

WEIS MARKETS INC  
Form DEF 14A  
March 14, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**SCHEDULE 14A**

**(RULE 14a-101)**

**SCHEDULE 14A INFORMATION**

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 Section 240.14a-12

**WEIS MARKETS, 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.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(3) Per unit price or other underlying value of the 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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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Notice of Annual Meeting of Shareholders of**

**WEIS MARKETS, INC.**

**To Be Held On**

**APRIL 25, 2013**

TO OUR SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the 2013 Annual Meeting of the Shareholders (the "Annual Meeting") of Weis Markets, Inc. (the "Company"), will be held on Thursday, April 25, 2013, at 10:00 a.m., Eastern Daylight Time, at the principal executive offices of the Company, 1000 South Second Street, Sunbury, Pennsylvania 17801, for the following purposes:

1. **Election of Directors:** To elect seven directors to serve, subject to provisions of the by-laws, until the next Annual Meeting of Shareholders or until their respective successors have qualified;
2. **Ratification of Appointment of the Independent Registered Public Accounting Firm:** To approve the appointment of the independent registered public accounting firm for the year ending December 28, 2013;
3. **Other Business:** To act upon such other business as may properly come before such meeting, or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on March 1, 2013, as the record date for the Annual Meeting. Only holders of shares of Common Stock of record at that time will be entitled to receive notice and vote at the Annual Meeting, and may vote by proxy (i) on the Internet, (ii) by telephone or (iii) by signing and dating a proxy card and returning it to the Company.

This summary is qualified in its entirety by the detailed information contained within the Proxy Statement.

**Important Notice Regarding Availability of Proxy Materials for Weis Markets, Inc.**

**Annual Meeting of Shareholders to be Held on April 25, 2013**

**This Proxy Statement, the form of proxy card, the Notice and the Company's Annual Report on Form 10-K are available at <http://www.weismarkets.com/financial.html>.**

By Order of the Board of Directors,

Jonathan H. Weis

Secretary

March 14, 2013

Sunbury, Pennsylvania

**WEIS MARKETS, INC.**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

This Proxy Statement is being furnished to all shareholders of record as of March 1, 2013, the record date of the Company, in connection with the solicitation of proxies by the Board of Directors (the "Board") for use at the 2013 Annual Meeting. The Annual Meeting will be held on Thursday, April 25, 2013, at 10:00 a.m. Eastern Daylight Time, at the principal executive offices of the Company, 1000 South Second Street, Sunbury, Pennsylvania 17801.

**INFORMATION CONCERNING THE SOLICITATION**

The Company is sending an "Important Notice of Availability of Proxy Materials for the Annual Meeting of Shareholders of Weis Markets, Inc." (the "Notice") to its shareholders on or about March 14, 2013. The Company is providing access to its proxy materials over the Internet under rules adopted by the Securities and Exchange Commission (the "SEC"). All shareholders have the ability to access the proxy materials on the website identified in the Notice or to request a printed copy of proxy materials. The Notice provides instructions on how to access the proxy materials over the Internet, and how to request a printed copy of the proxy materials. This Proxy Statement, the form of proxy card, the Notice and the Company's Annual Report on Form 10-K are available at <http://www.weismarkets.com/financial.html>.

Subject to the conditions hereinafter set forth, the shares represented by each proxy executed will be voted at the Annual Meeting, or any adjournments or postponements thereof, in accordance with the specifications therein made. Where there is no contrary choice specified, the proxy will be voted "FOR" each of the proposals as therein specified.

An executed proxy may be revoked by the person signing the same at any time before the authority thereby granted is exercised. The revocation may be exercised at any time before the Annual Meeting by indicating the revocation in writing. This revocation should be directed to the Judge of Elections, Weis Markets, Inc., 1000 South Second Street, Sunbury, Pennsylvania 17801. The proxy may also be revoked by voting in person at the Annual Meeting or by submitting a new proxy with a later date including a proxy given over the Internet or by telephone.

The Company has adopted a procedure called "householding," which the SEC has approved. Under this procedure, the Company is delivering a single copy of the Notice and, if applicable, this Proxy Statement and the Annual Report on Form 10-K to multiple shareholders who share the same address unless the Company has received contrary instructions from one or more of the shareholders. This procedure reduces the Company's printing costs, mailing costs and fees. Shareholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, the Company will deliver promptly a separate copy of the Notice and, if

applicable, this Proxy Statement and the Annual Report on Form 10-K to any shareholder at a shared address to which the Company delivered a single copy of any of these documents. To receive a separate copy of the Notice and, if applicable, this Proxy Statement or the Annual Report on Form 10-K, shareholders may write the Company at its address set forth on page 1, by telephoning 1-866-999-WEIS (9347), or via email at [financial\\_reports@weismarkets.com](mailto:financial_reports@weismarkets.com).

## **VOTING SECURITIES, RECORD DATE AND VOTING RIGHTS**

As of March 1, 2013, the record date for the Annual Meeting, the number of outstanding shares of Common Stock was 26,898,443. The presence, in person or by proxy, of at least 13,449,222 shares will constitute a quorum.

Only holders of Common Stock of the Company of record at the close of business on March 1, 2013 will be entitled to notice of and to vote on all matters at the Annual Meeting and at any adjournment thereof. Each holder of Common Stock will be entitled to one vote for each share of stock so held and to cumulative voting rights in the election of directors. Under cumulative voting, a shareholder, or the shareholder's proxies, may vote the number of shares of stock owned by the shareholder for as many persons as there are directors to be elected, or may cumulate such votes and give to one or distribute among two or more nominees as many votes as shall equal the number of directors to be elected multiplied by the number of the shareholder's shares of stock.

Directors are elected by a plurality vote of all votes cast at the Annual Meeting. The ratification of the appointment of the independent registered public accounting firm (“independent auditors”) requires the affirmative vote of a majority of all votes cast at the Annual Meeting. Abstentions and broker “non-votes” will be treated as present for purposes of determining a quorum, but will not affect the election of directors or other matters submitted to the vote of shareholders. A broker “non-vote” occurs when a shareholder has not provided voting instructions to its broker for a non-routine item because the New York Stock Exchange (“NYSE”) precludes brokers from giving a proxy to vote on a non-routine item. The election of directors (Proposal No. 1), is a non-routine item under the NYSE rules. The ratification of the independent auditors (Proposal No. 2) is a routine matter.

The Company’s by-laws specify that notice of any matter to be brought before an annual meeting by a shareholder must be received at the principal executive offices of the Company no later than the notice deadline described under the caption “Shareholders’ Proposals for Next Annual Meeting.” Management does not intend to bring any other matters before the Annual Meeting, and does not know of any other matter that is eligible for action at the Annual Meeting.

## **PROPOSAL NO. 1**

### **ELECTION OF DIRECTORS**

The Company believes that the proposed nominees for election as directors are willing to be elected as such, and it is intended that the persons named in the accompanying form of proxy or their substitutes will vote for the election of these nominees, unless specifically instructed to the contrary on the form of proxy. However, if any nominee, at the time of the election, is unable or unwilling to serve, or is otherwise unavailable for election, and in consequence other nominees are designated, the persons named in the proxy or their substitutes shall have discretion or authority to vote or refrain from voting in accordance with their judgment on the other nominees.

The Company requires its directors to possess the experience and skills necessary to oversee the management of the Company in the interest of the Company and its shareholders. The Board will consider for nomination a candidate who:

- has the highest personal and professional ethics, integrity and values;
- consistently exercises sound and objective business judgment;
- has significant appropriate senior management and leadership experience;

is able and willing to devote the required amount of time to the Company’s affairs, including attendance at Board meetings, Board committee meetings and annual shareholder meetings; and

will be committed to building sound, long-term Company growth.

When considering a person to be recommended for re-nomination as a director, the Board will consider, among other factors, the attendance, preparedness, participation and candor of the individual as well as the individual's satisfaction of the above-mentioned criteria. The Board believes the current Board members meet these criteria to effectively serve the Company. The description of each nominee set forth below includes biographical information, on a director by director basis, which highlights the specific experience, background and education of each nominee that led the Board to conclude each director should serve on the Board.

The Board recommends a vote "FOR" the election of the nominees named below, each of whom has consented to be named as a nominee and to serve if elected. With the exception of Mr. Edward J. Lauth III, who was elected by the Board to be a director on July 10, 2012, all of the nominees were elected to the Board at the 2012 Annual Meeting. Mr. Lauth was recommended to the Board for election as a director by Mr. Jonathan H. Weis, the Vice Chairman. The following table and accompanying footnotes set forth information about each Board nominee as of March 1, 2013:



| Name                 | Principal Occupation and any Position with the Company; Other Reporting Company Directorships | Age | Director Since |
|----------------------|---|-----|----------------|
| Robert F. Weis       | (1) Chairman of the Board   | 93  | 1947           |
| Jonathan H. Weis     | (2) Vice Chairman and Secretary   | 45  | 1996           |
| David J. Hepfinger   | (3) President and Chief Executive Officer   | 54  | 2009           |
| Harold G. Graber     | (4) Senior Vice President of Real Estate and Development                                      | 57  | 2011           |
| Edward J. Lauth III  | (5) Chief Executive Officer<br>Shaner Capital, L.P.   | 58  | 2012           |
| Gerrald B. Silverman | (6) President and Chief Executive Officer<br>The Jewish Federations of North America          | 54  | 2010           |
| Glenn D. Steele Jr.  | (7) President and Chief Executive Officer<br>Geisinger Health System                          | 68  | 2009           |

**Robert F. Weis.** The Company has employed Mr. Weis since 1946. Mr. Weis served as Chairman and Treasurer from 1995 until April 2002, at which time he was appointed Chairman of the Board (“Chairman”). Robert F. Weis is (1) the father of Director Jonathan H. Weis, brother of Ellen W. P. Wasserman who is also a beneficial owner of more than 5% of the Company’s Common Stock and the uncle of Kathryn J. Zox, Thomas H. Platz and James A. Platz who control more than 5% of the Company’s Common Stock through EKTJ Management LLC.

Mr. Weis’ extensive food retailing career with the Company provides the Board with a unique insight into the Company and its business, and adds a critical perspective to all aspects of the Board’s responsibilities, including strategy, operations, financial considerations, risk management and corporate governance that defines the Company.

**Jonathan H. Weis.** The Company has employed Mr. Weis since 1989. Mr. Weis served the Company as Vice President of Property Management and Development from 1996 until April 2002, at which time he was appointed (2) as Vice President and Secretary. In January of 2004, the Board appointed Mr. Weis as Vice Chairman and Secretary (“Vice Chairman”). Jonathan H. Weis is the son of Director Robert F. Weis.

Mr. Weis has been employed by the Company for more than 20 years. Throughout his employment, he has diverse and extensive experience with the Company in the areas of real estate, property management and procurement. This experience provides him with a vision for the Company’s future as well as in-depth knowledge of the operational risks facing the Company.

(3) **David J. Hepfinger.** Mr. Hepfinger joined the Company on March 1, 2008 as its President and Chief Operating Officer. Mr. Hepfinger has served the Company as President and Chief Executive Officer (“CEO”) since January 1, 2009. Mr. Hepfinger has served as a Director on the Board of the Food Marketing Institute since May 2009. Prior to joining the Company, Mr. Hepfinger worked for Price Chopper Supermarkets, a chain of supermarkets headquartered in Rotterdam, NY, for 32 years in various capacities including his last position as Senior Vice President Retail and Administration.

Mr. Hepfinger’s experience related to the grocery industry, with emphasis in store operations, marketing, merchandising and sales growth, provides the Company with strategic direction and strong leadership skills. His position as CEO also allows him to provide essential insight and guidance to the Board from an inside perspective of the day-to-day operations.

(4) **Harold G. Graber.** Mr. Graber joined the Company in 1989 as its Director of Real Estate, after spending 12 years in real estate/store development with a Mid-West retailer. Mr. Graber has served the Company as Vice President for Real Estate since 1996 and in February 2010, was promoted to Senior Vice President of Real Estate and Development.

Mr. Graber currently oversees the Company's real estate, property management and maintenance, and lease administration. Mr. Graber is also in charge of store planning, engineering, architecture, construction, "Not For Resale" procurement and utilities. The Company's legal activities and sustainability initiatives are also part of Mr. Graber's management responsibilities. Mr. Graber's intimate experience with the Company's store development and planning objectives provides important information to the Board.

**Edward J. Lauth III.** Mr. Lauth has served as Chief Executive Officer of Shaner Capital, L.P. since 2011. Shaner has interests in energy parks and real estate development in Pennsylvania. In addition, Mr. Lauth is the CEO of Hydro Recovery (frac water treatment) in Blossburg, Pennsylvania. Prior to becoming the CEO of Shaner Capital, L.P., Mr. Lauth was Managing General Partner of Governor's Harbour Resort & Marina, Ltd. In 2004, Mr. Lauth formed Governor's Harbour Resort & Marina, Ltd. to develop 270 acres on the island of Eleuthera in the Bahamas (5) and continues to serve as its Managing General Partner. As an entrepreneur and businessman, Mr. Lauth founded AquaPenn Spring Water Company in 1988, which went public (APN:NYSE) in 1998 and was later acquired by Group Danone in 1999. Mr. Lauth was the developer of Baby's Burgers and Shakes, a landmark 1950's diner, and two hi-rise residential and student condominium projects in State College, Pennsylvania. Mr. Lauth's community service commitments include his position as past Chairperson of the Center County United Way and he is presently Chairman of the Suzanne Pohland Paterno Student Faith Center at Penn State University.

Mr. Lauth has had an extensive career in sales, marketing and real estate development. This combined experience along with Mr. Lauth's entrepreneurial skills provides the Board with a valuable perspective.

**Gerrald B. Silverman.** Mr. Silverman has served as President and Chief Executive Officer of The Jewish Federations of North America, an organization representing 157 Jewish Federations and 400 independent Jewish communities, since 2009. Before joining The Jewish Federations, Mr. Silverman served as President of the Foundation for Jewish Camp, the only non-profit national organization dedicated to raising awareness and support (6) of non-profit Jewish resident camps. For a decade before that, Mr. Silverman held a range of executive positions at the Stride Rite Corp. of Boston, including President of its International Division; President, Stride Rite Children's Group; and President, Keds Corp. Between 1979 and 1994 Mr. Silverman held several senior executive positions at Levi Strauss & Co. in San Francisco, CA. Mr. Silverman also serves as a Director on the Board of the University of Maryland Hillel.

Mr. Silverman is a highly experienced leader in the North American Jewish community and longtime corporate executive, with over 25 years of experience. Mr. Silverman's extensive executive level management background within other retail industries is a valuable resource for the Board.

(7) **Glenn D. Steele Jr.** Dr. Steele is President and Chief Executive Officer of Geisinger Health System. In this capacity, he serves as a member of the Geisinger Health System Foundation Board of Directors, ex-officio of all Standing Committees of the Board and Chairman of the subsidiary boards. Dr. Steele previously served as the Dean of the Biological Sciences Division of the Pritzker School of Medicine and as Vice President for Medical Affairs at the University of Chicago, as well as the Richard T. Crane Professor in the Department of Surgery. Dr.

Steele serves on several boards including Bucknell University's Board of Trustees, Temple University School of Medicine's Board of Visitors, Premier, Inc. (Chairman), Wellcare Health Plans, Inc., Cepheid Inc., and Harvard Medical Faculty Physicians Board.

Dr. Steele's extensive background in the health care industry provides the Company with pharmaceutical and healthcare related expertise. Dr. Steele's experience as a director on other boards and his overall business and financial leadership perspective is a valuable asset to the Board.

On March 1, 2009, the Company hired Kurt A. Schertle as its Vice President of Sales and Merchandising. Mr. Schertle was promoted to Senior Vice President of Sales and Merchandising ("SVP") on February 15, 2010 and was again promoted to Executive Vice President of Sales and Merchandising ("EVP") on July 1, 2012. Prior to being hired by the Company, Mr. Schertle was President and Chief Operating Officer of Tree Top Kids, Inc., a specialty toy retailer. One year and four months after Mr. Schertle left that company, on March 11, 2010, an involuntary petition of bankruptcy was filed against Tree Top Kids, Inc.

## Independence of Directors

The Board has determined that Directors Lauth, Silverman and Steele are independent within the meaning of the listing standards of the NYSE. An independent director is defined as a director who has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company.

Companies listed on the NYSE must comply with certain standards regarding corporate governance, as codified in Section 303A of the Listed Company Manual of the NYSE, with some exceptions. A company of which more than 50% of the voting power is held by an individual, a group or another company is not required by the NYSE to comply with the requirements of Sections 303A.01 Independent Directors, 303A.04 Nominating/Corporate Governance Committee or 303A.05 Compensation Committee. Robert F. Weis, Chairman, and Ellen W. P. Wasserman, his sister, control 53.4% of the voting power. They have agreed to act together for the purpose of voting their shares of Common Stock and thus constitute a group within the meaning of these rules.

As permitted by the NYSE rules, the Company does not have a majority of independent directors. As of March 14, 2013, the Company's Audit Committee is composed of all independent directors, and the Compensation Committee is composed of two independent directors and one non-independent director.

## Board Committees and Meeting Attendance

**Board of Directors.** The Company's Board held four regular meetings and one special meeting during fiscal 2012. No director attended fewer than 75% of the aggregate meetings of the Board and all Board committees on which the director served. All directors attended the 2012 Annual Meeting. At the Board meeting held on July 10, 2012, Mr. Lauth was elected to the Board, effective at such meeting.

Under the policies of the Board, directors are expected to attend regular Board meetings, Board committee meetings, the Annual Meeting and any special meetings of the shareholders. Participation is permissible by means of conference telephone or similar communications equipment.

**Audit Committee.** The Audit Committee is composed of three independent non-employee directors, as required by the NYSE listing standards. The Audit Committee acts independently to review the scope and engagement results of the independent auditors and the adequacy of the Company's internal and financial controls. Information regarding the functions performed by the Audit Committee is set forth in the "Audit Committee Report" included in this Proxy Statement. The Audit Committee is governed by a written charter approved by the Board. A copy of this charter is available on the Company's corporate governance website at <http://www.weismarkets.com/about-weis/corporate-information/governance> or by request to the Corporate Secretary at the Company's address set forth in "Shareholder or Interested Parties Communications."

The 2012 Audit Committee was composed of Directors Steven C. Smith, Silverman, Steele and Lauth. Mr. Smith ceased to serve on the Audit Committee when his term as director expired in April 2012. In July 2012, the Board elected Mr. Lauth to the Board to fill the seat vacated by Mr. Smith. At the same time, Mr. Lauth was appointed to the Audit Committee by the Company's Board. Mr. Smith served as Chairman of the Audit Committee until his term as a director expired, at which point Mr. Silverman became Chairman of the Audit Committee. The Audit Committee held four regular meetings and four special meetings during fiscal 2012.

The Board has determined that all Audit Committee members are financially literate under the listing standards of the NYSE. The Board also determined that all Audit Committee members were "audit committee financial experts" in fiscal 2012 and all Audit Committee members are "audit committee financial experts" in fiscal 2013, as defined in Item 401(h) of Regulation S-K, and all members of the Audit Committee are "independent" for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934 and the listing standards of the NYSE.

**Compensation Committee.** The Compensation Committee is currently composed of two independent non-employee directors and one non-independent employee director. The Compensation Committee is responsible for developing policies and programs, and making recommendations about compensation arrangements for senior management to the Board. The Compensation Committee is governed by a written charter approved by the Board, which is available on the Company's corporate governance website at

<http://www.weismarkets.com/about-weis/corporate-information/governance> or by request to the Corporate Secretary at the Company's address set forth in "Shareholder or Interested Parties Communications."

The 2012 Compensation Committee was composed of Directors Smith, Silverman, Steele and Jonathan H. Weis. Mr. Smith ceased to serve on the Compensation Committee when his term as director expired in April 2012. Mr. Weis served as Chairman of the Compensation Committee. The Compensation Committee held two regular meetings during fiscal 2012, both after Mr. Smith ceased to serve on the Compensation Committee. All three members of the Compensation Committee reviewed the Company's senior management compensation for fiscal 2012. The Company's Chairman and the CEO are not members of the Compensation Committee; however, the Compensation Committee seeks input from them regarding the performance of the other executive officers. In fiscal 2009 and 2012, the executive management team and the Compensation Committee sought assistance from consulting firms specializing in compensation and benefits, as set forth below in the "Executive Compensation – Compensation Discussion and Analysis."

#### Corporate Governance Matters

The Company has adopted Corporate Governance Guidelines which are available on the Company's corporate governance website at <http://www.weismarkets.com/about-weis/corporate-information/governance> or by request to the Corporate Secretary at the Company's address set forth in "Shareholder or Interested Parties Communications."

**Board Leadership Structure.** The Company separates the roles of Chairman and CEO in recognition of the differences between the two roles. Article V Section 5.5 of the Company's by-laws states that the Chairman shall preside at all meetings of the shareholders and the Board. The by-laws also state that the CEO shall have the general charge and supervision of the business of the Company and shall exercise or perform all the powers and duties usually incident to the office of CEO. The CEO is responsible for the day-to-day leadership and performance of the Company. In the absence of the Chairman, the Vice Chairman shall preside at all meetings of the shareholders and of the Board. The Company believes the current leadership structure is the most appropriate structure at the time of filing.

**The Board's Role in Risk Oversight.** The Board oversees the management of risks inherent in the operation of the Company's business. It is management's responsibility to manage risk and bring to the Board's attention the most material risks to the Company. The Board has oversight responsibility of the processes established to monitor systems for material risks applicable to the Company. Each of the Board's Committees also oversees the management of Company risks that fall within the Committees' areas of responsibility. In performing this function, each Committee has full access to management, as well as the ability to engage advisors. As part of its responsibilities as set forth in its charter, the Audit Committee is responsible for discussing with management the Company's major financial risk

exposures and the steps management has taken to monitor and control those exposures. The Audit Committee gives updates to the Board at its regular meetings, including financial and information technology risks. In connection with its risk management role, the Audit Committee also meets privately with the Company's independent auditors, the Chief Internal Auditor and the Chief Financial Officer quarterly. As part of its responsibilities as set forth in its charter, the Compensation Committee reviews the impact of the Company's executive compensation program and the associated incentives to determine whether they present a significant risk to the Company. Based on this review, the Compensation Committee concluded its compensation policies and procedures are not reasonably likely to have a material adverse effect on the Company.

***Code of Business Conduct and Ethics.*** The Company has adopted a "Code of Business Conduct and Ethics" that applies to all of its directors, officers and employees. Separately, the Company also adopted a "Code of Ethics for CEO and CFO" specific to its chief executive officer, chief financial officer, corporate controller and any person performing similar functions. The Company has made both documents available on its corporate governance website at <http://www.weismarkets.com/about-weis/corporate-information/governance> or by request to the Corporate Secretary at the Company's address set forth in "Shareholder or Interested Parties Communications."



**Non-Management Independent Directors.** To empower non-management independent directors to serve as a more effective check on management, the non-management independent directors of the Company have met at regularly scheduled executive sessions without management. The 2012 non-management independent directors were Directors Smith, Silverman, Steele and Lauth. Mr. Smith ceased to serve as a non-management independent director when his term as director expired in April 2012. In July 2012, the Board elected Mr. Lauth to the Board to fill the seat vacated by Mr. Smith. At the same time, Mr. Lauth became a non-management independent director. Mr. Silverman presided at the first of four meetings held during fiscal 2012 and Mr. Steele presided at the remaining three meetings. Shareholders or interested parties wishing to communicate directly with the non-management independent directors as a group may do so as set forth in “Shareholder or Interested Parties Communications.”

**Board Nominations.** Based upon the stock ownership of the principal shareholders, the Company determined it would be better served by having the full Board review nominating and corporate governance issues rather than establishing separate committees. Therefore, there is no nominating committee charter.

If the Board determines there is a need to add or replace a director, the following criteria are considered for each recommended candidate. The candidate (a) has the highest personal and professional ethics, integrity and values; (b) consistently exercises sound and objective business judgment; (c) has significant appropriate senior management and leadership experience; (d) is able and willing to devote the required amount of time to the Company’s affairs, including attendance at Board meetings, Board committee meetings and annual shareholder meetings and (e) will be committed to building sound, long-term Company growth.

The Company does not have a formal policy with respect to considering diversity. However, its Corporate Governance Guidelines state that the Board seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise. This assessment will include an individual’s qualification as independent, as well as consideration of diversity, age, skills and experience in the context of the needs of the Board. Chosen candidates are extended invitations to join the Board. If a candidate accepts, he or she is formally nominated.

The Board will consider nominees brought to the attention of the Board by an eligible shareholder, a non-management independent director, the CEO, any other executive officer or other appropriate sources. The Company’s by-laws require that any shareholder intending to nominate a candidate for election as a director must give written notice, containing specified information, to the Corporate Secretary at the Company’s address set forth in “Shareholder or Interested Parties Communications,” not later than the notice deadline specified in the by-laws, which is 120 calendar days before the anniversary of the date that the Company’s Proxy Statement was released to shareholders in connection with the previous year’s Annual Meeting. The notice should include the name and address of both the eligible shareholder and the candidate and the qualifications of the candidate being recommended. A copy of the by-law provision concerning shareholder nominations will be furnished to any shareholder upon written request to the Corporate Secretary at the Company’s address set forth in “Shareholder or Interested Parties Communications.”

The Board does not have a formal process for identifying and evaluating candidates for director. It is not anticipated that the process for evaluating a nominee would differ based on whether the nominee is recommended by an eligible shareholder.

#### Board Recommendation and Vote Required

As stated in each nominee's biography above, the seven candidates possess all of the experience, qualifications, attributes and skills appropriate for functioning as a board. No notices from shareholders intending to nominate a candidate for election as a director were received with respect to the 2013 Annual Meeting. Therefore, only the seven nominees named above, or a substitute nominee of the Board, will be eligible for election at the Annual Meeting. The seven candidates receiving the highest numbers of votes cast by the holders of Common Stock voting in person or by proxy will be elected as directors. **The Board of Directors recommends a vote "FOR" the election of the seven nominees named above.**

## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

Throughout this Proxy Statement, the individuals who served as the Company's CEO and CFO during fiscal 2012, as well as the other individuals included in the "Summary Compensation Table," are referred to as the "Named Officers."

#### **Compensation Philosophy and Objectives**

The primary objective of the Company's executive compensation program is to attract and retain qualified executives, which is critical to the ongoing success of the Company. This primary objective is achieved by providing a combination of base salary, annual cash incentives, health and welfare benefits, retirement benefits and perquisites that overall provide a complete compensation package that is competitive with executives at companies of comparable size and position in the retail business, while keeping compensation in line with the financial objectives of the Company.

#### **Compensation Committee Discretion**

The Compensation Committee has broad discretion to set the compensation paid to the Company's Named Officers, subject to Board approval, as it may determine is in the best interest of the Company and its shareholders. The exercise of discretion is an important feature of the Compensation Committee's philosophy and provides the Compensation Committee with sufficient flexibility to respond to specific circumstances facing the Company.

#### **Use of Comparable Data in Setting Executive Compensation Levels**

The Company is engaged in a highly competitive industry. As a result, the Compensation Committee annually examines compensation levels and trends in the labor market as part of its process in establishing compensation for the Company's Named Officers.

Throughout each year, the executive management team and the Compensation Committee review publicly available survey data related to general industry executive compensation and peer company compensation programs through a review of proxy statements. Periodically, the Compensation Committee engages consulting firms specializing in compensation and benefits to assist in evaluating the compensation package the Company offers to its Named Officers. In connection with its consideration of 2012 compensation, the Compensation Committee hired Hewitt Associates LLC ("Hewitt") as a compensation consultant. The Compensation Committee made the decision to hire Hewitt and reviewed the services provided to the committee by Hewitt in 2012 with respect to executive compensation. The Compensation Committee determined that Hewitt was an independent consultant on these matters after considering, among other things, that Hewitt did not provide consulting services to management in 2011 [of over \$120,000].

In 2012, the Compensation Committee used Hewitt's 2011 Total Compensation Measurement Survey to benchmark the total compensation for the Chairman. The Compensation Committee used the Stanton Group's "2011 Wholesale/Retail Group Compensation Survey" and the Hewitt 2011 Total Compensation Measurement Survey to benchmark total compensation for the CEO, Executive Vice President of Sales and Merchandising ("EVP") and the CFO. The Stanton study benchmarked compensation and benefits for management employees for 33 grocery retailers and wholesalers nationwide. The Stanton Group is a Division of Gallagher Benefit Services, Inc. Hewitt was also asked to provide a briefing on current trends within the retail and general industry with respect to types of long-term incentives offered, eligibility for such programs, and typical practice with respect to the number and relative mix of vehicles (stock options, restricted stock, performance shares, and/or cash-based long-term incentives). Hewitt concluded that the Company's total direct executive compensation program falls below market norms.

Because there were no similar executive positions comparable to the Vice Chairman defined within the surveys provided to the Company for this position, the Compensation Committee continued to use the 2009 Watson Wyatt Compensation Survey to assist it in determining comparable total compensation. The Watson Wyatt survey benchmarked compensation and benefits for up to 150 retailers nationwide without citing specific participants by company name.

The Compensation Committee believes these are the best available sources within the grocery industry to evaluate executive compensation. Because the Company competes with many larger companies for top executive-level talent, it generally sets compensation for Named Officers at the 75th percentile of compensation paid to similarly situated executives. Variations to the base salary component may occur because of the individual's experience level, job responsibilities and market factors. The Compensation Committee also realizes that a primary difference between the Company's executive compensation program and some of its peers' compensation programs is the absence of an equity-based incentive plan. This fact is strongly considered when evaluating discretionary contributions to the Supplemental Executive Retirement Plan ("SERP") for the Named Officers.

### 2012 Executive Compensation Components

The Compensation Committee annually evaluates the performance of executive officers with the Chairman and CEO. In performing its evaluations, the Compensation Committee relies upon written and verbal evaluations of each officer's performance for the most recent fiscal year. The CEO meets with the executive officers to discuss their efforts and accomplishments throughout the period from information deemed relevant both internally and in light of the competitive position of the Company in the industry. These evaluations include qualitative factors such as the individual's decision-making responsibilities, the professional experience required to perform given tasks, and their leadership and team-building skills. Although executive compensation is not specifically related to corporate performance, the overall performance of the Company is a consideration in determining executive compensation.

Compensation for Named Officers is comprised of the following:

- Base Salary
- Non-Equity Incentive Plan
- Retirement Plans
- Vice Chairman Incentive Award Plan
- CEO Incentive Award Plan
- Long Term Incentive Plan
- Perquisites

**Base Salary:** The base salary component of the executive compensation program provides the foundation for a fair and competitive compensation package. Although the Compensation Committee generally intends to set compensation for Named Officers at the 75th percentile of compensation paid to similarly situated executives, the Compensation Committee has the discretion to deviate from the 75th percentile of the compensation surveys as it may determine in its discretion. The determination of base salaries is generally independent of the decisions regarding other elements of compensation, but some of the other elements of the compensation program are dependent on base salary, to the extent they are expressed as percentages of base salary. In setting base salaries, the Compensation Committee considers each Named Officers' job responsibilities, value-added contributions to the Company and tenure.

Based on consideration of the criteria discussed above and the overall financial and operational success of the Company, the Compensation Committee approved a 4.2% increase in base salary for the Chairman, Mr. Robert F.

Weis, in fiscal 2012. The Compensation Committee approved a 3.9% increase in base salary for the Vice Chairman, Mr. Jonathan H. Weis. The Chairman and Vice Chairman base salaries were at 92.2% and 102.6%, respectively, of the 75% base salary quartile for similarly situated executives. The Compensation Committee approved a 3.9% increase in base salary for the CEO, Mr. David J. Hepfinger, in fiscal 2012. The base salary for the CEO was 86.1% of the 75% base salary quartile for similarly situated executives. The Compensation Committee approved a 4.0% increase in base salary as of February 2012 for Mr. Kurt A. Schertle and a 6.9% increase in base salary upon his promotion from Senior Vice President of Sales and Merchandising (“SVP”) to Executive Vice President of Sales and Merchandising (“EVP”) in July 2012. The EVP now earns 86.4% of the 75% quartile for similarly situated executives. The Compensation Committee approved a 4.3% increase in base salary for the CFO, Mr. Scott F. Frost, in fiscal 2012. The CFO now earns 64.2% of the 75% quartile for similarly situated executives.

**Non-Equity Incentive Plan:** Since 2002, the Company's executive compensation program includes an annual non-equity incentive plan designed to reward certain key employees, including the Named Officers, for meeting specific financial objectives. The Compensation Committee administers the non-equity incentive plan for management to provide the short-term incentive compensation element of the executive compensation program. This short-term incentive is a cash-based performance incentive program designed to motivate and reward key employees for their contributions to factors and business goals that the Company believes drive its earnings and create shareholder value. Incentive payout targets are established by job level within the Company as a percentage of base salary, and actual payouts are based on achievement of budgeted sales and operating profit targets as approved by the Board annually. Prior to implementation of this non-equity incentive plan in 2002, the Compensation Committee hired an independent compensation consulting firm to provide guidance on the basic plan structure. In 2009, consultants were utilized to evaluate the competitiveness of the current non-equity incentive plan as compared to the market place and recommended changes, of which the Board approved. Actual non-equity incentive plan compensation amounts earned by the Named Officers are reflected in the "Summary Compensation Table" for the year earned. The amounts which each Named Officer could have earned for fiscal 2012 based on performance at the threshold, target and maximum levels are shown in the "Grants of Plan-Based Awards" table below.

The Chairman, Vice Chairman, CEO and CFO can earn up to 130%, 104%, 104% and 52%, respectively, of their base salary in the non-equity incentive plan. The EVP can earn up to 65% of his base salary, from the date of appointment as EVP through the end of the fiscal year, and he can earn up to 52% of his base salary related to the previous position held as SVP, in the non-equity incentive plan. The incentive targets for the Chairman, Vice Chairman, CEO and CFO are 100%, 80%, 80% and 40%, respectively, of their base salary. The incentive target for the EVP was 40% of his base salary while he was SVP and is 50% of his base salary upon promotion to EVP. For fiscal 2012, 40% of the incentive award was based upon achievement of the budgeted total Company sales and 60% of the incentive award was based upon achievement of the budgeted total Company operating profit for the Named Officers. Company operating profit was defined as the U.S. GAAP "Operating Income" less the effect of the acquisition made in fiscal 2012. Threshold and target hurdles were established for the budgeted sales category, which allowed each Named Officer to earn 25% and 100%, respectively, of his total incentive award for achieving the specified results within the sales category. Threshold, target and maximum hurdles were established for the operating profit category, which allowed each Named Officer to earn 25%, 100% and 150%, respectively, of his total incentive award for achieving the specified results within the operating profit category. The operating profit category target hurdle must be met before the sales category incentive award is earned under the plan. For achieving 97% through 100% of the budgeted sales target, the Named Officers can earn 25% to 100% of the sales incentive award. For achieving 97% through 118% of the budgeted operating profit, the Named Officers can earn 25% to 150% of the operating profit incentive award. The threshold and target hurdles for sales in fiscal 2012 were equal to a sales result of \$2.7 billion and \$2.8 billion, respectively. The threshold, target and maximum hurdles for the operating profit in fiscal 2012 were equal to an operating profit result of \$127.3 million, \$131.2 million and \$154.8 million, respectively. The Company achieved 98.0% of the total budgeted sales earning the Named Officers 20% of their incentive targets (40% Sales multiplied by 50% Achieved). The Company achieved 99.5% of total budgeted operating profit, earning the Named Officers 45% of their incentive targets (60% Profit multiplied by 75% Achieved). The Named Officers earned 65.0% of their total incentive targets in fiscal 2012 (20% Sales plus 45% Profit) based upon total Company performance; compared to the 109.0% of the total incentive targets earned in fiscal 2011 by the Chairman and Vice Chairman and 112.0% of the total incentive targets earned in fiscal 2011 by the CEO, EVP and CFO.

**Retirement Plans:** The Company has a contributory retirement savings plan, the Weis Markets, Inc. Retirement Savings Plan, covering substantially all full-time associates. The Company had a noncontributory profit-sharing plan, the Weis Markets, Inc. Profit Sharing Plan, covering eligible associates which included certain salaried associates, store management and administrative support personnel. Effective December 1, 2009, the Weis Markets, Inc. Profit Sharing Plan was merged into the Weis Markets, Inc. Retirement Savings Plan (“the Plan”). Both plans are qualified defined contribution plans. The Named Officers along with other highly compensated employees have limited participation in the 401(k) portion of the Plan and are excluded from receiving contributions in the profit sharing portion of the Plan once their annual earnings exceed the limitations imposed by the Internal Revenue Code and the Regulations implemented by the Internal Revenue Service for highly compensated employees. A few of the Named Officers continue to possess an investment account in the profit sharing portion of the Plan, resulting from their tenure with the Company prior to becoming a highly compensated employee.



**Supplemental Executive Retirement Plan:** Company contributions normally made to the qualified plans for the Named Officers are credited instead to the SERP, an unfunded, nonqualified deferred compensation plan. The SERP account for each Named Officer is credited annually with the amount, if any, that would have been allocated to the participant's qualified plans if he had not been excluded from participation in these qualified plans. Although the SERP is primarily a replacement retirement plan, the Compensation Committee may at any time recommend to the Board discretionary amounts to be credited to the account(s) of one or more SERP participants. Substantial risk of benefit forfeiture does exist for participants in the SERP. The SERP provides the participant with the ability to direct his or her investments into one or more of the investment options made available through the plan.

Contributions to the SERP are determined in the same manner as contributions to participants in the Company's qualified plans except for discretionary contributions. Contribution allocations and earnings for the four components of the SERP are computed as follows:

*401(k) Portion of the Plan:* The allocation of the employer 401(k) contribution is equal to 25% of the participant's contribution for the allocation period, up to 4% of the participant's compensation through March 31, 2012 and up to 6% of the participant's compensation, effective April 1, 2012. If a participant is age 50 or older during the calendar year, the participant may make additional contributions called "Catch-up" contributions. The total Catch-up contributions for a calendar year may not exceed the Catch-up dollar limit set by law. The limit was \$5,500 in 2012 and will continue in 2013 with the same limit. This limit will be indexed upward under federal law. Base salary is the only element of compensation that is used in determining the amount of contributions permitted under the Plan. By law, compensation in excess of \$250,000 in 2012 and \$255,000 in 2013 (as indexed upward under federal law) cannot be counted. SERP participants can defer up to 50% of their base salary in the SERP. Each amount credited to a participant's SERP account for replacement of Company contributions normally made for 401(k) deferrals are invested by the participant in one or more of the investment options made available through the plan, except that amounts are only credited to the SERP account annually rather than quarterly as in the qualified plan.

*Profit Sharing Portion of the Plan:* The allocation of the employer's contribution to the Plan for each eligible participant is credited based on both flat dollar amounts and in relationship to the participant's compensation for the plan year. By law, compensation in excess of \$250,000 in 2012 and \$255,000 in 2013 (as indexed upward under federal law) cannot be counted. Each amount credited to a participant's SERP account for replacement of Company contributions normally made to the profit sharing plan is invested by the participant in one or more of the investment options made available through the plan.

*Discretionary:* The Compensation Committee may at any time recommend to the Board discretionary amounts to be credited to the account(s) of one or more SERP participants. Amounts credited to a participant's SERP account for discretionary Company contributions are invested by the participant in one or more of the investment options made available through the plan.

The investment funds made available to the participants are managed by independent investment advisors. For more information regarding the Company's retirement plans, please refer to the "Pension Benefits" and "Nonqualified Deferred Compensation" tables below and Note 6 to the Consolidated Financial Statements in the 2012 Annual Report on Form

10-K.

**Deferred Compensation Agreement:** The Company maintains an unfunded, nonqualified deferred compensation agreement with Robert F. Weis for the payment of specific amounts of annual retirement benefits to him or his spouse over their lifetime, with a guaranteed payment for their actuarially computed life expectancies. The benefits are determined through actuarial calculations dependent on the age of the recipient, as specified in the plan document, using the 1971 Group Annuity Mortality Table (Plus 5 for Males) and an assumed discount rate of 7.5%. The benefit payable on an annual basis to Robert F. Weis would be \$1,551,436 if he had retired as of the date of this Proxy Statement. For more information regarding this deferred compensation agreement, refer to the “Pension Benefits” table below and Note 6 to the Consolidated Financial Statements in the Company’s 2012 Annual Report on Form 10-K.

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***Vice Chairman Incentive Award Plan:*** On November 3, 2011, the Compensation Committee adopted the Company's Vice Chairman Incentive Award Plan, with retroactive effect to July 1, 2011. The Vice Chairman Incentive Award Plan was implemented in connection with the new Employment Agreement the Company entered into with Jonathan H. Weis, Vice Chairman of the Company, on November 3, 2011, with retroactive effect to July 1, 2011. The purposes of the Vice Chairman Incentive Award Plan are to provide a strong financial incentive each year for performance of the Company's Vice Chairman by making a significant percentage of the Vice Chairman's total cash compensation dependent upon the level of corporate performance attained yearly, and to encourage Vice Chairman retention. Mr. Weis may earn a supplemental cash incentive under the Company's Vice Chairman Incentive Award Plan. The Vice Chairman Incentive Award consists of a retention award equal to Mr. Weis's base salary for the fiscal year (although in 2011 (and only 2011), the amount of the retention award was \$334,750) and a profit performance award equal to the base salary for the fiscal year if the "Net Income" of the Company increases by 5% or more from the "Net Income" of the previous fiscal year (although in 2011 (and only 2011) the amount of the profit performance award was \$334,750). "Net Income" is defined as the "Net Income" as set forth in the Company's consolidated statements of income, but in comparing the Net Income for a particular fiscal year ("Current Year") to the Net Income of the prior fiscal year ("Prior Year"), the comparison is done on a "same store profit comparison," meaning that in calculating Net Income for the Current Year, only the results of stores in the Current Year that also were in operation as of December 31 in the Prior Year are included. The maximum amount of the Vice Chairman Incentive Award payable under the Plan in any fiscal year is limited to \$1,339,000 (although in 2011 (and only 2011) the maximum amount of the Incentive Award was limited to \$669,500). Although the right to receive awards under the plan are measured and determined on an annual basis, the payment of the award is contingent upon Mr. Weis's continued employment with the Company and no plan award will be paid until after December 31, 2016, except in the case of a termination without cause or death.

***CEO Incentive Award Plan:*** On October 26, 2010, the Compensation Committee adopted the Company's CEO Incentive Award Plan, with retroactive effect to January 1, 2010. The CEO Incentive Award Plan was implemented in connection with the new Employment Agreement the Company entered into with David J. Hepfinger, CEO, on October 26, 2010, with retroactive effect to March 1, 2010. The purposes of the CEO Incentive Award Plan are to provide a strong financial incentive each year for performance of the Company's CEO by making a significant percentage of the CEO's total cash compensation dependent upon the level of corporate performance attained yearly, and to encourage CEO retention. Mr. Hepfinger may earn a supplemental cash incentive under the Company's CEO Incentive Award Plan. The CEO Incentive Award consists of a retention award equal to Mr. Hepfinger's base salary for the fiscal year and a profit performance award equal to the base salary for the fiscal year if the "Net Income" of the Company increases by 5% or more from the "Net Income" of the previous fiscal year. "Net Income" is defined as the "Net Income" as set forth in the Company's consolidated statements of income, but in comparing the Net Income for a particular fiscal year ("Current Year") to the Net Income of the prior fiscal year ("Prior Year"), the comparison is done on a "same store profit comparison," meaning that in calculating Net Income for the Current Year, only the results of stores in the Current Year that also were in operation as of December 31 in the Prior Year are included. The maximum amount of the CEO Incentive Award payable under the Plan in any fiscal year is limited to \$1,500,000. Although the right to receive awards under the plan are measured and determined on an annual basis, the payment of the award is contingent upon Mr. Hepfinger's continued employment with the Company and no plan award will be paid until after December 31, 2014, except in the case of a termination without cause or death.

***Recoupment Policy:*** On November 3, 2011, with retroactive effect to July 1, 2011, the Company entered into an Employment Agreement with the Company's Vice Chairman, Jonathan H. Weis. On October 26, 2010, with retroactive effect to March 1, 2010, the Company entered into an Employment Agreement with the Company's CEO,

David J. Hepfinger. The Employment Agreements contain a recoupment policy (commonly referred to as a clawback policy), which provides that if the Board determines that Mr. Weis or Mr. Hepfinger has been incompetent or negligent in the performance of his duties or has engaged in fraud or willful misconduct in a manner that caused or contributed to the need for a material restatement of the Company's financial results, the Board will review all performance-based compensation awarded to or earned by Mr. Weis or Mr. Hepfinger on the basis of performance during fiscal periods affected by the restatement. If the performance-based compensation would have been lower if it had been based on the restated results, the Board and the Company will, to the extent permitted by law, seek recoupment from Mr. Weis or Mr. Hepfinger of any portion of such performance-based compensation deemed appropriate.

**Long Term Incentive Plan:** In 2012, the Compensation Committee adopted the Company's Long Term Incentive Plan, which was effective July 1, 2012 and continues until June 30, 2017. The purposes of the Long Term Incentive Plan are to provide a strong financial incentive each year for performance of the participants by making a significant percentage of their total cash compensation dependent upon the level of corporate performance attained yearly, and to encourage their retention. Both the EVP and CFO may earn a supplemental cash incentive under the Company's Long Term Incentive Plan. The Long Term Incentive Plan provides an incentive equal to 50% of the participant's base salary (effective at the end of the fiscal year) if, and only if, the "Net Income" of the Company increases by 5% or more from the "Net Income" of the previous fiscal year. "Net Income" is defined as the "Net Income" as set forth in the Company's consolidated statements of income, but in comparing the Net Income for a particular fiscal year ("Current Year") to the Net Income of the prior fiscal year ("Prior Year"), the comparison is done on a "same store profit comparison," meaning that in calculating Net Income for the Current Year, only the results of stores in the Current Year that also were in operation as of December 31 in the Prior Year are included. Although the right to receive awards under the plan are measured and determined on an annual basis, the payment of the award is contingent upon the participant's continued employment with the Company in an employment position eligible under the Plan for the entire term of the plan, except in the case of a termination without cause or due to a long term disability, in which case the participant is entitled to any earned, but unpaid incentive. No plan award will be paid until after June 30, 2017.

**Perquisites:** The Company provides the Named Officers with perquisites that the Compensation Committee believes are reasonable and consistent with its overall executive compensation program. The Named Officers are provided use of Company automobiles. For security purposes, the Chairman, Vice Chairman and CEO may use the Company aircraft for business, and for limited personal travel. In addition, the Company pays for tax filing assistance for the Chairman and for tax and investment advisory services for the CEO. The cost to the Company of the use of Company automobiles and the Company aircraft is calculated as prescribed by the Internal Revenue Service and is treated as taxable income to the Named Officers. Please refer to Footnote 4 of the "Summary Compensation Table" for perquisite details.

## COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the "Compensation Discussion and Analysis" and has discussed it with the executive management team. Based upon its review and those discussions, the Compensation Committee recommended to the Board that the "Compensation Discussion and Analysis" be included in this Proxy Statement, which will be incorporated by reference in the Company's 2012 Annual Report on Form 10-K.

Jonathan H. Weis, Chairman

Gerrald B. Silverman

Glenn D. Steele Jr.

**COMPENSATION TABLES**

## Summary Compensation Table

The following table shows the compensation of the Company's principal executive officer, the principal financial officer and three other officers with the highest total compensation paid or earned for fiscal 2012, 2011 and 2010 (the "Named Officers"). The Company has employment agreements with the Chairman, Vice Chairman and CEO. The material terms of these agreements are discussed under "Potential Payments upon Termination of Employment or Change in Control" below.

| Name and<br>Principal Position   | Year | Salary<br>(\$) | Bonus<br>(\$) <sup>(1)</sup> | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) <sup>(2)</sup> | Change in<br>Pension<br>Value and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings (\$)<br><sup>(3)</sup> | All Other<br>Compensation<br>(\$) <sup>(4)</sup> | Total<br>Compensation<br>(\$) |
|--|------|----------------|------------------------------|--|--|--|-------------------------------|
| Robert F. Weis<br>Chairman of the Board  | 2012 | 800,825        | --                           | 520,536  | 250,489  | 175,755  | 1,747,605                     |
|  | 2011 | 768,542        | --                           | 837,710  | 164,863  | 148,266  | 1,919,381                     |
|  | 2010 | 725,000        | --                           | 572,750  | 657,773  | 143,500  | 2,099,023                     |
| Jonathan H. Weis<br>Vice Chairman<br>and Secretary                                   | 2012 | 694,048        | --                           | 1,699,905  | --   | 117,323  | 2,511,276                     |
|  | 2011 | 667,875        | --                           | 1,251,887  | --   | 102,626  | 2,022,388                     |
|  | 2010 | 645,833        | --                           | 408,167  | --   | 115,671  | 1,169,671                     |
| David J. Hepfinger<br>President and<br>Chief Executive Officer                       | 2012 | 800,825        | --                           | 1,916,429  | --   | 143,455  | 2,860,709                     |
|  | 2011 | 770,625        | --                           | 2,190,480  | --   | 140,123  | 3,101,228                     |
|  | 2010 | 745,833        | --                           | 1,971,367  | --   | 236,912  | 2,954,112                     |
| Kurt A. Schertle<br>Executive Vice President<br>of Sales and Merchandising           | 2012 | 375,333        | --                           | 207,479  | --   | 130,593  | 713,405                       |
|  | 2011 | 321,876        | --                           | 144,200  | --   | 130,077  | 596,153                       |
|  | 2010 | 262,588        | 47,412                       | 82,978   | --   | 109,008  | 501,986                       |
| Scott F. Frost<br>Senior Vice President,<br>Chief Financial Officer<br>and Treasurer | 2012 | 336,917        | --                           | 172,098  | --   | 30,790   | 539,805                       |
|  | 2011 | 322,916        | --                           | 144,667  | --   | 30,077   | 497,660                       |
|  | 2010 | 290,833        | --                           | 91,903   | --   | 32,163   | 414,899                       |

(1) The 2010 amount for Kurt A. Schertle represents a retention bonus paid to offset the financial loss of Mr. Schertle in the sale of his prior residence in connection with his relocation to Pennsylvania. Mr. Schertle was required to reimburse such amount if he voluntarily left the employ of the Company for certain reasons on or before February

28, 2013.

- Represents the amount earned under the annual non-equity incentive plan described in “Compensation Discussion and Analysis,” plus any additional amounts under the applicable plans described below. For Jonathan H. Weis in 2012 and 2011, such amounts include \$1,339,000 and \$669,500, respectively, earned under the Vice Chairman Incentive Award Plan described in “Compensation Discussion and Analysis.” The payment of such amounts is deferred under the plan until after December 31, 2016. The plan provides that if prior to the end of the term, the officer’s employment is terminated without cause, the officer will be entitled to receive a payment based upon the date of the termination. Refer to the “Potential Payments upon Termination of Employment or Change in Control” for the Vice Chairman and Secretary, for step down of potential payments. For Mr. Hepfinger in 2012, 2011 and 2010, such amounts include \$1,500,000 earned under the CEO Incentive Award Plan described in “Compensation Discussion and Analysis.” The payment of such amounts is deferred under the plan until after December 31, 2014. The plan provides that if prior to the end of the term, the officer’s employment is terminated without cause, the officer will be entitled to receive a payment based upon the date of the termination. Refer to the “Potential Payments upon Termination of Employment or Change in Control” for the President and Chief Executive Officer, for step down of potential payments. In 2012, for Mr. Schertle and Mr. Frost such amount includes \$97,250 and \$84,500, respectively, earned under the Long Term Incentive Plan described in “Compensation Discussion and Analysis.” The payment of such amounts is deferred under the plan until after June 30, 2017. The plan provides that if prior to the end of the term, a long term disability of such officer occurs or the officer’s employment is terminated without cause, the officer will be entitled to receive a payment based upon any incentive earned under the plan.
- (2) Represents the amount of the increase in the actuarial present value of Robert F. Weis’ accumulated benefits under the nonqualified deferred compensation agreement described under “Pension Benefits.”
- (3)

“All Other Compensation” consists of contributions by the Company to the SERP, supplemental bonus and perquisite costs where applicable. Except for the amounts specified within this footnote for the Named Officers, the amounts shown are for SERP contributions only. Perquisites of \$73,125, \$45,640 and \$38,694 are included in the amount for Robert F. Weis in 2012, 2011 and 2010, respectively, and consist of the cost for personal use of a Company car, the Company aircraft and \$60,125, \$32,400 and \$27,025 in 2012, 2011 and 2010, respectively, for tax filing assistance. Perquisites of \$14,692 in 2012 and \$10,990 in 2010 are included in the amount for Jonathan H. Weis and consist of the cost for personal use of a Company car and the Company aircraft. Perquisites of \$26,958, \$24,377 and \$21,611 are included in the amount for Mr. Hepfinger in 2012, 2011 and 2010, respectively, and consist of the cost for personal use of a Company car, the Company aircraft and tax and investment advisory services. Additional perquisites of \$10,430 and \$10,670 are included in the amount for Mr. Hepfinger in 2012 and (4)2011, respectively, related to the approximate cost of a \$1 million life insurance policy required by Mr. Hepfinger’s Employment Agreement. Mr. Hepfinger received \$108,220 for a supplemental bonus earned in 2010, which was paid in the following year. Mr. Hepfinger’s supplemental cash incentive was based upon the positive increase in the per share price of the Company’s Common Stock in the fiscal year multiplied by the equivalent of 20,000 shares. For Mr. Schertle in 2012 and 2011, total perquisites amounted to \$101,506 and \$101,902, respectively, which consisted of cost for the personal use of a Company car and a \$100,000 special contribution to Mr. Schertle’s SERP account in both fiscal 2012 and 2011. In 2010, total perquisites for Mr. Schertle amounted to \$77,389 and consisted of the cost for personal use of a Company car and a \$76,362 reimbursement for relocation costs. The 2012 Company contribution amounts to the SERP were estimated for purposes of this table, and the 2011 and 2010 amounts were adjusted to actual. Additional information concerning deferrals of earned compensation by the Named Officers to the SERP and other plan details are described under “Nonqualified Deferred Compensation.”

#### Grants of Plan-Based Awards

The following table shows the grants of plan-based awards made to the Named Officers for fiscal 2012.

| Name               | Grant Date | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) |             |              |
|--------------------|------------|---|-------------|--------------|
|                    |            | Threshold (\$)  | Target (\$) | Maximum (\$) |
| Robert F. Weis     | 01/01/2012 | 120,124   | 800,825     | 1,041,073    |
| Jonathan H. Weis   | 01/01/2012 | 83,286  | 555,239     | 721,810      |
| David J. Hepfinger | 01/01/2012 | 96,099  | 640,660     | 832,858      |
| Kurt A. Schertle   | 01/01/2012 | 25,438  | 169,583     | 220,458      |
| Scott F. Frost     | 01/01/2012 | 20,215  | 134,767     | 175,197      |

Represents the amounts which could have been earned by the Named Officers for fiscal 2012 for performance at (1) the threshold, target and maximum levels under the non-equity incentive plan described in the “Compensation Discussion and Analysis.”



Pension Benefits

The following table provides information concerning the value of Robert F. Weis' accumulated benefits under the Company's nonqualified deferred compensation agreement.

| Name           | Plan Name                                    | Number of Years Credited Service | Present Value of Accumulated Benefit (\$) <sup>(1)</sup> | Payments During Last Fiscal Year (\$) |
|----------------|--|----------------------------------|--|---------------------------------------|
| Robert F. Weis | Nonqualified Deferred Compensation Agreement | 66                               | 7,499,642  | --                                    |

(1) Although the participant is not eligible to receive a lump-sum payment, the pension benefit table is required to show a lump-sum present value based upon applicable interest rate and mortality assumptions.

## Nonqualified Deferred Compensation

The Company maintains a SERP for certain of its associates. The SERP is designed to provide retirement benefits and salary deferral opportunities because of limitations imposed by the Internal Revenue Code and the Regulations implemented by the Internal Revenue Service for highly compensated employees. The plan is unfunded and accounted for on an accrual basis. Participants in the plan have limited participation in the 401(k) portion of the Retirement Savings Plan and are excluded from receiving contributions in the qualified profit sharing portion of the Retirement Savings Plan once their annual earnings exceed the IRS limitations. Based upon recommendation from the Compensation Committee, the Board annually determines the amount of the allocation to the SERP.

The allocation among the various plan participants is made in both flat dollar amounts and in relationship to their compensation. Plan participants are 100% vested in their accounts after six years of service with the Company. In accordance with the lump-sum or installment election made by the Named Officer prior to the deferral of compensation, benefits are distributed to the participant one year after the date of retirement, assuming the participant has reached normal retirement age. Substantial risk of benefit forfeiture does exist for participants in the plan. The present value of accumulated benefits is included under "Postretirement benefit obligations" in the Consolidated Balance Sheets within the 2012 Annual Report on Form 10-K.

## Qualified Retirement Plans

Please refer to the "Retirement Plans" section of the "Compensation Discussion and Analysis."

The following table provides information concerning deferrals by the Named Officers of their earned compensation under the Company's SERP and qualified retirement plans.

| Name               | Plan (1)       | Executive Contributions in 2012 (\$ (2) | Company Contributions in 2012 (\$ (3) | Aggregate Earnings in 2012 (\$ (4) | Aggregate Withdrawals/ Distributions (\$ (5) | 2011 Proxy Adjustments (\$ (5) | Aggregate Balance at 12/31/2012 (\$) |
|--------------------|----------------|---|---------------------------------------|------------------------------------|--|--------------------------------|--------------------------------------|
| Robert F. Weis     | SERP           | --                                      | 102,630                               | 45,484                             | --   | 586                            | 1,120,414                            |
|                    | Profit Sharing | --                                      | --                                    | 124,103                            | 109,169                                      | --                             | 1,117,540                            |
| Jonathan H. Weis   | SERP           | --                                      | 102,630                               | 45,659                             | --   | 586                            | 765,057                              |
|                    | Profit Sharing | --                                      | --                                    | 1,391                              | --   | --                             | 14,953                               |
| David J. Hepfinger | SERP           | 40,041                                  | 106,068                               | 68,823                             | --   | 586                            | 854,522                              |
| Kurt A. Schertle   | SERP           | 30,027                                  | 130,593                               | 32,397                             | --   | 586                            | 410,880                              |

|                |                |        |        |        |    |     |         |
|----------------|----------------|--------|--------|--------|----|-----|---------|
| Scott F. Frost | SERP           | 33,692 | 30,790 | 17,522 | -- | 586 | 207,793 |
|                | Profit Sharing | --     | --     | 11,873 | -- | --  | 84,259  |

The Named Officers along with other highly compensated employees have limited participation in the 401(k) portion of the Retirement Savings Plan and are excluded from receiving contributions in the qualified profit sharing portion of the Plan once their annual earnings exceed the limitations imposed by the Internal Revenue Code and the Regulations implemented by the Internal Revenue Service for highly compensated employees. A few of the Named Officers continue to possess an investment account in the profit sharing portion of the Plan, resulting from their tenure with the Company prior to becoming a highly compensated employee.

- (1) These amounts are reported in the “Summary Compensation Table” as “Salary.”
- (2) These amounts are reported in the “Summary Compensation Table” under “All Other Compensation.”
- (3) Earnings on deferred compensation under the Company’s SERP are not above market or preferential. Earnings from all plans are not included in the “Summary Compensation Table.”
- (4) These amounts represent adjustments to the aggregate earnings estimates made in the 2012 Proxy Statement.
- (5)

### Potential Payments upon Termination of Employment or Change in Control

The Company has entered into employment agreements with the Chairman, Vice Chairman and CEO. These agreements provide for certain benefits for involuntary termination of employment other than for cause, but do not contain a change in control provision.

**Chairman of the Board.** The Company has an agreement with its Chairman, Robert F. Weis, which provides that in the event his employment terminates for any reason, including but not limited to retirement, disability or death, the Company will continue to provide him and his spouse through December 31, 2023 with medical, dental, accident, disability and life insurance benefits substantially equivalent to those provided to employees. If Mr. Weis had terminated his employment as of December 31, 2012, the estimated cost to the Company of providing these benefits through the date specified in the agreement would have been \$84,960.

***Vice Chairman and Secretary.*** On November 3, 2011, with retroactive effect to July 1, 2011, the Company entered into an Employment Agreement with Jonathan H. Weis, Vice Chairman. The Employment Agreement continues through December 31, 2016.

Mr. Weis' Employment Agreement provides that if prior to the end of the term, the officer's employment is terminated without cause or the officer terminates his employment for good reason, the officer will be entitled to receive (1) continuation of base salary payments through the end of the term at the rate then in effect and (2) an incentive bonus for the year of termination and any subsequent remaining year of the term equal to the highest incentive bonus received by the officer for any of the two years preceding termination. If prior to the end of the term the officer's employment terminates due to death or disability, the officer (or his spouse or estate) is entitled to receive (1) continuation of base salary payments through the end of the term at 50% of the rate then in effect and (2) a prorated bonus for the year of termination only in the amount the Company in good faith determines the officer would have received had his employment continued. All salary continuation and incentive bonus payments would be made at the same time as if employment had continued.

Mr. Weis' Vice Chairman Incentive Award Plan provides that if prior to the end of the term, the officer's employment is terminated without cause, the officer will be entitled to receive a payment based upon the date of the termination, as follows:

| If the Without Cause Termination occurs<br>on or between the following dates: | Amount to<br>be Paid (\$) |
|---|---------------------------|
| January 1, 2011 to December 31, 2011  | 1,000,000                 |
| January 1, 2012 to December 31, 2012  | 1,500,000                 |
| January 1, 2013 to December 31, 2013  | 2,000,000                 |
| January 1, 2014 to December 31, 2014  | 2,500,000                 |
| January 1, 2015 to December 31, 2015  | 3,000,000                 |
| January 1, 2016 to December 31, 2016  | 3,500,000                 |

The amount will be paid in a lump sum cash payment within 2 ½ months from the end of the calendar year in which the termination occurs; provided, however, in the event an amount is conditioned upon a separation from service and not compensation the officer could receive without separating from service, then payment shall be made to the officer who is a "specified employee" under Section 409A of the Code on the first day following the six-month anniversary of the officer's separation from service. Furthermore, the Vice Chairman Incentive Award Plan provides that if prior to the end of the term, the officer's employment terminates due to death, the officer's spouse or estate is entitled to receive \$1,000,000, payable within sixty days of the date of death of the officer.

According to the terms of Mr. Weis' Employment Agreement, the officer agrees (1) to at all times maintain the confidentiality of information pertaining to the Company's business, and (2) until four years after termination of employment, not to (A) hire any Company employee or solicit or induce any employee, consultant, vendor or supplier of the Company to terminate or reduce its relationship with the Company or (B) except in the case of a termination by the Company without cause or by the officer for good reason, engage in any business which competes with the Company in the retail grocery business (or in any other business which accounted for more than 2% of the Company's consolidated revenues) in any county in which the Company operates or any contiguous county. The Company's obligations to make payments or provide benefits to the officer under the Employment Agreement would cease upon any violation of these covenants.

The following table shows the benefits Mr. Weis would have received under the Employment Agreement if his employment had terminated for the reasons specified as of December 31, 2012.

| Executive Benefits<br>and Payments<br>By Covered Circumstance | Salary<br>Continuation<br>(\$ (1)) | Non-Equity                                 | Vice<br>Chairman                |
|---|------------------------------------|--|---------------------------------|
|   |                                    | Incentive<br>Compensation<br>Plan (\$ (2)) | Incentive<br>Award<br>Plan (\$) |
| Without Cause or Good Reason                                  | 2,785,120                          | 2,690,453                                  | 1,500,000                       |
| Disability  | 1,392,560                          | 360,905                                    | --                              |
| Death   | 1,392,560                          | 360,905                                    | 1,500,000                       |

Represents continuation of salary payments through the end of the Employment Agreement term at the rate of (1) 100% in the case of a termination without cause or for good reason and 50% in the case of termination due to disability or death.

In the case of a termination without cause or for good reason, the amount represents the incentive bonus for 2013 through 2016 in an amount equal to the highest incentive bonus received for any of the two years preceding 2012 (2) and the amount earned in 2012 and payable in 2013. In the case of disability or death, the amount shown is the incentive bonus earned in 2012 and payable in 2013.

**President and Chief Executive Officer.** David J. Hepfinger, CEO, had entered into a three year Employment Agreement which had an expiration date of February 28, 2013. On March 8, 2013, with retroactive effect to March 1, 2013, the Company entered into a new Employment Agreement with Mr. Hepfinger for a five year term, expiring on February 28, 2018.

Mr. Hepfinger's Employment Agreement provides that if prior to the end of the term, the officer's employment is terminated without cause or the officer terminates his employment for good reason, the officer will be entitled to receive (1) continuation of base salary payments through the end of the term at the rate then in effect and (2) an incentive bonus for the year of termination and any subsequent remaining year of the term equal to the highest incentive bonus received by the officer for any of the two years preceding termination. If prior to the end of the term the officer's employment terminates due to death or disability, the officer (or his spouse or estate) is entitled to receive (1) continuation of base salary payments through the end of the term at 50% of the rate then in effect and (2) a prorated bonus for the year of termination only in the amount the Company in good faith determines the officer would have received had his employment continued. All salary continuation and incentive bonus payments would be made at the same time as if employment had continued.

Mr. Hepfinger's CEO Incentive Award Plan provides that if prior to the end of the term, the officer's employment is terminated without cause, the officer will be entitled to receive a payment based upon the date of the termination, as follows:

| If the Without Cause Termination occurs on or between the following dates: | Amount to be Paid (\$) |
|--|------------------------|
| January 1, 2011 to December 31, 2011                                       | 1,000,000              |
| January 1, 2012 to December 31, 2012                                       | 1,500,000              |
| January 1, 2013 to December 31, 2013                                       | 2,000,000              |
| January 1, 2014 to December 31, 2014                                       | 2,500,000              |

The amount will be paid in a lump sum cash payment within 2 ½ months from the end of the calendar year in which the termination occurs; provided, however, in the event an amount is conditioned upon a separation from service and not compensation the officer could receive without separating from service, then payment shall be made to the officer who is a "specified employee" under Section 409A of the Code on the first day following the six-month anniversary of the officer's separation from service. Furthermore, the CEO Incentive Award Plan provides that if prior to the end of the term, the officer's employment terminates due to death, the officer's spouse or estate is entitled to receive \$1,000,000, payable within sixty days of the date of death of the officer.

According to the terms of Mr. Hepfinger's Employment Agreement, the officer agrees (1) to at all times maintain the confidentiality of information pertaining to the Company's business, and (2) until four years after termination of employment, not to (A) hire any Company employee or solicit or induce any employee, consultant, vendor or supplier

of the Company to terminate or reduce its relationship with the Company or (B) except in the case of a termination by the Company without cause or by the officer for good reason, engage in any business which competes with the Company in the retail grocery business (or in any other business which accounted for more than 2% of the Company's consolidated revenues) in any county in which the Company operates or any contiguous county. The Company's obligations to make payments or provide benefits to the officer under the Employment Agreement would cease upon any violation of these covenants.

The following table shows the benefits Mr. Hepfinger would have received under the Employment Agreement if his employment had terminated for the reasons specified as of December 31, 2012.

| Executive Benefits<br>and Payments<br>By Covered Circumstance | Salary<br>Continuation<br>(\$ (1)) | Non-Equity<br>Incentive<br>Compensation<br>Plan (\$ (2)) | CEO<br>Incentive<br>Award<br>Plan (\$) |
|---|------------------------------------|--|--|
| Without Cause or Good Reason                                  | 133,900                            | 1,106,909  | 1,500,000                              |
| Disability  | 66,950                             | 416,429  | --                                     |
| Death   | 66,950                             | 416,429  | 1,500,000                              |

Represents continuation of salary payments through the end of the Employment Agreement term at the rate of (1) 100% in the case of a termination without cause or for good reason and 50% in the case of termination due to disability or death.

In the case of a termination without cause or for good reason, the amount represents the incentive bonus for 2013 (2) in an amount equal to the highest incentive bonus received for any of the two years preceding 2012 and the amount earned in 2012 and payable in 2013. In the case of disability or death, the amount shown is the incentive bonus earned in 2012 and payable in 2013.

## OTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS

### Compensation of Directors

The following table shows the compensation earned by the Company's non-management independent directors for services during fiscal 2012.

### DIRECTOR COMPENSATION

| Name                 | Fees<br>Earned<br>or<br>Paid in<br>Cash<br>(\$) | Total<br>(\$) |
|----------------------|---|---------------|
| Edward J. Lauth (1)  | 20,000  | 20,000        |
| Gerrald B. Silverman | 43,000  | 43,000        |
| Steven C. Smith (2)  | 23,000  | 23,000        |
| Glenn D. Steele Jr.  | 40,000  | 40,000        |



(1) Director Lauth commenced service as a director in July 2012.

(2) Director Smith ceased service as a director in April 2012.

Directors who are not officers of the Company or any of its subsidiaries receive an annual retainer of \$40,000 paid in quarterly installments during the year. The Chairman of the Audit Committee receives an additional \$6,000 annual retainer fee paid in quarterly installments during the year.

In addition, each non-management independent director is entitled to reimbursement for out-of-pocket expenses to attend meetings. There is no additional remuneration for services rendered by directors serving on committees or for participation in the non-management independent director meetings.

#### Compensation Committee Interlocks and Insider Participation

Directors Lauth, Silverman, Smith and Steele were not officers or employees of the Company, nor have they had any relationship with the Company requiring disclosure under the SEC regulations. Jonathan H. Weis is a director, employee and officer of the Company and is not considered independent by NYSE listing standards. None of the Company's Named Officers have served on the board of directors or compensation committee of any other entity, which has or had one or more executive officers who served as a member of the Company's Board or Compensation Committee during fiscal 2012.

## Review and Approval of Related Party Transactions

The Company has adopted written “Conflicts of Interest” policies in its Code of Business Conduct and Ethics and in its Code of Ethics for CEO and CFO. According to these policies, a conflict of interest occurs when an individual’s private interest interferes, or appears to interfere, in any way with the interests of the Company. In other words, a conflict situation can arise when an employee takes actions or has interests that may make it difficult to perform his work effectively. Conflicts of interest also arise when an employee, officer or director, or a member of his family, receives improper personal benefits as a result of his position in the Company. Loans to or guarantees of obligations of such persons are likely to pose conflicts of interest, as are transactions of any kind between the Company and any other organization in which such person or any member of their family have an interest.

Under these policies, activities that could give rise to conflicts of interest are prohibited unless specifically approved in advance by the Audit Committee. Because it is not always easy to determine whether a conflict of interest exists, any potential conflicts of interest must be reported immediately to the Executive Committee of the Board. If a member of the Executive Committee of the Board is informed of any potential conflict of interest he must report it immediately to the Audit Committee. The Audit Committee Charter specifically grants the Audit Committee the authority to review and approve all related party transactions. These policies cover all Company officers, directors (or nominee), 5%-or-greater shareholders and immediate family members of these persons.

The Company’s Related Party Transaction policy includes the standards included in Section 404(b) of Regulation S-K as well as any other applicable standards under the NYSE rules and regulations. The Related Party Transaction policy provides for pre-approval of certain transactions involving the Company’s directors, executives, nominees, beneficial owners of more than 5% of the Company’s voting securities and their family members, or an entity in which any of the foregoing persons has more than a 5% beneficial ownership. The policies define “family member” to mean a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, or any other person living with the individual (except tenants and employees).

The policy defines “Related Person Transactions” as a transaction, arrangement or relationship (or series of transactions, arrangements or relationships) since the beginning of the Company’s last fiscal year in which the Company (including its subsidiaries) was, or is a participant and the amount exceeded \$120,000, and in which any Related Person had, has or will have a direct or indirect material interest (other than solely as the result of being a director or a less than 10% beneficial owner of another entity).

Certain transactions are deemed to be pre-approved even if the amount exceeds \$120,000:

· transactions in the ordinary course of business involving payment of no more than \$1,000,000 or 2% of the Company’s annual consolidated gross revenues to another company at which the related person is an employee, director or beneficial owner of less than 10% of Common Stock;

certain charitable contributions that do not exceed \$250,000 (or 5% of the charitable organizations annual consolidated gross revenues) to an organization in which the related person is an employee or director; transactions where the related interest arises solely from the ownership of Weis Markets, Inc. Common Stock and all holders of the common stock receive the same benefits on a pro rata basis; compensation to an executive officer or director which has to be reported in the proxy statement or compensation to an executive officer which is not an immediate family member of a related person or the compensation committee; and any transaction involving a Related Person where the rates or charges involved are determined by competitive bids; rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority; or involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services.

Transactions that are not pre-approved must be presented to the Audit Committee for approval. If the related person transaction is on-going, the Committee may establish guidelines for management for the relationship which must be reassessed on an annual basis. Transactions will be approved if they are in the best interest of the Company and its shareholders.

No Director will participate in the discussion or approval of a transaction for which he or a family member is a related party, other than to provide material information.

All related person transactions will be disclosed in the Company's applicable filings as required by applicable laws.

Currently, the Company does not have any related party transactions to report under "Review and Approval of Related Party Transactions." If the Company encounters related party transactions, they will be reviewed and approved by the Audit Committee in accordance with the Company's Code of Business Conduct and Ethics, the Code of Ethics for CEO and CFO, the Audit Committee Charter and the Company's Related Party Transaction policy.

#### Shareholder or Interested Parties Communications

Weis Markets, Inc. shareholders or interested parties may communicate with the Board by sending a letter to: Weis Markets, Inc. Board of Directors, c/o Corporate Secretary, 1000 South Second Street, Sunbury, PA 17801-0471. The Board has instructed the Secretary to review all communications received, and to exercise his discretion not to forward to the Board correspondence that is inappropriate such as business solicitations, frivolous communications and advertising, routine business matters (i.e. business inquiries, complaints or suggestions) and personal grievances. However, any director may at any time request the Secretary to forward any and all communications received by the Secretary but not forwarded to the directors.

Shareholders or interested parties wishing to communicate directly with the non-management independent directors as a group may do so by sending a letter to Weis Markets, Inc., c/o Non-Management Independent Directors, 1000 South Second Street, Sunbury, PA 17801-0471 or via their email address at [nonmanagement@weismarkets.com](mailto:nonmanagement@weismarkets.com).

Shareholders or interested parties who have concerns regarding accounting, improper use of Company assets, or ethical improprieties may report these concerns to the Audit Committee by sending a letter to Weis Markets, Inc., c/o Audit Committee Chairman, 1000 South Second Street, Sunbury, PA 17801-0471 or via its email address at [audit@weismarkets.com](mailto:audit@weismarkets.com).

Submissions to the non-management independent directors or the Audit Committee will remain confidential and can be made anonymously without fear of reprisal.

#### **AUDIT COMMITTEE REPORT**

The Audit Committee oversees the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. Management represented to the Audit Committee the Company's consolidated financial statements were prepared in

conformity with accounting principles generally accepted in the United States and the SEC disclosure requirements. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the 2012 Annual Report on Form 10-K with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Committee in accordance with the standards of the Public Company Accounting Oversight Board (United States). The Audit Committee has received from the independent auditors written disclosures pursuant to Statement on Auditing Standards No. 61, Communication with Audit Committees, and has discussed those matters with the independent auditors. The Audit Committee has also received the written disclosure and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence, and has discussed with the independent auditors their independence.

The Audit Committee discussed with the Company’s Chief Internal Auditor and the independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the Chief Internal Auditor and the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company’s internal controls and the overall quality of the Company’s financial reporting. In performance of its oversight function, the Audit Committee also monitored Company management’s compliance with the Sarbanes-Oxley Act of 2002 by discussing with management, the Chief Internal Auditor and the independent auditors management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of December 29, 2012.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board has approved) that the audited financial statements be included in the 2012 Annual Report on Form 10-K for filing with the SEC. The Audit Committee recommended to the Board, the appointment of Grant Thornton LLP as the Company’s independent auditors for fiscal 2013, subject to shareholder ratification.

Gerrald B. Silverman, Committee Chairman

Edward J. Lauth III

Glenn D. Steele Jr.

## STOCK OWNERSHIP

Under regulations of the SEC, a person is considered the “beneficial owner” of a security if the person has or shares with others the power to vote the security (voting power), the power to dispose of the security (investment power) or the ability to acquire the security within 60 days. In the tables below, “beneficial ownership” of the Company’s Common Stock is determined in accordance with these regulations and does not necessarily indicate that the person listed as a “beneficial owner” has an economic interest in the shares indicated as “beneficially owned.”

### Beneficial Ownership of Directors and Management

The following table sets forth information regarding the amount and nature of beneficial ownership of the Company’s Common Stock as of March 1, 2013 by each director, each nominee, each Named Officer listed in the “Summary Compensation Table,” and for all executive officers and directors as a group. Except as otherwise indicated in the footnotes to the table, each person named or a member of the group has sole voting and investment power with respect to the shares listed. No shares have been pledged as security by the directors or Named Officers.

| Name of | Amount<br>and Nature | Percent |
|---------|----------------------|---------|
|---------|----------------------|---------|

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| Directors and<br>Management                                      | of<br>Beneficial<br>Ownership | of<br>Class<br>(1) |
|--|-------------------------------|--------------------|
| Robert F. Weis   | 12,622,216 (2)                | 46.9               |
| Jonathan H. Weis   | 110,585                       | *                  |
| David J. Hepfinger   | 7,913                         | *                  |
| Kurt A. Schertle   | ---                           | *                  |
| Scott F. Frost   | 430                           | *                  |
| Harold G. Graber   | 1,650                         | *                  |
| Edward J. Lauth III  | ---                           | *                  |
| Gerrald B. Silverman   | ---                           | *                  |
| Glenn D. Steele Jr.  | ---                           | *                  |
| All executive officers and directors,<br>as a group (10 persons) | 12,742,794                    | 47.4               |

\* Owns less than 1% of class.

(1)

Based on 26,898,443 shares outstanding on March 1, 2013.

Robert F. Weis has sole voting and dispositive power as to all 12,622,216 shares listed. This amount includes (2) 6,649,087 shares held in trust under the Will of Harry Weis, with Mellon Bank, N.A. and Robert F. Weis as co-trustees.

## 5% Beneficial Owners

The following table sets forth information about shareholders who are known by the Company to be the beneficial owners of more than 5% of its Common Stock, which is its only class of voting securities, on March 1, 2013. Information contained in the table and footnotes below was derived from filings made with the SEC by the beneficial owners.

| Name and Address<br>of  | Amount<br>and Nature<br>of<br>Beneficial<br>Ownership | Percent<br>of<br>Class<br>(1) |
|---|---|-------------------------------|
| Robert F. Weis<br>c/o Weis Markets, Inc.<br>1000 South Second Street<br>Sunbury, PA 17801         | 12,622,216 (2) (4)                                    | 46.9                          |
| Ellen W. P. Wasserman<br>c/o Weis Markets, Inc.<br>1000 South Second Street<br>Sunbury, PA 17801  | 1,746,424 (3) (4)                                     | 6.5                           |
| EKTJ Management LLC<br>c/o George Cox<br>4 North Park Drive<br>Suite 121<br>Hunt Valley, MD 21030 | 1,400,000 (5)   | 5.2                           |

(1) Based on 26,898,443 shares outstanding on March 1, 2013.

Robert F. Weis has sole voting and dispositive power as to all 12,622,216 shares listed. This amount includes (2) 6,649,087 shares held in trust under the Will of Harry Weis, with Mellon Bank, N.A. and Robert F. Weis as co-trustees.

(3) Ellen W. P. Wasserman has sole voting and investment power as to all 1,746,424 shares listed.

Robert F. Weis and Ellen W. P. Wasserman have agreed to act together for the purpose of voting their shares of (4) Common Stock and thus constitute a group holding voting power over the sum of the shares listed for each of them individually in the table.

EKTJ Management LLC has sole voting and dispositive power as to all 1,400,000 shares listed. The Class A (5) members of EKTJ Management LLC have the exclusive authority to manage and control the business and affairs of EKTJ Management LLC. The three Class A Members, Kathryn J. Zox, Thomas H. Platz and James A. Platz, are the children of Ellen W. P. Wasserman.

## Section 16(a) Beneficial Ownership Reporting Compliance



Section 16(a) of the Securities Exchange Act of 1934 requires that directors and officers of the Company and beneficial owners of more than 10% of its Common Stock file reports with the SEC with respect to changes in their beneficial ownership of equity securities of the Company. Based solely upon a review of the copies of such reports furnished to the Company and written representations by certain persons that reports on Form 5 were not required, the Company believes that its directors, officers and greater-than-10% beneficial owners complied with all applicable 2012 Section 16(a) filing requirements.

**PROPOSAL NO. 2****RATIFICATION OF APPOINTMENT OF****INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Grant Thornton LLP has served as the independent auditors for the Company since 2004. The Audit Committee appointed Grant Thornton LLP as the independent auditors of the Company with respect to its operations for fiscal 2013, subject to ratification by the holders of Common Stock of the Company. **The Board and its Audit Committee recommend that shareholders approve the selection of Grant Thornton LLP as the Company's independent auditors by voting "FOR" proposal number two.** If the shareholders do not approve the ratification of Grant Thornton LLP, the selection of such firm as independent auditors for the Company will be reconsidered by the Audit Committee. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent auditor at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

Representatives of Grant Thornton LLP will be present at the Annual Meeting with the opportunity to make a statement, if they so desire, and to be available to respond to appropriate questions.

According to its Charter, the Audit Committee, comprised of independent members of the Board, is responsible for approving all audit engagement fees, terms and non-audit engagements with the independent auditors on behalf of the Company. The Audit Committee considered the possible effect of non-audit services on the auditors' independence and approved the type of non-audit services that were rendered. The Company has not adopted a written policy for Audit Committee pre-approval of audit services and non-audit services performed by the independent auditors. In fiscal 2012, all audit and tax fees associated with the independent auditors' services were approved by the Audit Committee.

The following table sets forth Grant Thornton LLP fees billed to the Company for professional services related to fiscal 2012 and 2011:

|                           | 2012    | 2011    |
|---------------------------|---------|---------|
| Services Provided         | (\$)    | (\$)    |
| Audit (1)                 | 540,900 | 521,200 |
| Tax (2)                   | 25,000  | 25,500  |
| Out of Pocket Expenses    | 733     | ---     |
| Internal Audit Review (3) | ---     | 36,097  |
| Total                     | 566,633 | 582,797 |

(1) Represents the fees charged to the Company by Grant Thornton LLP for professional services provided in conjunction with the audit of the Company's 2012 and 2011 financial statements, review of the Company's quarterly financial statements and attestation services normally provided in connection with statutory and regulatory filings and engagements.

(2) Represents the fees charged to the Company by Grant Thornton LLP for services performed in connection with tax services other than those directly related to the audit of the income tax accrual, as part of the audit of the Company's financial statements. These tax services and related fees were approved by the Audit Committee after determination by the Audit Committee that such services would not compromise the independence of the auditors.

(3) Represents the fees charged to the Company by Grant Thornton LLP for services performed in connection with a review of the Company's internal audit department other than those directly related to the audit of the Company's financial statements. These services were approved by the Audit Committee after determination by the Audit Committee that such services would not compromise the independence of the auditors.

## **OTHER MATTERS**

As of the date of this Proxy Statement, the Board is not informed of any matters, other than those stated above, that may be brought before the meeting. The persons named in the enclosed form of proxy or their substitutes will vote with respect to any other matters brought before the Annual Meeting in accordance with their best judgment.

## **ANNUAL REPORT ON FORM 10-K**

**The Company will provide, without charge, on written request from security holders, copies of the Company's Annual Report on Form 10-K. Written requests should be sent to the Corporate Secretary at the Company's address set forth in "Shareholder or Interested Parties Communications," by telephoning 1-866-999-WEIS (9347), or via email at [financial\\_reports@weismarkets.com](mailto:financial_reports@weismarkets.com). The 2012 Annual Report on Form 10-K is also available for viewing or printing from the Company's website at <http://www.weismarkets.com/financial.html>.**

## **SHAREHOLDERS' PROPOSALS FOR NEXT ANNUAL MEETING**

The Company's by-laws require that any shareholder intending to present a proposal for action at an Annual Meeting must give written notice of the proposal, containing specified information, so that it is received by the Company not later than the notice deadline under the by-laws. This notice deadline will not be less than 120 calendar days before the date of the Company's Proxy Statement released to shareholders in connection with the previous year's Annual Meeting, or November 14, 2013 for the Company's Annual Meeting in 2014.

The by-law described above does not affect the right of a shareholder to request inclusion of a shareholder proposal in the Company's Proxy Statement pursuant to SEC Rule 14a-8 or to present for action at an Annual Meeting any proposal so included. Rule 14a-8 requires that written notice of a shareholder proposal requested to be included in the Company's proxy materials pursuant to the Rule must also be received by the Company not less than 120 calendar days before the date of the Company's Proxy Statement released to shareholders in connection with the previous year's Annual Meeting. For the Company's Annual Meeting in 2014, this deadline would also be November 14, 2013.

The notices of shareholder proposals described under this caption must be given to the Corporate Secretary at the Company's address set forth in "Shareholder or Interested Parties Communications." A copy of the by-law provision described above will be furnished to any shareholder upon written request to the Secretary at the same address.

## **EXPENSES OF SOLICITATION**

All expenses related to the solicitation of the proxies by the Board will be paid by the Company. If proxies are not promptly received, officers, directors and regular employees of the Company may solicit proxies personally by telephone or otherwise, for which they will not receive additional compensation. The Company may reimburse

charges of banks, brokers, other custodians, nominees and fiduciaries to send proxy material to the beneficial owners and to secure their voting instructions, if necessary. It is estimated that such costs will be nominal.

By Order of the Board of Directors,

Jonathan H. Weis

Secretary

Dated: March 14, 2013









