.* To amend Webster s 1992 Stock Option Plan (Proposal 2);
3. *Ratification of Appointment of Independent Registered Public Accounting Firm.* To ratify the appointment by the Board of Directors of KPMG LLP as the independent registered public accounting firm of Webster for the fiscal year ending December 31, 2007 (Proposal 3); and
4. *Other Business.* To transact any other business that properly comes before the Annual Meeting or any adjournments thereof, in accordance with the determination of a majority of Webster s Board of Directors.

The Board of Directors has fixed the close of business on February 22, 2007 as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting. Only shareholders of record at the close of business on that date will be entitled to notice of and to vote at the Annual Meeting or any adjournments thereof.

By order of the Board of Directors

James C. Smith

*Chairman and Chief Executive Officer*

Waterbury, Connecticut

March 9, 2007

**IT IS IMPORTANT THAT YOU VOTE PROMPTLY. THEREFORE, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE VOTE YOUR COMMON SHARES VIA THE TOLL-FREE TELEPHONE NUMBER LISTED ON THE PROXY CARD, THE INTERNET OR BY MAIL.**

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**WEBSTER FINANCIAL CORPORATION**  
**145 Bank Street**  
**Waterbury, Connecticut 06702**  
**800-325-2424**

**PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON APRIL 26, 2007**

**Solicitation, Voting and Revocability of Proxies**

This Proxy Statement (the "Proxy Statement") is being furnished to the shareholders of Webster Financial Corporation, a Delaware corporation ("Webster" or the "Corporation"), as part of the solicitation of proxies by its Board of Directors from holders of its outstanding shares of Common Stock, par value \$.01 per share (the "Common Stock"), for use at the Annual Meeting of Shareholders of Webster to be held on Thursday, April 26, 2007 at 4:00 p.m., Eastern Time, at the Courtyard by Marriott, 63 Grand Street, Waterbury, Connecticut 06702 (the "Annual Meeting") and at any adjournments thereof. The Proxy Statement, together with the enclosed proxy card, is being mailed to shareholders of Webster on or about March 9, 2007.

The Annual Meeting has been called for the following purposes: (i) to elect three directors to serve for three-year terms (Proposal 1); (ii) to amend Webster's 1992 Stock Option Plan to increase the number of shares of Common Stock available for issuance thereunder by 1.6 million shares (Proposal 2); (iii) to ratify the appointment by the Board of Directors of the firm of KPMG LLP as the independent registered public accounting firm of Webster for the year ending December 31, 2007 (Proposal 3); and (iv) to transact any other business that properly comes before the Annual Meeting or any adjournments thereof.

If you vote using the enclosed proxy card, your shares will be voted in accordance with the instructions indicated. **Executed but unmarked proxies will be voted FOR the election of the Board's nominees as directors, FOR amendment of Webster's 1992 Stock Option Plan and FOR the ratification of the appointment of Webster's independent registered public accounting firm.** Except for procedural matters incident to the conduct of the Annual Meeting, the Board of Directors does not know of any matters other than those described in the Notice of Annual Meeting that are to come before the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons named in the proxy will vote the shares represented by such proxy on such matters as determined by a majority of the Board of Directors. The proxies confer discretionary authority to vote on any matter of which Webster did not have notice at least 30 days prior to the date of the Annual Meeting.

The presence of a shareholder at the Annual Meeting will not automatically revoke that shareholder's proxy. A shareholder may, however, revoke a proxy at any time before it is voted: (i) by delivering either a written notice of revocation of the proxy or a duly executed proxy bearing a later date to Mark S. Lyon, Assistant Secretary, Webster Financial Corporation, 145 Bank Street, Waterbury, Connecticut 06702; (ii) by re-voting by telephone or on the Internet; or (iii) by attending the Annual Meeting and voting in person.

The cost of soliciting proxies for the Annual Meeting will be borne by Webster. In addition to use of the mails, proxies may be solicited personally or by telephone or teletype by directors, officers and employees, who will not be specially compensated for such activities. Webster also will request persons, firms and companies holding shares in their names or in the name of their nominees, which are beneficially owned by others, to send proxy materials to and obtain proxies from those beneficial owners and will reimburse those holders for their reasonable expenses incurred in that connection. Webster also has retained Morrow & Co., Inc., a proxy soliciting firm, to assist in the solicitation of proxies at a fee of \$7,000, plus reimbursement of certain out-of-pocket expenses.

**Who Can Vote.** The securities which can be voted at the Annual Meeting consist of shares of Common Stock of Webster with each share entitling its owner to one vote on all matters properly presented at the Annual Meeting. There is no cumulative voting of shares. The Board of Directors has fixed the close of business on February 22, 2007 as the record date for the determination of shareholders of Webster entitled to notice of and to vote at the Annual Meeting. On the record date, there were 10,932 holders of record of the 56,515,026 shares of Common Stock then outstanding and eligible to be voted at the Annual Meeting.



**Voting.** If your Common Stock is held by a broker, bank or other nominee (*i.e.*, in street name ), you should receive instructions from that person or entity that you must follow in order to have your shares of Common Stock voted. If you hold your Common Stock in your own name and not through a broker or another nominee, you may vote your shares of Common Stock:

- by using the toll-free telephone number listed on the proxy card,
- by using the Internet website listed on the proxy card,
- by signing, dating and mailing the proxy card in the enclosed postage-paid envelope, or
- by attending the Annual Meeting and voting in person.

Whichever of these methods you select to transmit your instructions, the proxy holders will vote your Common Stock in accordance with your instructions. If you give a proxy without specific voting instructions, your proxy will be voted by the proxy holders as recommended by the Board of Directors.

**Vote by Telephone.** If you hold your Common Stock in your own name and not through your broker or another nominee, you can vote your shares of Common Stock by telephone by dialing the toll-free telephone number printed on your proxy card. Telephone voting is available 24 hours a day until 11:59 p.m., Eastern Time, on April 25, 2007. Easy-to-follow voice prompts allow you to vote your shares of Common Stock and confirm that your instructions have been properly recorded. **If you vote by telephone, you do not need to return your proxy card.**

**Vote by Internet.** If you hold your Common Stock in your own name and not through your broker or another nominee, you can choose to vote via the Internet. The website for Internet voting is printed on your proxy card. Internet voting is available 24 hours a day until 11:59 p.m., Eastern Time, on April 25, 2007. As with telephone voting, you will be given the opportunity to confirm that your instructions have been properly recorded. **If you vote via the Internet, you do not need to return your proxy card.**

**Vote by Mail.** You can vote by mail by signing, dating and returning the enclosed proxy card in the enclosed postage paid envelope.

The presence, in person or by proxy, of at least one-third of the total number of outstanding shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Assuming the presence of a quorum at the Annual Meeting, directors will be elected by a majority of the votes cast by shares present in person or represented by proxy and entitled to vote. The affirmative vote of the majority of the votes cast is required to amend Webster's 1992 Stock Option Plan and to ratify the appointment of Webster's independent registered public accounting firm. Shareholders' votes will be tabulated by the persons appointed by the Board of Directors to act as inspectors of election for the Annual Meeting. Abstentions and broker non-votes will be treated as shares that are present, or represented, and entitled to vote for purposes of determining the presence of a quorum at the Annual Meeting. Broker non-votes will not be counted as a vote cast on any matter presented at the Annual Meeting. Abstentions will not be counted in determining the number of votes cast in connection with any matter presented at the Annual Meeting.

**Electronic Delivery of Proxy Materials.** As a shareholder, you have the option of electing to receive future proxy materials (including annual reports) online over the Internet. This online service provides savings to Webster by eliminating printing, mailing, processing and postage costs associated with hard copy distribution. You may enroll for this service on the Internet after you vote your shares in accordance with the instructions for Internet voting set forth on the enclosed proxy card. You may also enroll for electronic delivery of future Webster proxy materials at any time on the Corporation's website at [www.wbst.com](http://www.wbst.com). Under Electronic Enrollment, select the Click Here To Enroll link. Then select the box indicating your appropriate form of share ownership, and follow the instructions for electronic

delivery enrollment. In the future, you will receive an email message, at the address you provided while enrolling, informing you that the Webster proxy materials are available to be viewed online on the Internet. Follow the instructions to view the materials and vote your shares. Your enrollment in electronic delivery of Webster proxy materials will remain in effect until revoked by you.

**Annual Report on Form 10-K.** Webster is required to file an annual report on Form 10-K for its 2006 fiscal year with the Securities and Exchange Commission ( SEC ). Shareholders may obtain, free of charge, a copy of the Form 10-K by writing to Mark S. Lyon, Assistant Secretary, Webster Financial Corporation, 145 Bank Street, Waterbury, Connecticut 06702. Our annual report on Form 10-K is available on the Corporation's website, [www.wbst.com](http://www.wbst.com).

**ELECTION OF DIRECTORS**  
**(Proposal 1)**

At the Annual Meeting, three directors will be elected to serve for three-year terms. Unless otherwise specified on the proxy, it is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy for the election as directors of the persons named below as nominees. The Board of Directors believes that the nominees will stand for election and will serve if elected as directors. If, however, any person nominated by the Board fails to stand for election or is unable to accept election, the proxies will be voted for the election of such other person as the Board of Directors may recommend. Assuming the presence of a quorum at the Annual Meeting, directors will be elected by a majority of the votes cast by shares present in person or represented by proxy and entitled to vote at the Annual Meeting. There are no cumulative voting rights in the election of directors.

In October 2006, the Board of Directors approved an amendment to Webster's Bylaws to require directors to be elected by the majority of the votes cast with respect to such director in uncontested elections (number of shares voted for a director must exceed the number of votes cast against that director). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. In addition, under Webster's Bylaws, incumbent directors nominated for reelection are required, as a condition to such nomination, to submit a conditional letter of resignation. In the event an incumbent nominee for director fails to receive a majority of the votes cast at an annual meeting, the Nominating and Corporate Governance Committee will consider the resignation and make a recommendation to the Board whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Nominating and Corporate Governance Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. The director who tenders his or her resignation will not participate in the Board's decision.

Under the terms of the May 2004 acquisition of FIRSTFED AMERICA BANCORP, Webster invited Robert F. Stoico, the former Chairman and Chief Executive Officer of FIRSTFED, to serve as a member of the Board of the Corporation for a term expiring in 2007. In addition, Mr. Stoico's term as a director of Webster Bank also expires in 2007. The Board of Directors greatly appreciates the service and contributions of Mr. Stoico to the success of Webster.

The Board of Directors currently consists of 11 members, and is divided into three classes, which are composed of four, four and three directors, respectively. The term of office of one class of directors expires in each year, and their successors are elected for terms of up to three years and until their successors are elected and qualified. Effective upon the Annual Meeting, the Board of Directors has been set at 10 members, divided into three classes of four, three and three directors, respectively.

**Information as to Nominees and Other Directors**

The following table sets forth the names of the Board of Directors nominees for election as directors and the current directors of Webster. Also set forth is certain other information with respect to each such person's age at December 31, 2006, the periods during which such person has served as a director of Webster and positions currently held with Webster and its wholly owned subsidiary, Webster Bank, National Association ( Webster Bank ).

<b>Director Nominees for a Three-Year Term:</b>	<b>Age at 12/31/2006</b>	<b>Director Since</b>	<b>Expiration of Term</b>	<b>Positions Held with Webster and Webster Bank</b>	<b>Committee Membership</b>
Joel S. Becker	58	1986	2007	Director	Executive; Compensation (Chairman); Nominating and Corporate Governance
William T. Bromage	61	2001	2007	President, Chief Operating Officer and Director; Vice Chairman of Webster Bank	
James C. Smith	57	1986	2007	Chairman, Chief Executive Officer and Director	Executive (Chairman)
<b><u>Directors:</u></b>					
George T. Carpenter	66	1998	2008	Director	Compensation; Risk
John J. Crawford	62	1996	2008	Lead Director	Executive; Nominating and Corporate Governance (Chairman); Compensation
Robert A. Finkenzeller	56	1986	2009	Director	Audit; Compensation
Roger A. Gelfenbien	63	2003	2009	Director	Audit; Nominating and Corporate Governance
C. Michael Jacobi	64	1993	2008	Director	Executive; Audit (Chairman); Risk
Laurence C. Morse	55	2004	2009	Director	

					Executive; Risk (Chairman)
Karen R. Osar	57	2006	2008	Director	Risk
Robert F. Stoico*	66	2004	2007	Director; Former Chairman and Chief Executive Officer of Webster Bank, Massachusetts and Rhode Island Region	

\* Outgoing director

**Joel S. Becker** is Chairman, President and Chief Executive Officer of Torrington Supply Co., Inc., a Waterbury, Connecticut based wholesale distributor of plumbing, heating, and industrial pipe valve and fitting supplies to contractors and industry. Mr. Becker is Chairman of the Compensation Committee and a member of the Executive Committee and the Nominating and Corporate Governance Committee.

**William T. Bromage** is President, Chief Operating Officer and a director of Webster and Webster Bank and Vice Chairman of Webster Bank. Mr. Bromage was elected President in April 2000 and Chief Operating Officer in January 2002. From September 1999 to April 2000, he served as Senior Executive Vice President, Business Banking and Corporate Development of Webster and Webster Bank. Mr. Bromage serves on the boards of MetroHartford Alliance, Connecticut Public Broadcasting and Junior Achievement of Southwest New England.

**George T. Carpenter** has been President and Treasurer of S. Carpenter Construction Co. and Carpenter Realty Co. since 1977, which firms are headquartered in Bristol, Connecticut. Mr. Carpenter is a director of the Barnes Group, Inc. (NYSE: B), a publicly held company headquartered in Bristol, Connecticut engaged in the manufacture of springs and aircraft parts and distribution of automobile parts. Mr. Carpenter is a member of the Compensation Committee and the Risk Committee.

**John J. Crawford** is President of Strategem, LLC, a New Haven, Connecticut based company which provides consulting services to the business and not-for-profit community on business and financial strategies. Mr. Crawford served as President, Chief Executive Officer and a director of Aristotle Corporation, a New Haven, Connecticut based education training company, from October 1992 through December 2002. Mr. Crawford continued to serve on the Board of Directors of Aristotle Corporation until August 31, 2005. From 1994 until December 2000, he served as President and Chief Executive Officer of the South Central Connecticut Regional Water Authority, New Haven, Connecticut. Mr. Crawford is Lead Director, Chairman of the Nominating and Corporate Governance Committee, and a member of the Executive Committee and the Compensation Committee.

**Robert A. Finkenzeller** is President of Eyelet Crafters, Inc., a Waterbury, Connecticut based company that manufactures deep drawn metal parts for the cosmetics, writing instrument and drapery hardware fields. Mr. Finkenzeller has held this position since 1990. Mr. Finkenzeller is a member of the Audit Committee and the Compensation Committee.

**Roger A. Gelfenbien** was the Managing Partner in Andersen Consulting's (now Accenture) Hartford, Connecticut office from 1989 until his retirement in 1999. His experience with Andersen Consulting included participation on engagements for several State of Connecticut agencies, local governments, insurance companies and banks. He served as Chairman of the University of Connecticut Board of Trustees from July 1997 to June 2003 and participated in the development of UConn 2000, a major state-funded capital program with the purpose of revitalizing the University and its main campus. Mr. Gelfenbien is a member of the board of trustees of The Phoenix Edge Series Fund and USAllianz Variable Insurance Product Trust. Mr. Gelfenbien is a member of the Audit Committee and the Nominating and Corporate Governance Committee.

**C. Michael Jacobi** is President of Stable House, LLC, a private Middlebury, Connecticut based company engaged in residential real estate development. Mr. Jacobi served from June 2001 to May 2005 as President, Chief Executive Officer and a Director of Katy Industries, Inc., a public company headquartered in Middlebury, Connecticut engaged in the design, manufacture and distribution of maintenance and electrical products. Mr. Jacobi is a certified public accountant. He is a member of the board of directors of Corrections Corporation of America (CCA), a publicly held company headquartered in Nashville, Tennessee engaged in the ownership and management of prisons for federal, state and local governments, is a member of the board of directors of Sturm Ruger & Co., Inc. (NYSE: RGR), a publicly held company headquartered in Southport, Connecticut engaged in the design, manufacture and distribution of consumer products and is a member of the board of directors of Kohlberg Capital Corporation (KCAP), a publicly

held company headquartered in New York, New York making loans to and investing in equity positions in middle market companies. He is Chairman of the Audit Committee and a member of the Executive Committee and the Risk Committee.

**Laurence C. Morse** is the co-founder and Chief Executive Officer of Fairview Capital Partners, Inc., in Farmington, Connecticut, an investment management firm established in 1994 that oversees venture capital funds, some of which invest capital in venture capital partnerships and similar investment vehicles that provide capital primarily to minority-controlled companies. Mr. Morse is a director of the Princeton University Investment Company

and is a former director and chairman of The National Association of Investment Companies, a private, not-for-profit trade association that represents 52 private equity and specialty finance investment firms. He is Chairman of the Risk Committee and is a member of the Audit Committee and the Executive Committee.

**Karen R. Osar** is Executive Vice President and Chief Financial Officer of Chemtura Corporation, a specialty chemicals company headquartered in Middlebury, Connecticut. From 1999 to June 2004, Ms. Osar served as Senior Vice President and Chief Financial Officer of Mead Westvaco Corporation. She is a director of the Bank of New York Hamilton Mutual Funds. Ms. Osar is a member of the Risk Committee.

**James C. Smith** is Chairman, Chief Executive Officer and a director of Webster and Webster Bank, having been elected Chief Executive Officer in 1987 and Chairman in 1995. Mr. Smith joined Webster Bank in 1975, and was elected President, Chief Operating Officer and a director of Webster Bank in 1982 and of Webster in 1986. Mr. Smith served as President of Webster and Webster Bank until April 2000. Mr. Smith is a member of the Federal Advisory Council, which advises the deliberations of the Federal Reserve Board of Governors. He is a member of the executive committee of the Connecticut Bankers Association and is a former member of the board of directors of the American Bankers Association (ABA) and the Federal Home Loan Bank of Boston. He is a director of MacDermid, Incorporated (NYSE: MRD), and the Palace Theater and St. Mary's Hospital in Waterbury, Connecticut. Mr. Smith is Chairman of the Executive Committee.

**Robert F. Stoico** was Chairman and Chief Executive Officer of Webster Bank, Massachusetts and Rhode Island Region until his retirement in 2005. Mr. Stoico served as Chairman, President and Chief Executive Officer of FIRSTFED AMERICA BANCORP, located in Swansea, Massachusetts from 1996 until May 2004, when it was acquired by Webster. He was President and Chief Executive Officer of First Federal Savings Bank of America from 1977 until May 2004. Mr. Stoico is a certified public accountant. Over his career Mr. Stoico has served in many roles within the banking industry and is active in many community and civic affairs.

**The Board of Directors recommends that shareholders vote FOR the election of all of its director nominees.**



## CORPORATE GOVERNANCE

### General

The business and affairs of Webster are managed under the direction of the Board of Directors. Members of the Board are kept informed of Webster's business through discussions with the Chairman of the Board and Webster's other executive officers, by reviewing materials provided to them and by participating in meetings and strategic planning sessions of the Board and its committees. The Board is also kept apprised by the Chairman of the Board and management of continuing educational programs on corporate governance and fiduciary duties and responsibilities. In addition, new directors of Webster participate in an orientation program which is designed to familiarize them with Webster's business and operations, and with their duties as directors under applicable laws and regulations. Each member of the Board also serves as a director of Webster Bank.

Webster believes in the importance of sound and effective corporate governance. Over the years Webster has forged an explicit link between its corporate culture and corporate governance by identifying its core values, communicating them and living them every day. With uncompromising commitment to its core principles, Webster continues to add value for its customers, shareholders, employees and the communities it serves. The Board has adopted corporate governance practices and policies which the Board and senior management believe promote this philosophy.

### Director Independence

Pursuant to the New York Stock Exchange ( NYSE ) listing standards, Webster is required to have a majority of independent directors on its Board of Directors. In addition, the Audit Committee, Compensation Committee and the Nominating and Corporate Governance Committee must be composed solely of independent directors. The NYSE listing standards define specific relationships that would disqualify a director from being independent and further require that for a director to qualify as independent, the board of directors must affirmatively determine that the director has no material relationship with the Corporation.

The Board of Directors, with the assistance of the Nominating and Corporate Governance Committee, conducted an evaluation of director independence, based primarily on a review of the responses of the directors and executive officers to questions regarding employment and compensation history, affiliations and family and other relationships, including those relationships described under Compensation Committee Interlocks and Insider Participation and Certain Relationships on page 37 of this Proxy Statement, and on discussions with the Board of Directors.

As a result of this evaluation, the Board of Directors affirmatively determined that each of Messrs. Becker, Carpenter, Crawford, Finkenzeller, Gelfenbien, Jacobi, Morse and Ms. Osar is an independent director for purposes of Section 303A of the Listed Company Manual of the NYSE and applicable SEC rules and regulations. In connection with this evaluation, the Board considered that in addition to Webster providing lending and other financial services to directors, their immediate family members, and their affiliated organizations in the ordinary course of business, some directors and their affiliated entities provide services to Webster in the ordinary course of business. In particular, the Board considered the following relationships:

George T. Carpenter is the President and Treasurer of Carpenter Realty Co. and in 2006 Webster rented office and storage space from Carpenter Realty Co.;

Gregory Jacobi is C. Michael Jacobi's son, and in 2006 Gregory Jacobi was employed by Webster Bank as a VP-IT Senior Manager; and

John J. Crawford is a director of St. Martin de Porres Academy, a charitable organization whose mission is to give underserved and economically disadvantaged children in the greater New Haven, Connecticut area a tuition-subsidized middle school education. During 2006, Webster Bank made charitable contributions totaling \$22,000 to the St. Martin de Porres Academy.

The amounts paid by Webster to Carpenter Realty did not exceed the thresholds contained in the NYSE rules regarding independence and the Board determined that this transaction was not material to either Webster or Carpenter

Realty and would not impair Mr. Carpenter's independence. The Board considered that C. Michael Jacobi's son Gregory is an employee of Webster Bank. Mr. Jacobi's son's employment position with Webster Bank does not violate the independence standards contained in the NYSE rules and the Board determined that this relationship is not material and would not impair Mr. Jacobi's independence, in part because Mr. Jacobi's son is not an executive officer of Webster and his compensation and benefits were established in accordance with the compensation policies and practices applicable to Webster employees in comparable positions. The Board determined that the amount contributed by Webster Bank to the St. Martin de Porres Academy was not material to either Webster or the St. Martin de Porres Academy and would not impair Mr. Crawford's independence.

Mr. Smith and Mr. Bromage are not considered independent because they are executive officers of Webster and Webster Bank. Mr. Stoico is not considered independent because he was an executive officer of Webster Bank within the last three years.

### **Executive Sessions of Independent Directors**

In keeping with Webster's Corporate Governance Policy, in 2006 the Board of Directors held 2 meetings that were limited to independent directors. Webster's Corporate Governance Policy provides that the Board of Directors shall appoint an independent director to serve as the lead director of the Board of Directors for a one-year term, or until a successor is appointed. The lead director presides over the executive sessions of outside directors and assists and advises the Chairman of the Board. During fiscal year 2006, Mr. Crawford served as the lead director.

### **Board of Director and Committee Meetings**

During 2006, Webster held 12 meetings of its Board of Directors. Each incumbent director attended at least 75 percent of the aggregate of (i) the total number of meetings held by the Board of Directors during the period that the individual served and (ii) the total number of meetings held by all committees of the Board on which the individual served during the period that the individual served.

### **Committees of the Board of Directors; Code of Business Conduct and Ethics and Corporate Governance Guidelines**

The Board of Directors has established five standing committees. The standing committees are the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, the Executive Committee and the Risk Committee. The Board of Directors has adopted a charter for each of these committees, as well as corporate governance guidelines that address the make-up and functioning of the Board of Directors and qualification guidelines for board members. The Board of Directors has also adopted a code of business conduct and ethics (the Code of Conduct) that applies to all employees, officers and directors. Each employee, officer and director participates in an annual training session that focuses on topics covered by our code of business conduct and ethics. The training reinforces our core values and our commitment to full compliance with applicable laws and regulations. **You can find links to these materials on the Corporation's website at: [www.wbst.com](http://www.wbst.com).**

You can also obtain a printed copy of any of the materials referred to above, without charge, by contacting us at the following address:

Webster Financial Corporation  
145 Bank Street  
Waterbury, Connecticut 06702  
Attn: Harriet Munrett Wolfe, Esq.  
Executive Vice President, General Counsel and Secretary

The Board of Directors has determined that all of the Directors who serve on the Audit, Compensation, and Nominating and Corporate Governance committees are independent for purposes of Section 303A of the Listed Company Manual of the NYSE. In addition, all of the Directors who serve on the Risk Committee are independent.

### Audit Committee

The Board of Directors has appointed an Audit Committee that oversees the Corporation's financial reporting process, the system of internal financial and accounting controls, the audit process, and compliance with applicable laws and regulations. The Audit Committee reviews the Corporation's annual financial statements, including management's discussion and analysis, and regulatory examination findings. The Audit Committee recommends the appointment of an independent registered public accounting firm and is responsible for the oversight of such firm. **A copy of the Audit Committee's charter is available on the Corporation's website at: [www.wbst.com](http://www.wbst.com).** During 2006, the Audit Committee held 8 meetings. The members of the Audit Committee currently are Messrs. Jacobi (Chairman), Finkenzeller, Gelfenbien and Morse. Each of the members of the Audit Committee meets the independence requirements of the rules of the NYSE and applicable rules and regulations of the SEC. The Board of Directors has determined that each of the members of the Audit Committee is financially literate and independent for purposes of current NYSE listing standards and Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and that Mr. Jacobi is an audit committee financial expert, as that term is defined in Item 407(d)(5) of Regulation S-K.

### Compensation Committee

The Board of Directors has appointed a Compensation Committee. Each of the members of the Compensation Committee meets the independence requirements of the rules of the NYSE, and also serves as the Compensation Committee of the Corporation's subsidiary, Webster Bank. The members of the Compensation Committee currently are Joel S. Becker (Chairman), George T. Carpenter, John J. Crawford and Robert A. Finkenzeller. **A copy of the Compensation Committee's charter is available on the Corporation's website at: [www.wbst.com](http://www.wbst.com).**

Pursuant to the Compensation Committee's charter, among other responsibilities, the Committee is charged with annually reviewing and making recommendations to the non-employee members of the Board of Directors with respect to the following elements of compensation paid to the CEO and other executive officers: (i) annual base salary, (ii) annual bonus arrangements, (iii) any long-term incentive compensation, (iv) any employment agreements, severance arrangements, and change in control and similar agreements/provisions, and, any amendments, supplements or waivers to the foregoing agreements, and (v) any perquisites, special or supplemental benefits.

All recommendations of the Committee regarding the compensation of executive officers are subject to approval by the non-employee members of the Board of Directors, which has ultimate responsibility over such matters, except that the Committee has the authority to approve the compensation offered to newly hired or newly appointed employees for or in executive officer positions, other than CEO, COO or CFO, including base salary, annual bonus, long-term incentive bonus and employee benefits, without such compensation offer being subject to approval by the non-employee members of the Board of Directors.

During 2006, the Compensation Committee held 5 meetings. The Executive Vice President of Human Resources serves as secretary to the Committee and provides reports at each meeting on Webster's employment policies and practices and provides recommendations to the Committee regarding the amount and form of executive compensation and benefits. Compensation Committee meetings are attended by Webster's CEO, COO, and CFO; however, they do not participate in portions of meetings where their own compensation and benefits are discussed.

In carrying out its responsibilities, the Compensation Committee engages an outside compensation consultant to provide an independent analysis of Webster's executive compensation program and practices and to assist the Committee in making recommendations. The Committee has the authority to hire and fire the consultant and determine the nature and scope of the consultant's assignments. During the first half of 2006, the Committee engaged Mercer HR Consulting as outside compensation consultant. At the July 24, 2006 Compensation Committee meeting,

the Committee terminated its relationship with Mercer HR Consulting and engaged Hewitt Associates.

The Compensation Committee engaged Hewitt to offer perspectives on annual pay and performance reviews, current executive compensation trends and compensation programs currently in place at Webster. Hewitt also reviewed the Committee's decision-making process, Webster's executive talent and business strategies, and the competitive landscape. At the direction of the Compensation Committee, Hewitt worked with Webster's management to develop for the Committee proposals regarding executive compensation programs and arrangements, in particular the current Annual Incentive Program and the freezing of Supplemental Retirement Plan benefits. The Committee weighs the consultant's perspective as part of its decision making process, and in turn may ask the consultant to communicate the

Committee's preferences, perspectives, and decision-making parameters to management. The Committee communicates compensation decisions directly to management.

#### Executive Committee

The Board of Directors has appointed an Executive Committee that has responsibility for overseeing management's monitoring of security issues. It also serves as the loan committee and the exploratory committee for mergers and acquisitions. During 2006, the Executive Committee held 3 meetings. The members of the Executive Committee are Messrs. Becker, Crawford, Jacobi, Morse and Smith (Chairman).

#### Nominating and Corporate Governance Committee

The Board of Directors has appointed a Nominating and Corporate Governance Committee that has overall responsibility for recommending corporate governance process and board operations for the Corporation. The Nominating and Corporate Governance Committee identifies director candidates, reviews the qualifications and experience of each person considered as a nominee for election or reelection as a director, and recommends director nominees to fill vacancies on the Board and for approval by the Board of Directors and the shareholders. **A copy of the Nominating and Corporate Governance Committee's charter is available on the Corporation's website at [www.wbst.com](http://www.wbst.com).** During 2006, the Nominating and Corporate Governance Committee held 3 meetings. The members of the Nominating and Corporate Governance Committee are Messrs. Becker, Crawford (Chairman) and Gelfenbien.

#### Risk Committee

The Board of Directors has appointed a Risk Committee whose primary function is to assist the Board in fulfilling its oversight responsibilities regarding the Corporation's enterprise risk management, receiving information regarding the Corporation's policies, procedures and practices relating to risk, and discussing material regulatory issues, compliance matters, and emerging risks to the Corporation. During 2006, the Risk Committee held 7 meetings. The members of the Risk Committee are Messrs. Carpenter, Jacobi, Morse (Chairman) and Ms. Osar.

#### **Director Qualifications and Nominations**

The Board of Directors believes that it should be composed of directors with diverse experience in business and in areas that are relevant to the Corporation, and that directors should, at a minimum, possess the highest personal and professional ethics, integrity, and values, and be committed to representing the long-term interests of the shareholders. Directors should also have an objective perspective and practical wisdom, and should be willing and able to devote the required amount of time to Webster's business.

When considering candidates for the Board of Directors, the Nominating and Corporate Governance Committee takes into account a number of factors, including the following:

- Independence from management;
- Judgment, skill, integrity and reputation;
- Relevant specific industry experience;
- Age, gender and ethnic background;
- Current position with another business or entity;
- Potential conflicts of interests with other pursuits; and
- Existing ties to the Corporation's and Bank's markets.

When seeking candidates for director, the Nominating and Corporate Governance Committee may solicit suggestions from incumbent directors, management or others, including third party search firms. The Committee will review the qualifications and experience of each candidate. If the Committee believes a candidate would be a valuable addition to the Board, it will recommend to the full Board that candidate's election.

Webster's Bylaws also permit shareholders eligible to vote at the Annual Meeting to make nominations for directors, but only if such nominations are made pursuant to timely notice in writing to the Secretary of Webster. To be timely, notice must be delivered to, or mailed to and received at, the principal executive offices of Webster not less than 30 days nor more than 90 days prior to the date of the meeting, provided that at least 45 days' notice or prior public



disclosure of the date of the Annual Meeting is given or made to shareholders. If less than 45 days notice or prior public disclosure of the date of the Annual Meeting is given or made to shareholders, notice by the shareholder to be timely must be received by Webster not later than the close of business on the 15th day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure was made. Public disclosure of the date of the Annual Meeting was made by the issuance of a press release on February 14, 2007 and by filing a Current Report on Form 8-K under the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission on February 14, 2007. The Nominating and Corporate Governance Committee will consider candidates for director suggested by shareholders applying the criteria for candidates described above and considering the additional information required by Article III, Section 13 of Webster's Bylaws, which must be set forth in a shareholder's notice of nomination. Section 13 of Webster's Bylaws requires that the notice include: (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of Webster which are beneficially owned by such person, and (iv) any other information relating to such person that is required to be disclosed in solicitations or proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (b) as to the shareholder giving notice (i) the name and address, as they appear on Webster's books, of such shareholder and (ii) the class and number of shares of Webster which are beneficially owned by such shareholder. In considering any nominees for directors recommended by a shareholder, the Nominating and Corporate Governance Committee considers, among other things, the same factors set forth above.

### **Compensation of Directors**

The following table summarizes the compensation paid to Webster's non-employee directors during 2006. Beyond these and other standard arrangements described below, no other compensation was paid to any such director.

### **Option Awards \$(3)**

interest at a rate of 6% per annum and secured by 700,000 shares of Cordia's stock owned by West Lane. Cordia also entered into a li

The following is a summary of the sale transaction of ISG (unaudited):

Assets sold	\$ (872,726)
Liabilities assumed by buyer	1,615,335
Note received	750,000
Write-off of inter-company receivables and payables	61,697
	-----
Gain on sale, before income taxes	\$1,554,306
	=====

As a result of the sale of ISG, employee stock options to purchase 83,000 common shares of the Company at \$7.50 per share expired.

CORDIA CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE 3 - SALE OF BUSINESS SEGMENTS (cont'd)

The accompanying consolidated balance sheet at December 31, 2002 includes the following assets and liabilities of the discontinued business segments of ISG:

Current Assets

Cash	\$ 164,527
Accounts receivable, net	377,568
Investments	886
Prepaid expenses and other current assets	17,512
Loans receivable from affiliates	31,899

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Total current assets 592,392

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Property and equipment

Office equipment 218,015

Equipment - capital leases 58,567

Vehicles 16,743

Furniture and fixtures 98,376

-----

391,701

Less: Accumulated depreciation 138,506

-----

253,195

-----

Other assets

Security deposits 27,139

-----

Total assets \$ 872,726

=====

Current Liabilities

Book overdraft \$ 90,946

Accounts payable and accrued expenses 1,319,207

Obligation under capital lease, current portion 25,672

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Unearned income	83,333
Loans payable to affiliates	9,744
Loans payable to parent and subsidiaries*	79,029*
	-----
Total current liabilities	1,607,931
	-----
Obligation under capital lease, less current portion	7,404
	-----
Accumulated deficit	(742,609)
	-----
Total liabilities and accumulated deficit	\$ 872,726
	=====

\*Eliminated in consolidation.

CORDIA CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE 3 - SALE OF BUSINESS SEGMENTS (cont'd)

The following is a summary of the revenues and loss from operations of the discontinued business segments:

Year Ended December 31,

	2003	2002
Revenues:		
Subrogation Service Revenue, net	\$ 631,361	\$2,837,346
Claims Administration income	197,667	2,597,467
Other	-	1,254
Total Revenues	\$ 829,028	\$5,436,067
Loss before income taxes	\$ (140,726)	\$ (340,448)

The 2002 statement of operations was reclassified to show the results of operations for the RiderPoint and ISG business segments as discontinued.

#### License Agreement

On March 3, 2003, Cordia entered into a licensing agreement with ISG whereby ISG purchased an unlimited license to certain software owned by Cordia. The license agreement provides for ISG to pay Cordia \$100,000 on execution of the license agreement, plus \$6,000 per month (including interest) for a period of twenty-five months. Cordia shall provide software updates and maintenance as necessary, during this twenty-five month period. (See Note 8)

#### NOTE 4 - RELATED PARTY TRANSACTIONS

During 2003 and 2002 respectively, the Company paid \$15,000 & \$21,000 to eLEC for office rent.

The Company periodically borrows funds from shareholders and affiliates of shareholders. The loans bear interest at a rate of 12% per annum and are payable on demand. Interest expense resulting from related party loans totaled \$673 and \$1,645 during the years ended December 31, 2003 and 2002, respectively.



**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

## NOTE 5 - STOCKHOLDERS' EQUITY

During June 2002, Cordia approved a 5-for-1 reverse split of its common stock with no change in its par value of \$.001. All references in the consolidated financial statements and in the notes to consolidated financial statements with respect to the number of common shares and per share amounts have been restated to reflect the stock split.

On May 23, 2003, Cordia's shareholders voted to amend the 2001 Equity Incentive Plan (the "Plan") by authorizing an additional 1,000,000 shares. The total number of shares of Cordia's common stock authorized for issuance under the Plan is 6,000,000, subject to adjustment for events such as stock dividends and stock splits.

The Plan is administered by a committee of the board of directors having full and final authority and discretion to determine when and to whom awards should be granted. The committee will also determine the terms, conditions and restrictions applicable to each award. Transactions under the Plan are summarized as follows:

	Stock Options	Exercise Price
	-----	-----
Balance, January 1, 2002	379,000	\$ 2.50 to 15.00
Granted with immediate vesting	150,000	2.00 to 2.50
Exercised and forfeited	(383,000)	2.00 to 15.00
	-----	
Balance December 31, 2002	146,000	
	-----	
Granted with 5 year vesting	915,000	.60
Exercised	-	

Expired (133,000) .60 to 7.50

-----

Balance, December 31, 2003 928,000

=====

In electing to follow APB 25 for expense recognition purposes, the Company is obliged to provide the expanded disclosures required under FAS No. 123 for stock-based compensation granted in 1996 and thereafter. The fair value of the employee stock options granted during 2003 and 2002 was approximately, \$266,000 and \$102,000, respectively, based on the Black-Scholes option valuation model. For purposes of pro forma disclosures, stock-based compensation is recognized over the vesting period as vesting requirements are fulfilled.

The following table compares 2002 and 2003 results as reported to the results had the Company adopted the expense recognition provisions of FAS No. 123:

	As reported -----	Pro Forma -----
2003		
----		
Net loss	\$ 583,805	\$ 380,797
Income per share	\$ .10	\$ .07
2002		
----		
Net loss	(\$1,157,384)	(\$1,141,934)
Loss per share	\$ .21	\$ .20

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for 2003: expected volatility of 328%; risk-free rate of 1.8%; and expected life of 2 ½ years.

The effects of applying SFAS 123 in the above pro forma disclosures are not indicative of future amounts as future amounts are likely to be affected by the number of grants awarded and since additional awards are generally expected

to be made at varying prices.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

## NOTE 6 - INCOME TAXES

The tax effect of the temporary differences that give rise to deferred tax assets and liabilities as of December 31, 2003 and 2002 was as follows:

	2003	2002	
	----	----	
Deferred income tax assets:			
Accounts payable and accrued expenses	\$ 565,512	\$ 527,683	
Unearned income	72,705	33,333	
Investments	-	26,365	
Net operating loss carryover	920,000	1,119,082	
Less: Valuation allowance	(1,240,619)	(1,506,430)	
	-----	-----	
	317,598	200,033	
	-----	-----	
Deferred income tax liabilities:			
Accounts receivable	240,336	151,026	
Prepaid expenses and other current assets	77,262	33,202	
Accumulated depreciation	-	15,805	
	-----	-----	
	317,598	200,033	
	-----	-----	
Net deferred income tax liability	\$ -	\$ -	
	=====	=====	

The consolidated financial statements have been presented on the accrual method of accounting. For income tax reporting purposes, the Company is on the cash method. Accordingly, for income tax purposes, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Cordia and its subsidiaries have incurred losses since inception that have generated net operating loss carryforwards aggregating approximately \$3,500,000 at December 31, 2003 for federal and state income tax purposes. These carryforwards are available to offset future taxable income and expire at various dates through 2022 for income tax

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purposes. These losses are subject to limitation on future years' utilization. The Company experienced a decrease in its net operating loss carryforward during 2003 due to the sale of ISG of approximately \$141,000, offsetting the net operating loss carryforward increase during 2002 as a result of current year net operating losses.

In consideration of the uncertainty about the Company's ability to realize the benefit of their deferred tax assets, the accompanying financial statements reflect a valuation allowance of \$1,240,619 and \$1,506,430 at December 31, 2003 and 2002, respectively, to fully offset the deferred tax benefit amount.

A reconciliation of the difference between the expected income tax rate using the statutory federal tax rate and the Company's effective tax rate was as follows:

	2003 ----	2002 ----	
U.S. Federal income tax statutory rate		34.0%	34.0%
Investments	-	(7.2)	
NOL of discontinued business segments		(5.8)	(44.6)
Consulting fees expense		26.2	30.4
Change in valuation allowance, net		27.3	9.5
Other, net	(81.7)	(22.1)	
	-----	-----	
Effective tax rate		-%	-%
	=====	=====	

**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

**NOTE 7 COMMITMENTS**

Operating Leases

The Company is committed for annual rentals under non-cancelable operating leases for its office space. Future minimum rental commitments under these leases for years subsequent to December 31, 2003 are as follows:

Year Ending December 31:	
-----	
2004	\$59,640
2005	59,640
2006	62,480

65,320

2

65,320

-----

Total \$312,400

=====

Rent and other occupancy charges included in operating expenses was \$74,761 and \$36,078 for the years ended December 31, 2003 and 2002, respectively.

NOTE 8 - SUBSEQUENT EVENTS

(a) Mutual Release and Satisfaction of Promissory Note and License Agreement

On February 6, 2004, Cordia entered into a Mutual Release and Satisfaction of Promissory Note and License Agreement whereby Cordia has agreed to release West Lane of its payment obligations under the promissory note and licensing agreement in exchange for the return of 1,412,500 shares of Cordia's Common Stock, a fifteen (15) month option to purchase 100,000 shares at a price of forty cents (\$0.40) and the release of Cordia's service obligations under the License Agreement. In addition to Cordia's release of West Lane, Cordia will transfer all ownership interest to the technology and source code of SUBRO AGS software to West Lane. Upon transfer of the shares to Cordia, Cordia's outstanding shares will be reduced to 4,431,211.

(b) Employee Benefit Plan

Cordia has a defined contribution (SIMPLE SRA) plan covering all eligible employees. Cordia will match 50% of the first 6% of the eligible employee's contribution to the plan. Participating employees shall become vested in employer contributions after 3 years of service. If a participating employee is terminated or resigns before the 3 year vesting period employer contributions shall be forfeited. The plan became effective January 1, 2004 and employee and employer contributions shall commence April 16, 2004. Accordingly, to date there have been no employer or employee contributions to the plan.