

SKYWEST INC  
Form 11-K  
June 21, 2013  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 11-K

**FOR ANNUAL REPORTS OF EMPLOYEE STOCK**

**REPURCHASE SAVINGS AND SIMILAR PLANS**

**PURSUANT TO SECTION 15(d) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

**x**

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**for the year ended December 31, 2012**

**or**

**o**

**TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from                      to**

**Commission File No. 000-14719**

**ATLANTIC SOUTHEAST AIRLINES, INC. INVESTMENT SAVINGS PLAN**

(Full title of the plan)

**SKYWEST, INC.**

**444 South River Road**

**St. George, Utah 84790**

(Name of issuer of the securities held pursuant to the  
plan and the address of its principal executive office)

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**Atlantic Southeast Airlines, Inc. Investment Savings Plan**

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\*Other supplementary schedules required by section 2520-103.10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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**REPORT OF INDEPENDENT REGISTERED**

**PUBLIC ACCOUNTING FIRM**

To the Plan Administrator of the

Atlantic Southeast Airlines, Inc. Investment Savings Plan

We have audited the accompanying statements of assets available for benefits of the Atlantic Southeast Airlines, Inc. Investment Savings Plan (the Plan ) as of December 31, 2012 and 2011 and the related statement of changes in assets available for benefits for the year ended December 31, 2012. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan has determined that it is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for benefits of the Atlantic Southeast Airlines, Inc. Investment Savings Plan as of December 31, 2012 and 2011, and the changes in assets available for benefits for the year ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2012 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the U.S. Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Tanner LLC

Salt Lake City, Utah

June 21, 2013



Table of Contents**Atlantic Southeast Airlines, Inc. Investment Savings Plan****Statements of Assets Available for Benefits**

	As of December 31,	
	2012	2011
<b>Assets:</b>		
Investments, at fair value	\$ 190,608,837	\$ 160,365,096
Receivables:		
Participant	354,946	323,129
Employer	172,586	155,670
Notes receivable from participants	4,990,368	4,268,070
Total receivables	5,517,900	4,746,869
Assets available for benefits, at fair value	196,126,737	165,111,965
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(392,698)	(50,474)
Assets available for benefits	\$ 195,734,039	\$ 165,061,491

*See accompanying notes to financial statements.*

Table of Contents**Atlantic Southeast Airlines, Inc. Investment Savings Plan****Statement of Changes in Assets Available for Benefits****For the Year Ended December 31, 2012**

<b>Additions:</b>	
Contributions:	
Participant	\$ 12,973,216
Employer	5,769,127
Total contributions	18,742,343
Interest income on notes receivable from participants	221,954
Net investment income :	
Interest and dividends	3,874,305
Net appreciation in fair value of investments	16,203,895
Total net investment income	20,078,200
Total additions	39,042,497
<b>Deductions:</b>	
Distributions to participants	8,304,403
Administrative expenses	65,546
Total deductions	8,369,949
Net increase in assets available for benefits	30,672,548
<b>Assets available for benefits:</b>	
Beginning of the year	165,061,491
End of the year	\$ 195,734,039

*See accompanying notes to financial statements.*

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**Atlantic Southeast Airlines, Inc. Investment Savings Plan**

**Notes to Financial Statements**

**1. Description of the Plan**

The following description of the Atlantic Southeast Airlines, Inc. Investment Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document and summary plan description for a more complete description of the Plan's provisions.

**General**

The Plan is a defined contribution plan covering all eligible employees of Atlantic Southeast Airlines, Inc. (the Company, Plan Sponsor or the Employer). Employees become eligible to enroll on the enrollment date following the date of completion of 90 days of continuous employment. The enrollment dates for the Plan are January 1, April 1, July 1, and October 1 of each year.

The Plan is intended to be a qualified retirement plan under the Internal Revenue Code (IRC) and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**Participant Accounts**

Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contributions, the Company's matching contribution, and an allocation of investment earnings, and is charged with withdrawals and an allocation of investment losses and expenses. The allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Participant-Directed Options for Investments**

Participants direct the investment of their contributions and the Company matching contributions into various investments offered by the Plan. Investment options include mutual funds, a common/collective trust fund, and SkyWest, Inc. common stock. Participants may change their election or transfer monies between funds at any time.



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Participants with common stock of SkyWest, Inc. in their accounts may direct the sale of the stock and the investment of the resulting monies into other investments offered by the Plan.

### **Contributions**

Each year, participants are able to contribute up to 50% of pretax annual compensation, as defined by the Plan. Contributions are limited by the IRC, which established a maximum contribution of \$17,000 (\$22,500 for participants age 50 and older) for the year ended December 31, 2012. Participants may also make rollover contributions from other qualified defined benefit or defined contribution plans.

The Company may make a discretionary matching contribution of up to 8% of a participant's eligible compensation, as defined by the Plan. Allocation of this matching contribution is further subject to a factor based on years of service for participants and ranges from 20% to 75%, regardless of the date of participation.

Employer matching contributions are awarded to employees who work at least 1,000 hours each year and have at least one year of service. Once the length of service provision is met, the employee is eligible for matching contributions for the following Plan year, which begins on January 1.

### **Vesting**

All participant contributions and earnings thereon are 100% vested. Company contributions to participant accounts vest on a graded basis at 10% per year for two years of service, increasing to 20% per year thereafter until full vesting after six years of service.

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**Payment of Benefits**

Upon termination, participants, or their beneficiaries, may elect lump-sum distributions or periodic distributions over either a 5 or 10-year period. The full value of benefits are payable upon normal or postponed retirement, total or permanent disability or to beneficiaries upon death of the participant.

**Plan Termination**

Under the provisions of the Plan, the Company reserves the right to amend or terminate the Plan at any time in accordance with the provisions of ERISA, provided that amendments will not divert a vested interest or permit any part of the fund to revert to the Company or to be used for any purpose other than for the exclusive benefit of participants or their beneficiaries. If the Plan is terminated, each participant's account will become fully vested.

**Notes Receivable from Participants**

Participants may borrow a minimum of \$1,000 up to a maximum of the lesser of \$50,000 or 50% of their deferred account balances. Loan terms range from one to five years. Loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined at the time of the loan.

**Forfeitures**

Forfeitures of terminated participants' nonvested accounts are used to reduce future matching contributions of the Company. During the year ended December 31, 2012, the forfeiture account received additional forfeitures of approximately \$47,000 earned approximately \$2,000, and approximately \$123,000 of forfeitures were used to reduce Company contributions. The forfeitures account had a balance of approximately \$156,000 and \$230,000 as of December 31, 2012 and 2011, respectively.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The Plan's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

### **Risks and Uncertainties**

The Plan provides for investments in securities that are exposed to various risks, such as interest rate, currency exchange rate, credit and overall market fluctuation. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of assets available for benefits.

### **Investment Contracts**

Fully benefit-responsive investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan.

The Plan invests in investment contracts through a collective trust in the Stable Asset Fund operated and maintained by JPMorgan Chase Bank, N.A. The statements of assets available for benefits present the fair value of the investment in the common/collective trust as well as the adjustment to the investment in the common/collective trust from fair value to contract value relating to the investment contracts. The statement of changes in assets available for benefits is prepared on a contract value basis.

### **Valuation of Investments and Income Recognition**

The Stable Asset Fund reported fair value is determined as the sum of (a) the fair value of the investments in guaranteed insurance contracts and security-backed investment contracts that are wrapped by an insurance company, bank or other financial institution (collectively, the Investment Contracts), as determined by the funds' trustees and (b) the fair values of the funds' investments in externally managed collective investment funds as determined by those funds' trustees. The Stable Asset Fund's contract value

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represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investments at contract value. Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (i) amendments to the Plan documents (including complete or partial Plan termination or merger with another plan); (ii) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions; and (iii) bankruptcy of the Plan Sponsor or other Plan Sponsor events (e.g., divestitures or spin-offs of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA).

The Plan Administrators do not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Investment earnings are automatically reinvested into the fund from which they were derived.

**Payment of Benefits**

Benefits are recorded when paid by the Plan.

**Notes Receivable from Participants**

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2012 or 2011. If a participant ceases to make loan repayments and the Plan Administrators deem the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

**Administrative Expenses**

The Plan pays substantially all administrative expenses of the Plan, other than legal and accounting fees, which are paid by the Plan Sponsor.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets available for benefits at the date of the financial statements, the changes in assets available for benefits during the reporting period, and, when applicable, the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

### 3. Investments

During the year ended December 31, 2012, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated in fair value as follows:

Large Cap Mutual Funds	\$	5,292,049
Balanced Mutual Funds		2,902,172
International Mutual Funds		2,685,317
Common/Collective Trust		2,287,407
Small Cap Mutual Funds		1,538,391
Mid Cap Mutual Funds		606,516
Participant-directed brokerage accounts		422,014
SkyWest, Inc. common stock		286,216
Fixed Income Mutual Funds		183,813
	\$	16,203,895

The carrying values of individual investments that represent 5 percent or more of the Plan's assets available for benefits are as follows:

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	2012	December 31,		2011	
200,000	170,000	10,000	6,486		
200,000	146,000	20,000	6,003		
123,958	130,000	20,000	24,571		
<b>Charles R. Hageboeck</b>					
Executive Vice President and	2003	220,000	187,000	10,000	6,540
	2002	220,000	160,500	20,000	6,063
Chief Financial Officer	2001	111,806	130,000	30,000	23,701
<b>John S. Loeber</b>					
Executive Vice President, Commercial	2003	200,000	170,000	10,000	8,322
	2002	200,000	171,000	20,000	8,002
Banking and Chief Credit Officer	2001	109,375	105,000	20,000	11,985
<b>Craig G. Stilwell</b>					
Executive Vice President,	2003	175,000	148,750	10,000	5,886
	2002	175,000	127,875	20,000	5,973
Director of Human Resources & Marketing	2001	94,271	80,000	20,000	18,034

(1) Salary in 2001 reflects employment dates ranging from February 2001 through June 2001.

(2) Bonus amounts paid for 2003 and 2002 were determined based upon the Company's profitability for the year. Bonuses paid in 2001 reflect amounts that were contractual obligations under the named executive's employment contract, signing bonuses and performance-based compensation. Mr. Loeber also received a \$25,000 bonus paid in 2002 in recognition of the completion of certain 2001 objectives.

(3) All Other Compensation for 2003 consisted of the following: (i) the Company's matching contribution under the City Holding Company 401(k) Plan & Trust in the amount of \$6,000 each for Messrs. Francis, Butcher, Hageboeck and Loeber and \$5,188 for Mr. Stilwell; and (ii) group term life insurance premium payments in the amount of \$2,322 for Messrs. Francis and Loeber, \$486 for Mr. Butcher, \$540 for Mr. Hageboeck and \$698 for Mr. Stilwell; and (iii) an auto allowance of \$10,320 for Mr. Francis.

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**OPTIONS/SAR GRANTS IN LAST FISCAL YEAR**

The following table shows the stock options granted to each named executive officer during the fiscal year ended December 31, 2003. The Company did not grant any stock appreciation rights ( SARs ) during the 2003 fiscal year.

Name	Individual Grants				
	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/sh)	Expiration Date	Grant Date Present Value (\$)
Gerald R. Francis	50,000	55.56%	\$ 28.00	2/25/2013	\$ 446,500
William L. Butcher	10,000	11.11%	\$ 28.00	2/25/2013	\$ 89,300
Charles R. Hageboeck	10,000	11.11%	\$ 28.00	2/25/2013	\$ 89,300
John S. Loeber	10,000	11.11%	\$ 28.00	2/25/2013	\$ 89,300
Craig G. Stilwell	10,000	11.11%	\$ 28.00	2/25/2013	\$ 89,300

In accordance with the Securities and Exchange Commission rules, grant date present value is determined using the Black-Scholes Model. The Black-Scholes Model is a complicated mathematical formula widely used to arrive at short-term valuations for exchange-traded options. Stock options granted by the Company are long-term, non-transferable, and subject to vesting restrictions. The Black-Scholes Model relies on several key assumptions to estimate the present value of options, including the volatility of, and dividend yield on, the security underlying the option, the risk-free rate of return on the date of grant and the estimated time period until exercise of the option. In calculating the grant date present value for City Holding Company Common Stock, the volatility was calculated using month-end closing prices of City Holding Common Stock between January 1996 and February 2003. The risk-free rate of return was fixed at the rate of the five-year U.S. Treasury Note for the month as reported in Federal Reserve Statistical Release H.15(159), and the estimated time period until exercise was assumed to be five years. The following assumptions were used in the table:

Stock Option Grant	Expiration Date	Volatility	Dividend Yield	Risk Free Rate of Return	Time Period
February 26, 2003	February 25, 2013	0.43%	2.86%	2.90%	5.0 years

**AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR  
AND FISCAL YEAR-END OPTION/SAR VALUES**

The following table shows the stock options exercised by the named executive officers during the fiscal year ended December 31, 2003 and the number and value of all unexercised options held by the named executive officers at December 31, 2003.

Name	Shares		Number of Securities		Value of Unexercised	
	Acquired	Value	Underlying Unexercised		In-the-Money Options	
			Options at Fiscal Year End(#)		at Fiscal Year End(\$)	
	On Exercise(#)	Realized(\$)	Exercisable	Unexercisable	Exercisable	Unexercisable
Gerald R. Francis	34,782	\$ 797,551.26	298,550	16,668	\$ 7,253,870.56	\$ 117,669.02
William L. Butcher			46,666	3,334	\$ 1,022,861.96	\$ 23,538.04
Charles R. Hageboeck	12,000	\$ 221,100.00	40,666	3,334	\$ 835,061.96	\$ 23,538.04
John S. Loeber			35,119	3,334	\$ 705,421.16	\$ 23,538.04
Craig G. Stilwell	6,000	\$ 116,480.00	37,666	3,334	\$ 772,771.96	\$ 23,538.04

**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information about stock options outstanding and shares available for future awards under the Company's equity compensation plans as of December 31, 2003.

Plan Category	(a)	(b)	(c)
			Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup>	Weighted-average exercise price of outstanding options, warrants and rights <sup>(1)</sup>	
Equity compensation plans approved by security holders			



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1993 Stock Incentive Plan <sup>(2)</sup>	650,671	\$	13.19	0
2003 Incentive Plan	0		0	1,000,000
Equity compensation plans not approved by security holders <sup>(3)</sup>	0		0	0

<sup>(1)</sup> This column contains information regarding employee stock options only; there are no warrants or stock appreciation rights outstanding.

<sup>(2)</sup> After March 2003, no additional options can be granted under the 1993 Stock Incentive Plan.

<sup>(3)</sup> The Company does not have any equity compensations plans that have not been approved by shareholders.

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## Compensation Committee Report on Executive Compensation

*To the Board of Directors of City Holding Company:*

The Compensation Committee of the Board of Directors (the "Committee") is comprised of six independent directors and operates under a charter approved by the Board of Directors, a copy of which is attached to this Proxy Statement as *Appendix C*. The Committee is charged with the design and implementation of compensation plans affecting the Board of Directors and the Company's executive officers, including salary, bonuses, annual grants of stock options, and any other forms of compensation. Each element of the Company's executive compensation program has a somewhat different purpose. The Committee believes that its principal responsibility is to ensure that the Company's compensation practices allow the Company to attract and retain qualified management and to incent and reward executive performance in ways that are aligned with increasing shareholder value. Further, the Committee believes that overall compensation should be significantly dependent upon performance as measured by the Company's profitability and the market price of the Company's Common Stock. Therefore, the Committee recommended, and the full Board of Directors approved, an incentive plan for annual bonuses for both directors and executive officers of the Company based upon the profitability achieved by the Company.

Stock options provide a long-term incentive for future performance that aligns executive officers' interests with those of the shareholders in general. During 2003, and under the Company's 1993 Stock Incentive Plan, the Committee recommended, and the full Board approved, grants of stock options to executive officers of the Company. These grants were made at current market value with vesting to occur only after six years, or upon the achievement of certain target share price thresholds, in order to more closely align the benefits to the officer with benefits to the shareholder.

In order to attract and retain the qualified management able to lead the Company successfully, the Committee believes that overall executive compensation must be set at levels commensurate with similarly sized high performing financial institutions and that consideration must be given to the nature and scope of the executive officer's responsibilities, performance, experience, and credentials. Salary payments during 2003 were made to the executive officers after review and consideration of all of these factors and were unchanged from base salary levels during 2002. Bonuses for 2003 were based upon the Company's profitability, as measured by return on equity. During 2003, the Company achieved a return on equity of 24.5% as compared to 20.5% during 2002. This represented the 15<sup>th</sup> best performance among publicly traded banking institutions in the U.S. during 2003, most of which achieved better returns on this measure through increased leverage. By an alternative measure of profitability, return on assets, the Company turned in the 9<sup>th</sup> best performance among publicly traded banking institutions in the U.S. during 2003. As a result of the Company's increased level of profitability as well as other positive changes implemented by the Board of Directors and the management of the Company, the Company's stock price increased from \$28.26 on December 31, 2002 to \$35.06 on December 31, 2003, representing an increase of 24% in 2002 which followed an increase of 135% in 2002 and an increase of 109% during 2001. The market value of the Company's Common Stock has increased in excess of \$480 million since the Company hired its current executive management team.

### Basis for Chief Executive Officer Compensation

The CEO, Gerald R. Francis, and the other executive officers of the Company each have employment contracts. See "Other Executive Compensation Plans and Arrangements: Employment and Consulting Agreements." For 2003, Mr. Francis earned \$400,000 in salary as shown in the Summary Compensation Table on page 12. Mr. Francis' base compensation was determined after the Committee considered Mr. Francis' experience and achievements, both at the Company and in leading other institutions within the industry, as well as compensation levels at comparable companies, and was unchanged from his base compensation during 2002. Mr. Francis' bonus was based upon the Company's return on equity during 2003 under a formula specified in his employment contract. Under that contract, Mr. Francis was eligible for a maximum bonus of 100% of his base salary if the Company achieved a return on equity of 16%. In January of 2002, the Board determined that the limitation in the executive management contracts did not operate in the best interests of the Company and did not provide the management team with sufficient incentives to maximize the Company's performance. As a result of Mr. Francis' efforts to increase the Company's profitability in 2003, the Company achieved a return on equity of 24.5%. After considering the impact to earnings from the Company's negative provision for loan

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losses during 2003, as well as the non-cash charge associated with redemption of the Company's trust preferred securities, the Committee determined that a bonus of \$680,000 best represented the Company's underlying performance during 2003 and approved bonuses accordingly. Therefore, Mr. Francis' total cash compensation for 2003 (base salary and bonus and other cash compensation) was \$1,098,642. Mr. Francis' total cash compensation is comparable to average total compensation during 2001 (the most current available) for banks with assets

between \$1 and \$5 billion and return on equity of over 15% as reported by *SNL Executive Compensation Review*. Additionally, the Company granted Mr. Francis options to purchase 50,000 shares of the Company's Common Stock on February 26, 2003 at an exercise price of \$28.00 based on that day's closing stock price. These stock options were scheduled to vest only after six years or in equal parts following a sustained increase in the Company's stock price to \$31 (10.7% increase), \$33 (17.8% increase) and \$35 (25% increase) per share. While requiring that the stock achieve certain price targets prior to management benefiting from the stock option is not yet common, the Committee believes that it ensures that shareholders benefit at the same time that management benefits from the grant of options. The Committee's grant was made in light of its desire to link Mr. Francis' long-term compensation with the Company's success as well as a review of option grants at similar institutions. By December 31, 2003, and due to the significant appreciation achieved in the Company's share price, two-thirds of these options had vested.

#### **Compensation for Other Executive Officers**

Similarly, the Committee approved the CEO's recommendations in regard to salaries for 2003 for the other executive officers based upon their responsibilities, experience, achievements, and compensation levels at similar institutions. Based upon the Company's profitability, as calculated using return on equity, the other executive officers received bonuses pursuant to their employment contracts, as modified by the Committee based on the return on equity formula described above. The Committee believes that the bonuses paid to the other executive officers aligned the interests of those executive officers with those of the shareholders. The Company granted options to purchase 10,000 shares of the Company's Common Stock to each of the other executive officers on February 26, 2003 at an exercise price of \$28.00, which were scheduled to vest only after six years or in equal parts following a sustained increase in the Company's stock price to \$31, \$33, and \$35 per share. As described above, the Committee believes that linking the vesting of the stock options with increases in share prices ensures that the executive officers benefit under the stock option only as shareholders benefit.

It is also the responsibility of the Committee to make recommendations regarding compensation for the Board of Directors. In January 2002, the Committee recommended Board compensation be restructured based on a review of peer board compensation as published in *SNL Bank and Thrift Director Compensation Review*. The Company established a quarterly retainer for all outside directors of \$2,500, an additional retainer of \$1,250 quarterly to the audit chairman, meeting fees of \$500 for each Board Meeting attended and \$250 for each committee meeting attended. These fees remained unchanged in 2003. These compare to an average annual retainer of \$15,772 and average meeting fees of \$925 in 2001 for directors at high performing (return on equity in excess of 17.5%) publicly-traded banks with total assets exceeding \$500 million. While the Company's retainer and meeting fees are lower than peer banks, it has implemented a bonus program tied to profitability, as measured by return on equity, which provides members of the Board an opportunity to receive compensation more in line with peer institutions only if the Company is highly profitable. In 2003, the outside directors received bonuses based on the Company's reported return on equity of 24.5% adjusted to reflect the negative provision expenses of the Company during 2003 and the non-cash charge associated with redemption of the Company's trust preferred securities.

Hugh R. Clonch was unable to attend the Compensation Committee meeting and thus was unable to sign the report.

Respectfully submitted,

C. Dallas Kayser, Chairman

Oshel B. Craig

Jay C. Goldman

Robert D. Fisher

James E. Songer II

February 25, 2004

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**OTHER EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS**

*Employment and Consulting Agreements*

The Company entered into an employment agreement with Gerald R. Francis on January 31, 2001. The agreement specifies terms of employment, including compensation in the form of salary, a bonus formula, stock options granted at the date of hire, and other benefits that the Company believes are typical for executives with his experience and responsibilities. The contract terminates on the day next preceding the fifth anniversary of the date of the contract, except that on each monthly anniversary date, the agreement automatically extends for an additional month. The agreement provides that if Mr. Francis voluntarily terminates his employment, he will be entitled to receive annually 60% of his Termination Compensation during the applicable Severance Period, as these terms are defined in the agreement. If Mr. Francis voluntarily terminates his employment after serving through the fourth anniversary of his hire date, the applicable Severance Period would be five years. Termination Compensation is generally defined as the highest annual compensation as reported in the Summary Compensation Table for both Salary and Bonus. In the event Mr. Francis' employment is terminated by the Company other than for just cause, Mr. Francis will receive 60% of his Termination Compensation for the applicable Severance Period. In the event of a change of control of the Company, Mr. Francis may voluntarily terminate employment with the Company up until 24 months after the change of control and be entitled to receive in a lump sum (i) any compensation due but not yet paid through the date of termination and (ii) an amount equal to 100% of his Termination Compensation multiplied by a factor of 2.99.

During 2001, the Company entered into employment contracts with William L. Butcher, Charles R. Hageboeck, John S. Loeber and Craig G. Stilwell (individually, the named executive) on their dates of hire. The agreements specify terms of employment, including compensation in the form of salary, a bonus formula, and stock options granted at the date of hire. The contracts for the named executives terminate on the day next preceding the fifth anniversary of the date of the contracts, except that on each monthly anniversary date, the agreements are automatically extended for an additional month. The agreements provide that if the named executive voluntarily terminates his employment, he will be entitled to receive annually 40% of his Termination Compensation during the applicable Severance Period, as these terms are defined. If the named executive voluntarily terminates his employment after serving through the fourth anniversary of his hire date, the Severance Period would be five years. In the event the named executive's employment is terminated by the Company other than for just cause, the named executive will receive 40% of the Termination Compensation for the applicable Severance Period. In the event of a change of control of the Company, the named executive may voluntarily terminate employment with the Company up until 24 months after the change of control and be entitled to receive in a lump sum (i) any compensation due but not yet paid through the date of termination and (ii) an amount equal to 100% of his Termination Compensation multiplied by a factor of 2.00.

The Company entered into an employment agreement with Philip L. McLaughlin on December 31, 1998. The agreement specifies terms of employment, including compensation. The contract will terminate on July 1, 2005 following Mr. McLaughlin's 65 birthday. Mr. McLaughlin retired in June 2002 and under the terms of the agreement, he is entitled to receive annually 60% of his Termination Compensation, or \$9,604.17, monthly, through June 2005.

The Company entered into an employment and consulting agreement with Frank S. Harkins, Jr., a director. The agreement was entered into on December 31, 1998 and specified a term of employment until June 1, 1999, with a consulting arrangement comprising business development and retention activities commencing on that date and continuing for five years thereafter. The agreement specifies the terms of the employment and consulting arrangement, including annual compensation of \$200,000. In 2001, the Company elected to terminate Mr. Harkins' consulting arrangement. Under the terms of the agreement, Mr. Harkins will receive the annual cash compensation in each year through May 31, 2004.

## STOCK PERFORMANCE

The following graph sets forth the cumulative total shareholder return (assuming reinvestment of dividends) to the Company's shareholders during the five-year period ended December 31, 2003, as well as an overall stock market index (The Nasdaq Stock Market Index) and the Company's Peer Group. The Peer Group consists of publicly-traded banking institutions over \$1 billion but less than \$5 billion in assets headquartered in West Virginia, Ohio, Pennsylvania, Virginia, Kentucky, and Maryland.

### Comparison of Five-Year Cumulative Total Return

#### Among City Holding Company, Nasdaq Stock Market Index and Peer Group

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company's executive officers and directors are required under the Securities and Exchange Act of 1934 to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Copies of these reports must also be furnished to the Company. Based solely upon the review of copies of such reports furnished to the Company through the date hereof, or written representations that no reports were required, the Company believes that during 2003, all filing requirements applicable to its executive officers and directors were met.

## CERTAIN TRANSACTIONS INVOLVING DIRECTORS AND EXECUTIVE OFFICERS

During 2003, the Company's subsidiaries had, and expect to have in the future, banking transactions with directors of the Company, their immediate families and entities in which they are principal owners (more than 10% interest). The transactions are in the ordinary course of business and on substantially the same terms, including interest rates and security, as those prevailing at the same time for comparable transactions with others and do not involve more than the normal risk of collectibility or present other unfavorable factors.

The Company has entered into employment agreements and an employment and consulting agreement with certain of its named executive officers and directors and provided other compensation to certain of its directors. See *Employment and Consulting Agreements* above under the section titled *Other Executive Compensation Plans and Arrangements* and *Compensation of Directors* above under the section titled *Additional Information Concerning the Board of Directors*.

**APPOINTMENT OF INDEPENDENT AUDITORS (Proposal 2)**

Subject to ratification by the Company's shareholders, the Company's Audit Committee has appointed Ernst & Young LLP as independent auditors to audit the consolidated financial statements of the Company for the year ending December 31, 2004

Representatives of Ernst & Young are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

*Recommendation*

**The Audit Committee and the Board of Directors unanimously recommend the shareholders vote FOR such ratification.**

*Principal Accounting Fees and Services*

During the fiscal year ended December 31, 2003, the Company engaged Ernst & Young as independent public auditors principally to perform the annual audit and to render other services. The following table lists fees paid to Ernst & Young, for services rendered in fiscal years 2003 and 2002.

	<u>2003</u>	<u>2002</u>
Audit Fees	\$ 321,495	\$ 294,325
Audit-Related Fees	35,150	46,030
Tax Fees	136,250	84,925
All Other Fees	12,686	
	<u>          </u>	<u>          </u>
Total Fees	<u>\$ 505,581</u>	<u>\$ 425,280</u>

Audit Fees include fees associated with the annual audit and the reviews of the Company's quarterly report on Form 10-Q and annual report on Form 10-K filed with the Securities and Exchange Commission.

Audit-Related Fees primarily include audits of the Company's employee benefits plans.

Tax Fees primarily include fees associated with compliance, research and consultation.



All Other Fees include fees associated with documentation production requests with regard to litigation involving the Company.

### **SHAREHOLDER PROPOSALS**

Under the regulations of the SEC, any shareholder desiring to make a proposal to be acted upon at the Company's 2005 annual meeting of shareholders must present such proposal to the Company's Secretary at the principal executive offices of the Company at 25 Gatewater Road, Charleston, West Virginia 25313, not later than November 18, 2004 in order for the proposal to be considered for inclusion in the Company's proxy statement for the 2005 annual meeting of shareholders.

Pursuant to the Company's Amended and Restated Bylaws, a shareholder may nominate persons for election to the Board of Directors and, pursuant to the Governance Committee's Charter, the Governance Committee considers nominees recommended by shareholders, in each case, if written notice is submitted to the Company's Secretary at the principal executive offices of the Company not less than 120 calendar days prior to the first anniversary of the previous year's annual meeting. If no annual meeting was held in the previous year or if the date of the annual meeting was changed by more than 30 days from the anniversary date of the previous

year's annual meeting, notice by the shareholder must be so received by the later of 120 calendar days prior to such annual meeting or 10 calendar days following the date on which public announcement of the date of the meeting is first made.

The shareholder's notice must include:

as to each person whom the shareholder proposes to nominate for election as a director:

all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest or is otherwise required pursuant to Regulation 14A under the Exchange Act; and

such person's written consent to being named in the proxy statement as a nominee and to serving as such as a director if elected; and

as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made:

the name and address of such shareholder, as they appear on the Company's books, and of such beneficial owner;

the class and number of shares of the Company's capital stock that are owned beneficially and of record by such shareholder and such beneficial owner;

a description of all arrangements or understandings between the shareholder and each nominee and any other persons (naming them) pursuant to which the nominations are to be made by the shareholder;

a representation that such shareholder is a holder of record of the Company's stock entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination; and

a representation whether the shareholder intends to solicit proxies from shareholders in support of such nomination.

In order for a shareholder to bring other business before a shareholder meeting, timely notice must be received by the Company's Secretary within the time limits described in the immediately following paragraph. The shareholder's notice must contain:

as to each matter:

a brief description of the business desired to be brought before the meeting;

the reasons for conducting such business at the meeting;

in the event that such business includes a proposal to amend the Company's Articles of Incorporation or Bylaws, the language of the proposed amendment; and

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any material interest in such business of such shareholder and for the beneficial owner, if any, on whose behalf the proposal is made; and

as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made, the information described above, with respect to the shareholder proposing such business.

The Company's Secretary must receive written notice of a shareholder proposal to be acted upon at the 2005 annual meeting not later than the close of business on November 18, 2004. In addition, if the Company does not receive notice of a shareholder proposal at least 45 days before the Company first mails its proxy statement for the 2005 annual meeting, the persons named as

proxies in the Company's proxy card for the 2005 annual meeting will have discretionary authority to vote on such proposal at the 2005 annual meeting.

The requirements found in the Company's Amended and Restated Bylaws are separate from and in addition to the requirements of the SEC that a shareholder must meet to have a proposal included in the Company's proxy statement.

#### **OTHER MATTERS**

As of the date of this proxy statement, the Board of Directors is not informed of any matters, other than those stated above, that may be brought before the annual meeting. However, if any other matters are brought before the annual meeting or any adjournments or postponements thereof, the persons named on the accompanying proxy card or their substitutes will vote with respect to such matters in accordance with their best judgment.

By Order of the Board of Directors,

Victoria A. Evans

Secretary

March 23, 2004

**City Holding Company**

**Governance and Nominating Committee Charter**

**Purpose**

The Governance and Nominating Committee is appointed by the Board of Directors to:

identify individuals qualified to become board members,

select, or recommend that the Board select, the director nominees for the next annual meeting of shareholders; and

oversee governance matters.

**Committee Membership**

The Committee will be comprised of not fewer than three directors, all of whom satisfy the definition of independent under the listing standards of The Nasdaq Stock Market (Nasdaq). The Committee members will be appointed by the Board and may be removed by the Board in its discretion. The Committee shall have the authority to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate, provided the subcommittees are composed entirely of independent directors.

**Meetings**

The Committee shall meet as often as its members deem necessary to perform the Committee's responsibilities.

The Committee shall:

Consider periodically the desired composition of the Board of Directors, including such factors as expertise and diversity.

Establish any qualifications and standards for individual directors.

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Review periodically the composition of the Board of Directors, taking into account the desired composition of the Board of Directors and the qualifications and standards for individual directors.

Identify candidates for election to the Board of Directors. The Committee identifies candidates for election to the Board of Directors on its own as well as by considering recommendations from shareholders, other members of the Board, officers and employees of the Company, and other sources that the Committee deems appropriate. Shareholder recommendations for candidates for election to the Board of Directors shall be made in accordance with the Company's Bylaws. The Committee may retain a third-party search firm to assist in the identification of possible candidates for election to the Board of Directors.

Evaluate candidates for election to the Board of Directors. The Committee will evaluate all candidates for election to the Board of Directors, regardless of the source from which the candidate was first identified, based upon the totality of the merits of each candidate and not based upon minimum qualifications or attributes. In considering the individual nominees, the Committee will take into account the qualifications of other Board members to ensure that a broad variety of skill sets and experience beneficial to the Company and its business are represented on the Board of Directors. The Committee also will ensure that the Board is composed of a sufficient number of independent directors to satisfy the Nasdaq listing requirements. In addition, the Committee will seek to assure that at least three of the Board's independent members satisfy the Nasdaq financial and accounting experience requirements and the heightened independence standards of the Securities and Exchange Commission and that at least one of such three members qualifies as an audit committee financial expert (as defined by the Securities and Exchange Commission).

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Nominate qualified individuals for election to the Board of Directors.

Recommend to the Board of Directors the composition of the Committees of the Board of Directors.

Review periodically the Company's Corporate Governance Policies and recommend to the Board of Directors governance issues that should be considered by the Board.

Review periodically the Company's Code of Conduct.

Obtain confirmation from management that the policies included in the Code of Conduct are understood and implemented.

Evaluate periodically the adequacy of the Company's conflict of interest policies.

Consider other corporate governance and related issues.

Consider with management public policy issues that may affect the Company.

Review periodically the Company's Committee structure and operations and the working relationship between each Committee and the Board of Directors.

Consider, discuss and recommend ways to improve the effectiveness of the Board of Directors.

Report its activities regularly to the Board of Directors.

Perform such other functions as may be requested by the Board of Directors.

The Committee shall have sole authority to retain and terminate outside advisors to assist in the performance of its functions, with sole authority to agree to fees and other terms of engagement.

The Secretary of the Committee shall be the Corporate Secretary or his or her designee. The proceedings of all Committee meetings shall be documented in minutes. At the next regular Board meeting following any Committee meeting, the Chairman of the Committee shall report to the Board of Directors on behalf of the Committee.

The Chairman of the Committee shall discuss the Committee's performance with each Committee member, following which discussions the Chairman shall lead the Committee in an annual review of its performance. The annual evaluation shall include a review of the Committee's charter.

The Committee shall cause to be provided to Nasdaq appropriate written confirmation of any of the foregoing matters as Nasdaq may from time to time require.





**City Holding Company**

**Audit Committee Charter**

**Organization**

This charter governs the operations of the City Holding Company ( Company ) Audit Committee. The committee will review and reassess the charter annually and obtain the approval of the Company s Board of Directors ( Board ). The committee shall be appointed annually by the Board and shall serve until their successors are duly elected and qualified. Each member of the committee appointed by the Board will meet regulatory requirements for independence and financial literacy with at least one committee member possessing accounting or related financial management expertise.

**Statement of Policy**

The audit committee shall provide assistance to the Board in fulfilling its oversight responsibilities to shareholders, potential shareholders, the investment community and others. This oversight relates to Company s financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company s financial statements, and the legal, compliance and ethics programs as established by management and the Board.

In so doing it is the responsibility of the committee to maintain free and open communication between the committee, independent auditors, internal audit, and executive management. In discharging its oversight role, the committee is authorized to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel or other experts for this purpose. Internal audit service providers may be used to execute the internal audit plan, however the Vice President for Risk Management will be responsible for the internal audit function and shall be directly accountable to the committee.

**Responsibilities and Processes**

The primary responsibility of the Audit Committee is to oversee the Company s accounting and financial reporting processes and the audit of the financial statements on behalf of the Board and report the results of their activities to the Board. Management is responsible for preparing the Company s financial statements, and the independent auditors are responsible for auditing those financial statements. The committee should take appropriate actions to establish an environment conducive to quality financial reporting, sound business risk practices, and ethical behavior. The committee may also perform the duties required to be performed by the fiduciary audit committee for any bank subsidiary exercising trust powers.

The following shall be the specific responsibilities and authority of the audit committee in carrying out its oversight duties. The processes are set forth as a guide with the understanding that the committee may supplement them as appropriate.

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1. The committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Audit Committee, as representatives of Company's shareholders.
2. The committee shall have sole authority and responsibility to select (subject to shareholder approval), evaluate and, where appropriate, replace the independent auditors.

B-1

3. The committee shall discuss with the auditors their independence from management and the Company and the matters included in written disclosures required by the Independence Standards Board, Public Company Accounting Oversight Board, and the Securities and Exchange Commission.
  
4. The committee shall determine funding for and oversee the independent auditors.
  
5. The committee shall review compliance with the Securities and Exchange Commission's rules and other professional guidance related to services performed by the Company's independent auditors. The committee shall also pre-approve all audit services and permissible non-audit services provided by the independent auditors in accordance with regulatory requirements and the committee's policies and procedures.
  
6. The committee shall establish and maintain procedures that provide for the anonymous submission of employee complaints regarding accounting, internal controls or auditing matters.
  
7. The committee shall discuss with the Vice President for Risk Management and the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. The committee shall meet separately with the Vice President for Risk Management and the independent auditors, with and without management present, to discuss the results of their examinations.
  
8. If internal audit service providers are utilized to execute the internal audit plan, then the committee should review and concur with their selection, termination or replacement by management.
  
9. The committee shall discuss with management, the Vice President for Risk Management, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk, and legal and ethical compliance programs.
  
10. The committee shall review all interim financial statements with management and the independent auditors prior to filing of the Company's Quarterly Report on Form 10-Q. The committee will also discuss the results of the quarterly review and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards.
  
11. The committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. The committee shall also discuss the results of the annual audit and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards.

**City Holding Company**

**Compensation Committee Charter**

**Purpose**

The Compensation Committee is appointed by the Board of Directors to discharge the Board's responsibilities relating to compensation of the Company's executives.

**Committee Membership**

The Committee will be composed of at least three directors, all of whom satisfy the definition of "independent" under the listing standards of The Nasdaq Stock Market. All Committee members shall also be "non-employee directors" as defined by Rule 16b-3 under the Securities Exchange Act of 1934 and "outside directors" as defined by Section 162(m) of the Internal Revenue Code. The Committee members will be appointed by the Board and may be removed by the Board in its discretion. The Committee shall have the authority to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate, provided the subcommittees are composed entirely of independent directors.

**Meetings**

The Committee shall meet as often as its members deem necessary to perform the Committee's responsibilities.

**Committee Authority and Responsibilities**

The Committee will have the authority, to the extent it deems necessary or appropriate, to retain a compensation consultant to assist in the evaluation of director, Chief Executive Officer (CEO) or senior executive compensation. The Committee shall have sole authority to retain and terminate any such consulting firm, including sole authority to approve the firm's fees and other retention terms. The Committee shall also have authority, to the extent it deems necessary or appropriate, to retain other advisors. The Company will provide for appropriate funding, as determined by the Committee, for payment of compensation to any consulting firm or other advisors employed by the Committee.

The Committee will make regular reports to the Board and will propose any necessary action to the Board. The Committee will review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.

In carrying out its responsibilities:

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The Committee shall have responsibility for developing and maintaining an executive compensation policy that creates a direct relationship between pay levels and corporate performance and returns to shareholders. The Committee shall monitor the results of such policy to assure that the compensation payable to the Company's executive officers provides overall competitive pay levels, creates proper incentives to enhance shareholder value, rewards superior performance, and is justified by the returns available to shareholders.

The Committee shall have responsibility for approval of compensation and benefit plans, which may include amendments to existing plans, cash- and equity-based incentive compensation plans, and non-qualified deferred compensation and retirement plans.

The Committee shall establish annually subjective and objective criteria to serve as the basis for the Chief Executive Officer's compensation, evaluate the Chief Executive Officer's performance in light of those criteria and determine the Chief Executive Officer's compensation based on that evaluation.

C-1

The Committee shall establish annually subjective and objective criteria to serve as the basis for the other executive officers compensation, evaluate the other executive officers performance in light of those criteria and determine the other executive officers compensation based on that evaluation.

In establishing the compensation to be paid or provided to executive officers, the Committee shall utilize, where it deems appropriate, comparative data regarding compensation practices. The Committee may utilize flexible compensation structures to attract, retain, motivate and appropriately reward executive officers, consistent with the Company's compensation philosophy. The Committee may retain one or more compensation consultants or other advisors to assist the Committee with these duties. The Committee shall have sole authority to approve the fees and other retention terms of any such consultant or advisor.

With respect to the Company's equity-based compensation plans, the Committee shall approve grants of stock options, restricted stock, performance shares, stock appreciation rights, and other equity-based incentives to the extent provided under the compensation plans. The committee may delegate to the President and Chief Executive Officer all or part of the committee's authority and duties with respect to grants and awards to individuals who are not subject to the reporting requirements and other provisions of Section 16 of the Securities Exchange Act of 1934 as in effect from time to time.

The Committee shall from time to time review and make recommendations to the Board of Directors regarding the compensation of non-employee directors.

The Committee shall provide, over the names of the Committee members, the required Compensation Committee report for the Company's proxy statement for the annual meeting of shareholders.

The Committee shall have available to it such support personnel, including management staff, outside auditors, attorneys and consultants as it deems necessary to discharge its responsibilities.

The Committee shall consider the application of Section 162(m) of the Internal Revenue Code to the Company and its compensation practices and develop a policy for the Company with respect to Section 162(m).

The Secretary of the Committee shall be the Corporate Secretary or his or her designee. The proceedings of all Committee meetings shall be documented in minutes. At the next regular Board meeting following any Committee meeting, the Chairman of the Committee shall report to the Board of Directors on behalf of the Committee.

The Chairman of the Committee shall discuss the Committee's performance with each member of the Committee, following which discussions the Chairman shall lead the Committee in an annual evaluation of its performance. The annual evaluation shall include a review of the Committee's charter.

The Committee shall cause to be provided to Nasdaq appropriate written confirmation of any of the foregoing matters as Nasdaq may from time to time require.

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CITY HOLDING COMPANY

c/o SunTrust Bank

Stock Transfer Department

P. O. Box 4625

Atlanta, GA 30302

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ê Please fold and detach card at perforation before mailing. ê

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CITY HOLDING COMPANY

Post Office Box 7520

Charleston, West Virginia 25356-0520

**PROXY FOR THE ANNUAL MEETING OF SHAREHOLDERS APRIL 28, 2004**

**(THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF CITY HOLDING COMPANY)**

The undersigned shareholder of City Holding Company hereby appoints John W. Alderman, III and Victoria A. Evans and each of them, with full power of substitution, as proxies and hereby authorizes them to represent and to vote, as designated below, all the shares of Common Stock of City Holding Company held of record by the undersigned on March 5, 2004 at the 2004 Annual Meeting of Shareholders to be held on April 28, 2004 or any adjournment or adjournments thereof. The undersigned shareholder authorizes the proxies to cumulate their votes at their discretion.

Dated: \_\_\_\_\_, 2004

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Signature

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Signature, if held jointly

Please date and sign exactly as name appears hereon. If shares are held jointly, each shareholder should sign. Agents, executors, administrators, guardians, trustees, etc. should use full title, and, if more than one, all should sign. If the shareholder is a corporation, please sign full corporate name by the president or another authorized officer. If a partnership, please sign in partnership name by authorized person.

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**Y O U R V O T E I S I M P O R T A N T !**

Please sign and date this proxy card and return it promptly in the enclosed postage-paid envelope so your shares may be represented at the Meeting.

**ê Please fold and detach card at perforation before mailing. ê**

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**This proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder. If no direction is made, this proxy will be voted FOR Proposals 1, 2 and 3. You may revoke this proxy at any time prior to the time it is voted at the Annual Meeting.**

1. PROPOSAL TO ELECT SEVEN CLASS II DIRECTORS TO SERVE FOR TERMS OF THREE YEARS CLASS II NOMINEES:

Oshel B. Craigo  
C. Dallas Kayser

William H. File III  
E. M. Payne III

Gerald R. Francis  
Sharon H. Rowe

Tracy W. Hylton II

.. **FOR** (except as marked to the contrary above)

.. **WITHHOLD AUTHORITY**

**To withhold authority to vote for any individual nominee, strike a line through the nominee s name above.**

2. PROPOSAL TO RATIFY THE BOARD OF DIRECTORS APPOINTMENT OF ERNST & YOUNG, LLP AS THE INDEPENDENT AUDITORS FOR CITY HOLDING COMPANY FOR 2004

.. **FOR**

.. **AGAINST**

.. **ABSTAIN**

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Annual Meeting of Shareholders or any adjournment or adjournments thereof.

**Please mark, sign, date and return the proxy promptly using the enclosed envelope.**