

COMMUNITY TRUST BANCORP INC /KY/
Form DEF 14A
March 28, 2007

COMMUNITY TRUST BANCORP, INC.

**346 North Mayo Trail
Pikeville, Kentucky 41501**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 24, 2007**

The Annual Meeting of Shareholders of Community Trust Bancorp, Inc. ("CTBI") will be held at Community Trust Bank, Inc., 346 North Mayo Trail, Pikeville, Kentucky, on Tuesday, April 24, 2007 at 10:00 a.m. EDT for the following purposes:

1. To elect a Board of eight Directors to hold office until the next Annual Meeting of Shareholders and until their successors are elected and qualify.
2. To ratify and approve the appointment of BKD, LLP as CTBI's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2007.
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only those holders of stock of record at the close of business on February 28, 2007 are entitled to notice of and to vote at the Annual Meeting and any adjournment thereof.

The Proxy Statement describing matters to be considered at the Annual Meeting is attached to this notice.

We hope you will attend the meeting and vote your shares in person.

By Order of the Board of Directors

/s/ Jean R. Hale
Jean R. Hale
Chairman, President and CEO

Pikeville, Kentucky
April 4, 2007

IMPORTANT

WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING, PLEASE MARK, DATE, AND SIGN THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE, WHICH DOES NOT REQUIRE ANY POSTAGE IF MAILED IN THE U.S. IN THE EVENT YOU ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON AT ANY TIME BEFORE YOUR PROXY IS EXERCISED.

**Community Trust Bancorp, Inc.
346 North Mayo Trail
Pikeville, Kentucky 41501**

PROXY STATEMENT

**Annual Meeting of Shareholders
to be held April 24, 2007**

INTRODUCTION

This Proxy Statement and accompanying proxy are furnished in connection with the solicitation of proxies by the Board of Directors ("Board") of CTBI for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on Tuesday, April 24, 2007, at 10:00 a.m. (EDT), at Community Trust Bank, Inc., 346 North Mayo Trail, Pikeville, Kentucky, and any adjournments thereof. A copy of CTBI's 2006 Annual Report to Shareholders accompanies this Proxy Statement.

The cost of solicitation of proxies will be borne by CTBI. In addition to the use of the mail, proxies may be solicited in person, by telephone and other means of communication by directors, officers, and other employees of CTBI, none of whom will receive additional compensation for such services. CTBI will also request brokerage houses, custodians, and nominees to forward soliciting materials to the beneficial owners of stock held of record by them and will pay the reasonable expenses of such persons for forwarding such materials. This Proxy Statement and the accompanying proxy are first being mailed or given to shareholders of CTBI on or about April 4, 2007.

RECORD DATE AND VOTING SECURITIES

The Common Stock of CTBI ("Common Stock") is the only class of outstanding voting securities. Only holders of Common Stock of record at the close of business on February 28, 2007 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting. At the Record Date, there were 15,203,173 shares of Common Stock outstanding. With respect to the election of directors, shareholders have cumulative voting rights. Accordingly, each shareholder will have the right to cast as many votes in the aggregate as equals the number of shares of Common Stock held by the shareholder multiplied by the number of directors to be elected at the Annual Meeting. Each shareholder may cast all of his or her votes for one candidate or distribute such votes among two or more candidates. Shareholders will be entitled to one vote for each share of Common Stock held of record on the Record Date with regard to all other matters that properly come before the Annual Meeting or any adjournment thereof.

Each proxy, unless the shareholder otherwise specifies, will be voted in favor of the election of the eight nominees for director named herein and the approval of the appointment of BKD, LLP as CTBI's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2007. Where a shareholder has appropriately specified how the proxy is to be voted, it will be voted accordingly. As to any other matter which may properly be brought before the Annual Meeting or any adjournment thereof, a vote may be cast pursuant to the accompanying proxy in accordance with the judgment of the person or persons voting the proxy. A shareholder may revoke his or her proxy at any time prior to its exercise. Revocation may be effected by written notice to CTBI, by a subsequently dated proxy received by CTBI, by oral revocation in person at the Annual Meeting or any adjournment thereof, or by voting in person at the Annual Meeting or any adjournment thereof.

A majority of the outstanding shares present in person or by proxy is required to constitute a quorum to transact business at the Annual Meeting. Abstentions will be treated as present for purposes of determining a quorum, but as

unvoted shares for purposes of determining the approval of any matter submitted to the shareholders for a vote. If a broker indicates that it does not have discretionary authority as to certain shares to vote on a particular matter, such shares will not be considered as present and entitled to vote with respect to such matter.

PRINCIPAL SHAREHOLDERS

The following table sets forth information as to each shareholder known by CTBI to beneficially own more than five percent of the Common Stock as of the Record Date.

Beneficial Owners Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class
Community Trust and Investment Company As Fiduciary 100 East Vine St., Suite 400 Lexington, Kentucky 40507	1,431,336 (1)	9.4%
Barclay's Global Investors NA Institutional Investor 45 Fremont Street San Francisco, CA 94105	1,042,810 (2)	6.9%

(1) The shares indicated are held by Community Trust and Investment Company, a subsidiary of CTBI, in fiduciary capacities as trustee, executor, agent, or otherwise. Of the shares indicated, Community Trust and Investment Company has sole voting rights with respect to 1,283,196 shares and no voting rights with respect to 148,140 shares. Community Trust and Investment Company has shared investment authority with respect to 84,478 shares, sole investment authority with respect to 240,342 shares, and no authority with respect to 18,844 shares; 1,087,672 shares are held by CTBI's Employee Stock Ownership Plan ("ESOP"). Each participant for whom shares are maintained in his or her Plan account are entitled to direct the Trustee as to the manner in which voting rights will be exercised with respect to such shares. The Trustee shall vote in its discretion all unallocated shares and all shares for which no voting instructions are timely received.

(2) The shares indicated are as of December 31, 2006, the most current date for which data is available.

ELECTION OF DIRECTORS

CTBI's directors are elected at each annual meeting of the shareholders and hold office until the next election of directors or until their successors are duly elected and qualify. The persons named below, all of whom currently serve as directors of CTBI, have been nominated for election to serve until the 2008 Annual Meeting of Shareholders. The following table sets forth certain information respecting the persons nominated to be directors of CTBI as of the Record Date:

Name and Age (1)	Positions		Principal Occupation (2)	Amount and Nature of Beneficial Ownership(3) Percent of Class	
	And Offices*	Director Since			
Charles J. Baird; 57	Director	1987	Attorney, Baird and Baird, P.S.C.	298,480(5)	2.0%
Nick A. Cooley; 73	Director	1980	President, Unit Coal Corporation	59,644	(4)
Jean R. Hale; 60	Chairman, President and CEO	1993	Chairman, President and CEO, Community Trust Bancorp, Inc.	206,536(6)	1.4%
James E. McGhee, II; 49	Director	2005	President, Three JC Investments	15,771	(4)
M. Lynn Parrish; 57	Director	1993	President, Marwood Land Company, Inc.	104,511(7)	(4)
Gov. Paul E. Patton; 69	Director	2004	Retired	17,134(8)	(4)
Dr. James R. Ramsey; 58	Director	2003	President, University of Louisville	2,200	(4)
Gary G. White; 57	Director	2007	President and CEO, International Industries, Inc.	0	(4)
All directors and executive officers as a group (17 in number including the above named individuals)				858,627(9)	5.6%

*Jean R. Hale is also Chairman of the Board of Directors of Community Trust Bank, Inc. and Community Trust and Investment Company.

(1) The ages listed are as of February 28, 2007.

(2) Each of the nominees has been engaged in the principal occupation specified above for five years or more, except Ms. Hale, Dr. Ramsey, Governor Patton, Mr. McGhee, and Mr. Parrish. Ms. Hale was promoted from Vice Chairman of the Board to Chairman of the Board on December 31, 2004. Dr. Ramsey has been President of the University of Louisville since November 2002. From August 1999 until November 2002, Dr. Ramsey served as Senior Executive of the University of Louisville, and from August 1999 through November 2002, Dr. Ramsey served in various positions with the Commonwealth of Kentucky, including State Budget Director, Senior Policy Advisor, and Interim Commissioner of the Office of New Economy. Governor Patton was elected as Kentucky's 59th governor in 1995. After serving eight years as Governor, he is now retired from public office and volunteers his time as a fund-raiser at Pikeville College. Mr. McGhee sold Dyno East Kentucky dba Mountain Valley Explosives in 2006 and formed Three JC Investments. Knott Floyd Land Co., Inc. was acquired in October 2006, and Mr. Parrish resigned concurrently. Mr. Parrish has been president of Marwood Land Company, Inc. for more than ten years.

(3) Under the rules of the Securities and Exchange Commission, a person is deemed to beneficially own a security if the person has or shares the power to vote or direct the voting of such security, or the power to dispose or to direct the disposition of such security. A person is also deemed to beneficially own any shares which that person has the right to acquire beneficial ownership within sixty days. Shares of Common Stock subject to options exercisable within sixty days are deemed outstanding for computing the percentage of class of the person holding such options but are not deemed outstanding for computing the percentage of class for any other person. Unless otherwise indicated, the named persons have sole voting and investment power with respect to shares held by them.

(4) Less than 1 percent.

(5) Includes 17,196 shares held as trustee under various trust agreements established by Mr. Baird's mother, Florane J. Baird, for her grandchildren, 216,205 shares held as trustee of the Bryan M. Johnson Testamentary Trust FBO Rosemary Dean, 58,000 shares held as trustee of the Carolyn A. Baird Family Trust, and 79 shares held by Mr. Baird's wife, over which Mr. Baird has no voting or investment power.

(6) Includes 81,486 shares which Ms. Hale may acquire pursuant to options exercisable within sixty days of the Record Date and 50,860 shares held in the ESOP and 401 (k) plans which Ms. Hale has the power to vote.

(7) Includes 103,451 shares beneficially owned by Mr. Parrish held in MLP Limited Partnership over which Mr. Parrish has sole voting and investment power and 1,060 shares held by his spouse, Jessica J. Parrish, as custodian for Jesse Marvin Parrish KY UGMA, over which Mr. Parrish has no voting or investment power.

(8) Includes 9,961 shares held by Governor Patton's wife, over which Governor Patton has no voting or investment power.

(9) Includes 170,727 shares which may be acquired by all directors and executive officers as a group pursuant to options exercisable within sixty days of the Record Date.

Unless authority to do so is withheld, it is the intention of the persons named in the proxy to vote for the election of each of the nominees listed above. All nominees have indicated a willingness to serve and CTBI does not anticipate that any of the above nominees will decline or be unable to serve if elected as a director. However, in the event that one or more of such nominees is unable, unwilling or unavailable to serve, the persons named in the proxy shall have authority, according to their judgment, to vote for such substitute nominees as they, after consultation with CTBI's Board of Directors, shall determine. If considered desirable, cumulative voting will be exercised by the persons named in the proxy to elect as many of such nominees as possible.

The Nominating and Corporate Governance Committee assists the Board in identifying qualified persons to serve as directors of CTBI. The Committee will evaluate proposed director nominees, including incumbent directors prior to recommending renomination. The Nominating and Corporate Governance Committee selects as candidates for nomination individuals of high personal and professional integrity and ability who can contribute to the Board's collective effectiveness in serving the interests of CTBI's shareholders.

The Nominating and Corporate Governance Committee will consider candidates nominated by shareholders. The Nominating and Corporate Governance Committee will evaluate candidates recommended by shareholders on the same basis as it evaluates any other properly recommended nominee. Shareholders who desire to recommend a candidate for election at the next annual meeting of stockholders should submit the name of the candidate and information concerning the qualifications of the candidate by mail to the Nominating and Corporate Governance Committee at CTBI's address on or before December 31, 2007.

The following persons are executive officers of Community Trust Bancorp, Inc. as of the Record Date. They are not nominated to serve as directors. Their security ownership as of the Record Date is as follows:

Name	Position	Amount and Nature of Beneficial Ownership	Percent of Class
James B. Draughn	Executive Vice President	18,947(2)	(1)
James J. Gartner	Executive Vice President	6,682(3)	(1)

Mark A. Gooch	Executive Vice President and Secretary	76,343(4)	(1)
Larry W. Jones	Executive Vice President	2,272(5)	(1)
Tracy E. Little	Executive Vice President	4,615(6)	(1)
Richard W. Newsom	Executive Vice President	19,381(7)	(1)
Ricky D. Sparkman	Executive Vice President	9,981(8)	(1)
Kevin J. Stumbo	Executive Vice President and Treasurer	6,401(9)	(1)
Michael S. Wasson	Executive Vice President	9,729(10)	(1)

(1) Less than 1 percent.

(2) Includes 4,550 shares which Mr. Draughn may acquire pursuant to options exercisable within sixty days of the Record Date and 7,742 shares held in CTBI's ESOP and 401(k) plans which Mr. Draughn has the power to vote.

(3) Includes 5,579 shares which Mr. Gartner may acquire pursuant to options exercisable within sixty days of the Record Date and 1,103 shares held in CTBI's ESOP and 401(k) plans which Mr. Gartner has the power to vote.

(4) Includes 61,258 shares which Mr. Gooch may acquire pursuant to options exercisable within sixty days of the Record Date and 14,635 shares held in CTBI's ESOP and 401(k) plans which Mr. Gooch has the power to vote.

(5) Includes 1,156 shares which Mr. Jones may acquire pursuant to options exercisable within sixty days of the Record Date and 753 shares held in CTBI's ESOP and 401(k) plans which Mr. Jones has the power to vote.

(6) Includes 3,630 shares which Mr. Little may acquire pursuant to options exercisable within sixty days of the Record Date and 675 shares held in CTBI's ESOP and 401(k) plans which Mr. Little has the power to vote.

(7) Includes 7,511 shares which Mr. Newsom may acquire pursuant to options exercisable within sixty days of the Record Date and 11,870 shares held in CTBI's ESOP and 401(k) plans which Mr. Newsom has the power to vote.

(8) Includes 5,557 shares which Mr. Sparkman may acquire pursuant to options exercisable within sixty days of the Record Date and 4,424 shares held in CTBI's ESOP and 401(k) plans which Mr. Sparkman has the power to vote.

(9) Includes 6,401 shares held in CTBI's ESOP and 401(k) plans which Mr. Stumbo has the power to vote.

(10) Includes 3,167 shares held in CTBI's ESOP and 401(k) plans which Mr. Wasson has the power to vote.

BOARD OF DIRECTORS COMPENSATION

Directors of CTBI, excluding the Chairman of the Audit Committee, who are not also officers of CTBI, were paid \$5,000 per quarter for 2006, plus \$600 for any Committee or special-called Board meeting other than those held on the same day as the regularly scheduled quarterly Board meeting. The Chairman of the Audit Committee was paid \$6,250 per quarter for 2006 plus \$600 for any special-called Board meeting other than those held on the same day as the regularly scheduled quarterly Board meeting. Directors who are also officers of CTBI did not receive additional compensation for serving as a director. Fees paid to Directors of CTBI for 2006 totaled \$168,100. No option awards, stock awards, retirement benefits, or other benefits are provided to Directors of CTBI. The following table shows the total fees paid in 2006 to each Director.

Director	2006 Fees Paid
Charles J. Baird	\$ 20,000
Nick A. Cooley	23,000
Jean R. Hale	0 (1)
James E. McGhee, II	22,400
M. Lynn Parrish	26,750
Paul E. Patton	22,400
Dr. James R. Ramsey	31,150
Gary G. White	0 (2)

Total	\$ 145,700
	(3)

(1) As an officer of CTBI, Ms. Hale does not receive directors' fees.

(2) Mr. White was appointed to the Board on March 8, 2007; therefore, no fees were paid to Mr. White in 2006.

(3) Mr. William A. Graham, Jr. served as Director of CTBI until his death in October 2006. Mr. Graham received directors' fees in the amount of \$22,400 during 2006.

CORPORATE GOVERNANCE

The Board of Directors has determined that the following six of CTBI's eight directors are "independent" as defined by applicable law and NASDAQ listing standards: Nick A. Cooley, James E. McGhee, II, M. Lynn Parrish, Governor Paul E. Patton, Dr. James R. Ramsey, and Gary G. White. Mr. Parrish has been selected by the Board of Directors as the "lead independent director."

During 2006, the Board held four executive sessions, under the guidelines for executive sessions prescribed in the Corporate Governance Guidelines, of those members of the Board who met current standards of independence.

Corporate Governance Guidelines and the Code of Business Conduct and Ethics adopted by the Board may be found on CTBI's website at www.ctbi.com.

Shareholders may communicate directly with the Board of Directors by sending a written communication addressed to the Chairman of the Board of Directors at CTBI's address.

The Board of Directors held eight meetings during the 2006 fiscal year, including the annual organizational meeting. Each director attended at least 75% of the aggregate number of Board meetings and meetings of Board committees on which such director served in 2006, except Nick A. Cooley, who attended 43% of the meetings. It is the Board's policy that directors should attend each annual meeting of shareholders subject to a substantial personal or business conflict. All of CTBI's directors who were serving at the time attended the 2006 annual meeting of shareholders. The Board has the following committees: Audit and Asset Quality Committee, Compensation Committee, Executive Committee, Nominating and Corporate Governance Committee, Risk and Compliance Committee, and Corporate Retirement and Employee Benefit Committee.

The Audit and Asset Quality Committee (the "Audit Committee") Charter was last approved in January 2007 and is included herein as Appendix A. The Audit Committee Charter may also be found on CTBI's website at www.ctbi.com. The Audit Committee consists of Dr. James R. Ramsey, Nick A. Cooley, James E. McGhee, II, M. Lynn Parrish, and Governor Paul E. Patton, all of whom meet the independence standards of Rule 4200(a)(15) and the audit committee qualifications of Rule 4350(d)(2) of the NASDAQ listing standards. The Board of Directors has determined that none of the Audit Committee members has a relationship to CTBI that may interfere with his independence from the corporation and its management. The Board has determined that Dr. James R. Ramsey is an audit committee financial expert for CTBI and is independent as described above. For further information regarding the Audit Committee, please see the Report of the Audit and Asset Quality Committee below.