

CATALINA LIGHTING INC
Form DEF 14A
January 27, 2003

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
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 Under Rule 14a-12

CATALINA LIGHTING, 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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CATALINA LIGHTING, INC.
18191 N.W. 68th Avenue
Miami, Florida 33015

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

February 27, 2003

Notice is hereby given that the Annual Meeting of Shareholders of Catalina Lighting, Inc., a Florida corporation (the Company), will be held on February 27, 2003 at 11:00 a.m. (local time) at the Boca Raton Marriott, 5150 Town Center Circle, Boca Raton, Florida 33486, for the following purposes:

1. To elect ten persons to the Company's Board of Directors to hold office until their respective terms of office shall expire and until their respective successors are duly elected and qualified;
2. To ratify the selection of Grant Thornton LLP as the Company's auditors for the fiscal year ending September 30, 2003; and
3. To transact such other business as may properly come before the Annual Meeting and any and all adjournments or postponements thereof.

Our Board of Directors has fixed the close of business on January 23, 2003 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof. Our Board is soliciting the enclosed proxy. Please carefully read the accompanying Proxy Statement for more information regarding the business to be transacted at the Annual Meeting. You will also find enclosed our Annual Report for the fiscal year ended September 30, 2002.

For at least ten days before the Annual Meeting, we will make available, during normal business hours, a complete list of the shareholders entitled to vote at the Annual Meeting. You may examine the list for any purpose germane to the Annual Meeting. The list will be available at our offices, located at 18191 N.W. 68th Avenue, Miami, Florida 33015.

Whether or not you plan to attend the Annual Meeting, please complete, sign, date and return the enclosed proxy card promptly. You are cordially invited to attend the Annual Meeting in person. Returning the proxy card will not affect your right to revoke your proxy or to vote in person if you do attend the Annual Meeting.

By Order of the Board of Directors,

/s/ STEPHEN G. MARBLE

Stephen G. Marble
*Chief Financial Officer
and Secretary*

Miami, Florida
January 27, 2003

YOUR VOTE IS IMPORTANT

WE URGE YOU TO SIGN, DATE AND PROMPTLY RETURN YOUR PROXY SO THAT YOUR SHARES MAY BE VOTED IN ACCORDANCE WITH YOUR WISHES AND IN ORDER THAT THE PRESENCE OF A QUORUM MAY BE ASSURED AT THE ANNUAL MEETING. WE HAVE ENCLOSED FOR YOUR CONVENIENCE A RETURN ENVELOPE. YOU ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. GIVING YOUR PROXY DOES NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING. YOU MAY WITHDRAW YOUR PROXY AT ANY TIME BEFORE IT IS VOTED.

CATALINA LIGHTING, INC.
18191 N.W. 68th Avenue
Miami, Florida 33015

January 27, 2003

Dear Catalina Lighting Shareholder:

You are cordially invited to attend the 2003 Annual Meeting of Shareholders of Catalina Lighting, Inc. to be held on Thursday, February 27, 2003, at 11:00 a.m. (local time) at the Boca Raton Marriott, 5150 Town Center Circle, Boca Raton, Florida.

The Annual Meeting will include a discussion and voting on the matters described in the accompanying Notice of Annual Meeting and Proxy Statement. Please read the accompanying Notice of Annual Meeting and Proxy Statement carefully.

Whether or not you plan to attend the Annual Meeting, you can ensure that your shares are represented at the Meeting by promptly completing, signing, dating and returning the enclosed proxy card in the envelope provided. If you decide to attend the Annual Meeting and wish to change your proxy vote, you may do so by voting in person at the Meeting.

We look forward to seeing you on February 27, 2003.

Sincerely,

/s/ ROBERT VARAKIAN

Robert Varakian
President and Chief Executive Officer

CATALINA LIGHTING, INC.

**18191 N.W. 68TH AVENUE
MIAMI, FLORIDA 33015**

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

February 27, 2003

GENERAL INFORMATION

We are furnishing this Proxy Statement to shareholders of Catalina Lighting, Inc., a Florida corporation (the *Company*), in connection with our Board of Directors' solicitation of proxies for use at our 2003 Annual Meeting of Shareholders (the *Annual Meeting*). The Annual Meeting will be held at the Boca Raton Marriott, 5150 Town Center Circle, Boca Raton, Florida, on February 27, 2003 at 11:00 a.m. (local time). The purpose of the Annual Meeting is to elect ten persons to the Board of Directors, to ratify the appointment of the Company's auditors, and to transact such other business as may properly come before the meeting.

As of the close of business on January 23, 2003 (the *Record Date*), we had outstanding 4,286,123 shares of common stock, par value \$.01 per share (the *Common Stock*). We are mailing this Proxy Statement and the proxy card in the accompanying form on or about January 30, 2003 to shareholders of record as of the close of business on the Record Date. We have also enclosed our Annual Report for the fiscal year ended September 30, 2002 (*Fiscal 2002*) (which does not form a part of the proxy solicitation material). The Annual Report includes consolidated financial statements for Fiscal 2002.

You are urged to sign, date and promptly mail the enclosed proxy in the addressed envelope provided, which requires no postage in the United States.

PROXIES, QUORUM, AND TABULATION OF VOTES

Each share of Common Stock is entitled to one vote per share on each matter properly brought before the Annual Meeting. The shares represented by your proxy will be voted at the Annual Meeting in accordance with the choices you make on the proxy. If you do not specify any choices, the shares represented by the proxy will be voted FOR the director nominees chosen by our Board and FOR the ratification of the appointment of Grant Thornton LLP as our auditors. So far as we presently know, there is no other business to be transacted at the Annual Meeting. If any other matters properly come before the Annual Meeting, or if any of the persons named to serve as directors should decline or be unable to serve, the person named in the proxy will vote on these matters in accordance with his discretion.

Shares which are present or represented by proxy at the Annual Meeting will be counted for quorum purposes, regardless of whether the holder of the shares or proxy fails to vote (*abstentions*) or whether a broker with discretionary authority fails to exercise its discretionary authority to vote (*broker non-votes*). However, if a broker or nominee limits on the proxy card the number of shares voted or indicates that the shares represented by the proxy card are not voted, any *non-votes* will not be voted and will not be counted as affirmative votes.

If you give a proxy in response to this solicitation, you have the power to revoke it at any time before it is voted by taking any of the following actions: filing a written notice of revocation with our Secretary at our principal executive offices; filing a properly executed proxy showing a later date with our Secretary at our principal executive offices; or attending the meeting and voting in person (attendance at the meeting will not, by itself, revoke a proxy).

Our Amended and Restated Bylaws (the Bylaws) provide that the holders of a majority of the shares of stock entitled to vote at any meeting of shareholders must be present in person or represented by proxy to constitute a quorum for the transaction of any business at the Annual Meeting. Accordingly, the presence of 2,143,062 shares, in person or represented by a properly signed and returned proxy, will constitute a quorum. Our Secretary will tabulate votes at the Annual Meeting.

On April 8, 2002, we effected a one-for-five reverse stock split of our common stock. All historical information in this Proxy Statement relating to our Common Stock, share prices, options, and similar matters from prior to April 8, 2002 has been restated retroactively for the reverse stock split.

MATTERS TO COME BEFORE THE MEETING

**Proposal No. 1
ELECTION OF DIRECTORS**

We will elect ten directors at the Annual Meeting. The Bylaws provide that each director is to hold office until the next Annual Meeting of Shareholders and until his successor is elected and qualified or until his earlier death, resignation or removal. Our Board has nominated Kevin J. Calhoun, C. Deryl Couch, C. Daryl Hollis, Michael H. Kalb, Rodger R. Krouse, Marc J. Leder, George R. Rea, Patrick J. Sullivan, Clarence E. Terry, and Robert Varakian, each of whom is presently a member of the Board, for election as directors at the Annual Meeting. All of the nominees have consented to be named as nominees and to serve if elected.

Unless you withhold authority to vote for these persons, it is intended that your proxy will be voted FOR the election of the ten nominees. If on the date of the Annual Meeting one or more of the nominees are for any reason not able to serve, your proxy will be voted for the election of such substitute nominee or nominees as the Board shall designate.

Information about the nominees is set forth below.

Name	Director Since	Principal Occupation or Employment; Directorships; Age
Kevin J. Calhoun	2001	Vice President of the Company since July 2001 and Vice President of Sun Capital Partners, Inc. (a private investment firm) since July 2000; Chief Financial Officer of FryeTech, Inc. (a manufacturer of coated papers, specialty inks and MICR-encoded ribbon products) from September 1998 to June 2000; Chief Financial Officer and Controller of The Panda Project, Inc. (a technology company) from September 1996 to August 1998; Director of Northland Cranberries, Inc. and a number of private companies; Age 43.
C. Deryl Couch	2001	Vice President of the Company since July 2001 and Vice President and General Counsel of Sun Capital Partners, Inc. (a private investment firm) since May 2000; Deputy General Counsel of UniCapital Corporation (a specialty finance company) from June 1998 to May 2000; Shareholder of Greenberg Traurig Hoffman Lipoff Rosen & Quentel, P.A. (a full-service law firm) from 1995 to June 1998; Age 41.

Name	Director Since	Principal Occupation or Employment; Directorships; Age
C. Daryl Hollis	2002	Independent business consultant since 1998; Executive Vice President and Chief Financial Officer of The Panda Project, Inc. (a technology company) from 1996 to 1998; Director of Northland Cranberries, Inc.; Age 58.
Michael H. Kalb	2001	Vice President of the Company since July 2001 and Vice President of Sun Capital Partners, Inc. (a private investment firm) since March 1999; Vice President of UniCapital Corporation (a specialty finance company) from May 1998 to February 1999; consultant from January 1998 to May 1998; investment banker with Goldsmith Agio Helms (an investment banking company) from June 1993 to December 1997; Director of a number of private companies; Age 32.
Rodger R. Krouse	2001	Vice President of the Company since July 2001 and Managing Director of Sun Capital Partners, Inc. (a private investment firm) since May 1995; Director of Northland Cranberries, Inc. and a number of other private companies; Age 41.
Marc J. Leder	2001	Vice President of the Company since July 2001 and Managing Director of Sun Capital Partners, Inc. (a private investment firm) since May 1995; Director of Northland Cranberries, Inc. and a number of other private companies; Age 41.
George R. Rea	2001	Independent business consultant since 1994; Director of Northland Cranberries, Inc.; Age 64.
Patrick J. Sullivan	2001	Retired business executive since 1999; Vice President of Merchandising for the Components and Peripherals Division of Digital Equipment Corporation (a computer company) from 1993 to 1999; Director of Northland Cranberries, Inc. and a number of non-profit charitable organizations; Age 47.
Clarence E. Terry	2001	Vice President since July 2001 and Managing Director of Sun Capital Partners, Inc. (a private investment firm) since September 1999; Vice President of Rain Bird Sprinkler Manufacturing Corporation (a leading irrigation manufacturer) from October 1973 to September 1999; Director of Northland Cranberries, Inc. and a number of other private companies; Age 56.
Robert Varakian	2002	President and Chief Executive Officer of the Company since November 2002; President of Lectrix LLC (a company he founded in 2000, that focuses on small, unique, patented, electric kitchen items) from January 2000 to November 2002; President of Ekco Housewares (a division of Ekco Group) from 1997 to 1999; Age 47.

Six of the nominees are employed by Sun Capital Partners, Inc. In particular, Messrs. Krouse, Leder, and Terry are Managing Directors, Mr. Couch is Vice President and General Counsel, and Messrs. Calhoun and Kalb are Vice Presidents of Sun Capital Partners, Inc. Sun Capital Partners, Inc. is an affiliate of Sun Catalina Holdings LLC, our majority shareholder. Please see Certain Relationships and Related Transactions below regarding our business relationships with other affiliates of this shareholder.

Meetings and Committees of the Board of Directors

Our Board of Directors held ten meetings in Fiscal 2002 and also took action by unanimous written consent on three occasions during the year. All directors attended at least 75% of the total number of meetings of the Board and the committees on which they served during Fiscal 2002. The Board has two principal committees: a Compensation and Stock Option Committee; and an Audit Committee. There is no Nominating Committee at this time. The Board will nominate individuals for election as directors and will also consider nominees recommended by shareholders if properly submitted. See 2004 Shareholder Proposals below.

Our Compensation and Stock Option Committee is responsible for developing our executive compensation strategy and for administering the policies and programs that implement this strategy. This Committee did not meet during Fiscal 2002 but acted by written consent on five occasions. Its current members are Mr. Terry, as Chairman, Mr. Calhoun, and Mr. Rea.

Our Audit Committee selects the firm to serve as the independent auditors to audit our financial statements and to perform other audit-related services. In addition, this Committee reviews the scope and results of the audits that are conducted by the independent auditors, reviews interim and year-end results with management, and considers the adequacy of our internal accounting procedures. The Audit Committee met five times during Fiscal 2002. Its current members are Mr. Hollis, as Chairman, Mr. Rea, and Mr. Sullivan, all of whom are independent directors, as defined in Rule 4200(a)(15) of the Marketplace Rules of the National Association of Securities Dealers, Inc. applicable to the Nasdaq Stock Market. In November 2002, the Audit Committee adopted a revised written charter, a copy of which is attached as Appendix A.

Vote Required

Only affirmative votes are counted in the election of directors. Under applicable Florida law and our Bylaws, directors are to be elected by a plurality of the votes of shares of Common Stock present in person or represented by proxy at the Annual Meeting. Accordingly, the ten nominees for election as directors who receive the highest number of votes cast will be elected. Broker non-votes will be treated as shares that neither are capable of being voted nor have been voted and, accordingly, will have no effect on the outcome of the election of directors.

The Board of Directors unanimously recommends a vote FOR each of the nominees listed above.

**Proposal No. 2
RATIFICATION OF AUDITORS**

Our Audit Committee has appointed Grant Thornton LLP, certified public accountants, as independent auditors to make an examination of the accounts of the Company and our subsidiaries for the fiscal year ending September 30, 2003. Grant Thornton LLP has served as our auditors since May 2002. Although shareholder approval is not required, the Audit Committee, and the Board as a whole, desire to obtain shareholder ratification of this appointment. If the appointment is not ratified at the Annual Meeting, the Audit Committee will review its future selection of auditors.

Vote Required

Under applicable Florida law and our Bylaws, the proposal to ratify the appointment of Grant Thornton LLP will be approved by the shareholders if it receives the approval of a majority of the votes cast. Abstentions are not votes cast for or against the proposal and accordingly are not counted in determining whether we have obtained the required vote for ratification.

**The Board of Directors unanimously recommends a vote FOR ratification
of the appointment of Grant Thornton LLP.**

FURTHER INFORMATION

BENEFICIAL OWNERSHIP OF COMMON STOCK

Under the rules of the Securities and Exchange Commission (the "SEC"), a person who directly or indirectly has or shares voting power and/or investment power with respect to a security is considered a beneficial owner of the security. Voting power includes the power to vote or direct the voting of shares, and investment power includes the power to dispose of or direct the disposition of shares. Shares as to which voting power and/or investment power may be acquired within 60 days are also considered beneficially owned under the SEC's rules.

Management

Our current and former executive officers named in the Summary Compensation Table below, our directors, and all of our current directors and executive officers as a group beneficially owned as of January 15, 2003 the number of shares of Common Stock set forth in the table below. The information on beneficial ownership in the table and related footnotes is based upon data furnished to us by, or on behalf of, the persons referred to in the table. Unless otherwise indicated in the footnotes to the table, each person named has sole voting power and sole investment power with respect to the shares included in the table.

Name	Beneficial Ownership of Common Stock	
	Number of Shares	Percentage Outstanding(1)
Eric Bescoby	25,250(2)	*
Lynn Skillen	6,250(3)	*
David W. Sasnett	37,323(4)	*
Stephen G. Marble	750(3)	*
Kevin J. Calhoun	250(3)	*
C. Deryl Couch	250(3)	*
C. Daryl Hollis		
Michael H. Kalb	250(3)	*
Rodger R. Krouse	3,615,981(5)	70.4%
Marc J. Leder	3,615,981(5)	70.4%
George R. Rea	2,250(6)	*
Patrick J. Sullivan	250(3)	*
Clarence E. Terry	250(3)	*
Robert Varakian		
All current directors and executive officers as a group (11 persons) (7)	3,620,481(8)	70.5%

* Less than 1%.

- (1) Based on 4,286,123 shares outstanding as of January 15, 2003.
- (2) Includes 25,000 shares purchasable through the exercise of options, which are immediately exercisable.
- (3) Represents shares purchasable through the exercise of options, which are immediately exercisable.
- (4) Includes 36,923 shares purchasable through the exercise of options, which are immediately exercisable. Mr. Sasnett has granted a proxy to Sun Catalina Holdings, LLC ("Sun Catalina") with respect to these shares.
- (5) Includes (i) 250 shares purchasable through the exercise of options, which are immediately exercisable; and (ii) 3,615,731 shares which may be deemed beneficially owned within the meaning of Rule 13d-3 of the Exchange Act by Messrs. Leder and Krouse and also by Sun Catalina, Sun Capital Partners II, LP, a Delaware limited partnership ("Partners LP"), Sun Capital Advisors II, LP, a Delaware limited partnership ("Advisors"), and Sun Capital Partners, LLC, a Delaware limited liability company ("Partners LLC"). Messrs. Leder and Krouse may each be deemed to control Sun Catalina, Partners LP, Advisors, and Partners

LLC, as Messrs. Leder and Krouse each own 50% of the membership interests in Partners LLC, which in turn is the general and managing partner of Advisors, which in turn is the general and managing partner of Partners LP, which in turn owns 100% of the membership interests of Sun Catalina. Partners LP, Advisors, Partners LLC, and Messrs. Leder and Krouse have shared voting and investment power over these shares. Included in the 3,615,731 shares are: (i) 847,188 shares issuable pursuant to an immediately-exercisable warrant; (ii) up to 150,000 shares owned by previous shareholders of Go-Gro Industries Limited, assuming that such shares remain owned by such shareholders; and (iii) 44,560 shares, 93,649 shares, 420 shares, and 400 shares owned by Robert Hersh, Nathan Katz, Dean Rappaport, and Mr. Sasnett, respectively, all of whom are former executives of the Company, all of which shares Sun Catalina has the power to vote pursuant to irrevocable proxies. Except as to such shared voting power, Sun Catalina, Partners LP, Advisors, Partners LLC, and Messrs. Leder and Krouse disclaim beneficial ownership of these shares.

- (6) Includes 250 shares purchasable through the exercise of options, which are immediately exercisable.
- (7) The group consists of the 10 current directors (including Mr. Varakian) and Stephen G. Marble, who became our chief financial officer in November 2002.
- (8) Consists of (i) 3,615,731 shares over which Messrs. Leder and Krouse have shared voting and investment power; (ii) 2,000 shares owned by Mr. Rea; and (iii) 2,750 shares purchasable through the exercise of options, which are immediately exercisable.

Other Beneficial Owners

The following table sets forth information with respect to each other shareholder known to us to be the beneficial owner of more than 5% of the outstanding Common Stock as of January 15, 2003:

Name and Address of Beneficial Owner	Beneficial Ownership of Common Stock	
	Number of Shares	Percentage Outstanding(1)
Sun Catalina Holdings, LLC c/o Sun Capital Partners, Inc. 5200 Town Center Circle, Suite 470 Boca Raton, Florida 33486	3,615,731(2)	70.4%
Sun Capital Partners II, LP c/o Sun Capital Partners, Inc. 5200 Town Center Circle, Suite 470 Boca Raton, Florida 33486	3,615,731(2)	70.4%
Sun Capital Advisors II, LP. c/o Sun Capital Partners, Inc. 5200 Town Center Circle, Suite 470 Boca Raton, Florida 33486	3,615,731(2)	70.4%
Sun Capital Partners, LLC c/o Sun Capital Partners, Inc. 5200 Town Center Circle, Suite 470 Boca Raton, Florida 33486	3,615,731(2)	70.4%
SunTrust Banks, Inc. 303 Peachtree Street NE, 25th Floor Atlanta, Georgia 30308	543,397(3)	11.7%

- (1) Based on 4,286,123 shares outstanding as of January 15, 2003.
- (2) Please see Note 5 to the table above.
- (3) Includes 358,554 shares issuable pursuant to an immediately-exercisable warrant.

Compensation Committee Interlocks and Insider Participation

During Fiscal 2002, Messrs. Calhoun, Rea, and Terry served on our Compensation and Stock Option Committee. Both Mr. Calhoun and Mr. Terry are Vice Presidents of the Company. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or our Compensation and Stock Option Committee.

Compensation of Directors

We reimburse our directors for travel and lodging expenses in connection with attendance at board and committee meetings. All of our directors are eligible to receive options under our Stock Incentive Plan.

In each of October 2002 and November 2002, we granted options to purchase 2,500 shares of Common Stock (5,000 total) to each of our directors in consideration for their continuing board service; in the case of Mr. Varakian, who joined the Board in November 2002, all 5,000 of his options were granted in November. The exercise price of all such options is the fair market value on the date of grant. These options vest over a four-year period.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who own more than 10% of a registered class of our equity securities to file with the SEC reports of ownership and reports of changes in ownership of the Common Stock and our other equity securities. These persons are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. We believe that all of our directors and executive officers complied with these filing requirements in Fiscal 2002.

Compensation of Executive Officers

The following table sets forth the compensation received for services rendered to us by: (i) the individual who served as our chief executive officer as of the end of Fiscal 2002; (ii) the individual who served as our chief financial officer as of the end of Fiscal 2002; (iii) the individual who served as our chief financial officer during a portion of Fiscal 2002; and (iv) our controller as of the end of Fiscal 2002 (who is now our chief financial officer).

On April 8, 2002, we effected a one-for-five reverse stock split. All information related to stock options has been restated retroactively.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation Awards	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Underlying Options (#)	
Eric Bescoby (1) <i>Former Chief Executive Officer</i>	2002	225,000	263,250		101,000 (2)	519 (3)
	2001	38,219	28,125			
	2000					
Lynn Skillen (4) <i>Former Chief Financial Officer</i>	2002	103,333	90,694	60,908 (5)	25,000 (6)	
	2001					
	2000					
David W. Sasnett (7) <i>Former Senior Vice President and Chief Financial Officer</i>	2002	161,000 (8)				96,732 (9)
	2001	208,110	10,000		66,923 (10)	26,733 (11)
	2000	190,000	20,000		3,000	3,200 (3)
Stephen G. Marble (12) <i>Chief Financial Officer and former Controller</i>	2002	90,625	4,876		3,000	
	2001					
	2000					

- (1) Mr. Bescoby became our chief executive officer on July 31, 2001, and resigned from that position effective as of November 25, 2002.
- (2) Includes options to purchase 1,000 shares of Common Stock granted to Mr. Bescoby in connection with his service on our Board. Upon Mr. Bescoby's resignation, vesting ceased with respect to 50,000 of his unvested options.
- (3) Represents a matching contribution to our 401(k) plan.
- (4) Mr. Skillen became our chief financial officer on February 12, 2002, and resigned from that position effective as of November 1, 2002.
- (5) Represents the payment of relocation expenses.
- (6) Upon Mr. Skillen's resignation, vesting ceased with respect to 12,500 of his unvested options.
- (7) Mr. Sasnett resigned as an executive officer of the Company effective as of February 12, 2002.
- (8) Mr. Sasnett's salary was paid pursuant to an Employment Agreement dated July 23, 2001, which provided for a base annual salary of \$200,000.
- (9) Consists of: (i) a matching contribution to our 401(k) plan in the amount of \$3,400; and (ii) \$93,332 paid in quarterly installments during Fiscal 2002, representing four of twelve equal payments to be paid quarterly pursuant to the Termination Agreement and Release we entered into with Mr. Sasnett in July 2001, which provided for the termination of Mr. Sasnett's employment agreement dated October 1, 2000, as amended, in exchange for our payment to Mr. Sasnett of an aggregate of \$280,000 payable in quarterly installments over three years and for our issuance to Mr. Sasnett of options to purchase 36,923 shares of Common Stock at \$5.90 per share.
- (10) Includes the options to purchase 36,923 shares of Common Stock referred to in Note 9 above.
- (11) Consists of: (i) a matching contribution to our 401(k) plan in the amount of \$3,400; and (ii) \$23,333 paid on September 1, 2001, representing the first of 12 equal payments to be paid quarterly pursuant to Mr. Sasnett's Termination Agreement and Release.
- (12) Mr. Marble became our controller in December 2001. Effective as of November 1, 2002, he became our chief financial officer.

Option Grants

The following table sets forth certain information regarding options granted during Fiscal 2002 to the individuals named in the Summary Compensation Table. No stock appreciation rights were granted during Fiscal 2002.

Option Grants During Fiscal 2002

Name (1)	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year 2002 (2)	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Appreciation for Option Term (3)	
					5%	10%
Eric Bescoby	1,000(4)	0.4%	\$ 1.90	11/12/11	\$ 1,195	\$ 3,028
	20,000(5)	8.0%	\$ 15.00	11/12/11		
	20,000(5)	8.0%	\$ 25.00	11/12/11		
	60,000(5)	23.9%	\$ 1.90	11/12/11		
Lynn Skillen	5,000(6)	2.0%	\$ 15.00	2/1/12	\$ 38,677	\$ 98,015
	5,000(6)	2.0%	\$ 25.00	2/1/12		
	15,000(6)	6.0%	\$ 4.10	2/1/12		
David W. Sasnett						
Stephen G. Marble	3,000	1.2%	\$ 1.75	12/10/11	\$ 3,302	\$ 8,367

(1)