

CENTRAL PACIFIC FINANCIAL CORP
Form DEF 14A
March 29, 2007
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

CENTRAL PACIFIC FINANCIAL CORP.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- | | |
|-----|---|
| (1) | Title of each class of securities to which transaction applies: |
| (2) | Aggregate number of securities to which transaction applies: |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): |
| (4) | Proposed maximum aggregate value of transaction: |
| (5) | Total fee paid: |
- Fee paid previously with preliminary materials.
 Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- | | |
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| (1) | Amount Previously Paid: |
| (2) | Form, Schedule or Registration Statement No.: |
| (3) | Filing Party: |
| (4) | Date Filed: |

CENTRAL PACIFIC FINANCIAL CORP.

**220 South King Street
Honolulu, Hawaii 96813
(808) 544-0500**

**MAY 22, 2007 ANNUAL MEETING
YOUR VOTE IS IMPORTANT**

March 29, 2007

Dear Fellow Shareholder:

On behalf of your Board of Directors, we cordially invite you to attend the 2007 Annual Meeting of Shareholders of Central Pacific Financial Corp. The Annual Meeting will be held on May 22, 2007, at 6:00 p.m., Hawaii time, in the Carnation Room of the Ala Moana Hotel, 410 Atkinson Drive, Honolulu, Hawaii.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe matters to be acted upon at the Annual Meeting. Please give these materials your prompt attention. Then, we ask that you sign, date and mail promptly the enclosed Proxy Card in the enclosed postage-paid envelope to ensure that your shares are voted accordingly. Shareholders who attend the meeting may withdraw their proxy and vote in person if they wish to do so.

We appreciate your continued interest in Central Pacific Financial Corp. and are confident that, as in the past, you will continue to vote your shares.

Sincerely,

RONALD K. MIGITA
Chairman

CLINT ARNOLDUS
Vice Chairman, Chief Executive Officer and President

CENTRAL PACIFIC FINANCIAL CORP.

**220 South King Street
Honolulu, Hawaii 96813
(808) 544-0500**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 22, 2007**

TO THE SHAREHOLDERS OF CENTRAL PACIFIC FINANCIAL CORP.:

NOTICE IS HEREBY GIVEN that, pursuant to its Restated Bylaws and the call of its Board of Directors, the Annual Meeting of Shareholders (the Meeting) of Central Pacific Financial Corp. (the Company) will be held in the Carnation Room of the Ala Moana Hotel, 410 Atkinson Drive, Honolulu, Hawaii, on May 22, 2007, at 6:00 p.m., Hawaii time, for the purpose of considering and voting upon the following matters:

- (i) **Election of Directors.** To elect five persons to the Board of Directors for a term of three years and to serve until their successors are elected and qualified, as more fully described in the accompanying Proxy Statement.
- (ii) **Ratification of Appointment of Independent Registered Public Accounting Firm.** To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007.
- (iii) **Amendment of the Central Pacific Financial Corp. 2004 Stock Compensation Plan.** To amend the Company's 2004 Stock Compensation Plan in order to increase the number of shares available for issuance pursuant to awards granted under the Plan from 1,500,000 to 2,500,000.
- (iv) **Other Business.** To transact such other business as may properly come before the Meeting and at any and all adjournments thereof.

Only those shareholders of record at the close of business on March 15, 2007 shall be entitled to notice of and to vote at the Meeting.

SHAREHOLDERS ARE URGED TO SIGN AND RETURN THE ENCLOSED PROXY IN THE POSTAGE PREPAID ENVELOPE AS PROMPTLY AS POSSIBLE, WHETHER OR NOT THEY PLAN TO ATTEND THE MEETING IN PERSON. SHAREHOLDERS WHO ATTEND THE MEETING MAY WITHDRAW THEIR PROXY AND VOTE IN PERSON IF THEY WISH TO DO SO.

By order of the Board of Directors,

GLENN K. C. CHING
Senior Vice President and Corporate Secretary

Dated: March 29, 2007

CENTRAL PACIFIC FINANCIAL CORP.

220 South King Street
Honolulu, Hawaii 96813
(808) 544-0500

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

MAY 22, 2007

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies (Proxies) by the Board of Directors (the Board) of Central Pacific Financial Corp. (the Company) for use at the Annual Meeting of Shareholders (the Meeting) of the Company to be held in the Carnation Room of the Ala Moana Hotel, 410 Atkinson Drive, Honolulu, Hawaii, on May 22, 2007, 6:00 p.m., Hawaii time, and at any and all adjournments thereof. The approximate date on which this Proxy Statement and accompanying Notice and form of proxy are first being mailed to shareholders is April 6, 2007.

Matters to be Considered

The matters to be considered and voted upon at the Meeting will be:

- (i) **Election of Directors.** To elect five persons to the Board for a term of three years and to serve until their successors are elected and qualified.
- (ii) **Ratification of Appointment of Independent Registered Public Accounting Firm.** To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007.
- (iii) **Amendment of the Central Pacific Financial Corp. 2004 Stock Compensation Plan.** To amend the Company's 2004 Stock Compensation Plan in order to increase the number of shares available for issuance pursuant to awards granted under the Plan from 1,500,000 to 2,500,000.
- (iv) **Other Business.** To transact such other business as may properly come before the Meeting and at any and all adjournments thereof.

Record Date, Outstanding Securities and Voting Rights

The Board fixed the close of business on March 15, 2007 as the record date (the Record Date) for the determination of the shareholders of the Company entitled to notice of and to vote at the Meeting. Only holders of record of shares of Common Stock at the close of business on the Record Date will be entitled to vote at the Meeting and at any adjournment or postponement of the Meeting. There were 30,755,747 shares of the Company's common stock, no par value (Common Stock), issued and outstanding on the Record Date, held by approximately 3,525 holders of record.

Each holder of Common Stock will be entitled to one vote, in person or by proxy, for each share of Common Stock standing in the holder's name on the books of the Company as of the Record Date on any matter submitted to the vote of the shareholders.

Quorum

The required quorum for the transaction of business at the Meeting is a majority of the total outstanding shares of Common Stock entitled to vote at the Meeting, either present in person or

represented by proxy. Abstentions will be included in determining the number of shares present at the Meeting for the purpose of determining the presence of a quorum.

Broker Authority to Vote

Under the rules of the National Association of Securities Dealers, Inc., member brokers generally may not vote shares held by them in street name for customers unless they are permitted to do so under the rules of any national securities exchange of which they are a member. Under the rules of the New York Stock Exchange, Inc. (NYSE), a member broker who holds shares in street name for customers has the authority to vote on certain terms if it has transmitted proxy soliciting materials to the beneficial owner but has not received instructions from that owner. NYSE rules permit member brokers that do not receive instructions from their customers to vote on proposal numbers (i) and (ii), discussed above in their discretion. NYSE member brokers will not be permitted to vote on proposal number (iii) unless they receive instructions from their customers.

Vote Required to Approve the Proposals

Proposal 1: Election of Directors. You may vote **FOR** or **WITHHOLD** with respect to any or all director nominees. The election of directors requires a plurality of the votes cast **FOR** the election of directors by the shares entitled to vote in the election at a meeting at which a quorum is present. Accordingly, the five directorships to be filled at the meeting will be filled by the five nominees receiving the highest number of **FOR** votes; votes that are **WITHHELD** will be excluded entirely from the vote and will have no effect on the outcome of the vote.

The Board recommends a vote **FOR the election of all nominees as directors.**

Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm. The proposal to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm requires the affirmative vote of shareholders holding not less than a majority of the shares of Common Stock represented in person or by proxy and entitled to vote at the Meeting. An abstention from voting on the proposal to ratify the appointment of KPMG LLP will have the effect of a vote **AGAINST** the proposal.

The Board recommends a vote **FOR ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007.**

Proposal 3: Approval of Amendment of the Central Pacific Financial Corp. 2004 Stock Compensation Plan

On February 28, 2007, the Board, subject to approval of the Company's shareholders at the Meeting, adopted a resolution approving an amendment to the Central Pacific Financial Corp. 2004 Stock Compensation Plan (the **Plan**) in order to increase the number of shares available for issuance pursuant to awards granted under the Plan from 1,500,000 to 2,500,000 (the **Amendment**). The central objectives of the Company's compensation plans are to link compensation to the performance of the Company, to attract and retain highly qualified executives critical to the Company's long-term success, and to align executives' long-term interests with those of shareholders.

The Board recommends a vote **For this amendment of the Central Pacific Financial Corp. 2004 Stock Compensation Plan. Adoption of the Amendment to the Plan was unanimously approved by the Board, subject to the receipt of shareholder approval. Approval of the Amendment to the Plan will require the affirmative vote of a majority of the outstanding shares of Common Stock present in person or by proxy and entitled to vote at the Meeting.**

It is not anticipated that any matters will be presented at the Meeting other than as set forth in the accompanying Notice of the Meeting. If any other matters are presented properly at the Meeting, however, the Proxy will be voted by the Proxy holders in accordance with the recommendations of the Board.

Revocability of Proxies

Any shareholder who executes and delivers such Proxy has the right to revoke it at any time before it is exercised by filing with the Corporate Secretary of the Company an instrument revoking it or a duly executed Proxy bearing a later date. A Proxy may also be revoked by attending the Meeting and voting in person at the Meeting. Subject to such revocation, all shares represented by a properly executed Proxy received in time for the Meeting will be voted by the Proxy holders in accordance with the instructions on the Proxy. If your shares are held in street name, you should follow the instructions of your broker, banker or nominee regarding the revocation of proxies.

Solicitation of Proxies

This solicitation of Proxies is made on behalf of the Board, and the Company will bear the costs of the preparation of proxy materials and the solicitation of Proxies for the Meeting. It is contemplated that Proxies will be solicited principally through the mail, but directors, officers and regular employees of the Company or its subsidiary, Central Pacific Bank (the "Bank"), may solicit Proxies personally, by telephone, electronically or by other means of communication. Although there is no formal agreement to do so, the Company may reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding these proxy materials to beneficial owners. The Company has retained D.F. King & Co., Inc. to assist it in connection with the solicitation of Proxies for a fee of approximately \$9,000, plus reimbursement of expenses.

Principal Shareholders

Based on filings made under Section 13(d) and Section 13(g) of the Securities and Exchange Act of 1934, as amended, as of the Record Date, the following were the only persons known to management of the Company to beneficially own more than five percent of the Company's outstanding Common Stock:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Private Capital Management, L.P. Bruce S. Sherman 8889 Pelican Bay Boulevard Suite 500 Naples, Florida 34108-7512	2,475,637 (1)	8.1 %
Barclays Global Investors, N.A. Barclays Global Fund Advisors 45 Fremont Street, 17th Floor San Francisco, California 94105-2228	2,572,742 (2)	8.39 %
Barclays Global Investors, Ltd. 1 Royal Mint Court London, England		
Dimensional Fund Advisors LP 1299 Ocean Avenue, 11th Floor Santa Monica, California 90401	1,549,206 (3)	5.05 %

(1) According to a Schedule 13G/A filed on February 14, 2007, Private Capital Management, L.P. has shared dispositive and voting power over 2,247,386 shares, and sole voting and dispositive power over 228,251 shares.

(2) According to a Schedule 13G filed on January 23, 2007, Barclays Global Investors, N.A. has sole dispositive power over 1,615,748 shares including 1,506,383 shares over which it has sole voting power,

Barclays Global Fund Advisors has sole dispositive and voting power over 937,445 shares, and Barclays Global Investors, Ltd. has sole dispositive and voting power over 19,549 shares.

(3) According to a Schedule 13G/A filed on February 8, 2007, Dimensional Fund Advisors LP has sole voting and dispositive power over 1,549,206 shares.

Security Ownership of Directors, Nominees and Executive Officers

The following table sets forth certain information regarding beneficial ownership of Common Stock by each of the current directors, and the Named Executive Officers (as defined below under the heading Compensation of Directors and Executive Officers Executive Compensation), as well as all directors and executive officers as a group, as of the close of business on March 15, 2007. Unless otherwise noted, the address of each person is c/o Central Pacific Financial Corp., 220 South King Street, Honolulu, Hawaii 96813.

Name of Beneficial Owner			Amount and Nature of Beneficial Ownership(1)	Percent of Class(2)	
<i>Directors and Nominees</i>					
Clint Arnoldus			208,649 (3)	*	
Richard J. Blangiardi			2,063 (4)	*	
Christine H. H. Camp Friedman			3,519 (5)	*	
Earl E. Fry			1,128 (6)		
B. Jeannie Hedberg			4,330 (7)	*	
Dennis I. Hirota			32,994 (8)	*	
Clayton K. Honbo			500,556 (9)	1.63 %	
Paul J. Kosasa			30,138 (10)	*	
Duane K. Kurisu			21,233 (11)	*	
Colbert M. Matsumoto			23,243 (12)	*	
Ronald K. Migita			200,449 (13)	*	
Crystal K. Rose			4,800 (14)	*	
Mike K. Sayama			20,013 (15)	*	
Maurice H. Yamasato			14,880 (16)	*	
Dwight L. Yoshimura			21,989 (17)	*	
<i>Named Executive Officers(18)</i>					
Blenn A. Fujimoto			33,192 (19)	*	
Dean K. Hirata			35,226 (20)	*	
Denis K. Isono			8,835 (21)	*	
Curtis W. Chinn			3,739 (22)	*	
Neal K. Kanda			26,097 (23)	*	
<i>All Directors and Executive Officers as a Group (20 persons)</i>			1,197,073 (24)	3.89 %	

(*) Less than one percent.

(1) Except as otherwise noted below, each person has sole voting and investment powers with respect to the shares listed. The numbers shown include the shares actually owned as of March 15, 2007 and, in accordance with Rule 13d-3 under the U.S. Securities Exchange Act of 1934, as amended, any shares of Common Stock that the person has the right or will have the right to acquire within 60 days of March 15, 2007.

(2) In computing the percentage of shares beneficially owned by each person or group of persons named above, any shares which the person (or group) has a right to acquire within 60 days after March 15, 2007 are deemed outstanding for the purpose of computing the percentage of Common Stock beneficially owned by that person (or group) but are not deemed outstanding for the purpose of computing the percentage of shares beneficially owned by any other person.

(3) 6,425 shares of Common Stock are held by a family trust for which Mr. Arnoldus and his wife are co-trustees. 2,540 shares of Common Stock are held under his account under the Central Pacific Bank 401(k) Retirement Savings Plan. 199,684 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the Company's 1997 Stock Option Plan and 2004 Stock Compensation Plan.

(4) 2,063 shares of Common Stock are held directly by Mr. Blangiardi with full voting power. Of the 2,063 shares, 935 shares do not have investment power.

(5) 2,023 shares of Common Stock are held directly by Ms. Camp Friedman with full voting power. Of the 2,023 shares, 635 shares do not have investment power. 1,496 shares of Common Stock are held in her Simplified Employee Pension Plan Individual Retirement Account.

(6) 1,128 shares of Common Stock are held directly by Mr. Fry with full voting and investment power.

(7) 2,363 shares of Common Stock are held directly by Ms. Hedberg with full voting power. Of the 2,363 shares, 935 shares do not have investment power. 125 shares of Common Stock are held as a custodian for her grandson. 1,000 shares of Common Stock are held in a 401-K retirement savings plan. 842 shares of Common Stock are held for her account and benefit under the Central Pacific Financial Corp. Directors Deferred Compensation Plan.

(8) 4,443 shares of Common Stock are directly held by Dr. Hirota with full voting power. Of the 4,443 shares, 935 shares do not have investment power. 11,520 shares of Common Stock are held jointly with his wife for which he has shared voting and investment powers with his wife. 31 shares of Common Stock are held by Dr. Hirota, as President of Sam O. Hirota, Inc. 17,000 shares of Common Stock that he has the right to acquire by the exercise of stock options vested pursuant to the Company's 1997 Stock Option Plan.

(9) 1,793 shares of Common Stock are held directly by Dr. Honbo with full voting power. Of the 1,793 shares, 935 shares do not have investment power. 126,967 shares of Common Stock are held in his sons' and daughter's trusts. 400 shares of Common Stock are held in his Individual Retirement Account. 364,396 shares are held by Pu'uhula Management LLC which was formed by Dr. Honbo and his wife. 7,000 shares of common stock that he has the right to acquire by the exercise of stock options vested pursuant to the Company's 1997 Stock Option Plan.

(10) 3,138 shares of Common Stock are held directly by Mr. Kosasa with full voting power. Of the 3,138 shares, 935 shares do not have investment power. 27,000 shares that he has the right to acquire by the exercise of stock options vested pursuant to the Company's 1997 Stock Option Plan.

(11) 10,023 shares of Common Stock are directly held by Mr. Kurisu with full voting power. Of the 10,023 shares, 635 shares do not have investment power. 11,210 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the CB Bancshares, Inc. Directors Stock Option Plan, the Agreement and Plan of Merger dated April 22, 2004 between Central Pacific Financial Corp. and CB Bancshares, Inc., and the Company's 1997 Stock Option Plan.

(12) 1,763 shares of Common Stock are directly held by Mr. Matsumoto with full voting power. Of the 1,763 shares, 635 shares do not have investment power. 10,368 shares of Common Stock are held for his account and benefit under the Central Pacific Financial Corp. Directors Deferred Compensation Plan. 4,000 shares are held jointly with his wife

for which he has shared voting and investment powers

5

with his wife. 7,112 shares of Common Stock are those he has the right to acquire by the exercise of stock options vested pursuant to the CB Bancshares, Inc. Directors Stock Option Plan, the Agreement and Plan of Merger dated April 22, 2004 between Central Pacific Financial Corp. and CB Bancshares, Inc., and the Company's 1997 Stock Option Plan.

(13) 200,087 shares of Common Stock are held in Mr. Migita's trust. 362 shares of Common Stock are directly held with full voting and investment power.

(14) 1,763 shares of Common Stock are directly held by Ms. Rose with full voting power. Of the 1,763 shares, 635 shares do not have investment power. 2,000 shares of Common Stock are held by her as trustee of her pension plan and 1,037 shares of Common Stock are held for her account and benefit under the Central Pacific Financial Corp. Directors Deferred Compensation Plan.

(15) 6,295 shares of Common Stock are directly held by Mr. Sayama with full voting power. Of the 6,295 shares, 635 shares do not have investment power. 13,718 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the CB Bancshares, Inc. Directors Stock Option Plan, the Agreement and Plan of Merger dated April 22, 2004 between Central Pacific Financial Corp. and CB Bancshares, Inc., and the Company's 1997 Stock Option Plan.

(16) 14,880 shares of Common Stock are directly held by Mr. Yamasato with full voting power. Of the 14,880 shares, 635 shares do not have investment power.

(17) 1,763 shares of Common Stock are directly held by Mr. Yoshimura with full voting power. Of the 1,763 shares, 635 shares do not have investment power. 20,226 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the CB Bancshares, Inc. Directors Stock Option Plan, the Agreement and Plan of Merger dated April 22, 2004 between Central Pacific Financial Corp. and CB Bancshares, Inc., and the Company's 1997 Stock Option Plan.

(18) The following includes information regarding all the Named Executive Officers (as defined below under the heading Compensation of Directors and Executive Officers Executive Compensation) except for Mr. Arnoldus, whose information is included in this table under the section heading Directors and Nominees .

(19) 2,000 shares of Common Stock are directly held by Mr. Fujimoto with full voting and investment power. 715 shares of Common Stock are held under his account under the Central Pacific Bank 401(k) Retirement Savings Plan. 30,477 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the Company's 1997 Stock Option Plan.

(20) 4,507 shares of Common Stock are held in Mr. Hirata's Individual Retirement Account. 30,719 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the CB Bancshares, Inc. Stock Compensation Plan, the Agreement and Plan of Merger dated April 22, 2004 between Central Pacific Financial Corp. and CB Bancshares, Inc., and the Company's 1997 Stock Option Plan.

(21) 2,124 shares of Common Stock are directly held by Mr. Isono with full voting and investment power. 6,711 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the Company's 1997 Stock Option Plan.

(22) 3,000 shares of Common Stock are directly held by Mr. Chinn with full voting power, but no investment power. 739 shares of Common Stock are held under his account under the Central Pacific Bank 401(k) Retirement Savings Plan.

(23) Mr. Kanda retired in March 2006. The latest information available was through September 15, 2006, on which date he directly held 9,759 shares of Common Stock, with full voting and investment power. 16,338 shares of Common Stock are those that he had the right to acquire by exercise of stock options.

6

(24) Total for all directors and executive officers as a group. There are no shares of Common Stock the above individuals have a right to acquire within 60 days after March 15, 2007.

Section 16(a) Beneficial Ownership Reporting Compliance

The Company's directors, executive officers and the beneficial holders of more than 10% of the Common Stock are required to file certain reports with the United States Securities and Exchange Commission regarding the amount of and changes in their beneficial ownership of the Company's stock. Based on its review of copies of those reports, the Company is required to disclose known failures to file required forms, or failures to timely file required reports during the previous year. To the best knowledge of the Company, there were no failures to file or timely file such required reports during 2006 by any person who was at any time during 2006 a director, officer, beneficial owner of more than 10% of the Common Stock, or any other person subject to Section 16 of the U.S. Securities Exchange Act of 1934, as amended, with respect to the Company.

ELECTION OF DIRECTORS

The Company's Bylaws currently provide for fifteen directors, five each serving as Class I, Class II and Class III directors, each class of directors serving for three-year terms. Five directors (out of a present total of fifteen) are to be elected at the Meeting to serve three-year terms expiring at the 2010 Annual Meeting of Shareholders and until their respective successors are elected and qualified. The nominees to serve as Class I directors for election at the Meeting are Clint Arnoldus, Christine H. H. Camp Friedman, Dennis I. Hirota, Ronald K. Migita, and Maurice H. Yamasato, all of whom are currently directors of the Company.

All nominees have indicated their willingness to serve and unless otherwise instructed, Proxies will be voted for all of the nominees. However, in the event that any of them should be unable to serve, the Proxy holders named on the enclosed Proxy Card will vote in their discretion for such persons as the Board may recommend.

There are no family relationships among directors or executive officers of the Company, and, as of the date hereof, no directorships are held by any director or director nominee with a company with a class of securities registered pursuant to Section 12 of the Exchange Act, or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940, except for Director Crystal K. Rose, who is a director of Hawaiian Holdings, Inc. (AMEX ticker HA).

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE BOARD OF DIRECTORS NOMINEES.

DIRECTORS AND EXECUTIVE OFFICERS INFORMATION

The following table sets forth certain information with respect to each of the continuing directors, nominees and Named Executive Officers:

Name	Principal Occupation for the Past Five Years	Age	First Year Elected or Appointed as Officer or Director of the Company(1)	Term Expires
<i>Nominees</i>				
ARNOLDUS, Clint	Vice Chairman, Chief Executive Officer and President, Central Pacific Financial Corp. (4/2006-present); Vice Chairman, Chief Executive Officer and President, Central Pacific Bank (4/2006-present); Vice Chairman and Chief Executive Officer, Central Pacific Financial Corp. (9/2004-4/2006); Vice Chairman and Chief Executive Officer, Central Pacific Bank (9/2004-4/2006); Vice Chairman and Chief Executive Officer, City Bank (9/2004-2/2005); Chairman, President and Chief Executive Officer, Central Pacific Financial Corp. (2002-9/2004); Chairman, President and Chief Executive Officer, Central Pacific Bank (2002-9/2004)	60	2002	2007
CAMP FRIEDMAN, Christine H. H.	Managing Director, Avalon Development Company LLC (1999-present)	40	2004	2007
HIROTA, Dennis I., Ph.D.	President, Sam O. Hirota, Inc. Engineering and Surveying (1986-present)	66	1980	2007
MIGITA, Ronald K.	Chairman, Central Pacific Financial Corp. and Central Pacific Bank (9/2004-present); Chairman, City Bank (9/2004-2/2005); Director, Chief Executive Officer and President, CB Bancshares, Inc. (1997-9/2004); Vice Chairman and Chief Executive Officer, City Bank (1997-9/2004)	65	2004	2007
YAMASATO, Maurice H.	President, Yamasato Fujiwara Higa & Associates, Inc. (1987-present)	64	2004	2007
<i>Continuing Directors</i>				
BLANGIARDI, Richard J.	Senior Vice President and General Manager, Emmis Operating Company (2002-present)	59	2003	2009
FRY, Earl E.	Executive Vice President, Chief Financial Officer and Secretary, Informatica Corporation (2003-present); Senior Vice President, Chief Financial Officer and Secretary, Informatica Corporation (2002-2003); Senior Vice President and Chief Financial Officer, Informatica Corporation (1999-2002)	48	2005	2008
HEDBERG, B. Jeannie, C.P.A.	Member, Hedberg, Batara & Vaughan-Sarandi, LLC (11/1/2005-present); Partner, Hedberg, Freitas, King & Tom (1969-10/31/2005)	63	2003	2008
HONBO, Clayton K., M.D.	Retired; Doctor of Obstetrics and Gynecology	69	1999	2009

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KOSASA, Paul J.	President and Chief Executive Officer, MNS, Ltd., dba ABC Stores (1999-present)	49	2002	2009
KURISU, Duane K.	Chairman and Chief Executive Officer, aio, LLC, dba aio group (2001-present)	53	2004	2008
MATSUMOTO, Colbert M.	Chairman and Chief Executive Officer, Island Insurance Company, Ltd. (1999-present)	53	2004	2008
ROSE, Crystal K., J.D.	Partner, Bays Deaver Lung Rose & Holma (1989-present)	49	2005	2008
SAYAMA, Mike K., Ph.D.	Vice President, Hawaii Medical Service Association (1997-present)	52	2004	2009
YOSHIMURA, Dwight L.	Senior Vice President and Senior General Manager, GGP Limited Partnership (1991-present)	52	2004	2009
<i>Named Executive Officers(2)</i>				
KANDA, Neal K. (Retired in 3/06)	President and Chief Operating Officer, Central Pacific Financial Corp. and Central Pacific Bank (9/2004-3/2006); Director, Central Pacific Bank (9/2004-3/2006); Director, City Bank (9/2004-2/2005); Director, Central Pacific Financial Corp. (8/25/04-1/31/05); President and Chief Operating Officer, City Bank (9/2004-2/2005); Vice President and Treasurer, Central Pacific Financial Corp. (2003-9/2004); Executive Vice President and Chief Financial Officer, Central Pacific Bank (2002-9/2004); Vice President, Treasurer and Secretary, Central Pacific Financial Corp. (2002-2003)	58	1991	(3)
CHINN, Curtis W.	Executive Vice President, Central Pacific Financial Corp. (4/2006-present); Executive Vice President and Chief Risk Officer, Central Pacific Bank (12/2006-Present); Executive Vice President and Chief Credit Officer, Central Pacific Bank (1/2006-12/2006); Senior Vice President & Commercial Banking Division Manager, Central Pacific Bank (3/2003-1/2006); Senior Vice President, Silicon Valley Bank (3/2001-12/2002)	51	2006	N/A
FUJIMOTO, Blenn A.	Vice Chairman, Central Pacific Financial Corp. (4/2006-present); Vice Chairman, Hawaii Market, Central Pacific Bank (1/2006-present); Executive Vice President, Hawaii Market, Central Pacific Bank (9/2004-12/2005); Executive Vice President, Hawaii Market, City Bank (9/2004-2/2005); Executive Vice President and Chief Financial Services Officer, Central Pacific Bank (2002-9/2004); Senior Vice President and Retail Division Manager, Central Pacific Bank (2000-2002)	48	2006	N/A

HIRATA, Dean K.	Vice Chairman and Chief Financial Officer, Central Pacific Financial Corp. (4/2006-present); Vice Chairman and Chief Financial Officer, Central Pacific Bank (1/2006-present); Executive Vice President and Chief Financial Officer, Central Pacific Financial Corp. (9/2004-4/2006); Executive Vice President and Chief Financial Officer, Central Pacific Bank (9/2004-12/2005); Executive Vice President and Chief Financial Officer, City Bank (2002-2/2005); Senior Vice President and Chief Financial Officer, CB Bancshares, Inc. (1999-9/2004); Senior Vice President and Chief Financial Officer, City Bank (1999-2002)	49	2004	N/A
ISONO, Denis K.	Executive Vice President, Operations and Services, Central Pacific Financial Corp. and Central Pacific Bank (9/2004-present) Executive Vice President, Operations and Services, City Bank (9/2004-2/2005); Executive Vice President and Chief Operations Officer, Central Pacific Bank (2002-9/2004); Executive Vice President, Operations, Bank of Hawaii (2000-2002)	55	2002	N/A

(1) All directors of the Company are also directors of the Bank. Dates prior to the formation of the Company in 1982 indicate the year first appointed director of the Bank. Dr. Hirota commenced service as a director of the Company on February 1, 1982, the date of formation of the Company. Dr. Hirota served as a director of the Company until April 23, 1985 when the Company's shareholders adopted a classified Board and reduced the number of directors to nine. However, Dr. Hirota continued to serve on the Bank's Board until he was reelected to the Company's Board in 1986. Dr. Honbo has been a director of the Bank since 1986. Mr. Kosasa has been a director of the Bank since 1994. Mr. Arnoldus has been a director of the Bank since 2002. Mr. Blangiardi and Ms. Hedberg have been directors of the Bank since 2003. Ms. Camp Friedman, Ms. Rose, Mr. Kurisu, Mr. Matsumoto, Mr. Migita, Dr. Sayama, Mr. Yamasato and Mr. Yoshimura have been directors of the Bank since 2004. Mr. Fry has been a director of the Bank since 2005.

(2) The following includes information regarding all the Named Executive Officers except for Mr. Arnoldus, whose information is included in this table under the section heading Directors and Nominees.

(3) Mr. Kanda retired from the Company and the Bank effective March 31, 2006.

CORPORATE GOVERNANCE AND BOARD MATTERS

The Board has four (4) standing committees: an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee, and an Executive Committee.

During the fiscal year ended December 31, 2006, the Board held a total of six (6) meetings, including monthly, annual and special meetings. Each person who was a director of the Company during 2006 attended at least 75% of the total number of such Board meetings and 75% of the total number of meetings held by all committees of the Board on which he or she served during the year. The Company expects directors to attend the annual meetings of shareholders. Thirteen out of fifteen directors attended last year's annual meeting of shareholders.

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The following table sets forth the members of the Board as of the date of this Proxy Statement and the committees of the Board on which they serve.

Name of Director	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee	Executive Committee
<i>Non-Employee Directors:</i>				
Richard J. Blangiardi		*	VC	
Christine H. H. Camp Friedman	*			*
Earl E. Fry	VC			*
B. Jeannie Hedberg	C			
Dennis I. Hirota			*	
Clayton K. Honbo		*		
Paul J. Kosasa		*		
Duane K. Kurisu			*	*
Colbert M. Matsumoto		C	*	*
Ronald K. Migita				C
Crystal K. Rose			C	*
Mike K. Sayama	*			
Maurice H. Yamasato	*			
Dwight L. Yoshimura		VC		
<i>Employee Directors:</i>				
Clint Arnoldus				*

* = Member

C = Chair

VC = Vice Chair

Ms. Rose, Chair of the Corporate Governance & Nominating Committee, has been chosen by the Board to serve as the presiding director for all meetings of the non-management directors in executive sessions. In Ms. Rose's absence, Mr. Blangiardi, Vice Chair of the Corporate Governance & Nominating Committee, has been chosen by the Board to preside over these sessions of the Board.

Interested parties may communicate directly with the presiding director or with the non-management directors as a group, by writing to: Crystal K. Rose, Bays Deaver Lung Rose & Holma, 1099 Alakea Street, 16th Floor, Honolulu, Hawaii 96813. Alternatively, concerns may be made known and communicated directly to the presiding director or to the non-management directors as a group, through procedures set forth in the Company's Complaint Policy which is available on the Company's website (www.centralpacificbank.com).

Audit Committee

The Audit Committee held ten (10) meetings during 2006. The responsibilities of the Audit Committee are described below in the Report of the Audit Committee under the subheading Report of the Audit Committee. The Audit Committee operates under a Charter adopted by the Board. The Charter of the Audit Committee is available on the Company's website (www.centralpacificbank.com), and is also available in print upon request (submit request for copies of the Charter to Central Pacific Financial Corp., Attn: Investor Relations, P.O. Box 3590, Honolulu, Hawaii 96811). The members of the Company's Audit Committee are B. Jeannie Hedberg (Chair), Earl E. Fry (Vice Chair), Christine H. H. Camp Friedman, Mike K. Sayama and Maurice H. Yamasato, each of whom is independent within the meaning of the listing standards of the NYSE and the rules of the United States Securities and Exchange Commission (SEC). The Board has also determined that each member is financially literate, as such

qualification is defined under the rules of the NYSE, and that Ms. Hedberg, Mr. Fry, and Ms. Camp Friedman have accounting or related financial management expertise, as such qualification is defined under the rules of the NYSE, and that Ms. Hedberg, Mr. Fry, and Ms. Camp Friedman is an audit committee financial expert within the meaning of the rules of the SEC. No member of the Audit Committee serves on the audit committee of any other publicly registered company.

Pursuant to the Company's Audit Committee Charter, the Audit Committee reviews and evaluates all related party transactions that are material to the financial statements, and determines conflicts of interest pursuant to the Company's Code of Conduct & Ethics and pursuant to its Code of Conduct & Ethics for Senior Financial Officers. In addition, certain loans to directors and executive officers and their related interests are subject to the lending restrictions set forth in Federal Reserve Board Regulation O and the lending policies and procedures of the Bank. Each director and executive officer is required to report to the Company, transactions with the Company in which they have an interest.

Compensation Committee

The Compensation Committee held six (6) meetings during 2006. The Compensation Committee's primary purpose is to assist the Board in discharging the Board's responsibilities relating to compensation of the Company's executive officers by evaluating and recommending to the Board approval of executive officer benefit, bonus, incentive compensation, severance, equity-based or other compensation plans, policies and programs of the Company and providing an annual report on executive compensation for inclusion in the Company's proxy statement. The functions of the Compensation Committee are further described in COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS below, under the subheading Compensation Discussion and Analysis. The Charter of the Compensation Committee is available on the Company's website (www.centralpacificbank.com), and is also available in print upon request (submit request for copies of the Charter to Central Pacific Financial Corp., Attn: Investor Relations, P.O. Box 3590, Honolulu, Hawaii 96811). The members of the Company's Compensation Committee are Colbert M. Matsumoto (Chair), Dwight L. Yoshimura (Vice Chair), Richard J. Blangiardi, Clayton K. Honbo and Paul J. Kosasa, each of whom is independent within the meaning of the listing standards of the NYSE, is a nonemployee director within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934 and is an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee held ten (10) meetings during 2006. The Corporate Governance and Nominating Committee is responsible for promoting the best interests of the Company and its shareholders through the implementation of sound corporate governance principles and practices, including identifying individuals qualified to become Board members, recommending nominees for directors of the Company, reviewing the qualifications and independence of the members of the Board and its committees, reviewing and monitoring the Company's Corporate Governance Guidelines, monitoring the Board's and the Company's compliance regarding changes in corporate governance practices and laws and leading the Board in its annual review of the performance of the Board. The Charter of the Corporate Governance and Nominating Committee and the Company's Corporate Governance Guidelines are available on the Company's website (www.centralpacificbank.com), and are also available in print upon request (submit request for copies of the Charter or Guidelines to Central Pacific Financial Corp., Attn: Investor Relations, P.O. Box 3590, Honolulu, Hawaii 96811). The members of the Company's Corporate Governance and Nominating Committee are Crystal K. Rose (Chair), Richard J. Blangiardi (Vice Chair), Dennis I. Hirota, Duane K. Kurisu and Colbert M. Matsumoto, each of whom is independent within the meaning of the listing standards of the NYSE.

Executive Committee

The Executive Committee provides an efficient means of considering such matters and taking such actions as may require the attention of the Board or the exercise of the Board's powers or authority in the intervals between meetings of the Board and typically when the majority of the Board and its directors are generally unavailable. The Executive Committee is authorized to have and exercise all the powers of the Board in the management of the business and affairs of the Company while the Board is not in session, not in conflict, however, with any prior directions given, decisions made, or actions taken by the Board, and provided, further, that the Committee should only consider meeting when the majority of the Board and its directors are generally unavailable, or otherwise as may be permitted by the Board or by the Board approved and adopted Executive Committee Charter, such as, for example, to perform such other duties and responsibilities as may be requested by the Board. The members of the Executive Committee are Ronald K. Migita (Chair), Clint Arnoldus, Christine H.H. Camp Friedman, Earl E. Fry, Duane K. Kurisu, Colbert M. Matsumoto, and Crystal K. Rose.

Director/Executive Officer Stock Ownership Guidelines

On January 31, 2007, the Board reviewed and readopted (with minor changes to the prior guidelines) its stock ownership guidelines applicable to all directors and executive officers of the Company and the Bank. The guidelines generally provide that: (i) any non-management Company or Bank director should own, within five (5) years, Company common stock having a fair market value equal to five (5) times the director's annual cash retainer; (ii) that the Chief Executive Officer and President of the Company or Bank should own, within five (5) years, Company common stock having a fair market value equal to four (4) times his annual base salary; (iii) that any Vice Chairman (officer/non-director position) of the Company or Bank should own, within five (5) years, Company common stock having a fair market value equal to three (3) times his annual base salary; and (iv) that any Executive Vice President of the Company or Bank should own, within five (5) years, Company common stock having a fair market value equal to two (2) times his annual base salary. For those directors and executive officers who were serving as of the date of the initial adoption of the guidelines on July 27, 2005, they have until August 1, 2010 to accumulate the amount of stock set forth in the guidelines as applicable to their position. For any director or executive officer appointed after August 1, 2005, they have five years from the date of their appointment to accumulate the amount of stock set forth in the guidelines as applicable to their position.

Equity Grant Guidelines

On October 25, 2006, the Board adopted equity grant guidelines applicable to all grants of Company equity whether in the form of Company stock, stock options, or other forms of equity grants, made by the Company to directors, officers or employees of the Company or any of its subsidiaries. The guidelines set forth the process by which grants will be made, to include how grants will be approved, when grants will be made, and how grants will be documented.

Director Independence and Relationships

The Board has determined, in accordance with our Standards Regarding Director Independence, that all of the members of the Board who are not also officers or employees of the Company or any of its affiliates, are independent within the meaning of the rules of the NYSE, with the exception of Director Ronald K. Migita. All of the directors, other than Mr. Clint Arnoldus, are non-employee directors. All committees of the Board are comprised solely of independent directors, with the exception of the Executive Committee in which however, five of seven of the members of the Executive Committee are independent directors. A copy of our Standards Regarding Director Independence is attached as Appendix A to this Proxy Statement.

With respect to those directors who were determined independent by the Board, the following transactions, relationships and arrangements were considered by the Board in its determination of a director's independence and none were found to be material:

During year 2006, the following directors either directly and/or indirectly through companies in which they have a business interest or affiliation, received and/or had outstanding loans with the Bank: Richard J. Blangiardi, Dennis I. Hirota, Clayton K. Honbo, Paul J. Kosasa, Colbert M. Matsumoto, Crystal K. Rose, Mike K. Sayama, and Maurice H. Yamasato.

During year 2006, the following directors either directly and/or indirectly through companies in which they have a business interest or affiliation, opened and/or maintained deposit, trust, investment and/or other banking accounts with the Bank: Richard J. Blangiardi, Christine H. Camp Friedman, B. Jeannie Hedberg, Dennis I. Hirota, Clayton K. Honbo, Paul J. Kosasa, Duane K. Kurisu, Colbert M. Matsumoto, Crystal K. Rose, Mike K. Sayama, Maurice H. Yamasato, and Dwight L. Yoshimura.

During year 2006, the following directors served on boards of non-profit, community, charitable and/or cultural organizations, which received monetary donations from the Bank: Richard J. Blangiardi, Christine H. Camp Friedman, Clayton K. Honbo, Paul J. Kosasa, Duane K. Kurisu, Colbert M. Matsumoto, Crystal K. Rose, Maurice H. Yamasato, and Dwight L. Yoshimura.

During year 2006, the following directors served on boards of companies that either directly or indirectly had business relationships with the Bank in the ordinary course of the Bank's business, in which the directors had no involvement and which are on no more favorable terms than for other similarly situated matters: Duane K. Kurisu, Colbert M. Matsumoto, and Crystal K. Rose.

During year 2006, the following directors served as officers of companies that either directly or indirectly had business relationships with the Bank in the ordinary course of the Bank's business, in which the directors had no involvement and which are on no more favorable terms than for other similarly situated matters: Richard J. Blangiardi, Paul J. Kosasa, Duane K. Kurisu, Colbert M. Matsumoto, and Mike K. Sayama.

Indebtedness of Management

The Bank, which is a wholly owned subsidiary of the Company, has made loans to directors and executive officers, their immediate family members, and companies in which they have an interest, in the ordinary course of its business as a bank, which loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender, and which loans do not involve more than the normal risk of collectibility or present other unfavorable features.

Code of Conduct & Ethics

The Company is committed to promoting and fostering ethical conduct and sound corporate governance principles. The Company has a Code of Conduct & Ethics applicable to all employees, officers and directors of the Company. In addition, the Company also has a supplemental Code of Conduct & Ethics For Senior Financial Officers, which is applicable to the Chief Executive Officer, President, Chief Financial Officer, Controller, any other principal financial officer or principal accounting officer and any other person fulfilling and/or performing any similar role, function or capacity. Both of the aforementioned Codes of Conduct & Ethics are available on the Company's website (www.centralpacificbank.com), and are also available in print upon request (submit request for copies of the Codes of Conduct & Ethics to Central Pacific Financial Corp., Attn: Investor Relations, P.O. Box 3590, Honolulu, Hawaii 96811).

Director Nomination Process

Director Qualifications. The Corporate Governance and Nominating Committee is responsible for reviewing the qualifications and independence of director nominees in accordance with the criteria set forth in the Company's Corporate Governance Guidelines. The general criteria considered include

qualification as independent, diversity, age, skills, experience and other relevant considerations in the context of the needs of the Board.

Identifying and Evaluating Nominees. The Board seeks to identify candidates for director positions that are best qualified and suited to meet the needs of the Company and to present these candidates for shareholder approval, as and when director positions become open and available. The Corporate Governance and Nominating Committee will first identify, review, evaluate and recommend to the Board, nominees for director positions. The Board will then vote whether or not to recommend such nominees to the Company's shareholders for election.

In identifying potential director nominees, the Corporate Governance and Nominating Committee will search within the State of Hawaii and may search outside the State of Hawaii for any potential director candidates, and in this regard, may utilize the services of a professional search firm. While the same general criteria set forth above shall be applied in evaluating a candidate's qualifications, it is difficult to enumerate all of the attributes, skills and qualities that the Corporate Governance and Nominating Committee and/or Board may, at any given point in time, determine, consider and value in evaluating, selecting and recommending director nominees. Accordingly, the Corporate Governance and Nominating Committee and the Board exercise their discretion and consider any circumstances, experiences, attributes, skills, qualities, and factors applicable to any director nominee with the intent and purpose of having the best qualified and best suited directors serving on the Board at all times, as well as ensuring that the Board as a whole is diverse and well rounded. The Board may enlist the services of a third party to conduct a background check or other investigation in order to determine whether a candidate meets any criteria.

Shareholder Nominees. In accordance with the policies set forth in the Company's Corporate Governance Guidelines, the Corporate Governance and Nominating Committee will consider properly submitted director nominees for election at the 2008 Annual Meeting of Shareholders recommended by shareholders if such recommendations are received in writing not less than 90 calendar days nor more than 120 calendar days prior to the first anniversary date of the annual meeting for the preceding year. Shareholder recommendations should be addressed to the Company's Corporate Secretary, P.O. Box 3590, Honolulu, Hawaii 96811.

Communications with the Board

Shareholders of the Company may send written communications directly to the Board, addressed to: Board of Directors of Central Pacific Financial Corp., 220 South King Street, Third Floor, Honolulu, Hawaii 96813. Any such communication may be directed to the attention of the Chairman of the Board or the Chair of any Board Committee (such as, for example, the Chair of the Audit Committee or the Chair of the Corporate Governance and Nominating Committee) or to the non-management or independent directors. Shareholders sending such communications should include the following in their written communication: (a) such shareholder(s) should identify himself/herself/itself/themselves and provide reasonably satisfactory proof of their ownership of the Company's stock; (b) such shareholder(s) should state in reasonable detail and communicate with reasonable clarity and specificity their issue or concern; and (c) such shareholder(s) should include their contact information (at a minimum, phone number and address). Shareholders who wish to communicate anonymously with the Board or any group of the Board should refer to the Company's Complaint Policy. However, nothing that is stated in this paragraph shall override any requirements imposed on any shareholder communications under the Company's Articles of Incorporation or Bylaws or other governing documents or by any law, rule or regulation.

Report of the Audit Committee

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filings under the U.S. Securities Act of 1933, as amended, or under the U.S. Securities Exchange Act of 1934, as amended, except to the extent we specifically incorporate this Report by reference.

The Audit Committee is comprised of five non-management directors and operates pursuant to a written charter that was readopted by our Board on February 28, 2007. The charter is also available on our website at <http://www.centralpacificbank.com>. During 2006, the Audit Committee held ten (10) meetings, including three executive sessions, three private sessions with management, five private sessions with the independent auditors, and two private sessions with the Director of Internal Audit. The Audit Committee's primary purposes are to: (a) assist the Board in its oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the Company's independent auditors' qualifications and independence, and (iv) the performance of the Company's internal audit function and independent auditors; (b) decide whether to appoint, retain or terminate the Company's independent auditors and to pre-approve all audit, audit-related and other services, if any, to be provided by the independent auditors; and (c) prepare this Report. The Board has determined, upon the recommendation of the Corporate Governance and Nominating Committee, that each member of the Audit Committee is independent within the meaning of the rules of the NYSE and the SEC. The Board has also determined that each member is financially literate and that three members have accounting or related financial management expertise, as such qualifications are defined under the rules of the NYSE, and that the same three members are audit committee financial experts within the meaning of the rules of the SEC, being B. Jeannie Hedberg, Chair of the Audit Committee, Earl E. Fry, Vice Chair of the Audit Committee, and Christine H.H. Camp Friedman. The other members are Mike K. Sayama and Maurice H. Yamasato. The Audit Committee is established in accordance with Section 3(a)(58)(A) of the Exchange Act of 1934, as amended.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting principles and the establishment and effectiveness of internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for performing an independent audit of the financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), expressing an opinion as to the conformity of such financial statements with generally accepted accounting principles and auditing management's assessment of the effectiveness of internal control over financial reporting. The independent auditors have free access to the Audit Committee to discuss any matters they deem appropriate.

In performing its oversight role, the Audit Committee has considered and discussed the audited financial statements with management and the independent auditors. The Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees adopted by the PCAOB. The Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1, Independent Discussions with Audit Committees, as adopted by the PCAOB, and has discussed with the independent accountant the independent accountant's independence. All non-audit services performed by the independent auditors must be specifically pre-approved by the Audit Committee or a member thereof.

During 2006, the Audit Committee performed all its duties and responsibilities under the Audit Committee Charter. In addition, based on the reports and discussions described in this Report, the Audit Committee recommended to the Board that the audited financial statements of the Company for 2006 be included in the Company's Annual Report on Form 10-K for such fiscal year.

Respectfully submitted by the members of the Audit Committee of the Board:

B. JEANNIE HEDBERG, CHAIR
EARL E. FRY, VICE CHAIR
CHRISTINE H. H. CAMP FRIEDMAN
MIKE K. SAYAMA
MAURICE H. YAMASATO

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards(1) (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(2) (\$)	All Other Compensation (\$)	Total (\$)
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