

CELADON GROUP INC
Form PRE 14A
December 06, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

SCHEDULE 14A

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 §240.14a-12

Celadon Group, Inc.
(Name of Registrant as Specified In Its Charter)

N/A
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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2)	Aggregate number of securities to which transaction applies: ----- -----
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Celadon Group, Inc.
9503 East 33rd Street
One Celadon Drive
Indianapolis, IN 46235

NOTICE AND PROXY STATEMENT FOR
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON [Month] [Day], [Year]

To Our Stockholders:

The Annual Meeting of Stockholders following the 2005 fiscal year (the “Annual Meeting”) of Celadon Group, Inc., a Delaware corporation (the “Company”), will be held at the Company, 9503 East 33rd Street, One Celadon Drive, Indianapolis, Indiana, 46235 at [Time] a.m. (local time), on [Day of Week], [Month] [Day], [Year], for the following purposes:

1. To consider and act upon a proposal to elect four directors of the Company;
2. To consider and act upon the 2006 Omnibus Incentive Plan for grants of stock options, stock-based awards, and other incentive awards;
3. To amend the articles of incorporation to increase the number of authorized shares of common stock from Twelve Million (12,000,000) to Forty Million (40,000,000); and
4. To consider and act upon such other matters as may properly come before the meeting and any adjournment thereof.

The foregoing matters are more fully described in the accompanying proxy statement.

The Board of Directors has fixed the close of business on [Month] [Day], [Year] as the record date for the determination of stockholders entitled to receive notice of and to vote at the Annual Meeting or any adjournment thereof. Shares of common stock may be voted at the Annual Meeting only if the holder is present at the Annual Meeting in person or by valid proxy. **YOUR VOTE IS IMPORTANT. TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, YOU ARE REQUESTED TO PROMPTLY DATE, SIGN, AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE.** Returning your proxy now will not interfere with your right to attend the Annual Meeting or to vote your shares personally at the Annual Meeting, if you wish to do so. The prompt return of your proxy may save the Company additional expenses of solicitation.

All Stockholders are cordially invited to attend the Annual Meeting.

**By order of the
Board of
Directors**

Kenneth Core
Secretary

[Month] [Day], [Year]

CELADON GROUP, INC.

9503 East 33rd Street
One Celadon Drive
Indianapolis, Indiana 46235

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD [Month] [Day], [Year]

This proxy statement ("Proxy Statement") is furnished in connection with the solicitation of proxies by the Board of Directors of Celadon Group, Inc. (the "Company") to be voted at the Annual Meeting of Stockholders of the Company (the "Annual Meeting"), which will be held on [Day of Week], [Month] [Day], [Year], beginning at [Time] a.m. (local time) at our corporate headquarters and principal executive offices located at 9503 East 33rd Street, One Celadon Drive, Indianapolis, Indiana, 46235, and any adjournment thereof. **THE ENCLOSED PROXY IS SOLICITED BY OUR BOARD OF DIRECTORS.** Where specific choices are not indicated, all proxies received pursuant to this solicitation will be voted (i) FOR the election of the director nominees named below; (ii) FOR the approval of the 2006 Omnibus Incentive Plan; (iii) FOR the approval of the increase in the number of authorized shares of common stock from Twelve Million (12,000,000) to Forty Million (40,000,000); and (iv) with respect to any other matters properly brought before the Annual Meeting, in accordance with the judgment of the proxy holders. We have not received notice of other matters that properly may be presented for voting at the Annual Meeting.

The approximate date on which this Proxy Statement, the enclosed form of proxy, and the accompanying Annual Report are first being mailed to stockholders is [Month] [Day], [Year].

Unless the context indicates otherwise, the terms "Company," "we," "us," and "our" refer to Celadon Group, Inc. and its subsidiaries.

GENERAL INFORMATION

Voting Rights

Only stockholders of record at the close of business on [Month] [Day], [Year] ("Stockholders"), are entitled to vote, either in person or by valid proxy, at the Annual Meeting. On [Month] [Day], [Year], there were issued and outstanding _____ shares of common stock, par value \$.033. The number of issued and outstanding shares excludes approximately _____ shares of common stock reserved for issuance under our incentive stock plans, restricted stock grants, and other arrangements. We have no other class of stock outstanding. Stockholders are entitled to one vote for each share of common stock held of record. Holders of unexercised options or other rights to acquire common stock are not entitled to vote the underlying shares at the Annual Meeting. Stockholders are not entitled to cumulative voting in the election of directors.

Quorum Requirement

In order to transact business at the Annual Meeting, a quorum must be present. A quorum is present if a majority of the issued and outstanding shares of common stock as of the record date is represented at the Annual Meeting in person or by proxy. Shares that are entitled to vote but that are not voted at the direction of the holder (called "abstentions") and shares that are not voted by a broker or other record holder due to the absence of instructions from the beneficial owner (called "broker non-votes") will be counted for the purpose of determining whether a quorum is present.

Required Vote

Directors are elected by a plurality of the votes cast, which means that the director nominees receiving the highest number of votes for their election will be elected as directors. Approval of any other matter that may be properly submitted to Stockholders for action at the Annual Meeting will require the affirmative vote of a majority of the shares of common stock represented in person or by proxy, unless a different vote is required by law or our Certificate of Incorporation or bylaws. Abstentions and broker non-votes will be disregarded in determining whether a particular matter has been approved.

Right to Attend the Meeting; Revocation of Proxy

Returning a proxy now will not interfere with a Stockholder's right to attend the Annual Meeting or vote his or her shares personally at the Annual Meeting, if he or she desires to do so. Stockholders who execute and return proxies may revoke them at any time prior to their use at the Annual Meeting by delivering a written notice of revocation to our Secretary at the address of our principal executive offices, by executing a subsequent proxy and delivering it to our Secretary at such address, or by attending the Annual Meeting and voting in person.

Costs of Solicitation

We will bear all costs of solicitation, which we expect to include reimbursements for the charges and expenses of brokerage firms and others for forwarding solicitation materials to beneficial owners of our common stock. Proxies will be solicited by mail and may be solicited personally by directors, officers, or other employees, who will not receive any additional compensation for such services.

Electronic Access to Proxy Statement and Annual Report

This Proxy Statement and our 2005 Annual Report on Form 10-K may be viewed online at www.celadontrucking.com. If you are a Stockholder, you can elect to receive future annual reports and proxy statements electronically by marking the appropriate box on your proxy form. If you choose this option and remain a stockholder at such time, you will receive a proxy form prior to the next Annual Meeting of Stockholders listing the website locations and your choice will remain in effect until you notify us by mail that you wish to resume mail delivery of these documents. If you hold our stock through a bank, broker, or another holder of record, refer to the information provided by that entity for instructions on how to elect this option. Opting for this option will save us the time and expense of printing and mailing these materials to you.

PROPOSAL 1**ELECTION OF DIRECTORS**

At the Annual Meeting, the Stockholders will elect four directors to serve as the Board of Directors until our Annual Meeting of Stockholders following our 2006 fiscal year or until their successors are duly elected and qualified. Our Board of Directors has nominated Stephen Russell, Paul Biddelman, Anthony Heyworth, and Michael Miller for election as directors. Each of the nominees is presently serving as a director. In the absence of contrary instructions, each proxy will be voted for the election of all of the proposed directors.

We have no reason to believe that any of the nominees will be unable or unwilling for good cause to serve if elected. However, if any nominee should become unable for any reason or unwilling for good cause to serve, proxies may be voted for another person nominated as a substitute by the Board of Directors, or the Board of Directors may reduce the number of directors.

Although at present our Board of Directors is comprised of four members, throughout most of the fiscal year ended June 30, 2005, the Board of Directors had five members. John Kines previously occupied a fifth position on the Board of Directors. Mr. Kines joined the Company's Board of Directors in the year 2000, and served as a director until his death in June 2005. Mr. Kines was an outstanding person who was passionate about his role as a director and committed to the Company. Mr. Kines also served on the Audit and Compensation Committees. The Board of Directors has chosen not to fill the resulting vacancy at this time.

Information Concerning Directors and Executive Officers

Information concerning the names, ages, positions with the Company, tenure as a director, and business experience of current directors and other executive officers is set forth below. All references to experience with the Company include positions with our operating subsidiary, Celadon Trucking Services, Inc., a New Jersey corporation. All executive officers are elected annually by the Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Director Since</u>
Stephen Russell	65	Chairman of the Board and Chief Executive Officer	1986
Thomas Glaser	55	President and Chief Operating Officer	N/A
Paul Will	39	Executive Vice President, Chief Financial Officer, Treasurer, and Assistant Secretary	N/A
Kenneth Core	55	Vice President and Secretary	N/A
Sergio Hernandez	47	Vice President - Mexico	N/A
Paul Biddelman ⁽²⁾⁽³⁾	59	Director of the Company	1992
Michael Miller ⁽¹⁾⁽²⁾⁽³⁾	60	Director of the Company	1992
Anthony Heyworth ⁽²⁾⁽³⁾	61	Director of the Company	1999

(1) Lead Outside Director

(2) Member of the Audit Committee

(3) Member of the Compensation Committee

Stephen Russell has been our Chairman of the Board and Chief Executive Officer since our inception in July 1986, and served as our President from September 2000 to October 2004. He is also a director of the Truckload Carriers Association and the Executive Committee of the American Trucking Associations. He is the Chairman of the Homeland Security Committee of the American Trucking Associations. Mr. Russell is a director of Star Gas Corporation, the General Partner of Star Gas L.P. Mr. Russell has been a member of the Board of Advisors of the Cornell University Johnson Graduate School of Management since 1983 and is a member of the Board of the Indiana University Purdue University Indianapolis (IUPUI) and the Eiteljorg Museum.

Thomas Glaser has been our President and Chief Operating Officer since October 2004. He served as Executive Vice President and Chief Operating Officer from November 2003 to October 2004. He served as Executive Vice President-Truckload Operations/Sales from April 2003 to November 2003, Executive Vice President-Operations from September 2001 to April 2003, and Vice President- Transportation Services from May 2001 to September 2001. He served in various management capacities at Contract Freighters, Inc. for over 13 years, most recently as Vice President-Operations, prior to joining the Company.

Paul Will has been our Executive Vice President, Chief Financial Officer, Assistant Secretary, and Treasurer since April 2004. He was Executive Vice President, Chief Financial Officer, Secretary, and Treasurer from February 2004 to April 2004; Executive Vice President, Chief Financial Officer, Secretary, and Assistant Treasurer from May 2002 to January 2004; Executive Vice President, Chief Financial Officer, Assistant Secretary, and Assistant Treasurer from September 2001 to May 2002; Vice President, Chief Financial Officer, Assistant Secretary, and Assistant Treasurer from December 2000 to September 2001; Vice President, Chief Financial Officer, and Secretary from December 1998 to December 2000; Vice President, Secretary, and Controller from September 1996 to December 1998; Vice President and Controller for Celadon Trucking Services, Inc. from January 1996 to September 1996; and Controller from September 1993 to January 1996. Mr. Will is a certified public accountant.

Kenneth Core has been our Vice President and Secretary since August 2003. He was Vice President of Risk Management from July 2000 to July 2003. He served in various capacities at Builders Transport, Inc. and CRST, Inc. for over 28 years, most recently as Vice President of Risk Management, prior to joining the Company.

Sergio Hernandez has been our Vice President - Mexico since December 2001. He was Director of Mexico Sales from October 1996 to December 2001. He has over 20 years of responsibilities in marketing and transportation throughout Mexico.

Paul Biddelman has been one of our directors since October 1992. Mr. Biddelman has been President of Hanseatic Corporation, a private investment company, since 1997. He is also a director of Insituform Technologies, Inc., Six Flags, Inc., and Star Gas Corporation, the General Partner of Star Gas L.P.

Michael Miller has been one of our directors since February 1992. Mr. Miller has been Chairman of the Board and Chief Executive Officer of Aarnel Funding Corporation, a venture capital/real estate company, since 1974, a partner of Independence Realty, an owner and manager of real estate properties, since 1989, and President and Chief Executive Officer of Miller Investment Company, Inc., a private investment company, since 1990.

Anthony Heyworth has been one of our directors since 1999. He retired from KeyCorp in February 2001 as Vice Chairman, Commercial Banking, KeyBank N.A. after a 36-year career with this \$85 billion financial services company. He continues as Chairman of KeyBank Central Indiana, having served as President and Chief Executive since 1991. He joined the former Central National Bank in 1965 and was Executive Vice President when the bank merged with Society National Bank of Cleveland in 1986 and KeyBank in 1994.

Pursuant to Section 145 of the Delaware General Corporation Law, our Certificate of Incorporation provides that we shall, to the full extent permitted by law, indemnify all of our directors, officers, incorporators, employees, and agents against liability for certain of their acts. Our Certificate of Incorporation also provides that, with a number of exceptions, none of our directors shall be liable to us for damages for breach of a fiduciary duty as a director.

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CORPORATE GOVERNANCE

The Board of Directors

Meetings. Our Board of Directors held five meetings during the fiscal year ended June 30, 2005. No director attended less than 75% of the meetings of the Board of Directors or any committee on which he served. In addition, we encourage directors to attend the Annual Meeting of Stockholders. Of the five directors, only Anthony Heyworth attended the 2004 Annual Meeting of Stockholders.

Director Independence. Our common stock is listed on the Nasdaq National Market, and therefore it is subject to the listing standards, including standards relating to corporate governance, embodied in applicable rules promulgated by the National Association of Securities Dealers, Inc. (the "NASD"). Pursuant to NASD Rule 4350(c)(1), the Board of Directors has determined that the following directors and nominees are "independent" under NASD Rule 4200(a)(15): Paul Biddelman, Anthony Heyworth, and Michael Miller. In accordance with NASD Rule 4350(c)(2), in fiscal 2005, our independent directors held two regularly scheduled meetings, referred to as "executive sessions," at which only the independent directors were present. Our independent directors will continue to meet in executive session at least twice per year.

Committees of the Board and Director Nominations

Audit and Corporate Governance Committee. The Audit and Corporate Governance Committee ("Audit Committee") met ten times during fiscal 2005. Messrs. Heyworth, Miller, and Kines served as the Audit Committee. Mr. Kines was replaced by Mr. Biddelman in June 2005, upon Mr. Kines' death. The responsibilities of the Audit Committee are set forth in the Audit Committee Report, which appears below. Each member of the Audit Committee satisfies the independence and audit committee membership criteria set forth in NASD Rule 4350(d)(2). Specifically, each member of the Audit Committee:

- o is independent under NASD Rule 4200(a)(15);
- o meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act");
- o has not participated in the preparation of our financial statements or any current subsidiary at any time during the past three years; and
- o is able to read and understand fundamental financial statements, including our balance sheet, statement of operations, and statement of cash flows.

The Board of Directors has determined that at least one "audit committee financial expert," as defined under Item 401(h) of Regulation S-K, currently serves on the Audit Committee. The Board of Directors has identified Mr. Heyworth as an audit committee financial expert. Mr. Heyworth is independent, as independence for audit committee members is defined under applicable NASD rules.

The Audit Committee has operated pursuant to a written charter detailing its duties since June 12, 2000. In fiscal 2004, the Audit Committee amended and restated its charter to comply with certain requirements of the NASD rules relating to qualitative listing requirements for Nasdaq National Market issuers. A copy of the current Audit Committee Charter is available on our website.

In performing its duties, the Audit Committee, as required by applicable SEC rules, issues a report recommending to the Board of Directors that our audited financial statements be included in the Annual Report on Form 10-K, and relating to certain other matters, including the independence of our public accounting firm.

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The fiscal 2005 Report of the Audit Committee is set forth below. The Audit Committee Report shall not be deemed to be incorporated by reference into any filing made by us under the Securities Act of 1933 (“Securities Act”) or the Exchange Act, notwithstanding any general statement contained in any such filings incorporating this Proxy Statement by reference, except to the extent we incorporate such report by specific reference.

Audit Committee Report for Fiscal 2005

The primary purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the quality and integrity of our financial reports and financial reporting processes and systems of internal control. Management has primary responsibility for our financial statements and the overall reporting process, including maintenance of our system of internal control. We retain an independent registered public accounting firm that is responsible for conducting an independent audit of our financial statements, in accordance with the standards of the Public Company Accounting Oversight Board (United States), and issuing a report thereon.

In performing its duties, the Audit Committee has discussed our financial statements, management’s assessment of internal control over financial reporting and the effectiveness of internal control over financial reporting with management and our independent registered public accounting firm and, in issuing this report, has relied upon the responses and information provided to the Audit Committee by management and the independent registered public accounting firm. For the fiscal year ended June 30, 2005, the Audit Committee (1) reviewed and discussed the audited financial statements, management’s assessment of internal control over financial reporting, and the effectiveness of internal control over financial reporting with management and KPMG LLP (“KPMG”), our independent registered public accounting firm for such fiscal year; (2) discussed with the independent registered public accounting firm the matters required to be disclosed by Statement on Auditing Standards No. 61; (3) received and discussed with the independent registered public accounting firm the written disclosures and the letter from such firm required by Independence Standards Board Statement No. 1; and (4) discussed with independent registered public accounting firm its independence. The Audit Committee met with representatives of KPMG without management or other persons present on two occasions during fiscal 2005. Based on the foregoing reviews and meetings, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended June 30, 2005, for filing with the SEC.

Audit Committee

Anthony Heyworth (Chairman)
Paul Biddelman
Michael Miller

Compensation and Nominating Committee. The Compensation and Nominating Committee of the Board of Directors met four times during fiscal 2005. The Compensation and Nominating Committee reviews all aspects of compensation of our executive officers, recommends for the selection of the Board of Directors director nominees, and makes recommendations on such matters to the full Board of Directors. The charter for the Compensation and Nominating Committee was adopted in fiscal 2005 and is available on our website. The Compensation and Nominating Committee Report on executive compensation for fiscal 2005 is set forth below.

Director Nomination Process. Director nominees are selected by the independent members of our Board of Directors. Our Board has adopted a policy of re-nominating incumbent directors who continue to satisfy the criteria for Board membership and whom the independent directors believe continue to make important contributions to the Board and who consent to continue to serve on the Board.

In filling vacancies on the Board, the independent directors will solicit recommendations for nominees from persons that the independent directors believe are likely to be familiar with (i) our needs and (ii) qualified candidates. These persons may include members of the Board and management, advisors to us, or professional search firms.

Our independent directors will also consider proposed director nominees recommended by stockholders, provided that the following procedural requirements are satisfied. Director nominee recommendations should be mailed via certified mail, return receipt requested, and addressed to Director Nomination, Celadon Group, Inc., c/o Paul Will - Executive Vice President, 9503 East 33rd Street, One Celadon Drive, Indianapolis, Indiana, 46235. In order to be considered, a stockholder recommendation must: (i) be received at least 120 days prior to the first anniversary of the date of the proxy statement for the prior year's annual meeting (by [Month] [Day], [Year] for director candidates to be considered for nomination for election at the Annual Meeting of Stockholders following the end of fiscal year 2006), however, if the date of such annual meeting is more than thirty days before or after [Month] [Day], [Year], then the deadline for submitting any director candidates for nomination for election at such annual meeting will be a reasonable time before we begin to print or mail such proxy materials; (ii) contain sufficient background information, such as a resume and references, to enable our independent directors to make a proper judgment regarding the proposed nominee's qualifications; (iii) be accompanied by a signed consent of the proposed nominee to serve as a director, if elected, and a representation that such proposed nominee qualifies as independent under NASD Rule 4200(a)(15) or, if the proposed nominee does not qualify, a description of the reasons he or she is not independent; (iv) state the name and address of the stockholder submitting the recommendation and the number of shares of our common stock owned of record or beneficially by such stockholder; and (v) if submitted by a beneficial stockholder, be accompanied by evidence (such as a recent brokerage statement) that the person making the recommendation beneficially owns shares of our common stock.

In evaluating potential nominees, including potential nominees properly submitted by stockholders, our independent directors will review the person's judgment, integrity, independence, experience, and knowledge of the industry in which we operate or related industries, as well as such other factors the independent directors determine are relevant in light of our needs and the needs of our Board. With regard to specific qualities and skills, our Board of Directors believes it necessary that: (i) at least a majority of the members of the Board qualify as independent under NASD Rule 4200(a)(15); (ii) at least three members of the Board of Directors satisfy the audit committee membership criteria specified in NASD Rule 4350(d)(2); and (iii) at least one member of the Board of Directors eligible to serve on the Audit Committee have sufficient knowledge, experience, and training concerning accounting and financial matters so as to qualify as an "audit committee financial expert" within the meaning of Item 401(h) of Regulation S-K.

Code of Conduct and Ethics

Our Board of Directors has adopted a Code of Business Conduct and Ethics that applies to all our directors, officers, and employees. The Code of Business Conduct and Ethics includes provisions applicable to our principal executive officer, principal financial officer, and principal accounting officer or controller or persons performing similar functions, that constitute a "code of ethics" within the meaning of Item 406 (b) of Regulation S-K. A copy of the Code of Business Conduct and Ethics is available on our Company's website.

Section 16(a) Beneficial Ownership Reporting Compliance

Under the securities laws of the United States, our directors and executive officers and any persons owning more than 10 percent of the common stock are required to report their ownership of common stock and any changes in that ownership, on a timely basis, to the SEC. To our knowledge, based solely on a review of materials provided to us, all such required reports were filed on a timely basis in fiscal 2005, except that each of Stephen Russell, Thomas Glaser, Paul Will, and Sergio Hernandez did not timely report grants of Stock Appreciation Rights ("SARs") in October 2004. Additionally, Paul Biddelman did not timely report the December 2004 exercise of outstanding options to purchase our common stock. All such transactions were reported in subsequent filings.

EXECUTIVE COMPENSATION

The following table sets forth the aggregate compensation paid or accrued by us for services rendered during fiscal 2005, 2004, and 2003 to our Chief Executive Officer, and each of the four next most highly compensated executive officers (collectively, the "Named Executive Officers") during fiscal 2005. Columns are omitted where no information is required to be reported.

Summary Compensation Table

<u>Name</u>	<u>Year</u>	<u>Annual Compensation</u>		<u>Long Term Compensation Awards</u>		
		<u>Salary</u>	<u>Bonus</u>	<u>Restricted Stock Awards⁽¹⁾</u>	<u>Underlying Securities Options / SARs⁽²⁾</u>	<u>All Other Compensation</u>
Stephen Russell	2005	\$597,770	\$613,371			
Chairman and	2004	\$568,264				
Chief Executive Officer	2003	\$556,172				