

BIO RAD LABORATORIES INC
Form DEF 14A
March 26, 2004

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
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- Soliciting Material Pursuant to §240.14a-12

BIO-RAD LABORATORIES, INC.

(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.

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(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):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notes:

BIO-RAD LABORATORIES, INC.

1000 Alfred Nobel Drive

Hercules, California 94547

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF

BIO-RAD LABORATORIES, INC.

TO BE HELD APRIL 27, 2004

TO THE STOCKHOLDERS OF BIO-RAD LABORATORIES, INC.:

The annual meeting of the stockholders of Bio-Rad Laboratories, Inc., a Delaware corporation (Bio-Rad or the Company), will be held at the Company's corporate offices, 1000 Alfred Nobel Drive, Hercules, California 94547 on Tuesday, April 27, 2004 at 4:00 p.m., Pacific Daylight Time, to consider and vote on:

- (1) The election of two directors of the Company by the holders of outstanding Class A Common Stock and five directors of the Company by the holders of outstanding Class B Common Stock;
- (2) A proposal to ratify the selection of Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending December 31, 2004;
- (3) To approve an amendment to our certificate of incorporation to increase the authorized number of shares of capital stock from 77,500,000 to 107,500,000 shares by increasing the authorized number of shares of Class A Common Stock from 50,000,000 to 80,000,000 shares; and
- (4) Such other matters as may properly come before the meeting and at any adjournments or postponements thereof.

Our Board of Directors has fixed the close of business on March 1, 2004 as the record date for the determination of the stockholders entitled to notice of and to vote at this annual meeting and at any adjournments or postponements thereof. Our stock transfer books will not be closed.

All stockholders are invited to attend the annual meeting in person, but those who are unable to do so are urged to execute and return promptly the enclosed proxy in the provided postage-paid envelope. Since a majority of the outstanding shares of each class of our common stock must be present or represented at the annual meeting to elect directors and conduct the other business matters referred to above, your promptness in returning the enclosed proxy will be greatly appreciated. Your proxy is revocable and will not affect your right to vote in person in the event you attend the meeting and revoke your proxy.

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All stockholders who attend the annual meeting are invited to join us for a reception immediately following the meeting.

By order of the Board of Directors

BIO-RAD LABORATORIES, INC.

SANFORD S. WADLER, Secretary

Hercules, California

March 31, 2004

BIO-RAD LABORATORIES, INC.

1000 Alfred Nobel Drive

Hercules, California 94547

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON APRIL 27, 2004

Information Regarding Proxies

Our Board of Directors is soliciting the enclosed proxy in connection with our annual meeting of stockholders to be held at our corporate offices, 1000 Alfred Nobel Drive, Hercules, California 94547 on Tuesday, April 27, 2004 at 4:00 p.m., Pacific Daylight Time, and at any adjournments or postponements thereof. Copies of this proxy statement and the accompanying notice and proxy card are first being mailed on or about March 31, 2004 to all stockholders entitled to vote.

We will pay the cost of this proxy solicitation. In addition to solicitation by use of the mails, proxies may be solicited from our stockholders by our directors, officers and employees in person or by telephone, telegram or other means of communication. These directors, officers and employees will not be additionally compensated, but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation. Arrangements will be made with brokerage houses, custodians, nominees and fiduciaries for forwarding of proxy materials to beneficial owners of shares held of record by such brokerage houses, custodians, nominees and fiduciaries and for reimbursement of their reasonable expenses incurred in connection therewith. We may retain Georgeson Shareholder Services, a proxy solicitation firm, to solicit proxies in connection with our annual meeting, at an estimated cost of \$6,000.00.

Shares for which a properly executed proxy in the enclosed form is returned will be voted at our annual meeting in accordance with the directions on such proxy. If no voting instructions are indicated with respect to one or more of the proposals, the proxy will be voted in favor of the proposal(s), and to approve those other matters that may properly come before the annual meeting at the discretion of the person named in the proxy. Any proxy may be revoked by the record owner of the shares at any time prior to its exercise by filing with our Secretary a written revocation or duly executed proxy bearing a later date or by attending the meeting in person and announcing such revocation. Attendance at the annual meeting will not, by itself, constitute revocation of a proxy.

Voting Securities

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Our securities entitled to vote at the meeting consist of shares of our Class A Common Stock and Class B Common Stock, both \$0.0001 par value (collectively, Common Stock). 20,800,252 shares of Class A Common Stock and 4,850,140 shares of Class B Common Stock were issued and outstanding at the close of business on March 1, 2004. Only stockholders of record at the close of business on March 1, 2004 will be entitled to notice of and to vote at the meeting. The presence, in person or by proxy, of the holders of a majority of our Voting Power will constitute a quorum for the transaction of business; *provided, however*, that the election of the Class A and Class B directors shall require the presence, in person or by proxy, of the holders of a majority of the outstanding shares of each respective class, and the amendment of our certificate of incorporation to increase the authorized number of shares of capital stock shall require the presence, in person or by proxy, of the holders of a majority of the outstanding shares of Class A Common Stock and a majority of our Voting Power. Each share of Class A Common Stock is entitled to one-tenth of a vote and each share of Class B Common Stock is entitled to one vote, except in the election of directors and any other matter requiring the vote of one or both classes of Common Stock voting separately. The sum of one-tenth the number of outstanding shares of Class A Common Stock and the number of outstanding shares of Class B Common Stock constitutes our Voting Power.

The holders of Class A Common Stock, voting as a separate class, are entitled to elect two directors. The holders of Class B Common Stock, also voting as a separate class, are entitled to elect the other five directors. The stockholders do not have any right to vote cumulatively in any election of directors. Under Delaware law, directors elected by each class shall be elected by a plurality of the votes in the respective class.

On all other matters submitted to a vote at the annual meeting (except matters requiring the vote of one or both classes voting separately), the affirmative vote of the holders of a majority of our Voting Power present in person or represented by proxy is necessary for approval. The Board of Directors is not aware of any matters that might come before the meeting other than those mentioned in this proxy statement. If, however, any other matters properly come before the annual meeting, it is intended that the proxies will be voted in accordance with the judgment of the person or persons voting such proxies.

Under our Bylaws and Delaware law: (1) shares represented by proxies that reflect abstentions or broker non-votes (i.e., shares held by a broker or nominee which are represented at the meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum; (2) with respect to the directors to be elected by each class of Common Stock, the director nominees receiving the highest number of votes, up to the number of directors to be elected by that class, are elected and, accordingly, abstentions, broker non-votes and withholding of authority to vote will not affect the election of directors; and (3) proxies that reflect abstentions as to a particular proposal will be treated as voted for purposes of determining the approval of that proposal and will have the same effect as a vote against that proposal, while proxies that reflect broker non-votes will be treated as unvoted for purposes of determining approval of that proposal and will not be counted as votes for or against that proposal.

There is no statutory or contractual right of appraisal or similar remedy available to those stockholders who dissent from any matter to be acted upon.

PRINCIPAL AND MANAGEMENT STOCKHOLDERS

The following table presents certain information as of March 1, 2004 (except as noted below), with respect to our Class A Common Stock and Class B Common Stock beneficially owned by: (i) any person who is known to us to be the beneficial owner of more than five percent of the outstanding Common Stock of either class, (ii) each of our directors, (iii) certain of our executive officers named in the Summary Compensation Table of this proxy statement and (iv) all of our directors and executive officers as a group. The address for all executive officers and directors is c/o Bio-Rad Laboratories, Inc., 1000 Alfred Nobel Drive, Hercules, California, 94547.

Name and, with Respect to Owner of 5% or More, Address	Class A Common Stock(1)		Class B Common Stock	
	Number of Shares and Nature of Ownership(2)	Percent of Class	Number of Shares and Nature of Ownership(2)	Percent of Class
Blue Raven Partners, L.P.(3) 1000 Alfred Nobel Drive Hercules, CA 94547		0.0%	4,060,054	83.7%
Private Capital Management, Inc.(4) 8889 Pelican Bay Boulevard Suite 500 Naples, FL 34108	2,383,568	11.5%		0.0%
Bernard A. Egan 1900 Old Dixie Highway Fort Pierce, FL 34946	1,347,963	6.5%		0.0%
Nordea 1, SICAV(5) 672, rue de Neudorf Findel P.O. Box 782 L-2017, Luxembourg	1,111,300	5.3%		0.0%
David and Alice N. Schwartz(6)(7)(10) Bio-Rad Laboratories, Inc. 1000 Alfred Nobel Drive Hercules, CA 94547	3,209,623	15.4%	4,569,736	87.8%
Norman Schwartz(6)(8)(9)(10) Bio-Rad Laboratories, Inc.	211,454	1.0%	4,121,428	84.4%

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Steven Schwartz(6)(8)(11)	165,077	0.8%	4,071,434	83.9%
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Bio-Rad Laboratories, Inc.

1000 Alfred Nobel Drive

Hercules, CA 94547

James J. Bennett(10)	51,316	0.2%	47,454	1.0%
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John Goetz(10)	49,063	0.2%		0.0%
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Albert J. Hillman(10)	8,908	0.0%	8,234	0.2%
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Ruediger Naumann-Etienne(10)	3,000	0.0%	200	0.0%
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Philip L. Padou(10)		0.0%		0.0%
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Sanford S. Wadler(10)	51,833	0.2%		0.0%
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Christine A. Tsingos(10)	2,000	0.0%		0.0%
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All directors and executive officers as a group(10)(12 persons)	3,596,970	17.2%	4,688,508	89.5%
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- (1) Excludes Class A Common Stock that may be acquired on conversion of Class B Common Stock. Class B Common Stock may be converted to Class A Common Stock on a one for one basis and, if fully converted,

would result in the following percentage beneficial ownership of Class A Common Stock: Blue Raven Partners 15.8%; Private Capital Management, Inc. 9.3%; Bernard A. Egan 5.3%; Nordea 1, SICAV 4.3%, David and Alice N. Schwartz 29.9%; Norman Schwartz 16.9%; Steven Schwartz 16.5%; James J. Bennett 0.4% ; John Goetz 0.2%; Albert J. Hillman 0.1%; Ruediger Naumann-Etienne 0.0%; Philip L. Padou 0.0%; Sanford S. Wadler 0.2%; Christine A. Tsingos 0.0%; and all directors and executive officers as a group 31.7%. Management considers any substantial conversions by the executive officers or directors listed in the table to be highly unlikely.

- (2) Except as otherwise indicated and subject to applicable community property and similar statutes, the persons listed as beneficial owners of the shares have sole voting and investment power with respect to such shares. Number of shares is based on the statements of the stockholders where not identified specifically in the stockholder register.
- (3) David Schwartz, Alice N. Schwartz, Norman Schwartz and Steven Schwartz are general partners of Blue Raven Partners, L.P., a California limited partnership (the Partnership), and, as such, share voting and dispositive power over the Class B Common Stock held by the Partnership.
- (4) Based solely on a Form 13F filed on February 13, 2004 with the Securities and Exchange Commission pursuant to Rule 13f-1 of the Exchange Act. Includes 1,111,300 shares owned by Nordea 1, SICAV.
- (5) Based solely on an amended Schedule 13G filed on February 13, 2004 with the Securities and Exchange Commission pursuant to Rules 13d-1(b) of the Exchange Act. All of these shares are included in the number of shares held by Private Capital Management, Inc.
- (6) Includes 4,060,054 shares of Class B Common Stock held by the Partnership.
- (7) David and Alice N. Schwartz each have a one-half community property interest in these shares. Also includes 11,437 shares of Class A Common Stock held by the David and Alice N. Schwartz Charitable Remainder Unitrust of which Dave and Alice N. Schwartz are the sole trustees. Also includes 41,176 shares of Class B Common Stock held by DANSA Partners Limited, a California limited partnership, of which David and Alice N. Schwartz are general partners.
- (8) Norman Schwartz and Steven Schwartz are sons of David and Alice N. Schwartz.
- (9) Includes 9,870 shares owned by Norman Schwartz s wife, as to which Norman Schwartz disclaims any beneficial ownership.
- (10) Includes shares with respect to which such persons have the right to acquire beneficial ownership immediately or within sixty days of March 1, 2004, under the Company s employee stock purchase plan and stock option agreements, as follows: David Schwartz, 352,192 Class B shares; Norman Schwartz, 34,274 Class B shares; James J. Bennett, 15,874 Class A shares; John Goetz, 33,656 Class A shares; Sanford S. Wadler, 26,633 Class A shares; Christine A. Tsingos 2,000 Class A shares, and all directors and officers as a group, 96,463 Class A shares and 386,466 Class B shares.
- (11) Includes 9,870 shares owned by Steven Schwartz s wife, as to which Steven Schwartz disclaims any beneficial ownership.

I. ELECTION OF DIRECTORS

Our Board of Directors currently has seven members. The seven persons nominated are listed in the following table as the candidates nominated for the respective classes of Common Stock indicated. All are currently our directors with terms expiring as of the date of the annual meeting of stockholders or on election and qualification of their successors. David Schwartz and Alice N. Schwartz are husband and wife; Norman Schwartz is their son. No other family relationships exist among our current and nominated directors or executive officers. As husband and wife, David and Alice N. Schwartz share equally in all remuneration and other benefits accorded to either of them by us.

The directors elected at this meeting will serve until the next annual meeting of stockholders or until their respective successors are elected and qualified. The persons named in the proxy intend to vote the shares subject to such proxy for the election as directors of the persons listed in the following table. Although it is not contemplated that any nominee will decline or be unable to serve as a director, in the event that at the meeting or any adjournments or postponements thereof any nominee declines or is unable to serve, the persons named in the enclosed proxy will, in their discretion, vote the shares subject to such proxy for another person selected by them for director.

<u>Name</u>	Class of		<u>Age</u>	<u>Present Principal Employment and Prior Business Experience</u>	<u>Director Since</u>
	Common Stock	to Elect			
James J. Bennett	Class B		75	Retired in 2002 as our Chief Operating Officer, in which capacity he served since 1993, and our Executive Vice President, in which capacity he served since 1996; our Vice President and Group Manager, Clinical Diagnostics from 1985 to 1993; our Vice President and Chief Operating Officer from 1977 to 1985.	1977
Albert J. Hillman	Class A		72	Of Counsel to the law firm of Townsend and Townsend and Crew since 1995 and partner in the firm from 1965 to 1995, which firm serves as our patent counsel.	1980
Ruediger Naumann-Etienne	Class B		57	Owner and Managing Director of Intertec Group since 1989; Chairman of Quinton Cardiology Systems since 2000 and Chief Executive Officer of Quinton Cardiology Systems from 2000 to 2003; Director of Varian Medical Systems since 2003; Chairman of OEC Medical Systems from 1993 to 1999, and Chief Executive Officer of OEC Medical Systems from 1995 to 1997; President and Chief Operating Officer of Disonics from 1987 to 1990.	2001
Philip L. Padou	Class A		69	Retired since 1991; Vice President and Chief Financial Officer of Ozier Perry and Associates (a risk assessment software and consulting company) from 1987 to 1991.	1980
Alice N. Schwartz	Class B		77	Retired since 1979; Research Associate, University of California, from 1972 to 1978.	1967

Name	Class of		Present Principal Employment and Prior Business Experience	Director Since
	Common Stock to Elect	Age		
David Schwartz	Class B	80	Chairman of the Board since 1957. Previously our President and Chief Executive Officer from 1957 through 2002.	1957
Norman Schwartz	Class B	54	Our President and Chief Executive Officer since January 1, 2003; our Vice President from 1989 to 2002; our Group Manager, Life Science, from 1997 to 2002; and our Group Manager, Clinical Diagnostics, from 1993 to 1997.	1995

In January 1997, we entered into a non-competition and employment continuation agreement with James J. Bennett pursuant to which our management has agreed to nominate him as director for a period of three years following his resignation from his position as Executive Vice President and Chief Operating Officer, which resignation became effective on January 1, 2003. See Compensation of Directors.

In addition to David Schwartz and Norman Schwartz, the following persons were our executive officers during all or part of 2003: Bradford J. Crutchfield, John Goetz, Ronald W. Hutton, Christine A. Tsingos and Sanford S. Wadler. Bradford J. Crutchfield (age 41) was appointed Vice President and Group Manager of the Life Science Group in 2003. Previously, he held various positions within Bio-Rad since joining us in 1985, including Managing Director, Bio-Rad Microscience, and Manager of our BioMaterials Division. John Goetz (age 54) was appointed Vice President and Group Manager of the Clinical Diagnostics Group in 2000. Previously, he held various positions within Bio-Rad since joining us in 1974 including Plant Engineer, Manufacturing Manager, Division Manager of QSD and Operations Manager of the Diagnostics Group. Ronald W. Hutton (age 46) has been our Treasurer since 1997. Previously, he was Director of Treasury at Kaiser Aluminum & Chemical Corporation from 1993 to 1997. Christine A. Tsingos (age 45) was appointed our Chief Financial Officer in 2002 and Vice President in 2003. Previously, she was the Chief Operating Officer and Chief Financial Officer at Attest Systems, Inc., a provider of information technology asset discovery and management tools, from August 2002 to November 2002. Prior to that, Ms. Tsingos was a consultant to Attest Systems, Inc. from October 2000 to July 2002. She currently is and has been a member of its board of directors since May 2001. She was the Chief Financial Officer at Tavolo, Inc., an online retailer of gourmet cookware and food, from November 1999 to September 2000, and she was Treasurer, and later Vice President and Treasurer, of Autodesk, Inc., a developer of design software, from May 1990 to November 1999. Sanford S. Wadler (age 57) has been our General Counsel and Secretary since 1989 and was appointed Vice President in 1996. Our executive officers also serve in various management capacities with our wholly owned subsidiaries.

The Board of Directors recommends that you vote FOR the above-named director nominees for the class or classes of Common Stock that you hold.

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board of Directors has an Audit Committee and a Compensation Committee. Our Board of Directors has no nominating committee or other committees performing similar functions. During 2003, our Board of Directors held a total of nine meetings (including regularly scheduled and special meetings) and no director attended fewer than 75% of such meetings or meetings of any committee on which such director served.

Audit Committee

Our Audit Committee is composed of Albert J. Hillman, Ruediger Naumann-Etienne and Philip L. Padou. All three Audit Committee members are independent directors, as determined in accordance with the independence standards set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and Section 121A of the American Stock Exchange Company Guide, and each is able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. The purpose of our Audit Committee is to oversee our accounting and financial reporting processes and the audits of our financial statements. Our Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of any independent auditor we engage, including resolution of any disagreements between our management and the independent auditor regarding financial reporting, and is responsible for reviewing and evaluating our accounting policies and system of internal accounting controls. In addition, our Audit Committee reviews the scope of our independent auditor's audit of our financial statements, reviews and discusses our audited financial statements with management, prepares the annual Audit Committee reports that are included in our proxy statements and annually reviews the Audit Committee's performance and the Audit Committee Charter, among other responsibilities. Our Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from us for, any independent counsel, experts or advisors that the Audit Committee believes to be necessary or appropriate in order to enable it to carry out its duties. Our Audit Committee met four times in the year 2003. A more complete discussion is provided in the Report of the Audit Committee of the Board of Directors of this proxy statement, and the Audit Committee Charter that our Board of Directors has adopted, which is attached to this proxy statement as *Annex A*.

Compensation Committee

Our Compensation Committee, consisting of two non-employee directors, Albert J. Hillman and Philip L. Padou, met twice in 2003. Our Compensation Committee reviews and approves our executive compensation policies. A more complete discussion is provided in the Report of the Compensation Committee of the Board of Directors of this proxy statement.

Nominating Committee Functions

Our Board of Directors does not have a standing nominating committee or a committee performing similar functions. Our Board of Directors believes that it is appropriate for us not to have a standing nominating committee because we are controlled by the Schwartz family. Each member of our Board of Directors participates in the consideration of director nominees. Albert J. Hillman, Ruediger Naumann-Etienne and Philip L. Padou are all independent directors, as determined in accordance with the independence standards set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and Section 121A of the American Stock Exchange Company Guide; James J. Bennett, David Schwartz, Alice N. Schwartz and Norman Schwartz are not. However, because we are controlled by the Schwartz family, we are a controlled company for purposes of the American Stock Exchange listing standards, and thus we are not required to have a standing nominating committee comprised solely of independent directors.

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Our Board of Directors has not adopted a charter governing the director nomination process. However, it is the policy of our Board of Directors to consider stockholder nominations for candidates for membership on our Board of Directors that are properly submitted as set forth below under the caption Communications with the

Board of Directors. The stockholder must submit a detailed resume of the candidate together with a written explanation of the reasons why the stockholder believes that the candidate is qualified to serve on our Board of Directors. In addition, the stockholder must include the written consent of the candidate, provide any additional information about the candidate that is required to be included in a proxy statement pursuant to the rules and regulations of the Securities and Exchange Commission, and must also describe any arrangements or undertakings between the stockholder and the candidate regarding the nomination. In order to be considered for inclusion in next year's proxy statement, any such nominations must be properly submitted by November 25, 2004.

The director qualifications our Board of Directors has developed to date focus on what our Board of Directors believes to be those competencies that are essential for effective service on our Board of Directors. These qualifications include technical, operational and/or economic knowledge of our business and industries; experience in operational, financial and/or administrative management; financial and risk management acumen and experience in or familiarity with international business, markets and cultures, technological trends and developments, and corporate securities and tax laws. While a candidate may not possess every one of these qualifications, his or her background should reflect many of these qualifications. In addition, a candidate should possess integrity and commitment according to the highest ethical standards; be consistently available and committed to attending meetings; be able to challenge and share ideas in a positive and constructively critical manner and be responsive to our needs and fit in with other Board members from a business culture perspective.

Our Board of Directors identifies director nominees by first evaluating the current members of our Board of Directors who are willing to continue in service. Current members with qualifications and skills that are consistent with our Board of Directors' criteria for Board service are re-nominated. As to new candidates, our Board of Directors generally polls its members and members of our management for their recommendations. Our Board of Directors may also review the composition and qualification of the boards of our competitors, and may seek input from industry experts or analysts. Our Board of Directors reviews the qualifications, experience and background of the candidates. In making its determinations, our Board of Directors evaluates each individual in the context of the Board as a whole, with the objective of assembling a group that can best perpetuate our success and represent stockholder interests through the exercise of sound judgment. Any recommendations properly submitted by stockholders will be processed and are subject to the same criteria as are any other candidates.

Each of the nominees included on the attached proxy card was recommended for inclusion by all of the other members of our Board of Directors.

Communications with the Board of Directors

Individuals can communicate with our Board of Directors by mailing a written communication to:

Bio-Rad Laboratories, Inc.

1000 Alfred Nobel Drive

Hercules, California 94547

Attention: Corporate Secretary

The Corporate Secretary will promptly forward all such communications to the Chairman of the Board.

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Board of Directors Policy Regarding Board Members Attendance at Annual Meetings

Every member of our Board of Directors is expected to attend our annual meetings of stockholders in person, absent extraordinary circumstances such as a personal emergency. All seven of directors attended last year's annual meeting of stockholders in person.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In 2003, Townsend and Townsend and Crew, the patent law firm to which Albert J. Hillman is Of Counsel, rendered legal services to us. Our Board of Directors has relied upon our General Counsel to determine that the services of Townsend and Townsend and Crew were provided on terms at least as fair to us as if they had been provided by a non-affiliate. Our General Counsel is responsible for the management of all of our relationships with providers of legal services.

COMPENSATION OF DIRECTORS

Pursuant to the policy of our Board of Directors, directors who are not also our employees are paid a fee of \$1,600 per month plus \$100 for any meetings in excess of 16 per year for serving as directors. Audit Committee members are paid an additional \$625 per month.

In January 1997, we entered into a non-competition and employment continuation agreement with James J. Bennett, our then Executive Vice President and Chief Operating Officer. Under the terms of this Agreement, Mr. Bennett agreed not to compete with us for two years after the end of his employment with us. Mr. Bennett resigned as our Executive Vice President and Chief Operating Officer effective January 1, 2003. Pursuant to the terms of this Agreement, our management has agreed to nominate him as director for a period of three years following his resignation. Mr. Bennett is continuing to serve as an employee and perform mutually agreed tasks for six weeks in each twelve-month period for up to five years from his resignation. Mr. Bennett is paid his weekly salary in effect at the time of his resignation for those six weeks, plus his annual Board fees, the total of which is paid in 26 equal installments over each twelve-month period. For mutually agreed assignments extending beyond the six weeks, his compensation will be at his weekly pay rate in effect at the time of his resignation. During this period of continued part-time employment with us, Mr. Bennett is permitted to exercise all vested stock options granted to him prior to his resignation. In addition, if Mr. Bennett retires and ceases part-time employment with us, he is entitled to exercise his stock options for a period of two years after such retirement.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

The following Summary Compensation Table presents compensation paid or accrued by us for services rendered during 2003, 2002 and 2001 by our CEO and our four other most highly compensated executive officers in 2003 (collectively, the Named Executive Officers).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation(1)		Long-Term Compensation(2)	All Other Compensation(3)
		Salary	Bonus	Shares Underlying Options	
David Schwartz	2003	\$ 509,440	\$ 166,248	10,000	\$ 20,370
Chairman of the Board(4)	2002	\$ 531,495	\$ 317,526	65,240	\$ 931,014(5)
	2001	\$ 528,835	\$ 271,882	0	\$ 591,967(5)
Norman Schwartz	2003	\$ 455,414	\$ 150,082	67,783	\$ 10,000
President and Chief Executive Officer(6)	2002	\$ 348,424	\$ 166,175	10,000	\$ 10,000
	2001	\$ 316,252	\$ 154,644	0	\$ 8,500
John Goetz	2003	\$ 337,340	\$ 137,968	10,000	\$ 10,000
Vice President and Group Manager	2002	\$ 321,338	\$ 189,388	10,000	\$ 10,000
	2001	\$ 300,190	\$ 137,256	0	\$ 8,500
Sanford S. Wadler	2003	\$ 306,892	\$ 86,815	10,000	\$ 10,000
Vice President, General Counsel and Secretary	2002	\$ 295,532	\$ 305,957	10,000	\$ 10,000
	2001	\$ 295,218	\$ 0	0	\$ 8,500
Christine A. Tsingos	2003	\$ 285,000	\$ 84,104	10,000	\$ 1,148
Vice President and Chief Financial Officer	2002	\$ 21,923	\$ 50,000	0	\$ 0
	2001	\$	\$		\$

- (1) All other annual compensation amounts not included elsewhere in this proxy statement for each of the Named Executive Officers were less than the amounts required for separate reporting and are included in salary. The bonus amounts are payments made in 2002, 2003 and 2004 respectively, for services rendered in the immediately preceding year.
- (2) There have been no restricted stock awards or payouts under long-term incentive plans during the fiscal years reflected on this table.
- (3) Amounts reported are contributions made in 2002, 2003 and 2004 respectively, for services rendered in the immediately preceding year pursuant to the Employees' Deferred Profit Sharing Retirement Plan. A more complete discussion is provided in the section titled "Profit Sharing Plan Contributions" of the "Report of the Compensation Committee of the Board of Directors" in this proxy statement.
- (4) President, Chief Executive Officer and Chairman of the Board during 2001 and 2002 and continued as Chairman in 2003.
- (5) In addition to profit sharing plan contributions as described in number (3) above, David Schwartz and Alice N. Schwartz received split dollar life insurance benefits from us. We were a party to a split dollar life insurance agreement with a trust established by David Schwartz and Alice N. Schwartz under which the trust was the beneficiary of a life insurance policy insuring the lives of David Schwartz and Alice

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N. Schwartz for which we paid the premiums. The insurance policy was terminated as of December 31, 2003. A more complete discussion is provided in the section titled "Split Dollar Life Insurance" of the "Report of the Compensation Committee of the Board of Directors" in this proxy statement.

- (6) Chief Executive Officer since January 1, 2003 and Vice President and Group Manager during 2001 and 2002.

OPTION GRANTS IN 2003

The following table presents certain information regarding stock options granted to the Named Executive Officers in 2003.

	Individual Grants				Potential Realizable Value at	
	Number of				Assumed Annual Rates of	Stock Price Appreciation of
	Securities				Option Term(2)	
	Underlying	% of Total	Exercise		Assumed	Assumed
	Options	Options	Price	Expiration	Appreciation	Appreciation
Name	Granted(1)	Granted to Employees In 2003	(\$/Share)	Date	of 5%	of 10%
David Schwartz	2,777	.92%	\$ 39.60	02/05/08	\$ 17,623	\$ 51,037
	7,223	2.38%	\$ 36.00	02/05/13	\$ 163,530	\$ 414,417
Sanford S. Wadler	10,000	3.30%	\$ 35.50	02/05/13	\$ 223,258	\$ 565,779
Norman Schwartz	2,955	.98%	\$ 39.60	02/05/08	\$ 18,753	\$ 54,308
	64,828	21.40%	\$ 36.00	02/05/13	\$ 1,467,719	\$ 3,719,489
John Goetz	10,000	3.30%	\$ 35.50	02/05/13	\$ 223,258	\$ 565,779
Christine A. Tsingos	10,000	3.30%	\$ 35.50	02/05/13	\$ 223,258	\$ 565,779

(1)